

SETTLEMENT AND RELEASE AGREEMENT

This Settlement and Release Agreement ("Agreement") is made by, between, and among the following undersigned parties:

The Federal Deposit Insurance Corporation as Receiver for Innovative Bank ("FDIC-R"), Seong Hoon Hong, David Chiu, Jung Min Mok, Young Ho Won, Sangchol An, Harry Mook Choi, Tony Huey, Jung Kim, Bhupendra Patel, and Chang K. Chang, (collectively the "Settling Defendants") (individually, the FDIC-R, the Settling Defendants, and any additional signatories may be referred to herein as "Party" and collectively as the "Parties").

RECITALS

WHEREAS:

Prior to April 16, 2010, Innovative Bank ("Bank") was a depository institution organized and existing under the laws of California.

On April 16, 2010, the California Department of Financial Institutions closed the Bank and pursuant to 12 U.S.C. § 1821(c), the Federal Deposit Insurance Corporation was appointed receiver. In accordance with 12 U.S.C. § 1821(d), the FDIC-R succeeded to all rights, titles, powers, and privileges of the Bank, including those with respect to its assets.

Among the assets to which the FDIC-R succeeded were all of the Bank's claims, demands, and causes of action against its former directors, officers, and employees arising from the performance, nonperformance, and manner of performance of their respective functions, duties, and acts as directors, officers, and employees of the Bank.

On May 23, 2012, the FDIC-R filed a complaint for money damages against the Settling Defendants and others, each of whom served at various times as a director and/or officer of the Bank. Those claims (the "Claims") for damages are now pending in the United States District Court for the Northern District of California in *Federal Deposit Insurance Corporation as*

Receiver for Innovative Bank v. Hong et al., Case No. CV-12-2658 (the "FDIC-R Action"). The Settling Defendants have denied liability in the FDIC-R Action.

The undersigned Parties deem it in their best interests to enter into this Agreement to avoid the uncertainty and expense of further litigation;

NOW, THEREFORE, in consideration of the promises, undertakings, payments, and releases stated herein, the sufficiency of which consideration is hereby acknowledged, the undersigned Parties agree, each with the other, as follows:

SECTION I: Payment to the FDIC-R

A. As an essential covenant and condition to this Agreement, on or before thirty-five (35) calendar days following the date that counsel for all Parties receive a fully executed copy of this Agreement, the Settling Defendants will pay or cause to be paid the FDIC-R the sum of Two Million, Five Hundred Ninety Thousand Dollars (\$2,590,000) ("the Settlement Payment").

B. The Settling Defendants shall deliver their respective shares of the Settlement Payment to the FDIC-R by direct wire transfer into an account designated by the FDIC-R by notice to the attorneys for the Settling Defendants or by check made payable to the Federal Deposit Insurance Corporation as Receiver for Innovative Bank, delivered to Nixon Peabody LLP, 437 Madison Avenue, New York, New York 10022, to the attention of Kathleen M. Balderston.

C. If the FDIC-R does not receive all shares of the Settlement Payment in full on or before the date determined by subsection A. above, then the FDIC-R, in its sole discretion, shall have the right at any time prior to receipt of the Settlement Payment in full to:

1. Extend the period of time for the Settlement Payment or for the unpaid portion of the Settlement Amount to be paid, including interest on any unpaid amount accruing from the

date determined by subsection A above, through the date of payment at a rate calculated in accordance with 26 U.S.C. § 6621(a)(3); or

2. Enforce this Agreement, in which event the FDIC and the Settling Defendants agree to jurisdiction in United States District Court in California, and the Settling Defendants agree to pay all of the FDIC-R's reasonable attorney's fees and costs expended in enforcing the terms of this agreement; or

3. Seek any other relief available to it in law or equity.

Any extension of time under Section I.C.1 for delivery of the Settlement Payment or acceptance of a portion of the Settlement Payment shall not prejudice the FDIC-R's rights to take the action set forth in Section I.C.2 at any time prior to receipt of the Settlement Payment (including all accrued interest) in full.

