

UNITED STATES OF AMERICA
BEFORE THE BOARD OF GOVERNORS OF THE FEDERAL RESERVE SYSTEM
WASHINGTON, D.C.

_____)	
In the Matter of)	Docket No. 98-034-B-SM
)	
Zia New Mexico Bank)	Cease and Desist Order
)	Issued Upon Consent
)	Pursuant to the Federal
Tucumcari, New Mexico)	Deposit Insurance Act,
_____)	as Amended

WHEREAS, in recognition of their common goal to maintain the integrity of the records and information systems of the Zia New Mexico Bank, Tucumcari, New Mexico (the "Bank"), a state chartered bank that is a member of the Federal Reserve System, and to ensure that all mission-critical systems of the Bank will continue to be fully functional before, on, and after January 1, 2000, the Board of Governors of the Federal Reserve System (the "Board of Governors") and the Bank have mutually agreed to enter into this consent Cease and Desist Order (the "Order"); and

WHEREAS, on DECEMBER 7, 1998, the board of directors of the Bank, at a duly constituted meeting, adopted a resolution (1) authorizing and directing JOHN PHALEN to enter into this Order on behalf of the Bank, and consenting to compliance with each and every provision of this Order by the Bank and its institution-affiliated parties, as such term is defined in section 3(u) of the Federal Deposit Insurance Act, as amended (the "FDI Act") (12 U.S.C. 1813(u)); (2) waiving the issuance of a notice of charges and of hearing on any matter set forth in

this Order relating to the Bank; (3) waiving a hearing for the purpose of taking evidence on any matter set forth in this Order; (4) waiving any all rights to contest the issuance of a cease and desist order by the Board of Governors pursuant to 12 U.S.C. 1818 and 12 C.F.R. Part 263; and (5) waiving any and all rights to challenge or contest in any manner the basis, issuance, validity, terms, effectiveness, or enforceability of this Order or any provisions hereof.

NOW, THEREFORE, before the taking of any testimony or adjudication of or finding on any issue of fact or law herein, and without this Order constituting an admission of any allegation made or implied by the Board of Governors in connection with this proceeding:

IT IS HEREBY ORDERED that the Bank and its institution-affiliated parties take the following affirmative actions:

1. The Bank shall take the following actions to ensure that its internal and external mission-critical systems are Year 2000 compliant:

(a) Within 10 days of this Order, appoint a senior manager, acceptable to the Federal Reserve Bank of Dallas (the "Reserve Bank") and accountable to the board of directors, who will be responsible for supervising the Bank's Year 2000 readiness efforts and will devote a substantial amount of time to Year 2000 compliance matters, and appoint whatever additional staff is necessary to support this effort;

(b) within 10 days of this Order, identify and allocate financial and other resources necessary to achieve Year 2000 compliance;

(c) within 30 days of this Order, submit to the Reserve Bank an acceptable plan for the renovation of all internal and external mission-critical systems;

(d) within 30 days of this Order, submit to the Reserve Bank acceptable test plans for all renovated or modified internal and external mission-critical systems;

(e) Within 45 days of this Order, identify customers, including funds takers and funds providers, that represent material risk to the Bank, evaluate their Year 2000 preparedness, assess their existing and potential Year 2000 risk to the Bank, and implement appropriate risk controls, including controls for underwriting risk, to manage and mitigate their Year 2000 risk to the Bank; and

(f) within 45 days of this Order, submit to the Reserve Bank an acceptable remediation contingency plan that describes how the Bank will mitigate the risks associated with the failure to complete successfully its renovation, testing, and implementation of its internal and external mission-critical systems.

2. (a) Within 10 days of this Order, the Bank shall designate a senior manager, acceptable to the Reserve Bank and accountable to the board of directors, who will be

responsible for supervising the Bank's Year 2000 business resumption contingency planning process.

