



MidSouth Bancorp, Inc.

March 6, 2009
Special Inspector General
TARP
1500 Pennsylvania Ave., NW Suite 1064
Washington, D.C. 20220

1.) MidSouth Bank's plan is to use its \$20 million in CPP/TARP funding as it was intended, in the form of loans in its communities throughout Texas and Louisiana.

MidSouth Bank, like the vast majority of community banks, did not engage in the subprime lending practices that are at the heart of the current crisis. As a result, MidSouth is healthy and well-capitalized, and is in a strong position to help the economy recover. When MidSouth accepted \$20 million in CPP funds in early January, we viewed the government's investment as a public-private partnership to promote lending to stimulate the economy. We began to actively promote the availability of \$250 million in loan opportunities to small businesses and community leaders through Town Hall-style meetings in 14 communities in south Louisiana and southeast Texas from the end of January through February 19. We drove the message that the bank is safe, sound and ready to fund loan requests to qualified borrowers. We focused on small businesses because they drive the economy and create new jobs in our communities. (See attached press releases and links to numerous local and national media stories generated from this effort to promote lending.)

In addition to the general business community, we are also reaching out to the minority business community, through town hall meetings planned with the Black Chambers of Commerce of Baton Rouge and Southwest Louisiana and the 100 Black Men group.

We also have a billboard, TV, radio and print media campaign under way throughout our markets aimed at promoting loans to small businesses and the general public. (See attached print ad sample.)

While attendance at these meetings has been good, there seems to be reluctance among audience members to take on significant amounts of new debt. This is true despite small business loan rates at least two percentage points lower than a year ago. The reluctance of borrowers is probably due to the drop in the price of oil, which is an important driver for the economies of southwest Louisiana and southeast Texas, and unease about the general economy. Given the state of the economy and a tough regulatory environment, it is harder for community banks to find creditworthy borrowers.

Despite the challenging lending environment, we believe that our outreach efforts have paid off. Our level of lending, for consumers and businesses, remains about the same as this time last year. We believe this is quite an accomplishment in the midst of a serious national—and indeed global—recession. Since receiving the CPP infusion in January, we have made approximately \$13 million in new consumer and commercial loans and \$7 million in mortgages. We are especially proud of two new small business loans made

since MidSouth received the CPP funds. These loans to two small oil service businesses will create 50 new jobs in south Louisiana and Texas. As MidSouth Bank has shown, community banks have the know-how and desire to use the CPP to support economic recovery in communities throughout the nation.

MidSouth experienced \$29.5 million net growth in loans during the 4th quarter of 2008

(b) (4)

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Currently, the loan “pipeline” reflects anticipated funding within the next 60 days of approximately \$12 million.

In other community outreach efforts, MidSouth Bank has invested more than \$2 million with the Senior Housing Crime Prevention Foundation to help prevent the abuse and exploitation of the elderly in nursing facilities throughout Louisiana. In addition, MidSouth Bank continues its strong partnerships with Southern Mutual Financial Services and Habitat for Humanity to support affordable housing in local communities. MidSouth Bank is a strong supporter of the United Way, as well as other local charitable organizations and continues to seek out ways it can team with other organizations, such as 100 Black Men and other socially active groups, in order to more fully meet the needs of the communities it serves.

We think it is important to note that if the government changes its agreement with MidSouth Bank by adding new burdensome conditions, MidSouth will have to reevaluate its continued participation in the CPP. It would be a shame if new burdensome conditions forced MidSouth to withdraw from the program because MidSouth has proven itself to be a responsible partner in the effort to revitalize the economy. (See attached pdf “Rusty Cloutier DC testimony” from our CEO’s March 4 appearance before the House Subcommittee on Financial Institutions and Consumer Credit.)

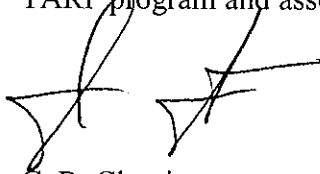
2. MidSouth Bank does not engage in the compensation practices found at some of the larger TARP recipients, which have understandably created a public furor. We are frustrated at being tarred with the same brush as these larger institutions. We believe that compensation restrictions and new corporate governance regulations should be focused on the larger TARP recipients that have undermined public confidence in Treasury’s recovery efforts.

Each January, executive officers of MidSouth Bank are evaluated for a possible increase in compensation. At this time, no increases in compensation have been granted—with no final decisions made. The Risk Committee has reviewed the senior executive officer (as defined in U.S. Treasury regulations) compensation arrangements and has made reasonable efforts to ensure that such arrangements do not encourage SEOs to take unnecessary and excessive risks that threaten the value of MidSouth Bancorp, Inc. The nature of the senior executive compensation arrangements reviewed, including compensation connected with stock performance and the employee stock ownership

program contributions, appear reasonably tied with the positive long-term performance and value of the company. It also appears that none of the compensation aggregates reviewed is close to the deduction limit, for federal income tax purposes, for compensation for covered CEOs.

