

UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.
AND
STATE OF NEW MEXICO
FINANCIAL INSTITUTIONS DIVISION
REGULATION AND LICENSING DEPARTMENT
SANTA FE, NEW MEXICO

_____)	Docket No. 99-002-PCA-SM
In the Matter of)	
Zia New Mexico Bank)	Prompt Corrective Action
Tucumcari, New Mexico)	Directive Issued Pursuant to
_____)	Section 38 of the Federal Deposit
	Insurance Act, as Amended, and
	Section 58-1-34 of New Mexico
	Statutes, Annotated

The Board of Governors of the Federal Reserve System (the "Board of Governors") and the Director of the State of New Mexico Financial Institutions Division, Regulation and Licensing Department (the "Director of the Financial Institutions Division") have determined that:

(A) The Zia New Mexico Bank, Tucumcari, New Mexico (the "Bank"), a State-chartered bank that is a member of the Federal Reserve System, is significantly undercapitalized, as defined in section 208.43(b)(4) of Regulation H of the Board of Governors (12 C.F.R.

208.43(b)(4)), for purposes of section 38 of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. 1831o), as of October 30, 1998.

(B) Pursuant to sections 38(f)(2) and (3) of the FDI Act (12 U.S.C. 1831o(f)(2) and (3)), section 208.45(b) of Regulation H of the Board of Governors (12 C.F.R. 208.45(b)), section 263.202(a)(2) of the Rules of Practice for Hearings of the Board of Governors (the "Rules of Practice") (12 C.F.R. 263.202(a)(2)), and section 58-1-34 of New Mexico Statutes Annotated, the Bank must immediately take certain actions in order to carry out the purposes of section 38 of the FDI Act and State law, due to the Bank's weakened capital position.

Accordingly, pursuant to section 208.45(b) of Regulation H of the Board of Governors, section 263.202(a)(2) of the Rules of Practice, and section 58-1-34 of New Mexico Statutes Annotated, the Board and the Director of the Financial Institutions Division issue this Directive and immediately direct the Bank and its institution-affiliated parties, as defined in section 3(u) of the FDI Act (12 U.S.C. 1813(u)), to comply fully with the following:

1. The Bank shall immediately, but by no later than February 28, 1999:

- (a) Increase its equity through the sale of shares or contributions to surplus in an amount sufficient to make the Bank adequately capitalized as defined in section 208.43(b)(2) of Regulation H of the Board of Governors;

(b) enter into and close a contract to be acquired by a depository institution holding company or combine with another insured depository institution, closing under which contract is conditioned only on the receipt of necessary regulatory approvals, the continued accuracy of customary representations and warranties and the performance of customary pre-closing covenants; or

(c) enter into and close a contract to sell the bank to an individual or group of individuals, subject to the provisions of the Change in Bank Control Act, as amended (12 U.S.C. 1817j), closing under which contract is conditioned only on the receipt of necessary regulatory approvals, the continued accuracy of customary representations and warranties and the performance of customary pre-closing covenants.

2. The Bank shall not, without the prior written approval of the Federal Reserve Bank of Dallas (the "Reserve Bank") and the Director of the Financial Institutions Division and the fulfillment of any one of the requirements set forth in paragraphs 1(a), (b), or (c) hereof, accept, renew, or rollover deposits bearing an interest rate that exceeds the prevailing effective yields on insured deposits of comparable maturity in the Bank's normal market area.

3. (a) The Bank shall not, without the prior written approval of the Reserve Bank and the Director of the Financial Institutions Division, directly or indirectly, enter into, participate, or in any other manner engage in any transaction with any affiliate.

(b) For the purposes of this Directive, the terms (i) "transaction" shall include, but not be limited to the transfer, sale or purchase of any asset, including cash, or the direct or indirect payment of any expense or obligation of, the payment of a management or service fee of any nature to, or any extension of credit to an affiliate, (ii) "extension of credit" shall be defined as set forth in section 215.3 of Regulation O of the Board of Governors (12 C.F.R. 215.3), and (iii) "affiliate" shall be defined as set forth in subparagraph (b)(1) of section 23A of the Federal Reserve Act (12 U.S.C. 371c(b)(1)).

4. The Bank shall comply fully with the provisions of sections 38(f)(4)(A)(i) and (ii) of the FDI Act (12 U.S.C. 1831o(f)(4)(A)(i) and (ii)) restricting the payment of bonuses to senior executive officers and increases in compensation of such officers, and shall not make any payments to any former senior executive officers.

