FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.
and
SOUTH DAKOTA DIVISION OF BANKING
PIERRE, SOUTH DAKOTA

In the Matter of	)	
	)	**CONSENT ORDER**
QUOIN FINANCIAL BANK	)	
MILLER, SOUTH DAKOTA	)	**FDIC-10-027b**
	)	
(Insured State Nonmember Bank)	)	
	)	

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for Quoin Financial Bank, Miller, South Dakota ("Bank"), under 12 U.S.C. § 1813(q).The Bank, by and through its duly elected and acting Board of Directors ("Board"), has executed a "Stipulation to the Issuance of a Consent Order" ("Stipulation"), dated February 16, 2010, that is accepted by the FDIC and the South Dakota Division of Banking ("Division")(collectively also referred to as "Supervisory Authorities"). With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices relating to weaknesses in asset quality, capital, management, and earnings, to the issuance of this Consent Order ("Order") by the FDIC and the Division.

Having determined that the requirements for issuance of an order under 12 U.S.C. § 1818(b) have been satisfied, the FDIC and the Division hereby order that:

1. Qualified Management.

(a) Within 90 days from the effective date of this ORDER, and annually thereafter while this ORDER is in effect, the Bank's board of directors shall assess the Executive Officers of the Bank as defined in Regulation O, 12 C.F.R. Section 215.2(e)(1), to determine whether the Bank has an appropriate number and type of Executive Officers with the requisite knowledge, skills, ability, and experience, giving consideration to the size and complexity of the Bank, to operate the Bank in a safe and sound manner, and in compliance with applicable laws and regulations, and restore the Bank to a satisfactory financial condition. In the event the board identifies any deficiencies in the Executive Officers, the board shall develop a plan within 30 days to remedy such deficiency.

(b) Each Executive Officer shall be provided appropriate written authority from the board of directors to implement the provisions of this ORDER.

(c) For the requirements of subparagraph (a) and (b) of this provision, the board shall record its findings, assessments, and plans in its minutes.

2. Assessment of Lending Function Management.

Within 90 days from the effective date of this ORDER, the board of directors shall:

(a) Analyze and assess the Bank's loan department management and staffing needs at the Bank's Sioux Falls branch office. This written analysis will, at a minimum, include:

(i) The type and number of officer and staff positions needed to properly administer the loan portfolio.

(ii) Specific duties and responsibilities for each loan officer, including description of their lending authority.

(iii) An evaluation of each loan officer to determine whether those individuals have the ability, experience, and other qualifications required to perform present and anticipated duties, including restoration of the loan portfolio to a satisfactory condition.

(iv) Identification of any training and development needs; and

(v) An assessment of the Loan Committee to determine whether its structure, function, and membership are appropriate to provide guidance to and oversight of loan department management at the Bank's Sioux Falls branch office.

(b) Develop a lending function plan ("Plan") to address any needs or deficiencies identified in the analysis required by subparagraph (a). The Plan will, at a minimum, include the extent to which the Bank will rely on restructuring; replacement; recruitment and hiring; and/or assistance from outside the Bank.

(c) Approve the Plan developed pursuant to subparagraph (b) which approval shall be recorded in the minutes of the meeting of the board. Thereafter, the Bank and its directors, officers and employees shall implement and follow the Plan and any modifications thereto. It shall remain the responsibility of the board to fully implement the Plan within the specified time frames. In the event the Plan, or any portion thereof, is not implemented, the board shall immediately advise the Supervisory Authorities, in writing, of specific reasons for deviating from the Plan.

3. Minimum Capital Requirements.

(a) While this ORDER is in effect, the Bank shall have and maintain the following minimum capital levels (as defined in Part 325 of the FDIC's Rules and Regulations), after establishing an appropriate allowance for loan and lease losses:

(i) Tier 1 capital at least equal to 8 percent of total assets; and

(ii) Total risk-based capital at least equal to 11 percent of total risk-weighted assets.

(b) In the event any ratio is or becomes less than the minimum required by subparagraph (a) above, the Bank shall immediately notify the Regional Director of the FDIC Kansas City Regional Office ("Regional Director") and the Division and within 30 days shall: (1) increase capital in an amount sufficient to comply with subparagraph (a) of this provision, or (2) submit a written plan to the Supervisory Authorities, describing the primary means and timing by which the Bank shall increase its capital ratios up to or in excess of the minimum requirements set forth above, as well as a contingency plan in the event the primary sources of capital are not available. Thereafter at the next board meeting, the board shall approve the written plan and record such approval in its minutes, and the Bank shall implement and fully comply with the written plan.

(c) Any increase in Tier 1 capital necessary to meet the requirements of this section may not be accomplished through a deduction from the allowance for loan and lease losses.

4. Dividend Restriction.

While this ORDER is in effect, the Bank shall not declare or pay any cash dividends without the prior written approval of the Supervisory Authorities.

5. Charge-off of Adversely Classified Assets.

(a) Within 10 days from the effective date of this ORDER, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified “Loss” in the FDIC and Division’s July 20, 2009 Report of Examination that have not been previously collected or charged off.