I certify that the above statements, representations and attached supporting information are accurate, subject to the requirements and penalties set forth in Title 18, United States Code, Section 1001.

Should you need any additional information in your effort to provide transparency in the TARP program and assess its effectiveness, please do not hesitate to contact us.

A handwritten signature in black ink, appearing to read 'C. R. Cloutier', with a stylized flourish extending to the right.

C. R. Cloutier
President and CEO
MidSouth Bancorp, Inc.

Lending in the New Economy.
Town Hall Meeting 6PM to 7PM
Free & open to public

Jan 28 – 102 Versailles Blvd – Lafayette
Jan 29 – 728 Berard St. – Breaux Bridge

One

thing we promise you.



MidSouth Bank is committed to our customers and the strength of the local economy with over \$250 million dollars available to lend.

When you've been in business for almost 25 years, you find that success comes from people and strength comes in numbers. That's why MidSouth Bank remains dedicated to providing loans that allow our business and personal customers to achieve their dreams. It's a promise that you can bank on. We take pride in understanding and anticipating your needs because at the end of the day we're not just business associates; we're neighbors. With over \$90 million in new loans provided over the past 90 days, discover how our customers are finding strength in the numbers of MidSouth Bank.



www.midsouthbank.com

337-237-8343





36 Sixty Reasons

There are plenty of reasons to call 36 Sixty home. One, its perfect inner-loop location; two, its resort style living; and three, its ultra modern mid-rise architecture. We added a beautiful, simple, curiously cantilevered entry canopy and sign. If you're looking to stand out, count on National Signs.

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what
kind
of
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can
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for
you?



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CITYBEAT

FROM PAGE 1

Circuit City officials could not be reached for comment.

Mary Ann Azevedo

Start spreading the news, bank has money to lend

Like an auto shop announcing cars are still being repaired, MidSouth Bancorp Inc. issued a late December press release assuring that the regional bank is actually lending money.

MidSouth CEO Rusty Cloutier says the decision to write the release was prompted by prevailing perceptions.

Cloutier believes community banks are taking a bad rap by being lumped in with the fast-and-loose behavior of the major Wall Street investment banks that led the nation into recession.

MidSouth, with \$916 million worth of assets and four of 27 branch offices in the Houston region, intends to set up townhall-style, meet-and-greets with customers, elected officials and, better yet, prospective customers to spread the word the bank has money to lend.

"With the megabanks in such trouble and every time you turn on the TV and it says banks aren't lending, well, we need to let people know we are," Cloutier says. "It's not normally something you would stand up and say, but these are unusual times."

Public relations gestures aside, Cloutier says MidSouth has the numbers to support the bank's claims after closing \$95.8 million worth of new commercial and consumer loans during the final three months of 2008 for its best quarterly total of the year.

Cloutier says he wants to put more money to work in the Houston region, where he says MidSouth has seen its highest percentage increase in new loans this year.

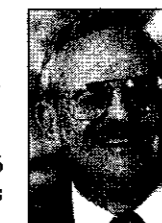
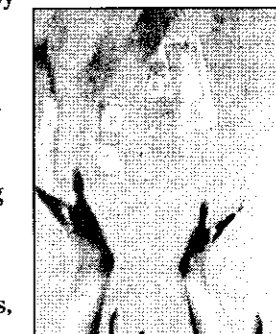
MidSouth, based in Lafayette, La., has been approved to receive \$20 million through the U.S. Treasury's capital purchase program, part of the taxpayer-funded Troubled Asset Relief Program, or TARP. Cloutier says that

the publicly traded bank will refrain from stashing away the cash and will put the money to work once the transaction closes, likely by mid-January.

MidSouth is weathering the downturn like other community banks, reporting an increase in nonperforming loans through the first nine months of 2008 and a 35 percent drop in net income, down to \$4.5 million compared to \$6.8 million for the year-earlier period.

Still, like other well-heeled banks that have accepted TARP funds, Cloutier says he wouldn't turn up his nose at a possible rural bank or thrift acquisition, particularly in the highly prized market just north of Houston over to College Station.