(b) Within 30 days of this Order, the Bank shall submit to the Reserve Bank an acceptable written program for the development of a Year 2000 business resumption contingency plan to mitigate operational risks that may be caused by failures of the Bank's core business processes. The program shall, a minimum, include and address the following four phases of the Bank's business resumption contingency planning process and provide for the periodic update of the plan as needs and circumstances require:

- (1) The establishment of organizational planning guidelines that define the Bank's business continuity planning strategy;
- (2) the development of a business impact analysis to assess the potential impact of mission-critical system failures on the Bank's core business processes;
- (3) the identification of circumstances and trigger dates under which the business resumption contingency plan will be activated; and
- (4) the establishment of a method of validating the plan for effectiveness and viability.

(c) The business impact analysis described in paragraph 2(b)(2) hereof must be completed within 60 days of this Order.

3. The board of the directors of the Bank shall (a) meet at least once every two weeks to review and monitor the Bank's Year 2000 compliance efforts, and (b) maintain full and complete minutes of its actions relating to the Bank's Year 2000 compliance efforts, which shall be submitted to the Reserve Bank within 5 days of each board meeting.

4. Within 5 days of the end of each month following the date of this Order, the Bank shall furnish to the Reserve Bank written progress reports detailing the form and manner of all actions taken to secure compliance with this Order and the results thereof. Such reports may be discontinued when the Reserve Bank has, in writing, released the Bank from making further reports.

5. The plans and program required by paragraphs 1(c), (d), and (f), and 2(b) hereof shall be submitted to the Reserve Bank for review and approval. The Reserve Bank may comment on the plans. Acceptable plans shall be submitted to the Reserve Bank within the time periods set forth in this Order. The Bank shall adopt all approved plans within 10 days of approval by the Reserve Bank and then shall fully comply with them. During the term of this Order, the Bank shall not amend or rescind the approved plans without the prior written approval of the Reserve Bank.

6. All communications regarding this Order 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) Ms. Marguerite Poling
Chairman of the Board
Zia New Mexico Bank
P.O. Box 1248
Tucumcari, New Mexico 88401

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

8. Each provision of this Order shall remain effective and enforceable until stayed, modified, terminated or suspended by the Board of Governors.

9. Notwithstanding any provision of this Order to the contrary, the Reserve Bank may, in its sole discretion, grant written extensions of time to the Bank to comply with any provision of this Order.

10. The provisions of this Order shall not bar, estop, or otherwise prevent any federal or state agency or department from taking any other action affecting the Bank or any of its current or former institution-affiliated parties and their successors or assigns.


11. This Order does not supersede the Order issued against the Bank and G.A. Poling, Jr. by the Board of Governors on June 23, 1997, which remains in effect.

By order of the Board of Governors of the Federal Reserve System effective this 14th day of December 1998.

ZIA NEW MEXICO BANK

By: 

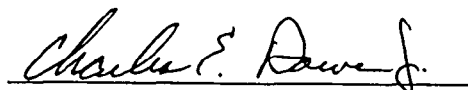
BOARD OF GOVERNORS OF THE
FEDERAL RESERVE SYSTEM

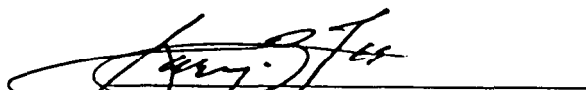
By: 
Jennifer L. Johnson
Secretary of the Board

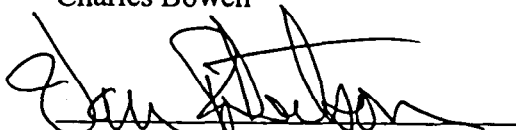
The undersigned directors of the Bank each acknowledge having read the foregoing Order and approve of the consent thereto by the Bank.

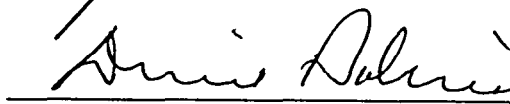

Marguerite Poling


G.A. Poling, Jr.


Charles Bowen


Gary Lee


Van Robertson


David Poling