



Dear Members of Aid Association for Lutherans and Lutheran Brotherhood:

The Boards of Directors of Aid Association for Lutherans (AAL) and Lutheran Brotherhood (LB) have provided initial approval to the merger of the two fraternal benefit societies. The boards determined that the merger is in the best interests of their respective members, based on the following:

- AAL and LB can be more effective working as a single, unified resource for Lutherans and their families. We serve a unique constituency. Together, we will have a distinct and expanded capability to serve more people and meet more needs by combining the strength of our fraternal, financial and staff resources.
- AAL and LB must change and grow to remain competitive. Dramatic changes in the Lutheran Church and the financial services industry are impacting the way we work with our members. New regulatory requirements, distribution issues and changing consumer preferences have encouraged us to develop and capitalize on efficient and innovative ways to fulfill our mission while honoring our heritage and our roots.
- Combining the talents of the people in both organizations is expected to greatly enhance the strength of the combined organization. The new leadership team will have more than 300 years of combined fraternal and financial services industry experience.
- A larger organization will enable us to make necessary investments in technology and new products and services to meet our members' ever-changing needs.
- The merger is expected to create opportunities for greater operating efficiencies in the home office and the field.

LB and AAL were founded in the early 1900s and enjoyed great success in the 20th century. We trace our roots to a mutual aid society where members pooled their resources, financial and otherwise, to help those in need. Insurance protection was at the heart of what we did then, just as it is at the heart of what we do now.

As we enter the 21st century, we find ourselves in a very different world, marked by an expanding and changing population base, changes in our traditional constituencies and significant competitive challenges. There are new demands for various types of insurance and financial products, as well as growing competition from banks, investment firms and other insurers. Consolidation of the entire financial services industry is just beginning.

We are excited about being part of this changing environment. Through the combined strength of LB and AAL we intend to offer you new and enhanced products and services designed to improve the quality of life for you, your families, and your communities.

The attached Joint Members Information Statement and Merger Agreement will provide further information on the specifics of the agreement for the merger. If you have questions or concerns, please contact your district representative or the AAL Customer Service Center at 1-800-CALL-AAL (1-800-225-5225) or the LB Customer Interaction Center at 1-800-990-6290.

Signed,

John O. Gilbert
*Chairman, President and CEO
Aid Association for Lutherans*

Bruce J. Nicholson
*President and Chief Executive Officer
Lutheran Brotherhood*

July, 2001

Note: A copy of this mailing is being provided to each member of our two societies. Therefore, your household may have received more than one copy.



**JOINT MEMBERS
INFORMATION
STATEMENT**

AID ASSOCIATION FOR LUTHERANS
LUTHERAN BROTHERHOOD
JOINT MEMBERS INFORMATION STATEMENT

This Joint Members Information Statement relates to the proposed merger of Lutheran Brotherhood (LB), a corporation organized under the laws of Minnesota governing fraternal benefit societies, with Aid Association for Lutherans (AAL), a corporation organized under the laws of Wisconsin governing fraternal benefit societies, pursuant to an agreement and plan of merger dated June 27, 2001 entered into between AAL and LB.

This Joint Members Information Statement is being furnished to members of both LB and AAL. Accompanying this Information Statement is the full text of the merger agreement together with the AAL and LB Letters referenced in the merger agreement. Under the insurance laws of both Wisconsin and Minnesota, the text of the merger agreement must be furnished to members sixty (60) days before approval by the supreme governing body of each society. A meeting of the Lutheran Brotherhood General Convention, the supreme governing body of LB, is planned for Fall 2001 to consider approval of the merger agreement. Before the meeting of the General Convention, AAL's Board of Directors, as its supreme governing body, will meet to consider final approval of the merger agreement on behalf of AAL. The merger is subject to, among other conditions, approval by both the Wisconsin Commissioner of Insurance and the Minnesota Commissioner of Commerce.

The Boards of Directors of AAL and LB have unanimously given initial approval to the merger and are furnishing the merger agreement to you after careful review and deliberation. Each board believes that the merger agreement is just and equitable and in the best interest of the members of their respective societies. The letter from our chief executives, John Gilbert and Bruce Nicholson, which accompanies this Joint Members Information Statement, gives some of the important reasons for this conclusion.

OUR SOCIETIES

AAL is a fraternal benefit society organized under the laws of Wisconsin. Since its inception in 1902, AAL has grown to an organization of over 1.8 million members nationwide organized in local volunteer groups called "branches." LB is a fraternal benefit society organized under the laws of Minnesota in 1917, with nearly 1.2 million members nationwide organized in local branches.

Both LB and AAL offer a variety of insurance and annuity products to their members, and have affiliates that provide other financial benefits. Both AAL and LB serve their members and the community with educational and volunteer opportunities and charitable outreach.

For the year ended December 31, 2000, AAL's total revenue was \$2.3 billion and its net income was \$228 million. As of December 31, 2000, AAL had \$22.1 billion of total assets and \$2.6 billion of certificateholders' surplus.

For the year ended December 31, 2000, LB's total revenue was \$1.8 billion and its net income was \$128 million. As of December 31, 2000, LB had \$22.7 billion of total assets and \$2.5 billion of certificateholders' surplus.

THE MERGER

Effect of the Merger

When the merger takes place, the combined corporation will own all the assets and be responsible for all of the obligations of both LB and AAL. Technically, under the merger agreement, LB will merge into AAL, with AAL being the legally surviving corporation. LB and AAL will be combined into one fraternal benefit society that will take on a new name.

Upon effectiveness of the merger, the benefit contracts and certificates of LB will be converted into corresponding benefit contracts and certificates of the combined corporation. Each member of LB will automatically become a member of the combined corporation. The merger will not change the terms of any LB benefit contracts except that the articles of incorporation and bylaws of AAL will become part of the benefit contracts issued by LB as the law requires. The merger will not change the membership rights or the terms of any benefit contracts or certificates of any member of AAL. If your benefit contract from LB or AAL has been eligible for surplus refunds, future surplus refunds will be payable as declared by the board of directors of the combined corporation, and may, as in the past, vary from year to year. Rights and obligations under mutual fund shares, loans, bank accounts, or other products and services from affiliates of AAL or LB will not change as a result of the merger.

The merger will not cause any immediate change in district representatives, branches, or fraternal programs. However, the operations of AAL and LB will be evaluated to determine what changes would make the combined corporation stronger. Integration teams will strive to identify ways to combine the best of both societies as smoothly as possible following final approval of the merger. Our goal will be to offer programs which best meet the needs of members and their families.

Effective Time

The merger will become effective when certificates of merger are issued by the Wisconsin Commissioner of Insurance and the Minnesota Commissioner of Commerce.

Name of Combined Corporation

Before the merger is completed, LB and AAL will work together to select a name for the combined corporation. It is expected that the new name will be presented to the joint membership for approval within a few months after the merger is completed.

Location of Offices

Upon completion of the merger, the operations center of the combined corporation will be in Appleton, Wisconsin. The corporate center and offices of the principal executive officers will be in Minneapolis, Minnesota.

Background of the Merger

LB and AAL in recent years have each undertaken detailed reviews of their strengths and weaknesses in order to determine strategies that would best preserve their respective missions, protect the interests of their members and enhance the types and quality of services offered. Each society identified the other as a potential partner in this effort. Some time ago, the societies began informal discussions about the possibility of enhanced working relationships. LB and AAL engaged consultants in this effort and formed project teams to assess the potential benefits of various forms of collaborative efforts. After discussing various forms of possible affiliation, each society concluded that a merger held the greatest potential to achieve their respective goals. This led to development of the merger agreement that was initially approved by the boards of AAL and LB last month and that is being furnished to you.

Operations and Management Following the Merger

Following the merger, the combined corporation will amend its articles of incorporation to change its name. The combined corporation will be governed by an 18-member board of directors consisting of eight persons designated by AAL, eight persons designated by LB, the Chairman of the combined corporation and the Chief Executive Officer of the combined corporation. The Chairman of the combined corporation will be John O. Gilbert, currently the Chairman, President and Chief Executive Officer of AAL. The President and Chief Executive Officer of the combined corporation will be Bruce J. Nicholson, currently the President and Chief Executive Officer of LB.

Regulatory Approvals

The merger cannot be completed until the following regulatory approvals have been received:

- The merger agreement must be approved by the Wisconsin Commissioner of Insurance and the Minnesota Commissioner of Commerce.
- Under the Hart-Scott-Rodino Act and the related rules of the Federal Trade Commission, the merger may not be completed until notification has been given and information has been furnished to the Federal Trade Commission and the Antitrust Division of the Department of Justice and waiting period requirements have been satisfied.
- AAL Bank and Trust, FSB is a subsidiary of AAL and LB Community Bank and Trust, FSB is a subsidiary of LB. These savings banks are regulated by the Office of Thrift Supervision. The Home Owners' Loan Act provides that an application for change of control must be submitted to and approved by the Office of Thrift Supervision before AAL and LB can merge.

The Merger Agreement

LB and AAL entered into the merger agreement on June 27, 2001. The following is a summary of the merger agreement. Because it is a summary, it does not contain all of the information that is included in the merger agreement. We

encourage you to read the entire merger agreement, a copy of which is being furnished to you along with this Joint Members Information Statement.

Certain Provisions of the Merger Agreement

- *Name and Location of Offices of Combined Corporation.* The merger agreement contains procedures for selection of a new name for the combined corporation. The new name will be submitted to the members for approval after the merger is completed. The operations center of the combined corporation will be in Appleton, Wisconsin. The corporate center and offices of the principal executive officers will be in Minneapolis, Minnesota.
- *Governance.* There are procedures for selection of a new board of 18 directors that will be designated equally by AAL and LB. John Gilbert is designated as Chairman and Bruce Nicholson as Chief Executive Officer of the combined corporation. The articles of incorporation and bylaws of AAL will continue as the articles of incorporation and bylaws of the combined corporation. The merger agreement provides that bylaw amendments will be adopted to include limits on terms of office of directors and conflict of interest provisions.
- *Subsidiary Consolidation.* AAL Bank and Trust, FSB and LB Community Bank and Trust, FSB will enter into a separate merger agreement for the merger of those institutions following the merger. No other subsidiary consolidation is contemplated by the merger agreement.

Representations and Warranties

In the merger agreement, AAL and LB have made a number of representations and warranties to each other. These include, among other things, representations and warranties relating to:

- organization, standing and similar matters;
- subsidiaries;
- authorization to enter into the merger agreement;
- the accuracy of their financial statements;
- the absence of certain changes or events since March 31, 2001;
- the absence of significant undisclosed liabilities;
- compliance with applicable laws; and
- their conduct of insurance, mutual fund and banking businesses.

When the merger is completed, the representations and warranties in the merger agreement will terminate and no longer have any effect.

Conduct Pending the Merger

In the merger agreement, AAL and LB have each agreed to:

- conduct their respective businesses in the ordinary course;
- use all reasonable efforts to preserve intact their licenses, business organizations and relationships with members, contractholders, insureds, agents, underwriters, brokers and investment customers and key employees;
- not adopt or propose any change in their articles of incorporation or bylaws or take certain other action, including incurring or amending specified types of obligations;
- not take certain actions regarding employment compensation or benefit arrangements;
- not increase cash dividends on participating benefit contracts;
- not solicit any proposals from third parties regarding another business combination transaction; and
- furnish the text of the merger agreement to their members and call a special meeting of their respective supreme governing bodies for the purpose of voting to approve the merger agreement.

Conditions

Mutual Closing Conditions. AAL's and LB's obligations to complete the merger are subject to the satisfaction or waiver by them of the following conditions:

- receipt of all required consents and authorizations;
- receipt of a "no-action" letter from the Securities and Exchange Commission with respect to the treatment of certain advisory contracts after the merger;
- no legal prohibition or significant challenge to the merger;
- corporate action regarding the composition of the board of directors and the designation of the Chairman and Chief Executive Officer of the combined corporation;
- receipt of a private letter ruling from the Internal Revenue Service or opinions of tax counsel regarding the tax consequences of the merger;
- adoption of certain bylaw amendments by the AAL Board of Directors;
- completion of the merger by December 31, 2001; and
- approval of a new name for the combined corporation by the boards of directors of LB and AAL.

Additional Closing Conditions. LB's and AAL's obligations to complete the merger are subject to the satisfaction or waiver of the following additional conditions:

- accuracy of the other's representations and warranties at the time the merger takes effect;
- performance by the other party in all material respects of its obligations under the merger agreement; and
- no significant adverse change in the business of the other party since the signing of the merger agreement.

Termination of the Merger Agreement

The merger agreement may be terminated under certain circumstances before the merger takes effect, including by mutual written consent of the parties, by either party if the other party breaches the merger agreement in any material way, or by either party if there has been a significant adverse change in the business of the other party.

AVAILABLE INFORMATION

AAL is subject to the laws and regulations of the State of Wisconsin applicable to fraternal benefit societies and is required to file financial reports and other information with the Wisconsin Commissioner of Insurance. LB is subject to the laws and regulations of the State of Minnesota applicable to fraternal benefit societies and is required to file financial reports and other information with the Minnesota Commissioner of Commerce.

For more information regarding the merger or the merger agreement you may contact AAL or LB at the following information numbers:

AAL Customer Service Center at 1-800-225-5225
LB Customer Interaction Center at 1-800-990-6290

Additionally, you may inspect and view the merger agreement and the related LB and AAL Letters at the AAL Web site at www.aal.org or the LB Web site at www.luthbro.com.

EXECUTION COPY

AGREEMENT AND PLAN OF MERGER
BETWEEN
AID ASSOCIATION FOR LUTHERANS
AND
LUTHERAN BROTHERHOOD

Dated as of June 27, 2001

AGREEMENT AND PLAN OF MERGER

This AGREEMENT AND PLAN OF MERGER (this "Agreement") is dated as of June 27, 2001, between AID ASSOCIATION FOR LUTHERANS, a corporation organized and operating under the laws of Wisconsin governing fraternal benefit societies ("AAL"), and LUTHERAN BROTHERHOOD, a corporation organized and operating under the laws of Minnesota governing fraternal benefit societies ("LB"), which two corporations are referred to herein as the "Constituent Corporations."

AAL and LB were each founded as fraternal benefit societies and share as their mission a strong commitment to service to their members and the Lutheran community, stewardship and the powers of fraternalism.

The respective Boards of Directors of AAL and LB have concluded that the merger of LB with and into AAL as provided herein (the "Merger") will enable the Constituent Corporations to best fulfill their common objectives of improved and expanded service to the Lutheran community, increasing their financial strength and resources for growth, and enhancing their potential for expanded delivery of services to existing and new members and other constituencies.

The Boards of Directors of AAL and LB deem the terms of the Merger to be just and equitable to their respective members.

The Boards of Directors of AAL and LB have duly adopted resolutions providing for initial approval of this Agreement, subject to final approval of this Agreement by the Board of Directors of AAL and approval of this Agreement by the General Convention of LB, as the supreme governing bodies of the respective corporations, and have directed that the text of this Agreement be furnished to their respective members in accordance with applicable law.

In consideration of the premises and the respective representations, warranties, covenants and agreements set forth herein, the parties hereto agree as follows:

ARTICLE I

THE MERGER

1.1 *The Merger.* In accordance with the provisions of this Agreement, the applicable Wisconsin insurance laws ("WIL") and the applicable Minnesota insurance laws ("MIL"), at the Effective Time (as defined in Section 1.2 below), LB shall be merged with and into AAL and the separate existence of LB shall thereupon cease, and AAL shall be the surviving corporation in the Merger (the "Surviving Corporation").

1.2 *Effective Time.* The Merger shall become effective when (i) a properly executed certificate approving the Merger has been issued by the Wisconsin Commissioner of Insurance and filed with the Minnesota Commissioner of Commerce, and (ii) a properly executed certificate approving the Merger has been issued by the Minnesota Commissioner of Commerce and filed with the Wisconsin Commissioner of Insurance, which filings shall be made upon the Closing (as defined in Section 7.1 below) of the Merger in accordance with Article VII hereof. As used herein, the term "Effective Time" shall mean the date and time at which all such certificates have been so issued and filed.

1.3 *Effect of the Merger; Membership; Benefit Contracts and Certificates.* The Merger shall have effects described in WIL § 614.73(7) and MIL § 64B.14, Subd. 4. Without limiting the generality of the foregoing, at the Effective Time the Surviving Corporation shall have all of the assets and be liable for all of the obligations of each of the Constituent Corporations, and all the rights, franchises, and interests of the Constituent Corporations in and to every species of property, real, personal, or mixed, and things in action thereunto belonging shall be vested in the Surviving Corporation without any other instrument, except the conveyances of real property may be evidenced by proper deeds, and the title to any real estate or interest therein, vested in any of the Constituent Corporations, shall not revert or be in any way impaired by reason of the Merger, but shall vest absolutely in the Surviving Corporation. A proceeding pending against the Constituent Corporations may be continued as if the Merger did not occur or the Surviving Corporation may be substituted in the proceeding for LB. The Merger shall not affect the membership rights or benefit contracts or certificates of any member of AAL. From and after the Merger, by virtue of the Merger and without any action on the part of the members of LB, each benefit contract of LB shall be converted into and become a corresponding benefit contract of the Surviving Corporation and each member of LB shall become a member of the Surviving Corporation. The Boards of Directors of AAL and LB shall take all actions as may be necessary to effect the conversion of membership interests in LB into the appropriate class of membership interests in the Surviving Corporation.

1.4 *Articles of Incorporation; Name of the Surviving Corporation.* The Articles of Incorporation of AAL in effect at the time of the Merger shall be the Articles of Incorporation of the Surviving Corporation until amended in accordance with applicable Law (as defined in Section 2.1 below). Following execution and delivery of this Agreement, the Chief Executive

Officers of the Constituent Corporations, working in consultation with such person or persons as they deem appropriate, shall consider and jointly recommend to the Boards of Directors of the Constituent Corporations one or more proposed corporate names for the Surviving Corporation. As reflected in Section 10.6 hereof, selection of a corporate name for the Surviving Corporation by the Boards of Directors of the Constituent Corporations shall be a condition to consummation of the Merger. As soon as practicable following the Effective Time, the Surviving Corporation shall submit to the members of the Surviving Corporation for approval in accordance with the provisions of the Articles of Incorporation and Wisconsin Law an amendment to the Articles of Incorporation of the Surviving Corporation to change its corporate name accordingly.

1.5 *By-Laws.* The bylaws of AAL in effect at the time of the Merger shall be the bylaws of the Surviving Corporation until amended in accordance with applicable Law.

1.6 *Governance Matters.*

1.6.1 *Board of Directors.* As soon as practicable following execution and delivery of this Agreement, the Board of Directors of each of the Constituent Corporations, after consultation with their respective Chief Executive Officers, shall designate eight proposed directors of the Surviving Corporation selected from the Board of Directors of such Constituent Corporation, six of whom shall be designated as elected directors to serve for terms of office of up to four years, and two of whom shall be designated as appointed directors to serve a term of up to one year.

As reflected in Section 10.7 hereof, it shall be a condition to the consummation of the Merger that the Boards of Directors of the Constituent Corporations have taken all necessary corporate action so that the sixteen persons so designated, together with the Chairman of the Surviving Corporation and the President and Chief Executive Officer of the Surviving Corporation, shall be and become the Board of Directors of the Surviving Corporation at the Effective Time.

1.6.2 *Committees.* At the Effective Time of the Merger, the existing committees of the Board of Directors of AAL shall be dissolved, and promptly following the Effective Time, the Board of Directors of the Surviving Corporation shall establish such committees of the Board of Directors as it shall deem appropriate to the conduct of its business.

1.6.3 *Officers.* As reflected in Section 10.7 hereof, it shall be a condition to the consummation of the Merger that all necessary corporate action has been taken so that, upon consummation of the Merger, the Chairman of the Surviving Corporation shall be John O. Gilbert and the President and Chief Executive Officer of the Surviving Corporation shall be Bruce J. Nicholson. Upon consummation of the Merger, the other principal officers of the Surviving Corporation shall be as determined by the Board of Directors of the Surviving Corporation.

1.7 *Offices.* From and after the Effective Time, the principal office of the Surviving Corporation shall be in Appleton, Wisconsin. The Surviving Corporation shall maintain its corporate center in Minneapolis, Minnesota, and the offices of the principal executive officers of the Surviving Corporation shall be located in Minneapolis.

1.8 *Subsidiary Consolidation.* Following the execution and delivery of this Agreement, AAL Bank and Trust, FSB, a federally chartered stock savings institution and wholly owned subsidiary of AAL (“AAL Savings Bank”) and LB Community Bank & Trust, FSB, a federally chartered stock savings institution and an indirect wholly owned subsidiary of LB (“LB Savings Bank”), will enter into an agreement and plan of merger (the “Bank Merger Agreement”) providing for the merger (the “Bank Merger”), of AAL Savings Bank with LB Savings Bank, with the Bank Merger to be consummated following the consummation of the Merger. Otherwise, the parties do not presently contemplate that any of their subsidiaries will be combined as of or immediately following the Effective Time.

ARTICLE II

REPRESENTATIONS AND WARRANTIES OF LB

LB represents and warrants to AAL as follows:

2.1 *Organization and Standing of LB.* LB is a corporation duly organized and operating under the Law of Minnesota governing fraternal benefit societies and has the corporate power to own or lease its properties and to carry on its business as now being conducted. LB is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of its properties owned or held under lease or the nature of its activities makes such qualification necessary, except where the failure to be so qualified would not individually or in the aggregate be reasonably likely to have a material adverse effect on the business, assets, liabilities, results of operations or financial condition of LB and the LB Subsidiaries, taken as a whole, or adversely affect the ability of LB to consummate the transactions contemplated by this Agreement in any material respect (an “LB Material Adverse Effect”); provided, however, that an “LB Material Adverse Effect” shall not include any such effect resulting from (i) any change, event or condition generally

applicable to the industries in which LB and the LB Subsidiaries operate, (ii) general economic or market conditions, or (iii) the public announcement of this Agreement. As used in this Agreement, “Law” means any federal, state, local or foreign code, law, statute, ordinance, regulation, rule, reporting or licensing requirement, published guideline, published administrative interpretation or other requirement of a governmental authority (including those of the Securities and Exchange Commission (“SEC”), the Office of Thrift Supervision (“OTS”), the Federal Deposit Insurance Corporation (“FDIC”), and the National Association of Securities Dealers (“NASD”) or any other self-regulatory organization), applicable to the parties hereto, or any of their respective affiliates, properties, assets, officers, directors, employees or agents, as the case may be.

2.2 LB, Subsidiaries and Funds. Section 2.2 of a letter delivered by LB to AAL concurrently with the execution of this Agreement (the “LB Letter”) sets forth a list of all of LB’s subsidiaries (hereinafter separately called an “LB Subsidiary” and collectively called the “LB Subsidiaries”) and LB Funds (as defined in 2.2.8 below) and their respective jurisdictions of organization. Each of the LB Subsidiaries is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization and has the corporate power to own or lease its properties and carry on its business as now being conducted. Each of the LB Subsidiaries is duly qualified or otherwise authorized to transact business and is in good standing in every jurisdiction in which such qualification or authorization is required by Law to carry on its business as now being conducted, except where the failure to qualify or to be authorized would not be reasonably likely to have an LB Material Adverse Effect.

2.2.1. Capitalization of Subsidiaries. Except as set forth in Section 2.2.1 of the LB Letter, each of the LB Subsidiaries is wholly owned, directly or indirectly, by LB. The shares of capital stock of the LB Subsidiaries owned directly or indirectly by LB are validly issued, fully paid and non-assessable, and are owned free and clear of any liens, claims, charges or encumbrances except as set forth on the LB Letter. Except for LB Investments (as defined in Section 2.11) or as set forth on such Letter, neither LB nor any of the LB Subsidiaries has any investment in any corporation, partnership, joint venture, limited liability company or similar entity. All investments so set forth are owned free and clear of any liens, claims, charges or encumbrances except as disclosed in the LB Letter.

