

## OFFICE OF THRIFT SUPERVISION

### Approval of Holding Company Applications

**Order No.:** 2003-59  
**Date:** December 1, 2003  
**OTS Nos.** 14251, H-3966,  
H-3997, H-3998,  
H-3967, H-3968,  
H-3969, H-2824

Alfa Mutual Insurance Company, Alfa Mutual Fire Insurance Company, Alfa Mutual General Insurance Company, Alfa Corporation and Alfa Financial Corporation, all of Montgomery, Alabama (collectively, the Alfa companies) and MidCountry Financial Corp., Macon, Georgia (Holding Company)(collectively, the Applicants), have filed holding company applications (the Applications) with the Office of Thrift Supervision (OTS) to acquire control of Bayside Bank, Minnetonka, Minnesota (Savings Bank), under section 10(e) of the Home Owners' Loan Act (HOLA), 12 U.S.C. § 1467a(e), and 12 C.F.R. Part 574 (Control Regulations). In its review of the Applications, OTS has considered the submissions made by the Applicants, examinations by federal banking agencies and information provided by state insurance regulators.

In the proposed transaction, the Holding Company will exchange stock and cash for all of the shares of Bayside Financial Corp., Minnetonka, Minnesota, the existing holding company of the Savings Bank. The Holding Company, and the Alfa companies due to their interest in the Holding Company, will become savings and loan holding companies.

Section 10(e)(1)(B) of the HOLA and the Control Regulations provide that OTS must approve a holding company application seeking permission to acquire one savings association by a company other than a savings and loan holding company unless OTS finds the financial and managerial resources and future prospects of the company and association involved to be such that the acquisition would be detrimental to the savings association or to the insurance risk of the Savings Association Insurance Fund (SAIF). Consideration of the managerial resources of a company or savings association must include consideration of the competence, experience, and integrity of the officers, directors, and principal shareholders of the company or savings association. Also, OTS must consider the impact of any acquisition on competition. Further, 12 C.F.R. § 563e.29(a), requires that OTS take into account assessments under the Community Reinvestment Act (CRA) when approving savings and loan holding company acquisitions.

With respect to managerial resources, OTS has reviewed the background, experience, and regulatory history of the Holding Company and the Alfa companies. The directors and members of senior management for Savings Bank will continue as management for the Savings Bank, and

OTS, as the Savings Bank's regulator, is familiar with the Savings Bank's management. Based upon a review of the managerial resources of the Applicants and the Savings Bank, OTS concludes that the management resources of the Applicants and the Savings Bank are consistent with approval.

With respect to financial resources, OTS has considered the financial condition and operations of the Savings Bank and the Applicants; the financial statements for the Savings Bank and the Applicants; the current capital levels and earnings of the Savings Bank and the Applicants; and the financial strength of the Applicants. OTS concludes that the financial resources of those entities are consistent with approval.

With respect to future prospects, OTS has considered the Savings Bank's business plan and the financial and managerial resources of the Savings Bank, the Holding Company and the Alfa companies, and concludes that the future prospects of those entities and any insurance risk to the SAIF are consistent with approval, provided the Savings Bank complies with the condition below concerning its future operations.

The proposed acquisition will not cause the Savings Bank to become affiliated with any other depository institution operating in its market area. Accordingly, OTS concludes that the transaction is not objectionable on anti-competitive grounds.

As for the CRA, at the most recent examination, the Savings Bank received a CRA rating of Satisfactory. The Exchange Bank of Alabama, partly owned by the Alfa companies, received a Satisfactory CRA rating at its most recent examination. OTS has not received any comments from the public objecting to the proposed transaction. Accordingly, OTS concludes that approval of the proposed acquisition of the Savings Bank by the Applicants is consistent with the CRA.

### **Conclusion**

Based on the foregoing analysis, the Applications, and the commitments provided by the parties to the Applications, OTS concludes that the Applications meet the applicable approval criteria, provided that the conditions set forth below are satisfied. Accordingly, the Applications are hereby approved, provided that the following conditions are complied with in a manner satisfactory to the OTS Southeast Regional Director, or his designee (Regional Director):

1. The Applicants and the Savings Bank must receive all required regulatory and shareholder approvals and submit copies of all such approvals to the Regional Director prior to consummation of the proposed transaction;
2. The proposed transaction must be consummated within 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 Applicants 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 Applicants and the Savings Bank as disclosed in the Applications. If additional information having an adverse bearing on any feature of the Applications is brought to the attention of the Applicants, the Savings Bank, or OTS since the date of the financial statements submitted with the Applications, the transaction shall 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 Applicants and the Savings Bank must advise the Regional Director in writing within 5 calendar days after the effective date of the proposed transaction: (a) the effective date of the proposed transaction; (b) that the transaction was consummated in accordance with all applicable laws and regulations, the Applications and this Order; and (c) must provide a reconciliation of the Savings Bank's capital; and
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 (including those initiated by any of the Applicants) for the prior, written non-objection of the Regional Director. The request for change must be submitted no later than 60 calendar days prior to the desired implementation date.

By order of the Director of the Office of Thrift Supervision, or his designee,  
effective, December 1, 2003.



Scott M. Albinson  
Managing Director  
Office of Supervision