



IN THE COURT OF CHANCERY OF THE STATE OF DELAWARE

ALAN KAHN,)	
)	
Plaintiff,)	
)	
v.)	C.A. No. _____
)	
KEVIN MCCARTHY, LARRY M.)	
RINEHART, ROBERT W. BURWELL,)	
CURTIS W. MORRIS, RICHARD P.)	
CREAN, STEPHEN C. MORGAN, JILL)	
H. STARK, ROYCE A. STUTZMAN and)	
PFF BANCORP, INC.,)	
)	
Defendants.)	

VERIFIED CLASS ACTION COMPLAINT

Plaintiff alleges as follows upon personal knowledge with respect to himself and his actions and upon information and belief as to all other allegations:

NATURE OF THE ACTION

1. Plaintiff brings this action individually and as a class action on behalf of the public shareholders of PFF Bancorp, Inc. ("PFFB" or the "Company") to enjoin the proposed cash-out merger (the "Merger") of PFFB with and into FBOP Corporation ("FBOP"). PFFB is a bank holding company based in San Bernardino County, California that found itself stuck with illiquid, non-performing assets following the collapse of the subprime mortgage sector that has led to mortgage failures in the broader markets.

2. On June 13, 2008, PFFB entered into an Agreement and Plan of Merger ("Merger Agreement") with FBOP, an Illinois-based multi-bank holding company that owns Los Angeles-based California National Bank ("Cal National"). Under the terms of

the Merger Agreement, upon the consummation of the Merger, the stockholders of PFFB will be entitled to receive \$1.35 in cash for each share of PFFB stock held at the effective time of the Merger. This fire-sale price reflects virtually no value for the Company's illiquid assets.

3. The Merger is conditioned on receipt of approval by holders of a majority of the outstanding shares of the Company's common stock and Series A preferred stock voting together as one class. The shareholder vote on the Merger is currently scheduled for September 25, 2008. On Friday, September 19, 2008, however, in an largely unprecedented move and to increase liquidity and capital and unclog a financial banking system backed up with non-performing mortgage products, Secretary of the Treasury Henry M. Paulson, Jr., working in conjunction with Federal Reserve Chairman Ben Bernanke and SEC Chairman Chris Cox, announced a "Troubled Asset Relief Program" whereby the U.S. government will provide financing to increase purchases of mortgage assets, thus increasing the liquidity and value of those assets.

4. By Monday, September 22, 2008, the Troubled Asset Relief Program had received wide bipartisan support, including the plan for the federal government to spend approximately \$700 billion (and possibly up to \$1 trillion) to buy distressed mortgages in the biggest government bailout in U.S. history. Notably, residential mortgages comprise the largest category of PFFB's loan portfolio.

5. Consequently, the troubled assets held by PFFB will now have some greater value. Indeed, *The New York Times* reported on September 20, 2008 that, while much of the plan was prompted by the high-profile collapse or near collapse of

investment banks such as Lehman Brothers, it is commercial banks that “could gain most” from the program.

6. In connection with the Merger, however, and defendants' representations to shareholders, these assets are valued as nearly worthless in assessing the financial fairness of the Merger. Defendants, however, have failed to take any steps to update the proxy materials to reflect this new information. The new, higher value of the Company's mortgage assets is of critical importance to shareholders in voting on the Merger or electing to pursue appraisal rights, but is being withheld by defendants in violation of their fiduciary duties.

THE PARTIES

7. Plaintiff Alan Khan has been a PFFB shareholder since prior to the wrongs herein complained of and continuously to date.

8. PFFB is a Delaware corporation with principal executive offices located at 9337 Milliken Avenue, Rancho Cucamonga, California 91730. PFFB is a bank holding company that conducts operations through its wholly owned subsidiary, PFF Bank & Trust, with 38 full service banking branch offices located throughout Southern California. As of June 15, 2008, of its \$3.5 billion loan portfolio, nearly \$1.6 billion consisted of residential real estate loans, while \$1.5 billion represented construction and land loans.

9. Defendant Kevin McCarthy (“McCarthy”) has been a director of PFFB since 2008 and has served as President of PFFB since 2005 and as Chief Executive Officer since 2006 and has worked for PFFB in various executive positions since 1997.