2.2.2 LB Insurance Authority. Each of LB and Lutheran Brotherhood Variable Insurance Products Company (individually an “LB Insurer” and collectively called the “LB Insurers”) has all requisite power and authority to carry on an insurance business pursuant to and to the extent of the certificates of authority issued under the Law of the jurisdiction listed in Section 2.2.2 of the LB Letter. Neither LB Insurer is required to be licensed as an insurer in any other jurisdiction. No other LB Subsidiary is an insurance company. The LB Letter indicates the line or lines of insurance which are permitted to be written with respect to each certificate of authority listed. No certificate of authority identified in such Letter has been revoked, restricted, suspended, limited or modified nor is any certificate of authority the subject of, nor to the knowledge of LB is there a reasonable basis for, a proceeding for revocation, restriction, suspension, limitation or modification, nor is either LB Insurer operating under any formal or informal agreement or understanding with the licensing authority of any state that restricts its authority to do business or requires such LB Insurer to take, or refrain from taking, any action. Except as set forth in Section 2.2.2 of such Letter, neither of the LB Insurers has issued any surplus note or similar instrument.

2.2.3 Broker-Dealer Subsidiaries. Each LB Subsidiary that conducts activities as a broker or dealer, as such terms are defined in Section 3(a) of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), whether or not registered under the Exchange Act (individually an “LB Broker-Dealer” and collectively the LB Broker-Dealer Subsidiaries”), is identified as such in Section 2.2.3 of the LB Letter.

2.2.4. Investment Adviser Entities. LB and each LB Subsidiary that conducts activities as an investment adviser, as such term is defined in Section 2(a)(20) of the Investment Company Act of 1940, as amended (the “Investment Company Act”), and Section 202(a)(11) of the Investment Advisers Act of 1940, as amended (the “Investment Advisers Act”), whether or not registered under the Investment Advisers Act (an “LB Investment Adviser”) is identified as such in Section 2.2.4 of the LB Letter.

2.2.5 Savings Bank Subsidiary. Other than LB Savings Bank, no other LB Subsidiary conducts activities as a savings bank subject to regulation by the OTS, whether or not chartered as such. LB Savings Bank is duly authorized to conduct a savings and loan business, is a member of the Federal Home Loan Bank of Des Moines, and is duly authorized to operate each of its offices, including branch offices. LB is duly registered as a savings and loan holding company under the Home Owners’ Loan Act, as amended (“HOLA”), and the regulations issued thereunder.

2.2.6 LB Investment Companies. Each open-end management investment company or portfolio thereof for which any LB Investment Adviser acts as an investment adviser (each an “LB Investment Company” and collectively the “LB Investment Companies”) is listed in Section 2.2.6 of the LB Letter and is duly organized, validly existing and in good standing under the Law of its jurisdiction of organization. Except as set forth in Section 2.2.6 of the LB Letter, all

of the issued and outstanding shares of each LB Investment Company, are, and at the Effective Time will be, duly and validly issued, fully paid and non-assessable and are qualified for public offering and sale, or an exemption therefrom is in full force and effect, in each jurisdiction where required and to the extent required under applicable Law. All outstanding shares of each LB Investment Company that were required to be registered under the Securities Act of 1933, as amended (the "Securities Act"), have been sold pursuant to an effective registration statement filed under the Securities Act, which registration statement, at the time that it became effective, contained no untrue statement of material fact and did not omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading.

2.2.7 LB Separate Accounts. Except as disclosed in Section 2.2.7 of the LB Letter, each separate account established and maintained by either of the LB Insurers (each an "LB Separate Account") is duly and validly established and maintained under the Law of Minnesota, and that portion of the assets of each LB Separate Account equal to the reserves and other contract liabilities with respect to each such LB Separate Account is not chargeable with liabilities arising out of any other business that the LB Insurer establishing the separate account may conduct. All of the variable contracts supported by each LB Separate Account are duly and validly issued, comply in all material respects with all applicable Laws and are legal and valid binding obligations of the LB Insurer that issued them.

2.2.8 LB Funds. The LB Investment Companies and LB Separate Accounts are hereinafter referred to individually as an "LB Fund" and collectively as "LB Funds."

2.3 Authorization. The Board of Directors of LB has adopted resolutions approving this Agreement and the transactions contemplated hereby and has authorized the execution and delivery of the Agreement, subject to furnishing this Agreement by mail or publication to the members of LB and approval of this Agreement by the General Convention of LB ("LB Final Approval"). Subject to LB Final Approval, LB has full power and authority to enter into this Agreement and, upon compliance with applicable notice requirements and subject to obtaining all required regulatory approvals, to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by LB and constitutes the valid and legally binding obligation of LB, enforceable against it in accordance with its terms, subject to (i) LB Final Approval, (ii) bankruptcy, receivership, insolvency, reorganization, moratorium or similar Laws affecting or relating to creditors' rights generally and (iii) general principles of equity.

2.4 Articles of Incorporation and By-Laws. LB has made available to AAL true and complete copies of its and each of the LB Subsidiaries' and LB Funds' Articles of Incorporation and bylaws (or similar organizational documents) as in effect as of the date hereof. Neither LB nor any LB Subsidiary or LB Fund is in default under its Articles of Incorporation or bylaws.

2.5 Consents and Approvals. Except for the consents and approvals listed in Section 2.5 of the LB Letter, no filing with, and no permit, authorization, consent or approval of any public body, authority or any other person is necessary for the consummation by LB of the transactions contemplated by this Agreement, except for such consents, approvals, filings, permits or authorizations the failure of which to obtain, make or give, as the case may be, would not, individually or in the aggregate, be reasonably likely to have an LB Material Adverse Effect.

2.6 Defaults and Conflicts. Subject to the receipt of all consents and approvals contemplated by this Agreement and Section 2.5 of the LB Letter, neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby or the fulfillment of and compliance with the terms and provisions hereof, will (i) violate any judicial, administrative or arbitral order, writ, award, judgment, injunction or decree involving LB or any LB Subsidiary or LB Fund, (ii) conflict with the terms, conditions or provisions of the Articles of Incorporation or bylaws of LB or any LB Subsidiary or LB Fund, (iii) conflict with, result in a breach of, constitute a default under or accelerate or permit the acceleration of the performance required by, any agreement listed in Section 2.14 of the LB Letter, (iv) result in the creation of any lien, charge or encumbrance upon any of the assets of LB or any LB Subsidiary or LB Fund under any such agreement, or (v) terminate or give any party thereto the right to terminate any such agreement, except for any such violation, conflict, lien or termination that would not be reasonably likely to result in an LB Material Adverse Effect. Except as set forth in Section 2.5 of the LB Letter, no consent of any third party to any agreement listed in Section 2.14 of the LB Letter to which LB or any LB Subsidiary or LB Fund is a party is required in connection with the Merger.

2.7 Financial Statements.

2.7.1 GAAP Financial Statements. LB has furnished to AAL true, correct and complete copies of the audited consolidated balance sheets, consolidated statements of financial position and related consolidated statements of income, changes in certificateholders' surplus and cash flows prepared in accordance with United States generally accepted accounting principles ("GAAP") as of and for the fiscal years ended 1998, 1999 and 2000 for LB and the LB Subsidiaries, and unaudited consolidated financial statements for the period ending March 31, 2001 (the March 31,

2001 balance sheet being referred to as the "LB Current Balance Sheet"). Section 2.7.1 of the LB Letter sets forth a list of the GAAP financial statements for the most recent fiscal year that exist for each LB Fund. All the financial statements referred to in this Section 2.7.1 are collectively referred to as the "LB GAAP Financial Statements."

The LB GAAP Financial Statements (including the notes thereto) have been prepared in accordance with GAAP and present fairly, in all material respects, the consolidated financial condition of LB and the LB Subsidiaries and the financial condition of each of the LB Funds, respectively, as of such dates and the results of operations of such entities for such periods, except that the LB GAAP Financial Statements as of and for the period ended March 31, 2001 are subject to normal year-end adjustments and may lack footnotes and other presentation items, none of which adjustments, footnotes or other presentation items could, alone or in the aggregate, be reasonably likely to result in an LB Material Adverse Effect.

2.7.2 Statutory Financial Statements. LB has furnished to AAL copies of the audited statutory statements of financial position and the related statements of operations, changes in certificateholders' contingency reserves and cash flow for the LB Insurers for the years ended December 31, 1998, 1999 and 2000 and unaudited statutory financial statements for the quarter ended March 31, 2001 (the "LB Statutory Financial Statements") as filed with the Minnesota Department of Commerce (the "Minnesota Commerce Department"). The LB Statutory Financial Statements, including, without limitation, the provisions made therein for investments and the valuation thereof, reserves, policy and contract claims, reinsurance recoverables and any related reserves for uncollectible amounts, together with the notes, exhibits and schedules thereto, fairly present, in all material respects, the statement of admitted assets, liabilities and capital and surplus each of the LB Insurers as of the dates thereof and the related statutory basis statements of income, changes in capital and surplus, and cash flows for the periods indicated in conformity with the statutory accounting practices prescribed or permitted by the National Association of Insurance Commissioners ("SAP") and the Minnesota Commerce Department, applied on a basis consistent with prior periods, except as set forth therein.

2.7.3 LB Savings Bank Financial Statements. LB has previously delivered to AAL true and complete copies of the financial statements of LB Savings Bank for the years ending 1998, 1999, and 2000 (the "LB Savings Bank Financial Statements"). Each such financial statement was prepared in conformity with regulatory accounting principles prescribed or permitted by Law or the rules and regulations of the OTS, is true and complete in all material respects, and fairly presents the financial position of the LB Savings Bank as of the respective dates thereof and the results of operations and cash flows and stockholders' equity of such LB Savings Bank for and during the periods covered thereby. The aggregate deposit accounts of the LB Savings Bank ("LB Deposits") are insured to the fullest permissible extent by the Savings Association Insurance Fund ("SAIF") or the Bank Insurance Fund, each administered by the Federal Deposit Insurance Corporation ("FDIC"). All related insurance premiums due and owing have been paid to the FDIC as of the date hereof. To the knowledge of LB, the LB Savings Bank's provision for loan losses is adequate under applicable Law and GAAP.

2.8 Changes Since March 31, 2001. Since March 31, 2001 there has been no event or condition that has had (or is reasonably likely to result in) an LB Material Adverse Effect, and except as set forth in Section 2.8 of the LB Letter, LB and the LB Subsidiaries have conducted their businesses in the ordinary course consistent with past practices and have not taken any action that, if taken after the date hereof, would violate Section 5.1 hereof.

2.9 No Undisclosed Liabilities. Except for liabilities and obligations disclosed or provided for in the LB GAAP Financial Statements, the LB Statutory Financial Statements or the LB Savings Bank Financial Statements, neither LB nor any of the LB Subsidiaries or LB Funds had, as of the respective date of each such financial statement, any liabilities or obligations (whether absolute or contingent and whether due or to become due) except (i) for contractual liabilities arising in the ordinary course of business consistent with prior practice, (ii) liabilities incurred after the date of this Agreement without violation of Section 5.1 hereof, or (iii) liabilities that, individually or in the aggregate, are not reasonably likely to result in an LB Material Adverse Effect. All books of account of LB and each LB Subsidiary and LB Fund fully and accurately disclose in all material respects all the transactions, properties, assets, investments, liabilities and obligations thereof, and all such books of account are in the possession of such entity.

2.10 Title to Property. Except as set forth in Section 2.10 of the LB Letter, LB or an LB Subsidiary has good and marketable title to all real properties owned by it and good title to all other assets and properties shown as owned by it on LB Current Balance Sheet or acquired since that date (except properties disposed of in the ordinary course of business subsequent to that date), in each case free of all mortgages, liens, charges and encumbrances of any nature whatsoever, other than (i) liens for Taxes (as defined in Section 2.18.4 below) not yet due and payable and (ii) such minor liens, charges and encumbrances as, in the aggregate, do not and would not if asserted be reasonably likely to have an LB Material Adverse Effect ("Permitted LB Liens").

2.11 *Investment Securities.* All transactions in securities, mortgages and other investments owned by LB and any of the LB Subsidiaries (collectively, the “LB Investments”) since December 31, 1998 have complied with the written investment policies of LB and each of the LB Subsidiaries, as applicable, and all applicable Laws. Except as set forth in Section 2.11 of the LB Letter, LB and each of the LB Subsidiaries has good title to LB Investments other than with respect to those LB Investments that have been disposed of in the ordinary course of business or redeemed in accordance with their terms since such date and other than Permitted LB Liens or with respect to statutory deposits that are subject to customary restrictions on transfer. None of the LB Investments, to the knowledge of LB, are as of the date of this Agreement in default in the payment of principal or interest, except for any such defaults that individually, or collectively, would not be reasonably likely to have an LB Material Adverse Effect. Except as set forth in Section 2.11 of the LB Letter, there are no liens, claims or encumbrances on any of LB Investments, other than Permitted LB Liens, and none of LB Investments consists of securities loaned to third parties.

2.12 *Environmental Laws.* Except as set forth in Section 2.12 of the LB Letter, LB and each LB Subsidiary has conducted and is conducting its business in compliance in all material respects with all applicable federal, state, and local Laws currently in force relating to the protection of the environment (“Environmental Laws”). Except as set forth in Section 2.12 of the LB Letter, there is no pending, or to the knowledge of LB, threatened, civil or criminal litigation, written notice of violation, or administrative proceeding relating to such Environmental Laws involving LB or any LB Subsidiary or any previously or presently owned property or asset of LB or any LB Subsidiary. To the knowledge of LB, there are no conditions existing with respect to the release, emission, discharge or presence of hazardous substances in connection with the business of LB or any LB Subsidiary which conditions could, individually or in the aggregate, be reasonably likely to have an LB Material Adverse Effect. LB and each LB Subsidiary has received all approvals, consents, licenses, and permits with respect to environmental matters necessary to carry on its business substantially as currently conducted.

2.13 *Proprietary Rights.* All registered trademarks, registered trade names, registered service marks (and all registrations and applications with respect thereto), computer software, programs and similar systems used in the business of LB or any LB Subsidiary are collectively referred to herein as “LB Proprietary Rights.” Except as otherwise set forth in Section 2.13 of the LB Letter, each of LB and the LB Subsidiaries owns or is duly authorized to use all of such LB Proprietary Rights. The LB Proprietary Rights do not, to the knowledge of LB, violate or infringe upon the proprietary rights of any third party, and there is no claim, action, proceeding or investigation pending or, to LB’s knowledge, threatened against LB or any of the LB Subsidiaries with respect to any of the LB Proprietary Rights.

2.14 *Agreements.* Except as set forth in Section 2.14 of the LB Letter, neither LB nor any LB Subsidiary is a party to, nor is LB or any LB Subsidiary bound by, any oral or written (i) contract for the employment of any officer or employee that, pursuant to its terms, is not terminable without liability on 30 days’ (or less) notice or that provides for any further payments following such termination, or contract with a former officer or employee pursuant to which payments are required to be made at any time following the date hereof, (ii) stock ownership, profit-sharing, bonus, deferred compensation, stock option, severance pay, pension, retirement or similar plan or agreement, (iii) mortgage, indenture, note or installment obligation the unpaid balance of which exceeds \$1,000,000, or other instrument for or relating to any borrowing of money by LB or any of the LB Subsidiaries, the unpaid balance of which exceeds \$1,000,000, (iv) guaranty of any obligation for borrowings or otherwise, which in the aggregate exceed \$1,000,000, (v) agreement or arrangement for the sale or lease of any material amount of its assets or part of its business other than in the ordinary course of business or for the preferential rights to purchase or lease any material amount of its assets or part of its business, (vi) agreement or arrangement obligating it to register any of its outstanding shares or other securities with the SEC, (vii) reinsurance or retrocession treaty or agreement (including terminated treaties or agreements containing residual or unexpired liabilities), (viii) agreement or contract with any insurance agent, compensated investment advisory referral source or representative, broker-dealer registered representative or other producer other than pursuant to the forms of agreement listed in such Letter, (ix) agreement with any investment adviser, (x) agreement or arrangement pursuant to which LB or any LB Subsidiary has agreed to acquire or dispose of any LB Investments, other than in the ordinary course of business, or (xi) contract, agreement or other instrument that is otherwise material to the business, assets, liabilities, results of operations or financial condition of LB and the LB Subsidiaries taken as a whole. All contracts, plans, mortgages, indentures, guaranties and other agreements set forth in Section 2.14 of the LB Letter are in full force and effect as of the date hereof, neither LB nor any LB Subsidiary or to the knowledge of LB any other party thereto is in default as to any provision thereof, except for defaults that individually or in the aggregate would not be reasonably likely to have an LB Material Adverse Effect, and no party thereto may terminate any of such agreements by reason of the transactions contemplated by this Agreement.

2.15 *Litigation.* Except as set forth in Section 2.15 of the LB Letter, and except for insurance-claims litigation arising in the ordinary course of business for which reserves have been established in accordance with Section 2.20 hereof, there are no actions, suits or proceedings pending, or to the knowledge of LB, threatened, against or affecting LB, any LB Subsidiary or any LB Fund or its properties or businesses, at law or in equity, or before any governmental or administrative body or

agency or before any arbitrator that, alone or in the aggregate, could be reasonably likely to have an LB Material Adverse Effect. Except as may be set forth on such Letter, there are no unresolved disputes under any contract to which LB, any LB Subsidiary or any LB Fund is a party or by which LB or any LB Subsidiary is bound involving in the aggregate an amount in excess of \$1,000,000. Neither LB, any LB Subsidiary nor any LB Fund is in default with respect to any order, writ, award, judgment, injunction or decree of any court, arbitrator or Governmental Entity (as defined in Section 2.16.1 below) applicable to it that is reasonably likely to have an LB Material Adverse Effect.

2.16 Compliance with Laws.

2.16.1 Except as set forth in Section 2.16.1 of the LB Letter and for matters that, individually or in the aggregate, would not be reasonably likely to have an LB Material Adverse Effect, (i) LB and each LB Subsidiary and LB Fund and each of their officers, agents and employees (A) that is required to be registered or licensed or to file notices, reports, statements, documents, submissions or registrations (“Regulatory Filings”) with any Governmental Entity under any applicable Laws is so registered or licensed and has made all such Regulatory Filings, and such Regulatory Filings are in full force and effect and do not, and did not at the time of filing, contain any untrue statement of material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances in which they were made, not misleading, and (B) is conducting, and has since January 1, 1998 conducted, its business in compliance with all applicable Laws, (ii) LB has delivered to AAL all reports reflecting the results of examinations of the affairs of such LB Subsidiary and LB Fund by any Governmental Entities for any period ending on a date on or after January 1, 1998, all deficiencies or violations in such reports for any prior period have been resolved, and (iii) neither LB nor any LB Subsidiary nor any LB Fund has received, since January 1, 1998, any notification or communication in writing, from any Governmental Entity (a) threatening to revoke or condition the continuation of any material license, registrations, franchise, permit, or other governmental authorization or (b) restricting or disqualifying their activities or any persons associated with them (except for restrictions generally imposed by rule, regulation or administrative policy on similarly regulated persons and entities generally); and there are no pending or, to the knowledge of LB, threatened investigations, examinations, audits, reviews or disciplinary proceedings by any Governmental Entity, other than investigations, examinations, audits and reviews conducted in the ordinary course of the business of LB or the LB Subsidiaries or LB Funds. “Governmental Entity” means any federal, state, county, local, foreign or other governmental or public agency, instrumentality, commission, authority, self-regulatory organization, board or body, including, without limitation, the SEC, the OTS, the FDIC and the NASD.

2.16.2 Except as is not reasonably likely to result in an LB Material Adverse Effect or as set forth in Section 2.16.2 of the LB Letter: (i) LB and each of the LB Subsidiaries have substantially complied with all applicable reporting, withholding and disclosure requirements under the Code (as defined in Section 2.17.3 below), ERISA (as defined in Section 2.19.1 below) and other Laws including, but not limited to, those regarding distributions with respect to life insurance contracts and annuity contracts issued, entered into or sold by it and have reported the distributions under such contracts substantially in accordance with Sections 72, 7702, and 7702A of the Code; (ii) each life insurance benefit contract or annuity contract issued, entered into, or sold by an LB Insurer (whether developed by, administered by, or reinsured with any unrelated third party) qualifies as a life insurance contract or an annuity contract, as applicable, under the federal Tax (as defined in Section 2.17.7 below) Laws, including, without limitation, under Sections 72, 817(h), and 7702 of the Code and their underlying regulations; (iii) the life insurance benefit contracts issued by an LB Insurer are not modified endowment contracts within the meaning of Section 7702A of the Code unless and to the extent the holders of the policies have been notified of their classification; (iv) each LB Insurer is treated, for federal Tax purposes, as the owner of the assets underlying the respective life insurance benefit contracts and annuity contracts that such LB Insurer has issued, entered into or sold; (v) each life insurance benefit contract and annuity contract issued, entered into or sold by an LB Insurer (whether developed by, administered by or reinsured with any unrelated third party) that is provided under or connected with either a plan described in Section 401(a), 403(a), 403(b), 408, or 457 or any similar provision of the Code or an employee benefit plan within the meaning of ERISA has been endorsed, administered and otherwise is in substantial compliance with the requirements of the Code and ERISA applicable to such contract, and there are no nonexempt prohibited transactions within the meaning of Section 4975 of the Code or Section 406 of ERISA or violations of Section 404 or ERISA with respect to such contracts (other than such non-exempt prohibited transaction or violations that arise to the extent that, for these purposes, an LB Insurer may be holding “plan assets” in or may be a “fiduciary” with respect to its general account); (vi) there are no “hold harmless,” Tax sharing or indemnification agreements except as otherwise disclosed respecting the Tax qualification or treatment of any product or plan sold, issued, entered into or administered by LB or any LB Subsidiary (whether developed by, administered by, or reinsured with any unrelated third party), other than certain indemnity agreements running to various school retirement annuities or custodial accounts issued by LB or any LB Subsidiary to participants in such arrangements, which indemnity agreements have been issued in the ordinary course of business and are consistent with industry practice; (vii) except as otherwise disclosed there are no currently pending federal, state, local

or foreign audits or other administrative or judicial proceedings with regard to the Tax treatment of any life insurance benefit contract, annuity contract, or plan issued, entered into or sold by an LB Insurer; and (viii) each of the LB Subsidiaries or Funds, as applicable, has adopted and implemented and has in place as of the date hereof compliance procedures designed to preclude it, and its officers, directors, and employees from engaging in any “prohibited transaction” within the meaning of Section 406 of ERISA or Section 4975(c) of the Code, which would subject such entities to liability, penalty or Taxes under Sections 409 or 502(i) of ERISA or Section 4975 of the Code.

