

AMB Financial Corp.

American Savings, FSB (Wholly Owned Subsidiary)

Material Event – Litigation

May 31, 2011

Legal Proceedings. The Bank is, from time to time, a party to certain lawsuits in the ordinary course of its business, wherein it enforces its security interest. In addition, we are involved in the following litigation:

Tokarski vs. American Savings, FSB. The Bank is involved in litigation with Steve Tokarski, the successor personal representative of the Estate of John Wroblewski. The suit filed in June 2007 in the Superior Court of Lake County Indiana (Cause #45D040706CC00075) involved multiple claims, including alleged negligence by the Bank in the cashing of two checks totaling \$513,106 as well as an alleged subsequent conversion by the Bank of \$154,800 of the aforementioned funds, which had been placed in a restricted deposit account, to satisfy two delinquent loans. The suit claimed that the Bank violated a notice of restriction placed on the deposit account by applying funds without proper written consents and that the Bank assisted an individual, whom we believed was acting on behalf of John Wroblewski under a power of attorney, in misappropriating funds belonging to the Estate by cashing the checks mentioned above.

On April 11, 2011, the Motion for Summary Judgment in this case was entered in favor of the Plaintiff Tokarski in the amount of \$513,106.

The Bank notified its insurance carrier as to the Summary Judgment and requested a coverage analysis as to the Summary Judgment. The initial claim was filed under the Bank's Directors and Officers/Company Liability Policy, which has a \$1,000,000 annual limit of liability and \$25,000 retention per claim. The retention amount was satisfied in March 2011 with respect to attorney's fees as the insurance carrier now reimburses the Bank for attorney's fees related to this matter.

The insurance carrier conducted an initial coverage analysis based upon the Summary Judgment and indicated that the policy's definition of loss excludes disgorgement as it relates to the restricted deposit account in the amount of \$154,800 used by the Bank to satisfy two delinquent loans. As such, the portion of the judgment related to this conversion, which amounts to \$154,800, is not covered under the Bank's insurance policy because it involves disgorgement. The analysis further indicated that, based upon the facts presented, the remaining portion of the judgment in the amount of \$358,306 appeared to be covered under the Bank's insurance policy.

The Bank is appealing the entirety of the judgment and has filed a Notice of Appeal from the Lake Superior Court on May 10, 2011 as well as a Motion for Stay of Proceedings to Enforce Judgment Pending Appeal and a Request for Hearing with the Court on May 11, 2011.

When a loss from a contingency becomes probable and estimable, the Bank establishes an accrual. The accrual reflects management's estimate of the probable cost of resolution of the matter based on what information is currently known and is revised as facts and circumstances change. As a result of the above known facts, the Bank has recorded a pre-tax charge to current operations in the amount of \$154,800. No significant additional expenses relating to this litigation are anticipated at this time.