

**OFFICE OF THRIFT SUPERVISION**

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

**Order No.:** 2000-105  
**Date:** December 20, 2000  
**Re:** Dockets Nos. H-3547,  
H-3703, and 16697

Ohio Farmers Insurance Company, Westfield Center, Ohio, and Westfield Financial Corporation, Westfield Center, Ohio, (collectively, the Applicants) 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, to organize and acquire Westfield Bank, FSB, Westfield Center, Ohio (the Savings Bank) [collectively the Applications]. The Savings Bank will be a member of the Savings Association Insurance Fund.

The OTS has considered the Applications, as supplemented by representations by the Applicants, 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. The OTS has considered an analysis prepared by the OTS Central Region Office (Regional Office), a legal opinion by the Business Transactions Division, and a summary by the Office of Examination and Supervision (collectively the Staff Memoranda). For the reasons set forth in the Staff Memoranda, the OTS finds that the Applications satisfy all applicable statutory and regulatory criteria, 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 Applicants and the Savings Bank must: (i) receive all required regulatory approvals for the proposed transactions, and (ii) submit copies of all such approvals to the Regional Director prior to consummation of the proposed transactions;
2. The proposed transactions must be consummated within one hundred and twenty (120) calendar days from the date of this Order;
3. Prior to consummation of the proposed transaction, the Applicants must submit to the Regional Director a certification stating: (a) the Savings Bank's shares will be sold solely for cash; (b) the total number of shares to be sold by the Savings Bank; and (c) the total cash consideration to be received by the Savings Bank;
4. On the business day prior to the date of consummation of the proposed transactions, the chief financial officers of the Applicants and the Savings Bank must certify in writing to the

Regional Director that no material adverse events or material adverse changes have occurred with respect to the financial condition or operation of the Applicants and the Savings Bank as disclosed in the Applications. If additional information having an adverse bearing on any feature of the Applications is brought to the attention of the Applicants, the Savings Bank, or the OTS since the date of the financial statements submitted with the Applications, the transactions must not be consummated unless the information is presented to the Regional Director, and the Regional Director provides written non-objection to consummation of the transactions;

5. Within five (5) calendar days after the effective date of the proposed transactions, the Applicants and the Savings Bank must advise the Regional Director, in writing, of the effective date of the proposed transactions; and that the transactions were consummated in accordance with all applicable laws and regulations; the Applications, and this Order;
6. 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 at 12 C.F.R. § 562.4;
7. The Savings Bank must operate within the parameters of its business plan. The Applicants and the Savings Bank must submit to the Regional Director for his review and prior written non-objection, any proposed major deviations or material changes from the plan (including changes resulting from decisions made by the Applicants), particularly those pertaining to: (i) the cross-marketing of products of the Savings Bank and its affiliates, (ii) a change in the role of the independent agents, (iii) any change in the agreement with independent agents, and (iv) any changes in the delivery system of the Savings Bank's products. The Savings Bank must submit the request for change at least 60 calendar days before the proposed change is to be implemented, with a copy to the FDIC Regional Office;
8. The Savings Bank must submit quarterly variance reports, showing actual operating results versus the submitted business plan, to the Regional Director within 45 days of the end of each quarter for the first three years of operation. The quarterly variance reports shall also include a review of the Savings Bank's performance under the Community Reinvestment Act (CRA), and note any differences between the actual operating results and the projections or goals established by the Savings Bank's CRA policy or plan;
9. At least 40 percent of the Savings Bank's board of directors must be individuals who are not officers or employees of the Applicants or affiliates thereof and have not otherwise been determined by the Regional Director to lack sufficient independence. Additionally, 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 Applicants or any affiliate, and who is not an officer or employee of the Savings Bank or has otherwise been determined by the Regional Director to lack sufficient independence. At least 50 percent of the audit committee established by the Savings Bank must be directors who are not officers or employees of the Savings Bank, the Applicants, or any affiliates, and have not otherwise been determined by the Regional Director to lack sufficient independence. If compliance with this condition involves the

selection of additional directors, each director must receive the prior written approval of the Regional Director;

10. At least 30 days prior to opening for business, the Savings Bank must submit a copy of the Savings Bank's proposed agreement with the independent insurance agents (Agent Agreement) to the Regional Director for his review and written non-objection prior to execution;
11. At least 30 days prior to opening for business, the Savings Bank must submit to the Regional Director for his review and written non-objection an internal audit program that incorporates written policies and procedures to monitor agent compliance with the Savings Bank's internal policies and procedures and the terms of the Agent Agreement. The program should address procedures for the timely and effective resolution of customer complaints, a process for monitoring performance of loans referred by each agency, a mystery shopping program, and procedures for conducting follow up with consumers;
12. At least 30 days prior to opening for business, the Savings Bank must submit to the Regional Director for his review and written non-objection: (i) an agent education program and (ii) a product and policy manual for independent insurance agents. The program must contain provisions for the Savings Bank to provide the agents with refresher training on a periodic basis. Management must also affirm to OTS that all representations contained in the Application regarding policies, procedures, and controls have been incorporated in the program and manual;
13. At least 30 days prior to opening for business, the Savings Bank must submit to the Regional Director for his review and written non-objection before implementation, a copy of the disclosure form to be included in the independent agent product and policy manual. The disclosure form will advise customers of the differences between FDIC-insured institution deposit products and uninsured agency non-deposit investment products in accordance with Interagency Guidelines;
14. At least 30 days before opening for business, the Savings Bank must submit to the Regional Director for his review and prior approval, a comprehensive written compliance management policy that addresses all federal fair lending and consumer protection laws and regulations. The program must include, at a minimum, procedures to train and monitor all employees, mortgage brokers, or others who offer the Savings Bank's products. This policy must also contain a program for ensuring that the proposed website complies with all applicable consumer protection and disclosure regulations;
15. The Applicants, their 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 bundling arrangements and must be submitted to the Regional Director, for his review and non-objection, at least 30 days prior to the commencement of the cross-marketing activity;

16. For the first eighteen months of operation, 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;
17. The appointment of any proposed management official of the Savings Bank who has not yet cleared the required background investigations is subject to the review and non-objection of the Regional Director. Additionally, any current director or senior management officer of the Applicants, who has not previously done so, must submit the required background information and certifications, and is subject to the review and non-objection of the Regional Director;
18. The proposed appointment of any permanent executive officer or director of the Savings Bank, within the first year of its operations, is subject to the prior review and non-objection of the Regional Director;
19. At least 30 days prior to opening for business, the Savings Bank must submit a Privacy Preparedness policy, addressing the privacy provisions contained in Title V of the Gramm-Leach-Bliley Act, to the Regional Director for his review and written non-objection;
20. At least 30 days prior to opening for business, the Savings Bank must develop and submit another board-approved, critical operating policies covering lending activities, risk management, investments, asset liability management, and interest rate risk to the Regional Director for his review and non-objection;
21. The Savings Bank must submit the details of its executive incentive-compensation plans to the Regional Director for his review and written non-objection before implementation;
22. Before establishing a transactional web site, the Savings Bank must: (i) comply with the requirements of 12 C.F.R. § 555.310, and (ii) provide to the Regional Director written responses to the questions contained in Attachment A of the Memorandum for Chief Executive Officers issued by OTS on June 10, 1999 regarding Transactional Web Sites;

The Regional Director, for good cause, may extend any time specified herein for up to 120 calendar days.

By order of the Director of the Office of Thrift Supervision, or her designee, effective

December 20, 2000



Scott M. Albinson  
Managing Director  
Office of Supervision