

OFFICE OF THRIFT SUPERVISION

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

ORDER NO.: 98-72

DATE: July 21, 1998

Allstate Corporation, Northbrook, Illinois (the "Holding Company"), has applied for approval of the Office of Thrift Supervision (the "OTS") pursuant to 12 U.S.C. §§ 1464(e) and 1467a(e), and 12 C.F.R. §§ 552.2-1 and 574.3 for permission to organize and acquire Allstate Federal Savings Bank, Northbrook, Illinois (the "Savings Bank"), and pursuant to 12 U.S.C. § 1464(n) and 12 C.F.R. Part 550, for the Savings Bank to exercise limited trust powers as described in the trust application. (Collectively, the foregoing are referred to as "the Applications"). The Savings Bank will be a member of the Savings Associations 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. §§ 543.3, 552.2-1, and 574.7, Part 550 and other applicable statutes and regulations. The OTS also has considered the Applications 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 considered a digest from the Central Regional Office, an analysis prepared by Corporate Activities and a legal opinion from the Business Transactions Division (collectively, the "Staff Memoranda"). For the reasons set forth in the Staff Memoranda, the OTS finds that the Applications satisfy the applicable approval standards, provided that the following conditions are complied with in a manner satisfactory to the Central Regional Director, or his designee ("Regional Director"). Accordingly, the Applications are hereby approved, subject to the following conditions:

1. The proposed transaction must be consummated no later than 120 calendar days after the date of this approval order, unless an extension is granted for good cause by the Regional Director;
2. On the business day prior to the date of consummation of the proposed transaction, the chief financial officer of the Savings Bank and the Holding Company shall certify to the Regional Director, in writing, that no material adverse events or material adverse changes have occurred with respect to the financial condition or operations of the Savings Bank and the Holding Company, respectively, since the date of the financial statements submitted with the Applications;
3. The Holding Company and the Savings Bank must obtain all required regulatory and shareholder approvals prior to consummation, and will act to satisfy all requirements and conditions imposed by the OTS, and comply with all applicable laws, rules and regulations;

4. No later than 5 calendar days from the date of consummation of the proposed transaction, the Savings Bank shall file with the Regional Director a certification by legal counsel stating the effective date of the proposed transaction and of the Savings Bank's insurance of accounts, and that the transaction has been consummated in accordance with the provisions of all applicable laws and regulations, the Applications and this order;
5. The Savings Bank shall 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 in 12 C.F.R. Section 562.4;
6. Prior to the consummation of the proposed transaction, the Savings Bank must appoint permanent executive officers, including a President/CEO with a substantial number of years of experience in managing trust operations, subject to the review and non-objection of the Regional Director;
7. 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 Regional Director. The request for change shall be submitted a minimum of 30 days before the proposed change is implemented;
8. Prior to engaging in any business other than that permitted pursuant to OTS approval under section 5(n) of the HOLA, and that specifically proposed in the Applications, the Savings Bank must apply to the OTS, and receive approval of an application to engage in such business. The OTS will consider any such application under the standards 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. Section 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;
9. Any contracts or agreements pertaining to transactions with affiliates, not yet submitted to the OTS for review, must be provided to the Regional Director at least 30 days prior to execution and must receive his written non-objection prior to implementation;
10. The Savings Bank shall submit to the 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;
11. 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;
12. Any subsidiary of the Holding Company that engages in securities brokerage activities ("Securities Brokerage Entity") must be operated as a separate legal entity from the Savings Bank so that: 1) their respective accounts and records are not intermingled; 2) each observes the procedural formalities of separate legal titles; 3) each is held out to the public as a separate enterprise; and 4) none dominates another to the extent that one is treated as a mere

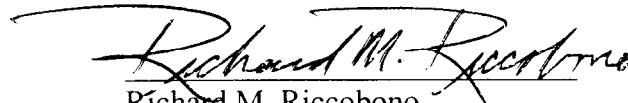
department of the other;

13. A majority of the Savings Bank's board of directors must not be comprised of individuals who are directors or employees of any Securities Brokerage Entity;
14. The Savings Bank and the Securities Brokerage Entity are prohibited from sharing common officers unless prior written approval is obtained from the Regional Director, which shall be based on criteria such as regulatory compliance, experience, character, integrity and the ability to perform both duties;
15. With respect to transactions between the Savings Bank and the Securities Brokerage Entity, the Savings Bank and any Securities Brokerage Entity 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. Section 563.200; corporate opportunity, 12 C.F.R. Section 563.201; self-dealing, 12 C.F.R. Section 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 the Securities Brokerage Entity are prohibited from using their influence to: a) take advantage of a business opportunity for the Securities Brokerage Entity's benefit when the opportunity is of present or potential advantage to the Savings Bank; or b) place the Securities Brokerage Entity in a position that leads to, or could create the appearance of, potential conflict of interest;
16. The Savings Bank, the Holding Company and the Securities Brokerage Entity are subject to the provisions of 12 C.F.R. Section 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 Holding Company shall ensure compliance by the Securities Brokerage Entity with, at a minimum, the General Guidelines in Disclosures and Advertising set forth in the InterAgency Statement whenever the Securities Brokerage Entity or its representatives market, or offer for sale, trust services of the Savings Bank; and

17. 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.

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

July 21, 1998


Richard M. Riccobono
Deputy Director