

Investing in Possibilities



Shorebank's purpose is to strengthen local economies and communities. We achieve this mission through partnerships with our customers - they see possibilities and we provide the resources for their possibilities to become realities.

These partnerships are transforming customers, communities and Shorebank itself.

Investing in Possibilities



Our Mission

*Shorebank is a development bank holding company
in the business of increasing opportunities in
under-invested communities.*



SHOREBANK

Shorebank Corporation

Established in 1973 to prove that a local, self-sustaining comprehensive organization which targets all its resources to one neighborhood, could significantly improve the neighborhood to benefit its residents.



Shorebank Corporation Today

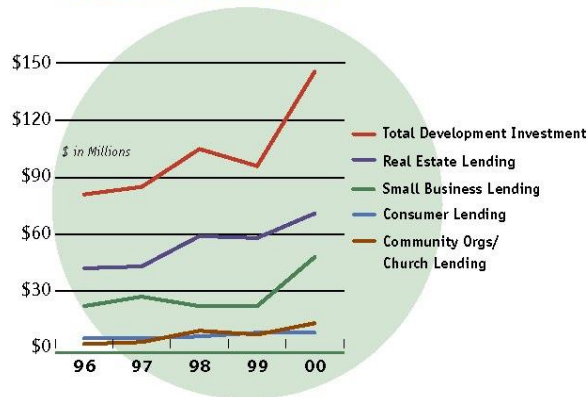
- A \$1 billion company.
- Surpassed \$1 billion in cumulative development investment in targeted communities.
- Chicago roots, worldwide impact.



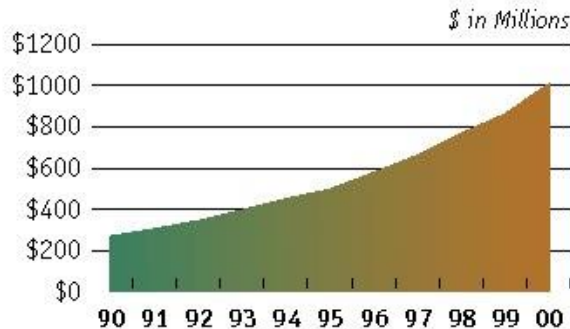
Shorebank Corporation

New Development Investment

DEVELOPMENT INVESTMENT



CUMULATIVE DEVELOPMENT INVESTMENT



- **\$146 million**
- **39% more than previous record**
- **1,100 loans represents over \$4 million in own real estate development**
- **Cumulative development investment over \$1 billion**



SHOREBANK

Investing in Possibilities around the world



SHOREBANK

Investing in Communities

- Comprehensive development strategy:
 - Full-service commercial banks.
 - For-profit real estate development companies.
 - For-profit venture capital companies.
 - Non-profit community development organizations.



Investing in Possibilities through Developing Entrepreneurs



- Rehabbers
- Runner's Club
- Individual Development Accounts
- Unique initiatives
 - Studio Air
 - Shore Staffing Works
 - Specialized Funds

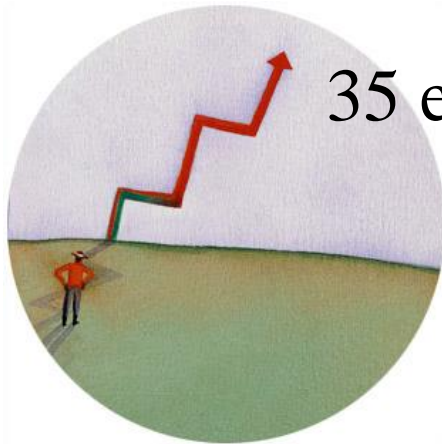
Investing in Possibilities: Rehabbers - Our first entrepreneurial initiative



- Release local talent and financial resources
- Combine credit with knowledge support
- Help build networks
- Create economic opportunities for residents

Rehabbers: Classes in Construction

- In Detroit Shorebank is offering classes in construction and business management



35 experienced minority subcontractors

- Buy vacant buildings for rehab and profitable resale

Developing entrepreneurial buildings

- Cleveland
 - 2 rehabbed buildings turned into business incubators
 - 197,000 square feet
 - 51 small businesses sharing services
 - 222 jobs

