FEDERAL DEPOSIT INSURANCE CORPORATION
WASHINGTON, D.C.
AND
NEW MEXICO FINANCIAL INSTITUTIONS DIVISION
SANTA FE, NEW MEXICO

In the Matter of	)	ORDER TO CEASE AND DESIST
HIGH DESERT STATE BANK ALBUQUERQUE, NEW MEXICO	)	FDIC 09-127b
	)	FID-2009-002
(Insured State Nonmember Bank)	)	

High Desert State Bank, Albuquerque, New Mexico ("Bank"), through its board of directors, having been advised of its right to the issuance and service of a NOTICE OF CHARGES AND OF HEARING detailing the unsafe or unsound banking practices and violations of law and/or regulations alleged to have been committed by the Bank and of its right to a hearing on the alleged charges under section 8(b) of the Federal Deposit Insurance Act ("Act"), 12 U.S.C. § 1818(b) and Article 1, Section 34 of Chapter 58 of the New Mexico Statutes, N.M. Stat. Ann. § 58-1-34 (Matthew Bender, 1978) and having waived those rights, entered into a STIPULATION AND CONSENT TO THE ISSUANCE OF AN ORDER TO CEASE AND DESIST ("CONSENT AGREEMENT") with counsel for the Federal Deposit Insurance Corporation ("FDIC") and a representative of the New Mexico Financial Institutions Division ("State") dated June 19, 2009, whereby, solely for the purpose of this proceeding and without admitting or denying the alleged charges of unsafe or unsound banking practices and violations of law and/or regulations, the Bank consented to the issuance of an ORDER TO CEASE AND DESIST ("ORDER") by the FDIC and the State.

The FDIC and the State considered the matter and determined that they had reason to believe that the Bank had engaged in unsafe or unsound banking practices and had violated laws and/or regulations. The FDIC and the State, therefore, accepted the CONSENT AGREEMENT and issued the following:

ORDER TO CEASE AND DESIST

IT IS ORDERED, that the Bank, institution-affiliated parties, as that term is defined in section 3(u) of the Act, 12 U.S.C. § 1813(u), of the Bank and its successors and assigns, cease and desist from the following unsafe or unsound banking practices and violations of laws and/or regulations:

1. Operating the Bank with an inadequate level of capital protection for the kind and quality of assets held by the Bank.
2. Operating the Bank with an excessive level of adversely classified loans or assets.
3. Operating the Bank with an excessive level of nonaccrual loans and other nonearning assets.
4. Operating with an inadequate allowance for loan and lease losses for the volume, type and quality of loans and leases held.
5. Creating concentrations of credit.
6. Engaging in hazardous lending, credit administration, and/or lax collection practices, including, but not limited to:
    a. Renewing or extending credit without adequate and appropriate supporting documentation.
    b. Failure to obtain proper loan documentation.
    c. Failure to obtain adequate collateral.

d. Failure to establish and monitor collateral margins of secured borrowers.

e. Failure to establish and enforce adequate loan repayment programs.

f. Failure to obtain current and complete financial information.

7. Operating the Bank in contravention of written loan policies and procedures.

8. Operating the Bank in violation of applicable Federal and State laws and regulations.

9. Operating the Bank without adequate supervision and direction by the Bank's board of directors over the management of the Bank to prevent unsafe and unsound banking practices and violations of laws or regulations.

10. Engaging in transactions with Bank directors without performing proper due diligence.

11. Operating the Bank with inadequate earnings to fund growth, support dividend payments and augment capital.

12. Operating the Bank without adequate liquidity or proper regard for funds management in light of the Bank's asset and liability mix.

IT IS FURTHER ORDERED, that the Bank, its institution-affiliated parties and its successors and assigns take affirmative action as follows:

CAPITAL PLAN

1. (a) Within 60 days after the effective date of this ORDER, the Bank shall submit a written capital plan ("Capital Plan") to the Regional Director, FDIC, Dallas Regional Office ("Regional Director") and the Director of the New Mexico Financial Institutions Division ("Director") to achieve and maintain its Tier 1 Leverage Capital ratio equal to or greater than

10 percent of the Bank's Average Total Assets and to achieve and maintain its Total Risk-Based Capital ratio equal to or greater than 13 percent of the Bank's Total Risk Weighted Assets.