10. Defendant Larry M. Rinehart (“Rinehart”) has been a director of PFFB since 1994 and formerly served as President of PFFB from 1996 to 2005 and Chief

Executive Officer from 1996 to 2006 and worked for PFFB in various executive positions since 1992.

11. Defendant Robert W. Burwell ("Burwell") is the Company's Chairman and has been a director of PFFB since 1984.

12. Defendant Curtis W. Morris ("Morris") is the Company's Vice Chairman and has been a director of PFFB since 1988.

13. Defendant Richard P. Crean ("Crean") has been a director of PFFB since 2005.

14. Defendant Stephen C. Morgan ("Morgan") has been a director of PFFB since 2001.

15. Defendant Jill H. Stark ("Stark") has been a director of PFFB since 1975.

16. Defendant Royce A. Stutzman ("Stutzman") has been a director of PFFB since 2002.

17. Defendants McCarthy, Rinehart, Burwell, Morris, Crean, Morgan, Stark and Stutzman (collectively, the "Individual Defendants") are in a fiduciary relationship with plaintiff and the other public shareholders of PFFB and owe them the highest obligations of loyalty, good faith and fair dealing.

CLASS ACTION ALLEGATIONS

18. Plaintiff brings this action on his own behalf and as a class action pursuant to Rule 23 of the Rules of the Court of Chancery, on behalf of all PFFB shareholders (except FBOP, defendants herein and any person, firm, trust, corporation or other entity related to or affiliated with any of the defendants) and their successors in interest, who

are threatened with injury arising from defendants' actions as more fully described herein (the "Class").

19. This action is properly maintainable as a class action because the Class is so numerous that joinder of all Class members is impracticable and there are questions of law and fact that are common to the Class, including whether the Individual Defendants have breached their fiduciary duties owed to plaintiff and the other members of the Class, and whether plaintiff and the other members of the Class will be damaged irreparably by defendants' wrongdoing.

20. Plaintiff is committed to prosecuting this action and has retained competent counsel experienced in litigation of this nature. The claims of plaintiff are typical of the claims of the other members of the Class, and plaintiff has the same interests as the other members of the Class. Accordingly, plaintiff will fairly and adequately represent the Class.

21. The prosecution of separate actions by individual members of the Class would create a risk of inconsistent or varying adjudications with respect to individual members of the Class and establish incompatible standards of conduct for the party opposing the Class.

22. Defendants have acted and are about to act on grounds generally applicable to the Class, thereby making appropriate final injunctive relief with respect to the Class as a whole.

DEFENDANTS' BREACH OF FIDUCIARY DUTY

23. PFFB is a Southern California bank holding company that has been hard hit by the collapse of the subprime mortgage market and subsequent softening of

the residential housing markets, which has been particularly acute in PFFB's home market of San Bernardino and Riverside counties in Southern California. One-to-four family residential mortgage loans comprised the largest segment of PFFB's loan portfolio, with 88% of the portfolio in adjustable rate mortgages, including adjustable-rate mortgages with introductory terms below the fully indexed rate.

24. As the housing market continued to deteriorate in 2008, PFFB experienced increases in mortgages subject to negative amortization (where the collateral is worth less than the amount owed). By March 31, 2008, 18% of the Company's residential mortgages were subject to negative amortization, or "underwater." Notably, 26% of the Company's residential mortgage portfolio was secured by non-owner-occupied investment properties. Such mortgages traditionally are subject to a higher degree of risk (because repayment is generally dependent upon the property producing sufficient cash flow to cover debt service and other operating expenses).

25. ~~Facing increasing defaults and non-performing loans, and with no relief~~ in sight, the Individual Defendants hastily engineered the Merger to FBOP at the fire-sale price of \$1.35 cash per share. The Merger Agreement was formally entered into as of June 13, 2008.

26. In connection with the Merger, all of the Individual Defendants and the Company's executive officers entered into a voting agreement whereby FBOP was granted an irrevocable proxy to vote their shares in favor of the Merger. The irrevocable proxies, together with FBOP's existing holdings, allow FBOP to control 30.6% of the shareholder vote on the Merger.

