

OFFICE OF THRIFT SUPERVISION

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

Order No.: 99-81

Date: December 9, 1999

American International Group, Inc., C.V. Starr & Co., The Starr Foundation and C.V. Starr & Co., Inc. Trust, New York, New York, and Starr International Company, Pembroke, Bermuda ("SICO"), (collectively, the "Applicants"), have 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 AIG Federal Savings Bank, Wilmington, Delaware (the "Savings Bank"). In addition, The Starr International Charitable Trust and its sole trustee, The Bank of Bermuda, Hamilton, Bermuda, have filed, pursuant to 12 C.F.R. § 574.7(e) a rebuttal of control submission that includes a rebuttal of control agreement (collectively, "the Applications").

The Savings Bank has requested a waiver of the requirement of 12 C.F.R. § 543.3(d)(1) that a majority of a de novo association's board of directors be representative of the state in which the Savings Bank is located.

The OTS has considered the Applications, including the waiver request, as supplemented by representations by the Applicants, the Savings Bank and their attorneys, under the factors set forth in 12 U.S.C. §§ 1464(e) and 1467a(e), and 12 C.F.R. §§ 543.3, 552.2-1, 574.4 and 574.7 and other applicable statutes and regulations. The OTS also has considered the Applications under the Community Reinvestment Act (the "CRA"), 12 U.S.C. § 2901 et seq., and the OTS regulations thereunder, 12 C.F.R. Part 563e. The OTS has considered an analysis prepared by the OTS Northeast Regional Office ("Regional Office"), a legal opinion by the Business Transactions Division, and a summary by the Office of Examination and Supervision (collectively the "Staff Memoranda"). For the reasons set forth in the Staff Memoranda, the OTS finds that the waiver request meets the standards set forth under 12 C.F.R. § 500.30(a), and hereby waives the applicability of 12 C.F.R. § 543.3(d)(1). In addition, for the reasons set forth in the Staff Memoranda, the OTS finds that the Applications satisfy all applicable statutory and regulatory criteria, other than 12 C.F.R. § 543.3(d)(1), provided that the following conditions are complied with in a manner satisfactory to the Northeast Regional Director, or his designee ("Regional Director"). Accordingly, the Applications are hereby approved, subject to the following conditions:

1. The Savings Bank and the Applicants must receive all required regulatory and shareholder approvals prior to consummation of the proposed transaction with copies of all such approvals provided to the Regional Office;
2. The proposed transaction must be consummated no later than 120 calendar days after the date of this Order;

3. On the business day prior to the date of consummation of the proposed transaction, the chief financial officers of the Savings Bank and the Applicants 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 Savings Bank and the Applicants, respectively, since the date of the financial statements submitted with the Applications;
4. The Savings Bank must advise the Regional Office in writing within five 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 application and this Order;
5. 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;
6. The Savings Bank must operate within the parameters of its business plan. The Applicants and the Savings Bank must submit any proposed major deviations or material changes from the plan (including changes resulting from decisions made by the Applicants), and in particular, those pertaining to the cross-marketing of products of the Savings Bank and its affiliates or changes in delivery systems, for the prior written non-objection of the Regional Director. The request for change must be submitted a minimum of 60 calendar days before the proposed change is implemented;
7. At least 40 percent of the Savings Bank's board of directors must be individuals who are not officers or employees of the Applicants or affiliates thereof and 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 Applicants or any affiliate and who is not an officer or employee of the Savings Bank. At least 50 percent of the Savings Bank's audit committee must be directors who are not officers or employees of the Savings Bank, the Applicants or any affiliates. If compliance with this condition involves the selection of additional director(s), each director must receive the prior written approval of the Regional Director;
8. Prior to the consummation of the proposed transaction, SICO must submit an acceptable Foreign Holding Company Agreement to the Regional Director;
9. The proposed appointment of any executive officers or directors of the Savings Bank, within the first two years of its operations, is subject to the review and non-objection of the Regional Director;
10. Prior to the consummation of the proposed transaction, the Savings Bank must submit a copy of the proposed policies pertaining to lending, investments and interest rate risk management. Such policies will be reviewed with management during the Savings Bank's first examination;

11. Prior to the consummation of the proposed transaction, the Savings Bank must submit to the Regional Office a copy of the proposed fair lending policies and procedures and publicly available loan underwriting standards;
12. The Applicants, 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 disclose any proposed bundling arrangements and 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;
13. For the first eighteen months of operation, 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 calendar days prior to execution and must receive his written non-objection prior to implementation;
14. Any affiliate of the Applicants 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;
15. 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;
16. The Savings Bank and any Broker-Dealer Affiliate are prohibited from sharing common officers unless prior 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;
17. The Savings Bank and the 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; and any other additional or successor statements of policy or regulations addressing these subjects. The officers and directors of the Savings Bank and the 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;
18. The Savings Bank, the Applicants and the 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*, 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 Applicants must 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, deposit products of the Savings Bank; and

19. At least 30 calendar days prior to opening for business, the Savings Bank must submit written evidence, acceptable to the Regional Director, that its data systems, programs, software and business applications will operate properly on and after January 1, 2000. The submission must include a copy of the business resumption contingency plan and evidence of successful Year 2000 testing.

Any time period set forth 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
December 9, 1999



Scott M. Albinson
Managing Director
Office of Supervision