2.16.3 All loans of the LB Savings Bank (“LB Loans”) and loan commitments extended by the LB Savings Bank and any extensions, renewals or continuations of such LB Loans and loan commitments were made in accordance with applicable Law, including all regulatory requirements, in the ordinary course of business. As of the date hereof, with respect to the LB Deposits, subject to immaterial bookkeeping errors, the LB Savings Bank has administered all of the Deposits in accordance with applicable Law and good and sound financial practices and procedures, and has properly made all appropriate credits and debits thereto. The LB Loans are evidenced by appropriate and sufficient documentation based upon customary and ordinary past practices for federal savings institutions. All documents and instruments that evidence the LB Loans are in all material respects legal and enforceable in accordance with the terms thereof; except as may be limited by bankruptcy, receivership, insolvency, reorganization, moratorium or similar Laws affecting or relating to creditors’ rights generally or by general principles of equity. For purposes of the foregoing sentence, it is agreed and understood that the phrase “enforceable in accordance with the terms thereof” shall not mean that the borrower has the financial ability to pay a loan or that the collateral is sufficient in value to result in payment of the loan secured thereby. Except for loans pledged to the Federal Home Loan Bank or participations purchased or sold by the LB Savings Bank or loans held in custody and in each case as fully described in Section 2.16.3 of the LB Letter, the note evidencing each LB Loan and the collateral documents securing each LB Loan have not been assigned or pledged, the LB Savings Bank has good and marketable title thereto, and the LB Savings Bank is the sole owner and holder of each note evidencing an LB Loan and each collateral document securing such LB Loan, and except as described in Section 2.16.3 of the LB Letter, each LB Loan and each collateral document securing an LB Loan is free and clear of any and all prior liens, claims, encumbrances, participation interests, equities, pledges, charges or security interests of any nature.

2.17 *Taxes.*

2.17.1 Except as set forth in Section 2.17.1 of the LB Letter: (i) all Tax Returns (as defined below) required to be filed with the appropriate taxing authorities have been filed by or on behalf of LB or any LB Subsidiary and all Taxes due have been paid or provided for in full; (ii) there are no liens for Taxes upon the assets of LB or any LB Subsidiaries except statutory liens for Taxes not yet due; (iii) there are no outstanding deficiencies in respect of Taxes asserted or threatened or assessments of Taxes made or threatened, nor any administrative or judicial proceedings pending or threatened concerning Taxes, with respect to LB or any LB Subsidiary and any deficiencies, assessments or proceedings shown in the LB Letter are being contested in good faith through appropriate proceedings; (iv) LB has established on the financial statements described in Section 2.7 of this Agreement reserves and accruals adequate for the payment of all Taxes accrued with respect to or payable by LB and each LB Subsidiary for all periods reflected therein; (v) there are no outstanding agreements or waivers extending the statutory period of limitations applicable to any Tax Returns required to be filed with respect to LB or any LB Subsidiary; and (vi) neither LB nor any LB Subsidiary has requested any extension of time within which to file any Tax Return, which Tax Return has not been filed.

2.17.2 The appropriate income Tax Returns of LB and each LB Subsidiary (i) have been examined by the Internal Revenue Service or the statute of limitations has expired for all periods up to and including December 31, 1996 and (ii) have been examined by the taxing authorities of the states set forth in Section 2.2 of the LB Disclosure Schedule or the statute of limitations has expired for all periods up to and including December 31, 1996, and there are no outstanding or unresolved proposed adjustments.

2.17.3 The consummation of the transactions contemplated by this Agreement will not give rise to any payment by LB or any LB Subsidiary that will not be deductible (in whole or in part) by reason of Section 280G of the Internal Revenue Code of 1986, as amended, and the regulations promulgated thereunder (the “Code”).

2.17.4 Except as set forth in Section 2.17.4 of the LB Letter, no currently effective power of attorney has been granted by LB or any LB Subsidiary with respect to any matter relating to Taxes.

2.17.5 Each series of each LB Fund has elected to qualify and, for all completed taxable years with respect to which the applicable statute of limitations (including any extensions) has not expired (“open taxable years”), has continuously qualified to be treated as a “regulated investment company” under Subchapter M of the Code and has continuously been eligible to compute, and has for each such open taxable year computed, its federal income Tax under Section 852 of the Code and has no earnings and profits accumulated in any such open taxable year. All federal, state,

local and foreign tax returns with respect to Taxes for any taxable period for which the applicable statute of limitations (including any extensions) has not expired (“Fund Tax Returns”) and during which an LB Investment Adviser has served as investment adviser that were required to be filed by or on behalf of an LB Fund have been timely filed, except for any non-timely filing that would not result in the imposition of any material penalty or assessment. No such Fund Tax Return is currently under audit, no assessment has been asserted with respect to such Fund Tax Returns, and no requests for waivers of the time to make any such assessment are pending. None of the LB Investment Companies is delinquent in the payment of any material Tax.

2.17.6 LB qualifies as an exempt organization under Section 501(c)(8) of the Code.

2.17.7 For purposes of this Agreement, the term “Taxes” shall mean all taxes, charges, fees, levies or other assessments, including without limitation, all net income, gross income, premium or privilege, gross receipts, sales, use, ad valorem, transfer, franchise, profits, license, withholding, payroll, employment, excise, estimated, severance, stamp, occupation, property or other taxes, customs duties, fees, assessments, or charges of any kind whatsoever, together with any interest and any penalties, additions to tax or additional amounts imposed by any governmental authority (domestic or foreign) and the term “Tax Returns” shall mean all returns, declarations, reports, estimates, and statements, regarding Taxes, required to be filed under United States federal, state, local or and foreign Laws.

2.18 *Related-Party Transactions.* Except as set forth in Section 2.18 of the LB Letter and other than transactions exclusively between or among LB and/or any of the LB Subsidiaries or LB Funds, neither LB nor any LB Subsidiary or LB Fund has entered into any loan or other transaction with any director, officer or other affiliate of LB that remains outstanding nor has LB or any LB Subsidiary or LB Fund entered into any agreement, other than an agreement referred to in Section 2.14 hereof, for the purchase or sale of any property or services from or to any director, officer or other affiliate of LB or an LB Subsidiary or LB Fund.

2.19 *Employee Benefit Plans.*

2.19.1 Section 2.19.1 of the LB Letter sets forth a true and complete list of each employee benefit plan, as defined in Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended (“ERISA”) (“ERISA Plans”) and each other plan, arrangement and agreement providing employee benefits (collectively the “Plans”), that covers current or former employees of LB or any LB Subsidiary or affiliate thereof and is presently maintained by LB or any LB Subsidiary or any affiliate thereof or by any trade or business, whether or not incorporated (an “ERISA Affiliate”), which together with LB would be deemed a “single employer” within the meaning of Section 4001 of ERISA. None of the Plans is a “multiemployer plan,” as defined in Section 3(37) of ERISA. LB has delivered or made available to AAL copies of all such Plans; any related trust agreements, group annuity contracts, insurance policies or other funding agreements or arrangements relating thereto; the most recent determination letter, if any, from the Internal Revenue Service with respect to each of the Plans that is intended to be a tax-qualified plan under Section 401(a) of the Code; actuarial valuations, if applicable, for the most recent plan year for which such valuations are available; the current summary plan descriptions; and the annual return/report on Form 5500 and summary annual reports for each of the Plans for 1999.

2.19.2 Each of the ERISA Plans is in substantial compliance with all applicable provisions of Law, including the Code and ERISA. Except for the Home Office Retirement Plan, neither LB nor any ERISA Affiliate currently maintains or sponsors a defined benefit pension plan, as defined in Section 414(j) of the Code, and neither LB nor any ERISA Affiliate has ever maintained or sponsored any such plan that could give rise to a liability against LB or any LB Subsidiary.

2.19.3 The written terms of each of the Plans, and any related trust agreement, group annuity contract, insurance policy or other funding arrangement are in substantial compliance with all applicable Laws including ERISA, the Code, and the Age Discrimination in Employment Act, as applicable, and each of such Plans has been administered in substantial compliance with such requirements.

2.19.4 Except with respect to income taxes on benefits paid or provided, (i) no income, excise or other tax or penalty (federal or state) has been waived or excused, has been paid or is owed by any person (including, but not limited to, any Plan, any Plan fiduciary, LB or ERISA Affiliate) with respect to the operations of or any transactions with respect to any Plan, and (ii) no action has been taken, nor has there been any failure to take any action, nor is any action or failure to take action contemplated, that would subject any person or entity to any liability for any tax or penalty in connection with any Plan. No reserve for any taxes or penalties has been established with respect to any Plan, nor has any advice been given to any person with respect to the need to establish such a reserve.

2.19.5 There are no (i) actions, suits, arbitrations or claims (other than routine claims for benefits), (ii) legal, administrative or other proceedings or governmental investigations or audits, or (iii) complaints to or by any governmental entity, which are pending, anticipated or threatened, against the Plans or their assets.

2.19.6 The present value of the future cost to LB and ERISA Affiliates of post-retirement medical benefits that LB or any ERISA Affiliate is obligated to provide, calculated on the basis of actuarial assumptions LB considers reasonable estimates of future experience and which have been provided to AAL, does not exceed the amount specified in Section 2.19.6 of the LB Letter.

2.19.7 Neither LB nor any ERISA Affiliate, nor any of the ERISA Plans, nor any trust created thereunder, nor any trustee or administrator thereof has engaged in a transaction in connection with which LB or any ERISA Affiliate, any of the ERISA Plans, any such trust, or any trustee or administrator thereof, or any party dealing with the ERISA Plans or any such trust could be subject to either a civil penalty assessed pursuant to Section 409 or 502(i) of ERISA or a tax imposed pursuant to Section 4975 or 4976 of the Code.

2.20 *Reserves and Reinsurance.* Except as set forth in Section 2.20 of the LB Letter, the insurance reserves and liabilities reflected in each of the LB Statutory Financial Statements and established on the books of an LB Insurer for all future insurance policy benefits, dividends, losses, unearned premiums, claims and expenses make sufficient provision for all reasonably anticipated matured and unmatured liabilities and obligations of either LB Insurer, under all insurance benefit contracts and reinsurance and coinsurance agreements or other similar contracts outstanding at the foregoing dates pursuant to which either LB Insurer had or has any liability or obligation. All such reserves are computed in all material respects in accordance with applicable GAAP and SAP loss reserving practices, consistently applied, are fairly stated in accordance with sound loss reserving and actuarial principles, are based on factors and assumptions relevant to the provisions in the related insurance contracts, and are in material compliance with the requirements of the insurance Laws of the applicable jurisdiction. Except as set forth in Section 2.20 of the LB Letter, neither of the LB Insurers is involved in any dispute with or inquiry initiated by its outside accountants or the Minnesota Commerce Department with respect to its actuarial or reserving practices. Each LB Insurer owns assets that qualify as admitted assets under applicable state insurance Laws in an amount at least equal to all of its required insurance reserves. All reinsurance recoverables reflected or otherwise included, either as assets or contra-liabilities, in the LB Statutory Financial Statements are fairly stated in accordance with applicable SAP.

2.21 *Insurance Business.*

2.21.1 *Insurance Practices.* The insurance practices and business operations of the LB Insurers (including, without limitation, their reserving, marketing, investment, financial, claims, underwriting, premium collection and refunding and other practices) conform in all material respects to all applicable legal and regulatory requirements and accepted or prescribed insurance company practices.

2.21.2 *Insurance Benefit Contracts and Rates.* Except as set forth in Section 2.21.2 of the LB Letter, all insurance benefit contracts and annuity contracts issued by the LB Insurers as now in force are, to the extent required under applicable Law, on forms approved by applicable insurance regulatory authorities or that have been filed and not objected to by such authorities within the period provided for objection. Any premium rates required to be filed with or approved by insurance regulatory authorities have been so filed or approved and premiums charged conform thereto.

2.21.3 *Producers.* Each of the contracts between either of the LB Insurers and its agents, managers, brokers or producers is in full force and effect. Neither of the LB Insurers is, and to the knowledge of LB none of their agents are, in default in any material respect thereunder, and no such party thereto may terminate any such agreements by reason of the transactions contemplated by this Agreement.

2.21.4 *Assessments.* Each of the LB Insurers has paid in full or properly reserved for all guaranty fund and residual market assessments required by any regulatory authority to be paid by the LB Insurers. Other than as set forth in Section 2.21.4 of the LB Letter, neither LB nor any LB Fund currently participate in, nor are they required to participate in, any material risk sharing plan, pool, joint underwriting association, or similar arrangement pursuant to any insurance Laws.

2.21.5 *Members.* Except as described in Section 2.21.5 of the LB Letter, substantially all insurance benefit contracts and annuity contracts have been issued to persons qualified to receive such benefits under LB's Articles of Incorporation, bylaws and Board resolutions.

2.22 *Mutual Fund Business.*

2.22.1 *Agreements.* Section 2.22.1 of the LB Letter lists all material agreements or arrangements (and any fee waivers currently in effect with respect thereto), including all advisory and sub-advisory agreements and agreements for

the distribution of shares, to which an LB Fund is a party or by which an LB Fund or its property is bound, other than contracts for the purchase or sale of portfolio securities. Each such agreement or arrangement that is subject to Section 15 of the Investment Company Act (i) has been duly approved, executed, delivered and renewed in compliance with Section 15 of the Investment Company Act and, if applicable, SEC Rule 12b-1 under the Investment Company Act, and (ii) is currently in full force and effect and has been performed by the relevant entity in accordance with the Investment Company Act. Neither an LB Fund nor to the knowledge of LB, any of the other parties to the agreements or arrangements listed in Section 2.22.1 of the LB Letter, is in material default under, and no event has occurred which, with the passage of time or giving of notice or both, would result in such LB Fund or, to the knowledge of LB, any of the other parties to such agreements or arrangements, being in material default under any of the terms of such agreements or arrangements. Any agreement or arrangement between LB or any LB Subsidiary and the LB Funds for the provision of administrative services, including accounting and shareholder services, (i) has been duly approved, executed, delivered and renewed in compliance with applicable requirements of Rule 17d-1 under the Investment Company Act, and (ii) is currently in full force and effect and has been performed by the relevant entity in accordance with the Investment Company Act. To the extent that agreements or arrangements listed in Section 2.22.1 of the LB Letter are evidenced by documents, true, correct and complete copies thereof have been delivered or made available to AAL.

2.22.2 Code of Ethics. LB, the LB Subsidiaries and each of the LB Funds have adopted a formal code of ethics and a written policy regarding personal trading. Such codes and policies comply in all material respects with Section 17(j) of the Investment Company Act, SEC Rule 17j-1 thereunder, and Section 204A of the Advisers Act, as the case may be. To the knowledge of LB, there is no violation of such code of ethics or personal trading policy that would be material to any of the LB Funds to the extent required by applicable law.

2.22.3 Insurance. Each LB Fund has in full force and effect such insurance as is required by the Investment Company Act and has directors' and officers' and errors and omissions insurance policies issued in amounts reasonably believed to be adequate and appropriate by such LB Fund's board of directors. No LB Fund is in default under any such insurance policy. All premiums that are due and payable under such policies have been paid.

2.22.4 No Unfair Arrangements. Neither LB, any LB Subsidiary, nor any of their respective officers, directors or employees has any express or implied understanding or arrangement that would impose an unfair burden on any of the LB Funds within the meaning of Section 15(f) of the Investment Company Act as a result of this transaction.

2.22.5 12b-1 Plans. A copy of each distribution plan under Rule 12b-1 under the Investment Company Act (or form of 12b-1 Plan adopted by similar series or classes of shares offered by a fund) (a "12b-1 Plan") adopted by the Board of any LB Fund has been made available to AAL; and all payments due since January 1, 1998 and prior to the most recently ended payment period under each distribution plan or principal underwriting agreement to which any LB Fund is a party have been made in compliance with the related 12b-1 Plan.

2.23 Finders and Investment Bankers. Neither LB nor any LB Subsidiary has retained any broker, finder or other agent or incurred any liability for any brokerage fees, commissions or finders' fees with respect to the Merger.

2.24 Third-Party Discussions. Other than pursuant to this Agreement, LB is not currently entertaining discussions with any third party regarding a possible sale or business combination of LB with another entity or any disposition of an LB Subsidiary or LB Fund or a substantial portion of their assets or business.

2.25 Disclosure. No representation or warranty of LB and no statement or information relating to LB or any LB Subsidiary or LB Fund or their respective businesses or properties contained in (i) this Agreement, (ii) the LB Letter, or (iii) in any certificate furnished to AAL pursuant to this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made herein or therein not misleading.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF AAL

AAL represents and warrants to LB as follows:

3.1 Organization and Standing of AAL. AAL is a corporation duly organized and operating under the Law of Wisconsin governing fraternal benefit societies and has the corporate power to own or lease its properties and to carry on its business as now being conducted. AAL is duly qualified as a foreign corporation to do business, and is in good standing, in each jurisdiction where the character of its properties owned or held under lease or the nature of its activities makes such qualification necessary, except where the failure to be so qualified would not individually or in the aggregate be reasonably

likely to have a material adverse effect on the business, assets, liabilities, results of operations or financial condition of AAL and the AAL Subsidiaries, taken as a whole, or adversely affect the ability of AAL to consummate the transactions contemplated by this Agreement in any material respect (an “AAL Material Adverse Effect”); provided, however, that an “AAL Material Adverse Effect” shall not include any such effect resulting from (i) any change, event or condition generally applicable to the industries in which AAL and the AAL Subsidiaries operate, (ii) general economic or market conditions, or (iii) the public announcement of this Agreement.

3.2 *AAL, Subsidiaries and Funds.* Section 3.2 of a letter delivered by AAL to LB concurrently with the execution of this Agreement (the “AAL Letter”) sets forth a list of all of AAL’s subsidiaries (hereinafter separately called an “AAL Subsidiary” and collectively called the “AAL Subsidiaries”) and AAL Funds (as defined in Section 3.2.8 below) and their respective jurisdictions of organization. Each of the AAL Subsidiaries is duly organized, validly existing and in good standing under the Laws of the jurisdiction of its organization and has the corporate power to own or lease its properties and carry on its business as now being conducted. Each of the AAL Subsidiaries is duly qualified or otherwise authorized to transact business and is in good standing in every jurisdiction in which such qualification or authorization is required by Law to carry on its business as now being conducted, except where the failure to qualify or to be authorized would not be reasonably likely to have an AAL Material Adverse Effect.

3.2.1. *Capitalization of Subsidiaries.* Except as set forth on the AAL Letter, each of the AAL Subsidiaries is wholly owned, directly or indirectly, by AAL. The shares of capital stock of the AAL Subsidiaries owned directly or indirectly by AAL are validly issued, fully paid and non-assessable, and are owned free and clear of any liens, claims, charges or encumbrances except as set forth on the AAL Letter. Except for AAL Investments (as defined in Section 3.11) or as set forth on such Letter, neither AAL nor any of the AAL Subsidiaries has any investment in any corporation, partnership, joint venture, limited liability company or similar entity. All investments so listed are owned free and clear of any liens, claims, charges or encumbrances except as discussed in the AAL Letter.

3.2.2 *AAL Insurance Authority.* AAL has all requisite power and authority to carry on an insurance business pursuant to and to the extent of the certificates of authority issued under the Law of the jurisdiction listed in Section 3.2.2 of the Disclosure Schedule. AAL is not required to be licensed as an insurer in any other jurisdiction. No AAL Subsidiary is an insurance company. The AAL Letter indicates the line or lines of insurance which are permitted to be written with respect to each certificate of authority listed. No certificate of authority identified in such Letter has been revoked, restricted, suspended, limited or modified nor is any certificate of authority the subject of, nor to the knowledge of AAL is there a reasonable basis for, a proceeding for revocation, restriction, suspension, limitation or modification, nor is AAL operating under any formal or informal agreement or understanding with the licensing authority of any state that restricts its authority to do business or requires AAL to take, or refrain from taking, any action. Except as set forth in Section 3.2.2 of such Letter, AAL has not issued any surplus note or similar instrument.

3.2.3 *Broker-Dealer Subsidiaries.* Each AAL Subsidiary that conducts activities as a broker or dealer, as such terms are defined in Section 3(a) of the Exchange Act, whether or not registered under the Exchange Act (individually an “AAL Broker-Dealer” and collectively the AAL Broker-Dealer Subsidiaries”), is identified as such in Section 3.2.3 of the AAL Letter.

3.2.4. *Investment Adviser Subsidiaries.* Each AAL Subsidiary that conducts activities as an investment adviser, as such term is defined in Section 2(a)(20) of the Investment Company Act and Section 202(a)(11) of the Investment Advisers Act, whether or not registered under the Investment Advisers Act (an “AAL Investment Adviser”), is identified as such in Section 3.2.4 of the AAL Letter.

3.2.5 *Savings Bank Subsidiary.* Other than AAL Savings Bank, no other AAL Subsidiary conducts activities as a savings bank subject to regulation by the OTS, whether or not chartered as such. AAL Savings Bank is duly authorized to conduct a savings and loan business, is a member of the Federal Home Loan Bank of Chicago, and is duly authorized to operate each of its offices, including branch offices. AAL is duly registered as a savings and loan holding company under HOLA and the regulations issued thereunder.

3.2.6 *AAL Investment Companies.* Each open-end management investment company or portfolio thereof for which any AAL Investment Adviser acts as an investment adviser (each an “AAL Investment Company” and collectively the “AAL Investment Companies”) is listed in Section 3.2.6 of the AAL Letter and is duly organized, validly existing and in good standing under the Law of its jurisdiction of organization. Except as set forth in Section 3.2.6 of the AAL Letter, all of the issued and outstanding shares of each AAL Investment Company, are, and at the Effective Time will be, duly and validly issued, fully paid and non-assessable and are qualified for public offering and sale, or an exemption therefrom is in full force and effect, in each jurisdiction where required and to the extent required under applicable Law. All outstanding shares of each AAL Investment Company that were required to be registered under the Securities Act have been sold pursuant to an effective registration statement filed under the Securities Act, which

registration statement, at the time that it became effective, contained no untrue statement of material fact and did not omit to state any material fact required to be stated therein or necessary in order to make the statements therein not misleading.

3.2.7 *AAL Separate Accounts.* Except as disclosed in Section 3.2.7 of the AAL Letter, each separate account established and maintained by AAL (each an “AAL Separate Account”) is duly and validly established and maintained under the Laws of Wisconsin, and that portion of the assets of each AAL Separate Account equal to the reserves and other contract liabilities with respect to each such AAL Separate Account is not chargeable with liabilities arising out of any other business that AAL may conduct. All of the variable contracts supported by each AAL Separate Account are duly and validly issued, comply in all material respects with all applicable Laws and are legal and valid binding obligations of AAL.

3.2.8 *AAL Funds.* The AAL Investment Companies and the AAL Separate Accounts are hereinafter referred to individually as an “AAL Fund” and collectively as “AAL Funds.”

3.3 *Authorization.* The Board of Directors of AAL has adopted resolutions approving this Agreement and the transactions contemplated hereby and has authorized the execution and delivery of this Agreement, subject to furnishing the Agreement by mail or publication to the members of AAL and final approval of this Agreement by the Board of Directors of AAL (“AAL Final Approval”). Subject to AAL Final Approval, AAL has full power and authority to enter into this Agreement and, upon compliance with applicable notice requirements and subject to obtaining all required regulatory approvals, to consummate the transactions contemplated hereby. This Agreement has been duly executed and delivered by AAL and constitutes the valid and legally binding obligation of AAL, enforceable against it in accordance with its terms, subject to (i) AAL Final Approval, (ii) bankruptcy, receivership, insolvency, reorganization, moratorium or similar Laws affecting or relating to creditors’ rights generally and (iii) general principles of equity.

3.4 *Articles of Incorporation and By-Laws.* AAL has made available to LB true and complete copies of its and each of the AAL Subsidiaries’ and AAL Funds’ Articles of Incorporation and bylaws (or similar organizational document) as in effect as of the date hereof. Neither AAL nor any AAL Subsidiary or AAL Fund is in default under its Articles of Incorporation or bylaws.

3.5 *Consents and Approvals.* Except for the consents and approvals listed in Section 3.5 of the AAL Letter, no filing with, and no permit, authorization, consent or approval of any public body, authority or any other person is necessary for the consummation by AAL of the transactions contemplated by this Agreement, except for such consents, approvals, filings, permits or authorizations the failure of which to obtain, make or give, as the case may be, would not, individually or in the aggregate, be reasonably likely to have an AAL Material Adverse Effect.

