

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: WE-08-017
)	
PFF BANK AND TRUST,)	Effective Date: November 19, 2008
)	
Pomona, California.)	
OTS Docket No. 01405)	
_____)	

ORDER TO CEASE AND DESIST

WHEREAS, PFF Bank and Trust, Pomona, California, OTS Docket No. 01405 (Association), by and through its Board of Directors (Board) has executed a Stipulation and Consent to the Issuance of an Order to Cease and Desist (Stipulation); and

WHEREAS, the Association, by executing the Stipulation, has consented and agreed to the issuance of this Order to Cease and Desist (Order) by the Office of Thrift Supervision (OTS) pursuant to 12 U.S.C. § 1818(b); and

WHEREAS, pursuant to delegated authority, the OTS Regional Director for the West Region (Regional Director), is authorized to issue consent orders to cease and desist where a savings association has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

I. The Association and its directors, officers, and employees shall cease and desist from any action (alone or with others) for or toward, causing, bringing about, participating in or counseling or the aiding and abetting of any unsafe or unsound practice that precipitated the high level of classified assets, diminished capital, poor earnings, and limited liquidity.

II. Capital Restoration

The Association shall use its best efforts to increase capital levels at the Association to well-capitalized status as defined at 12 C.F.R. §565.4 by December 31, 2008.

III. Classified Asset Reduction Plan

A. Within thirty (30) days of the Effective Date, the Board shall review and approve a written comprehensive Classified Asset Reduction Plan that will return asset quality to a satisfactory level. At a minimum, the Classified Asset Reduction Plan shall include:

(1) Targets and time frames acceptable to the OTS;

(2) A description of the manner and methods for reducing the Association's level of classified assets to the targets set therein; and

(3) Supporting documentation for all assumptions and projections.

B. The Classified Asset Reduction Plan shall be delivered to the OTS for review and non-objection no later than five (5) days after approval by the Board. Within fifteen (15) days of receipt of the OTS's notice of objection, if any, to any aspect of the Classified Asset Reduction Plan, the Association shall submit a revised Classified Asset Reduction Plan to the OTS addressing any such objections of the OTS. Once the Classified Asset Reduction Plan is submitted pursuant to this Order and a non-objection has been received from the OTS, the Association may not amend, suspend, or revoke the Classified Asset Reduction Plan without the prior written non-objection of the OTS. Immediately upon receipt of the OTS's non-objection to the Classified Asset Reduction Plan, the Association shall implement the Classified Asset Reduction Plan and ensure that all directors, officers, and employees adhere to it.

IV. Liquidity Plan

A. Within five (5) days of the Effective Date, the Board shall review and approve a written comprehensive Liquidity Plan. The Liquidity Plan shall contain specific Board strategies for ensuring that the Association maintains adequate short-term and long-term liquidity to withstand any anticipated or extraordinary demand against its funding base. At a minimum, the Liquidity Plan must include: (1) a cash flow analysis that includes reasonable assumptions, identifies anticipated funding needs and the sources of liquidity to meet those needs, considers the level and maturity of brokered deposits, and addresses potential contingent liabilities; and (2) identification of alternative funding sources to meet extraordinary demands, at a minimum, the selling of assets, obtaining lines of credits from correspondent institutions, recovering charged-off assets, and injecting additional equity capital. Further, the Liquidity Plan shall require provision of periodic liquidity reports to the Board and the OTS in a frequency satisfactory to the OTS.

B. The Liquidity Plan shall be delivered to the OTS for review and non-objection no later than one (1) day after its approval by the Board. Within two (2) days of receipt of the OTS's notice of objection, if any, to any aspect of the Liquidity Plan, the Association shall submit a revised Liquidity Plan to the OTS addressing any such objections or comments of the OTS. Once the Liquidity Plan is submitted to the OTS pursuant to this Order and a non-objection has been received from the OTS, the Association may not amend, suspend, or revoke the Liquidity Plan without the prior written non-objection of the OTS. Immediately upon receipt of the OTS's non-objection to the Liquidity Plan, the Association shall implement the Liquidity Plan and ensure that all directors, officers, and employees adhere to it.

