

## OFFICE OF THRIFT SUPERVISION

### APPROVAL OF APPLICATION FOR PERMISSION TO ENGAGE IN ADDITIONAL BUSINESS ACTIVITIES

**Order No.:** 2001-50  
**Date:** July 19, 2001  
**Docket No.:** 15100

Allstate Bank, Deerfield, Illinois (the Savings Bank), has applied to the Office of Thrift Supervision (OTS), pursuant to Conditions 7 and 8 of OTS Order No. 98-72, dated July 21, 1998 (the 1998 Order), seeking approval for material changes to its business plan and for approval to engage in business activities other than trust activities authorized under 12 U.S.C. § 1464(n) (the Application.)

OTS has considered the Application under the standards set forth in 12 U.S.C. § 1464(e) and 12 C.F.R. §§ 543.3 and 552.2-1(b), and under the Community Reinvestment Act, 12 U.S.C. §§ 2901 *et seq.*, and OTS regulations thereunder, 12 C.F.R. Part 563e. In addition, OTS has considered the digest by the OTS Central Regional Office (Regional Office), a legal opinion by the Business Transactions Division, an analysis by the Compliance Policy Division, and an analysis by the Examination Policy (collectively the Staff Memoranda). For the reasons set forth in the Staff Memoranda, OTS has determined that the Application satisfies all applicable statutory and regulatory criteria, provided that the conditions set forth below are satisfied. Accordingly, the Application is hereby approved, subject to the following conditions:

1. The Savings Bank must receive all required regulatory and shareholders 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 within one hundred and twenty (120) calendar days from 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 must certify in writing to the Regional Director that no material adverse changes have occurred with respect to the financial condition or operation of the Savings Bank as disclosed in the Application, including but not limited to directors, shareholders, or the business plan. If additional information having a material adverse bearing on any feature of the Application is brought to the attention of the Savings Bank or the OTS since the date of the financial statements submitted with the Application, the transaction must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to consummation of the transaction;

4. The Savings Bank must advise the Regional Office in writing within 5 calendar days after the effective date of the proposed transaction: (a) of the effective date of the proposed transaction 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 the three fiscal years, following commencement of the activities. These reports must be in compliance with the audit rules set forth at 12 C.F.R. § 562.4;
6. Within 30 days from the date of this Order, the Savings Bank must submit an updated business plan that is acceptable to the Regional Director and that reflects all material changes made to the business plan between the most recent date on which a revised business plan was filed and the date of this Order;
7. The Savings Bank must operate within the parameters of its business plan. The Savings Bank must submit any proposed major deviations or material changes from the plan (including changes resulting from decisions made by The Allstate Corporation), and in particular, those pertaining to cross-marketing of products by the Savings Bank and its affiliates, any changes in the role of the agents, any changes in the agreement with the agents, and any changes in the delivery system of the Savings Bank's products, for the prior written non-objection of the Regional Director. The Savings Bank must submit the request for a change at least 60 calendar days before the proposed change is to be implemented, with a copy to the FDIC Regional Office;
8. The Savings Bank must submit quarterly variance reports depicting the Savings Bank's operations versus the submitted business plan to the Regional Director within 45 days of the end of each quarter for the first three years of operation as a full-service institution;
9. The Savings Bank must submit to the Regional Director quarterly activity reports on the number, type and total asset value of trust accounts serviced, and the minutes of the meetings of the Savings Bank's Trust Committee;
10. At least 40 percent of the Savings Bank's board of directors must be individuals who are not officers or employees of The Allstate Corporation or affiliates thereof or have otherwise been determined by the Regional Director to lack sufficient independence. 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 Allstate Corporation or any affiliate and who is not an officer or employee of the Savings Bank, or has otherwise been determined by the Regional Director to lack sufficient independence. At least 50 percent of the Savings Bank's audit, investment and trust committees must be directors who are not officers or employees of the Savings Bank, The Allstate Corporation or any affiliates or have otherwise been determined by the Regional Director to lack sufficient independence. If compliance with this condition involves the selection of an additional director(s), each director must receive the prior written approval of the Regional Director;