SECTION II: Stipulation and Dismissal

Within five (5) days after receipt of the Settlement Payment (plus any accrued interest), the FDIC-R shall file a stipulation of dismissal with prejudice, executed by the attorneys for the Settling Defendants hereto, in the form attached hereto as Exhibit A, in the FDIC-R Action.

SECTION III: Releases

A. The FDIC's Releases.

Upon receipt of the Settlement Payment in full, plus any accrued interest, and except as provided in Section III.E., the FDIC-R, for itself and its successors and assigns, hereby releases and discharges:

1. The Settling Defendants and their respective heirs, executors, administrators, agents, representatives, successors, and assigns, from any and all claims, demands, obligations, damages, actions, and causes of action, direct or indirect, in law or in equity, belonging to the FDIC-R, that arise from or relate to (a) the FDIC-R Action and/or (b) the performance,

nonperformance, or manner of performance of the Settling Defendants' respective functions, duties and actions as officers and/or directors of the Bank.

2. All former directors, officers, and/or employees of the Bank other than the Settling Defendants (collectively, the "Covered Persons") and their respective heirs, executors, administrators, agents, representatives, successors, and assigns, from any and all claims, demands, obligations, damages, actions, and causes of action, direct or indirect, in law or in equity, belonging to the FDIC-R, that arise from or relate to (a) the FDIC-R Action and/or (b) the performance, nonperformance, or manner of performance of the Covered Persons' respective functions, duties, and actions as directors, officers, and/or employees of the Bank. This release shall be null and void as to any Covered Person if such Covered Person asserts (or after asserting, does not dismiss or withdraw such claim within 30 days) any claim against the FDIC-R relating to Innovative Bank.

3. Chartis Specialty Insurance Company ("Chartis Specialty"), its parents, subsidiaries, affiliates and reinsurers, and their respective employees, officers, directors, agents, representatives, successors and assigns, from any and all claims, demands, obligations, damages, actions and causes of action, direct or indirect, in law or in equity, that arise from or relate to (a) the FDIC-R Action, (b) the performance, nonperformance, or manner of performance of the Settling Defendants' and the Covered Persons' respective functions, duties, and actions as directors, officers, and/or employees of the Bank, and (c) the insurance policy number [redacted] (b)(4) [redacted] issued by American International Specialty Lines Insurance Company, now known as Chartis Specialty Insurance Company, for the policy period September 1, 2009, to September 1, 2010 (the "Policy"). The FDIC agrees that any interest it may now or hereafter have under the Policy is extinguished.

B. The Settling Defendants' Releases

Effective simultaneously with the release granted in Section III.A. above, the Settling Defendants, on behalf of themselves individually, and their respective heirs, executors, administrators, agents, representatives, successors, and assigns, hereby release and discharge:

1. the FDIC-R and all of its employees, officers, directors, agents, representatives, successors, and assigns, from any and all claims, demands obligations, damages, actions, and causes of action, direct or indirect, in law or in equity, that arise from or relate to (a) the FDIC-R Action, (b) the Bank, and/or (c) the performance, nonperformance, or manner of performance of the Settling Defendants' and the Covered Persons' respective functions, duties, and actions, as officers, directors, and/or employees of the Bank.

2. each other and each other's respective heirs, executors, administrators, agents, representatives, insurers, successors and assigns, from any and all claims, demands, obligations, actions, and causes of action, in law or in equity that arise from or relate to the FDIC-R action.

3. Chartis Specialty, its parents, subsidiaries, affiliates and reinsurers, and their respective employees, officers, directors, agents, representatives, successors and assigns, from any and all claims, demands, obligations, damages, actions and causes of action, direct or indirect, in law or in equity, that arise from or relate to (a) the FDIC-R Action, (b) the performance, nonperformance, or manner of performance of the Settling Defendants' and the Covered Persons' respective functions, duties, and actions as directors, officers, and/or employees of the Bank, and (c) the Policy. The Settling Defendants agree that any interest they may now or hereafter have under the Policy is extinguished.

