

NORTH DAKOTA DEPARTMENT OF FINANCIAL INSTITUTIONS
BISMARCK, NORTH DAKOTA

AND

FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.

)	
)	
In the Matter of)	
)	CONSENT ORDER
QUALITY BANK)	
FINGAL, NORTH DAKOTA)	DFI -
)	FDIC-11-118b
(Insured State Nonmember Bank))	
)	

The North Dakota Department of Financial Institutions ("DFI") granted a state charter to Quality Bank, Fingal, North Dakota ("Bank") under North Dakota State Statutes and has jurisdiction over the Bank.

The Federal Deposit Insurance Corporation ("FDIC") is the appropriate Federal banking agency for the Bank, under Section 3(q) of the Federal Deposit Insurance Act (FDI Act), 12 U.S.C. § 1813(q)(3).

The FDIC and DFI (collectively "Supervisory Authorities") examined the Bank commencing November 29, 2010. Based on the findings of that examination as contained in the November 29, 2010 Report of Examination ("Report of Examination"), the Supervisory Authorities determined that the requirements for an

ORDER under 12 U.S.C. § 1818(b) and North Dakota state law have been satisfied.

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 March 24, 2011, that is accepted by the Supervisory Authorities. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices, to the issuance of this CONSENT ORDER ("ORDER") by the Supervisory Authorities.

Based on the above, the Supervisory Authorities each hereby order that:

1. Information Technology ("IT").

(a) Within 60 days from the effective date of this ORDER, the Bank shall prepare and submit to the Supervisory Authorities a written plan to correct all IT deficiencies listed on pages 30 and 31 of the Report of Examination, including, but not limited to: (i) a business continuity plan that addresses all areas of the IT function in the event of a catastrophic event; and (ii) the Weak Operational Security and Risk Management Practices.

(b) Within 30 days from the effective date of this ORDER, the Bank shall identify and designate an individual or individuals, whether from internal or external sources, with the requisite knowledge and qualifications to provide management and

oversight for the Bank's IT function. In addition, within 60 days of the effective date of this ORDER, the Bank shall prepare a management succession plan to address possible vacancies in the oversight and management of the Bank's IT function.

(c) Within 60 days from the effective date of this ORDER, the Bank shall complete a written risk assessment of its IT functions in conformance with Part 364, Appendix B of the FDIC's Rules and Regulations. The purpose of this risk assessment is to assist in the identification and mitigation of threats and risks to IT assets and customer data, from both internal and external sources. The written risk assessment shall include, at a minimum, the following:

(i) Board members, committee members, or other designees charged with overseeing the risk assessment process;

(ii) threats and risks by area (for example, business function, hardware, and/or applications, maintained in-house or outsourced to service providers), including internal control weaknesses and conflicting duties;

(iii) likelihood or probability of such threats, taking into consideration natural, intentional, and unintentional causes;

(iv) methods for mitigating or minimizing threats and risks through administrative, technical, or physical controls;

and,

(v) identification of the written policies containing the required risk mitigation methods.

(d) Within 90 days from the effective date of this ORDER, the Bank shall complete and implement a written information security program that includes administrative, technical, physical safeguards for all areas of the Bank's operations, including those areas defined within the risk assessment process. The Bank's written information security program shall meet the requirements of Part 364, Appendix B of the FDIC's Rules and Regulations, and include specific and standardized policies and procedures surrounding internal controls (for example, segregation of duties, user access rights, independent reviews of maintenance routines, independent reconciliation procedures). The information security program shall also specify safeguards regarding: (i) core processing; (ii) Microsoft Windows client and server platforms; and (iii) communication and connectivity devices providing remote access, including routers and modems.

(e) Within 120 days of the effective date of this ORDER, the Bank shall develop and implement a written IT audit program for the purpose of determining compliance with the written information security program required by subparagraph (c) of this provision. The written IT audit program shall require periodic independent assessments of internal controls, including

separation of duties, independent reviews, and the review of user access rights. The IT audit program shall identify the scope, type, and frequency of audits to be performed, and include provisions for Board reporting, audit tracking, and findings resolution. The findings of the risk assessment process required by subparagraph (c) of this provision shall be used to develop the scope of audit reviews. The Board or designated audit committee shall be responsible for directing and overseeing audit work performed, and for prompt resolution of audit findings. Upon completion of the written IT audit program, the Board shall engage a qualified, independent internal or external party to conduct an IT audit, including an internal controls review, in accordance with the written audit program.

2. Previous Order to Cease and Desist.

(a) Nothing in this ORDER terminates, amends, or modifies the outstanding FDIC Order to Cease and Desist issued against the Bank on February 7, 2008, FDIC-07-279b. That Cease and Desist Order remains in full force and effect.

(b) Within 120 days from the effective date of this ORDER, the Bank shall prepare a written plan on how the Bank will correct the deficiencies and/or failures to comply with the provisions of the February 7, 2008, Order to Cease and Desist

("C&D Correction Plan") as identified on pages 15 through 19 of the Report of Examination, including but not limited to, the failure to have adequate internal controls and procedures, and to correct any resulting inaccuracies in the Bank's records.

(c) Upon completion, the C&D Correction Plan, and any subsequent modification thereto, shall be submitted to the Supervisory Authorities for review and comment. No more than 30 days after the receipt of any comment from the Supervisory Authorities, and after consideration of all such comments, the Board shall approve the C&D Correction Plan, which approval shall be recorded in the Board's minutes. Thereafter, the Bank shall implement and fully comply with the C&D Correction Plan.

3. Disclosure of Order to Sole Shareholder.

Following the effective date of this ORDER, the Bank shall provide a copy of this ORDER to its sole shareholder, (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.

4. 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, including at a minimum:

- (i) description of the identified weaknesses and deficiencies;
- (ii) provision(s) of the ORDER pertaining to each weakness or deficiency;
- (iii) actions taken or in-process for addressing each deficiency;
- (iv) results of the corrective actions taken;
- (v) the Bank's status of compliance with each provision of the ORDER; and
- (vi) appropriate supporting documentation.

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

MISCELLANEOUS

The provisions of this ORDER shall not bar, estop or otherwise prevent the FDIC, the DFI, or any other federal or state agency or department from taking any other action against

the Bank or any of the Bank's current or former institution-affiliated parties.

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 the DFI.

This ORDER shall be effective the 8th day of April, 2011.

NORTH DAKOTA DEPARTMENT OF FINANCIAL INSTITUTIONS

By: /s/
Robert J. Entringer, Commissioner

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