27. On August 26, 2008, PFFB disseminated a Definitive Proxy Statement (the "Proxy Statement") to shareholders and set a September 25, 2008 special meeting to vote on the Merger. The Proxy Statement sets forth a bleak picture of the Company's finances. This negative outlook was confirmed in the analyses conducted by the Company's financial advisor, Sandler O'Neill, which in turn conducted its fairness analysis based on a loan portfolio with nearly 19% of assets classified as non-performing, far above the high reported by PFFB's peer group of distressed banks.

28. On September 19, 2008, however, the Treasury Department announced the Troubled Asset Relief Program, which would likely improve the performance and value of PFFB's non-performing residential assets as the federal government steps in to buy approximately \$700 billion or perhaps even \$1 trillion in troubled mortgages that have no other market.

29. Yet, apart from an August 26, 2008 press release announcing the date of the shareholder vote and availability of the Proxy Statement, defendants have not made any further disclosures to shareholders in connection with the vote on the Merger.

30. The actions of the federal government to inject capital and otherwise increase the market and give value to some of the same non-performing assets valued as worthless in the Merger are material to PFFB shareholders in assessing the financial fairness of the Merger and their rights to pursue appraisal.

31. The Individual Defendants have violated their fiduciary duty by failing to take steps to provide such an updated disclosure to shareholders. As a result of the actions of the Individual Defendants, plaintiff and the other members of the Class

have been and will be damaged in that they have not and will not be able to make an informed decision regarding their vote on the merger and/or their rights to pursue a valuable appraisal remedy.

32. Plaintiff seeks preliminary and permanent injunctive relief and declaratory relief preventing defendants from inequitably and unlawfully depriving plaintiff and the Class of properly exercising their voting and appraisal rights and compelling defendants to make proper disclosure to shareholders in the Proxy Statement and any supplement thereto.

33. Plaintiff and the Class have no adequate remedy at law. Only through the exercise of this Court's equitable powers can plaintiff and the Class be fully protected from the immediate and irreparable injury which defendants' actions threaten to inflict.

34. Unless enjoined by the Court, defendants will continue to breach their fiduciary duties owed to plaintiff and the other members of the Class, and will consummate the sale of PFFB based upon inadequate disclosure, to the irreparable harm of plaintiff and the other members of the Class.

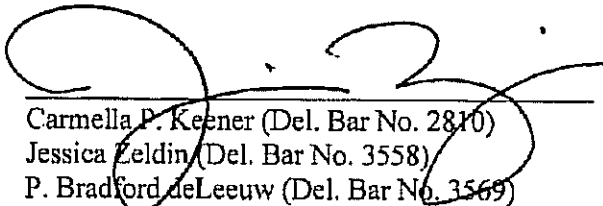
35. PFFB states in the Proxy Statement that, following shareholder approval, it intends to close the Merger by September 30, 2008. The Merger Agreement provides that FBOP may terminate the Merger Agreement if the Merger is not completed by December 31, 2008. Thus, shareholders will not be harmed by any short delay in the Merger closing following dissemination of further needed information through a supplement to the Proxy Statement.

36. Plaintiff and the Class have no adequate remedy at law.

WHEREFORE, plaintiff demands judgment as follows:

- A. Declaring this to be a proper class action and certifying plaintiff as representative of the Class;
- B. Ordering the Individual Defendants to carry out their fiduciary duties to plaintiff and the other members of the Class by making proper disclosure to shareholders in the connection with the shareholder vote as demanded herein;
- C. Preliminarily and permanently enjoining the Individual Defendants from taking any steps to consummate the Merger based on the current shareholder disclosures;
- D. Directing the Individual Defendants, jointly and severally, to account to plaintiff and the Class for all damages suffered and to be suffered by them as a result of the acts and transactions complained of herein;
- E. Awarding plaintiff the costs and disbursements of this action, including a reasonable allowance for plaintiff's attorneys' and experts' fees; and
- F. Granting such other further relief as may be just and proper.

ROSENTHAL, MONHAIT & GODDESS, P.A.



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