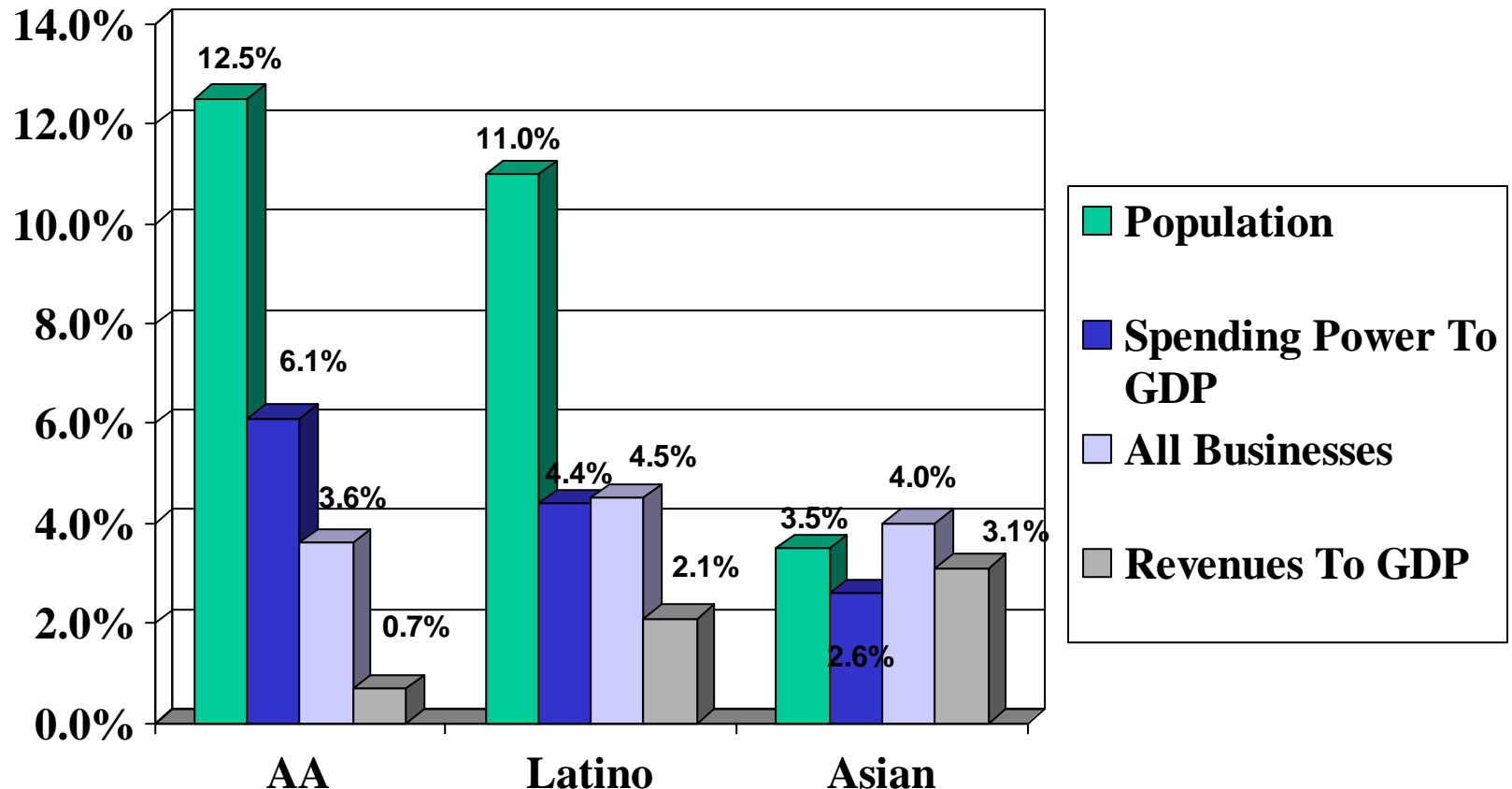


Investing in Possibilities: Entrepreneurs - Runner's Club

- Founded By Shorebank in 1996 as a visionary pilot program.
 - The goal is to increase the number of successful African-American entrepreneurs owning companies of substantial size.
 - Results include:
 - More jobs
 - Higher incomes
 - Expanded wealth
 - Greater quality of life
 - Stronger communities
 - Increased contributions to the economy



Need for the Runner's Club



Source s: Census and GDP, 1997, ² 1997 GDP (billions): \$8,790

Research Report, September 2000. Minority Business Challenge, Milken Institute and The Minority Business Development Agency

Studio Air



Shore Staffing Works

- Comprehensive full service employment agency
- Temp-to-hire
- Permanent placement
- Unique services:
 - Peer support groups
 - Transportation, childcare, health screening
 - HR adjunct to partner companies

Specialized Funds

- Austin Growth Fund
 - Debt loan fund to assist businesses in distress
 - Normal underwriting
 - Place on advisory board
 - Sign covenant to hire through Shore Staffing Works
 - Retained almost 200 jobs, created over 60
 - Loaned over \$1.5 million

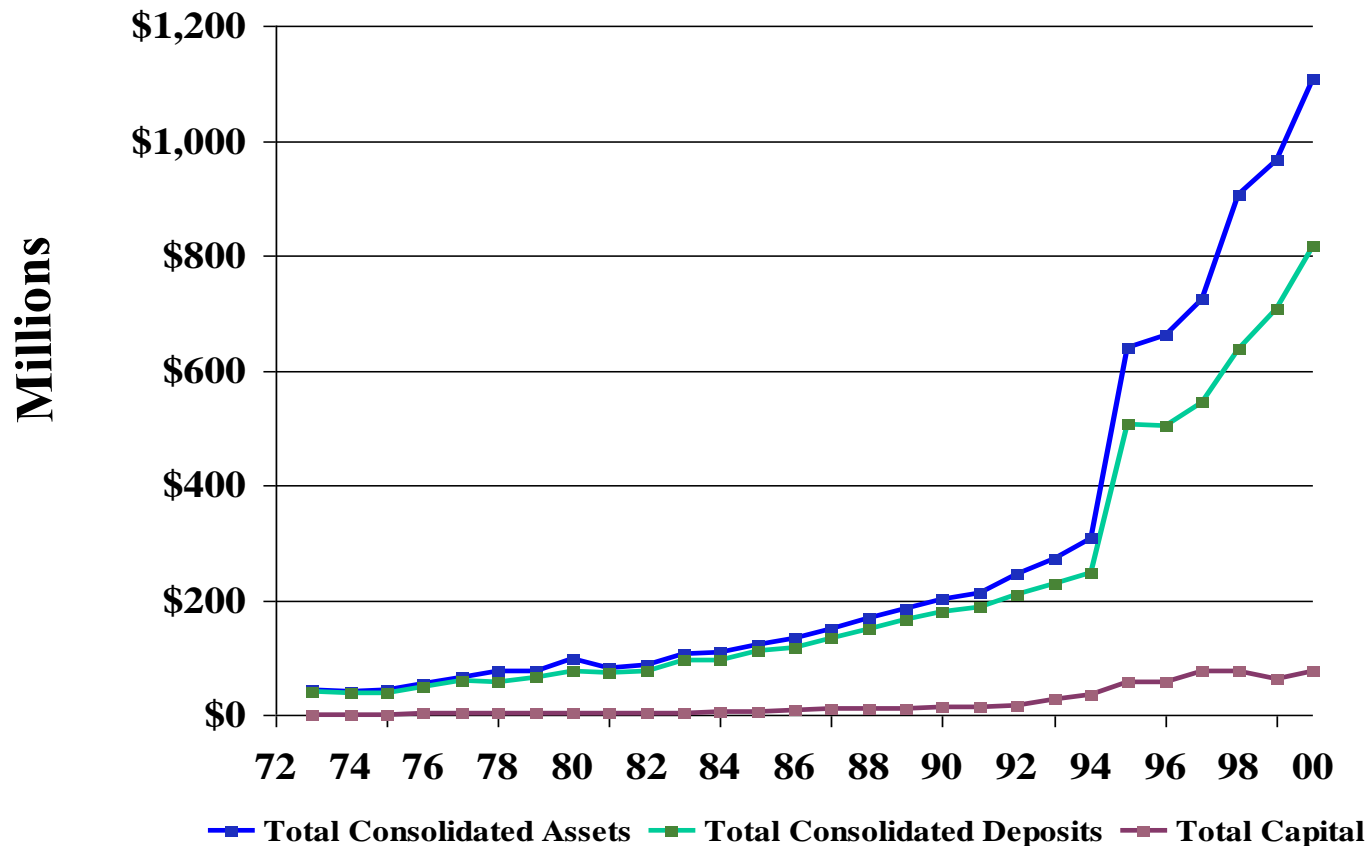
Investing in Possibilities

- Investing in Partners, Residents, Entrepreneurs, Business
 - Being a Successful Business
 - Identifying Untapped Potential
-



