

OFFICE OF THRIFT SUPERVISION

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

Order No.: 99-21

Date: April 26, 1999

Grange Mutual Casualty Company, Columbus, Ohio (the "Holding Company"), has 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 The Grange Bank, Columbus, Ohio (the "Savings Bank") (collectively, "the Applications").

The OTS has considered the Applications, as supplemented by representations by the Holding Company and their representatives, 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 OTS has considered analyses prepared by the Central Regional Office, the Office of Examination and Supervision, and 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 OTS finds that the Applications satisfy the applicable approval standards provided that the following conditions are complied with in a manner satisfactory to the Central 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 must 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 30 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, 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. The appointment of any proposed director named in the application who has not yet supplied the necessary background information to the Central Regional Office is subject to the review and non-objection of the Regional Director, or his designee;
11. The proposed appointment of any permanent executive officers or directors of the Savings Bank for the first year of operations is subject to the review and non-objection of the Regional Director, or his designee;
12. At least 45 calendar days before beginning lending operations, the Savings Bank must submit to the Regional Director for his review and approval, a plan that includes, a

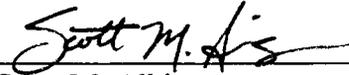
minimum, the following components:

- a) a comprehensive compliance management plan that describes, at a minimum, procedures that will be implemented to train and oversee all persons who offer or process Savings Bank products;
 - b) loan underwriting standards for each major credit product, including standards for pricing each product; and
 - c) written assurance that in accordance with the Real Estate Settlement Procedures Act, Holding Company agents and agencies will not receive, directly or indirectly, any thing of value for referral of loans subject to the Real Estate Settlement Procedures Act, except for services performed;
13. The Savings Bank must review its loan production on an annual basis to determine the number of loans that are inside and outside the Columbus MSA. Within 90 days of determining that a majority of its loans the previous year were originated outside the Columbus MSA, the Savings Bank must submit a revised CRA plan to the Regional Director for his review and approval;
 14. 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;
 15. 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; and
 16. At least 30 calendar days before beginning operations, the Savings Bank must submit written evidence, acceptable to the Central Regional Director, that the Savings Bank's Year 2000 efforts comply with the terms, deadlines, requirements and conditions contained in all Year 2000 guidance issued by the OTS and/or the Federal Financial Institutions Examination Council.

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
April 26, 1999.



Scott M. Albinson
Managing Director
Office of Supervision