Greg Barr

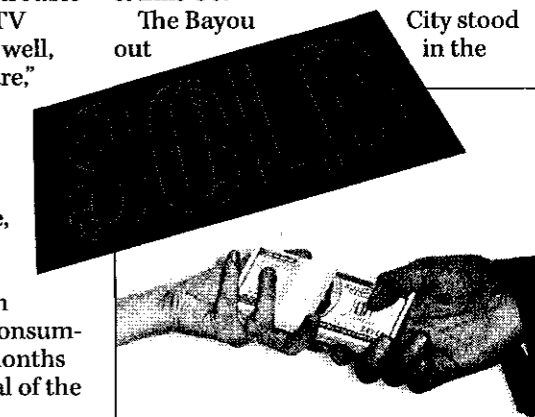


Cloutier

Grass still relatively greener in local real estate pastures

Houston's real estate market continues to be considered as a comparative land of opportunity in the "2009 Global Real Estate Forecast" issued by Grubb & Ellis Co.

The Bayou City stood in the



Grubb & Ellis Investment Opportunity Monitor, which identifies U.S. markets as the most likely targets for real estate investors over the next five years. Markets were ranked on a scale from zero to 100 using more than a couple of dozen property, economic and demographic variables.

Texas markets fared well for investment in most real estate sectors

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**MidSouth
Bank**

www.midsouthbank.com

337-237-8343



Jan. 17, 2009

For Immediate Release

Contact: Rusty Cloutier, MidSouth Bank President and CEO, 337-962-9900

Alex Calicchia, Chief Marketing Officer, 337-593-3008

MidSouth Bank announces Town Hall schedule

LAFAYETTE, LA. -- MidSouth Bancorp Inc., the parent company of MidSouth Bank, has announced the schedule for its series of Town Hall-style gatherings throughout the bank's markets in Louisiana and Texas, beginning with the Monday, Jan. 26, meeting in Baton Rouge.

The meetings, which are free and open to the public, are from 6 p.m. to 7 p.m. MidSouth Bank's intent is to let small businesses know the bank is well-capitalized and proactively lending in order to stimulate the economy. Elected officials and community leaders have also been invited to the meetings. The meetings are as follows:

Baton Rouge	Jan. 26, 2009	6919 Corporate Blvd.
Lafayette	Jan. 28, 2009	102 Versailles Blvd.
Breaux Bridge	Jan. 29, 2009	728 Berard St.
College Station	Feb. 2, 2009	1912 Texas Ave. South
Conroe	Feb. 3, 2009	2101 N. Loop 336 West
Houston	Feb. 4, 2009	2930 W. Sam Houston Pkwy. N., Ste. 150
Beaumont	Feb. 5, 2009	555 N. Dowlen Road
Opelousas	Feb. 9, 2009	930 S. Union St.
New Iberia	Feb. 10, 2009	2309 Old Jeanerette Road
Lake Charles	Feb. 12, 2009	813 Lake Shore Drive
Cut Off	Feb. 16, 2009	13924 W. Main St.
Houma	Feb. 17, 2009	1214 St. Charles St.
Morgan City	Feb. 18, 2009	1015 Brashear Ave.
Jennings	Feb. 19, 2009	1110 N. Main St.

"We're conducting these Town Hall meetings because we're in the business of lending money, and we want to deliver that message," MidSouth Bank President and CEO Rusty Cloutier said. "We recognize that small business is what drives our economy, and we will do everything in our power to encourage and support economic expansion in every market we serve."

MidSouth Bank recently announced that it sold \$20 million worth of its preferred stock to the U.S. Department of the Treasury in association with the Capital Purchase Program.

About MidSouth Bancorp, Inc.

MidSouth Bancorp, Inc. is a bank holding company headquartered in Lafayette, La., with total assets of \$916.5 million as of Sept. 30, 2008. Through its wholly-owned bank subsidiary, MidSouth Bank, N.A., the Company offers complete banking services to

commercial and retail customers in south Louisiana and southeast Texas. It has 34 locations in Louisiana and Texas and more than 170 ATMs. The group is community oriented and focuses primarily on offering commercial and consumer loan and deposit services to individuals, and small and middle market businesses.

Established in 1985, MidSouth Bank has 27 offices extending along the Interstate 10 corridor in south Louisiana located in Lafayette (9), Baton Rouge (3), New Iberia (3), Lake Charles (2), Sulphur, Jeanerette, Jennings, Thibodaux, Larose, Opelousas, Breaux Bridge, Cecilia, Morgan City and Houma. Additionally, the Company has seven full-service offices in the southeast region of Texas, including Houston, Beaumont (3), Vidor, College Station and Conroe. It also has a mortgage loan center in Conroe.

Feb. 16, 2009

For Immediate Release

Contact: Rusty Cloutier, MidSouth Bank President and CEO, 337-962-9900

Alex Calicchia, Chief Marketing Officer, 337-593-3008

MidSouth Bank's CEO tells Bloomberg Feds need to break up big banks

LAFAYETTE, LA. – Invited to Washington, D.C., last week to speak on behalf of community banks, MidSouth Bank President and CEO Rusty Cloutier got the opportunity to tell the nation what he thinks the Treasury can do to begin addressing the nation's financial problems.

