

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

Written Agreement by and among

AMERICAN BANCORPORATION  
Saint Paul, Minnesota

AMERICAN BANK OF SAINT PAUL  
Saint Paul, Minnesota

and

FEDERAL RESERVE BANK OF MINNEAPOLIS  
Minneapolis, Minnesota

Docket Nos. 09-032-WA/RB-HC  
09-032-WA/RB-SM

WHEREAS, in recognition of their common goal to maintain the financial soundness of American Bancorporation, Saint Paul, Minnesota (“American”), a registered bank holding company, and its subsidiary bank, American Bank of Saint Paul, Saint Paul, Minnesota (the “Bank”), a state chartered bank that is a member of the Federal Reserve System, American, the Bank, and the Federal Reserve Bank of Minneapolis (the “Reserve Bank”) have mutually agreed to enter into this Written Agreement (the “Agreement”); and

WHEREAS, on July 22, 2009, the boards of directors of American and the Bank, at duly constituted meetings, adopted resolutions authorizing and directing Norlin G. Boyum and John G. Kimball, to enter into this Agreement on behalf of American and the Bank, and consenting to compliance with each and every applicable provision of this Agreement by American, the Bank, and their 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, American, the Bank, and the Reserve Bank agree as follows:

### **Board Oversight**

1. Within 60 days of this Agreement, the board of directors of the Bank shall submit to the Reserve Bank a written plan to strengthen board oversight of the management and operations of the Bank. The plan shall, at a minimum, address, consider, and include:

(a) The actions that the board of directors will take to improve the Bank’s condition and maintain effective control over, and supervision of, the Bank’s senior management and major operations and activities, including but not limited to, the Bank’s lending and credit administration functions, asset quality, capital, earnings, and liquidity;

(b) the actions that the board of directors will take to establish strategic and operating goals and objectives, and to communicate and monitor management’s achievement of strategic and operating goals and objectives; and

(c) an evaluation of staffing needs, particularly in the areas of appraisal evaluations, problem loan identification, impairment analyses, and problem loan and other real estate owned (“OREO”) workout functions.

### **Appraisal and Appraisal Review Program**

2. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written program for real estate appraisals and appraisal reviews that is consistent with the Interagency Appraisal and Evaluation Guidelines, dated October 27, 1994 (SR 94-55), the Real Estate Appraisal Requirements for Other Real Estate Owned, dated March 28, 1995 (SR 95-16), as well as the requirements of Subpart G of Regulation Y of the Board of Governors

of the Federal Reserve System (the “Board of Governors”)(12 C.F.R. Part 225, Subpart G) made applicable to state member banks by section 208.50 of Regulation H of the Board of Governors (12 C.F.R. § 208.50). The program shall, at a minimum, provide for:

(a) Written standards for when reappraisals and reevaluations must be conducted, including, but not limited to, when loans are renewed, for transactions involving OREO, and when there are changes in the market conditions or the condition of the collateral or OREO; and

(b) maintenance of documentation for appraisals and reappraisals.

### **Loan Review Program**

3. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written program to enhance the loan review function. The program shall, at a minimum, address, consider, and include:

(a) The scope and frequency of loan review;

(b) standards and criteria for assessing the credit quality of loans;

(c) procedures to re-evaluate or re-grade loans in the event of material changes in the borrower’s performance, or value of the collateral;

(d) controls to ensure the consistent adherence to the revised loan grading standards, and criteria and the revised loan review program; and

(e) written reports to the board of directors, at least quarterly, that identify and report the status of nonperforming or adversely graded loans and the prospects for the full collection or strengthening of the quality of any such loans.

## **Credit Administration**

4. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written plan to strengthen the Bank's credit administration that shall, at a minimum, address, consider, and include policies and procedures for:

- (a) monitoring the overall financial condition of the borrower and any guarantor; and
- (b) monitoring the status and condition of underlying collateral, considering, but not limited to, market conditions and project status.

## **Asset Improvement**

5. (a) The Bank shall not, directly or indirectly, extend or renew any credit to or for the benefit of any borrower, including any related interest of the borrower, who is obligated to the Bank in any manner on any extension of credit or portion thereof that has been charged off by the Bank or classified, in whole or in part, "loss" in the report of examination of the Bank conducted by the Reserve Bank that commenced on August 18, 2008 ("Report of Examination") or in any subsequent report of examination, as long as such credit remains uncollected.

(b) The Bank shall not, directly or indirectly, extend or renew any credit to or for the benefit of any borrower, including any related interest of the borrower, whose extension of credit has been classified "doubtful" or "substandard" in the Report of Examination or in any subsequent report of examination, without the prior approval of the Bank's board of directors.

