

FEDERAL DEPOSIT INSURANCE CORPORATION

WASHINGTON, D.C.

CALIFORNIA DEPARTMENT OF FINANCIAL INSTITUTIONS

SAN FRANCISCO, CALIFORNIA

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	)	
In the Matter of	)	
	)	CONSENT ORDER
FIRESIDE BANK	)	
PLEASANTON, CALIFORNIA	)	FDIC-09-727b
	)	
(INSURED STATE NONMEMBER BANK)	)	
	)	
_____	)	

The Federal Deposit Insurance Corporation (“FDIC”) is the appropriate Federal banking agency for Fireside Bank, Pleasanton, California (“Bank”), under 12 U.S.C. § 1813(q). The California Department of Financial Institutions (“CDFI”) is the appropriate State banking agency for the Bank under the California Financial Code.

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 December 21, 2009, that is accepted by the FDIC and the CDFI. With the Stipulation, the Bank has consented, without admitting or denying any charges of unsafe or unsound banking practices related to weaknesses in capital, asset quality, management, earnings and liquidity to the issuance of this Consent Order (“Order”) by the FDIC and the CDFI pursuant to Section 8(b)(1) of the Federal Deposit Insurance Act and Section 1913 of the California Financial Code.

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Having determined that the requirement for issuance of an order under 12 U.S.C. § 1818(b) and Section 1912 of the California Financial Code have been satisfied, the FDIC and the CDFI hereby order that:

1. The Bank shall have and retain qualified management.

(a) Each member of management shall have qualifications and experience commensurate with his or her duties and responsibilities at the Bank. Management shall include a chief executive officer with proven ability in managing a bank of comparable size, circumstances and risk profile. Each member of management shall be provided appropriate written authority from the Board to implement the provisions of this Order.

(b) The qualifications of management shall be assessed on its ability to:

- (i) comply with the requirements of this Order;
- (ii) operate the Bank in a safe and sound manner;
- (iii) comply with applicable laws and regulations; and
- (iv) restore all aspects of the Bank to a safe and sound condition,

including asset quality, capital adequacy, earnings, management effectiveness, liquidity, and sensitivity to market risk.

(c) During the life of this Order, the Bank shall notify the Regional Director of the FDIC's San Francisco Regional Office ("Regional Director") and the Commissioner of the CDFI ("Commissioner") in writing when it proposes to add or replace any individual on the Board, or employ any individual to serve as a senior executive officer, or change the responsibilities of any existing senior executive officer to include the responsibilities of another senior executive officer position. The term "senior executive officer" shall have the same meaning ascribed to it in Part 303 of the FDIC's Rules and Regulations, 12 C.F.R. § 303.102.

The notification shall include a completed Interagency Biographical and Financial Report and Interagency Change in Director or Senior Executive Officer and must be received at least 30 days before the addition, employment or change of responsibilities is intended to become effective. The Regional Director and the Commissioner shall have the power under the authority of this Order to disapprove the addition, employment or change of responsibilities of any proposed officer or director.

(d) The requirement to submit information and the prior disapproval provisions of this paragraph are based upon the authority of 12 U.S.C. § 1818(b) and do not require the Regional Director and the Commissioner to complete their review and act on any such information or authority within 30 days, or any other timeframe. The Bank shall not add, employ or change the responsibilities of any proposed director or senior executive officer until such time as the Regional Director and the Commissioner have completed their review.

2. During the life of this Order, the Board shall increase its participation in the affairs of the Bank, assuming full responsibility for the approval of sound policies and objectives and for the supervision of all of the Bank's activities, consistent with the role and expertise commonly expected for directors of banks of comparable size. This participation shall include meetings to be held no less frequently than monthly at which, at a minimum, the following areas shall be reviewed and approved: reports of income and expenses; new, overdue, renewal, insider, charged-off, and recovered loans; investment activity; liquidity and funds management activities; operating policies; and individual committee actions. The Board minutes shall document these reviews and approvals, including the names of any dissenting directors.

3. (a) During the life of this Order, the Bank shall maintain Tier 1 capital in such an amount so as to ensure that the Bank's leverage ratio equals or exceeds 15 percent.

(b) The level of capital to be maintained during the life of this Order shall be in addition to a fully funded allowance for loan and lease losses (“ALLL”) the adequacy of which shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations. Any increase in Tier 1 capital necessary to meet the requirements of this paragraph may not be accomplished through a deduction from the Bank’s ALLL.

(c) For the purposes of this Order, the terms “leverage ratio” and “Tier 1 capital” shall have the meanings ascribed to them in Part 325 of the FDIC’s Rules and Regulations, 12 C.F.R. §§ 325.2(m) and 325.2(v) and Appendix A.

4. (a) During the life of this Order, the Bank shall maintain an adequate ALLL commensurate to the overall risk in its portfolio.