While in the nation's capital, the bank president was also asked to appear on Bloomberg Television for a live segment that aired Thursday, Feb. 12. "There are two things you learn in the banking business very early," Cloutier told Bloomberg's Kathleen Hays. "Concentration is a bad thing, and the second thing is the cheapest way to handle a problem is to deal with it very quickly. And it appears the Treasury Department is having a real problem dealing with the concentration of the miserable eight that was in Washington [Feb. 11]."

Cloutier noted Treasury's unwillingness to start breaking up the troubled banks, which he believes is the best low-cost solution to the financial crisis that has devastated the country. He said those deteriorating major banks today control 60 to 64 percent of the country's assets. "Continuing to pump money into them is not going to be the answer," he said. "Being able to move forward in breaking off some of these operational units and selling them off into the open market will help cause competition and bring back the banking industry," he added. The community banker went on to stress that investors like Warren Buffet might be very interested in putting private money into the industry to start rebuilding the banking system. "And then let those banks go ahead and do their international business and slowly get them back," he said.

Cloutier compared today's situation to what happened in Louisiana and Texas in the early 1980s, when Hibernia Corp. of New Orleans was forced to sell off assets in Texas. After making a strong comeback, the banking group became part of Capital One several years ago.

"The money is going to sit on the sidelines until they announce they're going to do something with these [big banks]," Cloutier said. "Nobody is going to put fresh capital into the banking business when your major competitor is going to be continuously bailed out by the United States government with more and more money."

Cloutier told Bloomberg that MidSouth Bank sold \$20 million worth of its preferred stock to the Treasury in association with the Capital Purchase Program, which was designed for healthy banks. However, the former chairman of the Independent Community Bankers of America also told the business and financial news network that many community banks like his are now considering giving back their TARP money. Additionally, other community banks that were supposed to receive funds are now saying they won't take them.

Believing the backbone of the nation's small business is its thousands of community banks, Cloutier told Bloomberg the solution to the crisis is rooted in those

banks. “If they don’t have the community bankers to be available to start buying some of these assets they’re really going to be in trouble,” he warned.

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Jan. 26, 2009

For Immediate Release

Contact: Rusty Cloutier, MidSouth Bank President and CEO, 337-962-9900

Alex Calicchia, Chief Marketing Officer, 337-593-3008

MidSouth Bank Holds First Town Hall-style Meeting

LAFAYETTE, LA. On Jan. 26 in Baton Rouge, MidSouth Bank held its first Town Hall-style meeting, a key initiative of the Lafayette-based bank's proactive lending program designed to spur investment and expansion in its Texas and Louisiana markets. The Baton Rouge gathering launched the series, which is taking place throughout the two-state region through Feb. 19. The meetings, which are free and open to the public, are from 6 p.m. to 7 p.m.

MidSouth Bank's intent is to let small businesses know the bank is well-capitalized and proactively lending in order to stimulate the economy. Elected officials and community leaders have also been invited to the meetings.

"We're conducting these Town Hall meetings because we're in the business of lending money, and we want to deliver that message," MidSouth Bank President and CEO Rusty Cloutier said. "We recognize that small business is what drives our economy, and we will do everything in our power to encourage and support economic expansion in every market we serve."

The first step of the program began in early December. At that time, MidSouth Bancorp's Board of Directors urged the bank's lending team to begin a dialogue with a group of small business owners and elected officials to seek out potential economic sectors ripe for expansion. MidSouth Bank's lenders have since identified customers in need of financing to ensure continued prosperity in a down market and are working to help them access that capital.

"In the last 90 days, we have closed almost \$100 million in commercial and consumer loans, and our pipeline of applications is exceptionally stout," the bank president said. "We are well-capitalized and ready to deploy that capital," he added.

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Feb. 20, 2009

For Immediate Release

Contact: Rusty Cloutier, MidSouth Bank President and CEO, 337-962-9900

Alex Calicchia, Chief Marketing Officer, 337-593-3008

MidSouth Bank Weighing Options on TARP Funds

LAFAYETTE, LA. – When MidSouth Bank elected to sell \$20 million worth of its preferred stock to the U.S. Treasury in association with the Capital Purchase Program, the bank’s management and board of directors believed they were entering into a public-private partnership with the federal government. Unlike the original Troubled Asset Relief Program funds, designed to bail out failing big banks, these TARP-related funds were for healthy community banks like MidSouth.

