

OFFICE OF THRIFT SUPERVISION

APPROVAL OF APPLICATIONS FOR PERMISSION TO ENGAGE IN ADDITIONAL BUSINESS ACTIVITIES, PURCHASE OF ASSETS AND ESTABLISHMENT OF A BRANCH OFFICE

Order No.: 2001-21
Date: April 2, 2001
Docket No.: 15054

AAL Trust Company, FSB, Appleton, Wisconsin (the Savings Bank), has applied to the Office of Thrift Supervision (OTS), pursuant to Conditions 9 and 10 of OTS Order No. 98-71, dated July 21, 1998 (the 1998 Order), seeking approval for material changes to its business plan and for approval to engage in additional business activities other than trust activities authorized under 12 U.S.C. § 1464(n). In addition, the Savings Bank has applied, pursuant to 12 C.F.R. § 563.22(c), to acquire the assets of AAL Members Credit Union and AAL Credit Union, Appleton, Wisconsin (collectively, the Credit Unions). The Savings Bank has also applied to establish a branch office in Appleton, Wisconsin, pursuant to 12 C.F.R. § 545.92. (The foregoing are collectively referred to herein, as the Applications.)

The Savings Bank requests that it be granted an exception from compliance with the consumer loan limitation requirements set forth in 12 U.S.C. § 1464(c)(2)(D) for a period of three years from completion of the conversion. In addition, the Savings Bank requests that it be granted an exception from compliance with the qualified thrift lender (QTL) requirements of 12 U.S.C. § 1467a(m) for a period of 15 months from completion of the conversion. The requested exceptions would permit the Savings Bank to reinvest prudently in non-consumer loans and QTL-qualified assets without undue risk or raising substantial safety and soundness concerns.

OTS has considered the Applications, the request for a three year phase-in from the consumer loan limitation requirements of 12 U.S.C. § 1464(c)(2)(D) and the request for a 15 month exemption from the QTL requirements, under the standards set forth in 12 U.S.C. §§ 1464(e) and 1467a(m), and 12 C.F.R. §§ 543.3, 545.92, 552.2-1(b), 552.13 and 563.22, and under the Community Reinvestment Act, 12 U.S.C. §§ 2901 *et seq.*, and OTS regulations thereunder, 12 C.F.R. Part 563e. In addition, OTS has also considered the digest by the OTS Central Regional Office (Regional Office), a legal opinion by the Business Transactions Division, and an analysis by the Office of Examination Policy (collectively the Staff Memoranda). For the reasons set forth in the Staff Memoranda, the OTS has determined that the Applications satisfy all applicable statutory and regulatory criteria, and that there is an adequate basis to grant the QTL exemption and the phase-in period for section 5(c)(2)(D) of the HOLA, provided that the conditions set forth below are satisfied. Accordingly, the Applications are hereby approved, and the requested exemption and the phase-in period granted, subject to the following conditions:

1. The Savings Bank and the Credit Unions must receive all required regulatory and member approvals prior to consummation of the proposed transaction with copies of all such approvals provided to the Regional Office;

2. On the business day prior to the date of consummation of the proposed transaction, the chief financial officers of the Credit Unions and the Savings Bank must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Credit Unions as disclosed in the Applications, including but not limited to directors, shareholders, or the business plan. If additional information having a material adverse bearing on any feature of the Applications is brought to the attention of the Credit Unions, the Savings Bank, or the OTS since the date of the financial statements submitted with the Applications, the transaction must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to consummation of the transaction;
3. The proposed transaction must be consummated within one hundred and twenty (120) calendar days from the date of this order;
4. The Savings Bank must advise the Regional Office in writing within 5 calendar days after the effective date of the proposed transaction: (a) of the effective date of the proposed transaction and (b) that the transaction was consummated in accordance with all applicable laws and regulations, the Applications and this order;
5. The Savings Bank must obtain Fair Market Valuations for the loan portfolios to be purchased from the Credit Unions to ensure that the actual value of the portfolios is obtained on or near the actual date that they would be purchased;
6. Prior to commencement of full-service banking operations, the Board of Directors of the Savings Bank must establish written policies and procedures governing the expansion of activities, including but not limited to;
 - a. Loan Underwriting policy covering each type of lending undertaken such as one-to four-family, consumer and construction lending,
 - b. Real estate appraisal policy and list of approved appraisers,
 - c. ALLL policy,
 - d. Loan collection procedures,
 - e. Classification of assets policy, and
 - f. Interest rate risk management policy;
7. Prior to commencement of full-service banking operations, the Board of Directors of the Savings Bank must implement a compliance management program to ensure compliance with applicable laws, regulations and sound operating principles. At a minimum, the program should include: (a) the assignment of specific compliance responsibilities to experienced staff;

