

UNITED STATES OF AMERICA
Before The
OFFICE OF THRIFT SUPERVISION

In the Matter of:)	OTS Order No.: SF-01-004
)	
LIFE BANK)	Dated: March 23, 2001
RIVERSIDE, CALIFORNIA.)	
(OTS No. 07946))	

STIPULATION AND CONSENT TO ISSUANCE OF
PROMPT CORRECTIVE ACTION DIRECTIVE

1. The Office of Thrift Supervision (OTS) has informed Life Bank (the Institution), based upon information reported to the OTS, that grounds exist to issue a Prompt Corrective Action Directive (the Directive) pursuant to Section 38 of the Federal Deposit Insurance Act (FDIA), 12 U.S.C. § 1831o, against the Institution. The Institution, in the interests of cooperation and to avoid the time and expense of pursuing further OTS administrative procedures for the issuance of the Directive, stipulates and consents to the following:

2. The Institution is a federal savings association subject to the supervision and regulation by the OTS, making it a "savings association" as that term is defined in the Home Owners' Loan Act (HOLA), 12 U.S.C. § 1461, et seq., and, as such, is subject to the authority of the OTS to issue a directive to take prompt corrective action pursuant to

Life Bank
PCA Stipulation

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Section 38 of the FDIA, 12 U.S.C. § 1831o(e) and Section 565.7 of the OTS regulations, 12 C.F.R. § 565.7.

3. The Institution consents by execution of this Stipulation and Consent to the issuance by the OTS of the Directive. The Institution further agrees to comply with the terms of the Directive.
4. The attached Directive is effective upon issuance and enforceable under Section 5(d) of the HOLA, 12 U.S.C. § 1464(d), and Section 8 of the FDIA, 12 U.S.C. § 1818.
5. The Institution hereby (i) waives its rights to pursue the OTS's administrative process for issuance of the accompanying Directive pursuant to 12 C.F.R. § 565.7; (ii) waives any and all rights it might otherwise have pursuant to 12 U.S.C. § 1831o and 12 C.F.R. § 565.7; (iii) waives its right to seek judicial review of the PCA Directive, including any such right provided by Section 8(h) of the FDIA, 12 U.S.C. § 1818(h); and (iv) waives its right to challenge or contest in any manner the basis, issuance, validity or enforceability of the Directive or any provision thereof.

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PROMPT CORRECTIVE ACTION DIRECTIVE

WHEREAS, Life Bank, Riverside, California (the Institution) is a federal savings association that is regulated by the Office of Thrift Supervision (OTS); and

WHEREAS, Section 38 of the Federal Deposit Insurance Act (FDIA) as added by Section 131 of the Federal Deposit Insurance Corporation Improvement Act of 1992 (FDICIA), 12 U.S.C. § 1831o and Part 565 of the OTS regulations promulgated thereunder, 12 C.F.R. Part 565, require institutions that are undercapitalized to file a capital restoration plan specifying the steps the Institution will take to become at least adequately capitalized; and

WHEREAS, Section 38 of the FDIA, 12 U.S.C. § 1831o, requires the OTS to take prompt corrective action to resolve the problems of insured savings associations at the least possible long-term loss to the deposit insurance fund; and

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WHEREAS, Section 565.7 of the OTS regulations, 12 C.F.R. § 565.7, provides for the issuance by the OTS of directives to take prompt corrective action to resolve the problems of insured depository institutions and to restore their capital; and

WHEREAS, the Institution was notified on October 19, 2000 that the Institution was undercapitalized for purposes of the prompt corrective action provisions of Section 38 of the FDIA, 12 U.S.C. § 1831o; and

WHEREAS, Section 5(t)(6)(B)(ii) of the Home Owners' Loan Act (HOLA), 12 U.S.C. § 1464(t)(6)(B)(ii), requires any savings association not in compliance with capital standards to comply with a capital directive issued by the OTS; and

WHEREAS, the Institution has not submitted a capital restoration plan that is acceptable under Section 38(e)(2)(C) of the FDIA, 12 U.S.C. § 1831o(e)(2)(C); and

WHEREAS, the Institution and the Board of Directors thereof, by execution of the attached Stipulation and Consent (the Stipulation) to the issuance of this Prompt Corrective Action Directive (the Directive), the terms of which are incorporated herein by this reference, have stipulated and consented to the issuance of this Directive; and

WHEREAS, the OTS issued a Notice of Intent to Issue this Directive on February 16, 2001, has considered the response filed by the Institution, and has determined to issue this

Directive in order to carry out the purposes of Section 38 to resolve the Institution's problems at the least long-term loss to the deposit insurance fund;

NOW, THEREFORE, pursuant to Section 565.7(a)(1) of the OTS regulations, 12 C.F.R. § 565.7(a)(1), the Institution and its Board of Directors are directed to do the following, effective as of the date hereof:

PART I - IMPROVING CAPITAL

Section 1.1

Required Securities Issuance.