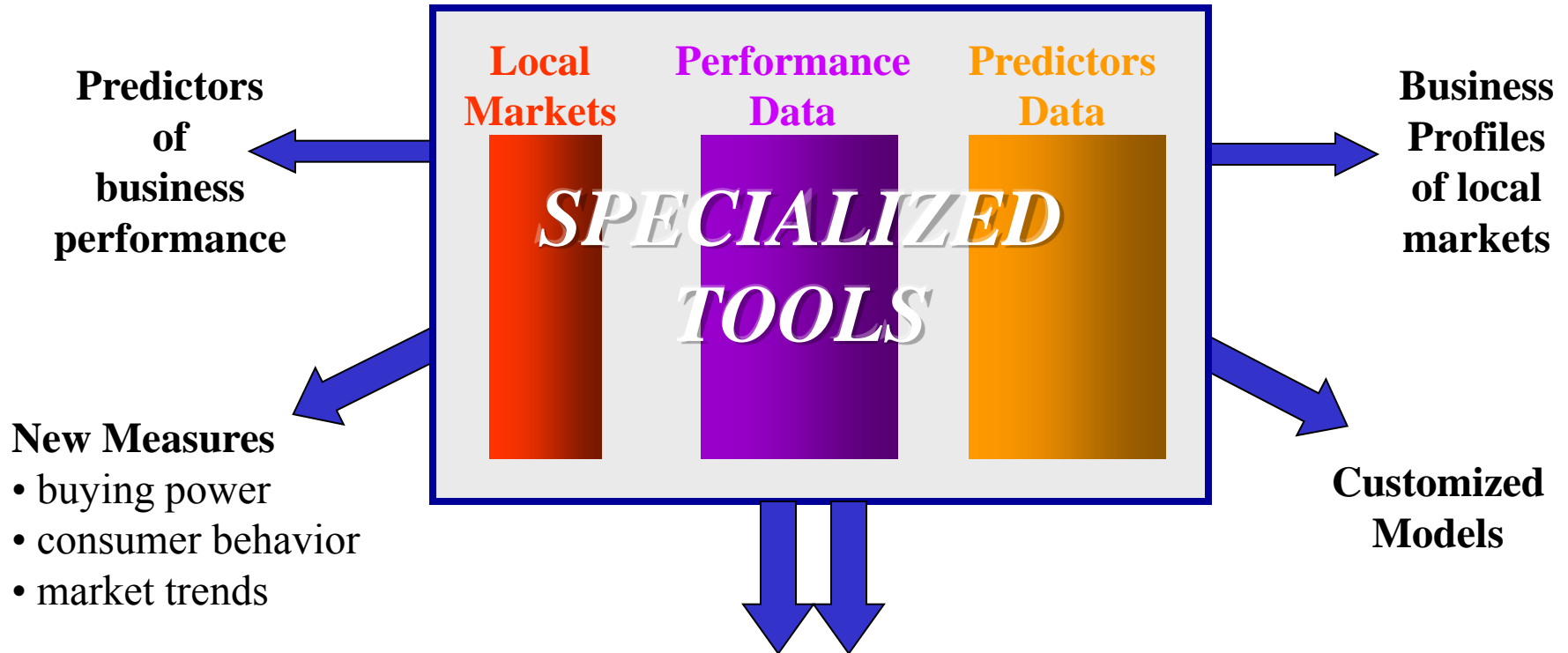
Shorebank Corporation

Consolidated Deposits, Assets and Total Capital



Shorebank is Creating New Market Intelligence

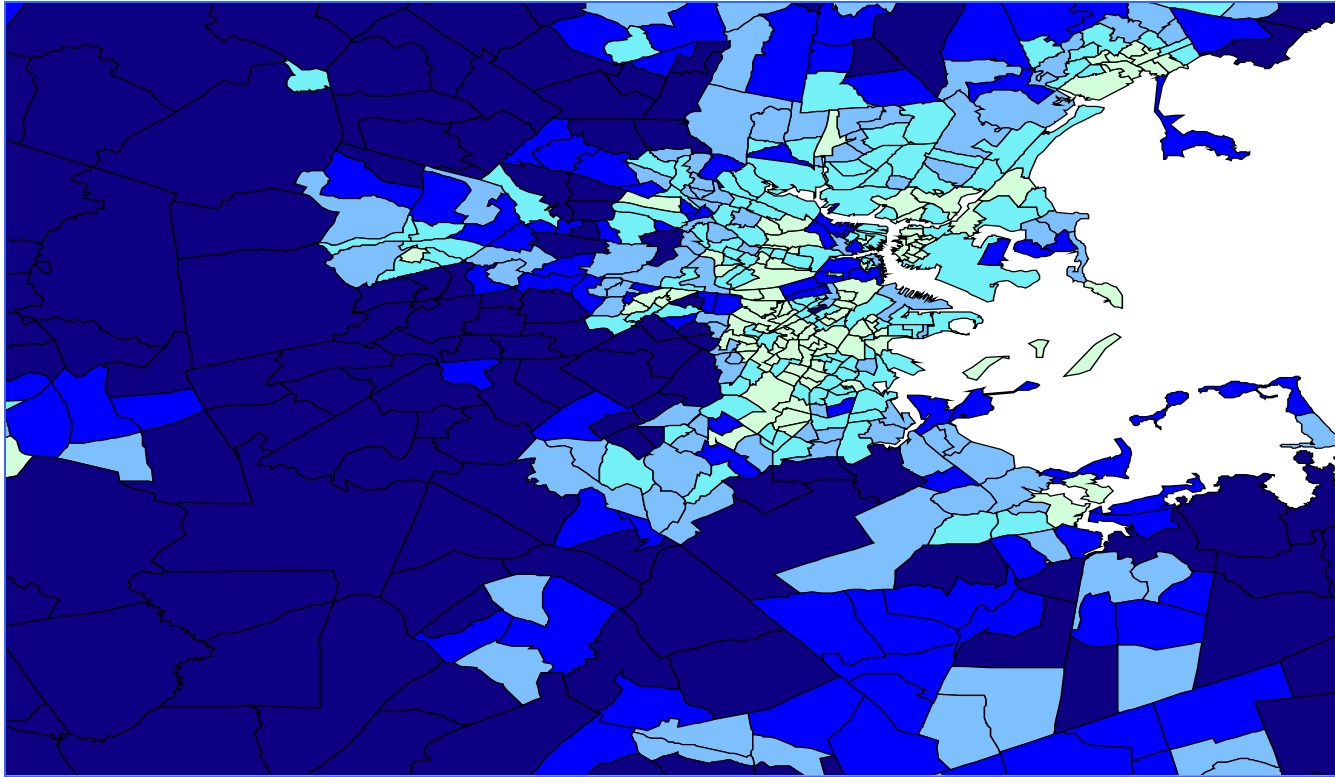
In-City Economic Database



Shorebank has created the In-City Economic Database to begin filling the in-city information gap and help companies tap the huge in-city market.

