

UNITED STATES OF AMERICA
Before the
OFFICE OF THRIFT SUPERVISION

_____)	
In the Matter of)	Order No.: WE-08-018
)	
PFF BANCORP, INC.)	Effective Date: November 19, 2008
)	
Pomona, California.)	
OTS Docket No. H-2628)	
_____)	

ORDER TO CEASE AND DESIST

WHEREAS, PFF Bancorp, Inc., Pomona, California, OTS Docket No. H-2628 (Holding Company), the holding company for PFF Bank and Trust, 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 Holding Company, 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, is authorized to issue orders to cease and desist where a savings and loan holding company has consented to the issuance of an order.

NOW, THEREFORE, IT IS ORDERED that:

I. Capital Restoration

A. Effective immediately, the Holding Company shall make best efforts to pursue all options to obtain sufficient capital for infusion into the Association so that the Association shall

achieve well-capitalized status as defined at 12 C.F.R. §565.4 by December 31, 2008. These options shall include, without limitation:

1. Engaging a qualified independent investment banking firm to analyze existing capital raising strategies, including assessing the Association's capital needs, identifying any impediments encountered with existing capital raising strategies and efforts, and providing recommendations for appropriate strategies in capital raising or merger and sale efforts;
2. Raising equity capital through all appropriate capital sources sufficient to bring the Association to well capitalized status with the aforementioned capital ratios; or
3. Obtaining a fully executed definitive agreement for a sale, merger, or other combination sufficient to bring the Association to well capitalized status with the aforementioned capital ratios.

II. Operating Restrictions

A. Capital Distributions. Effective immediately, the Holding Company shall not declare, make, or pay any dividends or other capital distributions without receiving the prior written non-objection of the OTS. The Holding Company's written request for such approval shall be submitted to the OTS at least thirty (30) days prior to the anticipated date of the proposed dividend payment or capital distribution.

B. Debt Limitations/Restrictions. Effective immediately, the Holding Company shall not incur, issue, renew, or rollover any debt, increase any current lines of credit, or guarantee the debt of any entity (including hybrid capital instruments with debt and equity characteristics such as trust preferred securities) without receiving the prior written non-objection of the OTS. The Holding Company's written request for such approval shall be submitted to the OTS at least thirty (30) days prior to the anticipated date of any such proposed action.

C. Payment Limitations/Restrictions. Effective immediately, the Holding Company shall make no payments (including but not limited to principal, interest, or fees of any kind) on any existing debt without receiving the prior written non-objection of the OTS. The Holding Company's written request for such approval shall be submitted to the OTS at least thirty (30) days prior to the anticipated date of any such proposed payment.

D. Preservation of Cash/Liquid Assets. Effective immediately, the Holding Company shall make all cash or its equivalent held by the Holding Company or on behalf of the Holding Company and all other liquid assets held by the Holding Company or on behalf of the Holding Company available for infusion into the Association as directed by the OTS.

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

F. Employment Contracts and Compensation Arrangements. Effective immediately, the Holding Company shall not enter into, renew, extend, or revise any contractual arrangement relating to compensation or benefits for any Senior Executive Officer or Director of the Holding Company, unless it first provides the OTS with not less than thirty (30) days prior written notice of the proposed transaction. The notice to the OTS shall include a copy of the proposed employment contract or compensation arrangement, or a detailed written description of the compensation arrangement to be offered such Officer or Director, including all benefits and perquisites. The Board shall ensure that any contract, agreement, or arrangement submitted to the OTS fully complies with the requirements of 12 C.F.R. Part 359, 12 C.F.R. §§ 563.39 and 563.161(b) and 12 C.F.R. Part 570 – Appendix A.

G. Severance and Indemnification Payments. Effective immediately, the Holding

Company shall not make any golden parachute payment¹ or prohibited indemnification payment² unless, with respect to each such payment, the Holding Company has complied with the requirements of 12 C.F.R. Part 359 and as to indemnification payments, 12 C.F.R. § 545.121.

H. Expenditure of Funds outside Ordinary Scope of Business. Effective immediately, the Holding Company shall cease the expenditure of any and all funds outside the ordinary scope of business without prior OTS non-objection.

I. Risk Profile of Association. Effective immediately, the Holding Company shall take no actions, directly or indirectly, that has the effect of increasing the risk profile of the Association.

III. 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.

IV. 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.

¹ The term "golden parachute payment" is defined at 12 C.F.R. § 359.1(f).

² The term "prohibited indemnification payment" is defined at 12 C.F.R. § 359.1(l).

V. **Time Calculations**

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

B. The OTS may extend any of the deadlines set forth in the provisions of this Order upon written request by the Holding Company that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

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

with a copy to:

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

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**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 Bancorp, Inc., Pomona, California, OTS Docket No. H-2628 (Holding Company) that OTS is of the opinion that grounds exist to initiate an administrative proceeding against the Holding Company 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 and loan holding company has consented to the issuance of an order; and

WHEREAS, the Holding Company desires to cooperate with OTS to avoid the time and expense of such administrative cease and desist proceeding 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 Holding Company is a “savings and loan holding company” within the meaning of 12 U.S.C. § 1813(w)(3) and 12 U.S.C. § 1467a. Accordingly, the Holding Company is a “depository institution holding company” as that term is defined in 12 U.S.C. § 1813(w)(1); and

b. Pursuant to 12 U.S.C. § 1818(b)(9), the “appropriate Federal banking agency” may initiate a cease-and-desist proceedings against a savings and loan holding company in the same manner and to the same extent as a savings association for regulatory violations and unsafe and unsound acts or practices; and

c. Pursuant to 12 U.S.C. § 1813(q), the Director of OTS is the “appropriate Federal banking agency” with jurisdiction to maintain an administrative enforcement proceeding against a savings and loan holding company. Therefore, the Holding Company is subject to the authority of OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

2. **OTS Findings of Fact.**

Based upon information derived from its ongoing supervision of the Holding Company, the OTS finds that the Holding Company has engaged in unsafe and unsound practices. Specifically, the asset quality, earnings and capital of the Holding Company and its wholly owned savings association subsidiary, PFF Bank and Trust, are not satisfactory and require strengthening.

3. **Consent.**

The Holding Company consents to the issuance by OTS of the accompanying Order to Cease and Desist (Order). The Holding Company 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 OTS under 12 U.S.C. § 1818(b) and upon the Effective Date it shall be a final order, effective and fully enforceable by OTS under the provisions of 12 U.S.C. § 1818(i).

5. Waivers.

The Holding Company waives the following:

a. The right to be served with a written notice of 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 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 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 OTS from taking any other action affecting the Holding Company if at any time OTS deems it appropriate to do so to fulfill the responsibilities placed upon OTS by law.

7. Other Governmental Actions Not Affected.

The Holding Company 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 Paragraph 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 Holding Company that arise pursuant to this action or otherwise, and that may be or have been brought by any governmental entity other than 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 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 OTS, acting through its Regional Director or other authorized representative.

/s/
Richard Crean, Director

 /s/
Kevin McCarthy, Director