5. The Bank shall comply fully with the provisions of sections 38(e)(3) and (4) of the FDI Act (12 U.S.C. 1831o(e)(3) and (4)) restricting asset growth, acquisitions, branching, and new lines of business.

6. (a) The Bank shall not, without the prior written approval of the Reserve Bank and the Director of the Financial Institutions Division, acquire any consumer lease contracts, other than those for which the Bank is contractually obligated as of the date of this Directive.

(b) For the purposes of this Directive, the terms (i) "transaction" shall include, but not be limited to the transfer, sale or purchase of any asset, including cash, or the direct or indirect payment of any expense or obligation of, the payment of a management or service fee of any nature to, or any extension of credit to an affiliate, (ii) "extension of credit" shall be defined as set forth in section 215.3 of Regulation O of the Board of Governors (12 C.F.R. 215.3), and (iii) "affiliate" shall be defined as set forth in subparagraph (b)(1) of section 23A of the Federal Reserve Act (12 U.S.C. 371c(b)(1)).

4. The Bank shall comply fully with the provisions of sections 38(f)(4)(A)(i) and (ii) of the FDI Act (12 U.S.C. 1831o(f)(4)(A)(i) and (ii)) restricting the payment of bonuses to senior executive officers and increases in compensation of such officers, and shall not make any payments to any former senior executive officers.

5. The Bank shall comply fully with the provisions of sections 38(e)(3) and (4) of the FDI Act (12 U.S.C. 1831o(e)(3) and (4)) restricting asset growth, acquisitions, branching, and new lines of business.

6. (a) The Bank shall not, without the prior written approval of the Reserve Bank and the Director of the Financial Institutions Division, acquire any consumer lease contracts, other than those for which the Bank is contractually obligated as of the date of this Directive.

(b) The Bank shall reduce its concentrations of credit in consumer lease contracts and in loans purchased from any single source to levels below 25 percent of the Bank's Tier 1 capital and allowance of loan and lease losses.

7. The Bank shall not capitalize costs related to management fees, consulting fees, or other costs, without the prior written approval of the Reserve Bank and the Director of the Financial Institutions Division.

8. All communications regarding this Directive shall be sent to:

- (a) Mr. Basil J. Asaro
Vice President
Federal Reserve Bank of Dallas
P.O. Box 655906
Dallas, Texas 75265-5906
- (b) Mr. William J. Verant
Director
Financial Institutions Division
State of New Mexico
P.O. Box 25101
Santa Fe, New Mexico 87504-5101
- (c) Ms. Marguerite Poling
Chairman of the Board
Zia New Mexico Bank
P.O. Box 1248
Tucumcari, New Mexico 88401
- (d) Mr. John Phalen
President
Zia New Mexico Bank
P.O. Box 1248
Tucumcari, New Mexico 88401

9. The provisions of this Directive shall be binding upon the Bank and its institution-affiliated parties, in their capacities as such, and their successors and assigns.

10. Each provision of this Directive shall remain effective and enforceable until stayed, modified, terminated or suspended by the Board of Governors and the Director of the Financial Institutions Division.

11. Notwithstanding any provision of this Directive to the contrary, the Reserve Bank and the Director of the Financial Institutions Division may, in their sole discretion, grant written extensions of time to the Bank to comply with any provision of this Directive.

12. The provisions of this Directive shall not bar, estop or otherwise prevent the Board of Governors, the Director of the Financial Institutions Division, or any Federal or State department or agency from taking any other action affecting the Bank or any of its current or former institution-affiliated parties and their successors or assigns.

13. The Bank may, pursuant to section 263.202(a)(2) of the Rules of Practice, submit to the Board of Governors a written appeal of this Directive. Any written appeal of this Directive shall be filed within 14 days of service of this Directive with Jennifer J. Johnson, Secretary of the Board, Board of Governors of the Federal Reserve System, 20th & C Streets, N.W., Washington, D.C. 20551, and with the Director of the Financial Institutions Division.

Failure to file a written appeal within the time specified herein shall constitute a waiver by the Bank of the opportunity to file a written appeal of this Directive.

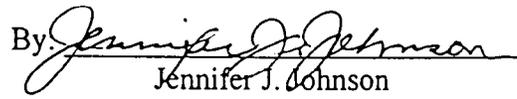
By order of the Board of Governors of the Federal Reserve System and the Director of the Financial Institutions Division effective this 26th day of January, 1999.

STATE OF NEW MEXICO
FINANCIAL INSTITUTION
DIVISION

BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM



William J. Verant
Director

By 

Jennifer J. Johnson
Secretary of the Board