

OFFICE OF THRIFT SUPERVISION

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

ORDER NO.: 99-18

DATE: April 20, 1999

Loews Corporation, New York, New York, CNA Financial Corporation, The Continental Corporation and The CPI Group Incorporated, Chicago, Illinois (jointly, the "Holding Companies"), have applied for the approval of the Office of Thrift Supervision (the "OTS"): to convert CNA Trust Corporation, Costa Mesa, California (the "Bank"), from a California-chartered trust bank to a federal stock savings bank (the "New FSB"), pursuant to 12 C.F.R. § 552.2-6; to acquire the New FSB, pursuant to 12 U.S.C § 1467a(e) and 12 C.F.R. § 574.3; for the New FSB to exercise the limited trust powers applied for, pursuant to 12 U.S.C. § 1464(n) and 12 C.F.R. Part 550; and for the New FSB to conduct marketing activities for its trust operations at agency offices, located in Chicago, Illinois, New York, New York, and San Francisco, California, pursuant to 12 C.F.R. § 545.96(b). (Collectively, the foregoing are referred to as "the Applications"). The New FSB will remain a member of the Bank 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. §§ 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 West Regional Office, an analysis prepared by the Office of Examination and Supervision, an analysis from Compliance Policy 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 West 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 officers of the Bank and the Holding Companies must 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 Bank and the Holding Companies, respectively, since the date of the financial statements submitted with the Applications;
3. The Holding Companies and the Bank must obtain all required regulatory and shareholder approvals prior to consummation, and must 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 New FSB must file with the Regional Director a certification by legal counsel stating the effective date of the proposed transaction and that the transaction has been consummated in accordance with the provisions of all applicable laws and regulations, the Applications and this order:
5. No later than 30 calendar days after the date of this approval order, the Bank must submit to the Regional Director a revised business plan containing updated projections for the New FSB. Prior to the consummation of the proposed transaction, the Holding Companies and the Bank must obtain the Regional Director's written approval of the New FSB's revised business plan containing the updated projections;
6. The New FSB must operate within the parameters of its business plan. The New FSB (and, in the case of changes resulting from decisions made by one or more of the Holding Companies, the relevant Holding Company (ies)) must submit any proposed major deviations or material changes from the plan, for the prior written non-objection of the Regional Director a minimum of 60 days before the proposed change is proposed to be implemented;
7. 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 New FSB 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;
8. The New FSB must submit to the Regional Office quarterly activity reports which include: (a) the number and type of trust accounts serviced by the New FSB, (b) the total asset values of the trust accounts serviced by the New FSB, and (c) the minutes of the meetings of the New FSB's Trust Committee to the Regional Office. The reports must be submitted in the form and within the time periods specified by the Regional Director;
9. Any contracts and 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. Any subsidiary of the Holding Companies that engages in securities brokerage activities ("Securities Brokerage Entity") must be operated as a separate legal entity from the New FSB 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;
11. The New FSB 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;

12. The New FSB 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; fiduciary powers of savings associations, 12 C.F.R. Part 550; and any other additional or successor statements of policy or regulations addressing these subjects. The officers and directors of the New FSB 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 New FSB; or (b) place the Securities Brokerage Entity in a position that leads to, or could create the appearance of, potential conflict of interest;
13. The New FSB, the Holding Companies 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 New FSB and the Holding Companies 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 New FSB;
14. The Holding Companies, their affiliates and the New FSB must comply with the anti-tying restrictions of 12 U.S.C. Sections 1464(q) and 1467c(n) and must develop written agreements to effect such compliance. The agreements must be submitted for the review and approval of the Regional Director prior to the opening of the New FSB for business;
15. At least 30 days prior to implementation of any marketing initiatives or alliances with affiliates, the New FSB and the Holding Companies must provide the Regional Director with copies of policies and training standards pertaining to any marketing initiatives or alliances of the New FSB's fiduciary products and services and any affiliate's products, and that the New FSB and the Holding Companies must obtain the prior written non-objection of the Regional Director to such policies and standards prior to the delivery of the New FSB's trust services and products in any marketing initiatives or alliances with affiliates;
16. The Holding Companies must cause to be filed with the OTS such applications or other submissions, pursuant to 12 C.F.R. Part 574, addressing control and/or action-in-concert issues regarding any entity presumed to be acting in concert with the Holding Companies or any controlling shareholder of the Holding Companies, and approval or clearance of such applications or submissions must be obtained from the OTS prior to the consummation of the proposed conversion of the Bank; and

17. At least 30 calendar days before beginning operations, the New FSB must submit written evidence, acceptable to the Regional Director, that the New FSB's Year 2000 efforts comply with the terms, deadlines, requirements and conditions contained in the Year 2000 guidance issued by the OTS and/or the Federal Financial Institutions Examination Council. The New FSB must submit a copy of its testing and contingency plans to the Regional Director within 10 days of consummation of the transaction.

Any time specified herein may be extended by the Regional Director, for good cause, for up to 120 calendar days. By Order of the Director of the Office of Thrift Supervision, or her designee, effective *April 20, 1999.*


Richard M. Riccobono
Deputy Director