(b) After the Regional Director and the Director respond to the Capital Plan, the Bank's board of directors shall adopt the Capital Plan, including any modifications or amendments requested by the Regional Director and the Director. Thereafter, the Bank shall immediately initiate measures detailed in the Capital Plan, to the extent such measures have not previously been initiated, to effect compliance with the Capital Plan within 30 days after the Regional Director and the Director respond to the Capital Plan.

(c) Any increase in Tier 1 Capital necessary to meet the capital ratios required by this ORDER may be accomplished by:

(1) The sale of securities in the form of common stock; or

(2) The direct contribution of cash subsequent to March 2, 2009, by the directors and/or shareholders of the Bank; or

(3) Receipt of an income tax refund or the capitalization subsequent to March 2, 2009, of a bona fide tax refund certified as being accurate by a certified public accounting firm; or

(4) Any other method approved by the Regional Director and the Director.

(d) If, after the Capital Plan has been approved and adopted by the Bank, any such capital ratios are less than required by the ORDER as determined as of the date of any Report of Condition and Income or at an examination by the FDIC or the State, the Bank shall, within 30 days after receipt of a written notice of the capital deficiency from the Regional Director or the Director, present to the Regional Director and the Director a new capital plan

("New Capital Plan") to increase the Bank's Tier 1 Capital of the Bank or to take such other measures to bring all the capital ratios to the percentages required by this ORDER. After the Regional Director and the Director respond to the New Capital Plan, the Bank's board of directors shall adopt the New Capital Plan, including any modifications or amendments requested by the Regional Director and the Director.

(e) Thereafter, the Bank shall immediately initiate measures detailed in the New Capital Plan, to the extent such measures have not previously been initiated, to bring all the Bank's capital ratios to the percentages required by this ORDER within 30 days after the Regional Director and the Director respond to the New Capital Plan.

(f) If all or part of the increase in Capital ratios required by this ORDER is to be accomplished by the sale of new securities, the Bank's board of directors shall adopt and implement a plan for the sale of such additional securities, including soliciting proxies and the voting of any shares or proxies owned or controlled by them in favor of the plan. Should the implementation of the plan involve a public distribution of the Bank's securities (including a distribution limited only to the Bank's existing shareholders), the Bank shall prepare offering materials fully describing the securities being offered, including an accurate description of the financial condition of the Bank and the circumstances giving rise to the offering, and any other material disclosures necessary to comply with Federal securities laws. Prior to the implementation of the plan, and in any event, not less than 20 days prior to the dissemination of such materials, the plan and any materials used in the sale of the securities shall be submitted to the FDIC, Accounting and Securities Disclosure Section, Washington, D.C. 20429, for review. Any changes requested to be made in the plan or the materials by the FDIC shall be made prior to their dissemination. If the increase in Capital ratios is to be provided by the sale of noncumulative perpetual preferred stock, then all terms and conditions of the issue shall be presented to the Regional Director and the Director for prior approval.

(g) In complying with the provisions of this ORDER and until such time as any such public offering is terminated, the Bank shall provide to any subscriber and/or purchaser of the Bank's securities written notice of any planned or existing development or other change which is materially different from the information reflected in any offering materials used in connection with the sale of the Bank securities. The written notice required by this paragraph shall be furnished within 10 days after the date such material development or change was planned or occurred, whichever is earlier, and shall be furnished to every purchaser and/or subscriber who received or was tendered the information contained in the Bank's original offering materials.

(h) In addition, the Bank shall comply with the FDIC's Statement of Policy on Risk-Based Capital found in Appendix A to Part 325 of the FDIC Rules and Regulations, 12 C.F.R. Part 325, App. A.

(i) For purposes of this ORDER, all terms relating to capital shall be calculated according to the methodology set forth in Part 325 of the FDIC's Rules and Regulations, 12 C.F.R. Part 325.

DIVIDEND RESTRICTION

2. As of the effective date of this ORDER, the Bank shall not declare or pay any cash dividend without the prior written consent of the Regional Director and the Director.

CLASSIFIED ASSETS - CHARGE-OFF AND PLAN FOR REDUCTION

3. (a) Within 30 days after the effective date of this ORDER, the Bank shall, to the extent that it has not previously done so, eliminate from its books, by charge-off or collection, all assets or portions of assets classified Loss by the FDIC or the State as a result of its examination of the Bank as of March 2, 2009. Elimination or reduction of these assets through proceeds of loans made by the Bank shall not be considered "collection" for the purpose of this paragraph.

