

**APPLICATION FOR THE ESTABLISHMENT OF
TWO OPERATING SUBSIDIARIES**

OTS No. 96-42

Date: April 30, 1996

Pursuant to 12 C.F.R. Section 545.81, St. Paul Federal Bank for Savings, Chicago, Illinois (the "Association"), has applied to the Office of Thrift Supervision ("OTS") for approval to establish two separate operating subsidiaries, St. Paul Investment Corporation, as a first-tier subsidiary ("First Tier Subsidiary"), and St. Paul Asset Management Company, as a second-tier operating subsidiary ("Second-Tier Subsidiary"). The First-Tier Subsidiary will be incorporated in Delaware and headquartered in Bermuda, a British Colony. The Second-Tier Subsidiary will be chartered in Maryland as a Real Estate Investment Trust and will operate from offices in Illinois.

We have reviewed the application under 12 C.F.R. Section 545.81 and have determined that it meets the criteria for approval, provided that the conditions set forth below are satisfied. Accordingly, the application is hereby approved subject to the following conditions:

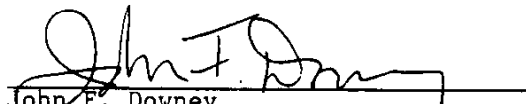
1. The activities of the First-Tier Subsidiary shall be conducted in accordance with the representations made in the Association's Application. In particular and without limitation, the business activities of the First-Tier Subsidiary shall be conducted only in Bermuda and, absent written authorization from the OTS Central Regional Director ("Regional Director"), the total amount of assets transferred to the operating subsidiary shall not exceed \$1 billion;
2. The Association must establish and document internal controls that demonstrate adequate oversight of the First-Tier Subsidiary, and provide materials documenting the implementation of such controls to the Regional Director;
3. The First-Tier Subsidiary shall make available to the OTS such information as the OTS deems necessary from time to time to monitor its activities and the effect of those activities on the safe and sound operation of the Association. The First-Tier Subsidiary shall maintain a duplicate set of records in the U.S. at the Association's home office;
4. The First-Tier Subsidiary and each institution-affiliated party associated with the First-Tier Subsidiary shall consent, in writing, to the jurisdiction of the United States over, and the applicability of United States law to, the First-Tier Subsidiary and its institution-affiliated parties for purposes of all claims made by, proceedings initiated by, or obligations to, the United States, the OTS and any United States governmental agency, department or division, and shall consent in writing to the jurisdiction

of the OTS over the First-Tier Subsidiary and its institution-affiliated parties for purposes of examination, supervision and enforcement. The First-Tier Subsidiary and its institution-affiliated parties shall further agree, in writing, not to challenge the authority of any conservator or receiver appointed for the Association pursuant to the federal banking laws of the United States to control the Association and the Association's shares of the First-Tier Subsidiary or the First-Tier Subsidiary's control of its shares of the Second-Tier Subsidiary;

5. The First-Tier Subsidiary shall submit an opinion of counsel in a form acceptable to the OTS indicating that there are no Bermuda laws that would restrict OTS access to, or enforcement authority over, the First-Tier Subsidiary or its institution-affiliated parties, and furthermore, that the activities of the First-Tier Subsidiary as contemplated by the Application are permissible under Bermuda law;
6. The First-Tier Subsidiary shall maintain a registered agent in the Association's home office to receive service of process on its behalf;
7. The First-Tier Subsidiary shall consent, in writing, to the disclosure by Bermuda government authorities to the OTS of such information on its operations and its affiliates that the OTS deems necessary from time to time to determine and enforce compliance with applicable United States law;
8. The First-Tier Subsidiary shall provide all financial statements in U.S. dollars in accordance with generally accepted accounting principles, including the financial information required to be submitted quarterly in the Thrift Financial Report;
9. The First-Tier and Second-Tier Subsidiaries shall promptly inform the Regional Director, in writing, of all changes in the directors, officers, and employees or managers of the operating subsidiary;
10. The First-Tier Subsidiary and the Association shall agree, in writing, to terminate operations of the First-Tier Subsidiary as soon as possible (but no later than 30 days) after being advised, in writing, that the OTS, in its sole discretion, has determined that such operations present undue risk; and

11. The Association shall demonstrate to the satisfaction of the Regional Director that the First- and Second-Tier Subsidiaries maintain a separate corporate existence consistent with 12 C.F.R. § 545.81(f) and the criteria set forth at 12 C.F.R. § 571.21(a)(1)-(5), or any successor provision or policy.

By Order of the Director of the Office of Thrift Supervision, or his designee, effective April 30, 1996.


John F. Downey
Executive Director, Supervision