3.6 *Defaults and Conflicts.* Subject to the receipt of all consents and approvals contemplated by this Agreement and Section 3.6 of the AAL Letter, neither the execution and delivery of this Agreement, the consummation of the transactions contemplated hereby or the fulfillment of and compliance with the terms and provisions hereof, will (i) violate any judicial, administrative or arbitral order, writ, award, judgment, injunction or decree involving AAL or any AAL Subsidiary or AAL Fund, (ii) conflict with the terms, conditions or provisions of the Articles of Incorporation or bylaws of AAL or any AAL Subsidiary or AAL Fund, (iii) conflict with, result in a breach of, constitute a default under or accelerate or permit the acceleration of the performance required by, any agreement listed in Section 3.14 of the AAL Letter, (iv) result in the creation of any lien, charge or encumbrance upon any of the assets of AAL or any AAL Subsidiary or AAL Fund under any such agreement, or (v) terminate or give any party thereto the right to terminate any such agreement, except for any such violation, conflict, lien or termination that would not be reasonably likely to result in an AAL Material Adverse Effect. Except as set forth in Section 3.5 of the AAL Letter, no consent of any third party to any agreement listed in Section 3.14 of the AAL Letter to which AAL or any AAL Subsidiary or AAL Fund is a party is required in connection with the Merger.

3.7 *Financial Statements.*

3.7.1 *GAAP Financial Statements.* AAL has furnished to LB true, correct and complete copies of the audited consolidated balance sheets, consolidated statements of financial position and related consolidated statements of income, changes in certificateholders’ surplus and cash flows prepared in accordance with GAAP as of and for the fiscal years ended 1998, 1999 and 2000 for AAL and the AAL Subsidiaries, and unaudited consolidated financial statements for the period ending March 31, 2001 (the March 31, 2001 balance sheet being referred to as the “AAL Current Balance Sheet”). Section 3.7.1 of the AAL Letter sets forth a list of the GAAP financial statements for the most recent fiscal year that exist for each AAL Fund. All the financial statements referred to in this Section 3.7.1 are collectively referred to as the “AAL GAAP Financial Statements.”

The AAL GAAP Financial Statements (including the notes thereto) have been prepared in accordance with GAAP and present fairly, in all material respects, the consolidated financial condition of AAL and the AAL Subsidiaries, and the financial condition of each of the AAL Funds, respectively, as of such dates and the results of operations of such entities for such periods, except that the AAL GAAP Financial Statements as of and for the period ended March 31, 2001 are subject to normal year-end adjustments and may lack footnotes and other presentation items, none of which adjustments, footnotes or other presentation items could, alone or in the aggregate, be reasonably likely to result in an AAL Material Adverse Effect.

3.7.2 Statutory Financial Statements. AAL has furnished to LB copies of the audited statements of financial position and the related statements of operations, changes in certificateholders' contingency reserves and cash flow for AAL for the years ended December 31, 1998, 1999 and 2000 and unaudited statutory financial statements for the quarter ended March 31, 2001 (the "AAL Statutory Financial Statements") as filed with the Wisconsin Insurance Department (the "Wisconsin Insurance Department"). The AAL Statutory Financial Statements, including, without limitation, the provisions made therein for investments and the valuation thereof, reserves, policy and contract claims, reinsurance recoverables and any related reserves for uncollectible amounts, together with the notes, exhibits and schedules thereto, fairly present, in all material respects, the statement of admitted assets, liabilities and capital and surplus of AAL as of the dates thereof and the related statutory basis statements of income, changes in capital and surplus, and cash flows for the periods indicated in conformity with the statutory accounting practices prescribed or permitted by the Wisconsin Insurance Department and SAP, applied on a basis consistent with prior periods, except as set forth therein.

3.7.3 AAL Savings Bank Financial Statements. AAL has previously delivered to LB true and complete copies of the financial statements of AAL Savings Bank for the years ending 1998, 1999, and 2000 (the "AAL Savings Bank Financial Statements"). Each such financial statement was prepared in conformity with regulatory accounting principles prescribed or permitted by Law or the rules and regulations of the OTS, is true and complete in all material respects, and fairly presents the financial position of the AAL Savings Bank as of the respective dates thereof and the results of operations and cash flows and stockholders' equity of such AAL Savings Bank for and during the periods covered thereby. The aggregate deposit accounts of the AAL Savings Bank (the "AAL Deposits") are insured to the fullest permissible extent by SAIF administered by the FDIC. All related insurance premiums due and owing have been paid to the FDIC as of the date hereof. To the knowledge of AAL, the AAL Savings Bank's provision for loan losses is adequate under applicable Law and GAAP.

3.8 Changes Since March 31, 2001. Since March 31, 2001 there has been no event or condition that has had (or is reasonably likely to result in) an AAL Material Adverse Effect, and except as set forth in Section 3.8 of the AAL Letter, AAL and the AAL Subsidiaries have conducted their businesses in the ordinary course consistent with past practices and have not taken any action that, if taken after the date hereof, would violate Section 6.1 hereof.

3.9 No Undisclosed Liabilities. Except for liabilities and obligations disclosed or provided for in the AAL GAAP Financial Statements, the AAL Statutory Financial Statements or the AAL Savings Bank Financial Statements, neither AAL nor any of the AAL Subsidiaries or AAL Funds had, as of the respective date of each such financial statement, any liabilities or obligations (whether absolute or contingent and whether due or to become due) except (i) for contractual liabilities arising in the ordinary course of business consistent with prior practice, (ii) liabilities incurred after the date of this Agreement without violation of Section 6.1 hereof, or (iii) liabilities that, individually or in the aggregate, are not reasonably likely to result in an AAL Material Adverse Effect. All books of account of AAL and each AAL Subsidiary and AAL Fund fully and accurately disclose in all material respects all the transactions, properties, assets, investments, liabilities and obligations thereof, and all such books of account are in the possession of such entity.

3.10 Title to Property. Except as set forth in Section 3.10 of the AAL Letter, AAL or an AAL Subsidiary has good and marketable title to all real properties owned by it and good title to all other assets and properties shown as owned by it on AAL Current Balance Sheet or acquired since that date (except properties disposed of in the ordinary course of business subsequent to that date), in each case free of all mortgages, liens, charges and encumbrances of any nature whatsoever, other than (i) liens for Taxes not yet due and payable and (ii) such minor liens, charges and encumbrances as, in the aggregate, do not and would not if asserted be reasonably likely to have an AAL Material Adverse Effect ("Permitted AAL Liens").

3.11 Investment Securities. All transactions in securities, mortgages and other investments owned by the AAL and any of the AAL Subsidiaries (collectively, the "AAL Investments") since December 31, 1998 have complied with the written investment policies of AAL and each of the AAL Subsidiaries, as applicable, and all applicable Laws. Except as set forth in Section 3.11 of the AAL Letter, AAL and each of the AAL Subsidiaries has good title to AAL Investments other than with respect to those AAL Investments that have been disposed of in the ordinary course of business or redeemed in accordance

with their terms since such date and other than Permitted AAL Liens or with respect to statutory deposits that are subject to customary restrictions on transfer. None of the AAL Investments, to the knowledge of AAL, are as of the date of this Agreement in default in the payment of principal or interest, except for any such defaults that individually, or collectively, would not be reasonably likely to have an AAL Material Adverse Effect. Except as set forth in Section 3.11 of the AAL Letter, there are no liens, claims or encumbrances on any of AAL Investments, other than Permitted AAL Liens, and none of AAL Investments consists of securities loaned to third parties.

3.12 *Environmental Laws.* Except as set forth in Section 3.12 of the AAL Letter, AAL and each AAL Subsidiary has conducted and is conducting its business in compliance in all material respects with all Environmental Laws. Except as set forth in Section 3.12 of the AAL Letter, there is no pending, or to the knowledge of AAL, threatened, civil or criminal litigation, written notice of violation, or administrative proceeding relating to such Environmental Laws involving AAL or any AAL Subsidiary or any previously or presently owned property or asset of AAL or any AAL Subsidiary. To the knowledge of AAL, there are no conditions existing with respect to the release, emission, discharge or presence of hazardous substances in connection with the business of AAL or any AAL Subsidiary which conditions could, individually or in the aggregate, be reasonably likely to have an AAL Material Adverse Effect. AAL and each AAL Subsidiary has received all approvals, consents, licenses, and permits with respect to environmental matters necessary to carry on its business substantially as currently conducted.

3.13 *Proprietary Rights.* All registered trademarks, registered trade names, registered service marks (and all registrations and applications with respect thereto), computer software, programs and similar systems owned by or licensed to AAL or any AAL Subsidiary used in the business of AAL or any AAL Subsidiary are collectively referred to herein as "AAL Proprietary Rights." Except as otherwise set forth in Section 3.13 of the AAL Letter, each of AAL and the AAL Subsidiaries owns or is duly authorized to use all of such AAL Proprietary Rights. The AAL Proprietary Rights do not, to the knowledge of AAL, violate or infringe upon the proprietary rights of any third party, and there is no claim, action, proceeding or investigation pending or, to AAL's knowledge, threatened against AAL or any of the AAL Subsidiaries with respect to any of the AAL Proprietary Rights.

3.14 *Agreements.* Except as set forth in Section 3.14 of the AAL Letter, neither AAL nor any AAL Subsidiary is a party to, nor is AAL or any AAL Subsidiary bound by, any oral or written (i) contract for the employment of any officer or employee that, pursuant to its terms, is not terminable without liability on 30 days' (or less) notice or that provides for any further payments following such termination, or contract with a former officer or employee pursuant to which payments are required to be made at any time following the date hereof, (ii) stock ownership, profit-sharing, bonus, deferred compensation, stock option, severance pay, pension, retirement or similar plan or agreement, (iii) mortgage, indenture, note or installment obligation the unpaid balance of which exceeds \$1,000,000, or other instrument for or relating to any borrowing of money by AAL or any of the AAL Subsidiaries, the unpaid balance of which exceeds \$1,000,000, (iv) guaranty of any obligation for borrowings or otherwise, which in the aggregate exceed \$1,000,000, (v) agreement or arrangement for the sale or lease of any material amount of its assets or part of its business other than in the ordinary course of business or for the preferential rights to purchase or lease any material amount of its assets or part of its business, (vi) agreement or arrangement obligating it to register any of its outstanding shares or other securities with the SEC, (vii) reinsurance or retrocession treaty or agreement (including terminated treaties or agreements containing residual or unexpired liabilities), (viii) agreement or contract with any insurance agent, compensated investment advisory referral source or representative, broker-dealer registered representative or other producer other than pursuant to the forms of agreement listed in such Letter, (ix) agreement with any investment adviser, (x) agreement or arrangement pursuant to which AAL or any AAL Subsidiary has agreed to acquire or dispose of any AAL Investments, other than in the ordinary course of business, or (xi) contract, agreement or other instrument that is otherwise material to the business, assets, liabilities, results of operations or financial condition of AAL and the AAL Subsidiaries taken as a whole. All contracts, plans, mortgages, indentures, guaranties and other agreements set forth in Section 3.14 of the AAL Letter are in full force and effect as of the date hereof, neither AAL nor any AAL Subsidiary or to the knowledge of AAL any other party thereto is in default as to any provision thereof, except for defaults that individually or in the aggregate would not be reasonably likely to have an AAL Material Adverse Effect, and no party thereto may terminate any of such agreements by reason of the transactions contemplated by this Agreement.

3.15 *Litigation.* Except as set forth in Section 3.15 of the AAL Letter, and except for insurance-claims litigation arising in the ordinary course of business for which reserves have been established in accordance with Section 3.20 hereof, there are no actions, suits or proceedings pending, or to the knowledge of AAL, threatened, against or affecting AAL, any AAL Subsidiary or any AAL Fund or its properties or businesses, at law or in equity, or before any governmental or administrative body or agency or before any arbitrator that, alone or in the aggregate, could be reasonably likely to have an AAL Material Adverse Effect. Except as may be set forth on such Letter, there are no unresolved disputes under any contract to which AAL, any AAL Subsidiary or any AAL Fund is a party or by which AAL or any AAL Subsidiary is

bound involving in the aggregate an amount in excess of \$1,000,000. Neither AAL, any AAL Subsidiary nor any AAL Fund is in default with respect to any order, writ, award, judgment, injunction or decree of any court, arbitrator or Governmental Entity applicable to it that is reasonably likely to have an AAL Material Adverse Effect.

3.16 *Compliance with Laws.*

3.16.1 Except as set forth in Section 3.16.1 of the AAL Letter and for matters that, individually or in the aggregate, would not be reasonably likely to have an AAL Material Adverse Effect, (i) AAL and each AAL Subsidiary and AAL Fund and each of their officers, agents and employees (A) that is required to be registered or licensed or to file Regulatory Filings with any Governmental Entity under any applicable Laws is so registered or licensed and has made all such Regulatory Filings, and such Regulatory Filings are in full force and effect and do not, and did not at the time of filing, contain any untrue statement of material fact or omit to state a material fact required to be stated therein or necessary in order to make the statements therein, in the light of the circumstances in which they were made, not misleading, and (B) is conducting, and has since January 1, 1998 conducted, its business in compliance with all applicable Laws, (ii) AAL has delivered to LB all reports reflecting the results of examinations of the affairs of such AAL Subsidiary and AAL Fund by any Governmental Entities for any period ending on a date on or after January 1, 1998, all deficiencies or violations in such reports for any prior period have been resolved, and (iii) neither AAL nor any AAL Subsidiary nor any AAL Fund has received, since January 1, 1998, any notification or communication in writing, from any Governmental Entity (a) threatening to revoke or condition the continuation of any material license, registrations, franchise, permit, or other governmental authorization or (b) restricting or disqualifying their activities or any persons associated with them (except for restrictions generally imposed by rule, regulation or administrative policy on similarly regulated persons and entities generally); and there are no pending or, to the knowledge of AAL, threatened investigations, examinations, audits, reviews or disciplinary proceedings by any Governmental Entity, other than investigations, examinations, audits and reviews conducted in the ordinary course of the business of AAL or the AAL Subsidiaries or AAL Funds.

3.16.2 Except as is not reasonably likely to result in an AAL Material Adverse Effect or as set forth in Section 3.16.2 of the AAL Letter: (i) AAL and each of the AAL Subsidiaries has substantially complied with all applicable reporting, withholding and disclosure requirements under the Code, ERISA and other Laws including, but not limited to, those regarding distributions with respect to life insurance contracts and annuity contracts issued, entered into or sold by it and have reported the distributions under such contracts substantially in accordance with Sections 72, 7702, and 7702A of the Code; (ii) each life insurance benefit contract or annuity contract issued, entered into, or sold by AAL (whether developed by, administered by, or reinsured with any unrelated third party) qualifies as a life insurance contract or an annuity contract, as applicable, under the federal Tax Laws, including, without limitation, under Sections 72, 817(h), and 7702 of the Code and their underlying regulations; (iii) the life insurance benefit contracts issued by AAL are not modified endowment contracts within the meaning of Section 7702A of the Code unless and to the extent the holders of the policies have been notified of their classification; (iv) AAL is treated, for federal Tax purposes, as the owner of the assets underlying the respective life insurance benefit contracts and annuity contracts that AAL has issued, entered into or sold; (v) each life insurance benefit contract and annuity contract issued, entered into or sold by AAL (whether developed by, administered by or reinsured with any unrelated third party) that is provided under or connected with either a plan described in Section 401(a), 403(a), 403(b), 408, or 457 or any similar provision of the Code or an employee benefit plan within the meaning of ERISA has been endorsed, administered and otherwise is in substantial compliance with the requirements of the Code and ERISA applicable to such contract, and there are no nonexempt prohibited transactions within the meaning of Section 4975 of the Code or Section 406 of ERISA or violations of Section 404 or ERISA with respect to such contracts (other than such non-exempt prohibited transaction or violations that arise to the extent that, for these purposes, AAL may be holding "plan assets" in or may be a "fiduciary" with respect to its general account); (vi) there are no "hold harmless," Tax sharing or indemnification agreements except as otherwise disclosed respecting the Tax qualification or treatment of any product or plan sold, issued, entered into or administered by AAL or any AAL Subsidiary (whether developed by, administered by, or reinsured with any unrelated third party), other than certain indemnity agreements running to various school retirement annuities or custodial accounts issued by AAL or any AAL Subsidiary to participants in such arrangements, which indemnity agreements have been issued in the ordinary course of business and are consistent with industry practice; (vii) except as otherwise disclosed there are no currently pending federal, state, local or foreign audits or other administrative or judicial proceedings with regard to the Tax treatment of any life insurance benefit contract, annuity contract, or plan issued, entered into or sold by AAL; and (viii) each of the AAL Subsidiaries or Funds, as applicable, has adopted and implemented and has in place as of the date hereof compliance procedures designed to preclude it, and its officers, directors, and employees from engaging in any "prohibited transaction" within the meaning of Section 406 of ERISA or Section 4975(c) of the Code, which would subject such entities to liability, penalty or Taxes under Sections 409 or 502(i) of ERISA or Section 4975 of the Code.

3.16.3 All loans of the AAL Savings Bank (“AAL Loans”) and loan commitments extended by the AAL Savings Bank and any extensions, renewals or continuations of such AAL Loans and loan commitments were made in accordance with applicable Law, including all regulatory requirements, in the ordinary course of business. As of the date hereof, with respect to the AAL Deposits, subject to immaterial bookkeeping errors, the AAL Savings Bank has administered all of the AAL Deposits in accordance with applicable Law and good and sound financial practices and procedures, and has properly made all appropriate credits and debits thereto. The AAL Loans are evidenced by appropriate and sufficient documentation based upon customary and ordinary past practices for federal savings institutions. All documents and instruments that evidence the AAL Loans are in all material respects legal and enforceable in accordance with the terms thereof; except as may be limited by bankruptcy, receivership, insolvency, reorganization, moratorium or similar Laws affecting creditors’ rights generally or by general principles of equity. For purposes of the foregoing sentence, it is agreed and understood that the phrase “enforceable in accordance with the terms thereof” shall not mean that the borrower has the financial ability to pay a loan or that the collateral is sufficient in value to result in payment of the loan secured thereby. Except for loans pledged to the Federal Home Loan Bank or participations purchased or sold by the AAL Savings Bank or loans held in custody and in each case as fully described in Section 3.16.3 of the AAL Letter, the note evidencing each AAL Loan and the collateral documents securing each Loan have not been assigned or pledged, the AAL Savings Bank has good and marketable title thereto, and the AAL Savings Bank is the sole owner and holder of each note evidencing an AAL Loan and each collateral document securing such AAL Loan, and except as described in Section 3.16.3 of the AAL Letter, each AAL Loan and each collateral document securing an AAL Loan is free and clear of any and all prior liens, claims, encumbrances, participation interests, equities, pledges, charges or security interests of any nature.

3.17 *Taxes.*

3.17.1 Except as set forth in Section 3.17.1 of the AAL Letter: (i) all Tax Returns required to be filed with the appropriate taxing authorities have been filed by or on behalf of AAL or any AAL Subsidiary and all Taxes due have been paid or provided for in full; (ii) there are no liens for Taxes upon the assets of AAL or any AAL Subsidiaries except statutory liens for Taxes not yet due; (iii) there are no outstanding deficiencies in respect of Taxes asserted or threatened or assessments of Taxes made or threatened, nor any administrative or judicial proceedings pending or threatened concerning Taxes, with respect to AAL or any AAL Subsidiary and any deficiencies, assessments or proceedings shown in the AAL Letter are being contested in good faith through appropriate proceedings; (iv) AAL has established on the financial statements described in Section 3.7 of this Agreement reserves and accruals adequate for the payment of all Taxes accrued with respect to or payable by AAL and each AAL Subsidiary for all periods reflected therein; (v) there are no outstanding agreements or waivers extending the statutory period of limitations applicable to any Tax Returns required to be filed with respect to AAL or any AAL Subsidiary; and (vi) neither AAL nor any AAL Subsidiary has requested any extension of time within which to file any Tax Return, which Tax Return has not been filed.

3.17.2 The appropriate income Tax Returns of AAL and each AAL Subsidiary (i) have been examined by the Internal Revenue Service or the statute of limitations has expired for all periods up to and including December 31, 1996 and (ii) have been examined by the taxing authorities of the states set forth in Section 3.2 of the AAL Disclosure Schedule or the statute of limitations has expired for all periods up to and including December 31, 1996, and there are no outstanding or unresolved proposed adjustments.

3.17.3 The consummation of the transactions contemplated by this Agreement will not give rise to any payment by AAL or any AAL Subsidiary that payment will not be deductible (in whole or in part) by reason of Section 280G of the Code.

3.17.4 Except as set forth in Section 3.17.4 of the AAL Letter, no currently effective power of attorney has been granted by AAL or any AAL Subsidiary with respect to any matter relating to Taxes.

3.17.5 Each series of each AAL Fund has elected to qualify and, for each open taxable year, has continuously qualified to be treated as a “regulated investment company” under Subchapter M of the Code and has continuously been eligible to compute, and has for each such open taxable year computed, its federal income Tax under Section 852 of the Code and has no earnings and profits accumulated in any such open taxable year. All Fund Tax Returns for any period during which an AAL Investment Adviser has served as investment adviser that were required to be filed by or on behalf of an AAL Fund have been timely filed, except for any non-timely filing that would not result in the imposition of any material penalty or assessment. No such Fund Tax Return is currently under audit, no assessment has been asserted with respect to such Fund Tax Returns, and no requests for waivers of the time to make any such assessment are pending. None of the AAL Investment Companies is delinquent in the payment of any material Tax.

3.17.6 AAL qualifies as an exempt organization under Section 501(c)(8) of the Code.

3.18 *Related-Party Transactions.* Except as set forth in Section 3.18 of the AAL Letter and other than transactions exclusively between or among AAL and/or any of the AAL Subsidiaries or AAL Funds, neither AAL nor any AAL Subsidiary or AAL Fund has entered into any loan or other transaction with any director, officer or other affiliate of AAL that remains outstanding nor has AAL or any AAL Subsidiary or AAL Fund entered into any agreement, other than an agreement referred to in Section 3.14 hereof, for the purchase or sale of any property or services from or to any director, officer or other affiliate of AAL or an AAL Subsidiary or AAL Fund.

3.19 *Employee Benefit Plans.*

3.19.1 Section 3.19.1 of the AAL Letter sets forth a true and complete list of each Plan, that covers current or former employees of AAL or any AAL Subsidiary or affiliate thereof and is presently maintained by AAL or any AAL Subsidiary or any affiliate thereof or by any trade or business, whether or not incorporated (an "AAL ERISA Affiliate"), which together with AAL would be deemed a "single employer" within the meaning of Section 4001 of ERISA. None of the Plans is a "multiemployer plan," as defined in Section 3(37) of ERISA. AAL has delivered or made available to LB copies of all such Plans; any related trust agreements, group annuity contracts, insurance policies or other funding agreements or arrangements relating thereto; the most recent determination letter, if any, from the Internal Revenue Service with respect to each of the Plans that is intended to be a tax-qualified plan under Section 401(a) of Code; actuarial valuations, if applicable, for the most recent plan year for which such valuations are available; the current summary plan descriptions; and the annual return/report on Form 5500 and summary annual reports for each of the Plans for 1999.

3.19.2 Each of the ERISA Plans is in substantial compliance with all applicable provisions of Law, including the Code and ERISA. Except for the Aid Association for Lutherans Agents' Retirement Plan and the Aid Association for Lutherans Employees' Retirement Plan, neither AAL nor any AAL ERISA Affiliate currently maintains or sponsors a defined benefit pension plan, as defined in Section 414(j) of the Code, and neither AAL nor any AAL ERISA Affiliate has ever maintained or sponsored any such plan that could give rise to a liability against AAL or any AAL Subsidiary.