(b) Within 60 days after the effective date of this ORDER, the Bank shall submit a written plan ("Classified Assets Plan") to the Regional Director and the Director to reduce the remaining assets classified Doubtful and Substandard as of March 2, 2009. The Classified Assets Plan shall address each asset so classified with a balance of $300,000 or greater and provide the following:

(1) The name under which the asset is carried on the books of the Bank;

(2) Type of asset;

(3) Actions to be taken in order to reduce the classified asset; and

(4) Timeframes for accomplishing the proposed actions.

The Classified Assets Plan shall also include, at a minimum:

(1) Review the financial position of each such borrower, including the source of repayment, repayment ability, and alternate repayment sources; and

(2) Evaluate the available collateral for each such credit, including possible actions to improve the Bank's collateral position.

In addition, the Classified Assets Plan shall contain a schedule detailing the projected reduction of total classified assets on a quarterly basis. Further, the Classified Assets Plan shall contain a provision requiring the submission of monthly progress reports to the Bank's board of directors and a provision mandating a review by the Bank's board of directors.

(c) The Bank shall present the Classified Assets Plan to the Regional Director and the Director for review. Within 30 days after the Regional Director's and the Director's response, the Classified Assets Plan, including any requested modifications or amendments shall be adopted by the Bank's board of directors which approval shall be recorded in the minutes of the meeting of the Bank's board of directors. The Bank shall then immediately initiate measures detailed in the Classified Assets Plan to the extent such measures have not been initiated.

(d) For purposes of the Classified Assets Plan, the reduction of adversely classified assets as of March 2, 2009 shall be detailed using quarterly targets expressed as a percentage of the Bank's Tier 1 Capital plus the Bank's Allowance for Loan and Lease Losses and may be accomplished by:

(1) Charge-off;

(2) Collection;

(3) Sufficient improvement in the quality of adversely classified assets so as to warrant removing any adverse classification, as determined by the FDIC or the State; or

(4) Increase in the Bank's Tier 1 Capital.

(e) While this ORDER is in effect, the Bank shall eliminate from its books, by charge-off or collection, all assets or portions of assets classified Loss as determined at any future examination conducted by the FDIC or the State.

NONEARNING ASSETS – PLAN FOR REDUCTION

4. (a) Within 45 days after the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and the Director for review and comment a written plan ("Nonearning Assets Plan") to reduce the level of nonearning assets, specifically to include, but not be limited to, land held for future expansion and the currency and financial instruments collection identified in the Report of Examination as of March 2, 2009. Such Nonearning Assets Plan shall include, but not be limited to:

(1) Marketing plans for each nonearning asset;

(2) Timeframes for divestiture of each nonearning asset; and

(3) Provisions for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the Bank's board of directors.

(b) After the Regional Director and the Director have responded to the Nonearning Assets Plan, the Bank's board of directors shall adopt the Nonearning Assets Plan as amended or modified by the Regional Director and the Director. The Nonearning Assets Plan shall be implemented immediately to the extent that the provisions of the Nonearning Assets Plan are not already in effect at the Bank.

ALLOWANCE FOR LOAN AND LEASE LOSSES

5. (a) Within 30 days after the effective date of this ORDER, The Bank shall maintain an Allowance for Loan and Lease Losses ("ALLL") in conformance with generally accepted accounting principles. Prior to the end of each calendar quarter, the Bank's board of directors shall review the adequacy of the Bank's ALLL. Such reviews shall include, at a

minimum, the Bank's loan loss experience, an estimate of potential loss exposure in the portfolio, trends of delinquent and non-accrual loans and prevailing and prospective economic conditions. The minutes of the Bank's board of directors' meetings at which such reviews are undertaken shall include complete details of the reviews and the resulting recommended increases in the ALLL.

(b) Within 30 days after the effective date of this ORDER, the Bank must use Financial Accounting Standards Board Statements Numbers 5 and 114 for determining the Bank's allowance for loan and lease losses reserve adequacy. Provisions for loan losses must be based on the inherent risk in the Bank's loan portfolio. The directorate must document with written reasons any decision not to require provisions for loan losses in the board minutes.

