

OFFICE OF THRIFT SUPERVISION

**APPROVAL OF APPLICATIONS FOR PERMISSION TO
ORGANIZE A FEDERAL SAVINGS BANK AND
HOLDING COMPANY ACQUISITION**

Order No.: 98-122

Date: December 15, 1998

Shelter Mutual Insurance Company, Columbia, Missouri, and Shelter Financial Corporation, Columbia, Missouri (together, the "Holding Company"), have applied for approval of the Office of Thrift Supervision (the "OTS") pursuant to 12 U.S.C. §§ 1464(e) and 1467a(e), and 12 C.F.R. §§ 552.2-1 and 574.3 for permission to organize and acquire Shelter Financial Bank, Columbia, Missouri (the "Savings Bank") (collectively, "the Applications").

The OTS has considered the Applications, as supplemented by representations by the Holding Company, the Savings Bank and their attorneys, under the factors set forth in 12 U.S.C. §§ 1464(e) and 1467a(e), and 12 C.F.R. §§ 543.3, 552.2-1, and 574.7 and other applicable statutes and regulations. The OTS also has considered the Applications under the Community Reinvestment Act (the "CRA"), 12 U.S.C. § 2901 *et seq.*, and the OTS regulations thereunder, 12 C.F.R. Part 563e. Furthermore, the OTS has considered comments on the Applications submitted by Inner City Press/Community on the Move, Bronx, New York.

In addition, the Director has considered an analysis prepared by Corporate Activities and the Midwest Regional Office, an analysis from Compliance Policy and a legal opinion from the Business Transactions Division (collectively, the "Staff Memoranda"). For the reasons set forth in the Staff Memoranda, and after review of the comments, the Director finds that the Applications satisfy the applicable approval standards provided that the following conditions are complied with in a manner satisfactory to the Midwest Regional Director, or his designee ("Regional Director"). Accordingly, the Applications are hereby approved, subject to the following conditions:

1. The proposed transaction must be consummated no later than 120 calendar days after the date of this approval order, unless an extension is granted for good cause by the Regional Director;
2. On the business day prior to the date of consummation of the proposed transaction, the chief financial officers of the Savings Bank and the Holding Company must certify to the Regional Director, in writing, that no material adverse events or material adverse changes have occurred with respect to the financial condition or operations of the Savings Bank and the Holding Company, respectively, since the date of the financial statements submitted with the Applications;

3. The Savings Bank and the Holding Company must obtain all required regulatory and shareholder approvals prior to consummation, and will act to satisfy all requirements and conditions imposed by the OTS, and comply with all applicable laws, rules and regulations;
4. No later than 5 calendar days from the date of consummation of the proposed transaction, the Savings Bank must file with the Regional Director, a certification by legal counsel stating the effective date of the proposed transaction and of the Savings Bank's insurance of accounts, and that the transaction has been consummated in accordance with the provisions of all applicable laws and regulations, the Applications and this order;
5. The Savings Bank must submit independent audit reports to the Regional Office for its first three fiscal years. These reports must be in compliance with the audit rules set forth in 12 C.F.R. § 562.4;
6. The Savings Bank must operate within the parameters of its business plan. The Holding Company and the Savings Bank must submit any proposed major deviations or material changes from the plan (including changes resulting from decisions made by the Holding Company), and in particular, those pertaining to the cross-marketing of deposit and non-deposit products, for the prior, written non-objection of the Regional Director. The request for change must be submitted a minimum of 60 calendar days before the proposed change is implemented;
7. The Savings Bank must submit to the Regional Office quarterly activity reports on the business plan for the first three years of its operations;
8. At least 40 percent of the Savings Bank's board of directors must be comprised of individuals who are not officers or employees of the Holding Company or affiliates thereof and at least one member of the Savings Bank's board of directors must be an individual who is not an officer, director or employee of the Holding Company or any affiliate and who is not an officer or employee of the Savings Bank. At least 50 percent of the Savings Bank's audit and investment committees must be comprised of directors who are not officers or employees of the Savings Bank, the Holding Company or any affiliates;
9. Any contracts or agreements pertaining to transactions with affiliates, not yet submitted to the OTS for review, such as the proposed Management Services Agreement and the Tax Sharing Agreement, must be provided to the Regional Director at least 30 calendar days prior to execution and must receive his written non-objection prior to implementation;
10. Prior to commencing operations, the Savings Bank must submit background information, and receive the written non-objection of the Regional Director, on the individuals proposed for the positions of Chief Lending Officer, Chief Credit Officer and Chief Financial Officer;
11. The Holding Company, its affiliates and the Savings Bank must comply with the anti-tying restrictions of 12 U.S.C. §§ 1464(q) and 1467a(n) and must develop written procedures to effect such compliance. The procedures must disclose any proposed bundling arrangements

