

MAINE BUREAU OF FINANCIAL INSTITUTIONS
ORDER APPROVING APPLICATION TO ESTABLISH A NONDEPOSITORY
TRUST COMPANY TO BE KNOWN AS QUADS TRUST COMPANY

QUADS Financial Group, Inc., Frederick, Maryland ("QUADS") filed an application to organize a nondepository trust company, pursuant to 9-B M.R.S.A. Chapter 121, to be known as QUADS Trust Company ("QTC-ME"). QTC-ME's office will be located at 12 W. Church Street, Frederick, Maryland but QTC-ME will have a registered office at 45 Memorial Circle, Augusta, Maine. QUADS has also requested permission to merge its wholly-owned subsidiary, QUADS Trust Company, Frederick, Maryland ("QTC") with and into QTC-ME.

The application was accepted for processing on May 16, 2002. Public notice, as required by Title 9-B M.R.S.A. 252.2(B) and 312.3, was provided by publication and mail to interested parties affording them an opportunity to submit written comments or request a hearing. The Bureau received no comments during the public comment period ending June 21, 2002.

A Principal Bank Examiner of the Maine Bureau of Financial Institutions conducted an investigation of this transaction. All evidence and pertinent material which were considered by the Examiner were also considered by the Superintendent in reaching his decision.

QUADS began selling and servicing defined contribution retirement plans in 1968. QTC engages exclusively in providing custodial and recordkeeping services for pension and retirement plans established by individuals and business entities. Services provided by QTC include plan accounting and reporting, participant recordkeeping (including certain compliance testing), participant loan processing, execution of buy and sell orders, and plan and participant level reporting. All accounts are self-directed and QTC does not have any discretionary authority for the accounts that it services. QTC's recordkeeping systems support all types of defined contribution retirement plans (e.g., 401(a), 401(k), 403(b), 408 and 457 plans and individual retirement accounts). Participant assets held in retirement plans are segregated from QTC assets through the use of nominee registrations.

QUADS has three operating subsidiaries:

- QUADS Trust Company ("QTC"): A nondepository trust company chartered by the Maryland Commissioner of Financial Regulation in 1991; serves as custodian for all assets held on behalf of QUADS plan participants; is the contract holder of all QUADS plans. QTC is also registered with the Securities and Exchange Commission ("SEC") as a transfer agent.

- Qualified Investors Management Corporation ("QIMC"): Formed in 1972, QIMC is the recordkeeper and administrator for all QUADS retirement plans; QIMC developed and maintains the QUADS proprietary software system.
- The House of Securities Company ("HOS"): Formed in 1958, HOS is a SEC-registered broker-dealer; executes all trades for QUADS plans that are not directed by the plan or participant to another broker-dealer.

QIMC, pursuant to a written Custodial Agreement with QTC, processes participant transactions and provides all necessary recordkeeping and administrative services to QTC. The transactions and records are processed on proprietary software developed and maintained by QIMC. Participants are able to access and interact with their accounts daily, via the internet or a voice response unit.

QUADS plans are distributed to the public through three channels: (1) private-labeled for institutions, such as banks, insurance companies and mutual fund companies; (2) independent broker-dealers and advisors; and (3) direct to employers and individuals. More than three-fourths of new business is projected to come from private-label relationships, by either providing full administrative and recordkeeping functions or by limited additional services. QTC currently has more than 10,000 participants and \$500 million in assets under custody. It has conservatively projected increases to 320,000 and \$20 billion, respectively, by the end of 2004. QUADS has recently signed substantial contracts with a large U.S. regional bank and a very large internationally-owned insurance company; the latter contract alone is expected to add a minimum of 150,000 participants over a five-year time period. QUADS has also signed or is in the process of finalizing other smaller private-label and independent broker-dealer contracts.

In recent years, the financial performance of both QTC and QUADS has been negatively impacted by software conversion costs (from non-scaleable proprietary software to scaleable proprietary software), a planned initial public offering and, most recently, the economic downturn. The first two events not only added substantial expenses, but also severely limited marketing efforts and therefore constrained growth. Nevertheless, due to a combination of strong initial capital and additional equity injections from the principals of QUADS, QTC is adequately capitalized.

QIMC generates its revenues from recordkeeping services provided to plan sponsors and participants. The charges include a one-time plan set-up fee, an annual plan administrative fee, an annual fixed fee per participant and fees for other non-routine services. QTC primarily generates its income from QIMC for serving as the custodian for all QUADS retirement plan assets (pursuant to the Custodial Agreement) and from serving as directed trustee for plans (limited number of plans).

QTC's strategy is based on the growing defined contribution retirement market and its fully-automated, web-based proprietary software system that offers unlimited investment choices and can split contributions to more than one plan. QUADS has established that there is a very large and growing defined contribution retirement market and that there is a demand for its services. Further, the "conversion" of QTC from a Maryland-chartered nondepository trust company to a Maine-chartered nondepository trust company will not change the scope or methods of the nondepository trust company's operations nor should the proposed transaction have a material adverse effect on the operations of other Maine financial institutions. Accordingly, the application to establish a nondepository trust company with the name "QUADS Trust Company" is approved, as is the request to merge QUADS Trust Company (Maryland) with and into QUADS Trust Company (Maine). The approval is subject to the conditions listed below:

1. QTC's initial minimum equity capital shall be no less than \$600,000.
2. On an on-going basis, Tier 1 capital (as defined in Regulation 27) shall not be less than the greater of (a) \$600,000 or (b) the sum of (1) 10 basis points (0.10%) of discretionary assets and (2) 5 basis points (0.05%) of nondiscretionary assets, including assets held in custody, unless a different amount is established by the Superintendent pursuant to 9-B MRSA § 412-A (2). As such, the Superintendent reserves the right to change the above formula for determining ongoing capital adequacy.
3. If QTC fails to maintain Tier 1 capital in the minimum amount specified above in Condition #2, QTC shall be deemed to have inadequate capital and the Bureau shall have the authority to take any action authorized by Regulation 27.
4. All transactions between QTC and any affiliates shall be conducted subject to the provisions of 9-B MRSA § 468. The Board of Directors of QTC shall annually review and approve the service agreements and any other transactions with affiliates, including any cost allocation or fee-sharing provisions in such agreements or other transactions.
5. All technology-related vendor contracts must stipulate that the performance of services provided by the vendors to QTC is subject to the Bureau's examination and regulatory authority.
6. QTC shall not implement any material change or deviation from its operating plan without the prior written approval of the Bureau during the first two years of operation.
7. During the first two years of operation, the Bureau must review and have no objection to any proposed executive officer or director.

QTC has requested a waiver of the thirty-day waiting period so that the transaction may be consummated immediately. The reasons cited include (1) the recordkeeping functions of QTC are reported on fiscal yearend basis of June 30 and (2) June 30 represents the end of QTC's (and QUADS') second quarter.

A July 1, 2002 commencement date, therefore, would ease the recordkeeping and reporting processes of QTC and smooth the transition to a Maine nondepository trust company. Inasmuch as there were no objections received during the public comment period, the Superintendent agrees to grant the waiver in order that this transaction may be consummated after the close of business June 27, 2002. The transaction shall be completed within one year of the effective date of this Order, unless a written extension is granted by the Superintendent.

Any person aggrieved by this Order shall be entitled to a judicial review of the Order in accordance with the Maine Administrative Procedure Act, Title 5, Chapter 375, subchapter VII.

By order of the Superintendent, effective June 27, 2002.

/s/ Howard R. Gray, Jr.
Superintendent
Gardiner, Maine
June 27, 2002