

**UNITED STATES OF AMERICA**  
**Before the**  
**OFFICE OF THRIFT SUPERVISION**

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In the Matter of )  
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 )  
**AFFINITY FINANCIAL** )  
**CORPORATION** )  
 )  
Irvine, California )  
OTS Docket No. H4386 )  
\_\_\_\_\_ )

Order No.: SE-09-046

Effective Date: October 1, 2009

**ORDER TO CEASE AND DESIST**

**WHEREAS**, Affinity Financial Corporation, Irvine, California, OTS Docket No. H4386 (Holding Company), 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 Southeast Region (Regional Director) 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:**

**Cease and Desist.**

1. The Holding Company and its directors, officers, employees, and agents shall cease and desist from any action (alone or with another or others) for or toward causing, bringing about, participating in, counseling or the aiding and abetting of:

- (a) operating its wholly owned savings association subsidiary, Waterfield Bank Germantown, Maryland, OTS Docket No. 15436 (Association) with an inadequate level of capital protection for the volume, type, and quality of assets held by the Association;
- (b) operating the Association with an excessive level of adversely classified and delinquent loans relative to the Association's capital, earnings and allowance for loan and lease losses (ALLL) levels;
- (c) operating the Association without an effective credit administration program ensuring that updated financial and other information is obtained on borrowers; and
- (d) operating without an effective, written, enterprise-wide program to ensure that the Holding Company and all subsidiaries, including the Association, comply with the Currency and Foreign Transactions Reporting Act, as amended by the USA Patriot Act and other laws (the Bank Secrecy Act or BSA), 31 U.S.C. §§ 5311 et seq.; and
- (e) operating without an effective, written program to ensure that all deposit generation activities and arrangements, including those involving third party affinity groups, comply with applicable laws and regulations.

**Capital Plan.**

2. By November 30, 2009, the Board shall prepare and submit for Regional Director review and comment a written plan to preserve and enhance the capital of the Holding Company and of the Association and to ensure that the Association complies with the requirements imposed by

the Order to Cease and Desist issued by the OTS against the Association on October 1, 2009 (Capital Plan). At a minimum, the Capital Plan shall:

- (a) address the requirements and restrictions imposed by this Order and the Order to Cease and Desist issued by the OTS against the Association on October 1, 2009;
- (b) establish the amounts of and timeframes by which additional capital will be raised;
- (c) detail the method by which the additional capital will be raised and identify the sources of such capital;
- (d) establish an alternative strategy, including but not limited to, seeking a merger or acquisition partner for the Holding Company and/or the Bank, to be implemented immediately if the Board's primary strategy to raise additional capital for the Holding Company is unsuccessful; and
- (e) require the Senior Executive Officers (Management)<sup>1</sup> to prepare and submit for Board review at each regular monthly Board meeting, a written report on the Holding Company's compliance with the Capital Plan and the Holding Company and Association's current capital levels (Capital Status Report).

3. The Board shall make any changes to the Capital Plan as required by the Regional Director within twenty (20) days after being notified of such changes and thereafter adopt the Capital Plan. The Board shall ensure that the Holding Company and the Association adhere to and implement the Capital Plan. A copy of the Capital Plan and the Board meeting minutes reflecting the Board's adoption thereof shall be provided to the Regional Director within ten (10) days after the Board meeting.

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<sup>1</sup> The term Senior Executive Officer is defined at 12 C.F.R. § 563.555.

4. If the Board determines that the additional capital proposed in the Capital Plan cannot be raised in the amounts or within the timeframes detailed in the revised Capital Plan, the Board shall: (a) provide the Regional Director with written notice of its determination that the commitments established in the Capital Plan cannot be fulfilled on the next business day following such determination (Capital Notice); and (b) immediately implement the alternative strategy established under Paragraph 2.d of this Order. Not later than fifteen (15) days after issuance of the Capital Notice, and every fifteen (15) days thereafter, the Board shall provide the Regional Director with a written update on the status of its efforts to implement the alternative strategy approved in the Capital Plan. The Board shall provide the Regional Director with a copy of a definitive merger agreement or other alternative strategy documentation within two (2) days after execution.