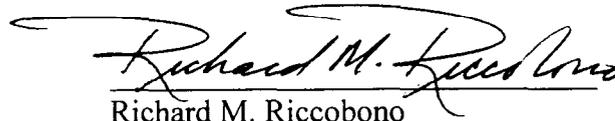
and must be submitted for the review and non-objection of the Regional Director prior to the opening of the Savings Bank for business.

12. Prior to the date of consummation of the proposed transaction, the Savings Bank must submit an independent third party evaluation to the Regional Director that supports the \$6.3 million valuation of the proposed non-cash contribution of the home equity loan portfolio from Shelter Financial Services, Inc.;
13. At least 45 calendar days before beginning lending operations, the Savings Bank must submit to the Regional Director for his review and approval, a compliance management plan that includes, at a minimum, the following components:
 - a) a compliance training plan for the Holding Company's insurance agents covering all fair lending and consumer protection statutes and regulations;
 - b) procedures for monitoring agent compliance with consumer protection statutes, policies and procedures; and
 - c) the preparation of written quarterly analysis of the distribution, disposition and terms of loan applications, and distribution of the reports to the board of directors and the Regional Director;
14. At least 45 calendar days before beginning lending operations, the Savings Bank must submit to the Regional Director for his review and approval, clear non-discriminatory underwriting standards for each loan product that will be offered;
15. The Savings Bank's CRA plan is subject to any future changes in requirements contained in regulatory policies or regulations that the OTS, on its own, or acting in concert with other financial institution regulatory agencies, determines are appropriate for depository institutions;
16. The Holding Company and the Savings Bank must take appropriate steps to ensure that agents of the Holding Company or any affiliate who market deposit products comply with the General Guidelines in Disclosures and Advertising set forth in the *InterAgency Statement on Retail Sales of Nondeposit Investment Products*, OTS Thrift Bullentin 23-2; and
17. The Savings Bank's Year 2000 Project Management Program must adhere to the terms, deadlines, requirements and conditions contained in the Year 2000 guidance issued by the OTS and/or the Federal Financial Institutions Examination Council ("FFIEC"), including the May 5, 1997 *FFIEC Year 2000 Project Management Awareness* statement, the December 17, 1997 *FFIEC Safety and Soundness Guidelines Concerning the Year 2000 Business Risk*, the March 17, 1998 *FFIEC Guidance Concerning Institution Due Diligence in Connection with Service Provider and Software Vendor Year 2000 Readiness*, the March 17, 1998 *FFIEC Guidance Concerning the Year 2000 Impact on Customers*, the April 10, 1998

Guidance Concerning Testing for Year 2000 Readiness, the May 13, 1998 Guidance Concerning Contingency Planning in Connection with Year 2000 Readiness, the May 13, 1998 Guidance on Year 2000 Customer Awareness Programs, the September 2, 1998 Guidance Concerning Fiduciary Services and Year 2000 Readiness, the October 15, 1998 interim Interagency Guidelines Establishing Year 2000 Standards for Safety and Soundness and companion interim rule, Safety and Soundness Standards and any subsequent OTS or FFIEC Year 2000 guidance, regulations or other requirements.

This approval order shall also serve as notice to the Savings Bank that the OTS reserves the authority to evaluate the appropriateness of marketing disclosures that differentiate between insured and uninsured products by having its examiners periodically, and without identification as OTS employees, solicit the Savings Bank or individual agency offices of the Holding Company and affiliates for information on non-deposit investment or insured products.

By order of the Director of the Office of Thrift Supervision, or her designee, effective
DECEMBER 15, 1998.


Richard M. Riccobono
Deputy Director