11. The proposed appointment of any permanent executive officers or directors of the Savings Bank, within the first year of full-service banking operations, is subject to the prior review and non-objection of the Regional Director;
12. The proposed appointment of any individual that has not yet completed the required background checks is subject to the specific non-objection of the Regional Director;
13. For the first eighteen months following consummation of the proposed transaction, any contracts or agreements pertaining to transactions with affiliates, not yet submitted to the OTS for review, must be provided to the Regional Director, or his designee, at least 30 days prior to execution and must receive his written non-objection prior to implementation;
14. At least 30 calendar days prior to marketing its products through the agents, the Savings Bank must submit to the Regional Director for his review and non-objection a copy of the Agent Marketing Agreement;
15. At least 30 calendar days prior to marketing its products through the agents, the Savings Bank must submit to the Regional Director for his review and non-objection an internal audit program that incorporates written policies and procedures to monitor agent compliance with the Savings Bank's internal policies and procedures and the terms of the Agent Marketing Agreement. The program should address procedures for the timely and effective resolution of customer complaints, a process for monitoring performance of loans referred by each agency, a mystery shopping program and procedures for conducting follow-up with consumers;
16. At least 30 calendar days prior to marketing its products through the agents, the Savings Bank must submit to the Regional Director for his review and non-objection the agent training program and agent product and policy manual. The training program must contain provisions for the Savings Bank to provide the agents with refresher training on a periodic basis;
17. At least 30 calendar days prior to marketing its products through the agents, the Savings Bank must submit to the Regional Director for his review and non-objection a copy of the *marketing materials* to be provided to customers that will advise them of the differences between FDIC-insured deposit products and uninsured agency non-deposit investment products. Such disclosure must be in accordance with Interagency Guidelines;
18. At least 30 calendar days prior to marketing its products through the agents, the Savings Bank must appoint an experienced CRA Officer to implement and manage the Savings Bank's CRA Plan;
19. Within one year of commencing lending operations in any state, the Savings Bank must review, in that state, the extent of The Allstate Corporation's or affiliates' agents participation in the distribution of the Savings Bank's credit products, including home mortgages, and the anticipated effect of that participation on the Savings Bank's prospective CRA and fair

lending performance in that state. The Savings Bank must provide written reports to the Regional Director detailing the results of these reviews. After the initial report, the Savings Bank must provide additional reports addressing these topics on at least an annual basis;

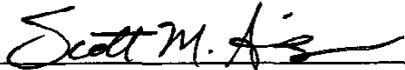
20. The Allstate Corporation, its affiliates and the Savings Bank must comply with the anti-tying restrictions of 12 U.S.C. §§ 1464(q) and 1467a(n) and must develop written procedures to effect such compliance. The procedures must be submitted for the review and non-objection of the Regional Director at least 30 calendar days prior to the commencement of the cross-marketing activity;
21. A majority of the Savings Bank's board of directors must not be individuals who are directors or employees of any affiliate of the Savings Bank that engages in securities brokerage, securities dealing, investment company, or investment advisor activities (Securities Affiliate(s)); and
22. The Savings Bank is prohibited from sharing common officers with any Securities Affiliate unless prior written approval is obtained from the Regional Director, which shall be based on criteria such as the nature of the interlock, regulatory compliance, experience, character, integrity, the ability to perform both duties and the availability of necessary expertise through other sources.

The conditions set forth in the 1998 Order, to the extent they require future actions by the Applicants or the Savings Bank, are superseded by the conditions in this order.

Any time period set forth herein may be extended for up to 120 calendar days, for good cause, by the Regional Director.

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

July 19, 2001.



Scott M. Albinson  
Managing Director  
Office of Supervision