Standard Indicator of Buying Power

Boston MSA, Median Income

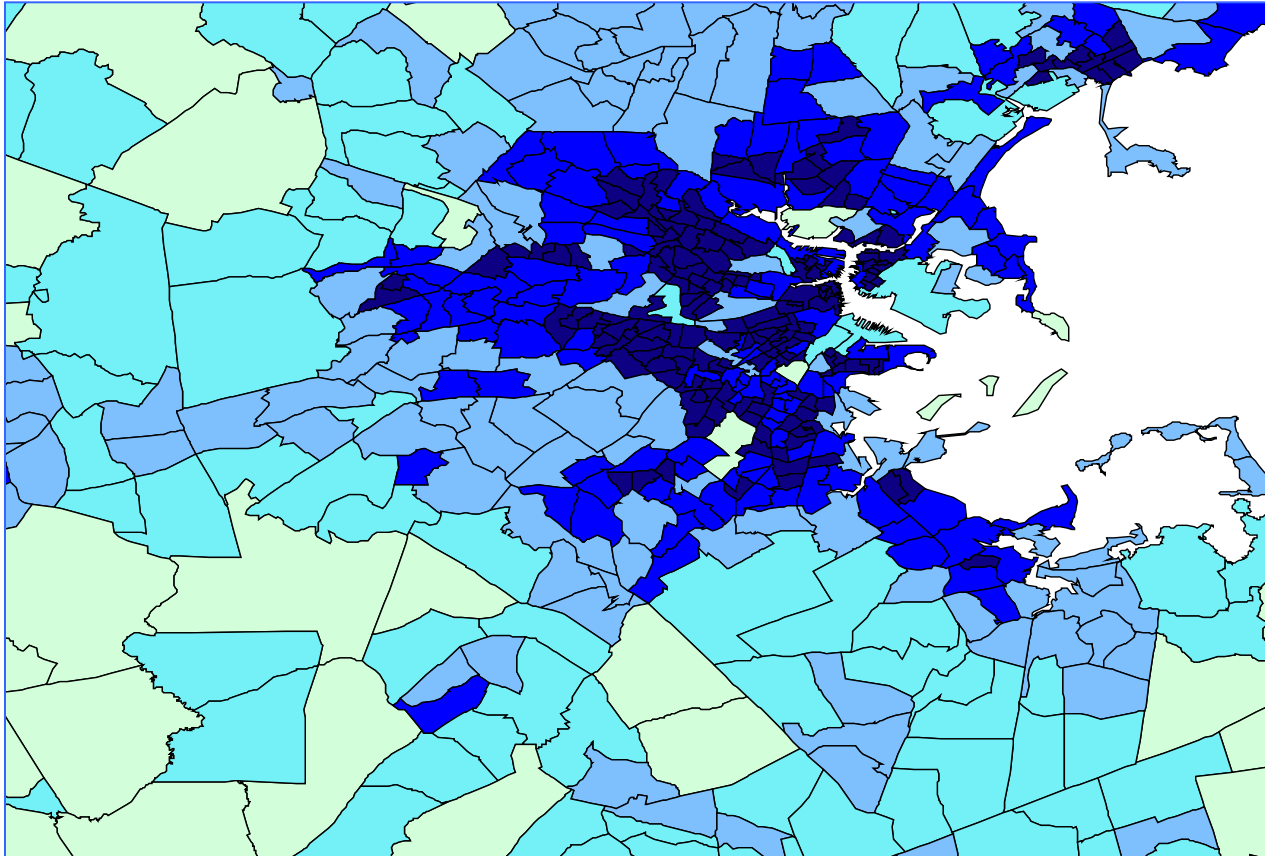


Note: Darker blue shades represents areas with higher median income

Conventional methods of market analysis tend to underestimate the potential of the in-city. A good example is the common focus on median income as an indicator of buying power.