The board of directors shall document in writing the reasons for the extension of credit or renewal, specifically certifying that: (i) the extension of credit is necessary to protect the Bank's interest in the ultimate collection of the credit already granted or (ii) the extension of credit is in full compliance with the Bank's written loan policy, is adequately secured, and a thorough credit

analysis has been performed indicating that the extension or renewal is reasonable and justified, all necessary loan documentation has been properly and accurately prepared and filed, the extension of credit will not impair the Bank's interest in obtaining repayment of the already outstanding credit, and the board of directors reasonably believes that the extension of credit or renewal will be repaid according to its terms. The written certification shall be made a part of the minutes of the board of directors meetings, and a copy of the signed certification, together with the credit analysis and related information that was used in the determination, shall be retained by the Bank in the borrower's credit file for subsequent supervisory review. For purposes of this Agreement, the term "related interest" is defined as set forth in Section 215.2(n) of Regulation O of the Board of Governors (12 C.F.R. § 215.2(n)).

6. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written plan designed to improve the Bank's position through repayment, amortization, liquidation, additional collateral, or other means on each loan or other asset in excess of \$500,000, including OREO, that (i) is past due as to principal or interest more than 90 days as of the date of this Agreement; (ii) is on the Bank's problem loan list; or (iii) was adversely classified in the Report of Examination. In developing the plan for each loan, or other asset, the Bank shall, at a minimum, review, analyze, and document the financial position of the borrower, including source of repayment, repayment ability, and alternative repayment sources, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position.

(b) Within 30 days of the date that any additional loan or other asset in excess of \$500,000, including OREO, becomes past due as to principal or interest for more than 90 days, is on the Bank's problem loan list, or is adversely classified in any subsequent report of

examination of the Bank, the Bank shall submit to the Reserve Bank an acceptable written plan to improve the Bank's position on such loan or asset.

(c) Within 30 days after the end of each calendar quarter thereafter, the Bank shall submit a written progress report to the Reserve Bank to update each asset improvement plan, which shall include, at a minimum, the carrying value of the loan or other asset and changes in the nature and value of supporting collateral, along with a copy of the Bank's current problem loan list, extension report, past due/non-accrual report, and OREO report.

### **Allowance for Loan and Lease Losses**

7. (a) Within 10 days of this Agreement, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "loss" in the Report of Examination that have not been previously collected in full or charged off. Thereafter the Bank shall, within 30 days from the receipt of any federal or state report of examination, charge off all assets classified "loss" unless otherwise approved in writing by the Reserve Bank.

(b) Within 60 days of this Agreement, the Bank shall review and revise its ALLL methodology consistent with relevant supervisory guidance, including the Interagency Policy Statements on the Allowance for Loan and Lease Losses, dated July 2, 2001 (SR 01-17 (Sup)) and December 13, 2006 (SR 06-17), and the findings and recommendations regarding the ALLL set forth in the Report of Examination, or in any subsequent report of examination of the Bank, and submit a description of the revised methodology to the Reserve Bank. The revised ALLL methodology shall be designed to maintain an adequate ALLL and shall address, consider, and include, at a minimum, the reliability of the Bank's loan grading system, the volume of criticized loans, concentrations of credit, the current level of past due and nonperforming loans, past loan loss experience, evaluation of probable losses in the Bank's loan

portfolio, including adversely classified loans, and the impact of market conditions on loan and collateral valuations and collectibility.

(c) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable written program for the maintenance of an adequate ALLL. The program shall include policies and procedures to ensure adherence to the revised ALLL methodology and provide for periodic reviews and updates to the ALLL methodology, as appropriate. The program shall also provide for a review of the ALLL by the board of directors on at least a quarterly calendar basis. Any deficiency found in the ALLL shall be remedied in the quarter it is discovered, prior to the filing of the Consolidated Reports of Condition and Income, by additional provisions. The board of directors shall maintain written documentation of its review, including the factors considered and conclusions reached by the Bank in determining the adequacy of the ALLL. During the term of this Agreement, the Bank shall submit to the Reserve Bank, within 30 days after the end of each calendar quarter, a written report regarding the board of directors' quarterly review of the ALLL and a description of any changes to the methodology used in determining the amount of ALLL for that quarter.

### **Capital Plan**

8. Within 30 days of this Agreement, American and the Bank shall submit to the Reserve Bank an acceptable joint written plan to maintain sufficient capital at American, on a consolidated basis, and at the Bank, as a separate legal entity on a stand-alone basis. The plan shall, at a minimum, address, consider, and include:

(a) The consolidated organization'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);

(b) The Bank's current and future capital requirements, including compliance with the Capital Adequacy Guidelines for State Member Banks: Risk-Based Measure and Tier 1 Leverage Measure, Appendices A and B of Regulation H of the Board of Governors (12 C.F.R. Part 208, App. A and B);

(c) the volume of the Bank's adversely classified assets;

(d) the nature and level of the Bank's asset concentrations;

(e) the adequacy of the Bank's ALLL;

(f) any planned asset growth;

(g) the anticipated level of retained earnings;

(h) anticipated and contingent liquidity needs;

(i) the source and timing of additional funds to fulfill the future capital needs of American and the Bank and the ALLL needs of the Bank; and

(j) the requirements of Section 225.4(a) of Regulation Y of the Board of Governors that American shall serve as a source of strength to the Bank (12 C.F.R. § 225.4(a)).

