

**FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.
and
STATE OF MINNESOTA
DEPARTMENT OF COMMERCE**

_____)	
)	
In the Matter of)	
)	CONSENT ORDER
AMERICAN BANK OF THE NORTH)	
NASHWAUK, MINNESOTA)	FDIC-11-124b
)	
(Insured State Nonmember Bank))	
_____)	

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for American Bank of the North, Nashwauk, Minnesota ("Bank"), under 12 U.S.C. § 1813(q). The State of Minnesota, Department of Commerce, is the appropriate State banking authority for the Bank under Minnesota Statutes §§ 46.01 - 46.04 (2010) (and collectively, with the FDIC, "Supervisory Authorities").

The Bank, by and through its duly elected and acting Board of directors ("Board"), has executed a "Stipulation to the Issuance of a Consent Order" ("Stipulation"), dated April 25, 2011 that is accepted by the Supervisory Authorities. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices or

violations of law or regulation, to the issuance of this Consent Order ("ORDER") by the Supervisory Authorities.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) and Minnesota state law have been satisfied, the Supervisory Authorities each hereby order that:

1. Charge-off of Adversely Classified Assets.

(a) Within 10 days after the receipt of any future reports of examination of the Bank from either of the Supervisory Authorities, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" in such future reports of examination, that have not been previously collected or charged off.

(b) Elimination or reduction of assets through the proceeds of other loans or extensions of credit made by the Bank is not considered collection for purposes of this ORDER.

2. Reduction of Adversely Classified Assets.

(a) Within 60 days from the effective date of this ORDER and within 60 days after the receipt of any future reports of examination of the Bank from either of the Supervisory Authorities, the Bank shall formulate written plans to reduce the Bank's risk exposure in each asset in excess of \$500,000 adversely classified as "Substandard" or "Doubtful" in the FDIC

November 1, 2010 Report of Examination ("Report of Examination") or in such future reports of examination. For purposes of this provision, "reduce" means to collect, charge off, or improve the quality of an asset so as to warrant its removal from adverse classification by the Supervisory Authorities.

(b) In developing the plans mandated by this paragraph, the Bank shall, at a minimum, and with respect to each loan or lease, review, analyze, and document the financial position of the borrower, including sources of repayment and repayment ability, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position.

(c) The plans mandated by this provision shall include a requirement that monthly written progress reports be submitted by Bank management to the Board, and a requirement that the Board review the progress reports and record the review in the Board's minutes.

(d) The Board shall approve the plans, which approval shall be recorded in the Board's minutes. Thereafter, a copy of the plan or portion thereof that pertains to a specific borrower shall be maintained in the borrower's credit file, and the Bank shall implement and fully comply with the plan.

3. Restrictions on Advances to Adversely Classified Borrowers.

(a) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit or obligation with the Bank that has been, in whole or in part, charged off or adversely classified "Substandard" or "Doubtful," either internally or in the Report of Examination and is uncollected, or classified "Substandard" or "Doubtful" in any future reports of examination from either of the Supervisory Authorities and is uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing, after collecting in cash all interest and fees due from a borrower, any credit already extended to the borrower.

(b) Subparagraph (a) of this provision shall not apply if the Bank's failure to extend further credit to a particular borrower would be detrimental to the best interests of the Bank. Prior to extending additional credit pursuant to this subparagraph (b), whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Board, or Board appointed committee, who shall conclude that:

(i) the failure of the Bank to extend such credit would be detrimental to the best interests of the Bank, with an

explanation of why the failure to extend such credit would be detrimental;

(ii) the extension of such credit would improve the Bank's position, with an explanatory statement of why the Bank's position would improve; and

(iii) an appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended.

(c) The conclusions and approval shall be made a part of minutes of the Board or Board appointed committee, with a copy retained in the borrower's credit file.