New Indicator Shows Potential

Boston MSA, Concentrated Buying Power

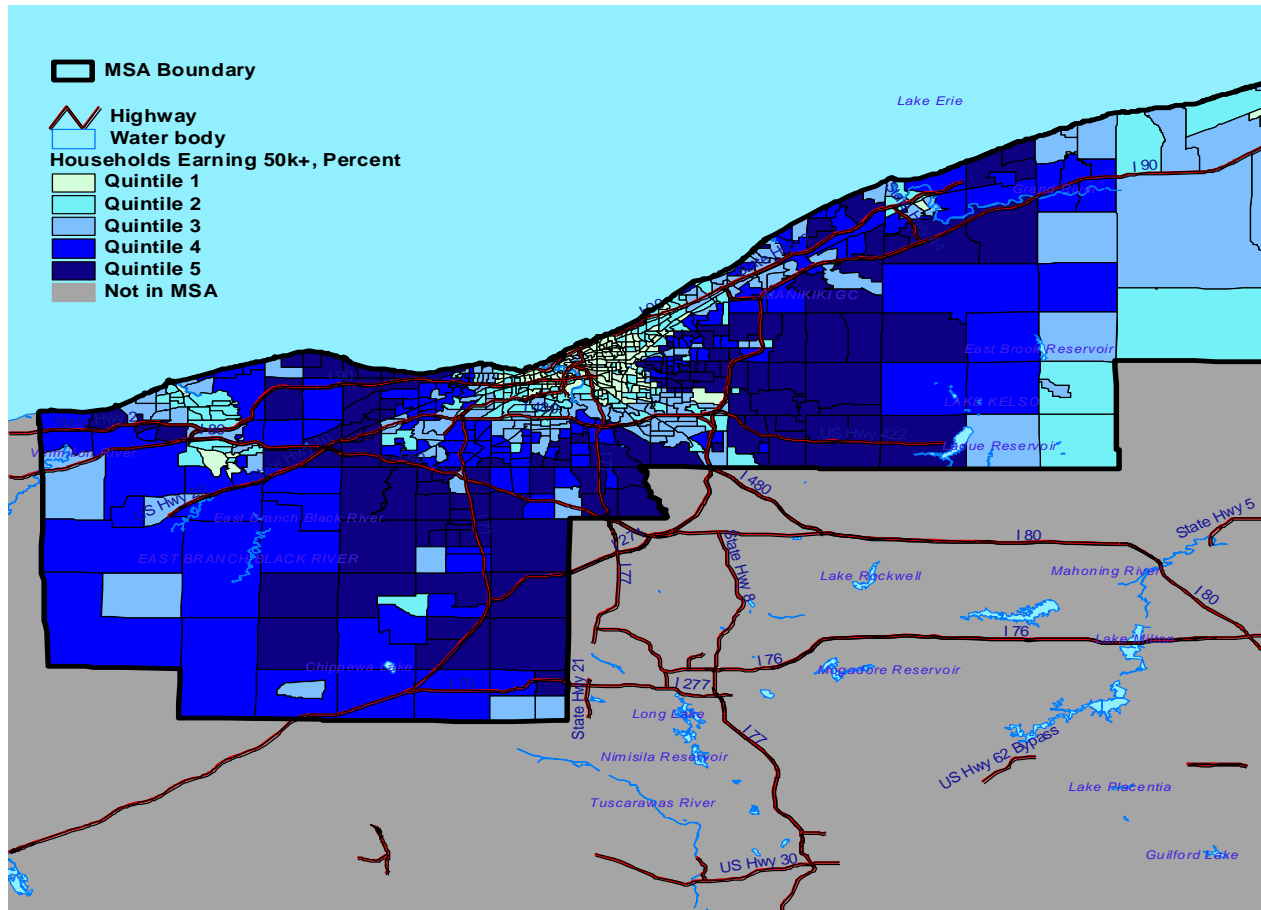


Note: Darker shades represent areas with high concentrated spending power (\$ per mile).

Despite a lower median income, the in-city has significant buying power.

Standard Indicator of Target Customers

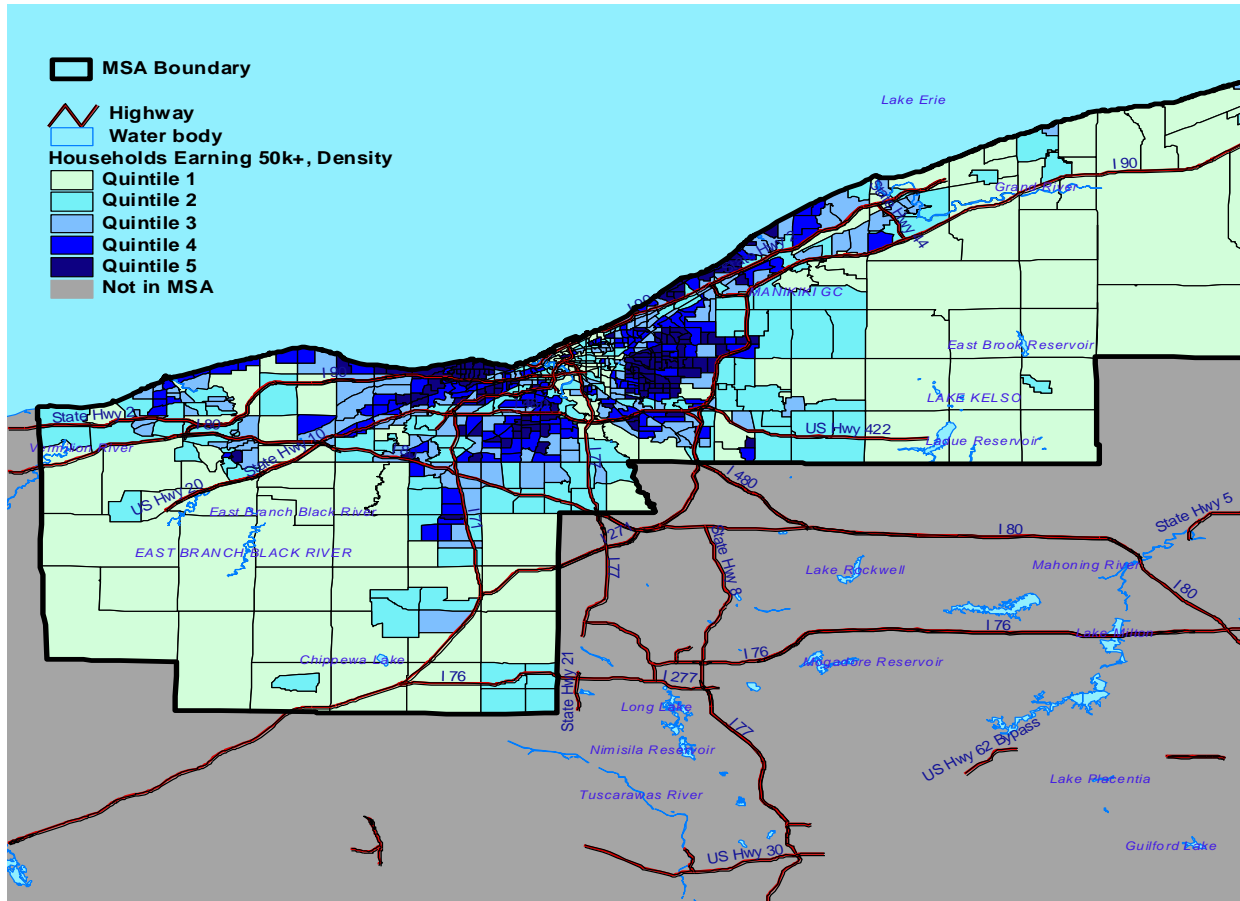
Cleveland MSA - Middle Class, Percent



Another standard indicator measures the percent of middle class households, which shows strength in the suburbs.

