

UNITED STATES OF AMERICA
BEFORE THE
BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

Written Agreement by and between

SOUTHPORT FINANCIAL CORPORATION
Kenosha, Wisconsin

and

FEDERAL RESERVE BANK OF
CHICAGO
Chicago, Illinois

Docket No. 10-196-WA/RB-HC

WHEREAS, Southport Financial Corporation, Kenosha, Wisconsin (“Southport”), a registered bank holding company, owns and controls Southport Bank, Kenosha, Wisconsin (the “Bank”), a state nonmember bank, and one nonbank subsidiary;

WHEREAS, it is the common goal of Southport and the Federal Reserve Bank of Chicago (the “Reserve Bank”) to maintain the financial soundness of Southport so that Southport may serve as a source of strength to the Bank;

WHEREAS, Southport and the Reserve Bank have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on November 18, 2010, the board of directors of Southport, at a duly constituted meeting, adopted a resolution authorizing and directing Arthur E. Thompson to enter into this Agreement on behalf of Southport, and consenting to compliance with each and every provision of this Agreement by Southport and its institution-affiliated parties, as defined in

sections 3(u) and 8(b)(3) of the Federal Deposit Insurance Act, as amended (the “FDI Act”) (12 U.S.C. §§ 1813(u) and 1818(b)(3)).

NOW, THEREFORE, Southport and the Reserve Bank agree as follows:

Source of Strength

1. The board of directors of Southport shall take appropriate steps to fully utilize Southport’s financial and managerial resources, pursuant to section 225.4 (a) of Regulation Y of the Board of Governors of the Federal Reserve System (the “Board of Governors”) (12 C.F.R. § 225.4(a)), to serve as a source of strength to the Bank, including, but not limited to, taking steps to ensure that the Bank complies with the Order to Cease and Desist issued by the Federal Deposit Insurance Corporation (“FDIC”) and the State of Wisconsin Department of Financial Institutions on October 2, 2009, and any other supervisory action taken by the Bank’s federal or state regulator.

Dividends and Distributions

2. (a) Southport shall not declare or pay any dividends without the prior written approval of the Reserve Bank and the Director of the Division of Banking Supervision and Regulation (the “Director”) of the Board of Governors.

(b) Southport shall not directly or indirectly take dividends or any other form of payment representing a reduction in capital from the Bank without the prior written approval of the Reserve Bank.

(c) Southport and its nonbank subsidiary shall not make any distributions of interest, principal, or other sums on subordinated debentures or trust preferred securities without the prior written approval of the Reserve Bank and the Director.

(d) All requests for prior approval shall be received by the Reserve Bank at least 30 days prior to the proposed dividend declaration date, proposed distribution on subordinated debentures, and required notice of deferral on trust preferred securities. All requests shall contain, at a minimum, current and projected information on Southport's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings, and allowance for loan and lease losses; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, Southport must also demonstrate that the requested declaration or payment of dividends is consistent with the Board of Governors' Policy Statement on the Payment of Cash Dividends by State Member Banks and Bank Holding Companies, dated November 14, 1985 (Federal Reserve Regulatory Service, 4-877 at page 4-323).

Debt and Stock Redemption

3. (a) Southport shall not, directly or indirectly, incur, increase, or guarantee any debt without the prior written approval of the Reserve Bank. All requests for prior written approval shall contain, but not be limited to, a statement regarding the purpose of the debt, the terms of the debt, and the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment.

(b) Southport shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

Cash Flow Projections

4. Within 30 days of this Agreement, Southport shall submit to the Reserve Bank a written statement of its planned sources and uses of cash for debt service, operating expenses, and other purposes ("Cash Flow Projection") for the first full calendar quarter following the date of this Agreement. For each subsequent calendar quarter, Southport shall submit to the Reserve

Bank a Cash Flow Projection for that calendar quarter at least thirty days prior to the beginning of that quarter.

Affiliate Transactions

5. Within 30 days of this Agreement, Southport shall submit to the Reserve Bank acceptable written policies and procedures regarding the allocation of expenses between Southport and the Bank that are designed to ensure that Southport does not cause the Bank to violate any provision of sections 23A and 23B of the Federal Reserve Act (12 U.S.C. §§ 371c and 371c-1) or Regulation W of the Board of Governors (12 C.F.R. Part 223).

Compliance with Laws and Regulations

6. (a) In appointing any new director or senior executive officer, or changing the responsibilities of any senior executive officer so that the officer would assume a different senior executive officer position, Southport shall comply with the notice provisions of section 32 of the FDI Act (12 U.S.C. § 1831(i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) Southport shall comply with the restrictions on indemnification and severance payments of section 18(k) of the FDI Act (12 U.S.C. § 1828(k)) and Part 359 of the FDIC's regulations (12 C.F.R. Part 359).

Approval and Implementation of Policies and Procedures

7. (a) Southport shall submit written policies and procedures that are acceptable to the Reserve Bank within the applicable time period set forth in paragraph 5.

(b) Within 10 days of approval by the Reserve Bank, Southport shall adopt the approved policies and procedures. Upon adoption, Southport shall promptly implement the approved policies and procedures, and thereafter fully comply with them.

(c) During the term of this Agreement, the approved policies and procedures shall not be amended or rescinded without the prior written approval of the Reserve Bank.

Progress Reports

8. Within 45 days after the end of each calendar quarter following the date of this Agreement, the board of directors shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with the provisions of this Agreement and the results thereof, and a parent company only balance sheet, income statement, and, as applicable, report of changes in stockholders' equity.

Communications

9. All communications regarding this Agreement shall be sent to:

(a) Mr. David A. Ward
Assistant Vice President
Federal Reserve Bank of Chicago
230 South LaSalle
Chicago, Illinois 60604

(b) Mr. Arthur E. Thompson
Chief Financial Officer
Southport Financial Corporation
7027 Green Bay Road
Kenosha, Wisconsin 53142

Miscellaneous

10. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to Southport to comply with any provision of this Agreement.

11. The provisions of this Agreement shall be binding upon Southport and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

12. Each provision of this Agreement shall remain effective and enforceable until stayed, modified, terminated, or suspended in writing by the Reserve Bank.

13. The provisions of this Agreement shall not bar, estop, or otherwise prevent the Board of Governors, the Reserve Bank, or any other federal or state agency from taking any other action affecting Southport, the Bank, or any of their current or former institution-affiliated parties and their successors and assigns.

14. Pursuant to section 50 of the FDI Act (12 U.S.C. § 1831aa), this Agreement is enforceable by the Board of Governors under section 8 of the FDI Act (12 U.S.C. § 1818).

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed as of the 24th day of November, 2010.

SOUTHPORT FINANCIAL
CORPORATION

FEDERAL RESERVE BANK OF
CHICAGO

By: /s/ Arthur E. Thompson
Arthur E. Thompson
Chief Financial Officer

By: /s/ Mark H. Kawa
Mark H. Kawa
Vice President