3.19.3 The written terms of each of the Plans, and any related trust agreement, group annuity contract, insurance policy or other funding arrangement are in substantial compliance with all applicable Laws including ERISA, the Code, and the Age Discrimination in Employment Act, as applicable, and each of such Plans has been administered in substantial compliance with such requirements.

3.19.4 Except with respect to income taxes on benefits paid or provided, (i) no income, excise or other tax or penalty (federal or state) has been waived or excused, has been paid or is owed by any person (including, but not limited to, any Plan, any Plan fiduciary, AAL or AAL ERISA Affiliate) with respect to the operations of or any transactions with respect to any Plan, and (ii) no action has been taken, nor has there been any failure to take any action, nor is any action or failure to take action contemplated, that would subject any person or entity to any liability for any tax or penalty in connection with any Plan. No reserve for any taxes or penalties has been established with respect to any Plan, nor has any advice been given to any person with respect to the need to establish such a reserve.

3.19.5 There are no (i) actions, suits, arbitrations or claims (other than routine claims for benefits), (ii) legal, administrative or other proceedings or governmental investigations or audits, or (iii) complaints to or by any governmental entity, which are pending, anticipated or threatened, against the Plans or their assets.

3.19.6 The present value of the future cost to AAL and AAL ERISA Affiliates of post-retirement medical benefits that AAL or any AAL ERISA Affiliate is obligated to provide, calculated on the basis of actuarial assumptions AAL considers reasonable estimates of future experience and which have been provided to LB, does not exceed the amount specified in Section 3.19.6 of the AAL Letter.

3.19.7 Neither AAL nor any AAL ERISA Affiliate, nor any of the ERISA Plans, nor any trust created thereunder, nor any trustee or administrator thereof has engaged in a transaction in connection with which AAL or any AAL ERISA Affiliate, any of the ERISA Plans, any such trust, or any trustee or administrator thereof, or any party dealing with the ERISA Plans or any such trust could be subject to either a civil penalty assessed pursuant to Section 409 or 502(i) of ERISA or a tax imposed pursuant to Section 4975 or 4976 of the Code.

3.20 *Reserves and Reinsurance.* Except as set forth in Section 3.20 of the AAL Letter, the insurance reserves and liabilities reflected in each of the AAL Statutory Financial Statements and established on the books of AAL for all future insurance policy benefits, dividends, losses, unearned premiums, claims and expenses make sufficient provision for all reasonably anticipated matured and unmatured liabilities and obligations of AAL, under all insurance benefit contracts and reinsurance and coinsurance agreements or other similar contracts outstanding at the foregoing dates pursuant to which AAL had or has any liability or obligation. All such reserves are computed in all material respects in accordance with applicable GAAP and SAP loss reserving practices, consistently applied, are fairly stated in accordance with sound loss reserving and

actuarial principles, are based on factors and assumptions relevant to the provisions in the related insurance contracts, and are in material compliance with the requirements of the insurance Laws of the applicable jurisdiction. Except as set forth in Section 3.20 of the AAL Letter, AAL is not involved in any dispute with or inquiry initiated by its outside accountants or the Wisconsin Insurance Department with respect to its actuarial or reserving practices. AAL owns assets that qualify as admitted assets under applicable state insurance Laws in an amount at least equal to all of its required insurance reserves. All reinsurance recoverables reflected or otherwise included, either as assets or contra-liabilities, in the AAL Statutory Financial Statements are fairly stated in accordance with applicable SAP.

3.21 *Insurance Business.*

3.21.1 *Insurance Practices.* The insurance practices and business operations of AAL (including, without limitation, its reserving, marketing, investment, financial, claims, underwriting, premium collection and refunding and other practices) conform in all material respects to all applicable legal and regulatory requirements and accepted or prescribed insurance company practices.

3.21.2 *Insurance Benefit Contracts and Rates.* Except as set forth in Section 3.21.2 of the AAL Letter, all insurance benefit contracts and annuity contracts issued by AAL as now in force are, to the extent required under applicable Law, on forms approved by applicable insurance regulatory authorities or that have been filed and not objected to by such authorities within the period provided for objection. Any premium rates required to be filed with or approved by insurance regulatory authorities have been so filed or approved and premiums charged conform thereto.

3.21.3 *Producers.* Each of the contracts between AAL and its agents, managers, brokers or producers is in full force and effect. AAL is not, and to the knowledge of AAL none of its agents are, in default in any material respect thereunder, and no such party thereto may terminate any such agreements by reason of the transactions contemplated by this Agreement.

3.21.4 *Assessments.* AAL has paid in full or properly reserved for all guaranty fund and residual market assessments required by any regulatory authority to be paid by AAL. Other than as set forth in Section 3.21.4 of the AAL Letter, neither AAL nor any AAL Fund currently participate in, nor are they required to participate in, any material risk sharing plan, pool, joint underwriting association, or similar arrangement pursuant to any insurance Laws.

3.21.5 *Members.* Except as described in Section 3.21.5 of the AAL Letter, substantially all insurance benefit contracts and annuity contracts have been issued to persons qualified to receive such benefits under AAL's Articles of Incorporation, bylaws and Board resolutions.

3.22 *Mutual Fund Business.*

3.22.1 *Agreements.* Section 3.22.1 of the AAL Letter lists all material agreements or arrangements (and any fee waivers currently in effect with respect thereto), including all advisory and sub-advisory agreements and agreements for the distribution of shares, to which an AAL Fund is a party or by which an AAL Fund or its property is bound, other than contracts for the purchase or sale of portfolio securities. Each such agreement or arrangement that is subject to Section 15 of the Investment Company Act (i) has been duly approved, executed, delivered and renewed in compliance with Section 15 of the Investment Company Act and, if applicable, SEC Rule 12b-1 under the Investment Company Act, and (ii) is currently in full force and effect and has been performed by the relevant entity in accordance with the Investment Company Act. Neither an AAL Fund nor to the knowledge of AAL, any of the other parties to the agreements or arrangements listed in Section 3.22.1 of the AAL Letter, is in material default under, and no event has occurred which, with the passage of time or giving of notice or both, would result in such AAL Fund or, to the knowledge of AAL, any of the other parties to such agreements or arrangements, being in material default under any of the terms of such agreements or arrangements. Any agreement or arrangement between AAL or any AAL Subsidiary and the AAL Funds for the provision of administrative services, including accounting and shareholder services, (i) has been duly approved, executed, delivered and renewed in compliance with applicable requirements of Rule 17d-1 under the Investment Company Act, and (ii) is currently in full force and effect and has been performed by the relevant entity in accordance with the Investment Company Act. To the extent that agreements or arrangements listed in Section 3.22.1 of the AAL Letter are evidenced by documents, true, correct and complete copies thereof have been delivered or made available to LB.

3.22.2 *Code of Ethics.* AAL, the AAL Subsidiaries and each of the AAL Funds have adopted a formal code of ethics and a written policy regarding personal trading. Such codes and policies comply in all material respects with Section 17(j) of the Investment Company Act, SEC Rule 17j-1 thereunder, and Section 204A of the Advisers Act, as the case may be. To the knowledge of AAL, there is no violation of such code of ethics or personal trading policy that would be material to any of the AAL Funds to the extent required by applicable law.

3.22.3 *Insurance.* Each AAL Fund has in full force and effect such insurance as is required by the Investment Company Act and has directors' and officers' and errors and omissions insurance policies issued in amounts reasonably believed to be adequate and appropriate by such AAL Fund's board of directors. No AAL Fund is in default under any such insurance policy. All premiums that are due and payable under such policies have been paid.

3.22.4 *No Unfair Arrangements.* Neither AAL, any AAL Subsidiary, nor any of their respective officers, directors or employees has any express or implied understanding or arrangement that would impose an unfair burden on any of the AAL Funds within the meaning of Section 15(f) of the Investment Company Act as a result of this transaction.

3.22.5 *12b-1 Plans.* A copy of each 12b-1 Plan adopted by the Board of any AAL Fund has been made available to LB; and all payments due since January 1, 1998 and prior to the most recently ended payment period under each distribution plan or principal underwriting agreement to which any AAL Fund is a party have been made in compliance with the related 12b-1 Plan.

3.23 *Finders and Investment Bankers.* Neither AAL nor any AAL Subsidiary has retained any broker, finder or other agent or incurred any liability for any brokerage fees, commissions or finders' fees with respect to the Merger.

3.24 *Third-Party Discussions.* Other than pursuant to this Agreement, AAL is not currently entertaining discussions with any third party regarding a possible sale or combination of AAL with another entity or any disposition of an AAL Subsidiary or AAL Fund or a substantial portion of their assets or business.

3.25 *Disclosure.* No representation or warranty of AAL and no statement or information relating to AAL or any AAL Subsidiary or AAL Fund or their respective businesses or properties contained in (i) this Agreement, (ii) the AAL Letter, or (iii) in any certificate furnished to LB pursuant to this Agreement contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements made herein or therein not misleading.

ARTICLE IV

ACCESS TO BOOKS AND RECORDS

LB and AAL shall each afford to the other and the other's representatives reasonable access during normal business hours and upon reasonable notice through the period immediately prior to the Effective Time to all of their and their subsidiaries' respective assets, books and records, contracts, commitments and records (including, without limitation, Tax Returns and accountants' work papers) and, during such period, LB and AAL shall each furnish promptly to the other (i) a copy of each material report, schedule and other document filed or received by it pursuant to the requirements of Law, including, without limitation, Statutory Financial Statements, and (ii) all such other information concerning its and its subsidiaries' business, assets and personnel as the other may reasonably request. Information provided by each party to the other party hereunder shall be deemed to be confidential information to the extent provided in the Confidentiality Agreement previously entered into by the parties dated January 18, 2001.

ARTICLE V

COVENANTS OF LB

5.1 *Conduct of Business Pending the Merger.* From the date hereof until the Effective Time, unless AAL shall otherwise agree in writing, or except as set forth in Section 5.1 of the LB Letter or as otherwise contemplated by this Agreement, LB and the LB Subsidiaries shall conduct their respective businesses in the ordinary course consistent with past practice and shall use all reasonable efforts to preserve intact their licenses, permits and certificates of authority, business organizations and relationships with third parties (including but not limited to their respective relationships with members, policyholders, insureds, agents, underwriters, brokers and investment customers) and to keep available the services of their officers and key employees. Except as set forth in Section 5.1 of the LB Letter or as otherwise provided in this Agreement, from the date hereof until the Effective Time, without the prior written consent of AAL, LB shall not, and shall not permit any LB Subsidiary or LB Fund to:

(i) adopt or propose any change in its Articles of Incorporation or bylaws;

(ii) in the case of any LB Subsidiary (A) make any change in its authorized capital stock, (B) issue any stock options, or issue any warrants, or other rights calling for the issue, transfer, sale or delivery of its capital stock or other securities, (C) pay any stock dividend or split, combine or reclassify its outstanding shares of capital stock, (D) issue, sell, exchange or deliver any shares of its capital stock (or securities convertible into or exchangeable, with or without additional consideration, for such capital stock), (E) purchase or otherwise acquire for a consideration any outstanding

shares of its capital stock, or (F) declare, set aside or pay any dividend or other distribution with respect to any shares of capital stock of an LB Subsidiary;

(iii) merge, consolidate with or (except in the ordinary course of business) sell to any other person a material amount of assets or acquire a material amount of assets of any other person;

(iv) except pursuant to existing contracts or commitments (the terms of which have been disclosed to AAL prior to the date hereof), or in the ordinary course of business consistent with past practice, sell, lease, license or otherwise surrender, relinquish or dispose of (A) any material facility owned or leased by LB or any LB Subsidiary or (B) any assets or property that are material to LB and the LB Subsidiaries, taken as a whole;

(v) settle any material audit, make or change any material Tax election or file amended tax returns;

(vi) except in the ordinary course of business consistent with past practice or as otherwise permitted by this Agreement, (A) incur any material indebtedness except in the ordinary course of business pursuant to existing credit facilities or arrangements, (B) amend or otherwise increase, accelerate the payment or vesting of the amounts payable or to become payable under or fail to make any required contribution to, or withdraw any amounts from, any employee benefit plan maintained by LB or any LB Subsidiary, or (C) materially increase any non-salary benefits payable to any employee or former employee;

(vii) grant any increase in the compensation of any director, officer, employee, consultant or agent of LB or any LB Subsidiary, except in the ordinary course of business consistent with past practice;

(viii) except, in any case, in the ordinary course of business consistent with past practice, enter into, terminate or amend any (A) employment agreement or other employment arrangement with any employee of LB or any LB Subsidiary, (B) any reinsurance or retrocession agreement or treaty, or (C) any other contract or agreement of LB or any LB Subsidiary of the type described in Section 2.14 hereof;

(ix) change any method of accounting or accounting practice by LB or any LB Subsidiary, except for any such change required by GAAP or SAP;

(x) conduct transactions in LB Investments, except in compliance with the written investment policies of the applicable LB Insurer and all applicable insurance Laws and regulations;

(xi) make any changes to investment adviser or principal underwriter contracts;

(xii) increase cash dividends on participating policies;

(xiii) fail to keep in force the insurance of deposit accounts with the FDIC;

(xiv) agree or commit to do any of the foregoing; or

(xv) except to the extent necessary to comply with the requirements of applicable Laws and regulations, (A) take, or agree or commit to take, any action that would make any representation and warranty of LB hereunder inaccurate in any material respect at, or as of any time prior to, the Effective Time, (B) omit, or agree or commit to omit, to take any action necessary to prevent any such representation or warranty from being inaccurate in any material respect at any such time, or (C) take, or agree or commit to take, any action that would result in, or is reasonably likely to result in, any of the conditions to the Merger set forth in Article VIII or X not being satisfied.

5.2 *Consents.* LB shall, as soon as practicable, prepare or cause to be prepared and made all necessary filings with all governmental or regulatory bodies or other entities and shall use its best efforts to obtain all consents, waivers, approvals, authorizations, rulings or orders from all governmental or regulatory bodies or other entities listed on Section 2.5 of the LB Letter and furnish true, correct and complete copies of each thereof to AAL. LB agrees that prior to the Effective Time it shall obtain all required consents of parties to any indenture, agreement or other instrument referred to in Section 2.5 of LB Letter.

5.3 *Notice.* LB shall give prompt notice to AAL of (i) any notice of, or other communication relating to, a default or event that with notice or lapse of time or both would become a default, received by LB or any LB Subsidiary subsequent to the date of this Agreement and prior to the Effective Time, under its Articles of Incorporation or bylaws or any indenture, or material instrument or agreement, to which LB is a party, by which it or any of its properties is bound or to which it or any of its properties is subject, (ii) any notice or other communication from any third party alleging that the consent of such third party is or may be required in connection with the transactions contemplated hereby, and (iii) any matter that, if it had occurred prior to the date hereof, would have been required to be included in the LB Letter.

5.4 *Furnishing Agreement to Members; Meeting of General Convention.* LB shall as promptly as reasonably practicable (i) furnish the text of this Agreement to the members of LB for a period of not less than sixty days prior to the meeting of the General Convention referred to below, and (ii) call a special meeting of the General Convention for the purpose of voting to approve this Agreement.

5.5 *No Solicitation of Acquisition Proposals.* LB shall not, nor shall it permit any of the LB Subsidiaries, or authorize or permit any of its or their officers, directors or employees or any investment banker, financial adviser, attorney, accountant or other representative or agent retained by LB or any LB Subsidiary, to, directly or indirectly, make, solicit, initiate, encourage or take any other action to facilitate any inquiry or proposal, provide any information to or participate in any negotiations with, any corporation, partnership, agent, attorney, financial adviser, person, or other entity or group (other than the other party hereto and its affiliates) (“Third Parties”) relating to any (i) merger or consolidation or other business combination of LB or any of the LB Subsidiaries, (ii) sale of a significant amount of assets of LB or any of the Subsidiaries outside the ordinary course of business, (iii) purchase or sale of shares of capital stock of any LB Subsidiary or (iv) any similar action or transaction involving LB or any of the LB Subsidiaries other than the transactions contemplated by this Agreement (an “LB Extraordinary Transaction”), or agree to or consummate any LB Extraordinary Transaction. LB shall immediately inform AAL in writing of any inquiry, proposal or request for information (including the terms thereof and the person making such inquiry) that it may receive in respect of such a transaction and provide AAL with a copy of any such written inquiries, proposals and offers.

5.6 *Statutory Financial Statements.* LB shall promptly furnish to AAL a copy of any statutory financial statement that is filed by either LB Insurer with the Minnesota Commerce Department prior to the Effective Time. Each such statutory financial statement shall be prepared in accordance with the standards specified in Section 2.7 hereof and shall be deemed to be a LB Statutory Financial Statement for purposes of Section 2.7 hereof.

5.7 *Regulatory Matters.* LB shall promptly advise AAL with respect to any and all regulatory matters or proceedings affecting LB or any LB Subsidiary or LB Fund and shall furnish to AAL a copy of all (i) filings with regulatory agencies, including the SEC, NASD, OTS and FDIC and (ii) correspondence, notices, orders, memoranda or other written material received from any regulatory agency (to the extent permitted by law), other than in the ordinary course of business. LB shall provide AAL reasonable access to its regulatory files to the extent not prohibited by law. Prior to the Effective Time, LB will take all necessary action under Rule 15a-4 of the Investment Company Act to cause the boards of directors of the LB Funds managed by LB to approve the transfer of the related investment advisory agreements to AAL pursuant to the Merger.

5.8 *Cooperation.* LB shall, and shall cause each of the LB Subsidiaries and LB Funds to, execute such documents and other papers, provide such information, and take such further actions as may be reasonably requested by AAL to carry out the provisions hereof and to consummate the transactions contemplated hereby.

5.9 *Conditions Precedent.* LB shall, and shall cause each of the LB Subsidiaries to, use all reasonable efforts to cause all of the conditions precedent to the consummation of the Merger applicable to it and them to be met.

ARTICLE VI COVENANTS OF AAL

6.1 *Conduct of Business Pending the Merger.* From the date hereof until the Effective Time, unless LB shall otherwise agree in writing, or except as set forth in Section 6.1 of the AAL Letter or as otherwise contemplated by this Agreement, AAL and the AAL Subsidiaries shall conduct their respective businesses in the ordinary course consistent and past practice and shall use all reasonable efforts to preserve intact their licenses, permits and certificates of authority, business organizations and relationships with third parties (including but not limited to their respective relationships with members, policyholders, insureds, agents, underwriters, brokers and investment customers) and to keep available the services of their officers and key employees. Except as set forth in Section 6.1 of the AAL Letter or as otherwise provided in this Agreement, from the date hereof until the Effective Time, without the prior written consent of LB, AAL shall not, and shall not permit any AAL Subsidiary or AAL Fund to:

(i) adopt or propose any change in its Articles of Incorporation or bylaws;

(ii) in the case of any AAL Subsidiary (A) make any change in its authorized capital stock, (B) issue any stock options, or issue any warrants, or other rights calling for the issue, transfer, sale or delivery of its capital stock or other securities, (C) pay any stock dividend or split, combine or reclassify its outstanding shares of capital stock, (D) issue, sell, exchange or deliver any shares of its capital stock (or securities convertible into or exchangeable, with or without additional consideration, for such capital stock), (E) purchase or otherwise acquire for a consideration any outstanding

shares of its capital stock, or (F) declare, set aside or pay any dividend or other distribution with respect to any shares of capital stock of an AAL Subsidiary;

(iii) merge, consolidate with or (except in the ordinary course of business) sell to any other person a material amount of assets or acquire a material amount of assets of any other person;

(iv) except pursuant to existing contracts or commitments (the terms of which have been disclosed to LB prior to the date hereof), or in the ordinary course of business consistent with past practice, sell, lease, license or otherwise surrender, relinquish or dispose of (A) any material facility owned or leased by AAL or any AAL Subsidiary or (B) any assets or property that are material to AAL and the AAL Subsidiaries, taken as a whole;

(v) settle any material audit, make or change any material Tax election or file amended tax returns;

(vi) except in the ordinary course of business consistent with past practice or as otherwise permitted by this Agreement, (A) incur any material indebtedness except in the ordinary course of business pursuant to existing credit facilities or arrangements, (B) amend or otherwise increase, accelerate the payment or vesting of the amounts payable or to become payable under or fail to make any required contribution to, or withdraw any amounts from, any employee benefit plan maintained by AAL or any AAL Subsidiary, or (C) materially increase any non-salary benefits payable to any employee or former employee;

(vii) grant any increase in the compensation of any director, officer, employee, consultant or agent of AAL or any AAL Subsidiary, except in the ordinary course of business consistent with past practice;

(viii) except, in any case, in the ordinary course of business consistent with past practice, enter into, terminate or amend any (A) employment agreement or other employment arrangement with any employee of AAL or any AAL Subsidiary, (B) any reinsurance or retrocession agreement or treaty, or (C) any other contract or agreement of AAL or any AAL Subsidiary of the type described in Section 3.14 hereof;

(ix) change any method of accounting or accounting practice by AAL or any AAL Subsidiary, except for any such change required by GAAP or SAP;

(x) conduct transactions in AAL Investments, except in compliance with the written investment policies of AAL and all applicable insurance Laws and regulations;

(xi) make any changes to investment adviser or principal underwriter contracts;

(xii) increase cash dividends on participating policies;

(xiii) fail to keep in force the insurance of deposit accounts with the FDIC;

(xiv) agree or commit to do any of the foregoing; or

(xv) except to the extent necessary to comply with the requirements of applicable Laws and regulations, (A) take, or agree or commit to take, any action that would make any representation and warranty of AAL hereunder inaccurate in any material respect at, or as of any time prior to, the Effective Time, (B) omit, or agree or commit to omit, to take any action necessary to prevent any such representation or warranty from being inaccurate in any material respect at any such time, or (C) take, or agree or commit to take, any action that would result in, or is reasonably likely to result in, any of the conditions to the Merger set forth in Article IX or X not being satisfied.

6.2 *Consents.* AAL shall, as soon as practicable, prepare and make all necessary filings with all governmental or regulatory bodies or other entities and shall use its best efforts to obtain all consents, waivers, approvals, authorizations, rulings or orders from all governmental or regulatory bodies or other entities listed on Section 3.5 of the AAL Letter and furnish true, correct and complete copies of each thereof to LB. AAL agrees that prior to the Effective Time it shall obtain all required consents of parties to any indenture, agreement or other instrument referred to in Section 3.5 of AAL Letter.

6.3 *Notice.* AAL shall give prompt notice to LB of (i) any notice of, or other communication relating to, a default or event that with notice or lapse of time or both would become a default, received by AAL or any AAL Subsidiary subsequent to the date of this Agreement and prior to the Effective Time, under its Articles of Incorporation or bylaws or any indenture, or material instrument or agreement, to which AAL is a party, by which it or any of its properties is bound or to which it or any of its properties is subject, (ii) any notice or other communication from any third party alleging that the consent of such third party is or may be required in connection with the transactions contemplated hereby, and (iii) any matter that, if it had occurred prior to the date hereof, would have been required to be included in the AAL Letter.

6.4 *Furnishing Agreement to Members.* AAL shall as promptly as reasonably practicable (i) furnish the text of this Agreement to the members of AAL for a period of not less than sixty days prior to the meeting of the Board of Directors

referred to below, and (ii) call a special meeting of the Board of Directors of AAL to be held before the meeting of the General Convention of LB referred to in Section 5.4 hereof, for the purpose of obtaining final approval of this Agreement.

