



BOARD OF GOVERNORS
OF THE
FEDERAL RESERVE SYSTEM
WASHINGTON, D. C. 20551

ADDRESS OFFICIAL CORRESPONDENCE
TO THE BOARD

March 24, 1997

Mr. John A. Blumenfeld, Jr.
Vice President & Senior Corporate Counsel
First Bank System, Inc.
First Bank Place, Suite 2800
601 Second Avenue South
Minneapolis, Minnesota 55402-4302

Dear Mr. Blumenfeld:

This is in response to the request by First Bank System, Inc., Minneapolis, Minnesota ("First Bank"), for a one-year extension to complete divestiture of certain real estate investments and to dispose of certain nonbank subsidiaries acquired in connection with First Bank's acquisition of Metropolitan Financial Corporation, Minneapolis, Minnesota, and its thrift and other nonbank subsidiaries (collectively, "Metropolitan Financial").

At the time of First Bank's application to acquire Metropolitan Financial, Metropolitan Financial controlled fourteen nonbank subsidiaries that were inactive or that were engaged in activities that are impermissible for a bank holding company under section 4 of the Bank Holding Company Act of 1956 (12 U.S.C. § 1843) ("BHC Act"), including real estate development activities. In connection with the Board's approval of the transaction, First Bank committed to divest the impermissible real estate investments and to dispose of the fourteen nonbank subsidiaries within two years following consummation of the proposal. Since the acquisition was consummated on January 24, 1995, the two-year divestiture period expired on January 24, 1997.

First Bank has been successful in liquidating seven of the fourteen nonbank subsidiaries and has now requested a one-year extension of time to complete the disposition of the following entities: (1) Candlewood Investors, Fargo, North Dakota; (2) Capital Fund 85 Limited Partnership, Des Moines, Iowa; (3) Kirkwood Manor Associates, Bismarck, North Dakota; (4) Lancaster Investment Corporation, Minneapolis, Minnesota; (5) LMN Management

Corporation, Fargo, North Dakota; (6) Cambridge Capital Group, d/b/a Western Columbia Mortgage, Minneapolis, Minnesota; and (7) Western Columbia Mortgage Holdings, Inc., Minneapolis, Minnesota.

The record in this case shows that a good faith effort has been undertaken by First Bank to satisfy the commitments made in connection with First Bank's acquisition of Metropolitan Financial. First Bank has divested most of its impermissible real estate investments and First Bank continues to aggressively market the remaining real estate interests. In addition, First Bank intends to dispose of the remaining nonbank subsidiaries through liquidation or divestiture as soon as possible.

Based on the foregoing facts of record, the Director of the Division of Banking Supervision and Regulation, acting pursuant to authority delegated by the Board under section 265.7(a)(2) of the Board's Rules Regarding Delegation of Authority (12 C.F.R. § 265.7(a)(2)), and after consulting with the General Counsel, has approved your request for a one-year extension until January 24, 1998, to divest the remaining impermissible real estate investments, and to divest or liquidate the remaining nonbank subsidiaries subject to the commitment. This action is based on the representations and commitments set forth in First Bank's request for an extension of time to divest impermissible real estate investments and to dispose of nonbank subsidiaries. Any change in the facts presented could result in a different conclusion and should be reported to staff immediately. This approval should not be construed as granting relief from any other conditions or commitments to which First Bank may be subject.

Very truly yours,



Jennifer J. Johnson
Deputy Secretary of the Board

cc: Federal Reserve Bank of Minneapolis