

Commerce Street Capital Shares Reasons Banks Invest in SBICs

DALLAS (March 28, 2012) — Trending community bank topics and issues were presented at the 10th Annual Commerce Street Capital, LLC (“CSC”) Bank Conference held on March 28, 2012, at the Four Seasons Resort and Club in Las Colinas, Texas. More than 200 executive-level community bankers gathered for the event. One of the topics included a look at the reasons why a bank would want to invest in the Small Business Investment Company (“SBIC”) program of the U.S. Small Business Administration (“SBA”).

According to the SBA website, “The mission of the SBIC program is to improve and stimulate the national economy and small businesses by stimulating and supplementing the flow of private equity capital and long term loan funds for the sound financing, growth, expansion and modernization of small business operations while insuring the maximum participation of private financing sources.”

“The SBIC program has a long and successful track record of providing growth capital to small businesses and helping the economy in its recovery and creating jobs,” stated Eric Rosiak, Managing Director of CSC who has worked with four SBICs. “At the same time, an SBIC fund also provides significant benefits to banks and the communities they serve at a time when loan demand is down and banks are looking for ways to boost earnings.”

CSC has helped more than 100 community banks receive education to solidify their commitment to investing in its related SBICs. Additionally, two members of Commerce Street Holdings, LLC (parent company of CSC) — Vice Chairman Jim Gardner and Executive Vice President Bobby Hashaway — have experience serving as directors of SBIC funds.

As with any investment decision, careful examination needs to take place, and having an experienced advisor on your side can be beneficial. Rosiak offered six areas for community bankers to consider when evaluating an SBIC as an investment:

- **Target market:** Does the fund include the bank’s assessment areas in its target market? Is there an opportunity to provide banking services to portfolio companies?
- **Management:** Who is on the investment committee? How long have they worked together? How much is the team investing personally?
- **Track record:** Is performance acceptable for risk? Can the investment managers replicate the returns?
- **Process:** How are investment opportunities sourced? What is the process for investment decisions?
- **Monitoring:** Is the fund staffed to deal with problems? How have the investment managers handled investments that did not perform? What type of reporting can investors expect?
- **Legal:** Understand the terms of the fund. Review the private placement memorandum, limited partnership agreement, subscription agreement and past audits.

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About Commerce Street Capital

Commerce Street Capital, LLC ("CSC") is a private investment banking firm headquartered in Dallas, Texas. Led by veterans of the banking industry, CSC specializes in mergers and acquisitions, valuations, regulatory issue advising, on-site consulting and capital raising, as well as private placement of capital for SBICs and general corporate finance. The firm provides tailored solutions for all or part of a financial institution's business lifecycle. For more information, visit www.commercestreetcapital.com or call 214-545-6800. Commerce Street Capital is a member of FINRA/SIPC.

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