(b) Additionally, within 10 days after the receipt of any future Report of Examination of the Bank from the FDIC and/or the Division, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified "Loss" in that Report of Examination that have not been previously collected or charged off.

(c) Elimination or reduction of assets classified "Loss" through proceeds of other loans made by the Bank is not considered collection for purposes of this provision.

6. Reduction of Adversely Classified Loans.

(a) Within 60 days from the effective date of this ORDER, and 60 days from receipt of future Reports of Examination from the FDIC and/or the Division, the Bank shall develop and complete a written plan to reduce the Bank's risk exposure in each loan in excess of $400,000 classified "Substandard" or "Doubtful" by the FDIC or the Division. For purposes of this provision, "reduce" means to collect, charge off, or improve the quality of a loan so as to warrant its removal from such adverse classification by the FDIC and the Division.

(b) In developing the plans mandated by this paragraph, the Bank shall, at a minimum, review, analyze, and document the financial position of the borrower, including sources of repayment and repayment ability, as well as the value and accessibility of any pledged or assigned collateral, and any possible actions to improve the Bank's collateral position.

(c) The plans mandated by this provision shall include, at a minimum, the following:

(i) specific action plans intended to reduce the Bank's risk exposure in each classified loan;

(ii) a requirement that monthly written progress reports be submitted to the board of directors; and

(iii) a requirement that the board review the progress reports and record a notation of the review in the minutes of the board of directors meetings at which such reports are reviewed.

(d) The Bank's board of directors shall approve the plans, which approval shall be recorded in the minutes of the meeting of the board of directors for the meeting at which such plans are approved. Thereafter, copies of the plans shall be maintained in the borrowers' credit files, and the Bank shall implement and fully comply with the plans.

7. Restrictions on Advances to Adversely Classified Borrowers.

(a) While this ORDER is in effect, the Bank shall not extend, directly or indirectly, any additional credit to, or for the benefit of, any borrower who has a loan or other extension of credit or obligation with the Bank that has been, in whole or in part, charged off or adversely classified "Substandard" or "Doubtful" in the July 20, 2009 Report of Examination and is uncollected, or classified "Substandard" or "Doubtful" in any future FDIC or Division Reports of Examination and is uncollected. The requirements of this subparagraph (a) shall not prohibit the Bank from renewing, after collecting in cash all interest and fees due from a borrower, any credit already extended to the borrower.

(b) Subparagraph (a) of this provision shall not apply if the Bank’s failure to extend further credit to a particular borrower would be detrimental to the best interests of the Bank. Prior to extending additional credit pursuant to this subparagraph (b), whether in the form of a renewal, extension, or further advance of funds, such additional credit shall be approved by the Bank’s board of directors, or a designated committee thereof, who shall conclude:

(i) the failure of the Bank to extend such credit would be detrimental to the best interests of the Bank, with an explanation of why it would be detrimental;

(ii) that the extension of such credit would improve the Bank’s position, with an explanatory statement of why the Bank’s position would improve; and

(iii) an appropriate workout plan has been developed and will be implemented in conjunction with the additional credit to be extended.

(c) The conclusions and approval made pursuant to subparagraph (b) of this provision shall be made a part of the minutes of the meeting of the board, or designated committee thereof, at which the extension of credit is approved, with a copy retained in the borrower's credit file.

8. Implementation of Independent Loan Review Program.

(a) Within 60 days of the effective date of this ORDER, the board shall develop, and thereafter implement and fully comply with, a written program of independent loan review ("Loan Review Program") that will provide for a periodic review of the Bank's loan portfolio at the Bank's Sioux Falls branch office and the identification and categorization of problem credits. At a minimum, the Loan Review Program shall provide for:

(i) prompt identification of loans with credit weaknesses that warrant the special attention of management, including the name of the borrower, amount of the loan, reason why the loan warrants special attention; and assessment of the degree of risk that the loan will not be fully repaid according to its terms;

(ii) appropriate grading of adverse classification of loans, especially those with well-defined credit weaknesses that jeopardize repayment;

(iii) identification of trends affecting the quality of the loan portfolio and potential problem areas;

(iv) prompt identification of all outstanding balances and commitments attributable to each obligor identified under the requirements of subparagraph (i), including outstanding balances and commitments attributable to related interests of such obligors, including the obligor of record, relationship to the primary obligor identified under subparagraph (i), and an assessment of the risk exposure from the aggregate relationship;

(v) assessment of the overall quality of the loan portfolio;

(vi) identification of credit and collateral documentation exceptions;

(vii) identification and status of violations of laws, rules, or regulations with respect to the lending function;

(viii) identification of loans that are not in conformance with the Bank's lending policy;

(ix) identification of loans to directors, officers, principal shareholders, and their related interests; and

(x) periodic written reports , but in no event less than quarterly, to provide the information developed in (i) through (ix) above to the board of directors.

