

OFFICE OF THRIFT SUPERVISION

APPROVAL OF APPLICATIONS FOR PERMISSION TO ORGANIZE A FEDERAL SAVINGS BANK, TRUST POWERS AND HOLDING COMPANY ACQUISITION

Order No.: 98-71

Date: July 21, 1998

Aid Association for Lutherans and AAL Holdings, Inc., Appleton, Wisconsin (collectively, the "Applicants"), have applied to the Office of Thrift Supervision ("OTS"), pursuant to 12 U.S.C. §§ 1464(e) and 1467a(e), and 12 C.F.R. §§ 552.2-1 and 574.3, to organize and acquire AAL Trust Company, FSB, Appleton, Wisconsin (the "Savings Bank"). In addition, the Savings Bank has applied, pursuant to 12 U.S.C. § 1464(n) and 12 C.F.R. Part 550, to exercise full trust powers. Finally, the Savings Bank has requested an exemption under the OTS Management Interlocks Regulations at 12 C.F.R. § 563f.6 for the interlock service of Chad Cassiani as a director and officer of the Savings Bank and as a director of AAL Employee Credit Union. (The foregoing are collectively referred to herein, as "the Applications.") The Savings Bank will be a member of the Savings Association Insurance Fund.

The OTS has considered the Applications under the standards set forth in 12 U.S.C. §§ 1464(e), 1464(n) and 1467a(e), and 12 C.F.R. Part 550 and 12 C.F.R. §§ 543.3, 552.2-1(b), 563f.6 and 574.7, and under the Community Reinvestment Act, 12 U.S.C. §§ 2901 *et seq.*, and the OTS regulations thereunder, 12 C.F.R. Part 563e. In addition, the 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 Corporate Activities (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, provided that the conditions set forth below are satisfied. Accordingly, the Applications are hereby approved, subject to the following conditions:

1. The Applicants and the Savings Bank must receive all required regulatory 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 Applicants and the Savings Bank must certify in writing to the Central Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Applicants and the Savings Bank, respectively, as disclosed in the Applications, including but not limited to directors, shareholders, or the business plan; and provided further, that no additional information having an adverse bearing on any feature of the Applications

has been brought to the attention of the Applicants, the Savings Bank or the OTS since the date of the financial statements submitted with the Applications;

3. The proposed transaction must be consummated within one hundred and twenty (120) calendar days from the date of this Order or within such additional period as the Central Regional Director, or his designee, may grant;
4. The Applicants and the Savings Bank must advise the Regional Office in writing within 10 calendar days after the effective date of the proposed transaction: (a) of the effective date of the proposed transaction and of the Savings Bank's insurance of accounts and (b) that the transaction was consummated in accordance with all applicable laws and regulations, the Applications and this Order;
5. Prior to the consummation of the proposed transaction, the Savings Bank must submit a Fiduciary Compliance Program for the approval of the Central Regional Director, or his designee;
6. Prior to the consummation of the proposed transaction, the Savings Bank must appoint a new President/CEO, acceptable to the Regional Director, with a substantial number of years of experience in managing trust operations;
7. The Savings Bank's permanent executive officers, not identified in the application, shall be subject to the review and nonobjection of the Regional Director, or his designee;
8. The Savings Bank must submit independent audit reports to the Regional Office for its first three fiscal years. 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. Any proposed major deviations or material changes from the plan will require the Savings Bank to submit a revised business plan for the approval of the Central Regional Director, or his designee. The request for change must be submitted a minimum of 30 days before the proposed change is implemented;
10. Prior to engaging in any business activity other than that authorized pursuant to section 5(n) of the HOLA, the Savings Bank must apply to the OTS and receive approval of its application to engage in such business activity. The OTS will consider any such application under the standards tests required of a new federal thrift charter which are set forth at section 5(e) of the HOLA and OTS regulations thereunder, and

under the Community Reinvestment Act and OTS regulations thereunder at 12 C.F.R. § 563e.29. Any such application may be subject to the public notice and comment procedures set forth at 12 C.F.R. Part 516, Subparts B and C;