Convinced the money could be put to good use in the form of loans throughout its communities in Louisiana and Texas, the bank proactively launched a series of town hall-style meetings to get the word out to the business community that it was lending money to help stimulate the economy. The 14-meeting series concluded Thursday, Feb. 19, amid potential changes to the Capital Purchase Program that now have MidSouth Bank and numerous others that accepted the TARP funds wondering if they should return the money.

“We thought by accepting the capital, which is money we have to pay back with interest, we were embarking on a plan that would give us even more money to deploy in our communities at a time when the economy needs some new life,” said MidSouth Bank President and CEO Rusty Cloutier. “It was sold to us by the feds as a partnership, but it’s turning out to be something very different. It’s looking more and more like the federal government wants to treat this like it was a needs-based issue, and we didn’t need the money.”

Cloutier said community banks like his are now confused by the mixed signals the Treasury Department is sending out, attempting to put the same sweeping restrictions on healthy banks as the failing banks that received the original TARP money. “They’re talking about attaching all sorts of strings to the money, so banks have been sending it back,” he added. “The Treasury needs to stop listening to the special interests of the ‘too big to fail’ banks that got us into this trouble and break them up. And at the same time it should back away from community banks and let us do what we’re supposed to do with the TARP funds — lend the money.”

MidSouth Bank officials are waiting for the dust to settle on the Treasury’s plan for how it will structure the Capital Purchase Program, a plan that seems to change from day to day. “Basically, we’re trying to find out if the Obama administration is still interested in a public-private partnership with us,” Cloutier said.

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March 3, 2009

For Immediate Release

Contact: Rusty Cloutier, MidSouth Bank President and CEO, 337-962-9900

Alex Calicchia, Chief Marketing Officer, 337-593-3008

MidSouth Bank's Cloutier testifying about TARP before House Subcommittee

LAFAYETTE, LA. – MidSouth Bank President and CEO Rusty Cloutier has been invited to testify on Wednesday, March 4, before the House Subcommittee on Financial Institutions and Consumer Credit. A live Webcast of "TARP Oversight: Is TARP Working for Main Street?" will be available at 1:30 p.m. (CT) via the House Committee on Financial Services' Web site.

The hearing takes place in the Rayburn House Office Building, located southwest of the Capitol.

Cloutier is the only banker participating in the hearing. Also scheduled to testify are Dean Baker, Ph.D., co-director, Center for Economic and Policy Research; David S. Scharfstein, Ph.D., Edmund Cogswell Converse Professor of Finance and Banking at Harvard Business School; Robert W. Davenport, president, The National Development Council; and Joseph Zucchero, owner, Mr. Beef Deli of Chicago.

Speaking on behalf of MidSouth Bank and community bankers across the country, Cloutier hopes the format will help answer critical questions healthy banks now have about accepting TARP funds. In late December, MidSouth Bank elected to sell \$20 million worth of its preferred stock to the U.S. Treasury in association with the Capital Purchase Program, a component of TARP that was designed for healthy banks. At the time, the bank's management and board of directors believed they were entering into a public-private partnership with the federal government. Since then, however, the Treasury has been attempting to put the same sweeping restrictions on healthy banks as troubled banks. "I hope they can finally tell me just what they want community bankers to do," Cloutier said. "It was sold to us by the feds as a partnership, but it's turning out to be something very different. It's looking more and more like the federal government wants to treat this like it was a needs-based issue, and we didn't need the money."

Cloutier also said he will elicit information on the federal government's plan to address the "too big to fail" major financial institutions that are now bankrupt. More important, however, he anticipates that the format will allow him to reiterate his message that continuous bailouts are not the answer. Those deteriorating major banks today control 60 to 64 percent of the nation's assets, he said, and the best low-cost solution to the financial crisis that has devastated the country is to break them up. "Continuing to pump money into them is not going to be the answer. Breaking up some of their operational units and selling them off into the open market is the only way to ignite competition and bring back the banking industry."

Cloutier noted that investors are going to sit on the sidelines until the federal government announces that it will take this action. "Nobody is going to put fresh capital into the banking business when your major competitor is going to be continuously bailed out by the U.S. government with more and more money," he said.

To access the Webcast, visit the House Committee on Financial Services Web site at http://www.house.gov/apps/list/hearing/financialsvcs_dem/hr0304092.shtml.

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36 Sixty Reasons

There are plenty of reasons to call 36 Sixty home. One, its perfect inner-loop location; two, its resort style living; and three, its ultra modern mid-rise architecture. We added a beautiful, simple, curiously cantilevered entry canopy and sign. If you're looking to stand out, count on National Signs.

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what kind of sign can we create for you?