New Indicator Finds Hidden Market

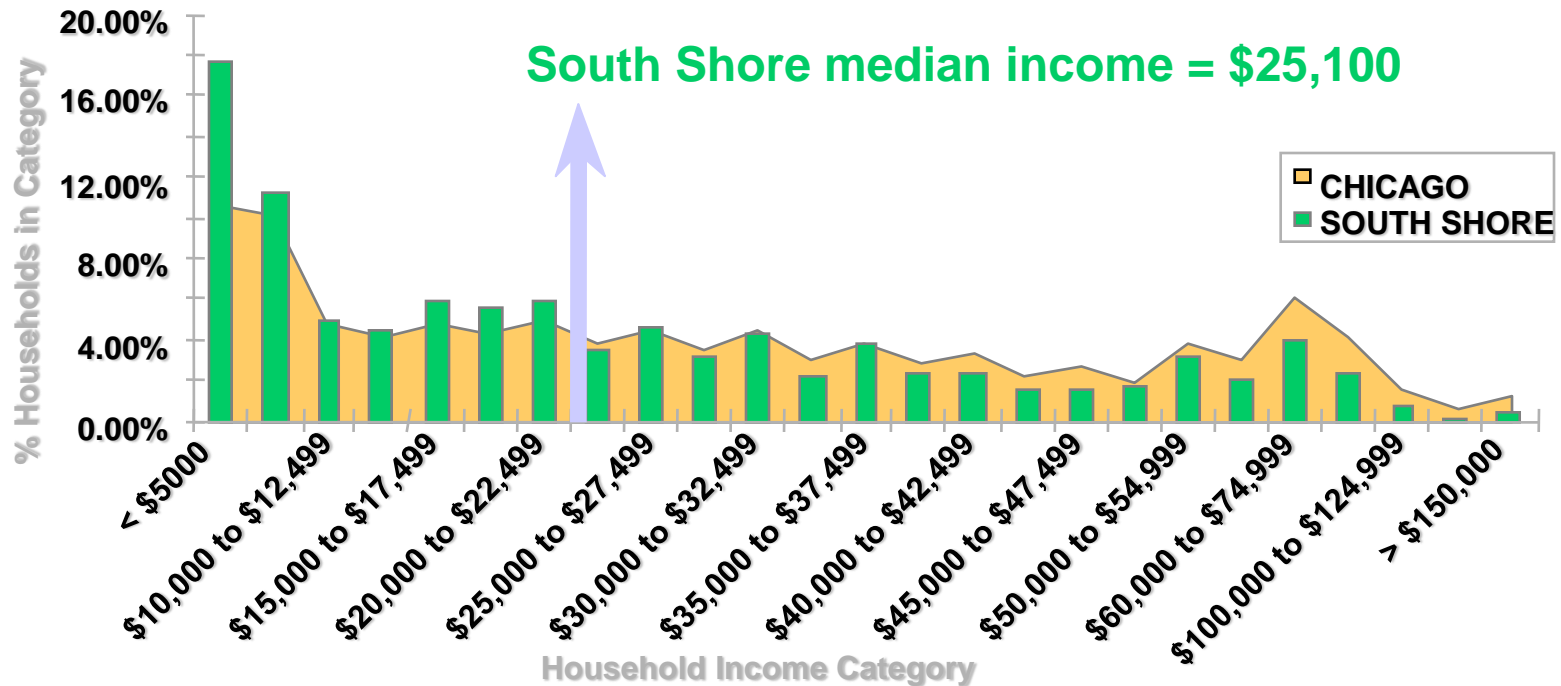
Cleveland MSA, - Middle Class, Number



Counting the number of middle class households captures the density of the in-city and reveals a strong middle class.

Central Cities are Diverse as well as Dense

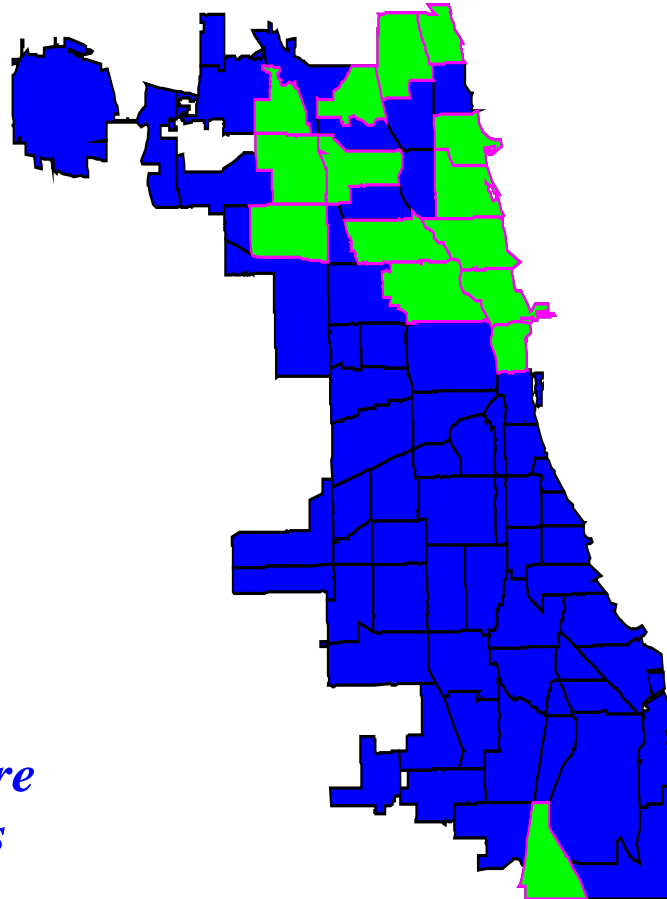
Solid Middle Income Neighborhoods: South Shore vs. Chicago



South Shore has a lower proportion of the very wealthy and a higher proportion of the very poor, but its solid middle class looks much like anywhere else in the city.

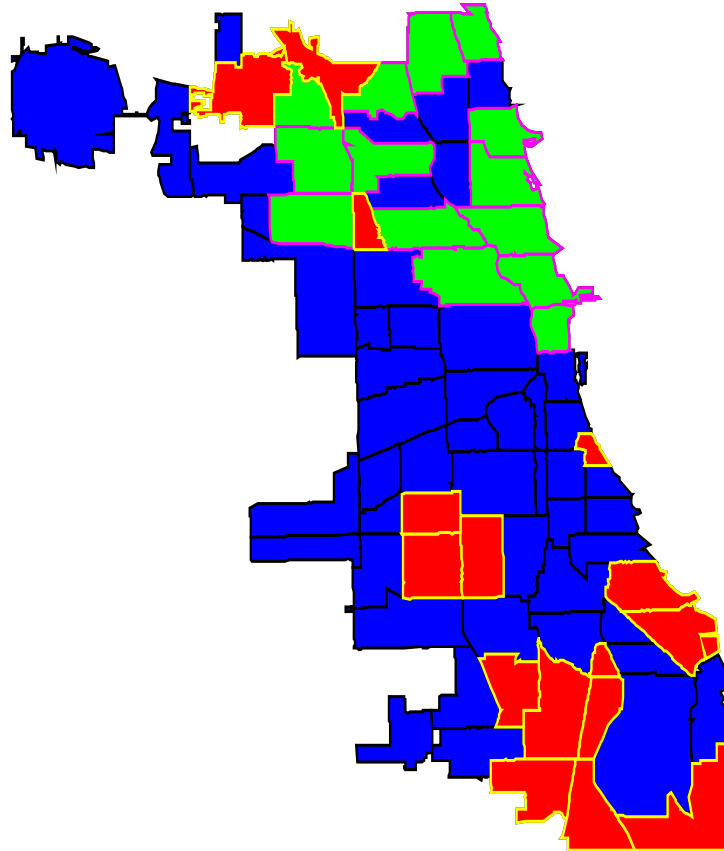
Standard Approach: Follow the Leader

*Top Total Retail Sales
City of Chicago
(green)*



*Most companies want to locate where
there is significant existing business
activity*