C. Chartis Specialty's Release.

Effective simultaneously with the releases granted in Section III.A. and III.B. above, Chartis Specialty, for itself and its successors and assigns, hereby releases and discharges the FDIC-R, and its employees, officers, directors, agents, representatives, successors, and assigns, from any and all claims, demands, obligations, damages, actions, and causes of action, direct or indirect, in law or in equity, that arise from or relate to (a) the FDIC-R Action, and/or (b) Claim

(b)(4) No.

D. Release and Waiver of Rights Under Cal. Civ. Code Section 1542

With respect to the matters released herein, the Parties specifically acknowledge that they may hereafter discover facts in addition to or different from those which they now believe to be true with respect to the released matters, but agree that, after consulting with legal counsel, they have taken that possibility into account in reaching this Agreement, and that these releases shall be and remain in effect notwithstanding the discovery or existence of any such additional or different facts, as to which the Parties expressly assume the risk. After consulting with legal counsel, the expressly and specifically stipulate and agree to waive and relinquish, to the fullest extent permitted by law, all provisions, rights, and benefits under California Civil Code section 1542, or any similar provision or authority. That section provides:

A GENERAL RELEASE DOES NOT EXTEND TO CLAIMS WHICH THE CREDITOR DOES NOT KNOW OR SUSPECT TO EXIST IN HIS OR HER FAVOR AT THE TIME OF EXECUTING THE RELEASE, WHICH IF KNOWN BY HIM OR HER MUST HAVE MATERIALLY AFFECTED HIS OR HER SETTLEMENT WITH THE DEBTOR.

The Parties are aware of the contents of California Civil Code section 1542, and understand and agree that this section and the benefits thereof, if applicable, are hereby expressly waived. It is

understood and agreed that the releases of the Parties shall apply to all unknown, unanticipated, unsuspected or undisclosed claims based on the Settling Defendants' and Covered Persons' actions or failures to act in their respective capacities as directors, officers and/or employees of the Bank, as well as all known, anticipated, suspected or disclosed claims, released in this Section III above.

E. Exceptions from Releases By the FDIC-R.

1. Notwithstanding any other provision of this Agreement, the FDIC-R does not release, and expressly preserves fully and to the same extent as if this Agreement had not been executed, any claims or causes of action:

a. against the Settling Defendants or any other person or entity for liability, if any, incurred as the maker, endorser, or guarantor of any promissory note or indebtedness payable or owed by them to the FDIC-R, the Bank, other financial institutions, or any other person or entity, including without limitation any such claims acquired by the FDIC-R as successor in interest to the Bank or any person or entity other than the Bank; and

b. against any person or entity not expressly released by the FDIC-R in this Agreement.

2. Notwithstanding any other provision of this Agreement, nothing in this Agreement shall be construed or interpreted as limiting, waiving, releasing, or compromising the jurisdiction and authority of the Federal Deposit Insurance Corporation in the exercise of its supervisory or regulatory authority or to diminish its ability to institute administrative enforcement or other proceedings seeking removal, prohibition, or any other relief it is authorized to seek pursuant to its supervisory or regulatory authority against any person.

3. Notwithstanding any other provision of this Agreement, this Agreement does not purport to waive, or intend to waive, any claims that could be brought by the United States through the Department of Justice, the United States Attorney's Office for any federal judicial district, or any other department or agency of the United States as defined by 18 U.S.C. § 6. In addition, the FDIC-R specifically reserves the right to seek court-ordered restitution pursuant to the relevant provisions of the Victim and Witness Protection Act, 18 U.S.C. § 3663, et. seq., if appropriate.

SECTION IV: Waiver of Dividends and Proceeds from Litigation

To the extent, if any, that the Settling Defendants are or were shareholders of the Bank or its holding company and by virtue thereof are or may be entitled to a dividend, payment, or other distribution upon resolution of the receivership of the Bank or proceeds in any litigation that has been or could be brought against the United States based on or arising out of, in whole or in part, the closing of the Bank, or any alleged acts or omissions by the Federal Deposit Insurance Corporation, the FDIC-R, the United States government, or any agency or department of the United States government in connection with the Bank, its conservatorship, or receivership, the Settling Defendants hereby knowingly assign to the FDIC-R any and all rights, titles, and interest in and to any and all such dividends, payments, other distributions, or proceeds.

