

OFFICE OF THRIFT SUPERVISION

Approval of Applications for Permission to Organize a Federal Savings Bank and Holding Company Acquisition

Order No.: 2006-54
Date: December 20, 2006
Docket Nos.: H-4357, 18038

Plans' Holding Corporation, Chicago, Illinois (Holding Company), has applied to the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. §§ 1464(e) and 1467a(e), and 12 C.F.R. §§ 552.2-1 and 574.3, to organize and to acquire HealthBenefit Bank, Sandy, Utah (Savings Bank). The Holding Company and the Savings Bank request that OTS waive two provisions of 12 C.F.R. § 543.3(d)(2) in connection with the organization of the Savings Bank. The applicant has applied to the Federal Deposit Insurance Corporation (FDIC) for deposit insurance under the Deposit Insurance Fund (DIF) for the Savings Bank's deposit accounts.

The Holding Company is owned by a number of licensees (Participating Plans) of the Blue Cross Blue Shield Association (BCBSA) that provide health care coverage or health care administration services in the United States. The Holding Company is a shell holding company that will hold all of the Savings Bank's outstanding common stock.

The Proposed Transaction

The Holding Company proposes to establish and to operate a *de novo* federal stock savings association, the Savings Bank. The Holding Company proposes to capitalize the Savings Bank with approximately \$70.7 million that has been raised through a private offering of the Holding Company's common stock and preferred stock. The Savings Bank's products and services will be marketed to customers of the Participating Plans throughout the United States. The Savings Bank proposes to offer health savings accounts and administrative services related to such accounts, and to act as administrator for the flexible spending accounts and health reimbursement accounts offered by the Participating Plans..

Permission to Organize Application

OTS may grant a federal savings association charter only: (i) to persons of good character and responsibility; (ii) if, in OTS' judgment, a necessity exists for such association in the community to be served; (iii) if there is a reasonable probability for the association's usefulness

and success; and (iv) if the association can be established without undue injury to properly conducted existing local thrift and home financing institutions. In addition, OTS must consider whether the association will provide credit for housing consistent with the safe and sound operation of a federal savings association. OTS also considers the initial capitalization of the federal savings association; and the residence and composition of the savings association's board of directors.

Further, 12 C.F.R. § 563e.29(b) provides that an applicant for a federal thrift charter must submit with its application a description of how it will meet its Community Reinvestment Act (CRA) objectives. OTS is required to take this description into account when considering the application and may deny or condition approval on CRA grounds.

OTS has reviewed the backgrounds of the identified officers and directors of the Holding Company and the Savings Bank. OTS' review did not reveal any material adverse information regarding the proposed officers and directors of the Holding Company or the Savings Bank. We are imposing conditions 7 and 8 to ensure that the character and responsibility of the organizer, the Holding Company, and the Saving Bank, are consistent with the standards for approval. Thus, OTS concludes that the character and responsibility of the organizers of the Savings Bank are consistent with approval, subject to the imposition of the conditions.

As for the necessity for the Savings Bank in the community, the Savings Bank will offer personal savings accounts throughout the United States. There has been a significant increase in deposits nationally over the past six years. The application indicates that the number and size of personal savings accounts will increase significantly in the future. Therefore, OTS concludes that this approval criterion is satisfied.

With respect to undue injury to properly conducted existing local thrift and home financing institutions, the Savings Bank will accept deposits from customers throughout the United States, but does not intend to have a material impact on any single local market. Accordingly, OTS concludes that the Savings Bank will not cause undue injury to properly conducted existing local thrift and home financing institutions.

With respect to the reasonable probability of the Savings Bank's usefulness and success, OTS reviewed the competence and experience of the proposed management of the Savings Bank, its business plan, and its proposed capital levels. OTS concludes that the business plan is reasonable, that the Savings Bank will have adequate capital, that the Savings Bank will be able to conduct its operations appropriately, and that the Savings Bank's managerial and financial resources are consistent with a reasonable probability of success. To help ensure that the Savings Bank's probability of usefulness and success is consistent with approval, OTS is imposing condition 9, below, to enable OTS to confirm that the Savings Bank is being operated properly. OTS is imposing conditions 5 and 6 to help ensure that the Savings Bank operates pursuant to an OTS-approved business plan and that changes to and from such a business plan are not detrimental to the Savings Bank.

Based on the foregoing analysis, OTS concludes that the probability of the Savings Bank's usefulness and success is consistent with approval, subject to the imposition of the conditions, which are intended to help ensure the Savings Bank's usefulness and success.

With respect to the provision of credit for housing, the Savings Bank will invest in mortgage-backed securities as a means of providing credit for housing. The purchase of mortgage-backed securities will enable the Savings Bank to satisfy the qualified thrift lender test. Based on these considerations, and the facts discussed in connection with the probability of the Savings Bank's usefulness and success, OTS concludes that the Savings Bank will provide credit for housing in a safe and sound manner.

With respect to capital, the Savings Bank will have more initial capital than is required by OTS regulations and the Savings Bank plans to be well capitalized throughout its first three years of operations. Accordingly, OTS concludes that the Savings Bank's proposed capital levels are consistent with approval.

OTS regulations require that a majority of a *de novo* federal association's board of directors be "representative" of the state in which the association is located. OTS regulations also require that a *de novo* federal association's board of directors be diversified and composed of individuals with varied business and professional experience. Further, the regulations provide that, except in the case of a *de novo* federal association that is wholly owned by a holding company, no more than one-third of a *de novo* federal association's board of directors may be in closely related businesses. When the holding company does not have substantial independent economic substance, OTS applies the related business criterion to the holding company's board of directors. The Savings Bank will be a wholly owned subsidiary of the Holding Company, a holding company that does not have substantial independent economic substance.