(b) Additionally, within 30 days from the effective date of this Order, the Board shall develop or revise, adopt and implement a comprehensive policy for determining the adequacy of the ALLL. For the purpose of this determination, the adequacy of the allowance shall be determined after the charge-off of all loans or other items classified “Loss.” The policy shall provide for a review of the allowance at least once each calendar quarter. Said review shall be completed in order that the findings of the Board with respect to the ALLL are properly reported in the quarterly Reports of Condition and Income. The review shall focus on the results of the Bank's internal loan review, loan loss experience, trends of delinquent and non-accrual loans, an estimate of potential loss exposure of significant credits, concentrations of credit, and present and prospective economic conditions. A deficiency in the allowance shall be remedied in the calendar quarter it is discovered, prior to submitting the Report of Condition, by a charge

to current operating earnings. The minutes of the Board meeting at which such review is undertaken shall indicate the results of the review. Upon completion of the review, the Bank shall increase and maintain its ALLL consistent with the ALLL policy established. Such policy and its implementation shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

5. Within 60 days of the effective date of this Order, the Bank shall develop and submit to the Regional Director and the Commissioner a written liquidation plan (“Liquidation Plan”). The Liquidation Plan shall require the written approval of the Regional Director and Commissioner prior to its implementation. Actions taken by the Bank relating to its voluntary liquidation prior to the effective date of this ORDER shall not constitute a violation of this paragraph 5.

(a) The Liquidation Plan shall ensure that the Bank maintains adequate capital and liquidity, and shall specifically address the composition of the loan and deposit portfolios and provisions for liquidating the Bank’s deposits.

(b) The Liquidation Plan shall address goals and strategies relating to the earnings of the Bank.

(c) As part of the Liquidation Plan the Bank shall formulate and fully implement a comprehensive budget for income, expense, capital, and the ALLL. This budget shall include formal goals and strategies, consistent with sound banking practices. The budget shall include a description of its underlying assumptions.

(d) Following the end of each calendar quarter, the Bank’s Board shall evaluate the Bank's actual performance in relation to the Liquidation Plan and budget and shall

record the results of the evaluation, and any actions taken by the Bank, in the minutes of the Bank's Board meeting at which such evaluation is undertaken.

(e) Thereafter, the Bank shall update the Liquidation Plan and budget by November 30 of each subsequent year. Any modifications to the Liquidation Plan required by this paragraph shall be subject to the prior approval of the Regional Director and the Commissioner. If the Regional Director and/or Commissioner have not objected in writing to a proposed modification of the plan within 60 days of its submission by the Bank, the Bank shall be permitted to assume that the modification has been approved by the Regional Director and Commissioner.

6. Within 60 days from the effective date of this Order, the Bank shall develop or revise, adopt, and implement a written liquidity and funds management policy that adequately addresses liquidity needs. Such policy and its implementation shall be satisfactory to the Regional Director and the Commissioner as determined at subsequent examinations and/or visitations.

7. During the life of this Order, the Bank shall not engage in any new lines of business including, but not limited to, the extension of any new credit or the acceptance or renewal of any deposits except with the prior written approval of the Regional Director and the Commissioner. The Bank shall not establish any new branches or other offices of the Bank without the prior written consent of the Regional Director and the Commissioner.

8. During the life of this Order, the Bank shall file with the FDIC Reports of Condition and Income which accurately reflect the financial condition of the Bank as of the end of the period for which the Reports are filed, including any adjustment in the Bank's books made

necessary or appropriate as a consequence of any FDIC examination of the Bank during that reporting period.

9. The Bank shall not pay any cash dividends or make any other payments or distribution representing a reduction of its capital without the prior written approval of the Regional Director and the Commissioner. All requests for prior approval shall be received by the Regional Director and the Commissioner at least 30 days prior to the proposed declaration or distribution date.

10. Within 30 days of the end of the first quarter following the effective date of this Order, and within 30 days of the end of each quarter thereafter, the Bank shall furnish written progress reports to the Regional Director and the Commissioner detailing the form and manner of any actions taken to secure compliance with this 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 Commissioner have released the Bank in writing from making further reports.

11. Within five days following the effective date of this Order, the Bank shall provide a copy of the entire Order to Unitrin, Inc., the Bank's ultimate parent company.

The provisions of this ORDER shall not bar, estop, or otherwise prevent the FDIC 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.

This ORDER shall be effective on the date of issuance.

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 provisions has been modified, terminated, suspended, or set aside by the FDIC and the CDFI.

Issued pursuant to delegated authority.

Dated at San Francisco, California, this 21<sup>st</sup> day of December, 2009.

/s/

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J. George Doerr  
Deputy Regional Director  
Risk Management  
Division of Supervision and Consumer Protection  
San Francisco Region  
Federal Deposit Insurance Corporation

/s/

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Craig A. Carlson  
Senior Deputy Commissioner and Chief Examiner  
California Department of Financial Institutions