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CITYBEAT

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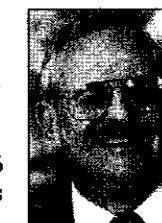
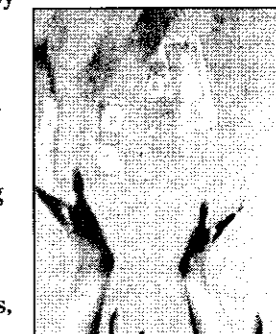
MidSouth, based in Lafayette, La., has been approved to receive \$20 million through the U.S. Treasury's capital purchase program, part of the taxpayer-funded Troubled Asset Relief Program, or TARP. Cloutier says that

the publicly traded bank will refrain from stashing away the cash and will put the money to work once the transaction closes, likely by mid-January.

MidSouth is weathering the downturn like other community banks, reporting an increase in nonperforming loans through the first nine months of 2008 and a 35 percent drop in net income, down to \$4.5 million compared to \$6.8 million for the year-earlier period.

Still, like other well-heeled banks that have accepted TARP funds, Cloutier says he wouldn't turn up his nose at a possible rural bank or thrift acquisition, particularly in the highly prized market just north of Houston over to College Station.

Greg Barr

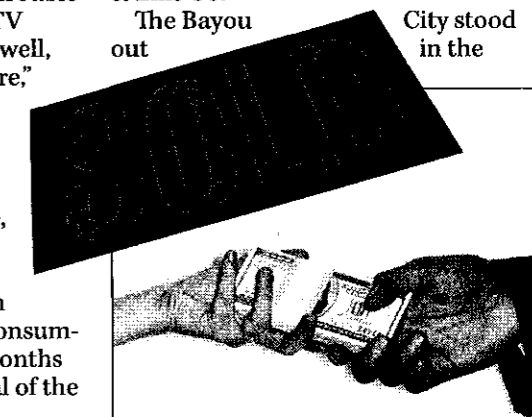


Cloutier

Grass still relatively greener in local real estate pastures

Houston's real estate market continues to be considered as a comparative land of opportunity in the "2009 Global Real Estate Forecast" issued by Grubb & Ellis Co.

The Bayou City stood in the



Grubb & Ellis Investment Opportunity Monitor, which identifies U.S. markets as the most likely targets for real estate investors over the next five years. Markets were ranked on a scale from zero to 100 using more than a couple of dozen property, economic and demographic variables.

Texas markets fared well for investment in most real estate sectors



Testimony of
Mr. C. R. Cloutier
President and CEO, MidSouth Bank, NA

On behalf of the
Independent Community Bankers of America

Before the

Congress of the United States
House of Representatives
Subcommittee on Financial Institutions and Consumer Credit
Committee on Financial Services

Hearing on

“TARP Oversight: Is TARP Working for Main Street?”

March 4, 2009
Washington, DC

Chairman Gutierrez, Representative Hensarling and members of the Committee, my name is Rusty Cloutier. I am the President and CEO of MidSouth Bancorp, Inc. MidSouth is a bank holding company located in Lafayette, LA, with total assets of \$936.8 million as of December 31, 2008. Through our wholly-owned subsidiary, MidSouth Bank, NA, MidSouth offers complete banking services to commercial and retail customers in south Louisiana and southeast Texas. We have 34 locations in Louisiana and Texas. We are community oriented and focus primarily on offering commercial and consumer loan and deposit services to individuals, and small and middle market businesses. I am member and a former Chairman of the Independent Community Bankers of America. I am pleased to represent community bankers and ICBA's 5,000 members at this important hearing on "TARP Oversight: Is TARP Working for Main Street?"

Community Banks and the Capital Purchase Program

MidSouth, like the vast majority of community banks, did not engage in the irresponsible subprime lending practices that are at the heart of the current economic crisis. Moreover, MidSouth and the majority of community banks do not employ the compensation practices of the mega banks, which led to excessive and careless risk taking in these larger institutions, and that rewarded executives for abject and costly failure.

As a result of prudent lending practices and other prudent business practices, MidSouth, and the majority of community banks, have remained strongly capitalized and ready to do their part to aid economic recovery. When MidSouth

Bank elected to participate in the Treasury's Capital Purchase Program, we were convinced that we could put the funds to good use in our service area in Louisiana and Texas through loans to small and mid-sized businesses and consumers.

It is important to distinguish the Capital Purchase Program available to community banks and the other Troubled Asset Relief Program investments that have been used in connection with some of the largest institutions, particularly the systemically important institutions. CPP funds are only given to healthy community banks like MidSouth. Simply put, so-called systemically important institutions do not have to be healthy to receive TARP money.

MidSouth Participates in the CPP

The CPP is not a bail-out for community banks. MidSouth must pay an annual dividend of five percent on the \$20 million in preferred shares purchased by Treasury, along with the grant of stock warrants. If MidSouth does not repay the principal in 5 years, the dividend increases to nine percent annually. The cost of this CPP capital is not inexpensive for community banks, at some 7.5% tax effective rate in the first five years with additional warrant-related costs on top. Community banks participating in the program have to relend the money in order to cover the costs of the capital.