Pursuant to Section 38(f)(2)(A)(i) of the FDIA, 12 U.S.C. § 1831o(f)(2)(A)(i), the Institution is directed to raise sufficient capital through securities issuance to achieve the following capital levels by June 30, 2001: Total risk-based capital of 8.0 percent; Tier 1 risk-based capital of 4.0 percent; and Leverage ratio of 4.0 percent.

Section 1.2

Required Acquisition or Merger.

As an alternative to Section 1.1, pursuant to Section 38(f)(2)(A)(iii) of the FDIA, 12 U.S.C. § 1831o(f)(2)(A)(iii), the Institution is directed to be recapitalized by merging or being acquired prior to September 30, 2001, and shall submit a binding merger or acquisition agreement to the OTS by June 30,

2001. The Institution's management and Board of Directors shall take appropriate steps to accomplish such merger or acquisition.

Section 1.3

Efforts to Obtain Capital.

- a) On or after the date of this Directive, the Institution and its Board of Directors shall at all times make diligent and good faith efforts to seek capital in accordance with the provisions of this Directive.
- b) For purposes of this Directive, diligent and good faith efforts to seek capital by the Institution and its Board of Directors shall include, at a minimum, taking all reasonably practicable steps to remove any impediments to increasing capital.
- c) The Institution shall inform the OTS in writing of (i) all efforts the Institution has made to seek capital; and (ii) all expressions of interest by prospective investors, acquirors, or merger candidates. Such reports shall be submitted not later than the 15th and 30th day of each month until otherwise notified by the OTS.

Section 1.4

Reports of Compliance.

- a) No later than twenty-five (25) days following the end of each month, management of the Institution shall prepare, and the Board of Directors of the Institution shall review,

a written report concerning the Institution's compliance with the requirements of this Directive during the prior month. The report and review shall include verification of the Institution's prompt corrective action capital category and confirmation that the Institution is in compliance with all restrictions that apply automatically to an institution in that category, and with the other restrictions contained in this Directive. This review shall be documented in the minutes of the meeting of the Board of Directors. All documentation considered by the Board of Directors in performing its review shall be explicitly referenced in the minutes of the meeting at which the review was undertaken.

b) The Institution shall, no later than thirty (30) days following the end of each month, submit the following documents to the OTS in a format acceptable to the OTS:

- 1) Confirmation of the Institution's compliance with this Directive, or a description of any instances of noncompliance with any of the Institution's obligations under this Directive, and the specific measures undertaken to cure such noncompliance; and
- 2) ~~If requested, copies of the minutes of the~~ Institution's Board of Directors supporting actions taken to comply with this Section of the Directive.

Section 1.5

Adequate Progress.

If the OTS, in its sole discretion, determines that the Institution is failing to make adequate progress towards achieving the requirements set forth in this Directive, the OTS may take such further supervisory, enforcement, or resolution action as it deems appropriate.

PART II - OPERATING RESTRICTIONS

Section 2.1

Compliance with Mandatory Restrictions.

The Institution shall comply with all of the mandatory prompt corrective action provisions contained in Section 38 of the FDIA, 12 U.S.C. § 1831o, which automatically apply to the Institution based upon the Institution's prompt corrective action capital category at any given time. These provisions are set forth at 12 U.S.C. §§ 1831o(d)(1) (capital distributions restriction), (d)(2) (management fees restriction), (e)(3) (asset growth restriction), (e)(4) (restrictions on acquisitions, branching, and new lines of business), (f)(4) (senior executive officers' compensation restriction), (h)(2) (prohibition on payment of subordinated debt), and (i) (restrictions on activities). However, if the Institution should improve from a lower to a higher PCA capital category, it should continue to comply with the previously applicable

mandatory sanctions of the lower category, until such time as approval to cease compliance with the lower category sanctions is requested of and received from the OTS.

Section 2.2

Sister Bank/Thrift Exemption Unavailable.

Pursuant to Section 38(f)(2)(B)(i) of the FDIA, 12 U.S.C. § 1831o(f)(2)(B)(i), the Institution shall comply with Section 23A of the Federal Reserve Act (FRA) (12 U.S.C. § 371c) in any transaction with any depository institution affiliates, as if the exemptions at Section 23A of the FRA (12 U.S.C. § 371c)(d)(1)) did not apply.

Section 2.3

Restrictions on Interest Rates.

Pursuant to Section 38(f)(2)(C) of the FDIA, 12 U.S.C. § 1831o(f)(2)(C), the Institution shall restrict the rates the Institution pays on deposits to the prevailing rates of interest on deposits of comparable amounts and maturities in the region where the Institution is located. Nothing herein shall be construed as requiring a reduction of interest rates paid on outstanding time deposits prior to their renewal.

Section 2.4

Restrictions on Material Transactions.