6.5 *No Solicitation of Acquisition Proposals.* AAL shall not, nor shall it permit any of the AAL Subsidiaries, or authorize or permit any of its or their officers, directors or employees or any investment banker, financial adviser, attorney, accountant or other representative or agent retained by AAL or any AAL Subsidiary, to, directly or indirectly, make, solicit, initiate, encourage or take any other action to facilitate any inquiry or proposal, provide any information to or participate in any negotiations with, any Third Party relating to any (i) merger or consolidation or other business combination of AAL or any of the AAL Subsidiaries, (ii) sale of a significant amount of assets of AAL or any of the Subsidiaries outside the ordinary course of business, (iii) purchase or sale of shares of capital stock of any AAL Subsidiary or (iv) any similar action or transaction involving AAL or any of AAL Subsidiaries other than the transactions contemplated by this Agreement (an "AAL Extraordinary Transaction"), or agree to or consummate any AAL Extraordinary Transaction. AAL shall immediately inform LB in writing of any inquiry, proposal or request for information (including the terms thereof and the person making such inquiry) that it may receive in respect of such a transaction and provide LB with a copy of any such written inquiries, proposals and offers.

6.6 *Statutory Financial Statements.* AAL shall promptly furnish to LB a copy of any statutory financial statement that is filed by AAL with the Wisconsin Insurance Department prior to the Effective Time. Each such statutory financial statement shall be prepared in accordance with the standards specified in Section 3.7 hereof and shall be deemed to be a AAL Statutory Financial Statement for purposes of Section 3.7 hereof.

6.7 *Regulatory Matters.* AAL shall promptly advise LB with respect to any and all regulatory matters or proceedings affecting AAL or any AAL Subsidiary or AAL Fund and shall furnish to LB a copy of all (i) filings with regulatory agencies, including the SEC, NASD, OTS and FDIC and (ii) correspondence, notices, orders, memoranda or other written material received from any regulatory agency (to the extent permitted by law), other than in the ordinary course of business. AAL shall provide LB reasonable access to its regulatory files to the extent not prohibited by law.

6.8 *Director and Officer Liability.* For six years after the Effective Time, the Surviving Corporation shall indemnify and hold harmless each person who is or has been at any time prior to the date hereof or who becomes prior to the Effective Time, an officer, director or delegate of the General Convention of LB, in respect of acts or omissions occurring prior to the Effective Time (the "Indemnified Parties") (including but not limited to the transactions contemplated by this Agreement) to the extent provided under the Articles of Incorporation and the bylaws of LB in effect on the date hereof, provided that such indemnification shall be subject to any limitation imposed from time to time under applicable Law.

For six years after the Effective time, the Surviving Corporation shall maintain LB's existing D&O liability insurance, or obtain a comparable policy, in respect of acts or omissions occurring prior to the Effective Time, including but not limited to the transactions contemplated by this Agreement, covering each such person currently covered by LB's officers' and directors' liability insurance policy, or who becomes covered by such policy prior to the Effective Time, on terms with respect to coverage and amount comparable to those of such policy in effect on the date hereof, provided that such coverage may be obtained by the Surviving Corporation at a cost that does not exceed 200% of the current cost of LB's insurance, provided further that if such insurance cannot be obtained for 200% or less of the current cost of LB's insurance, then the Surviving Corporation shall obtain as much coverage as may be purchased for 200% of the current cost of LB's insurance.

6.9 *Cooperation.* AAL shall, and shall cause each of the AAL Subsidiaries and AAL Funds to, execute such documents and other papers, provide such information, and take such further actions as may be reasonably requested by LB to carry out the provisions hereof and to consummate the transactions contemplated hereby.

6.10 *Conditions Precedent.* AAL shall, and shall cause each of the AAL Subsidiaries to, use all reasonable efforts to cause all of the conditions precedent to the consummation of the Merger applicable to it and them to be met.

ARTICLE VII

CLOSING

The closing ("Closing") under this Agreement shall be held at the offices of AAL at 10:00 a.m., local time, as promptly as practicable after the fulfillment or waiver of all the terms and conditions contained in Articles VIII, IX and X of this Agreement, or at such other place and time as shall be mutually agreeable to the parties.

ARTICLE VIII
CONDITIONS TO THE OBLIGATIONS OF AAL

The obligations of AAL under this Agreement to cause this Agreement to become effective and have the transactions contemplated hereby be consummated are, at its option, subject to the conditions that:

8.1 *Validity of Representation and Warranties.* The representations and warranties of LB herein contained shall be true and correct at and as of the Closing, as if made at and as of that time, except as otherwise contemplated or permitted by this Agreement (it being understood that the truth and correctness of any such representations or warranties made as of a specified date shall be determined only as of such specified date) and except to the extent that any breaches of such representations and warranties, individually or in the aggregate, have not resulted, or may not be reasonably expected to result, in an LB Material Adverse Effect.

8.2 *Performance of Obligations.* LB shall have performed in all material respects all obligations and agreements and complied with all covenants and conditions contained in this Agreement to be performed and complied with by it at or prior to the Effective Time.

8.3 *Consents.* All consents, waivers, approvals, authorizations or orders listed on Section 2.5 of the LB Letter shall have been obtained by LB in form and substance reasonably acceptable to AAL and copies the same shall have been delivered to AAL.

8.4 *Material Adverse Change.* Since the date of this Agreement, no facts, events or circumstances shall have occurred that, in the reasonable judgment of AAL, could have an LB Material Adverse Effect.

8.5 *LB Certificate.* LB shall have delivered or caused to be delivered to AAL at the Closing a certificate of LB, signed by its Chief Executive Officer, which shall confirm that the conditions to AAL's obligations set forth in Sections 8.1 and 8.2 have been satisfied.

ARTICLE IX
CONDITIONS TO THE OBLIGATIONS OF LB

The obligations of LB under this Agreement to cause this Agreement to become effective and have the transactions contemplated hereby be consummated are, at its option, subject to the conditions that:

9.1 *Validity of Representations and Warranties.* The representations and warranties of AAL herein contained shall be true and correct at and as of the Closing, as if made at and as of that time, except as otherwise contemplated or permitted by this Agreement (it being understood that the truth and correctness of any such representations or warranties made as of a specified date shall be determined only as of such specified date) and except to the extent that any breaches of such representations and warranties, individually or in the aggregate, have not resulted, or may not be reasonably expected to result, in an AAL Material Adverse Effect.

9.2 *Performance of Obligations.* AAL shall have performed in all material respects all obligations and agreements and complied with all covenants and conditions contained in this Agreement to be performed and complied with by it at or prior to the Effective Time.

9.3 *Consents.* All consents, waivers, approvals, authorizations or orders listed on Section 3.5 of the AAL Letter shall have been obtained by AAL in form and substance reasonably acceptable to LB and copies of the same shall have been delivered to LB.

9.4 *Material Adverse Change.* Since the date of this Agreement, no facts, events or circumstances shall have occurred that, in the reasonable judgment of LB, could have an AAL Material Adverse Effect.

9.5 *AAL Certificate.* AAL shall have delivered or caused to be delivered to LB at the Closing a certificate of AAL, signed by its Chief Executive Officer, which shall confirm that the conditions to LB's obligations set forth in Sections 9.1 and 9.2 have been satisfied.

ARTICLE X

CONDITIONS APPLICABLE TO AAL AND LB

The obligations of AAL and LB under this Agreement to cause this Agreement to become effective and have the transactions contemplated hereby be consummated are subject to the following terms and conditions:

10.1 *Hart-Scott-Rodino Act.* Any waiting period applicable to the consummation of the Merger under the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended, shall have expired or been terminated, and no action shall have been instituted by the Department of Justice or Federal Trade Commission challenging or seeking to enjoin the consummation of the Merger, which action shall have not been withdrawn or terminated.

10.2 *Supreme Governing Body Approvals.* LB shall have obtained approval of this Agreement by its General Convention and AAL shall have obtained final approval of this Agreement by its Board of Directors as contemplated by Sections 5.4 and 6.4, respectively.

10.3 *Governmental Approvals.* A written order approving the Merger and the transactions contemplated thereby from the Wisconsin Commissioner of Insurance, the Minnesota Commerce Commissioner, any approvals, other state or federal agencies or self-regulatory bodies, and approvals with respect to the Merger and the Bank Merger as may be required by the OTS and the FDIC, shall have been obtained at or prior to the Effective Time in form and substance reasonably acceptable to AAL and LB.

10.4 *SEC No-Action Letter.* The parties shall have received a “no-action” letter from the SEC confirming that no consent for the Merger is required to be obtained from holders of shares in any LB Fund managed by an LB Subsidiary or any AAL Fund pursuant to the requirements of the Investment Company Act.

10.5 *Injunction.* The consummation of the Merger shall not have been restrained, enjoined or prohibited by any court or governmental authority of competent jurisdiction. No material litigation or administrative proceeding shall be pending as of the Effective Time seeking to restrain, enjoin or prohibit the consummation of this Agreement or the Merger that, in the reasonable good faith determination of any party, is likely to render it impossible or unlawful to consummate such transactions; provided, however, that the provisions of this Section 10.5 shall not apply to any party that has directly or indirectly solicited or encouraged any such action.

10.6 *Name of Surviving Corporation.* The Boards of Directors of the Constituent Corporations shall have approved the proposed corporate name for the Surviving Corporation as contemplated by Section 1.4 hereof, and all necessary corporate action shall have been taken to submit to the members of the Surviving Corporation, subject only to consummation of the Merger, a proposed amendment to AAL’s Articles of Incorporation changing the name of the Surviving Corporation to the name approved by the Boards of Directors of the Constituent Corporations.

10.7 *Surviving Corporation Governance Matters.*

10.7.1 All necessary corporate action shall have been taken so that, at the Effective Time, the Board of Directors of the Surviving Corporation shall consist of those members of the Constituent Corporations as contemplated by Section 1.6 hereof.

10.7.2 The AAL Board of Directors shall have adopted bylaw changes for the governance of the Surviving Corporation which: (a) establish a limitation on the term of service of each director which provides that, after serving the initial term on the Board of the Surviving Corporation, each director is limited to 12 years of total service including six months credit for each year of service on a Constituent Corporation; and (b) establish a conflict of interest policy relating to service as a director, officer or employee of the Surviving Corporation if the Board determines that a conflict of interest exists or could exist which may impair the independence of judgment or influence the actions or decisions of an individual or otherwise conflict with the interests of the Surviving Corporation members, its affiliates or the laws and regulations governing the Surviving Corporation or its affiliates, including without limitation conflicts resulting from financial interests or employment or family relationships.

10.7.3 All necessary corporate action shall have been taken so that, at the Effective Time, the Chairman of the Surviving Corporation shall be John O. Gilbert and the President and Chief Executive Officer of the Surviving Corporation shall be Bruce J. Nicholson.

10.8 *Tax Matters.* The parties shall have obtained a private letter ruling from the Internal Revenue Service or an opinion of counsel to each party shall have been addressed and delivered to such party, to the effect that no gain or loss will be recognized by LB or AAL or by the members of LB or AAL as a result of the Merger. In giving such opinions, if any, tax counsel shall be entitled to rely on customary representation letters from the Constituent Corporations.

10.9 *Effective Time.* The Effective Time shall be no later than 5:00 p.m. Central time on December 31, 2001.

ARTICLE XI TERMINATION

11.1 *Termination.* This Agreement and the transactions contemplated hereby may be terminated at any time prior to the Closing (i) by mutual written consent of the Board of Directors of AAL and the Board of Directors of LB, (ii) by action of the Board of Directors of AAL or the Board of Directors of LB, if a material breach of any provision of this Agreement has been committed by the non-terminating party, and such breach has not been waived or cured within 10 business days of notice thereof, (iii) by action of the Board of Directors of AAL, in the event a condition set forth in Article VIII of this Agreement is or becomes impossible to satisfy (other than through the failure of AAL to comply with its obligations under this Agreement), (iv) by action of the Board of Directors of LB, in the event a condition set forth in Article IX of this Agreement is or becomes impossible to satisfy (other than through the failure of LB to comply with its obligations under this Agreement), (v) by action of the Board of Directors of AAL or the Board of Directors of LB in the event a condition set forth in Article X of this Agreement is or becomes impossible to satisfy (other than through the failure of the terminating party to comply with its obligations under this Agreement), (vi) by LB, upon no less than five business days' prior written notice, if there shall have occurred any event, change or development that has caused an AAL Material Adverse Effect, or (vii) by AAL, upon no less than five business days' prior written notice, if there shall have occurred any event, change or development that has caused an LB Material Adverse Effect.

11.2 *Effect of Termination.* In the event of the termination of this Agreement by either LB or AAL as provided above, this Agreement shall thereafter become void and there shall be no liability on the part of any party hereto against any other party hereto, or their respective directors, officers, members, or agents, except that (i) any such termination shall be without prejudice to the rights of any party hereto arising out of the willful and material breach by any other party of any representation or warranty or any covenant or agreement contained in this Agreement, and (ii) each of the parties hereto shall provide the other party hereto with a copy of any proposed public announcement regarding the occurrence of such termination and an opportunity to comment thereon prior to its dissemination.

ARTICLE XII SURVIVAL OF REPRESENTATIONS, WARRANTIES AND AGREEMENTS

The representations, warranties and agreements of the parties hereto contained in this Agreement shall not survive the Closing, except for the agreements contained in Sections 1.4 and 6.8.

ARTICLE XIII MISCELLANEOUS

13.1 *Payment of Expenses.* Whether or not the Merger shall be consummated, each party hereto shall pay its own expenses incident to preparing for, entering and carrying out this Agreement and to the consummation of the Merger.

13.2 *Entire Agreement.* This Agreement (together with the Schedules and Exhibits hereto and the documents referred to herein) contains, and is intended as, a complete statement of all of the terms of the arrangements between the parties with respect to the matters provided for herein, and supersedes any previous agreements and understandings between the parties with respect to those matters.

13.3 *Third-Party Beneficiaries.* There are no third-party beneficiaries to this Agreement, other than with respect to Section 6.9.

13.4 *Modifications, Amendments and Waivers.* At any time prior to the Effective Time, the parties hereto may, by written agreement, (i) extend the time for the performance of any of the obligations or other acts of the parties hereto, (ii) waive any inaccuracies in the representations and warranties contained in this Agreement or in any document delivered pursuant hereto, (iii) waive compliance with any of the covenants or agreements contained in this Agreement, or (iv) make any other modification of this Agreement approved by the Boards of Directors of AAL and LB. This Agreement shall not be altered or otherwise amended except pursuant to an instrument in writing executed and delivered on behalf of each of the parties hereto. For the convenience of the parties hereto, this Agreement may be executed in any number of counterparts, and each such counterpart shall be deemed to be an original instrument, and all such counterparts shall together constitute the same agreement.

13.5 *Assignment; Governing Law.* Neither this Agreement nor any right, obligation or interest herein shall be assignable by any of the parties hereto, and any attempted assignment without each of the other party's consent shall be void. This Agreement shall be construed in accordance with the Laws of the State of Wisconsin except with respect to its conflicts of law rules and except to the extent that Minnesota Law shall be held to govern the terms of the Merger as it applies to LB.

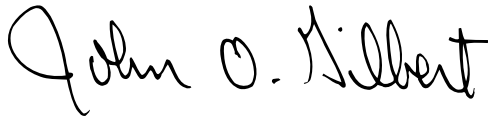
13.6 *Disclosure Letters.* All information set forth in the LB Letter and the AAL Letter shall be deemed a representation and warranty of LB and AAL, respectively, as to the accuracy of such information.

13.7 *Publicity.* Except as may otherwise be required by Law, no publicity release or announcement concerning this Agreement or the transactions contemplated hereby shall be made prior to the Effective Time without advance approval thereof by LB and AAL. LB and AAL will cooperate with each other in the development and distribution of all news releases and other public information disclosures with respect to this Agreement or any of the transactions contemplated hereby.

13.8 *Notices.* Any notice to be given hereunder by any party to the others shall be in writing and delivered personally or sent by registered or certified mail, postage prepaid, overnight express service or confirmed facsimile transmission, if to AAL, addressed to 4321 N. Ballard Road, Appleton, WI 54919-0001, Attention: Corporate Secretary, facsimile: (920-730-4780); and if to LB addressed to 625 Fourth Avenue South, Minneapolis, MN 55415, Attention: Corporate Secretary, facsimile: (612) 340-4285, or to such other persons as may be designated in writing by the parties.

IN WITNESS WHEREOF, the parties have caused this Agreement to be executed and delivered as of the day and year first above written.

AID ASSOCIATION FOR LUTHERANS

By: 

LUTHERAN BROTHERHOOD

By: 

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LUTHERAN BROTHERHOOD

DISCLOSURE LETTER

This Disclosure Letter is being delivered by LB to AAL Pursuant to the Agreement and Plan of Merger between AAL and LB dated as of June 27, 2001 (the “Agreement”). All capitalized terms used in this Disclosure Letter have the same meanings assigned to them in the Agreement.

Section 2.2

LB Subsidiaries and Funds

<u>Subsidiary/Fund</u>	<u>Jurisdiction</u>
Lutheran Brotherhood Financial Corporation	Minnesota Corporation
Lutheran Brotherhood Variable Insurance Products Company	Minnesota Corporation
Lutheran Brotherhood Research Corp.	Minnesota Corporation
Lutheran Brotherhood Securities Corp.	Pennsylvania Corporation
Lutheran Brotherhood Property & Casualty Insurance Agency, Inc.	Minnesota Corporation
LB Bancorp, Inc.	Minnesota Corporation
LB Community Bank & Trust, fsb.	Federal Charter
MCB Financial Services, Inc.	Minnesota Corporation
LB Series Fund, Inc.	Minnesota
The Lutheran Brotherhood Family of Funds	Delaware

Section 2.2.1

Capitalization of Subsidiaries

No exceptions.

Section 2.2.2

LB Insurance Authority

LUTHERAN BROTHERHOOD

Certificate of Authority Summary

<u>State</u>	<u>Authority (as stated on the Certificates of Authority)</u>
Alabama	Fraternal
Alaska	Fraternal
Arizona	Fraternal, Disability, Life, Variable Annuity, and Variable Life
Arkansas	Life, Disability, Variable Contracts
California	Fraternal
Colorado	General Life, Accident & Health, Annuities, and Variable Contracts
Connecticut	Fraternal
Delaware	Life, including annuities and Health, Variable Annuities and Variable Life
District of Columbia ..	Life and Health, Variable Life
Florida	Insurance, including Variable life and variable annuities
Georgia	Fraternal, including variable life and variable annuity
Hawaii	Disability, Life, variable contracts
Idaho	Insurance including variable contracts
Illinois	Fraternal
Indiana	Life, Disability, variable contracts
Iowa	Fraternal
Kansas	Life, Accident & Health, variable contracts
Kentucky	Fraternal
Louisiana	Life, Variable Life, Variable Annuity, Accident & Health
Maine	Life, Health, Variable Life and Variable Annuity
Maryland	Fraternal, Variable Annuities, Variable Life
Massachusetts	Life, Accident & Health, Variable Life and Variable Annuities
Michigan	Variable Annuities, Variable Life, Death Benefits, Endowment, Annuity, Temporary or Permanent Disability, Hospital, Medical or Nursing, and Monuments.
Minnesota	Fraternal and Variable Contracts
Mississippi	Fraternal
Missouri	Fraternal, Life, Accident, Sickness, Variable Contracts
Montana	Fraternal, including variable life and variable annuity
Nebraska	Fraternal
Nevada	Fraternal, Variable Life and Variable Annuities
New Hampshire	Life Accident & Health, Variable Products
New Jersey	Fraternal and Variable Contracts
New Mexico	Fraternal, including variable contracts
New York	Life, Accidental Death, Accidental Injury, Sickness, Annuity, Total and Permanent Disability, Monument, Hospital, Disability Income, Long Term Care, Variable Life and Annuity

<u>State</u>	<u>Authority</u> (as stated on the Certificates of Authority)
North Carolina	Fraternal life, Variable Annuities and Life, and Health
North Dakota	Life & Annuity, Accident & Health, Variable Annuities & Life
Ohio	Life, Health & Annuities, and Variable Contracts
Oklahoma	Life, Accident & Health
Oregon	Life and Health and Variable
Pennsylvania	Accident & Health, Variable Life, Life & Annuities, Variable Annuities
Rhode Island	Fraternal and Variable contracts
South Carolina	Fraternal, Variable contracts
South Dakota	Life, Health, Variable Annuities, Variable Life
Tennessee	Fraternal – Life, Accident & Health, Variable Contracts
Texas	Fraternal – Life, Accident, Health Variable Life, Variable Annuity
Utah	Life, Annuity, Variable Life and Annuity, Disability
Vermont	Fraternal, variable contracts
Virginia	Life, Industrial Life, Credit Life, Variable Life, Annuities, Variable Annuities, Accident & Sickness, Credit Accident and Sickness
Washington	Fraternal
West Virginia	Fraternal, Variable Contracts
Wisconsin	Life and Annuities, Variable Life and Annuities, Life Disability
Wyoming	Fraternal, variable contracts

**LUTHERAN BROTHERHOOD
VARIABLE INSURANCE PRODUCTS COMPANY**

Certificate of Authority

<u>State</u>	<u>Authority</u> (as stated on the Certificates of Authority)
Alabama	Life, Health, Accident and Hospitalization
Alaska	Life, Disability, Annuities, Variable Annuities, Variable Life
Arizona	Life and Disability
Arkansas	Life, Disability and Variable Contracts
California	Life and Disability, Variable Life and Variable Annuity (Growth, High Yield, Income and Money Market portfolios)
Colorado	Ordinary, Accident and Health, Variable Annuities, Variable Contracts
Connecticut	Accident and Health, Life Variable Life-Non-Participating
Delaware	Life, including annuities, Variable Annuities and Health
District of Columbia	Group Accident and Health, Group Annuities (fixed and variable), Group Life and Health, Individual Accident and Health, Individual Annuities (fixed and variable), Individual Life, Life and Health, Variable Life
Florida	Variable Annuities and Variable Life
Georgia	Not Licensed
Hawaii	Life
Idaho	Life, Disability
Illinois	Life, Accident and Health
Indiana	Life, Accident and Health, (variable)
Iowa	Accident, Accident and Health, Hospital and medical expense, Group Accident and Health, Live, Variable Life, Annuities, and Variable Annuities
Kansas	Life, Accident and Health
Kentucky	Life, Annuities and Health
Louisiana	Life, Health and Accident
Maine	Not Licensed
Maryland	Variable Annuities, Health, Life, Variable Life
Massachusetts	Not Licensed
Michigan	Life & Annuities, Disability, Variable Annuities and Variable Life
Minnesota	Life, Variable Contracts, and Accident and Health
Mississippi	Life, Accident & Health, Variable Contracts
Missouri	Life, Annuities, and Endowments, Variable Contracts
Montana	Life & Disability, including variable authority for Life & Annuity contracts
Nebraska	Life, Variable Life, Variable Annuities, Sickness and Accident
Nevada	Life, Health, Variable Annuities
New Hampshire	Not Licensed
New Jersey	Life, Annuities, Variable Contracts, Non-participating Insurance only, Capital & Surplus Guarantee

<u>State</u>	<u>Authority</u> (as stated on the Certificates of Authority)
New Mexico	Life and/or Health, and Variable Annuities
New York	Not Licensed
North Carolina	Life, Annuities, Variable Annuities, Variable Life, Cancelable Accident and Health
North Dakota	Life & Annuity, Accident & Health, Variable Life & Annuities
Ohio	Life, Health & Annuities
Oklahoma	Life, Accident & Health
Oregon	Life and Health
Pennsylvania	Accident and Health, Life and Annuities, Variable Life
Rhode Island	Not Licensed
South Carolina	Life, Variable Annuity, Accident & Health, Variable Contracts
South Dakota	Life, Health, Variable Life & Variable Annuities
Tennessee	Life, Disability, Variable Contracts
Texas	Life, Accident, Health, Variable Life and Variable Annuity
Utah	Life, Variable Life/Annuity, Disability
Vermont	Not Licensed
Virginia	Life, Variable Life, Annuities, Variable Annuities, Accident and Sickness
Washington	Life, Disability
West Virginia	Life, Accident and Sickness, Variable Contracts
Wisconsin	Life and Annuities, Variable Life and Annuities, Disability
Wyoming	Not Licensed

Section 2.2.3

Broker-Dealer Subsidiaries

Lutheran Brotherhood Securities Corp.