V. **Strategic Plan**

A. Within thirty (30) days of the Effective Date, the Board shall review and approve a written comprehensive long-term Strategic Plan covering at least a three-year period (Strategic Plan). The Strategic Plan shall be based upon a comprehensive review of the Association's operations, including the risks and returns of each of its business lines, current capital levels, available resources, and market conditions. At a minimum, the Strategic Plan shall address or include the following matters or items:

(1) A thorough discussion of the Association's existing and future operations and lines of business for the time period covered by the Strategic Plan. The Strategic Plan also shall specifically identify and discuss all actions taken, or to be taken, to stabilize and improve the Association's financial condition, risk profile and results;

(2) Specific Board strategies for improving the Association's core earnings and returning the Association's operations to profitability;

(3) Specific Board strategies for reducing the Association's total exposure to and concentration in land and construction loans. The Strategic Plan shall specify the manner and method for reducing the Association's level of exposure, including the establishment of a timetable and target reduction amounts; and

(4) The Association's plans, in the alternative, for a sale or merger of the Association. If the Board decides to pursue a sale or merger, that strategy should be detailed and should include, at a minimum: (a) specific steps and reasonable time frames to initiate and complete the proposed action and for each step and interim goal leading to the proposed action; and (b) the identification of persons responsible for supervising the proposed action, including any anticipated new personnel and legal or other advisors.

B. The Strategic Plan shall be delivered to the OTS for review and non-objection no later than five (5) days after its approval by the Board. Within thirty (30) days of receipt of the OTS's notice of objection, if any, to any aspect of the foregoing Strategic Plan, the Association shall submit a revised Strategic Plan to the OTS addressing any such objections or comments of the OTS. Once the Strategic Plan is submitted to the OTS pursuant to this Order and a non-objection has been received from the OTS, the Association may not amend, suspend, or revoke the Strategic Plan without the prior written non-objection of the OTS. Immediately upon receipt of the OTS's non-objection to the Strategic Plan, the Association shall implement the Strategic Plan and ensure that all directors, officers, and employees adhere to it.

VI. Variance Reports

A. Within thirty (30) calendar days after the close of each calendar quarter starting with the first full quarter after the effective date of this Order, Management shall prepare quarterly variance reports on the Association's compliance with the Classified Asset Reduction Plan, Liquidity Plan, and Strategic Plan (hereafter "Plans"). Such variance reports shall detail actual operating results versus projected results and shall include detailed explanations of any material deviations with a description of the specific corrective actions or measures that have been implemented or are proposed to address the material deviation. The Board shall promptly review each variance report, and shall discuss Management's and the Association's compliance with the approved Plans. The Board's review of the variance reports and evaluation of the Association's compliance with the material elements of the Plans shall be thoroughly documented in the Board meeting minutes.

B. The Board shall provide the OTS with a copy of Management's quarterly variance report and the Board meeting minutes detailing the Board's review of the variance reports,

including the identification of any corrective actions adopted by the Board, and the Board's evaluation and assessment of the Association's compliance with the Plans within ten (10) days after the date of the Board meeting at which the Board's review was conducted.

VI. Transactions with Affiliates

Association shall not engage in transactions with any affiliate or subsidiary except as provided herein. Association shall provide written notification to the OTS at least thirty (30) days prior to entering into any proposed affiliate or subsidiary transaction. The written notice shall: (1) identify all the parties to the proposed transaction; (2) contain a full factual description of the proposed transaction; and (3) shall set forth the reasoning for entering into such transaction. Upon written notification of non-objection by the OTS, the Association may proceed with the transaction.

VII. Operating Restrictions

A. Growth. Effective immediately, Association shall comply with the requirements of OTS Regulatory Bulletin 3b (RB 3b), and except upon receipt of the prior written approval of the OTS, shall not increase its total assets during any quarter, beginning with the quarter ending December 31, 2008, in excess of an amount equal to the net interest credited on deposit liabilities during the quarter, other than for balance sheet increases resulting from activities undertaken to maintain liquidity.

B. Management Changes. Effective immediately, Association shall comply with the requirements set forth in 12 C.F.R. Part 563, Subpart H.

