

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

Written Agreement by and between

THE SHOREBANK CORPORATION
Chicago, Illinois

and

FEDERAL RESERVE BANK OF
CHICAGO
Chicago, Illinois

Docket No. 09-172-WA/RB-HC

WHEREAS, The ShoreBank Corporation, Chicago, Illinois (“ShoreBank”), a registered bank holding company, owns and controls (i) ShoreBank, Chicago, Illinois (the “Bank”), a state chartered nonmember bank and (ii) various nonbank subsidiaries. For purposes of this Written Agreement, the term “Nonbank Subsidiaries” shall include the following: Shore Bank Pacific Corporation, a second-tier bank holding company that owns another insured depository institution, ShoreBank Lands Corporation, ShoreBank Development Corporation, ShoreBank International Ltd., ShoreBank Capital Corporation, ShoreCap Management, Ltd, Shore Overseas Corp, ShoreBank Advisory Services UK, ShoreBank New Markets Fund, Inc., ShoreBank Capital Trust I, ShoreBank Capital Trust II, ShoreBank Capital Trust III, and Shore Overseas Corp;

WHEREAS, it is the common goal of ShoreBank and the Federal Reserve Bank of Chicago (the “Reserve Bank”) to maintain the financial soundness of ShoreBank so that

ShoreBank may serve as a source of strength to the Bank and the other insured depository institution that ShoreBank controls;

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

WHEREAS, on December 1, 2009, the board of directors of ShoreBank, at a duly constituted meeting, adopted a resolution authorizing and directing Ron Grzywinski to enter into this Agreement on behalf of ShoreBank, and consenting to compliance with each and every provision of this Agreement by ShoreBank, the Nonbank Subsidiaries, and ShoreBank’s 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, ShoreBank and the Reserve Bank agree as follows:

Dividends and Distributions

1. (a) ShoreBank 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 of the Federal Reserve System (the “Board of Governors”).

(b) ShoreBank 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) ShoreBank and Shore Bank Pacific Corporation shall not, without the prior written approval of the Reserve Bank, directly or indirectly take dividends or any other form of payment representing a reduction in capital from any other subsidiary bank that, during

the term of this Agreement, is subject to any restrictions by the subsidiary bank's federal or state regulator that limits the payment of dividends.

(d) ShoreBank and the Nonbank Subsidiaries 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.

(e) 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 ShoreBank's capital, earnings, and cash flow; the Bank's capital, asset quality, earnings, and allowance for loan and lease losses ("ALLL"); and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, ShoreBank 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

2. (a) ShoreBank and any Nonbank Subsidiary 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) ShoreBank shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

Capital Plan

3. Within 60 days of this Agreement, ShoreBank shall submit to the Reserve Bank an acceptable written plan to maintain sufficient capital at ShoreBank, on a consolidated basis.

The plan shall, at a minimum, address, consider, and include:

(a) The consolidated organization's and the Bank's current and future capital requirements, including compliance with the Capital Adequacy Guidelines for Bank Holding Companies: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and D of Regulation Y of the Board of Governors (12 C.F.R. Part 225, App. A and D), and the applicable capital adequacy guidelines for ShoreBank's other subsidiary bank (together with the Bank, the "Subsidiary Banks") issued by the such bank's federal regulator;

(b) the adequacy of the Subsidiary Banks' capital, taking into account the volume of classified credits, concentrations of credit, ALLL, current and projected asset growth, and projected retained earnings;

(c) the source and timing of additional necessary funds to fulfill the consolidated organization's and the Subsidiary Banks' future capital requirements;

(d) supervisory requests for additional capital at the Subsidiary Banks or the requirements of any supervisory action imposed on the Subsidiary Banks by their federal or state regulator; and

(e) the requirements of section 225.4(a) of Regulation Y of the Board of Governors (12 C.F.R. § 225.4(a)) that ShoreBank serve as a source of strength to the Subsidiary Banks.

4. (a) ShoreBank shall notify the Reserve Bank, in writing, no more than 30 days after the end of any quarter in which any of the consolidated organization's or the Subsidiary Banks' capital ratios (total risk-based, Tier 1, or leverage) fall below the approved plan's minimum ratios. Together with the notification, ShoreBank shall submit an acceptable capital plan that details the steps ShoreBank will take to increase the consolidated organization's or the Bank's capital ratios to or above the approved plan's minimums.

(b) ShoreBank shall notify the Reserve Bank, in writing, no more than 30 days after the end of any quarter in which the capital ratios (total risk-based, tier 1 risk-based, or leverage) of any other of its subsidiary banks fall below the minimum ratios required by the institution's federal or state regulator. Together with the notification, ShoreBank shall submit an acceptable written plan that details the steps ShoreBank will take to increase such institution's capital ratios above the required minimums.

Cash Flow Projections

5. Within 60 days of this Agreement, ShoreBank shall submit to the Reserve Bank a written statement of ShoreBank's planned sources and uses of cash for debt service, operating expenses, and other purposes ("Cash Flow Projection") for 2010. ShoreBank shall submit to the Reserve Bank a Cash Flow Projection for each calendar year subsequent to 2010 at least one month prior to the beginning of that calendar year.

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, ShoreBank shall comply with the notice provisions of section 32 of

the FDI Act (12 U.S.C. § 1831i) and Subpart H of Regulation Y of the Board of Governors (12 C.F.R. §§ 225.71 *et seq.*).

(b) ShoreBank 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 Federal Deposit Insurance Corporation's regulations (12 C.F.R. Part 359).

Progress Reports

7. Within 30 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, a report of changes in stockholders' equity.

Approval and Implementation of Plan

8. (a) ShoreBank shall submit a written capital plan that is acceptable to the Reserve Bank within the applicable time period set forth in paragraph 3 of this Agreement.

(b) Within 10 days of approval by the Reserve Bank, ShoreBank shall adopt the approved capital plan. Upon adoption, ShoreBank shall promptly implement the approved plan and thereafter fully comply with it.

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

Communications

9. All communications regarding this Agreement shall be sent to:
 - (a) Charles F. Luse
Assistant Vice President
Federal Reserve Bank of Chicago
230 S. LaSalle Street
Chicago, Illinois 60604
 - (b) Ronald A. Grzywinski
Chairman
The ShoreBank Corporation
7054 South Jeffery Boulevard
Chicago, Illinois 60649

Miscellaneous

10. Notwithstanding any provision of this Agreement, the Reserve Bank may, in its sole discretion, grant written extensions of time to ShoreBank to comply with any provision of this Agreement.
11. The provisions of this Agreement shall be binding upon ShoreBank 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 ShoreBank, the Bank, any nonbank subsidiary of ShoreBank, 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 8 day of January, 2010.

THE SHOREBANK CORPORATION

FEDERAL RESERVE BANK OF CHICAGO

By: /s/ Ronald A. Grzywinski
Ronald A. Grzywinski
Chairman

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