<u>CONCENTRATIONS – PLAN FOR REDUCTION</u>

6. (a) Within 90 days after the effective date of this ORDER, the Bank shall formulate and submit to the Regional Director and the Director for review and comment a written plan ("Concentrations Plan") to reduce each of the loan concentrations of credit identified in the Report of Examination as of March 2, 2009. Such Concentrations Plan shall prohibit any additional advances that would increase the concentrations or create new concentrations and shall include, but not be limited to:

(1) Establishment of a percentage level to Total Capital to which the Bank shall reduce each concentration; and

(2) Provisions for the submission of monthly written progress reports to the Bank's board of directors for review and notation in minutes of the meetings of the Bank's board of directors.

(b) For purposes of the Concentration Plan, “reduce” means to:

(1) Charge-off;

(2) Collect; or

(3) Increase Tier 1 Capital.

(c) After the Regional Director and the Director have responded to the Concentrations Plan, the Bank’s board of directors shall adopt the Concentrations Plan as amended or modified by the Regional Director and the Director. The Concentrations Plan shall be implemented immediately to the extent that the provisions of the Concentrations Plan are not already in effect at the Bank.

LOAN COMMITTEE AND LOAN REVIEW REQUIREMENTS

7. (a) Within 30 days after the effective date of this ORDER, the Bank’s board of directors shall establish a loan review committee to periodically review the Bank’s loan portfolio and identify and categorize problem credits. The committee shall file a report with the Bank’s board of directors at each board meeting. This report shall include the following information:

(1) The overall quality of the loan portfolio;

(2) The identification, by type and amount, of each problem or delinquent loan;

(3) The identification of all loans not in conformance with the Bank’s lending policy; and

(4) The identification of all loans to officers, directors, principal shareholders or their related interests.

(b) At least 50% of the members of the loan review committee shall be Independent Directors as defined in Provision 12 of this ORDER.

LOAN POLICY COMPLIANCE

8. (a) Within 90 days after the effective date of this ORDER, and annually thereafter, the board of directors of the Bank shall establish review and monitoring procedures to ensure that all Bank lending personnel are adhering to the Bank's established lending procedures and that the directorate is receiving timely and fully documented reports on loan activity, including any deviations from established loan policy.

(b) As part of the board of director's initial formulation of such procedures, the board of directors shall review the Bank's loan policy and procedures for effectiveness and, based upon this review, the board of directors shall make all necessary revisions to the policy in order to strengthen the Bank's lending procedures and abate additional loan deterioration.

(c) At a minimum, the board of directors shall ensure that the Bank's loan policy includes the following provisions:

(1) Requires that all extensions of credit originated or renewed by the Bank be supported by current credit information and collateral documentation, including lien searches and the perfection of security interests; have a defined and stated purpose; and have a predetermined and realistic repayment source and schedule. Credit information and collateral documentation shall include current financial information, profit and loss statements or copies of tax returns, and cash flow projections, and shall be maintained throughout the term of the loan;

(2) Requires that the loan committee review and monitor the status of repayment and collection of overdue and maturing loans, as well as all loans classified "Substandard" or "Doubtful" in the Report of Examination;

(3) Requires the establishment and maintenance of a loan grading system and internal loan watch list;

(4) Requires a written plan to lessen the risk position in each line of credit identified as a problem credit on the Bank's internal loan watch list;

(5) Prohibits the capitalization of interest or loan-related expenses unless the Bank's board of directors formally approves such extensions of credit as being in the best interest of the Bank and provides detailed written support of its position in the Bank's board minutes;

(6) Requires that extensions of credit to any of the Bank's executive officers, directors, or principal shareholders, or to any related interest of such person, be thoroughly reviewed for compliance with all provisions of Regulation O, 12 C.F.R. Part 215 and Section 337.3 of the FDIC's Rules and Regulations, 12 C.F.R. § 337.3.

(7) Requires prior written approval by the Bank's board of directors for any extension of credit, renewal, or disbursement in an amount which, when aggregated with all other extensions of credit to that

person and related interests of that person, exceeds 25 percent of Tier 1 Leverage Capital, as reported in the most recently filed Consolidated Reports of Condition and Income. For the purpose of this paragraph "Related Interest" is defined as in Section 215.2(n) of Regulation O, 12 C.F.R. § 215.2(n);

(8) Requires accurate reporting of past due loans to the Bank's board of directors on at least a monthly basis;

(9) Addresses concentrations of credit and diversification of risk, including goals for portfolio mix, establishment of limits within loan and other asset categories, and development of a tracking and monitoring system for the economic and financial condition of specific geographic locations, industries, and groups of borrowers;