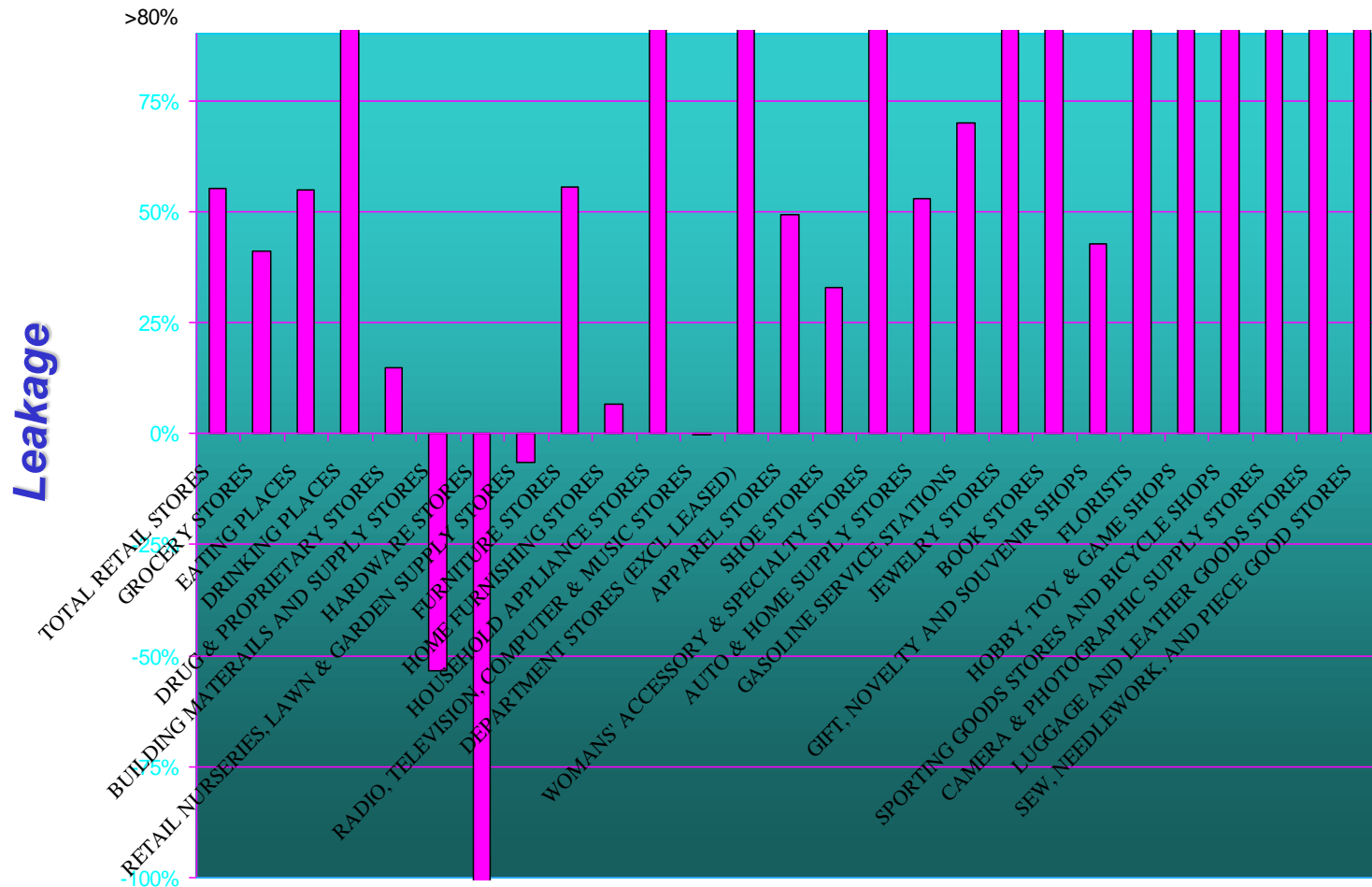
Shorebank's New Approach: Follow the Leakage



*Hot Spots in Restaurant
Spending
City of Chicago
(red)*

There is also opportunity in areas of spending leakage, where consumers go outside the neighborhood to make their expenditures.

Millions of Dollars Leave the Neighborhood



Exploring leakage shows several market segments almost entirely unserved in this neighborhood.

Look at Workplace Population

<u>Consumer Profile</u>	<u>Nat'l Pct</u>	<u>MPI</u>	<u>WPI</u>
• Have a passport	16.9	66	122
• Gourmet coffee beans	3.4	41	106
• Own gas grill	22.0	42	74
• 3+ Bus. trips by plane	2.7	33	90
• Own/lease a Mercedes	0.7	64	112
• Own computer	23.9	44	86
• Own cellular phone	17.0	73	93
• Own pager/beeper	10.6	113	120

MPI = Market Potential Index (Residence)

WPI = Workplace Potential Index

Differences in demographics and lifestyle translate into differences in product potential between the residential and workplace populations.

Indicators Make a Difference

Median Income

Rank	Community	Median Family Income
1	Calumet Heights	\$42,763
2	Morgan Park	\$41,040
3	Washington Heights	\$37,242
4	North Center	\$34,941
5	West Pullman	\$32,454
6	Roseland	\$31,195
7	Burnside	\$30,179
8	Uptown	\$27,886
9	Kenwood	\$27,138
10	Near South Side	\$10,597

Consumer Expenditures

Rank	Community	CEX Per Capita
1	North Center	\$13,675
2	Calumet Heights	\$12,448
3	Kenwood	\$11,930
4	Uptown	\$11,807
5	Morgan Park	\$11,334
6	Washington Heights	\$10,218
7	Roseland	\$8,918
8	West Pullman	\$8,302
9	Burnside	\$7,983
10	Near South Side	\$7,330

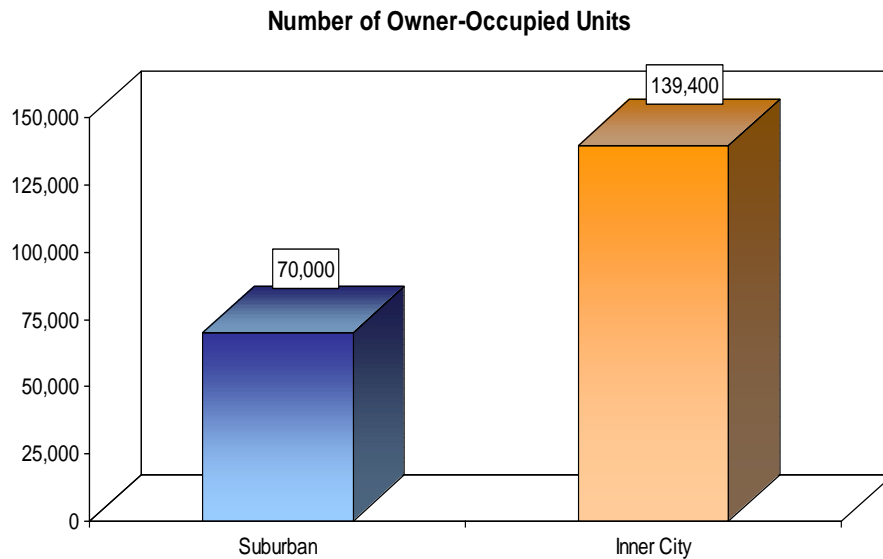
COMPARATIVE RANKINGS

Community	CEX Rank	Income Rank
North Center	1	4
Calumet Heights	2	1
Kenwood	3	9
Uptown	4	8
Morgan Park	5	2
Washington Heights	6	3
Roseland	7	6
West Pullman	8	5
Burnside	9	7
Near South Side	10	10