Section 2.2.4

Investment Entities

Lutheran Brotherhood – investment adviser to LB Series Fund, Inc.

Lutheran Brotherhood Research Corp. – investment adviser to The Lutheran Brotherhood Family of Funds.

Lutheran Brotherhood Securities Corp. – investment adviser to the financial planning programs and institutional clients.

LB Community Bank & Trust, fsb. – investment adviser for purposes of advising client trust accounts.

Section 2.2.6

LB Investment Companies

The Lutheran Brotherhood Family of Funds

LB Series Fund, Inc.

Delaware

LB Opportunity Growth Fund
 LB Mid Cap Growth Fund
 LB World Growth Fund
 LB Growth Fund
 LB Fund
 LB Value Fund
 LB High Yield Fund
 LB Income Fund
 LB Municipal Bond Fund
 LB Limited Maturity Bond Fund
 LB Money Market Fund

Minnesota

Opportunity Growth Portfolio
 Mid Cap Growth Portfolio
 World Growth Portfolio
 Growth Portfolio
 High Yield Portfolio
 Income Portfolio
 Money Market Portfolio

Section 2.2.7

LB Separate Accounts

No exceptions.

Section 2.5

Consents and Approvals

1. Wisconsin Commissioner of Insurance
2. Minnesota Commerce Commissioner
3. Hart-Scott-Rodino Antitrust Improvements Act notification

4. Office of Thrift Supervision
5. Federal Deposit Insurance Corporation
6. National Association of Securities Dealers

Section 2.6

Defaults and Conflicts

The table below sets forth each piece of real property owned by LB that has an existing mortgage. The table also indicates if the real property is held directly by LB or through a limited liability company or partnership. Consent of the lender and/or limited liability company or partnership below is required to transfer LB's fee title, LLC interest, or LLP interest to the Surviving Corporation.

<u>LB Property No.</u>	<u>Property Reference</u>	<u>Fee Title, LLC, or Limited Partnership Interest</u>	<u>Mortgage</u>
597	West 78th Street Bloomington Associates	LLC	Richfield Bank & Trust \$2,372,350
598	Ridgehaven Mall	Fee	Woodmen of the World Life \$10,500,000
599	Oakdale Industrial Venture IV, LLC	LLC	The LLC has placed mortgage financing.
600	Westgate Retail Associates LLC	LLC	The LLC has placed mortgage financing.
602	14950 Meadows, LLP	LLP	The LLP has placed mortgage financing.
603	Dyncorp Building	Fee	GE Financial Assurance \$4,330,000
604	MarketPointe	LLC	Guaranty Federal \$34,070,911 Construction Loan
606	Claymore Industrial Buildings	Fee	Lincoln National Life \$18,055,316 1st \$3,868,996 2nd
607	Denver Business Center	Fee	Lincoln National Life \$8,343,873 1st \$1,787,973 2nd
608	Welsh/Lexana II LLC	LLC	The LLC has placed mortgage financing.
609	Clay Crossing Business Center I LP	LP	Mellon Bank \$4,500,000 2 year construction loan
610	West by Northwest	Fee	Prudential Ins. Co. \$11,000,000 Due
612	Grand Oak Master LLC	LLC	No financing.
616	Monterey Oaks Corporate Center	Fee	Security Life of Denver \$11,500,000
618 and 619	Grand Oak IV and VI	Fee	Allstate \$4,900,000

Section 2.7.1

Financial Statements

GAAP financial statements for the following funds have been made available to AAL:

The Lutheran Brotherhood Family of Funds for year ended October 31, 2000 (fiscal year ends October 31)

- LB Opportunity Growth Fund
- LB Mid Cap Growth Fund
- LB World Growth Fund
- LB Fund
- LB Value Fund
- LB High Yield Fund
- LB Income Fund
- LB Municipal Bond Fund
- LB Limited Maturity Bond Fund
- LB Money Market Fund

LB Series Fund, Inc. for year end December 31, 2000

- Opportunity Growth Portfolio
- Mid Cap Growth Portfolio
- World Growth Portfolio
- Growth Portfolio
- High Yield Portfolio
- Income Portfolio
- Money Market Portfolio

Separate Accounts

- Lutheran Brotherhood Variable Annuity Account I for year ended December 31, 2000.
- Lutheran Brotherhood Variable Insurance Account for year ended December 31, 2000.
- Lutheran Brotherhood Variable Insurance Products Company Variable Insurance Account for year ended December 31, 2000.
- Lutheran Brotherhood Variable Insurance Products Company Variable Annuity Account I for year ended December 31, 2000.

Section 2.8

Changes Since March 31, 2001

1. In June 2001, LB entered into Change in Control and Confidentiality Agreements with the following persons: Randall L. Boushek, Jennifer H. Martin, Deborah E. Moore, Lawrence W. Stranghoener, James Thomsen, and Daniel G. Walseth.

2. On June 6, 2001, the United States District Court for the District of Minnesota granted partial class certification in the matter captioned In Re Lutheran Brotherhood Variable Insurance Products Co. Sales Practices Litigation.

Section 2.10

Title to Property

See Section 2.6 of the LB Disclosure Letter for a list of all properties with existing mortgages.

Section 2.11

Investment Securities

1. Commercial and church mortgage defaults totaled \$1,525,762 as of May 31, 2001.
2. Bond defaults totaled \$4,675,412 as of May 31, 2001.
3. Lutheran Brotherhood's Securities Lending program is currently suspended and has no securities out on loan.
4. See Section 2.6 of the LB Disclosure Letter for a list of all properties with existing mortgages.

Section 2.12

Environmental Laws

LB has identified two properties where it may have potential environmental liability for properties previously or currently owned:

1. LB Property # 520 – Shingle Creek Warehouse, Brooklyn Center, MN: The property was sold during 2000 and LB provided a limited indemnity to the purchaser for the identified release of minor contaminants. The indemnity is tied to any clean up actually required by the Minnesota Pollution Control Agency (“MPCA”). The matter is before the MPCA for consideration.

2. LB Property # 579 – 901 Building, Wichita, KS: The property was sold during 1994 and LB provided an indemnity to the purchaser for certain environmental matters that would require remediation pursuant to applicable law. There has been no claim under this indemnity.

Section 2.13

Proprietary Rights

No exceptions.

Section 2.14

Agreements

- i. Contract for employment of any officer or employee that is not terminable without liability on 30 days notice or that provides for any further payments following such termination, or contract with former officer or employee:**

David Angstadt	(The late) Arley Bjella
Rolf Bjelland	Hildred Dungan
Robert Gandrud	Karen Graves
David Larson	Jerald Sourdiffe
Clair Strommen	

Copies of the agreements meeting the requirements described in Section 2.14(i) of the Agreement have previously been provided to AAL.

Also see Item 1 in Section 2.8 of the LB Disclosure Letter.

- ii. Stock, ownership, profit-sharing, bonus, deferred compensation, stock option, severance pay, pension, retirement, or similar plan or agreement:**

Home Office 401(k)

Field Representative 401(k)

Management Incentive Compensation Plan

Performance Sharing Plan

Long Term Incentive Compensation Plan

Investment Incentive Compensation Plan

Field Representative 457 Plan

Home Office Officer 457 Plan

Board of Directors 457 Plan

General Agent Retirement Plan

LBSC Retirement Plan

Board of Directors Retirement Plan

KEYSHARE – Key Employee Share Option Plan

Home Office Retirement Plan

Field Representative Retirement Plan

Executive Officer Financial and Benefit Guidelines

iii. Mortgage, indenture, note or installment obligation the unpaid balance of which exceeds \$1,000,000, or other instrument for or relating to any borrowing of money by LB or any of LB Subsidiaries, the unpaid balance of which exceeds \$1,000,000:

<u>Property</u>	<u>Amount</u>	<u>% of Value</u>	<u>Maturity Date</u>	<u>Interest Rate</u>	<u>Amortization</u>	<u>Lender</u>	<u>Comments</u>
Ridgehaven Mall	10,500,000	61.05%	3/03	7.00%	None	Woodmen	
DynCorp	4,330,000	61.86%	7/09	7.06%	25 yrs	GEFA	
Claymoore Park	18,055,316	69.44%	10/04	7.41%	None	Lincoln	
Claymoore Park	3,868,996	14.88%	10/04	10.00%	None	Lincoln	Participating 2nd
Denver Bus. Center	8,343,873	69.53%	10/04	7.41%	None	Lincoln	
Denver Bus. Center	1,787,973	14.90%	10/04	10.00%	None	Lincoln	Participating 2nd
West by NW Park	11,000,000	53.66%	11/05	7.86%	None	Pru	
Monterey Oaks	11,500,000	57.50%	5/06	6.75%	None	ING	
Grand Oak	4,900,000	50.00%	7/06	6.46%	None	Allstate	

LB Bancorp participates in lending with the Federal Home Loan Bank of Des Moines. As of June 15, 2001 total loans amount from FHLB was \$25,900,459 of which \$21,000,000 was maturing in the next 9 months.

iv. Guaranty of any obligation for borrowings or otherwise, which in the aggregate exceed \$1,000,000:

LB has guaranteed to the Office of Thrift Supervision (“OTS”) that it will provide sufficient capital to LB Bancorp so that it is maintained at the well-capitalized level as defined by the OTS. During each of the years 2002 and 2003, LB is scheduled to provide capital infusions in the amount of \$2 million to LB Bancorp.

LB has extended a \$25 million line of credit to the LCMS Church Extension Fund.

Property #608 – Kansas City Joint Venture with Welsh, LB signed an indemnity that requires it to pay 50% of principal and interest due on the construction loan, but conditioned upon a default, and LB’s partner paying their 50% share first.

v. Agreement or arrangement for the sale or lease of any material amount of its assets or part of its business other than in the ordinary course of business or for the preferential rights to purchase or lease any material amount of its assets or part of its business:

None.

vi. Agreement or arrangement obligating it to register any of its outstanding shares or other securities with the SEC:

None.

vii. Reinsurance or retrocession treaty or agreement (including terminated treaties or agreements containing residual or unexpired liabilities):

<u>Munich Re</u>	<u>Disability reinsurance</u>
Lincoln National	Facultative Single and Joint Life, Automatic Reinsurance
RGA	Facultative Single and Joint Life
Allianz	Facultative Single Life
General & Cologne	Facultative Single Life
Lincoln National (terminated)	Disability
SwissRe (terminated)	Disability

viii. Agreement or contract with any insurance agent, compensated investment advisory referral source or representative, broker-dealer registered representative or other producer other than pursuant to the forms of agreement listed in such letter:

- General Agent Agreement – Lutheran Brotherhood (“LB”)
- General Agent Agreement – Lutheran Brotherhood Securities Corp. (“LBSC”)
- Associate General Agent Agreement
- Agency Field Manager
- District Manager

District Representative Agreement (“DR”) – LB
Registered Representative Agreement (“RR”) – LBSC
Selected Registered Representative Agreement
New Part-Time Representative Agreement
Part-Time Representative Agreement
Associate District Representative Agreement
Associate Registered Representative Agreement – LBSC
Associate District Representative Agreement – GA
Associate Registered Representative Agreement – GA
Associate District Representative Agreement – Multiple Employer
Associate Registered Representative Agreement – Multiple Employer
Licensed Office Professional – DR
Registered Office Professional – RR
Licensed Office Professional – Multiple DR
Registered Office Professional – Multiple RR
Licensed Office Professional – GA
Registered Office Professional – GA
Licensed Office Professional – AGA
Proprietary information Agreement
Agency Infrastructure Loan Agreement
Loan to Jim Thomsen (GA-Chicago)

ix. Agreement with any investment adviser

See Sections 2.14 (xi) and 2.22.1 of the LB Disclosure Letter.

T. Rowe Price International (subadviser) to LB and LBRC for LB Series fund and The Lutheran Brotherhood Family of Funds, respectively.

Advisory Agreements Between:

Lutheran Brotherhood Securities Corp.	And	The Lutheran Brotherhood Family of Funds	
Lutheran Brotherhood	And	LB Series Fund, Inc.	
Lutheran Brotherhood	And	LB Series Fund, Inc. – Opportunity Growth Portfolio	
Lutheran Brotherhood	And	LB Series Fund, Inc. – Mid Cap Growth Portfolio	
Lutheran Brotherhood	And	LB Series Fund, Inc.	And T. Rowe Price International, Inc.
Lutheran Brotherhood Research Corp.	And	The Lutheran Brotherhood Family of Funds	And T. Rowe Price International, Inc.
Lutheran Brotherhood	And	LB Series Fund, Inc. – World Growth Portfolio	
Lutheran Brotherhood	And	LB Series Fund, Inc.	And Rowe-Price Fleming, International, Inc.
Lutheran Brotherhood Research Corp.	And	The Lutheran Brotherhood Family of Funds	
Lutheran Brotherhood Securities Corp.	And	Augsburg Fortress Publishers	
Lutheran Brotherhood Securities Corp.	And	Augsburg College	
Lutheran Brotherhood Securities Corp.	And	Evangelical Lutheran Good Samaritan Society	
Lutheran Brotherhood Securities Corp.	And	Good Samaritan Community Healthcare	
Lutheran Brotherhood Securities Corp.	And	Allocation Advantage Clients	

Lutheran Brotherhood Securities Corp. And LifeMap Financial Planner clients And LifeMap Financial Planner
 Lutheran Brotherhood Community And Trust Clients
 Bank & Trust, fsb

Distribution Agreements Between:

Lutheran Brotherhood Variable Insurance Products Company	On behalf of LBVIP Variable Annuity Account	And	Lutheran Brotherhood Securities Corp.
Lutheran Brotherhood Variable Insurance Products Company	On behalf of LBVIP Variable Insurance Account	And	Lutheran Brotherhood Securities Corp.
Lutheran Brotherhood	On its own behalf, and on behalf of LB Variable Annuity Account I	And	Lutheran Brotherhood Securities Corp.
Lutheran Brotherhood	On its own behalf and on behalf of LB Variable Insurance Account I	And	Lutheran Brotherhood Securities Corp.

Custodian Agreements Between:

The Lutheran Brotherhood Family of Funds	And	State Street Bank and Trust Company
LB Series Fund, Inc.	And	State Street Bank and Trust Company

x. Agreement or arrangement pursuant to which LB or any LB Subsidiary has agreed to acquire or dispose of any LB Investments, other than in the ordinary course of business.

None.

xi. Contract, agreement or other instrument that is otherwise material to the business, assets, liabilities, results of operations or financial condition of LB and the LB Subsidiaries taken as a whole.

Agreement with IBM for the lease of field laptop computers.

Annuity System Implementation Agreement.

Also see Section 2.22.1 of the LB Disclosure Letter.

Transfer Agent Agreements

Transfer Agent and Service Agreement by and between The Lutheran Brotherhood Family of Funds and Lutheran Brotherhood Securities Corp.

Transfer Agent Support Service Agreement between Lutheran Brotherhood Securities Corp. and State Street Bank and Trust Company.

State Street Funds Transfer Agent Agreement.

Information Technology Agreements

LB Community Bank & Trust, fsb

- FISERV Solutions, Inc.
 - Client Vision Software
 - VIP Teller/Sales
 - Nautilus Cold System
 - Item Processing Services
 - easyLENDER mortgage software
 - easyLENDER consumer software
 - Imagesoft Technologies

- Sungard Trust Systems
- Dovenmuehle Mortgage, Inc.

Lutheran Brotherhood and other Subsidiaries

- Bindview – Software and maintenance – Required to run software

- ChicagoSoft – Software and maintenance – Required to run software
- Computer Associates – Software, lease and maintenance – Contractually obligated
- Computer Associates – Software – Contractually obligated, Foundation agreement
- Computer Associates – Software and maintenance – Required to run software
- Compuware – Software and maintenance – Required to run software
- EMC – Software and maintenance – Required to run software
- FileNet – Software and maintenance – Required to run software
- Fischer International – Software and maintenance – Required to run software
- GE Capital – Software and maintenance – Required to run software
- IBM – Software, rental – Required to run software
- IBM – Hardware, lease – Contractually obligated
- IBM – Hardware, maintenance – Contractually obligated
- LincolnNational Underwriting System – Software, Optional for support
- McAfee – Software – Required to run software
- Microsoft – Software
- Mobius – Software and maintenance – Required to run software
- Onvoy – Service – Required for service
- Rational – Software and maintenance – Required to run software
- SAS – Software and maintenance – Required to run software
- SEA – Software and maintenance – Required to run software
- Softworks – Software and maintenance – Required/contract pending
- Staffware – Software and maintenance – Required to run software
- Syncsort – Software and maintenance – Required to run software
- Xerox – Hardware – Contractually obligated

Section 2.15

Litigation

1. In Re Lutheran Brotherhood Variable Insurance Products Co. Sales Litigation. U.S. District Court, Minnesota District.
2. Minnesota State Court Putative Class Actions [Smerud v. LB, Ardith Johnson v. LB, Ahfeldt v. LB]. Minnesota District Court, Hennepin County
3. John Bower v. LB and LBSC. Federal Court; NASD Arbitration

Section 2.16.1

Compliance with Laws (licensing requirements)

None.

Section 2.16.2

Compliance with Laws (reporting requirements)

No exceptions.

Section 2.16.3

Compliance with Laws (loans)

None.

Section 2.17.1

Taxes (returns and liabilities)

- (i) No exceptions.
- (ii) No exceptions.
- (iii) No exceptions.
- (iv) No exceptions.

(v) Lutheran Brotherhood has requested a judicial ruling pursuant to the request for an additional refund for tax years 1993 and 1994. If LB receives an adverse ruling, it may be required to pay additional taxes for tax years 1995-1997. A waiver has been filed for 1995.

(vi) The following extensions for time to file have been filed for the 2000 tax year:

LB

Form 990
Form 990 – group
Form 990-7

LBFC

Consolidated Form 1120

LBRC

Minnesota (combined – unitary)

LB has also filed various extensions for time to file on the state level with regard to LBSC, VIP, and Lutheran Trust.

Section 2.17.4

Taxes (power of attorney)

None.

Section 2.18

Related Party Transactions

None.

Section 2.19.1

Employee Benefit Plan (list of plans)

1. Home Office 401k
2. Home Office Retirement Plan
3. Field Representative 401k
4. Field Representative Retirement Plan
5. Performance Sharing Plan
6. Management Incentive Compensation Plan
7. Long Term Incentive Compensation Plan
8. Investment Incentive Compensation Plan
9. Field Representative 457 Plan
10. Home Office Officer 457 Plan
11. Board of Directors 457 Plan
12. General Agent Retirement Plan
13. LBSC Retirement Plan
14. Board of Directors Retirement Plan
15. KEYSHARE – Key Employee Share Option Plan
16. Supplemental Executive Retirement Plan
17. Flexible Spending Account
18. Group Medical Plan
19. Tuition Reimbursement
20. Employee Commuter Options
21. Long and Short Term Disability
22. Dining Center Discount
23. Delta Dental
24. Group Term Life Insurance
25. Travel Accident Plan

Section 2.19.6

Employee Benefit Plans (future cost)

The present value of expected future post-retirement medical benefits was \$8,126,689 as of December 31, 2000.

Section 2.20

Reserves and Reinsurance

No exceptions.

Section 2.21.2

Insurance Benefit Contract and Rates

No exceptions.

Section 2.21.4

Assessments

No exceptions.

Section 2.21.5

Members

No exceptions.

Section 2.22.1

Agreements

Advisory Agreements Between:

Lutheran Brotherhood Securities Corp.	And The Lutheran Brotherhood Family of Funds	
Lutheran Brotherhood	And LB Series Fund, Inc.	
Lutheran Brotherhood	And LB Series Fund, Inc. – Opportunity Growth Portfolio	
Lutheran Brotherhood	And LB Series Fund, Inc. – Mid Cap Growth Portfolio	
Lutheran Brotherhood	And LB Series Fund, Inc.	And T. Rowe Price International, Inc.
Lutheran Brotherhood Research Corp.	And The Lutheran Brotherhood Family of Funds	And T. Rowe Price International, Inc.
Lutheran Brotherhood	And LB Series Fund, Inc. – World Growth Portfolio	
Lutheran Brotherhood	And LB Series Fund, Inc.	And Rowe-Price Fleming, International, Inc.
Lutheran Brotherhood Research Corp.	And The Lutheran Brotherhood Family of Funds	
Lutheran Brotherhood Securities Corp.	And Augsburg Fortress Publishers	
Lutheran Brotherhood Securities Corp.	And Augsburg College	
Lutheran Brotherhood Securities Corp.	And Evangelical Lutheran Good Samaritan Society	
Lutheran Brotherhood Securities Corp.	And Good Samaritan Community Healthcare	
Lutheran Brotherhood Securities Corp.	And Allocation Advantage Clients	
Lutheran Brotherhood Securities Corp.	And LifeMap Financial Planner clients	And LifeMap Financial Planner
LB Community Bank & Trust, fsb.	And Trust Clients	

Distribution Agreements Between:

Lutheran Brotherhood Variable Insurance Products Company	On behalf of LBVIP Variable Annuity Account	And Lutheran Brotherhood Securities Corp.
Lutheran Brotherhood Variable Insurance Products Company	On behalf of LBVIP Variable Insurance Account	And Lutheran Brotherhood Securities Corp.
Lutheran Brotherhood	On its own behalf, and on behalf of LB Variable Annuity Account I	And Lutheran Brotherhood Securities Corp.
Lutheran Brotherhood	On its own behalf and on behalf of LB Variable Insurance Account I	And Lutheran Brotherhood Securities Corp.

AID ASSOCIATION FOR LUTHERANS
DISCLOSURE LETTER
TO
AGREEMENT AND PLAN OF MERGER
BETWEEN
AID ASSOCIATION FOR LUTHERANS
AND
LUTHERAN BROTHERHOOD

Dated as of June 27, 2001

Section 3.2
AAL, Subsidiaries and Funds

1. AAL Holdings Inc. – Delaware
2. AAL Capital Management Corporation – Delaware
3. AAL Bank and Trust, FSB – Federal Charter
4. North Meadows Investment Ltd. – Wisconsin
5. AAL Mutual Funds – Massachusetts
6. AAL Variable Product Series Fund, Inc. – Maryland

Section 3.2.1
Capitalization of Subsidiaries

North Meadows Investment Ltd. owns approximately 20% of the shares of TAM, LLC, a limited liability company which owns the Avenue Mall in downtown Appleton, Wisconsin.

Section 3.2.2
AAL Insurance Authority

Product

CERTIFICATES OF AUTHORITY

<u>State</u>	<u>Life</u>	<u>Accident Health</u>	<u>Disability Income</u>	<u>Variable Annuities</u>	<u>Variable Life</u>	<u>Comments*</u>
ALABAMA	X	X	X	X	X	Authorized to act with powers indicated. (General Fraternal)
ALASKA	X	X		X	X	
ARIZONA	X		X	X	X	
ARKANSAS	X		X	X	X	
CALIFORNIA	X	X	X	X	X	Authorized to transact business as a Fraternal Benefit Society.
COLORADO	X	X		X	X	Also Annuities.
CONNECTICUT	X	X	X	X	X	Licensed to transact business as a Fraternal Benefit Society
DELAWARE	X	X		X	X	Also Annuities.
D.C.	X	X			X	
FLORIDA	X	X		X	X	
GEORGIA	X	X	X	X	X	Licensed to transact the business of Fraternal Insurance.
HAWAII	X	X	X	X	X	Licensed to transact the business of Fraternal Insurance.
IDAHO	X	X	X	X	X	Licensed to transact the business of Fraternal Insurance.
ILLINOIS	X	X	X	X	X	Authorized to transact the business of Fraternal Insurance.
INDIANA	X	X	X	X	X	Authorized to transact appropriate business — Fraternal.
IOWA	X	X	X	X	X	Authorized to transact the kinds of insurance business noted. (Fraternal Benefit)
KANSAS	X	X				
KENTUCKY	X	X				
LOUISIANA	X	X		X	X	
MAINE	X	X		X	X	
MARYLAND	X	X	X	X	X	Authority to transact the kinds of insurance set forth and specifically designated by code letters. (Fraternal)
MASSACHUSETTS	X	X		X	X	
MICHIGAN	X	X	X	X	X	Authorized to transact the business of insurance.