When MidSouth accepted CPP funds in early January, we viewed the government's investment as a public-private partnership to promote lending to stimulate the economy. The \$20 million infusion of capital would also provide a substantial capital cushion in case credit conditions deteriorated further.

MidSouth Promotes Availability of Funds

We saw the CPP as an opportunity to encourage and support economic expansion in every market we serve during a national recession that could last, at least, another 12 to 18 months. After completing the CPP transaction on January 9, 2009, we began to actively promote the availability of \$250 million in loan opportunities to small businesses and community leaders throughout our service area. MidSouth conducted town hall meetings in 14 communities in south Louisiana and southeast Texas from the end of January through February 19th. We focused on small businesses because small businesses drive the economy and create new jobs in our communities.

In addition to the general business community, we are also reaching out to the minority business community, through town hall meetings with the Black Chambers of Commerce of Baton Rouge and Southwest Louisiana and the Group of 100 Black Men, another African-American business organization. Our efforts to publicize the lending program continue with more meetings scheduled with homebuilders, industrial companies and other business groups.

We have also directed an ad campaign at consumers and the general public. We have placed billboards in every market in our service area advertising the availability of \$250 million in loans.

Public Response to Outreach Efforts

While attendance at these meetings was good, there seemed to be a reluctance among audience members to take on significant amounts of new debt. This is true despite small business loan rates at least two percentage points lower than a year ago. I believe that some of the reluctance in our market is due to the drop in the price of oil, which is an important driver for the economies of southwest Louisiana and southeast Texas. But, I also attribute it to unease about the general economy. Given the state of the economy, it is harder for community banks to find borrowers who are creditworthy. Lending to creditworthy borrowers is a sound banking principle that the federal banking regulators emphasized in their Interagency Statement on Meeting the Needs of Creditworthy Borrowers. Actions of bank examiners in the field are putting further restraints on lending standards through such actions as requiring write downs of performing loans – a subject the Financial Services Committee will take up on March 10, 2009.

Despite the reluctance of some in the business community to take on new debt and the challenging lending environment, we believe that our outreach efforts have paid off. Our level of lending, for consumers and businesses, remains

about the same as this time last year. We believe that this is quite an accomplishment in the midst of the current serious recession.

Since receiving the CPP capital infusion in January, we have made approximately \$13 million in new consumer and commercial loans. The lending include \$1.7 million in new car loans, lending support to not only our local consumers and car dealer community, but also indirectly auto manufacturing. Included in our new loans are \$8.53 million in small business loans and \$3.4 million in real estate loans. Also, within MidSouth Bancorp, we have generated over \$7 million in new mortgages since the first of the year. We are especially proud of two new small business loans made since MidSouth received the CPP funds. These loans to two small oil services businesses will create 50 new jobs in south Louisiana and Texas. As MidSouth Bank has shown, community banks have the know-how and desire to use the CPP to support economic recovery in communities throughout the nation.

Mutual Term Sheet

Allowing all community banks to participate in the TARP CPP will help boost lending to families and small businesses. No CPP term sheet exists yet for mutual institutions. Mutual institutions are important providers of credit, particularly small business and housing credit, in many areas of the country. In New England, mutual institutions are a primary source of loans for small businesses. We urge the Treasury to complete work on the mutual term sheet.

MidSouth Keeping Options Open on CPP

Public anger over \$50 million private jets and multi-million dollar bonuses and golden parachutes for CEOs who led their companies into insolvency, or near insolvency, is understandable. In response to this anger, Congress recently enacted executive compensation and corporate governance limits for TARP recipients. The new statutory restrictions in some cases went beyond restrictions put in place by the Obama Administration and took away Treasury's discretion to focus these remedies where the problems actually occurred – in some large TARP recipient institutions.

As noted above, MidSouth Bank does not engage in the compensation practices that have created the public ire. While we appreciate congressional amendments that diminished the impact of these limits on community banks, we are frustrated by being tarred by the same brush used on the large financial institutions that caused the current economic crisis and that have undermined public confidence in programs to restore the credit markets and shore up the banking system. MidSouth Bank is a solid, healthy community-minded financial institution and should be treated as a responsible partner in the effort to revitalize the economy.

MidSouth entered into an agreement with the government on January 9th, which, as we have described above, carries significant monetary and other obligations.

If the government changes that agreement and adds new burdensome conditions, MidSouth will have to reevaluate its continued participation in the CPP. We are pleased Chairman Frank's idea to allow TARP participants to repay TARP funds early without penalty was included in the economic recovery bill. The provision allows MidSouth and other community banks to keep their options open.