(10) Incorporates collateral valuation requirements, including:

a. Maximum loan-to-collateral-value limitations;

b. A requirement that the valuation be completed prior to a commitment to lend funds;

c. A requirement for periodic updating of valuations; and

d. A requirement that the source of valuations be documented in Bank records;

(11) Establishes standards for initiating collection efforts;

(12) Establishes guidelines for timely recognition of loss through charge-off;

(13) Establishes officer lending limits and limitations on the aggregate level of credit to any one borrower which can be granted without the prior approval of the Bank's board of directors ;

(14) Requires that collateral appraisals be completed prior to the making of secured extensions of credit, and that periodic collateral valuations be performed for all secured loans listed on the Bank's internal watch list, criticized in any internal or outside audit report of the Bank, or criticized in any Report of Examination of the Bank by the FDIC or the State;

(15) Establishes limitations on the maximum volume of loans in relation to total assets; and

(16) Establishes review and monitoring procedures to ensure compliance with FDIC's regulation on appraisals pursuant to Part 323 of the FDIC's Rules and Regulations, 12 C.F.R. Part 323.

(c) Any revisions made to the Bank's written loan policy shall be submitted to the Regional Director and the Director for comment. After the Regional Director and the Director have responded to the revised loan policies, the Bank's board of directors shall adopt the revised policies as amended or modified by the Regional Director and the Director. The revised policies will then be implemented immediately to the extent that they are not already in effect at the Bank.

RESTRICTION ON ADVANCES TO CLASSIFIED BORROWERS

9. (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 whose existing credit has

been classified Loss by the FDIC or the State as the result of its examination of the Bank, either in whole or in part, and is uncollected, or to any borrower who is already obligated in any manner to the Bank on any extension of credit, including any portion thereof, that has been charged off the books of the Bank and remains uncollected. The requirements of this paragraph shall not prohibit the Bank from renewing credit already extended to a borrower after full collection, in cash, of interest due from the borrower.

(b) 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 whose extension of credit is classified Doubtful and/or Substandard by the FDIC or the State as the result of its examination of the Bank, either in whole or in part, and is uncollected, unless the Bank's board of directors has signed a detailed written statement giving reasons why failure to extend such credit would be detrimental to the best interests of the Bank. The statement shall be placed in the appropriate loan file and included in the minutes of the applicable Bank's board of directors' meeting.

TECHNICAL EXCEPTIONS

10. (a) Within 60 days after the effective date of this ORDER, the Bank shall attempt to correct the technical exceptions noted at the March 2, 2009, Examination.

(1) For any exception that cannot be corrected, the Bank shall document the reason for such inability in the borrower's credit file, and the board of directors shall review and include copy of the documentation in the board's minutes.

(2) Progress reports detailing each outstanding exception and the Bank's plan for corrective action shall be submitted to the board

for review during each regularly scheduled meeting. The report shall be made part of, and the review noted, in the board's minutes.

(3) From the effective date of this ORDER, the Bank shall ensure that the necessary supporting documentation is obtained and evaluated before any credit or loan is extended.

(b) Within 90 days after the effective date of this ORDER, the Bank shall implement a system of monitoring loan documentation exceptions on an ongoing basis and implement procedures designed to reduce the occurrence of such exceptions in the future.

CORRECTION OF VIOLATIONS

11. (a) Within 90 days after the effective date of this ORDER, the Bank shall eliminate and/or correct all violations of law and regulation noted in the Report of Examination.

(b) Within 90 days after the effective date of this ORDER, the Bank shall implement procedures to ensure future compliance with all applicable laws and regulations.

(c) Within 90 days after the effective date of this ORDER, the Bank shall address any contraventions of regulatory policies or guidelines noted in the Report of Examination.