<u>State</u>	<u>Life</u>	<u>Accident Health</u>	<u>Disability Income</u>	<u>Variable Annuities</u>	<u>Variable Life</u>	<u>Comments*</u>
MINNESOTA	X	X	X	X	X	Authorized to transact the business of a fraternal benefit society.
MISSISSIPPI	X	X	X	X	X	Authorized to transact the business of Fraternal Insurance.
MISSOURI	X	X	X	X	X	Authorized to do the insurance or other business of Fraternal.
MONTANA	X	X	X	X	X	Authorized to transact Fraternal Insurance.
NEBRASKA	X	X	X	X	X	Licensed to transact the business of insurance.
NEVADA	X	X	X	X	X	Licensed to transact fraternal benefit society insurance business.
NEW HAMPSHIRE	X	X		X	X	
NEW JERSEY	X	X	X	X	X	Licensed to transact lines of insurance designated. Fraternal Benefit Society.
NEW MEXICO	X	X	X	X	X	Authorized to provide Fraternal Benefits.
NEW YORK	X	X	X	X	X	Licensed to do business as a Fraternal Benefit Society.
NORTH CAROLINA	X	X		X	X	
NORTH DAKOTA	X	X		X	X	Also Annuity & Medical Services.
OHIO	X	X	X	X	X	Authorized to transact the business of Fraternal Insurance.
OKLAHOMA	X	X				
OREGON	X	X		X	X	
PENNSYLVANIA	X	X		X	X	Also Annuities & Separate Account Annuities.
RHODE ISLAND	X	X	X	X	X	Authorized to transact business as a Fraternal Beneficiary Society.
SOUTH CAROLINA	X	X		X	X	
SOUTH DAKOTA	X	X		X	X	
TENNESSEE	X	X		X	X	
TEXAS	X	X		X	X	
UTAH	X		X	X	X	Also Annuity.
VERMONT	X	X	X	X	X	Fraternal Benefit Society License.
VIRGINIA	X	X		X	X	Also Annuities.
WASHINGTON	X	X	X	X	X	Licensed to transact business of Fraternal Benefit Society.
WEST VIRGINIA	X	X		X	X	Licensed to transact business of Fraternal Benefit Society.
WISCONSIN	X		X	X	X	Also Annuities.
WYOMING	X	X	X	X	X	Authorized to transact Business as a fraternal.

* AAL is authorized to sell annuities in all 50 states.

**Section 3.2.3
Broker-Dealer Subsidiaries**

AAL Capital Management Corporation

**Section 3.2.4
Investment Adviser Subsidiaries**

1. AAL Capital Management Corporation
2. AAL Bank and Trust, FSB

Section 3.2.6
AAL Investment Companies

The AAL Mutual Funds:

1. The AAL Technology Stock Fund
2. The AAL Aggressive Growth Fund
3. The AAL Small Cap Stock Fund
4. The AAL Small Cap Index Fund II
5. The AAL Mid Cap Stock Fund
6. The AAL Mid Cap Index Fund
7. The AAL Mid Cap Index Fund II
8. The AAL International Fund
9. The AAL Capital Growth Fund
10. The AAL Large Company Index Fund
11. The AAL Large Company Index Fund II
12. The AAL Equity Income Fund
13. The AAL Balanced Fund
14. The AAL High Yield Bond Fund
15. The AAL Municipal Bond Fund
16. The AAL Bond Fund
17. The AAL Bond Index Fund
18. The AAL Money Market Fund
19. The AAL U.S. Government Zero Coupon Target Funds Series 2001
20. The AAL U.S. Government Zero Coupon Target Funds Series 2006
21. The AAL Small Cap Value Fund, effective 7/17/01

AAL Variable Product Series Fund, Inc.:

1. AAL Technology Stock Portfolio
2. AAL Aggressive Growth Portfolio
3. AAL Small Cap Stock Portfolio
4. AAL Small Cap Index Portfolio
5. AAL Mid Cap Stock Portfolio
6. AAL Mid Cap Index Portfolio
7. AAL International Portfolio
8. AAL Capital Growth Portfolio
9. AAL Large Company Index Portfolio
10. AAL Equity Income Portfolio
11. AAL Balanced Portfolio
12. AAL High Yield Bond Portfolio
13. AAL Bond Index Portfolio
14. AAL Money Market Portfolio

Section 3.2.7
AAL Separate Accounts

No exceptions.

Section 3.5
Consents and Approvals

1. Wisconsin Commissioner of Insurance
2. Minnesota Commerce Commissioner
3. Hart-Scott-Rodino Antitrust Improvements Act notification
4. Office of Thrift Supervision
5. Federal Deposit Insurance Corporation
6. National Association of Securities Dealers

Section 3.6
Defaults and Conflicts

No exceptions.

Section 3.7.1
GAAP Financial Statements

1. The AAL Mutual Funds for the year ended April 30, 2001 (fiscal year ends April 30)

- The AAL International Fund
- The AAL Small Cap Stock Fund
- The AAL Mid Cap Stock Fund
- The AAL Capital Growth Fund
- The AAL Equity Income Fund
- The AAL Balanced Fund
- The AAL Large Company Index Fund I
- The AAL Mid Cap Index Fund I
- The AAL Bond Index Fund
- The AAL Bond Fund
- The AAL Municipal Bond Fund
- The AAL High Yield Bond Fund
- The AAL Money Market Fund
- The AAL U.S. Government Zero Coupon Target Fund, Series 2001
- The AAL U.S. Government Zero Coupon Target Fund, Series 2006
- The AAL Technology Stock Fund
- The AAL Aggressive Growth Fund
- The AAL Small Cap Index Fund II
- The AAL Mid Cap Index Fund II
- The AAL Large Cap Index Fund II

2. The AAL Variable Product Series Fund, Inc. for the year ended December 31, 2000

- Small Company Stock Portfolio
- International Stock Portfolio
- Large Company Stock Portfolio
- Balanced Portfolio
- High Yield Bond Portfolio
- Bond Portfolio
- Money Market Portfolio

3. Separate Accounts for the year ended December 31, 2000

- AAL Variable Annuity Account I
- AAL Variable Life Account I

4. Separate Accounts for the year ended December 31, 2000

- AAL Variable Annuity Account II

Section 3.8
Changes Since March 31, 2001

1. Amendment of bylaws of North Meadows Investment Ltd. to expand the nature of the businesses in which this entity may engage
2. Negotiations to purchase AAL Member Credit Union Service Organization
3. On June 4, 2001, AAL Trust Company, FSB changed its name to AAL Bank and Trust, FSB. On the same date, AAL Bank and Trust, FSB began business with full banking authority. Prior to that date, AAL Trust Company, FSB exercised only trust powers.
4. AAL entered into a Severance and Non-Competition Agreement with John Gilbert on June 22, 2001.
5. AAL entered into Change in Control and Confidentiality Agreements with John Gilbert, Woody Eno, Jon Stellmacher, Fred Ohlde, Bryan Stoltenberg, Carl Rudolph and Jim Abitz on June 22, 2001.

**Section 3.10
Title to Property**

No exceptions.

**Section 3.11
Investments Securities**

1. Commercial, church and residential mortgage defaults totaled \$6,779,194 as of May 31, 2001.
2. Bond defaults totaled \$24,332,400 as of May 31, 2001.
3. AAL has maintained a loaned securities program for approximately 20 years in the ordinary course of its business and currently has common stocks and bonds on loan with a value of approximately \$800,000,000 as of May 31, 2001.

**Section 3.12
Environmental Laws**

No exceptions.

**Section 3.13
Proprietary Rights**

No exceptions.

**Section 3.14
Agreements**

- (i) Copies of the agreements meeting the requirements described in 3.14(i) of the Agreement have previously been provided to Lutheran Brotherhood. These agreements are with the following employees:
- Walter S. Rugland
 - Woodrow E. Eno
 - David L. Vorpagel
 - Jack D. Hollingsworth
 - Otis Haarmeyer
 - Steven A. Weber
 - Roger J. Johnson

Also see Items 4 and 5 in Section 3.8 of the AAL Disclosure Letter.

- (ii) Aid Association for Lutherans Agents' Retirement Plan
Aid Association for Lutherans Employees' Retirement Plan
Aid Association for Lutherans Savings Plan
The AAL Severance Program
Aid Association for Lutherans Supplemental Executive Retirement Plan
The Aid Association for Lutherans Executive and Director Share Option Plan
Deferred compensation agreements with certain current and former directors
Success Share Program
Management Incentive Program
Long Term Management Incentive Program
AAL Capital Management Corporation Retirement Benefits Equalization Plan
Investment Department Long-Term Incentive Program
- (iii) None.
- (iv) Under terms of guarantee of a letter of credit issued by local banks, AAL is obligated to advance a maximum of \$45 million if a local civic organization is unable to make timely payments on its debt secured by a letter of credit from Bank One. AAL's guarantee is secured by the civic organization's assets which include all funds held by the organization to support the debt and the organization's building. AAL would acquire these assets in the event of default.
- AAL has extended a \$25 million line of credit to the LCMS Church Extension Fund.
- (v) None.
- (vi) None.
- (vii) Reinsurance Treaties

DISABILITY INCOME REINSURANCE TREATIES

LINCOLN NATIONAL LIFE	EFFECTIVE 3/1/95 (Automatic) 2/20/95 (Facultative)
Product – Disability Income	
Treaty Type – Automatic & Facultative	
PAUL REVERE LIFE INSURANCE COMPANY	EFFECTIVE 7/1/1982
Product Type – Disability Income	
Treaty Type – Automatic & Facultative	

MAJOR MEDICAL REINSURANCE TREATIES

EMPLOYERS REINSURANCE CORPORATION	EFFECTIVE 1/1/2000
Reinsurance type – Excess Medical	
EMPLOYERS REINSURANCE CORPORATION	EFFECTIVE [6/21/2001]
Reinsurance type – Excess Medical	

LIFE INSURANCE REINSURANCE TREATIES

LINCOLN NATIONAL LIFE INSURANCE	EFFECTIVE 4/1/2000
Product Type – Level Term II	
Reinsurance Type – Automatic & Facultative	
INDIANAPOLIS LIFE INSURANCE COMPANY	EFFECTIVE 1/1/1994
Product Type – Legacy SWL	
Reinsurance Type – Automatic & Facultative	
CNA – CONTINENTAL ASSURANCE CO.	EFFECTIVE 9/15/1994
Product Type – Life Plans	
Reinsurance Type – Facultative	
COLOGNE LIFE RE	EFFECTIVE 7/1/1989
Product Type – YRT	
Reinsurance Type — Facultative	
SWISS RE	EFFECTIVE 3/15/1988
Product Type – Universal, Term, and Permanent Life	
Reinsurance Type – Facultative & Retention	
NORTH AMERICAN LIFE AND CASUALTY (ALLIANZ)	EFFECTIVE 1/1/1983
Product Type – Life, WP, AD	
Reinsurance Type — Facultative	
LINCOLN NATIONAL LIFE INSURANCE	EFFECTIVE 10/1/1982
Product Type – Whole Life Plans	
Reinsurance Type – Automatic & Facultative	
LINCOLN NATIONAL LIFE INSURANCE	EFFECTIVE 12/1/1982
Product Type – Level & Decreasing Term	
Reinsurance type – Automatic & Facultative	
CONNECTICUT GENERAL LIFE	EFFECTIVE 4/1/1981
Product Type – Life Products	
Reinsurance Type – Facultative	
COLOGNE LIFE RE	EFFECTIVE 10/1/1980
Product Type – Life Products	
Reinsurance Type -	
CONNECTICUT GENERAL LIFE	EFFECTIVE 2/1/1979
Product Type – Life Products	
Reinsurance Type – Facultative	
TRANSAMERICA OCCIDENTAL LIFE	EFFECTIVE 1/1/1979
Product Type – YRT	
Reinsurance Type — Facultative	

LINCOLN NATIONAL LIFE INSURANCE
Product Type – Term and Ordinary Life Plans
Reinsurance Type – Automatic & Facultative

EFFECTIVE 10/1/1977

CIGNA RE
Product Type – Term and Ordinary Life Plans
Reinsurance Type – Facultative

EFFECTIVE 11/15/1952

- (viii) District Representative's Contract
AAL Representative Compensation Agreement
Associate Representative's Contract
Associate Representative Compensation Agreement
Aid Association for Lutherans General Agent's Employment Contract
General Agent Transition Compensation Agreement
Marketing Agreement with AAL Bank and Trust, FSB
Solicitation Agreement for AAL Bank and Trust, FSB
Registered Representative Agreement with AAL Capital Management Corporation
- (ix) See Section 3.22.1 of the AAL Disclosure Letter.
- (x) In June, AAL Bank and Trust, FSB plans to enter into a definitive agreement with both the AAL Member Credit Union and the AAL Credit Union for the acquisition of each of their respective loan portfolios.
- (xi) See also Section 3.22.1 of the AAL Disclosure Letter.

The AAL Mutual Funds

1. Administrative Services Agreement between The AAL Mutual Funds and AAL dated 1/1/99.
2. Amended and Restated Distribution Plan for The AAL Mutual Funds dated 1/8/97 (12b-1 Plan)
3. Transfer Agency Services Agreement between PFPC, Inc. and The AAL Mutual Funds dated 2/1/01.
4. Print Mail Services Agreement between PFPC, Inc. and The AAL Mutual Funds dated 2/1/01.
5. The AAL Mutual Funds Migration Agreement between The AAL Mutual Funds and Firststar Mutual Fund Services LLC dated 2/10/01.
6. Shareholder Maintenance Agreement between The AAL Mutual Funds and AAL Capital Management Corporation dated 4/1/95.
7. Global Custodial Services Agreement between Citibank and The AAL Mutual Funds dated 9/1/98.
8. Directed Brokerage Services Agreement between State Street Brokerage and The AAL Mutual Funds dated 9/15/00.

Variable Product Series Fund, Inc.

1. Stock Subscription Agreement between AAL Variable Product Series Fund, Inc. and AAL dated 12/19/00
2. Global Custodial Services Agreement between Citibank and AAL Variable Product Series Fund, Inc. dated 1/2/01.
3. Amended and Restated Participation Agreement by and among Aid Association for Lutherans and Aid Association for Lutherans Savings Plan and AAL Capital Management Corporation and AAL Variable Product Series Fund, Inc. dated 1/1/00.
4. Second Amended and Restated Transfer Agency Agreement by and among AAL Variable Products Series Fund, Inc., and Aid Association for Lutherans dated 9/27/94, as amended 3/15/99 and amended 12/12/00.
5. Amended and Restated Participation Agreement by and among Aid Association for Lutherans and AAL Variable Annuity Account I and AAL Variable Annuity Account II and AAL Variable Life Account I and AAL Capital Management Corporation and AAL Variable Product Series Fund, Inc. dated 1/1/00.

Brokerage Services

1. Letter Agreement between LaSalle St. Securities, Inc. and AAL Capital Management Corporation dated 1/27/98 (regarding execution and clearing services to be performed by National Financial Services Corporation through LaSalle St. Securities, Inc.).
2. Secondary Clearing Agreement between LaSalle St. Securities, Inc., AAL Capital Management Corporation and National Financial Services Corporation dated 1/29/98.

Other

1. Amended and Restated Code of Ethics with respect to Securities Transactions of Access Persons for The AAL Mutual Funds, AAL Variable Product Series Fund, Inc., Aid Association for Lutherans and AAL Capital Management Corporation dated 11/8/00.
2. Computer Associates, Inc., multiple applications
3. Computer Sciences Corporation Vantage Computer Systems, application for annuity systems Vantage One and RPS
4. IBM, mainframe leases and supporting applications, some hardware
5. Lincoln National (LUS), underwriting system applications
6. M&I Data Services, Inc., back office processing for trust activities, outsourced
7. MicroSoft Corporation, multiple application and OS licenses
8. Metavante Corporation, back office processing for banking activities, outsourced
9. PEP+, application for ACHA (EFT) clearing process
10. PeopleSoft Corporation, application for accounting and financial platform
GL Module
Inventory Module
Purchasing Module
Accounts Payable
Asset Management Module
Budget Module
As of May 31, 2001, AAL was in the process of changing its general ledger accounting system to a system purchased from PeopleSoft
11. SS&C, Inc., application for investment accounting and portfolio systems, Camra Investment Systems
12. TAI Life Reinsurance Systems, application for process and activities with reinsurers of AAL products
13. Tesseract Corporation, application human resource and benefit system

Section 3.15

Litigation

1. **Radmer, et al. vs. AAL** – Missouri Class Action Litigation, Jackson County State Court
2. **Sattler vs. AAL** – U.S. District Court, Eastern District of Wisconsin
3. **Hawkins, et ux. vs. AAL** – U.S. District Court, Eastern District of Wisconsin
4. **Crosby, et al. vs. AAL and Timothy Schmidt** – Hennepin County District Court – State Court Minnesota
5. **Griggs, et al. Vs AAL and AAL CMC** – District Court, Harris County, TX – 189th Jud. Dist. Case No. 99-32176

Section 3.16

Compliance with Laws

AAL made a filing with the IRS under the VCR program on August 31, 2000 to correct an operational defect of including associate district representatives in the Aid Association for Lutherans Agents' Retirement Plan and the Aid Association for Lutherans Savings Plan.

Section 3.17.1

Taxes

AAL has a pending request for closing agreement with the IRS pursuant to Revenue Procedure 99-27 to correct inadvertent modified endowment contracts. Certificate owners of life insurance certificates included in the request have not been informed of modified endowment status since it is anticipated that the modified endowment status of these contracts will be reversed pursuant to Revenue Procedure 99-27.

Section 3.17.4

Taxes

Power of Attorney dated April 11, 2001 to attorneys in the law firm of Davis & Harman, Washington D.C. in connection with pending request for closing agreement under Revenue Procedure 99-27.

Section 3.18
Related Party Transactions

None.

Section 3.19.1
Employee Benefit Plans

Aid Association for Lutherans Agents' Retirement Plan
Aid Association for Lutherans Employees' Retirement Plan
Aid Association for Lutherans Savings Plan
AAL Expense Reimbursement Plan
AAL Employee Medicare Health Plan
AAL Employee Dental Plan
AAL Employee Health Plan
Aid Association for Lutherans Agents' Income Protection Plan
Aid Association for Lutherans Employees' Disability Plan
Group Term Life Insurance
Travel Accident Plan
The AAL Severance Program
Aid Association for Lutherans Supplemental Executive Retirement Plan
The Aid Association for Lutherans Executive and Director Share Option Plan
Deferred compensation agreements with certain current and former directors
AAL Capital Management Corporation Retirement Benefits Equalization Plan

Section 3.19.6
Employee Benefit Plans

The present value of expected future post-retirement medical benefits was \$82,273,174 at December 31, 2000.

Section 3.20
Reserves

No exceptions.

Section 3.21.2
Insurance Benefit Contracts and Rates

No exceptions.

Section 3.21.4
Assessments

No exceptions.

Section 3.21.5
Members

No exceptions.

Section 3.22.1
Agreements

See also Section 3.14 (xi) of the AAL Disclosure Letter.

The AAL Mutual Funds

1. The AAL Mutual Funds Investment Advisory Agreement with AAL Capital Management Corporation dated November 28, 1990 as amended.
2. The AAL Mutual Funds Sub-Advisory Agreement for The AAL International Fund with Oechsle International Advisors LLC dated October 30, 1998.
3. The AAL Mutual Funds Sub-Advisory Agreement for The AAL High Yield Bond Fund with Pacific Investment Management Company LLC dated June 12, 2000.
4. The AAL Mutual Funds Sub-Advisory Agreement for The AAL Aggressive Growth Fund with Janus Capital Corporation dated June 22, 2000.

5. The AAL Mutual Funds Distribution Agreement with AAL Capital Management Corporation dated June 15, 1987, as amended.
6. The AAL Mutual Funds Rule 12b-1 Distribution Plan, as adopted by each fund.

AAL Variable Products Series Fund, Inc.

1. Investment Advisory Agreement by and between AAL Variable Product Series Fund, Inc. and AAL Capital Management Corporation dated January 1, 2000.
2. Amended and Restated Sub-Advisory Agreement by and between AAL Variable Product Series Fund, Inc., and AAL Capital Management Corporation and Oechsle International Advisers LLC dated January 1, 2000.
3. AAL Variable Product Series Fund, Inc. Sub-Advisory Agreement for the AAL High Yield Bond Portfolio with Pacific Investment Management Company LLC dated June 12, 2000.
4. AAL Variable Product Series Fund, Inc. Sub-Advisory Agreement for the AAL Aggressive Growth Portfolio with Janus Capital Corporation dated December 14, 2000.
5. Amended and Restated Principal Underwriting and Servicing Agreement by and between AAL Capital Management Corporation and Aid Association for Lutherans dated January 1, 2000.

Fee Waivers/Expense Reimbursements

As of June 1, 2001, AAL Capital Management is waiving fees or reimbursing expenses in The AAL Mutual Funds and AAL Variable Series Fund, Inc. as follows:

The AAL Mutual Funds

Reimbursing all expenses over .20% for the institutional shares (I Shares) in The AAL Large Company Index, Mid Cap Index and Bond Index Funds

Reimbursing all expenses over 1% for A Shares and over 1.75% for B Shares in The AAL High Yield Bond Fund.

Waiving .05% of the advisory fee in The AAL Balanced Fund, .10% of the advisory fee in The AAL Municipal Bond Fund and .15% of the advisory fee in The AAL Bond Fund.

Waiving .075% of the advisory fee in The AAL Money Market Fund.

Waiving the entire advisory fee for The AAL U.S. Government Zero Coupon Target Funds, Series 2001 and Series 2006.

AAL Variable Product Series Fund Inc.

Waiving all fund expenses above the advisory fee for all portfolios except Small Cap Index, Large Company Index and Balanced Portfolio.

Section 6.1

Conduct of Business Pending the Merger

1. AAL Holdings, Inc. has plans to purchase the AAL Member Credit Union Service Organization, Inc. ("MCUSO") in conjunction with the dissolution of the AAL Member Credit Union. MCUSO provides electronic funds transfer services for AAL's Giving ThanksTM Program.
2. The AAL Bank & Trust Company, FSB building is being built by North Meadows Investments Limited. Funding for this transaction of approximately \$4.8 million will flow from AAL to North Meadows Investment Ltd. through stock issuances among AAL and certain subsidiaries.
3. In June, AAL Bank and Trust, FSB plans to enter into a definitive agreement with both the AAL Member Credit Union and the AAL Credit Union for the acquisition of each of their respective loan portfolios.
4. AAL plans to amend its bylaws to provide for term limits for the AAL Board of Directors.
5. AAL will enter into an amended and restated Severance and Non-Competition Agreement with John Gilbert (referenced in Section 3.8 of the AAL Disclosure Letter) substantially in the form previously provided to LB.
6. AAL will enter into amended and restated Change in Control and Confidentiality Agreements (referenced in Section 3.8 of the AAL Disclosure Letter) which will make certain changes consistent with LB's equivalent agreements and employees.



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