**Business Plan.**

5. Within sixty (60) days, the Board shall prepare and submit for Regional Director review and comment a comprehensive business plan that covers the calendar years 2010, 2011, and 2012 (Business Plan). The Business Plan shall set forth the Board's strategy for improving the financial strength and condition of the Holding Company and strengthening and improving the Association's operations and financial condition. At a minimum, the Business Plan shall: (a) consider the Capital Plan required by Paragraph 2 of this Order; (b) include a detailed discussion of the Board's strategies to strengthen and improve the Holding Company and the Association's operations, earnings, and profitability, including plans for reducing the Association's operating expenses and the Holding Company's debt; (c) detail the Board's strategies for strengthening and preserving the Association's financial resources to meet its business and operational needs, adequately support the Association's risk profile, maintain compliance with applicable

regulatory capital requirements, and ensure adequate liquidity; (d) include pro forma financial projections (balance sheet and income statement) for each quarter covered by the Business Plan; and (e) identify all relevant assumptions and projections and include documentation supporting such assumptions and projections.

6. The Board shall make any changes to the Business Plan required by the Regional Director within twenty (20) days after being notified of such changes and thereafter adopt the Business Plan. The Board shall ensure that the Holding Company adheres to and implements the Business Plan. A copy of the Business Plan and the Board meeting minutes reflecting the Board's adoption thereof shall be provided to the Regional Director within ten (10) days after the Board meeting.

7. Any material modifications to the Business Plan shall be submitted to the Regional Director for approval at least forty-five (45) days prior to implementation. A modification shall be considered material under this section of the Order if the Holding Company plans to: (a) engage in any activity that is inconsistent with the revised Business Plan; or (b) exceed the level of any activity contemplated in the revised Business Plan or fail to meet target amounts established in the revised Business Plan by more than ten percent (10%), unless the activity involves assets risk-weighted fifty percent (50%) or less, in which case a variance of more than twenty-five (25%) shall be deemed to be a material modification.

8. The Board shall provide the Regional Director with quarterly status reports on the Holding Company's compliance with the Business Plan within thirty (30) days after the close of each calendar quarter, beginning with the calendar quarter ending December 31, 2009.

**BSA Compliance Program.**

9. Within sixty (60) days, the Holding Company shall revise its current written BSA Compliance Program to ensure that it complies with the Currency and Foreign Transactions Reporting Act, as amended by the USA Patriot Act and other laws (the Bank Secrecy Act or BSA), 31 U.S.C. §§ 5311 et seq., and the related regulations issued and/or administered by the U.S. Department of the Treasury's Financial Crimes Enforcement Network (FinCEN), 31 C.F.R. §§ 103.11 et seq., and the related BSA regulations issued by OTS, 12 C.F.R. § 563.177 (collectively the BSA Laws and Regulations), the FinCEN regulations governing suspicious activity reports (SARs) set forth at 31 C.F.R. § 103.18, the OTS SAR regulations set forth at 12 C.F.R. § 563.180 (the SAR Regulations), and the Office of Foreign Assets Control (OFAC) regulations set forth at 31 C.F.R. Part 500 (the OFAC Regulations), that is based upon an assessment of the Holding Company's BSA and anti-money laundering (AML) risks and that addresses the weaknesses and deficiencies discussed in the December 8, 2008 Report of Examination of the Holding Company (2008 Examination).

**BSA Compliance Officer.**

10. Within sixty (60) days, the Holding Company shall designate a full-time officer or employee who shall be: (a) designated as the Holding Company's BSA Compliance Officer; and (b) responsible for actively managing, coordinating and monitoring enterprise-wide compliance with the Holding Company's day-to-day compliance with the BSA Laws and Regulations and the Holding Company's BSA Compliance Program. The BSA Compliance Officer shall have sufficient authority, expertise, competency, time, staff, and resources to perform his or her assigned BSA responsibilities on a day-to-day basis.