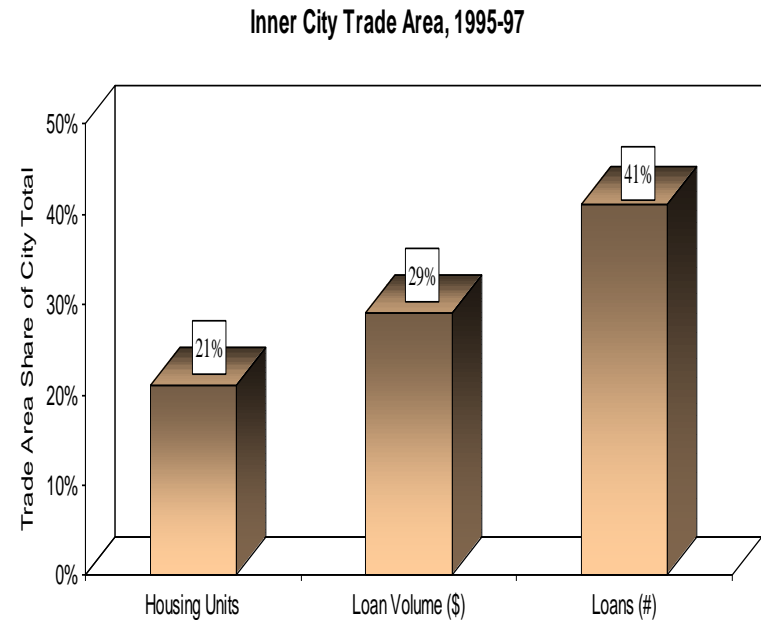
Changing the variables and tools used in market analysis can have a substantial impact on the locations selected for potential expansion opportunities.

Enhancing Model for National Retailer

Home Ownership: Density



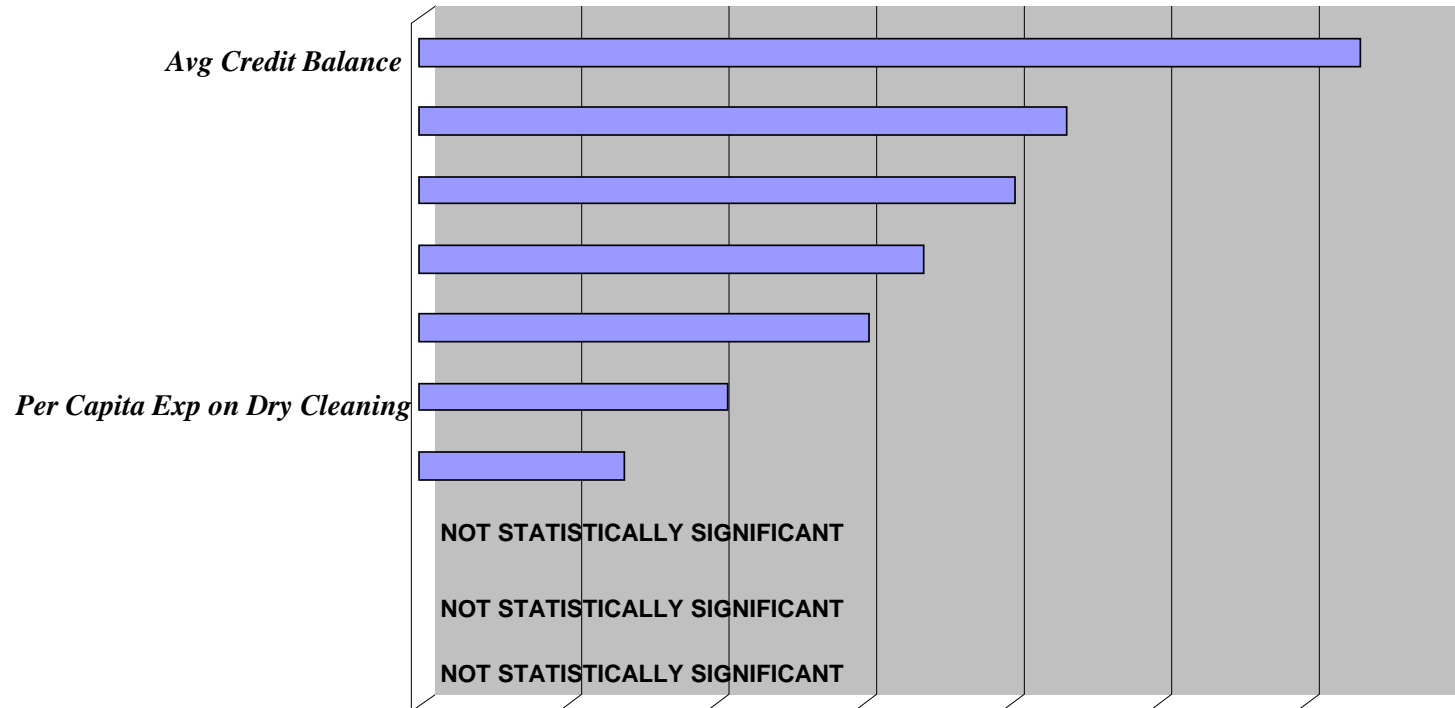
Renovation Lending



In-city trade areas can have significant home ownership activity. Looking at renovation activity can also be important for understanding the purchasing power related to home improvement, furnishings and other household items.

Validating a New Approach

New Data Predicts Sales Performance For Grocery Store Model



Standardized Coefficients
(Beta from LTS Multiple Regression on Sales Per Sq. Ft.)

New indicators were more significant than traditional ones in this location model created to predict sales for a grocery chain.

Use Urban Intelligence to Your Advantage

Become a Shorebank City Partner

- Increase the visibility of your city with national corporations
- Have the marketing tools to attract business
- Utilize accurate data to change perceptions
- Create neighborhood indicators and understand trends
- Enhance the information resources for local entities
- Transform Inner-city communities

**Market knowledge products to meet the needs of cities
today and tomorrow**

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