

## OFFICE OF THRIFT SUPERVISION

### Approval of Application to Expand the Savings Bank's Services

**Order No.:** 2006-51

**Date:** December 12, 2006

**OTS No.** 14805

A. G. Edwards, Inc., St. Louis, Missouri, (Holding Company) and A. G. Edwards Trust Company, FSB, St. Louis, Missouri, (Savings Bank) have applied to the Office of Thrift Supervision (OTS) for approval, pursuant to Condition No. 7 of OTS Order No. 98-40 (April 20, 1998) (1998 Order), to expand the scope of permissible activities for the Savings Bank from those previously approved in the 1998 Order (Application). The Savings Bank proposes to offer certain deposit products to customers of the Holding Company.

The 1998 Order provides that OTS will consider any such application under the standards of section 5(e) of the Home Owners' Loan Act (HOLA) and the OTS regulations thereunder, and under the Community Reinvestment Act (CRA) and OTS regulations thereunder. 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. OTS also has considered the Application under the CRA, 12 U.S.C. §§ 2901 *et seq.*, and the OTS regulations thereunder, 12 C.F.R. Part 563e. In addition, OTS has considered the submissions made by the Holding Company and the Savings Bank.

Section 5(e) of HOLA provides that OTS may grant a federal savings association charter only: (1) to persons of good character and responsibility; (2) if, in OTS' judgment, a necessity exists for such association in the community to be served; (3) if there is a reasonable probability for the association's usefulness and success; and (4) if the association can be established without undue injury to properly conducted existing local thrift and home financing institutions. In addition, OTS regulations provide that it must consider whether the association will promote credit for housing consistent with the safe and sound operation of a federal savings association. OTS' CRA regulations generally require OTS to take into account an applicant's description of how it will meet CRA objectives when considering an application for a savings association charter. Furthermore, OTS regulations provide for it to consider the amount of initial capital and the residence and composition of the savings association's board of directors.

With respect to character and responsibility, OTS is familiar with the management of the Holding Company and the persons who have been managing the Savings Bank. In addition, the standard background checks have not revealed any material adverse information with respect to the management of the Holding Company or the Savings

Bank. OTS finds that the character and responsibility of the management of Holding Company and the Savings Bank are consistent with approval of the Application.

With respect to the necessity for the Savings Bank, the Savings Bank will offer certain deposit products to the Holding Company's nationwide clientele, thereby providing them with insured deposit alternatives not currently available. Aggregate deposits nationwide increased from \$4.33 trillion to \$6.45 trillion between June 2001 and June 2006. Therefore, OTS concludes that this approval criterion is satisfied.

With respect to undue injury to local thrift and home financing institutions, the Savings Bank proposes to have deposits of approximately \$9.57 billion from the Holding Company's nationwide clientele in its third year of operations, which will amount to only 0.15 percent of the June 30, 2006, nationwide deposits. Most of the deposits will be in sweep accounts, comprised of funds that have not previously been on deposit with an insured depository institution. In addition, no one opposed the Application in response to the public notice. Therefore, OTS concludes that the Savings Bank will not cause undue injury to any local thrift and home financing institutions.

With respect to the probability of the Savings Bank's usefulness and success, the Savings Bank will be well capitalized. The Savings Bank's business plan projects that it will remain well capitalized throughout the three-year duration of the plan and will operate profitably during each of its first three years of operations. The Savings Bank's directors and management have the requisite experience. OTS is imposing conditions four through six to ensure that the Savings Bank abides by regulatory restrictions and maintains safe and sound operations. OTS concludes that there is a reasonable probability of the Savings Bank's usefulness and success, provided that the Savings Bank complies with the conditions set forth below.

With respect to promotion of credit for housing consistent with the safe and sound operation of a federal savings association, the Savings Bank proposes to satisfy this requirement by investing in mortgage-backed securities. The Savings Bank is projected to meet its Qualified Thrift Lender requirements. As discussed above, the Savings Bank's management is consistent with approval. Accordingly, OTS concludes that this approval criterion has been satisfied.

With respect to the CRA and OTS' CRA regulations, the Savings Bank has not been subject to the CRA, and OTS received no public comments objecting to the Application. The Savings Bank will continue to be a special purpose savings association, as defined in 12 C.F.R. § 563e.11(c)(2), and will not be subject to the CRA.

The Savings Bank's charter and bylaws are consistent with OTS regulations. The Savings Bank's capitalization exceeds the minimum regulatory requirement. In addition, because the Savings Bank's board of directors will be made up of persons with varied backgrounds, a majority of its members live and/or work in Missouri, and the Holding Company has substantial independent economic substance, OTS concludes that the

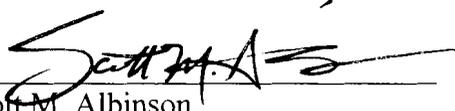
proposed composition of the Savings Bank's board of directors complies with 12 C.F.R. § 543.3(d).

Based on the foregoing analysis, OTS concludes that the Application meets the applicable approval criteria, and is hereby approved, provided that the following conditions are complied with in a manner satisfactory to the Midwest Regional Director, or his designee (Regional Director):

1. The proposed expansion of services must be initiated within 120 calendar days from the date of this Order;
2. On the business day prior to initiating the proposed expansion of services, the chief financial officers of the Holding Company and 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 Holding Company and the Savings Bank as disclosed in the Application. If additional information having a material adverse bearing on any feature of the Application is brought to the attention of the Holding Company, the Savings Bank or OTS since the date of the financial statements submitted with the Application, the expansion of services must not be initiated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to the initiation of the expansion of services;
3. The Holding Company and the Savings Bank must advise the Regional Director in writing within 5 calendar days after the effective date of the proposed expansion of services: (a) of the effective date of the expansion of services; and (b) that the expansion of services was initiated in accordance with all applicable laws and regulations, the Application, and this Order;
4. During the three years after initiating the proposed expansion of services, the Savings Bank must notify the Regional Director of any significant changes in outsourcing as represented in the Application, at least 30 calendar days prior to such change;
5. The Savings Bank must operate within the parameters of its three-year business plan. The Savings Bank must submit any proposed major deviations or material changes from the plan for the prior, written non-objection of the Regional Director. The request for change must be submitted no later than 30 calendar days prior to the desired implementation date; and
6. For three years following initiation of the proposed expansion of services, the Savings Bank must submit to the Regional Director within 45 calendar days after the end of each calendar quarter, a business plan variance report detailing the Savings Bank's compliance with the business plan and an explanation of any deviations.

The Regional Director may, for good cause, extend any time period set forth herein for up to 120 calendar days.

By order of the Director of the Office of Thrift Supervision, or his designee, effective December 12, 2006.

A handwritten signature in black ink, appearing to read "Scott M. Albinson", written over a horizontal line.

Scott M. Albinson  
Managing Director  
Office of Examinations, Supervision  
and Consumer Protection