- (b) training for the staff, (c) routine self-evaluations, (d) periodic compliance audits, and (e) appropriate written policies and procedures;
8. The Savings Bank must submit independent audit reports to the Regional Office for the three fiscal years, following consummation of the proposed transaction. These reports must be in compliance with the audit rules set forth at 12 C.F.R. § 562.4;
 9. The Savings Bank must operate within the parameters of its business plan. The Savings Bank must submit any proposed major deviations or material changes from the plan (including changes resulting from decisions made by its parent holding companies), and in particular, those pertaining to cross-marketing of products by the Savings Bank and its affiliates, any changes in the role of the independent agents, any changes in the agreement with the agents, and any changes in the delivery system of the Savings Bank's products, for the prior written non-objection of the Regional Director. The Savings Bank must submit the request for a change at least 60 calendar days before the proposed change is to be implemented, with a copy to the FDIC Regional Office;
 10. The Savings Bank must submit quarterly variance reports depicting the Savings Bank's operations versus the submitted business plan to the Regional Director within 45 days of the end of each quarter for the first three years of operation as a full-service institution;
 11. The Savings Bank must submit to the Regional Director quarterly activity reports on the number, type and total asset value of trust accounts serviced, and the minutes of the meetings of the Savings Bank's Trust Committee;
 12. The Savings Bank must comply with the asset investment limitations contained within 12 U.S.C. § 1464(c)(2)(D) in accordance with the phase-in schedule provided in the Applications without material loss to the Savings Bank, but no later than three years from the date of the transaction, unless such period is extended for good cause by the Regional Director;
 13. At least 40 percent of the Savings Bank's board of directors must be individuals who are not officers or employees of Aid Association for Lutherans, AAL Holdings, Inc. (collectively, the Holding Companies) or affiliates thereof or have otherwise been determined by the Regional Director to lack sufficient independence. At least one member of the Savings Bank's board of directors must be an individual who is not an officer, director or employee of the Holding Companies or any affiliate and who is not an officer or employee of the Savings Bank, or has otherwise been determined by the Regional Director to lack sufficient independence. At least 50 percent of the Savings Bank's audit, investment and trust committees must be directors who are not officers or employees of the Savings Bank, the Holding Companies or any affiliates or have otherwise been determined by the Regional Director to lack sufficient independence. If compliance with this condition involves the selection of additional director(s), each director must receive the prior written approval of the Regional Director;
 14. Within the first year of full-service banking operations, the proposed appointment of any

permanent executive officers or directors of the Savings Bank is subject to the prior review and non-objection of the Regional Director;

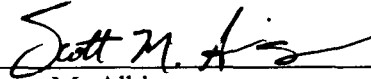
15. Any contracts or agreements pertaining to transactions with affiliates, not yet submitted to the OTS for review, must be provided to the Regional Director, or his designee, at least 30 days prior to execution and must receive his written non-objection prior to implementation;
16. The Holding Companies, its affiliates and the Savings Bank must comply with the anti-tying restrictions of 12 U.S.C. §§ 1464(q) and 1467a(n) and must develop written procedures to effect such compliance. The procedures must be submitted for the review and non-objection of the Regional Director at least 30 calendar days prior to the commencement of the cross-marketing activity;
17. The Savings Bank must comply with all applicable laws prohibiting discrimination and must not discriminate on the basis of race, color, religion, sex or national origin in the provision of any non-lending service;
18. The Savings Bank must design, conduct and maintain an advertising and marketing program to ensure that its services are available without discrimination on the basis of race, color, religion, sex or national origin;
19. A majority of the Savings Bank's board of directors must not be individuals who are directors or employees of any affiliate of the Savings Bank that engages in securities brokerage, securities dealing, investment company, or investment advisor activities (Securities Affiliate(s)); and
20. The Savings Bank is prohibited from sharing common officers with any Securities Affiliate unless prior written approval is obtained from the Regional Director, which shall be based on criteria such as the nature of the interlock, regulatory compliance, experience, character, integrity, the ability to perform both duties and the availability of necessary expertise through other sources.

The conditions set forth in the 1998 Order, to the extent they require future actions by the Applicants or the Savings Bank, are superseded by the conditions in this order.

Any time period set forth herein may be extended for up to 120 calendar days, for good cause, by the Regional Director.

By order of the Director of the Office of Thrift Supervision, or her designee, effective

April 2, 2001.



Scott M. Albinson
Managing Director
Office of Supervision