

OFFICE OF THRIFT SUPERVISION
Approval of Application to Establish an Operating Subsidiary

Order No.: 2001-01
Date: January 5, 2001
Re: OTS No. 3344

Citizens Financial Services, F.S.B., Munster, Indiana (Savings Bank), has applied to the Office of Thrift Supervision (OTS), pursuant to 12 U.S.C. § 1828(m) and 12 C.F.R. Part 559, for permission to establish an operating subsidiary, CFS Holdings, Ltd. (Operating Subsidiary), as a Bermuda corporation. The Operating Subsidiary would hold certain securities in which the Savings Bank is authorized to invest directly. Although the Operating Subsidiary would be located in Bermuda, it would hold securities only in accounts at financial institutions located in the United States. (The foregoing is referred to as the Application).

The OTS has considered the application under the standards set forth at 12 C.F.R. Part 559. In addition, the OTS has considered the digests prepared by the Central Regional Office and Examination Policy, and a legal opinion from the Business Transactions Division (collectively, the Staff Memoranda).

For the reasons set forth in the Staff Memoranda, the OTS has concluded that the establishment of the Operating Subsidiary would comply with all applicable statutes and regulations. Accordingly, the application is hereby approved, provided that the following conditions are complied with in a manner satisfactory to the Central Regional Director, or his designee (Regional Director):

1. The proposed transaction must be consummated within one hundred and twenty (120) calendar days from the date of this Order;
2. The activities of the Operating Subsidiary must be conducted in accordance with the representations made in the application;
3. The Savings Bank must obtain prior written approval from the Regional Director for any material deviation from the activities, facts, representations or level of investment in the Operating Subsidiary described in the application;
4. The Operating Subsidiary must make available to the OTS such information as the OTS deems necessary from time to time to monitor the Operating Subsidiary's activities and the effect of those activities on the safe and sound operation of the Savings Bank. The Operating Subsidiary must maintain a duplicate set of records in the United States at the Savings Bank's home office, or, if satisfactory to the Regional Director, elsewhere in the United States;

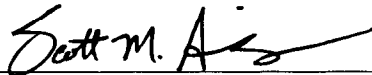
5. The Operating Subsidiary must maintain a registered agent in the Savings Bank's home office or, if satisfactory to the Regional Director, elsewhere in the United States to receive service of process on the subsidiary's behalf;
6. The Operating Subsidiary must provide all financial statements in U.S. dollars in accordance with generally accepted accounting principles, including financial information required to be submitted quarterly in the Thrift Financial Report;
7. The Savings Bank must promptly inform the Regional Director in writing of all changes in the directors, officers, and employees or managers of the Operating Subsidiary;
8. The Savings Bank must obtain prior written approval from the Regional Director for any change in the duties of the Operating Subsidiary's management and for any increase in the discretionary investment authority of the Operating Subsidiary's management above \$6.0 million; and
9. The documents required by the following bullet items must be submitted to the Regional Director. Once these documents are submitted and the Regional Director indicates in writing that the documents are in acceptable form, the Savings Bank may transfer securities to the Operating Subsidiary and commence operations, subject to the foregoing conditions.
 - The Savings Bank must establish and document internal controls that demonstrate adequate oversight of the Operating Subsidiary, and provide materials documenting the institution of such internal controls to the Regional Director.
 - The Operating Subsidiary and any institution-affiliated party associated with the Operating Subsidiary must consent in writing to the jurisdiction of the U.S. over, and the applicability of U.S. law to, the Operating Subsidiary and its institution-affiliated parties for purposes of all claims made by, proceedings initiated by, or obligations to, the U.S., the OTS, and any U.S. governmental agency, department or division, and must consent in writing to the jurisdiction of the OTS over the Operating Subsidiary and its institution-affiliated parties for purposes of examination, supervision and enforcement. The Operating Subsidiary and its institution-affiliated parties must further agree in writing not to challenge the authority of any conservator/receiver appointed for the Savings Bank to control the Savings Bank and the Savings Bank's interests in the Operating Subsidiary.
 - The Operating Subsidiary must submit a reasoned opinion of counsel in a form acceptable to the OTS indicating that there are no Bermuda laws that would restrict OTS access to, or enforcement authority over, the Operating Subsidiary or its institution-affiliated parties.
 - The Operating Subsidiary must consent in writing to the disclosure by Bermuda

governmental authorities to the OTS of such information on its operations and its affiliates that the OTS deems necessary from time to time to determine and enforce compliance with applicable U.S. law.

- The Operating Subsidiary and the Savings Bank must agree in writing to terminate operations of the Operating Subsidiary as soon as possible (but no later than 30 days) after being advised in writing that the OTS, in its sole discretion, has determined that such operations present undue risk.

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

By order of the Director of the Office of Thrift Supervision, or her designee, effective January 5, 2001.



Scott M. Albinson
Managing Director
Office of Supervision