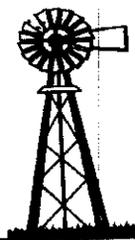


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Member Mid-States Distributing, Inc.

Mr. Vern Buchanan, Chairman
Small Business/Pass Throughs Tax Reform Working Group
U.S. House of Representatives Ways and Means Committee
Washington, DC

Re: Opposition to Repeal of LIFO being considered as part of Tax Reform in 2013

Dear Chairman Buchanan:

Our company opposes any effort to repeal the last-in, first-out (LIFO) inventory method as part of any legislation to address the U.S. deficit and/or tax reform.

LIFO is NOT a "tax expenditure" or "tax preference" – it is an inventory accounting method that has been in the tax code for 70 years, which my company has used for approximately 20 years to calculate our income.

Repeal of LIFO would be an unprecedented retroactive tax increase – repeal would require my company to recalculate our income for all the years we have used LIFO and pay back to the government the tax savings we accrued by using LIFO. It would be the same as repealing accelerated depreciation or the home mortgage interest deduction and requiring taxpayers to pay back the tax savings they properly and legally accrued using those tax provisions.

LIFO allows our company to most closely match the cost of goods sold with the cost of replacement inventory – just as first-in, first-out (FIFO) does for the companies which use that method – and if we do not have the capital to buy replacement inventory, we cannot stay in business.

At the end of 2012 we had 59 stores in seven states which we plan to grow to 100 stores in eight states within the next four years. These 59 stores make up 55 different Sub-Chapter S Companies. If LIFO is repealed it would cause us to recognize an additional \$18,700,000 in income. We are currently adding 40+ jobs for each store that we add. This growth would immediately have to stop and thus it would keep us from adding over 1,600 jobs in the next four years. This does not begin to measure the negative economic impact of the buildings we lease remaining vacant and the additional jobs that are provided by our suppliers as they increase positions to support our growth.

A decision to repeal LIFO would do great harm to a growing business that is creating jobs each time it grows.

Sincerely,

A handwritten signature in black ink, appearing to read "Don W. Davis". The signature is fluid and cursive, with a long horizontal stroke at the end.

Don W. Davis
CFO