9. The board of directors of the Bank shall monitor and review the sufficiency of the capital of the Bank on a monthly basis. The board of directors of American shall monitor and review the sufficiency of the capital of American on a quarterly basis. Each board shall reflect such reviews in the minutes of the board of directors' meetings.



## **Dividends and Distributions**

10. (a) American and the Bank 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 of the Board of Governors (the “Director”).

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

(c) American and its 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.

(d) All requests for prior approval shall be received 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, as appropriate, on the parent’s capital, earnings, and cash flow; the Bank’s capital, asset quality, earnings and ALLL needs; and identification of the sources of funds for the proposed payment or distribution. For requests to declare or pay dividends, American and the Bank, as appropriate, 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**

11. (a) American and any of American’s nonbank subsidiaries 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) American shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Reserve Bank.

### **Strategic Plan and Budget**

12. (a) Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank a strategic plan to improve the Bank's earnings and a budget for 2009. The written plan and budget shall include, but not be limited to:

(i) Identification of the major areas where, and means by which, the board of directors will seek to improve the Bank's operating performance;

ii) a realistic and comprehensive budget for the calendar year 2009, including income statement and balance sheet projections; and

(iii) a description of the operating assumptions that form the bases for, and adequately support, major projected income, expenses, and balance sheet components.

(b) Upon adoption, the Bank shall implement the strategic plan. Bank management shall report monthly to the Bank's board of directors on progress made in implementing the strategic plan. The written monthly reports shall compare actual financial results to those projected in the strategic plan. In the event that revisions to the plan are necessary, such revisions shall be forwarded to the Reserve Bank within 15 days of adoption.

(c) A strategic plan and budget for each calendar year subsequent to 2009 shall be submitted to the Reserve Bank at least 30 days prior to the beginning of that calendar year.

## **Liquidity**

13. Within 60 days of this Agreement, the Bank shall submit to the Reserve Bank an acceptable revised written plan designed to improve management of the Bank's liquidity position and funds management practices. The plan shall, at a minimum, address, consider, and include:

- (a) Steps to diversify sources of funding and reduce reliance on short-term wholesale funding;
- (b) specific liquidity targets and parameters and the maintenance of sufficient liquidity to meet contractual obligations and unanticipated demands; and
- (c) measures to enhance the monitoring and reporting of the Bank's liquidity position.

14. Within 60 days of this Agreement, American and the Bank shall submit to the Reserve Bank an acceptable contingency funding plan that, at a minimum, identifies available sources of liquidity and includes adverse scenario planning.

## **Compliance with Laws and Regulations**

15. (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, American and the Bank 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) American and the Bank 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).

## **Compliance with the Agreement**

16. (a) Within 30 days after the end of each calendar quarter following the date of this Agreement, American and the Bank shall submit to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with this Agreement and the results thereof.

## **Approval and Implementation of Plans, Programs, Policies, and Procedures**

17. (a) American and the Bank, as applicable, shall submit written plans, programs, policies, and procedures that are acceptable to the Reserve Bank within the applicable time periods set forth in paragraphs 2, 3, 4, 6(a), 7(c), 8, 13, and 14 of this Agreement.

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

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

## **Communications**

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

- (a) Ms. Diann Townsend  
Assistant Vice President  
Federal Reserve Bank of Minneapolis  
90 Hennepin Avenue  
Minneapolis, Minnesota 55401-1804

- (b) Mr. Norlin G. Boyum  
Chairman  
American Bancorporation  
1578 University Avenue W.  
Saint Paul, Minnesota 55104
  
- (c) Mr. John Kimball  
President  
American Bank of Saint Paul  
1578 University Avenue W.  
Saint Paul, Minnesota 55104

### **Miscellaneous**

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

20. The provisions of this Agreement shall be binding upon American, the Bank, and their institution-affiliated parties, in their capacities as such, and their successors and assigns.

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

22. 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 American, the Bank, or any of their current or former institution-affiliated parties and their successors and assigns.

23. 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 22nd day of July, 2009.

AMERICAN BANCORPORATION

FEDERAL RESERVE BANK  
OF MINNEAPOLIS

By: /s/ Norlin G. Boyum  
Norlin G. Boyum  
Chairman

By: /s/ James M. Barnes  
James M. Barnes  
Vice President

AMERICAN BANK OF SAINT PAUL

By: /s/ John Kimball  
John Kimball  
President