4. Concentrations of Credit.

(a) Within 60 days from the effective date of this ORDER, the Bank shall develop a written plan for systematically reducing and monitoring the Bank's concentrations, as listed in the Concentrations section of the Report of Examination (the "Concentration Plan"), to an amount that is commensurate with the Bank's business strategy, management expertise, size, and location. At a minimum, the Concentration Plan shall include:

(i) targeted dollar levels and percent of capital to which the Bank shall reduce each concentration;

(ii) timeframes for achieving the targeted reduction in dollar levels identified in response to (i) above;

(iii) a provision for the submission of monthly written progress reports to the Board for review and notation in the Board's minutes; and

(iv) procedures for monitoring the Bank's compliance with the Concentration Plan.

(b) Upon completion, the Bank shall submit the Concentration Plan to the Supervisory Authorities for review and comment. Within 30 days of receipt of any comments from the Supervisory Authorities, and after consideration of all such comments, the Board shall approve the Concentration Plan, which approval shall be recorded in the Board's minutes. Thereafter, the Bank shall implement and fully comply with the Concentration Plan.

5. Loan Policy, Underwriting, and Credit Administration.

(a) Within 120 days of the effective date of this ORDER, the Board shall review and revise its written loan policy and credit administration procedures ("Revised Loan Policies") to address the loan policy, underwriting, and credit administration deficiencies and recommendations presented on the Examination Conclusions and Comments pages of the Report of Examination.

(b) Upon completion, the Bank's Revised Loan Policies shall be provided to the Supervisory Authorities for review and comment. Within 30 days of receipt of any comment from the

Supervisory Authorities, and after consideration of any comments, the Bank shall approve the Revised Loan Policies, which approval shall be recorded in the Board's minutes. Thereafter, the Bank shall implement and fully comply with the Revised Loan Policies.

(c) In the event the Bank considers making a loan that would not conform with the Bank's Revised Loan Policies, the loan shall receive prior review and approval by the Board or an appropriate committee thereof. The reason for nonconformance and the Board's or committee's review and approval shall be documented in the minutes of the Board or committee and in the loan file for that loan.

6. Independent Loan Review Program.

Within 120 days, the Board shall review and revise its written loan review program to ensure it provides for a periodic and independent review of the Bank's loan portfolio and the identification and categorization of problem credits. At a minimum, the revised written program shall provide for:

(a) prompt identification of loans with credit weaknesses that warrant the special attention of management, including the name of the borrower, amount of the loan and identification of all outstanding balances and commitments attributable to each obligor, reason why the loan warrants special attention, and

assessment of the degree of risk that the loan will not be fully repaid according to its terms, any noncompliance or deficiency in the Bank's credit administration procedures or applicable risk reduction plans, and an assessment of the accuracy of the bank's internal risk rating on the loan;

(b) identification of trends affecting the quality of the loan portfolio and potential problem areas; and

(c) periodic written reports, but in no event less than quarterly, providing the information developed in (a) and (b) above to the Board. The reports should also describe the action(s) taken by management with respect to problem credits.

7. Allowance for Loan and Lease Losses (ALLL).

(a) Within 30 days, the Board shall revise Bank's written policy and methodology for determining the ALLL to address the comments and criticisms in the Report of Examination. The written policy shall provide for a review of the ALLL at least once each calendar quarter in order that the findings of the Board may be properly reported in the Bank's Call Reports. Such reviews shall, at a minimum, be made in accordance with the Call Report Instructions, the Interagency Statement of Policy on the Allowance for Loan and Lease Losses, other applicable regulatory guidance that addresses the appropriateness of the Bank's ALLL,

and any analysis of the Bank's ALLL provided by either of the Supervisory Authorities.

(b) A deficiency in the Bank's ALLL shall be remedied in the calendar quarter in which it is discovered by a charge to current operating earnings prior to any Tier 1 capital determinations required by this ORDER and prior to the Bank's submission of its Call Report. The Board shall thereafter maintain an appropriate ALLL and fully comply with the policy.