**BSA Risk Assessment.**

11. Within sixty (60) days, the Holding Company shall conduct a thorough assessment of the Holding Company's BSA and AML risk exposure (the BSA/AML Risk Assessment), based upon the specific products, services, customers, entities, and geographic locations unique to the Holding Company and the Association that may expose the enterprise to money laundering, terrorism financing, or other illegal activities, taking into consideration information collected from the Holding Company and Association's customer identification policies, procedures and processes (CIP Policy) and customer due diligence process (CDD) in accordance with the BSA/AML matrix set forth in Appendix J of the FinCEN BSA/AML Examination Manual. The BSA/AML Assessment shall identify the number of accounts at or processed by the Association that are potentially medium or high risk and detail the basis for such determination. A copy of the BSA/AML Assessment shall be provided to the Board for review at the January 2010 Board meeting. A copy of the Board meeting minutes detailing the Board's review of the BSA/AML Assessment, including any corrective actions adopted by the Board, shall be provided to the Regional Director within ten (10) days after the Board meeting.

**Compliance Program.**

12. Within sixty (60) days, the Board shall develop a new written consumer compliance program (Compliance Program) that: (a) is appropriate for the Holding Company's size, complexity, product lines and business operations; (b) is adequately staffed with qualified and experience personnel; (c) provides for the allocation of adequate resources, including personnel and training, to implement the Compliance Program; (d) is designed and structured to ensure the Holding Company's compliance with all applicable consumer and other compliance laws and

regulations<sup>2</sup> (Compliance Laws and Regulations) on an ongoing basis; and (e) provides for detailed processes, reports and systems to ensure the Board and Management's proper and prudent oversight and monitoring of the effectiveness of the Compliance Program, including implementation of and adherence to corrective actions adopted by the Board.

13. At a minimum, the Compliance Program shall:

- (a) address all weaknesses, deficiencies and violations identified and/or discussed in the 2008 Examination, including exception and recommendation sheets that have been provided to Management;
- (b) include written descriptions of the duties and responsibilities of the Compliance Officer and other key positions in the Compliance area, that clearly define authority and accountability, as well as establish the organization and reporting structure of the compliance area, including any Board level compliance committees;
- (c) include a formal training program that provides for ongoing training in Compliance Laws and Regulations for all appropriate personnel, including both operation and lending staff, and the development and implementation of a system to test employees on their knowledge of Compliance Laws and Regulations to monitor training effectiveness. The Holding Company shall document all training conducted. The training program should be updated periodically, at reasonable intervals to ensure that appropriate personnel are provided with the most current and up-to-date information;
- (d) incorporate all Systems, Monitoring, Assessment, Accountability, Response, and Training (SMAART) program components as set forth in the revised Compliance Self

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<sup>2</sup> The term "consumer and other compliance laws and regulations" means all laws and regulations identified, referenced or discussed in Section 1100 (Compliance Oversight Examination Program) of the OTS Examination Handbook.

Assessment Guide discussed in the OTS's December 19, 2002 Chief Executive Officer Letter No. 171;

(e) include a formal compliance review process for all products, services and delivery channels to ensure compliance with applicable Compliance Laws and Regulations;

(f) include appropriate procedures and systems, including internal controls, designed to ensure that the deficiencies and weaknesses in the Compliance Program are identified and reported to Management and/or the Board and that the deficiencies or weaknesses are promptly corrected; and

(h) require the Audit Committee to review and prepare a written report for Board review on all internal and external audit findings (Compliance Audit Report) that shall, at a minimum, detail all compliance audit findings and conclusions, identify the responsible manager(s), recommend specific corrective action(s), establish timeframes for the completion of corrective action(s) and require monthly updates from the responsible manager(s) on the status of all corrective actions. The Board's review of the Compliance Audit Report shall be documented in the Board meeting minutes. A copy of the Board minutes, the Audit Committee meeting minutes, and the Compliance Audit Report shall be provided to the Regional Director within ten (10) days after the date of the Board meeting.