(b) Upon implementation, a copy of each report submitted to the board of directors, as well as recommendations to the board that address identified deficiencies in specific loan relationships or the Bank’s policies, procedures, strategies, or other elements of the Bank's lending activities, shall be recorded and retained in the minutes of the meeting of the board of directors.

9. **Maintenance of Allowance for Loan and Lease Losses**.

(a) Within 30 days from the date of this ORDER, the board of directors shall make a provision which will replenish the allowance for loan and lease losses ("ALLL") for the loans charged off as a result of the most recent examination and reflect the potential for further losses in the remaining loans or leases classified "Substandard" in the Report of Examination as well as all other loans and leases in its portfolio.

(b) Within 60 days from the effective date of this ORDER, the board shall establish a comprehensive policy and methodology for determining the ALLL. The policy shall provide for a review of the ALLL at least once each calendar quarter. Said review should be completed in a timely manner to ensure that the findings of the board will be properly reported in the Bank's Call Reports. Such reviews shall, at a minimum, be made in accordance with the Call Report Instructions, the Interagency Statement of Policy on the Allowance for Loan and Lease Losses, other applicable regulatory guidance that addresses the appropriateness of the Bank's ALLL, and any analysis of the Bank's ALLL provided by either of the Supervisory Authorities.

(c) The Bank's board of directors shall approve the policy, which approval shall be recorded in the minutes of the board of directors. Thereafter, the Bank shall submit the policy and ALLL methodology to the Supervisory Authorities, and, the Bank shall implement and fully comply with the policy.

(d) A deficiency in the Bank's ALLL shall be remedied in the calendar quarter in which it is discovered by a charge to current operating earnings prior to any Tier 1 capital determinations required by this ORDER and prior to the Bank's submission of its Call Report. The board of directors shall thereafter maintain an appropriate ALLL.

10. Business/Strategic Plan and Profit and Budget Plan.

(a) Within 90 days from the effective date of this ORDER, and within the first 30 days of each calendar year thereafter, the board of directors shall develop and fully implement a written three-year business/strategic plan and one-year profit and budget plan covering the overall operation of the Bank and its goals and strategies, consistent with sound banking practices, and taking into account the Bank's other written plans, policies, or other actions as required by this ORDER.

(b) The business/strategic plan shall provide specific objectives for asset growth, loan portfolio mix, market focus, earnings projections, capital needs, and liquidity position. The profit and budget plan shall include goals and strategies for improving the earnings of the Bank. The budget shall include a description of the operating assumptions that form the basis for, and adequately support, major projected income and expense components, including projected salaries and bonuses.

(c) The board of directors shall approve the business/ strategic plan and the profit and budget plan, which approval shall be recorded in the board meeting minutes. Thereafter, the business/strategic plan and the profit and budget plan, and any subsequent modification thereto, shall be submitted to the Supervisory Authorities, and the Bank shall implement and fully comply with the plans.

11. Disclosure of Order to Shareholders.

Following the effective date of this ORDER, the Bank shall provide a copy or otherwise furnish a description of this ORDER to its shareholders, (i) in conjunction with the Bank's next shareholder communication, and (ii) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. Any description shall fully describe the ORDER in all material respects. The proposed communication, statement, or notice and accompanying copy or description of the ORDER shall be sent to the FDIC, Division of Supervision and Consumer Protection, Accounting and Securities Disclosure Section, 550 17th Street, N.W., Room F-6066, Washington, D.C. 20429 for review at least 20 days prior to dissemination to shareholders.

Any changes requested to be made by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

12. Progress Reports Detailing Compliance with ORDER.

(a) Within 45 days of the end of the first calendar quarter following the effective date of this ORDER, and within 45 days of the end of each calendar quarter thereafter, the Bank shall furnish written progress reports to the Supervisory Authorities detailing the form, manner, and results of any actions taken to secure compliance with this ORDER. Such written progress reports shall provide cumulative detail of the Bank's progress toward achieving compliance with each provision of the ORDER.

(b) Progress reports may be discontinued when the Supervisory Authorities have, in writing, released the Bank from making additional reports.

13. Binding Effect.

(a) This ORDER shall be effective on the date of issuance. The provisions of this ORDER shall be binding upon the Bank, its institution-affiliated parties, and any successors and assigns thereof. The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision has been modified, terminated, suspended, or set aside by the FDIC and Division.

(b) The provisions of this ORDER shall not bar, estop or otherwise prevent the Supervisory Authorities or any other federal or state agency or department from taking any action against the Bank, any of the Bank's current or former institution-affiliated parties, or agents for improper acts or omissions, violations of any law or regulations, or engaging in unsafe or unsound banking practices.

This ORDER shall be effective February 26, 2010.

FEDERAL DEPOSIT INSURANCE CORPORATION

Issued Pursuant to Delegated Authority

By: /s/

Mark S. Moylan
Deputy Regional Director
Federal Deposit Insurance Corporation
Kansas City Regional Office

SOUTH DAKOTA DIVISION OF BANKING

By: /s/

Roger P. Novotny
Director
South Dakota Division of Banking