Pursuant to Section 38(f)(5) of the FDIA, 12 U.S.C. § 1831o(f)(5), based upon a determination by the OTS that the

imposition of certain restrictions described in Section 38(i) of the FDIA, 12 U.S.C. § 1831o(i), is necessary to carry out the purposes of Section 38 of the FDIA, the Institution is hereby prohibited from entering into any material transaction other than in the usual course of business, including any investment, expansion, acquisition, sale of assets, or other similar action with respect to which the Institution is required to provide notice to the OTS, without the prior written consent of the OTS.

Section 2.5

Restrictions on Extending Credit.

Pursuant to Section 38(f)(5) of the FDIA, 12 U.S.C. § 1831o(f)(5), based upon a determination by the OTS that the imposition of certain restrictions described in Section 38(i) of the FDIA, 12 U.S.C. § 1831o(i), is necessary to carry out the purposes of Section 38 of the FDIA, the Institution is hereby prohibited from extending credit on a highly leveraged transaction.

Section 2.6

Restrictions on Changing Accounting Methods.

Pursuant to Section 38(f)(5) of the FDIA, 12 U.S.C. § 1831o(f)(5), based upon a determination by the OTS that the imposition of certain restrictions described in Section 38(i) of the FDIA, 12 U.S.C. § 1831o(i), is necessary to carry out the purposes of Section 38 of the FDIA, the Institution is hereby

prohibited from making any material change in accounting methods without the prior written consent of the OTS.

Section 2.7

Restrictions on Covered Transactions.

Pursuant to Section 38(f)(5) of the FDIA, 12 U.S.C. § 1831o(f)(5), based upon a determination by the OTS that the imposition of certain restrictions described in Section 38(i) of the FDIA, 12 U.S.C. § 1831o(i), is necessary to carry out the purposes of Section 38 of the FDIA, the Institution is hereby prohibited from entering into any covered transaction as defined in 12 C.F.R. § 563.41(b)(7) or 12 U.S.C. § 371c(b).

PART III - GENERAL PROVISIONS

Section 3.1

Definitions.

All technical words or terms used in this Directive, for which meanings are not specified or otherwise provided by the provisions of this Directive, shall, insofar as applicable, have meanings as defined in Chapter V of Title 12 of the Code of Federal Regulations, HOLA, FDIA, or OTS memoranda. Any such technical words or terms used in this Directive and undefined in said Code of Federal Regulations, HOLA, FDIA, or OTS memoranda shall have meanings that are in accordance with the best custom and usage in the savings and loan industry.

Section 3.2

Successor Statutes, Regulations, Guidance, Amendments.

Reference in this Directive to provisions of statutes and regulations shall be deemed to include reference to all amendments to such provisions as have been made as of the effective date hereof and references to successor provisions as they become applicable.

Section 3.3

Notices.

Except as otherwise provided herein, any request, demand, authorization, direction, notice, consent, waiver or other document provided or permitted by the Directive to be made upon, given or furnished to, delivered to, or filed with the OTS or the Institution shall be in writing and mailed, by first class mail or overnight courier, sent by electronic transmission, or physically delivered, and addressed as follows:

OTS
Attn: Michael W. Buting
1551 N. Tustin Ave., Ste 1050
Santa Ana, CA 92705-8635

Life Bank
Attn: Steven Gardner
10540 Magnolia Ave, Ste B
Riverside, CA 92505-1814

Section 3.4

Duration, Termination, or Suspension of the Directive.

- a) The terms and provisions of this Directive shall be binding upon the Institution and its successors in interest.
- b) The Directive shall remain in effect until terminated, modified, or suspended in writing by the OTS.

c) The OTS, in its discretion, may, by written notice, suspend any or all provisions of this Directive, except for Section 2.1.

Section 3.5

Effect of Headings.

The Part and Section headings herein are for convenience only and shall not affect the construction hereof.

Section 3.6

Separability Clause.

In case any provision in this Directive 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 OTS, in its discretion, determines otherwise.

Section 3.7

No Violations Authorized; Consequences of Directive.

Nothing in this Directive, including, without limitation, any of the timeframes for actions set forth in Part I, shall be construed as: (i) allowing the Institution to violate any law, rule, regulation, or policy statement to which it is subject; or (ii) restricting the OTS from taking such actions as are appropriate in fulfilling the responsibilities placed upon it by law, including, without limitation, actions pursuant to Section

38 of the FDIA, or taking any other type of supervisory, enforcement, or resolution action that the OTS determines to be appropriate.

Section 3.8

Other Enforcement Documents.

The Supervisory Agreement dated September 25, 2000, shall remain in full force and effect in accordance with its terms and the subsequent termination of this Directive, if and when it occurs, shall have no impact upon the Supervisory Agreement and its continued enforceability. This Section 3.8 is for information and convenience only and shall not modify, amend, supersede, or otherwise affect the construction, interpretation, or enforceability of the Supervisory Agreement. Nothing contained in this Directive shall affect or limit the OTS's ability to take enforcement action in connection with any violation of the Supervisory Agreement.

IT IS SO ORDERED.

/s/

CHARLES A. DEARDORFF
REGIONAL DIRECTOR
WEST REGION