The members of the Savings Bank's board of directors do not meet the residency requirement for a *de novo* savings association. Because the Savings Bank's operations will be conducted on a nationwide basis and the persons appointed to the Savings Bank's board represent various geographic areas of the United States, there is an adequate basis to waive this requirement in connection with the proposed transaction, and the waiver is hereby granted.

The various directors of the Holding Company are in closely related businesses, *i.e.*, they are officers of the Participating Plans. OTS believes there is an adequate basis to waive this requirement because the Savings Bank's business will be concerned with products and services related to the business of the Participating Plans, the proposed directors will be geographically diverse, and have significant experience with such products and markets. Therefore, the waiver is hereby granted.

With respect to the CRA and OTS' CRA regulations, the Savings Bank's CRA assessment area will consist of the Salt Lake City MSA. The Savings Bank has requested that it be treated as a wholesale savings association for CRA purposes. Because the Savings Bank will not engage in retail lending, we are approving that request. Based on the Savings Bank's CRA Plan, OTS

concludes that the Savings Bank has satisfactorily demonstrated that it will meet its CRA objectives.

The Savings Bank's proposed charter and bylaws conform with OTS regulations in all material respects.

Holding Company Application

Section 10(e)(1)(B) of the Home Owners' Loan Act and the Acquisition of Control Regulations thereunder provide that OTS must approve a proposed acquisition of a savings association by a company, other than a savings and loan holding company, unless OTS finds that the financial and managerial resources and future prospects of the company and association involved would be detrimental to the association or the insurance risk of the DIF. OTS must also consider the impact of the acquisition on competition. Finally, OTS must take into account assessments under the CRA when considering holding company applications.

OTS has concluded, based on the applications, that all appropriate parties have joined the holding company application.

For the reasons set forth above, OTS concludes that the managerial resources of the Holding Company and the Savings Bank are satisfactory, provided the Holding Company and the Savings Bank comply with the conditions discussed above.

With regard to financial resources, OTS reviewed the Holding Company's financial position and the Savings Bank's proposed capitalization and business plan. The application projects that the Holding Company will have sufficient resources and that the Savings Bank will meet all of its capital requirements and will be well capitalized, as defined in the OTS Prompt Corrective Action regulation, throughout the first three years of operation. Based on the foregoing, OTS concludes that the financial resources of the Holding Company and the Savings Bank are consistent with approval of the holding company application.

Based on the factors considered in the above discussions regarding the managerial and financial resources of the Savings Bank and the Holding Company, the character and responsibility of the officers and directors of each entity, and the probability of the Savings Bank's usefulness and success, OTS concludes that the future prospects of the Holding Company and the Savings Bank are consistent with approval, and will not pose undue risk to the DIF, subject to the imposition of the above described conditions.

The transaction will not result in any currently operating, unaffiliated depository institutions becoming affiliated. Accordingly, OTS finds no basis for objection to the transaction on anti-competitive grounds.

With respect to the Holding Company's performance under the CRA, the Holding Company has not been subject to the CRA. Accordingly, OTS concludes that there is not any basis for objection to the holding company application based on CRA grounds.

Conclusion

Based on the information provided with the applications, OTS' analysis of such information, the representations and commitments provided by the Holding Company and the Savings Bank, and our granting of the requested waivers, OTS concludes that the applications satisfy the applicable approval standards, provided that the following conditions are complied with in a manner satisfactory to the Southeast Regional Director or his designee (Regional Director). Accordingly, the applications are hereby approved, subject to the following conditions:

1. The Holding Company and the Savings Bank must receive all required regulatory approvals prior to consummation of the proposed transaction with copies of all such approvals provided to the Regional Director;
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 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, respectively, as disclosed in the applications. If additional information having a material adverse bearing on any feature of the applications is brought to the attention of the Holding Company, the Savings Bank, or OTS since the date of the financial statements submitted with the applications, 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 Holding Company and the Savings Bank must, within 5 calendar days after the effective date of the proposed transaction: (a) advise the Regional Director in writing of the effective date of the proposed transaction and of the Savings Bank's insurance of accounts; (b) advise the Regional Director in writing that the transaction was consummated in accordance with all applicable laws and regulations, the applications and this Order; and (c) provide a reconciliation of the Savings Bank's capital to the Regional Director;
5. The Savings Bank must submit any proposed major deviations or material changes from the business plan 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 desired implementation date with a copy to the FDIC Regional Office;
6. For three years following the Savings Bank's commencement of operations, 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

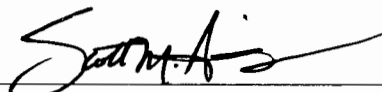
Savings Bank's compliance with the business plan and an explanation of any material deviations;

7. The proposed President and Chairman of the Holding Company will not be considered permanent until successful completion of the background checks;
8. The Holding Company must submit the name and background information on the to-be-named director of the Holding Company, and the Savings Bank must submit the name and background information on the to-be-named director of the Savings Bank, and must receive the written non-objection of the Regional Director prior to the person being placed in his or her position; and
9. The Savings Bank must submit independent audit reports to the Regional Director for its first three years of operations. These reports must be in compliance with the audit rules set forth at 12 C.F.R. § 562.4.

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 20, 2006.



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