MANAGEMENT - INDEPENDENT DIRECTORS

12. (a) Within 120 days after the effective date of this ORDER, the Bank shall add to its board of directors 4 new members who are Independent Directors. For purposes of this ORDER, a person who is an Independent Director shall be any individual:

(1) Who is not an officer of the Bank;

(2) Who does not own more than 5 percent of the outstanding shares of the Bank;

(3) Who is not related by blood or marriage to an officer or director of the Bank or to any shareholder owning more than 5 percent of the Bank's outstanding shares, and who does not otherwise share a common financial interest with such officer, director or shareholder; and

(4) Who is not indebted to the Bank either directly or indirectly by virtue of blood, marriage, or a common financial interest which includes the indebtedness of any entity in which the individual has a substantial financial interest in an amount exceeding 5 percent of the Bank's total Tier 1 Capital and Allowance for Loan and Lease Losses; or

(5) Who is deemed to be an Independent Director for purposes of this ORDER by the Regional Director and the Director. The addition of any new Bank directors required by this paragraph may be accomplished, to the extent permissible by state statute or the Bank's bylaws, by means of appointment or election at a regular or special meeting of the Bank's shareholders.

BANK MANAGEMENT AND STAFFING STUDY

13. (a) Within 120 days after the effective date of this ORDER, the Bank shall have and retain a new chief executive officer with a demonstrated ability in managing a bank of comparable size and shall have prior experience in upgrading a low quality loan portfolio. Such

person shall be provided the necessary written authority to implement the provisions of this ORDER.

(b) Within 30 days the Bank shall retain a bank consultant acceptable to the Regional Director and the Director. The consultant shall develop a written analysis and assessment of the Bank's management and staffing needs ("Management Plan") for the purpose of providing qualified management for the Bank.

(c) The Bank shall provide the Regional Director and the Director with a copy of the proposed engagement letter or contract with the consultant for review before it is executed. The contract or engagement letter, at a minimum, should include:

(1) A description of the work to be performed under the contract or engagement letter;

(2) The responsibilities of the consultant;

(3) An identification of the professional standards covering the work to be performed;

(4) Identification of the specific procedures to be used when carrying out the work to be performed;

(5) The qualifications of the employee(s) who are to perform the work;

(6) The time frame for completion of the work;

(7) Any restrictions on the use of the reported findings; and

(8) A provision for unrestricted examiner access to work papers.

(d) The Management Plan shall be developed within 60 days after the hiring of the management consultant. The Management Plan shall include, at a minimum:

(1) Identification of both the type and number of officer positions needed to properly manage and supervise the affairs of the Bank;

(2) Identification and establishment of such Bank committees as are needed to provide guidance and oversight to active management;

(3) Evaluation of all Bank officers to determine whether these individuals possess the ability, experience and other qualifications required to perform present and anticipated duties, including:

a. complying with the requirements of this ORDER;

b. complying with applicable laws and regulations;

c. restoring all aspects of the Bank to a safe and sound condition, including, but not limited to, asset quality, capital adequacy, earnings, management effectiveness, and liquidity; and

(4) A plan to recruit and hire any additional or replacement personnel with the requisite ability, experience and other qualifications to fill those officer or staff member positions identified in the Management Plan.

(e) The Management Plan shall be submitted to the Regional Director and the Director for review and comment upon its completion. Within 30 days from the receipt of any comments from the Regional Director and the Director, and after the adoption of any recommended changes, the Bank shall approve the Management Plan, and record its approval in the minutes of the board of directors' meeting. Thereafter, the Bank, its directors, officers, and employees shall implement and follow the Management Plan and/or any subsequent modification.

(f) While this ORDER is in effect, the Bank shall notify the Regional Director and the Director in writing of any changes in any of the Bank's directors or Senior Executive Officers. For purposes of this ORDER, "Senior Executive Officer" is defined as in Section 303.101(b) of the FDIC Rules and Regulations, 12 C.F.R. § 303.101(b). Prior to the addition of any individual to the board of directors or the employment of any individual as a Senior Executive Officer, the Bank shall comply with the requirements of Section 32 of the Act, 12 U.S.C. § 1831i, and Subpart F of Part 303 of the FDIC Rules and Regulations, 12 C.F.R. §§ 303.100 - 303.103.

INSIDER TRANSACTIONS

14. (a) Within 30 days after the effective date of this ORDER, the Bank shall review and document that all outstanding transactions and contracts with institution affiliated parties and/or affiliates of the Bank to provide goods or services are being conducted on terms and under circumstances that are substantially the same, or at least as favorable to the Bank, as those prevailing at the time for comparable transactions with or involving other nonaffiliated companies or non-institution affiliated parties.

(b) Thereafter, the Bank shall document that all future transactions with institution affiliated parties and/or affiliates of the Bank:

(1) Are conducted on terms and circumstances are substantially the same, or at least as favorable to the Bank, as a comparable transaction with or involving nonaffiliated companies or non-institution affiliated parties; and

(2) Have the prior approval of a majority of the Bank's board of directors.