8. Minimum Capital Requirements.

(a) While this ORDER is in effect, the Bank shall have and maintain the following minimum capital ratios (as defined in Part 325 of the FDIC's Rules and Regulations), after establishing an appropriate ALLL:

(i) Tier 1 "leverage capital ratio" at least equal to 8.5 percent;

(ii) "Total risk-based capital ratio" at least equal to 11.5 percent.

(b) In the event any ratio is or becomes less than the minimum required by subparagraph (a) of this provision, the Bank shall immediately notify the Supervisory Authorities and within 30 days shall: (1) increase capital in an amount sufficient to comply with subparagraph (a), or (2) submit a written plan to the Supervisory Authorities for review and comment, describing

the primary means and timing by which the Bank shall increase its capital ratios up to or in excess of the minimum requirements of subparagraph (a) above, as well as a contingency plan in the event the primary sources of capital are not available. Within 30 days of receipt of any such comments from the Supervisory Authorities, and after consideration of all such comments, the Board shall approve the written plan, which approval shall be recorded in the Board's minutes. Thereafter, the Bank shall implement and fully comply with the written plan.

(c) Any increase in Tier 1 capital necessary to meet the requirements of subparagraph (a) of this provision may not be accomplished through a deduction from the ALLL.

9. Restrictions on Dividends.

While this ORDER is in effect, the Bank shall not declare or pay any dividends without the prior written approval of the Supervisory Authorities.

10. Liquidity and Asset/Liability Management Policies and Practices.

Within 120 days from the effective date of this ORDER, the Board shall review and revise its Asset, Liability, Liquidity and Funding Policy to address the recommendations made under the Liquidity and Sensitivity to Market Risk headings in the

Examination Conclusions and Comments pages of the Report of Examination. Thereafter, the Bank shall implement and fully comply with the revised policy.

11. Business/Strategic Plan and Profit and Budget Plan.

(a) Within 90 days from the effective date of this ORDER and within 60 days from the first day in each calendar year thereafter, the Board shall develop a written three-year business/strategic plan and one-year profit and budget plan, covering the overall operation of the Bank and its goals and strategies, consistent with sound banking practices, and taking into account the Bank's other written plans, policies, or other actions as required by this ORDER.

(b) The business/strategic plan shall provide specific objectives for asset growth or reduction, loan portfolio mix, market focus, earnings projections, capital needs, and liquidity position. The profit and budget plan shall include goals and strategies for improving the earnings of the Bank. The budget shall include a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components.

(c) Upon completion, the business/strategic plan and the profit and budget plan, and any subsequent modification thereto, shall be submitted to the Supervisory Authorities for review and

comment. No more than 30 days after the receipt of any comment from the Supervisory Authorities, and after consideration of all such comments, the Board shall approve the business/strategic plan and the profit and budget plan, which approval shall be recorded in the Board's minutes. Thereafter, the Bank shall implement and fully comply with the plans.

12. Correction of Technical Exceptions.

(a) Within 120 days from the effective date of this ORDER, and within 90 days after receipt of any future report of examination of the Bank from either of the Supervisory Authorities, the Bank shall correct the exceptions listed on the "Assets with Credit Data or Collateral Documentation Exceptions" pages of the Report of Examination, and such future reports of examinations.

(b) Progress reports detailing each outstanding exception and the Bank's plan for corrective action shall be submitted to the Board for review on at least a quarterly basis. The report shall be made part of, and the review noted, in the Board's minutes.

(c) For any exception that cannot be corrected, the Bank shall document the reason for such inability in the borrower's credit file, and the Board shall review and include a copy of the documentation in the Board's minutes.

(d) From the effective date of this ORDER, the Bank shall ensure that the necessary supporting documentation is obtained and evaluated before any credit or loan is extended.

