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MID-STATES CAPITAL
A Private Placement and Business Brokerage Firm
Newsletter

Dear Joseph,

We hope business is going well as we enter the Fall season. In this month's newsletter, we explain the difference between a CFO and Controller, and discuss current market conditions for Senior Debt. Please contact us if you have any questions regarding this month's articles, or if you would like to discuss financing needs of your business. We would be happy to speak with you!

Best Regards,

Mid-States Capital

Current Market Rates

1 Month LIBOR - .21	6 Month LIBOR - .55
3 Month LIBOR - .32	1 Year LIBOR - .88

WSJ Prime - 3.25
Federal Discount Rate - .75

(These rates as of October 30, 2012 according to www.bankrate.com)

CFO or Controller?

How do the responsibilities of a Controller and a Chief Financial Officer (CFO) differ within an organization? The roles of each can vary from business to business, but they are quite different in nature.

The Controller operates as the head of the accounting department(s), where their responsibility is to maintain the books and records while safeguarding the assets. The Controller will manage month-end closing and daily transaction activity, such as Accounts Payable, Bank Statement Reconciliations, Invoicing, Payroll, prepare Management and Financial reports, maintain internal controls, and coordinate completion of the Annual Operating Budget, among other things. Both General Ledger Accounting and Cost Accounting report to the Controller. The majority of their time is spent working with current and historical performance. This differs from the role of the CFO who provides more oversight and leadership in planning and policy setting.

The CFO oversees all financial departments and has a primary focus on the future. By developing standards, procedures, and strategies, the CFO guides the business in the right direction. The CFO tends to spend more time on financial planning, risk management, and treasury functions such as cash management and capital structure, and must understand past financial performance in order to determine the necessary financial measures, and strategies that are needed to improve future performance.

Many smaller companies do not have the financial means or the need to operate with a full-time CFO, but could benefit greatly from the services of a part-time CFO or temporary CFO to assist with immediate issues. A temporary CFO can help a business implement new financial strategies, mitigate risk, improve reporting systems, and improve the existing capital structure.

Whether your business needs to improve profitability, downsize, or needs pre or post-closing assistance with a merger or acquisition, a temporary CFO can provide the knowledge and skills necessary for success. If you would like to discuss our temporary CFO Services in more detail, please contact us today.

Senior Debt Market Overview

Senior debt lenders, commercial banks, asset based lenders, and fund managers continue to seek new customers. There is intense competition for the business of better customers. Today's most aggressive senior debt lenders differ from those of just a few years ago. Asset based lenders and the locally owned community banks are a growing force in the market.

Many loans for smaller middle market businesses, those with sales under $50,000,000, are being funded by banks using the many and evolving Small Business Administration programs and more recently, those supported by the various State Economic Development Corporations.

Commercial lenders are still moving quickly to identify problem credits, and to encourage them to find a new funding source. We are locating funding for businesses that were shut out of the loan market just a year or two ago. If a company has collateral or earnings, or both, there is someone willing to finance them. Many formerly bankable companies can readily find a home with finance companies and factors that offer a wide variety of products, and are very responsive to the market need. The end result is that many smaller businesses are finding there is funding available, but that they must pay a higher cost for money.

Mega Banks and Regional Banks remain as the principal source of funding for middle market businesses. The Community Banks continue to grow in importance as sources of financing for smaller companies. We consider them sources of funding for loans of up to $10,000,000. It was just a few short years ago, that they were limited to $2,000,000. We routinely include them in our Client credit offerings for loans that are in their geographic area of interest.

We are locating funding for International borrowers. There is a growing demand for funding for the subsidiaries of US companies in Mexico and Central America. It is difficult to locate such funding on terms that are acceptable to US borrowers. The unsettled economic conditions in Europe have made financing a challenge for businesses attempting to enter or expand in these markets.

Improved Corporate Balance Sheets are beginning to trigger spending on capital goods and acquisitions. Automotive vendors especially are challenged to meet demand without additions to plant and equipment. Management must decide whether it is worth the risk with the OEMs again asking for price concessions.

Equipment and commercial real estate Appraisals show improvement over a year ago, which is allowing us to close financings that could not be done a year ago.

The situation is fluid, and we have recently seen evidence of a major lender tightening credit standards. When you consider how difficult it was for many businesses to locate financing just 12 or 18 months ago, and the ease with which we can do so today, you realize that the "cycle" from tight money to easy money has shortened considerably. Can it go the other way just as quickly?

What do you think conditions will be like a year from now?

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Sincerely,

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