**Affinity Group Arrangements.**

14. Within sixty (60) days, the Holding Company shall provide the Regional Director with a written report on all arrangements, agreements, or contracts with third party affinity groups (Affinity Arrangements) concerning the acceptance of deposits or provision of banking services

to the members of such affinity groups (Affinity Group Report). The Affinity Group Report shall, at a minimum, include:

- (a) the names, addresses and primary contact for each affinity group that the Holding Company or the Association has any arrangement, agreement or contract regarding the acceptance of deposits or provision of banking services;
- (b) a detailed narrative description of each arrangement, agreement or contract and the products or services provided, including ancillary services such as designing and providing affinity group members a dedicated, branded website to obtain information and conduct transactions;
- (c) a detailed description of the Association's involvement and participation in each arrangement, agreement or contract regarding the provision of banking products or services to affinity group members;
- (d) the terms of the arrangement, including all fees, expenses, revenue sharing or splitting, termination or cancelation provisions, and renewal provisions;
- (e) the total number of accounts and total deposit amounts by each affinity group;
- (f) a list of all websites available for use by or maintained for affinity groups pursuant to each arrangement, agreement or contract, including the url address of such websites; and
- (g) a written report detailing the Holding Company's review of all advertising or disclosures used in connection with each affinity group arrangements, including on the websites identified in Paragraph 14(e), and confirmation of compliance with applicable laws and regulations.

15. Within sixty (60) days, the Holding Company shall provide the Regional Director with a written report on all arrangements concerning the acceptance of deposits or provision of banking services via the internet (Electronic Banking Report). The Electronic Banking Report shall, at a minimum, include:

- (a) a detailed narrative description of each arrangement and the products or services provided;
- (b) a detailed description of the Association's involvement and participation in each arrangement;
- (c) the terms of the arrangement, including all fees, expenses, revenue sharing or splitting, termination or cancellation provisions, and renewal provisions;
- (d) a list of all websites maintained pursuant to each arrangement, including the url address of such websites;
- (e) the total number of accounts and total deposit amounts by arrangement or website;
- (f) a written report detailing the Holding Company's review of all advertising or disclosures used in connection with the arrangements, including on the websites identified in Paragraph 15(d), and confirmation of compliance with applicable laws and regulations.

**Dividends.**

16. Effective immediately, the Holding Company shall neither accept nor request that the Association make or pay any dividends or other capital distributions, as that term is defined in 12 C.F.R. § 563.134, or commit to make or pay dividends or any other capital distributions, without receiving the prior written approval of the Regional Director. The Holding Company's written

request for such approval shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed dividend payment or distribution of capital.

17. Effective immediately, the Holding Company shall not declare or pay any dividends or other capital distributions without the prior written approval of the Regional Director. The Holding Company's written request for such approval shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed dividend payment or distribution of capital.

**Debt Limitations.**

18. Effective immediately, the Holding Company shall not (a) incur, issue, renew, or rollover any debt or debt securities, increase any current lines of credit, guarantee the debt of any entity, or otherwise incur any additional debt without receiving the prior written approval of the Regional Director or (b) authorize or permit any subsidiary of the Holding Company from incurring, issuing, renewing, or rolling over any debt or debt securities, increasing any current lines of credit, guaranteeing the debt of any entity, or otherwise incurring any additional debt without receiving the prior written approval of the Regional Director. All written requests to the Regional Director shall include, at a minimum, a statement regarding the purpose of the debt, the terms of the debt, the planned source(s) for debt repayment, and an analysis of the cash flow resources available to meet such debt repayment. The Holding Company's written request for such approval shall be submitted to the Regional Director at least forty-five (45) days prior to the anticipated date of the proposed debt issuance, renewal, or rollover.

19. Effective immediately, the Holding Company shall not, directly or indirectly, purchase or redeem any shares of its stock without the prior written approval of the Regional Director. The Holding Company's written request for such approval shall be submitted to the Regional

Director at least forty-five (45) days prior to the anticipated date of the proposed stock purchase or redemption.

**Severance Payments.**

20. Effective immediately, the Holding Company shall not make any golden parachute payment<sup>3</sup> 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 CFR § 545.121.

**Directorate and Management Changes.**

21. Effective immediately, the Holding Company shall comply with the prior notification requirements for changes in directors and Senior Executive Officers set forth in 12 C.F.R. Part 563, Subpart H.

**Effective Date, Incorporation of Stipulation.**

22. 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.

**Duration.**

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

**Time Calculations.**

24. 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.

25. The Regional Director, or an OTS authorized representative, may extend any of the deadlines set forth in the provisions of this Order upon written request by the Holding Company

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<sup>3</sup> The term “golden parachute payment” is defined at 12 C.F.R. § 359.1(f).

that includes reasons in support for any such extension. Any OTS extension shall be made in writing.