13. Elimination and/or Correction of Violations of Laws, Rules, and Regulations.

(a) Within 120 days after the effective date of this ORDER, and within 60 days after receipt of any future reports of examination of the Bank by either of the Supervisory authorities, the Bank shall submit plans of action to the Supervisory Authorities for review and comment that address all apparent violations of law, rules, and regulations, cited in the Report of Examination, and such future reports of examinations.

(b) The plans of actions required by this paragraph shall:

- (i) detail corrective actions taken and planned to correct, eliminate, and/or address, and prevent the recurrence of all apparent violations of law, rules, and regulations, detailed in the respective report of examination; and
- (ii) require progress reports submitted to the Board for review on at least a quarterly basis detailing each outstanding violation and the status of the Bank's plan for corrective action.

(c) Within 30 days of receipt of comments from the Supervisory Authorities, and after consideration of any such comments, the Board shall approve the plans of action and record

such approval in the Board's minutes. Thereafter, the Bank shall follow the plans of action and shall document in Board or Board Committee minutes all actions taken to implement the plans of action required by this paragraph.

14. Management.

(a) Within 90 days of the effective date of this ORDER, the Board shall develop and complete a plan ("Management Plan") to provide qualified management for the Bank. For purposes of this Order, the Management Plan shall assess Bank management on its ability to comply with the requirements of this ORDER, operate the Bank in a safe and sound manner, comply with applicable laws and regulations, and restore all aspects of the Bank to a safe and sound condition, including asset quality, capital adequacy, earnings, management effectiveness, liquidity, and sensitivity to market risk. Each member of Bank management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank.

(b) Upon completion, the Board shall approve the Management Plan and submit a copy of it to the Supervisory Authorities. The Bank and its institution-affiliated parties shall implement and fully comply with the Board approved Management Plan, and any subsequent revisions thereof.

(c) It shall remain the responsibility of the Board to monitor the implementation of the Management Plan. The Board shall review the Management Plan at least annually, and update it as necessary. In the event the Management Plan, or any portion thereof, is not implemented, the Board shall immediately advise Supervisory Authorities, in writing, of specific reasons for deviating from the Management Plan.

15. Disclosure of Order to Sole Shareholder.

Following the effective date of this ORDER, the Bank shall provide a copy or otherwise furnish a description of this ORDER to its sole shareholder, (i) in conjunction with the Bank's next shareholder communication, and (ii) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting.

16. Progress Reports Detailing Compliance with ORDER.

(a) Within 60 days of the end of the first calendar quarter following the effective date of this ORDER, and within 30 days of the end of each calendar quarter thereafter, the Bank shall furnish written progress reports to the Supervisory Authorities detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. Such written progress reports shall provide cumulative detail of the

Bank's progress toward achieving compliance with each provision of the ORDER, including at a minimum:

(i) actions taken or in-process for addressing each provision;

(ii) results of the corrective actions taken;

(iii) the Bank's status of compliance with each provision of the ORDER; and

(iv) appropriate supporting documentation.

(b) Progress reports may be discontinued when the Supervisory Authorities have, in writing, released the Bank from making additional reports.

MISCELLANEOUS

The provisions of this ORDER shall not bar, estop, or otherwise prevent the FDIC, Minnesota Department of Commerce, or any other federal or state agency or department from taking any other action against the Bank or any of the Bank's current or former institution-affiliated parties.

This ORDER shall be effective on the date of issuance.

The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof.

The provisions of this ORDER shall remain effective and enforceable except to the extent that and until such time as any provision has been modified, terminated, suspended, or set aside by the FDIC and Minnesota Department of Commerce.

Issued Pursuant to Delegated Authority

Dated: May 9, 2011

FEDERAL DEPOSIT INSURANCE CORPORATION

By:

/s/
Mark S. Moylan
Deputy Regional Director

STATE OF MINNESOTA
DEPARTMENT OF COMMERCE

By:

/s/
Kevin M. Murphy
Deputy Commissioner