But it would be a shame if new conditions forced us to withdraw from the program. MidSouth has taken the purpose of the CPP seriously by aggressively marketing the credit opportunities afforded by Treasury's investment in the bank. Policymakers should be encouraging the participation of more community banks like MidSouth bank who are willing and ready to be active leaders in our economic recovery.

Conclusion

ICBA appreciates this opportunity to testify on these critical issues. We look forward to working with the Subcommittee and Congress on these and other steps that will help us emerge from this current crisis and improve our financial system for the long run.

Links to publicity concerning MidSouth Bank and TARP funds.

Cloutier set to testify today before Congress (Baton Rouge Business Report, March 4, 2009)

<http://www.businessreport.com/news/2009/mar/04/cloutier-set-testify-today-congress/>

Startup (BRBR, Feb. 23, 2009)

<http://www.businessreport.com/news/2009/feb/23/startup-gnit1/>

A capital idea (BRBR)

<http://www.businessreport.com/news/2008/nov/17/capital-idea-fnc1/>

MidSouth Bank might return TARP money (BRBR, Feb. 20, 2009)

<http://www.businessreport.com/news/2009/feb/20/midsouth-bank-might-return-tarp-money/>

Where are the borrowers? (BRBR, Feb. 9, 2009)

<http://www.businessreport.com/news/2009/feb/09/where-are-borrowers-fnc1/>

Public wants more accountability of TARP capital (BRBR, Jan. 27, 2009)

<http://www.businessreport.com/news/2009/jan/27/public-wants-more-accountability-tarp-capital/>

MidSouth Bank president testifies on TARP (The INDsider, March 5, 2009)

<http://www.theind.com/content/view/3979/94/>

MidSouth loses would-be borrowers as TARP fails with Louisianans (Bloomberg.com, Feb. 12, 2009)

<http://www.bloomberg.com/apps/news?pid=20601109&sid=ancctVJnemE&refer=home#>

IBAT member appears on Bloomberg TV (Independent Community Bankers Association of Texas, Feb. 16)

<http://ibat.org/news/2009/02/17/ibat-member-appears-bloomberg-tv>

MidSouth Bank's CEO Tells Bloomberg Feds Need to Break Up Big Banks (IStockAnalyst, Feb. 16)

<http://www.istockanalyst.com/article/viewiStockNews/articleid/3041643>

MidSouth's Cloutier Calls for Breaking Up Big Banks (Bloomberg TV, Feb. 12, 2009)

<http://www.bloomberg.com/apps/news?pid=newsarchive&sid=afOvdo8FSCEE>

Among Bankers, Howls — and Cheers (The Wall Street Journal, Feb. 5, 2009)
<http://online.wsj.com/article/SB123377538277948783.html>

Jan. 16, 2009

Dear Valued Customer:

We would like to extend an invitation to you to attend one of our Town Hall meetings in your area. The meetings, which are free and open to the public, are part of our proactive lending program designed to spur investment and expansion in our local markets. The intent of each gathering is to let existing and potential customers know our bank is well-capitalized and lending money in order to stimulate the economy. MidSouth Bank recognizes that small businesses are what drive our economy, and we are doing everything in our power to encourage and support them.

Baton Rouge is hosting the first in the series on Jan. 26 from 6 p.m. to 7 p.m. (see the full schedule below). Elected officials and community leaders have also been invited to the meetings.

You may have heard that we recently announced the sale of \$20 million worth of our preferred stock to the U.S. Department of the Treasury in association with the Capital Purchase Program. We'll talk in depth about that during the meetings, which are as follows:

Baton Rouge	Jan. 26, 2009	6919 Corporate Blvd.
Lafayette	Jan. 28, 2009	102 Versailles Blvd.
Breaux Bridge	Jan. 29, 2009	728 Berard St.
College Station	Feb. 2, 2009	1912 Texas Ave. South
Conroe	Feb. 3, 2009	2101 N. Loop 336 West
Houston	Feb. 4, 2009	2930 W. Sam Houston Pkwy. N., Ste. 150
Beaumont	Feb. 5, 2009	555 N. Dowlen Road
Opelousas	Feb. 9, 2009	930 S. Union St.
New Iberia	Feb. 10, 2009	2309 Old Jeanerette Road
Lake Charles	Feb. 12, 2009	813 Lake Shore Drive
Cut Off	Feb. 16, 2009	13924 W. Main St.
Houma	Feb. 17, 2009	1214 St. Charles St.
Morgan City	Feb. 18, 2009	1015 Brashear Ave.
Jennings	Feb. 19, 2009	1110 N. Main St.

Sincerely,

Jim Greely
Regional President