**Submissions and Notices.**

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

27. 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:

- (a) To the OTS:  
Regional Director  
Office of Thrift Supervision  
1475 Peachtree St., NE  
Atlanta, Georgia 30309  
404.897.1861 (Fax)
  
- (b) To the Holding Company:  
Board of Directors  
c/o Richard R. Waterfield  
Affinity Financial Corporation  
18881 Von Karman Avenue, Suite 1700  
Irvine, California 92612

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**No Violations Authorized.**

28. Nothing in this Order or the Stipulation shall be construed as allowing the Holding Company, its Board, officers, or employees to violate any law, rule, or regulation.

**IT IS SO ORDERED.**

**OFFICE OF THRIFT SUPERVISION**

By: \_\_\_\_\_/s/  
James G. Price  
Southeast Regional Director

Date: See Effective Date on page 1

**UNITED STATES OF AMERICA**  
**Before the**  
**OFFICE OF THRIFT SUPERVISION**

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In the Matter of )	Order No.: SE-09-046
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)	
<b>AFFINITY FINANCIAL</b> )	Effective Date: October 1, 2009
<b>CORPORATION</b> )	
)	
Irvine, California )	
OTS Docket No. H4386 )	
_____ )	

**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 Southeast Region (Regional Director), and based upon information derived from the exercise of its regulatory and supervisory responsibilities, has informed Affinity Financial Corporation, Irvine, California, OTS Docket No. H4386 (Holding Company), that the 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 the 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 Paragraphs

1 - 3 below concerning Jurisdiction, hereby stipulates and agrees to the following terms:

**Jurisdiction.**

1. 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).

2. Pursuant to 12 U.S.C. § 1818(b)(9), the “appropriate Federal banking agency” may initiate 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 or unsound acts or practices.

3. Pursuant to 12 U.S.C. § 1813(q), the Director of the 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 the OTS to initiate and maintain an administrative cease and desist proceeding against it pursuant to 12 U.S.C. § 1818(b).

**OTS Findings of Fact.**

4. Based on its December 8, 2008 Report of Examination of the Holding Company (2008 Examination), the OTS finds that the Holding Company has engaged in unsafe or unsound practices including, but not limited to:

- (a) operating its wholly owned savings association subsidiary, Waterfield Bank, Germantown, Maryland, OTS Docket No. 15436 (Association) with an inadequate level of capital protection for the volume, type, and quality of assets held by the Association;
- (b) operating the Association with an excessive level of adversely classified and delinquent loans relative to the Association’s capital, earnings and allowance for loan and

lease losses (ALLL) levels;

- (c) operating the Association without an effective credit administration program ensuring that updated financial and other information is obtained on borrowers; and
- (d) operating without an effective, enterprise-wide program for compliance with the Currency and Foreign Transactions Reporting Act, as amended by the USA Patriot Act and other laws (the Bank Secrecy Act or BSA), 31 USC §§ 5311 et seq.; and
- (e) operating without an effective compliance program to ensure that the Holding Company's affinity group arrangements and related product and service offerings comply with applicable laws and regulations.

**Consent.**

5. The Holding Company consents to the issuance by the 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.

**Finality.**

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

**Waivers.**

7. The Holding Company 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.

**OTS Authority Not Affected.**

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

**Other Governmental Actions Not Affected.**

9. 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 8 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 the OTS.

**Miscellaneous.**

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

11. 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.

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

13. 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.

14. 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.

15. 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.

**Signature of Directors/Board Resolution.**

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

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WHEREFORE, the Holding Company, by its directors, executes this Stipulation.

Accepted by:

**AFFINITY FINANCIAL CORPORATION**  
**Irvine, California**

**OFFICE OF THRIFT SUPERVISION**

By: \_\_\_\_\_ /s/  
Richard R. Waterfield  
Chairman

By: \_\_\_\_\_ /s/  
James G. Price  
Southeast Regional Director

Date: See Effective Date on page 1

\_\_\_\_\_/s/  
J. Randall Waterfield, Director

\_\_\_\_\_/s/  
Rick Brown, Director