C. Employment Contracts and Compensation Arrangements. Effective immediately, Association shall not enter into, renew, extend or revise any contractual arrangement related to compensation or benefits with any director or senior executive officer of Association unless

Association first: (1) provides a minimum of thirty (30) days advance notice of the proposed transaction; and (2) receives a written notice of non-objection from the OTS. See OTS Examination Handbook § 310 (p. 310.17) and OTS Regulatory Bulletin 27b.

D. Severance and Indemnification Payments. Effective immediately, Association shall not make any golden parachute payment, as that term is defined in 12 C.F.R. § 359.1(f), or any prohibited indemnification payment, as that term is defined at 12 C.F.R. § 359.1(l), unless, with respect to each such payment, Association has complied with the requirements of 12 C.F.R. Part 359 and, as to indemnification payments, 12 C.F.R. § 545.121.

E. Capital Distributions. Effective immediately, Association shall pay no dividends or make any other capital distributions, as that term is defined in 12 C.F.R. § 563.141, without receiving the prior written approval of the OTS. Association's written request for such approval should be submitted to the OTS at least forty-five (45) days prior to the anticipated date of the proposed dividend payment or distribution of capital.

VIII. Effective Date, Incorporation of Stipulation

This Order is effective on the Effective Date as shown on the first page. The Stipulation is made a part hereof and is incorporated herein by this reference.

IX. Duration

This Order shall remain in effect until terminated, modified or suspended, by written notice of such action by OTS, acting by and through its authorized representatives.

X. Time Calculations

A. Calculation of time limitations for compliance with the terms of this Order run from the Effective Date and shall be calendar based, unless otherwise noted.

B. The Regional Director, or an OTS authorized representative, may extend or shorten any of the time frames set forth in the provisions of this Order upon written request by Association that includes reasons in support for any such modification. Any OTS modification shall be made in writing.

XI. Submissions and Notices

A. All submissions, including progress reports, to OTS that are required by or contemplated by this Order shall be submitted within the specified timeframes.

B. Except as otherwise provided herein, all submissions, requests, communications, consents or other documents relating to this Order shall be in writing and sent by first-class U.S mail (or by reputable overnight carrier, electronic facsimile transmission or hand delivery by messenger) addressed as follows:

Darrel Dochow, Regional Director
West Region
Office of Thrift Supervision
2001 Junipero Serra Boulevard, Suite 650
Daly City, CA 94014-3897

with a copy to:

Timothy J. Lane, Assistant Director
West Region
Office of Thrift Supervision
1551 N. Tustin Avenue, Suite 1050
Santa Ana, CA 92705-8661

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

In the Matter of)	Order No.: WE-08-017
PFF BANK AND TRUST,)	Effective Date: November 19, 2008
Pomona, California.)	
OTS Docket No. 01405)	

**STIPULATION AND CONSENT
TO ISSUANCE OF ORDER TO CEASE AND DESIST**

WHEREAS, the Office of Thrift Supervision (OTS), acting by and through its Regional Director for the West Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed PFF Bank and Trust, Pomona, California, OTS Docket No. 01405 (the Association), that the OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Association pursuant to 12 U.S.C. § 1818(b);

WHEREAS, the Regional Director, pursuant to delegated authority, is authorized to issue Orders to Cease and Desist where a savings association has consented to the issuance of an order; and

WHEREAS, the Association desires to cooperate with the OTS to avoid the time and expense of such administrative cease and desist proceedings by entering into this Stipulation and Consent to the Issuance of Order to Cease and Desist (Stipulation) and, without admitting or denying that such grounds exist, but only admitting the statements and conclusions in ¶1 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

1. **Jurisdiction.**

a. The Association is a “savings association” within the meaning of 12 U.S.C. § 1813(b) and 12 U.S.C. § 1462(4). Accordingly, the Association is “an insured depository institution” as that term is defined in 12 U.S.C. § 1813(c); and

b. Pursuant to 12 U.S.C. § 1813(q)(4), the Director of the OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings association. Therefore, the Association is subject to the authority of the OTS to initiate and maintain an administrative cease-and-desist proceeding against it pursuant to 12 U.S.C. § 1818(b)(1) and (b)(9).