11. Any contracts or agreements pertaining to transactions with affiliates, not yet submitted to the OTS for review, must be provided to the Central Regional Director, or his designee, at least 30 days prior to execution and must receive his written non-objection prior to implementation;
12. The Savings Bank must submit to the Central Regional Office quarterly activity reports on the number and type of trust accounts serviced, the total asset values of these accounts, and the minutes on the meetings of the Savings Bank's Trust Committee;
13. The Savings Bank must submit to the Central Regional Office quarterly variance reports on the business plan for the first two years of its operations;
14. The Savings Bank must comply with all applicable laws prohibiting discrimination and shall not discriminate on the basis of race, color, religion, sex or national origin in the provision of any non-lending service;
15. 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.
16. Any affiliate of the Applicant that engages in securities brokerage activities ("Broker Dealer affiliate") must be operated as a separate legal entity from the Savings Bank so that: (a) their respective accounts and records are not intermingled; (b) each observes the procedural formalities of separate legal titles; (c) each is held out to the public as a separate enterprise; and (d) none dominates another to the extent that one is treated as a mere department of the other;
17. A majority of the Savings Bank's board of directors must not be comprised of individuals that are directors or employees of any Broker Dealer affiliate;
18. The Savings Bank and any Broker Dealer affiliate are prohibited from sharing common officers unless prior approval is obtained from the Central Regional Director, which shall be based on criteria such as regulatory compliance, experience, character, integrity and the ability to perform both duties;

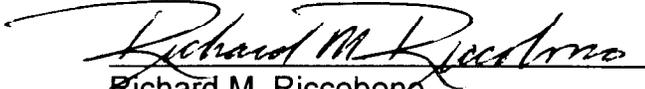
19. The Savings Bank and any Broker Dealer affiliate must take measures necessary to ensure that their officers and directors adhere to the principles set forth in OTS regulations on conflicts of interest, 12 C.F.R. § 563.200; corporate opportunity, 12 C.F.R. § 563.201; self-dealing, 12 C.F.R. § 550.10; and any other additional or successor statements of policy or regulations addressing these subjects. The officers and directors of the Savings Bank and any Broker Dealer affiliate are prohibited from using their influence to: (a) take advantage of a business opportunity for the Broker Dealer affiliate's benefit when the opportunity is of present or potential advantage to the Savings Bank; or (b) place the Broker Dealer affiliate in a position that leads to, or could create the appearance of a potential conflict of interest;

20. The Savings Bank, the Applicant and any Broker Dealer affiliate are subject to the provisions of 12 C.F.R. § 563.76, *Offers and Sales of Securities at an Office of Savings Association*, and related policy established in OTS Thrift Bulletins 23-2, *InterAgency Statement on Retail Sales of Nondeposit Investment Products* (the "InterAgency Statement"), and 23a, *Limited Exceptions to Prohibitions on Sales of Savings Institution's Securities*, and any additional or successor statements of policy or regulations addressing these subjects. The Savings Bank and the Applicant shall ensure compliance by any Broker Dealer affiliate with, at a minimum, the General Guidelines in Disclosures and Advertising set forth in the InterAgency Statement whenever the Broker Dealer affiliate or their representatives market, or offer for sale, trust services of the Savings Bank;

21. The Savings Bank's Year 2000 Project Management Program must adhere to the terms, deadlines, requirements and conditions contained in the Year 2000 guidance issued by the OTS and/or the Federal Financial Institutions Examination Council ("FFIEC") including the May 5, 1997 *FFIEC Year 2000 Project Management Awareness* statement, the December 17, 1997 *FFIEC Safety and Soundness Guidelines Concerning the Year 2000 Business Risk*, the March 17, 1998 *FFIEC Guidance Concerning Institution Due Diligence in Connection with Service Provider and Software Vendor Year 2000 Readiness*, the March 17, 1998 *FFIEC Guidance Concerning the year 2000 Impact on Customers*, the April 10, 1998 *Guidance Concerning Testing for Year 2000 Readiness*, the May 13, 1998 *Guidance Concerning Contingency Planning in Connection with Year 2000 Readiness*, the May 13, 1998 *Guidance on Year 2000 Customer Awareness Programs* and any subsequent OTS or FFIEC Year 2000 guidance, regulations or other requirements; and

22. The interlock service of Chad Cassiani is permitted for two years from the date of this Order. The Savings Bank may request an extension at least 30 days prior to the end of the two year period.

By order of the Director of the Office of Thrift Supervision, or her designee,
effective July 21, 1998.


Richard M. Riccobono
Deputy Director