(c) For purposes of this ORDER, the term “institution affiliated party” is defined as in section 3(u) of the Act, 12 U.S.C. § 1813(u) and the term “affiliate” is defined as in section 23A(b) of the Federal Reserve Act, 12 U.S.C. § 371c(b).

STRATEGIC PLAN

15. (a) Within 90 days after the effective date of this ORDER, the Bank shall prepare and adopt a comprehensive strategic plan (“Strategic Plan”). The Strategic Plan required by this paragraph shall contain an assessment of the Bank’s current financial condition and market area, and a description of the operating assumptions that form the basis for major projected income and expense components.

(b) The written Strategic Plan shall address, at a minimum:

(1) Strategies for pricing policies and asset/liability management;

(2) Plans for sustaining adequate liquidity, including back-up lines of credit to meet any unanticipated deposit withdrawals;

(3) Goals for reducing problem loans;

(4) Plans for attracting and retaining qualified individuals to fill any vacancies in the lending and accounting functions;

(5) Financial goals, including pro forma statements for asset growth, capital adequacy, and earnings;

(6) Formulation of a mission statement and the development of a strategy to carry out that mission.

(c) The Bank shall submit the Strategic Plan to the Regional Director and the Director for review and comment. After consideration all such comments, the Bank shall approve the Strategic Plan, which approval shall be recorded in the minutes of the Bank's board of directors' meeting. Thereafter, the Bank shall implement and follow the Strategic Plan.

(d) Within 30 days after the end of each calendar quarter following the effective date of this ORDER, the Bank's board of directors shall evaluate the Bank's performance in relation to the Strategic Plan required by this paragraph and record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Bank's board of directors' meeting at which such evaluation is undertaken.

(e) The Strategic Plan required by this ORDER shall be revised and submitted to the Regional Director and the Director for review and comment 30 days after the end of each calendar year for which this ORDER is in effect. Within 30 days after receipt of all such comments from the Regional Director and the Director and after consideration of all such comments, the Bank shall approve the revised Strategic Plan, which approval shall be recorded in the minutes of the Bank's board of directors' meeting. Thereafter, the Bank shall implement the revised Strategic Plan.

EARNINGS PLAN

16. (a) Within 60 days after the effective date of this ORDER, and within the first 30 days of each calendar year thereafter, the board of directors shall develop a written earnings plan ("Earnings Plan") consisting of goals and strategies for improving the earnings of the Bank for each calendar year. The written Earnings Plan shall include, at a minimum:

(1) Identification of the major areas in, and means by, which the board of directors will seek to improve the Bank's operating performance;

(2) Realistic and comprehensive budgets;

(3) A budget review process to monitor the income and expenses of the Bank to compare actual figures with budgetary projections on not less than a quarterly basis; and

(4) A description of the operating assumptions that form the basis for and support major projected income and expense components.

(b) Such written Earnings Plan and any subsequent modification thereto shall be submitted to the Regional Director and the Director for review and comment. Within 30 days after the receipt of any comment from the Regional Director and the Director, the Bank's board of directors shall approve the written Earnings Plan, which approval shall be recorded in the minutes of the Bank's board of directors. Thereafter, the Bank, its directors, officers, and employees shall follow the written Earnings Plan and/or any subsequent modification.

ASSET/LIABILITY COMMITTEE

17. Within 30 days after the effective date of this ORDER, the Bank shall appoint members to an Asset/Liability Committee ("ALCO"). The ALCO shall take an active role in monitoring the Bank's liquidity and report monthly to the Bank's board of directors concerning the Bank's liquidity.