2. **OTS Findings of Fact.**

Based upon its continuous supervision of the Association, the OTS has determined that the Association has engaged in unsafe or unsound practices. Specifically, the asset quality, earnings and capital of the Association are not satisfactory and require strengthening.

3. **Consent.**

The Association consents to the issuance by the OTS of the accompanying Order to Cease and Desist (Order). The Association further agrees to comply with the terms of the Order upon the Effective Date of the Order and stipulates that the Order complies with all requirements of law.

4. **Finality.**

The Order is issued by the OTS under 12 U.S.C. § 1818(b) and upon the Effective Date it shall be a final order, effective and fully enforceable by the OTS under the provisions of 12 U.S.C. § 1818(i).

5. **Waivers.**

The Association waives the following:

- a. The right to be served with a written notice of the OTS's charges against it as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- b. The right to an administrative hearing of the OTS's charges as provided by 12 U.S.C. § 1818(b) and 12 C.F.R. Part 509;
- c. The right to seek judicial review of the Order, including, without limitation, any such right provided by 12 U.S.C. § 1818(h), or otherwise to challenge the validity of the Order; and
- d. Any and all claims against the OTS, including its employees and agents, and any other governmental entity for the award of fees, costs, or expenses related to this OTS enforcement matter and/or the Order, whether arising under common law, federal statutes or otherwise.

6. **OTS Authority Not Affected.**

Nothing in this Stipulation or accompanying Order shall inhibit, estop, bar or otherwise prevent the OTS from taking any other action affecting the Association if at any time the OTS deems it appropriate to do so to fulfill the responsibilities placed upon the OTS by law.

7. **Other Governmental Actions Not Affected.**

The Association acknowledges and agrees that its consent to the issuance of the Order is solely for the purpose of resolving the matters addressed herein, consistent with ¶6 above, and does not otherwise release, discharge, compromise, settle, dismiss, resolve, or in any way affect any actions, charges against, or liability of the Association that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than the OTS.

8. Miscellaneous.

a. The laws of the United States of America shall govern the construction and validity of this Stipulation and of the Order;

b. If any provision of this Stipulation and/or the Order is ruled to be invalid, illegal, or unenforceable by the decision of any Court of competent jurisdiction, the validity, legality, and enforceability of the remaining provisions hereof shall not in any way be affected or impaired thereby, unless the Regional Director in his or her sole discretion determines otherwise;

c. All references to the OTS in this Stipulation and the Order shall also mean any of the OTS's predecessors, successors, and assigns;

d. The section and paragraph headings in this Stipulation and the Order are for convenience only and shall not affect the interpretation of this Stipulation or the Order;

e. The terms of this Stipulation and of the Order represent the final agreement of the parties with respect to the subject matters thereof, and constitute the sole agreement of the parties with respect to such subject matters; and

f. The Stipulation and Order shall remain in effect until terminated, modified, or suspended in writing by the OTS, acting through its Regional Director or other authorized representative.

9. Signature of Directors/Board Resolution.

Each Director signing this Stipulation attests that he or she voted in favor of a Board Resolution authorizing the consent of the Association to the issuance of the Order and the execution of the Stipulation.

WHEREFORE, the Association, by its Directors, executes this Stipulation.

**PFF Bank and Trust
Pomona, California**

By: _____ /s/ _____
Robert Burwell
Chairman

_____/s/_____
Curtis Morris, Director

_____/s/_____
Jill H. Stark, Director

_____/s/_____
Stephen C. Morgan, Director

_____/s/_____
Royce Stutzman, Director

_____/s/_____
Larry M. Rinchart, Director

_____/s/_____
Richard Crean, Director

_____/s/_____
Kevin McCarthy, Director

Accepted by:

OFFICE OF THRIFT SUPERVISION

By: _____ /s/ _____
Darrel W. Dochow
Regional Director, West Region

Date: See Effective Date on page 1

By Edwin L. Chow, Regional Deputy
Director, pursuant to OTS Order No.
WE-07-006 dated October 4, 2007