Issue No. 1

In This Issue

Newsletter, New Web Site Launched

January 2010 marks the first-year anniversary of the re-launch of MDI Investments, Inc., a firm initially formed in 1994. During the past year, I have worked with many of you on important community bank financing projects. And while we all know that it's a difficult time for banking, I am convinced that today's turbulence also presents a key opportunity. I am initiating this newsletter as a way to keep in touch with you and explore topics that should be of interest.

I also am pleased to announce that MDI Investments has launched a fresh corporate identity and eye-catching web site. As part of our new corporate identity, we have rolled out

Today's M&A Market - Only FDIC-Assisted, Please

In today's banking climate, the vast majority of M&A deals getting done are those receiving assistance from the Federal Deposit Insurance Corporation (FDIC). And why not? The FDIC is offering a generous loss-sharing agreement. Unlike what happened during the thrift crisis in the 1980s when the Resolution Trust Corp. (RTC) sold off assets and deposits, this time the FDIC is selling the failed institution outright. As enticement to buyers, the FDIC will absorb up to 80 percent of losses in the loan portfolio. That means the government writes a check when the transaction closes. Plus, many construction and development loans are being valued at between 10 and 20 cents on the dollar. So the bank, under new ownership, often can book a gain on day one of the transaction.

Who Can Participate?

Not everyone. The regulators are picky. Successful buyers must demonstrate evidence of four key skills. One, the acquiring team must show substantial bench strength for managing debt in difficult economies, and have solid track records with Camel 1 or Camel 2 rated banks. Two, the team needs a prudent plan that can be executed quickly. Three, the acquiring institution should be well capitalized, make that over capitalized. And four, management must have access to more capital. The FDIC needs to feel confident that the acquiring institution knows how to integrate operations in a changing corporate structure and has a low "execution risk." Bottom line: regulators don't want to end up with another problem bank within the next two or three years.

How Community Banks Can Set the Stage for a Prosperous Future

In 2009, 133 banks failed. Unfortunately, the financial crisis is not over, and hundreds a new logo and a tagline called, "Guidance for Community Bank Growth, Personally Structured." Our new branding reinforces our value proposition that we are committed to partnering with our clients as a trusted advisor, delivering tailored solutions for an exceptional value. As many of you already know, delivering advisory, corporate finance and capital initiatives for community banks is our passion and core competency. We are independent of any potential conflicts stemming from other banking or financing work.

Our company is small by design so each client can be serviced at levels that produce long-term client relationships and superior client satisfaction. We hope you'll visit www.mdiinvestments.com soon to learn more about us. We take a comprehensive and proactive approach to helping community banks build their business - in good times and in turbulent times.

Should you have any questions or comments, please feel free to contact me at any time.

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more could fail during the next two years. But 75 percent of community banks are healthy, and they can prosper in 2010. To do so, they must start lending. We are in an unprecedented time of access to cheap money. If a bank can't make money in this climate with a five percent net interest margin with fees, then I am not sure when they can. It's more attractive to lend now than when competition for loans was cutthroat and loan-to-value ratios were dramatically higher in 2005-2007. If banks stick with high underwriting standards, they should be able to lend with greater confidence now than just a few years ago.

Capital Available for Publicly Traded Banks via Private Placement Fund

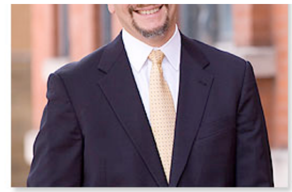
I am pleased to introduce to you a company called Tangent Capital Partners, LLC, which was founded in 2004 by Jim Peet and Bob Rice to provide strategic insight and financing solutions to select middle market companies.

Tangent Capital is exclusively offering, for a limited time, a private placement fund dedicated to invest in publicly traded banks meeting certain market capitalization requirements and daily trading volumes. The fund is a pooled investment limited liability company managed by STEP™ Advantage Management, LLC (the manager). The fund is not a registered investment company and is not open to the general public. Please contact me if you are interested in learning more about Tangent Capital and STEP. The information above is intended for informational purposes only and is not intended, nor should it be construed, as a recommendation, investment advice, an offer to sell or buy or a solicitation by Tangent Capital Partners, LLC, the fund, the manager or any of their employees.

MDI Investments, Inc. is affiliated with and clears securities through Tangent Capital Partners, LLC, a registered broker-dealer and member, FDIC and SIPC.

American Banker Interviews Michael Iannaccone

Michael Iannaccone is frequently quoted in the *American Banker*. Here are quotes from two recent articles. To view the full articles, go to



www.mdiinvestments.com and click on the Market Insights page. If you are a subscriber to the *American Banker*, you can access the articles directly. If you are not a subscriber, you can register for free to access the articles.

American Banker Wednesday, January 6, 2010

Amcore Says
Capital Ratios Are Looking Up

Chicago-based reporter Robert Barba writes about Amcore Financial, a Rockford, IL-based company, regarding the bank's strategy of selling branches.
Michael Iannaccone, president of MDI Investments, said:

> "It really is a race to the finish. They appear to be doing everything they can to survive, hoping that it buys them enough time to work out the problems."

American Banker Tuesday, December 15, 2009

Find Capital Scarce? Feeling's Mutual

Chicago-based reporter Robert Barba analyzes how mutually owned thrifts are raising capital and focuses on the case of Chicago-based Lincoln Park Savings Bank. Michael Iannaccone, president of MDI Investments, said:

> "At least as a privately held company, you have a group - no matter how small it is - to go to should you need capital. But as a mutual, your arms are kind of tied as to what you can do." A merger with another mutual is the most plausible scenario for Lincoln Park, Iannaccone said. He estimated that more than 200 mutuals across the country would be large enough to absorb Lincoln Park, and nine of those are in Illinois.

For more information, contact MDI Investments, Inc.

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