LIQUIDITY AND ASSET/LIABILITY MANAGEMENT

18. (a) Within 90 days after the effective date of this ORDER, the Bank shall develop and submit to the Regional Director and the Director for review and comment a written plan addressing liquidity and asset/liability management ("Liquidity Plan"). Annually thereafter, while this ORDER is in effect, the Bank shall review this Liquidity Plan for adequacy and, based upon such review, shall make necessary revisions to the Liquidity Plan to strengthen funds

management procedures and maintain adequate liquidity to meet the Bank's needs. The initial Liquidity Plan shall include, at a minimum, provisions:

(1) Requiring the total loan to total assets ratio to be monitored on a monthly basis and maintained at a level consistent with safe and sound banking practices;

(2) Establishing a reasonable range for its net non-core funding ratio as computed in the Uniform Bank Performance Report;

(3) Identifying the source and use of borrowed and/or volatile funds;

(4) Establishing lines of credit at correspondent banks, including the Federal Reserve Bank of Kansas City or the Federal Home Loan Bank, that would allow the Bank to borrow funds to meet depositor demands if the Bank's other provisions for liquidity proved to be inadequate;

(5) Requiring the retention of securities and/or other identified categories of investments that can be liquidated within one day in amounts sufficient (as a percentage of the Bank's total assets) to ensure the maintenance of the Bank's liquidity posture at a level consistent with short- and long-term liquidity objectives;

(6) Establishing a minimum liquidity ratio and defining how the ratio is to be calculated;

(7) Establishing contingency plans by identifying alternative courses of action designed to meet the Bank's liquidity needs;

(8) Addressing the use of borrowings (for example, seasonal credit needs, match funding mortgage loans, etc.) and providing for reasonable maturities commensurate with the use of the borrowed funds; addressing concentration of funding sources; and addressing pricing and collateral requirements with specific allowable funding channels (for example, Fed funds purchased and other correspondent borrowings); and

(9) Establishing procedures for managing the Bank's sensitivity to interest rate risk which comply with the Joint Agency Statement of Policy on Interest Rate Risk (June 26, 1996), and the Supervisory Policy Statement on Investment Securities and End-user Derivative Activities (April 23, 1998).

(b) Within 30 days after the receipt of all such comments from the Regional Director and the Director, and after revising the Liquidity Plan as necessary, the Bank shall adopt the Liquidity Plan, which adoption shall be recorded in the minutes of a board of directors' meeting. Thereafter, the Bank shall implement the Liquidity Plan.

COMPLIANCE COMMITTEE – NON-EMPLOYEE DIRECTORS REQUIRED

19. Within 30 days after the effective date of this ORDER, the Bank's board of directors shall establish a committee of the board of directors of the Bank charged with the responsibility of ensuring that the Bank complies with the provisions of this ORDER. At least 2 of the members of such committee shall be directors not employed in any capacity by the Bank other than as a director. The committee shall report monthly to the full board of directors of the Bank, and a copy of the report and any discussion relating to the report or the ORDER shall be

noted in the minutes of the Bank's board of directors' meetings. The establishment of this subcommittee shall not diminish the responsibility or liability of the entire board of directors of the Bank to ensure compliance with the provisions of this ORDER.

PROGRESS REPORTS

20. Within 30 days after the end of each calendar quarter following the effective date of this ORDER, the Bank shall furnish to the Regional Director and the Director written progress reports signed by each member of the Bank's board of directors, detailing the actions taken to secure compliance with the ORDER and the results thereof. Such reports may be discontinued when the corrections required by this ORDER have been accomplished and the Regional Director and the Director have released, in writing, the Bank from making further reports.

SHAREHOLDER DISCLOSURE

21. After the effective date of this ORDER, the Bank shall send a copy of this ORDER, or otherwise furnish a description of this ORDER, to its shareholders (1) in conjunction with the Bank's next shareholder communication, and also (2) in conjunction with its notice or proxy statement preceding the Bank's next shareholder meeting. The description shall fully describe the ORDER in all material respects. The description and any accompanying communication, statement, or notice shall be sent to the FDIC Accounting and Securities Disclosure Section, Washington, D.C. 20429, for review at least 20 days prior to dissemination to shareholders. Any changes requested by the FDIC shall be made prior to dissemination of the description, communication, notice, or statement.

This ORDER shall be binding upon the Bank, its successors and assigns, and all institution-affiliated parties of the Bank. The provisions of this ORDER shall remain effective and enforceable except to the extent that, and until such time as, any provision of this ORDER shall have been modified, terminated, superseded, or set aside by the FDIC and the Director.

This ORDER will become effective upon its issuance by the FDIC.

Pursuant to delegated authority.

Dated this 22nd day of June 2009.

/s/__________________________________
Thomas J. Dujenski
Regional Director
Dallas Region
Division of Supervision and Consumer Protection
Federal Deposit Insurance Corporation

/s/__________________________________
William J. Verant
Director
State of New Mexico
Financial Institutions Division