SECTION V: Representations and Acknowledgements

A. Authorized Signatories. All of the undersigned persons represent and warrant that they are Parties hereto or are authorized to sign this Agreement on behalf of the respective Party, and that they have the full power and authority to bind such Party to each and every provision of this Agreement. This Agreement shall be binding upon and inure to the benefit of the undersigned Parties and their respective heirs, executors, administrators, representatives, successors, and assigns.

B. Advice of Counsel. Each Party hereby acknowledges that he, she, or it has consulted with and obtained the advice of counsel prior to executing this Agreement, and that this Agreement has been explained to that Party by his, her, or its counsel, and that each Party has read this Agreement.

C. Financial Disclosure Representation. Each Settling Defendant has submitted financial information to the FDIC-R including a signed Financial Disclosure Form (FDIC Form 7600/01) and herein affirms that his/her financial information is true and accurate as of the date of this agreement. Each Settling Defendant expressly acknowledges that, in determining to settle the Claims released herein, the FDIC-R has reasonably and justifiably relied upon the accuracy of the financial information submitted by the Settling Defendants. The FDIC-R has no obligation to independently verify the completeness or accuracy of that financial information. If the FDIC-R establishes via a final adjudication in an appropriate judicial forum that, in his or her Financial Disclosure Form, a Settling Defendant has intentionally or negligently failed to disclose a material interest, legal, equitable, or beneficial, in any material asset, that Settling Defendant agrees to cooperate fully with the FDIC-R to transfer his or her interest in that asset to the FDIC-R and to sign any and all documents necessary to effectuate that transfer.

SECTION VI: Reasonable Cooperation

A. The Parties agree to cooperate in good faith to effectuate all the terms and conditions of this Agreement, including doing, or causing their agents and attorneys to do, whatever is reasonably necessary to effectuate the signing, delivery, execution, filing, recording, and entry of any documents necessary to conclude the FDIC-R Action and to otherwise perform the terms of this Agreement.

B. The Settling Defendants agree to cooperate fully with the FDIC-R in connection with any action required under this Agreement. Such cooperation shall consist of:

1. producing all documents requested by the FDIC-R, without the necessity of subpoena, as determined by the FDIC-R, in its sole discretion, to be relevant to the Bank;
2. appearing as requested by the FDIC-R at reasonable times and places for interviews regarding facts, as determined by the FDIC-R in its sole discretion, to be relevant to the Bank;
3. testifying as requested by the FDIC-R, without the necessity of a subpoena, in any matter relevant to the Bank, as determined by the FDIC-R in its sole discretion;
4. signing truthful affidavits, regarding any matter, as determined by the FDIC-R in its sole discretion, to be relevant to the Bank.

SECTION VII: Other Matters

A. No Admission of Liability. The undersigned Parties each acknowledge and agree that the matters set forth in this Agreement constitute the settlement and compromise of disputed claims and defenses, that this Agreement is not an admission or evidence of liability or infirmity by any of them regarding any claim or defense, and that the Agreement shall not be offered or received in evidence by or against any Party except to enforce its terms. This Agreement shall have no precedential effect in any other matter or claim involving Chartis Specialty and/or any member company of the American International Group, Inc.

B. Execution in Counterparts. This Agreement may be executed in counterparts by one or more of the Parties and all such counterparts when so executed shall together constitute the final Agreement, as if one document had been signed by all Parties; and each such counterpart, upon execution and delivery, shall be deemed a complete original, binding the Parties subscribed thereto upon the execution by all Parties to this Agreement. Fax or PDF signatures of this Agreement shall be binding in the same manner as wet signatures.

C. Choice of Law. This Agreement shall be interpreted, construed, and enforced according to the laws of the State of California, without reference to conflict of laws principles.

D. Notices. Any notices required hereunder shall be sent by registered mail, first class, return receipt requested, and by email, to the following:

Christine P. Hsu
FDIC
3501 Fairfax Drive, Room VS-B-7054
Arlington, VA 22226

(b)(6)

[Redacted]

and

Kathleen M. Balderston
Nixon Peabody LLP
437 Madison Avenue
New York, NY 10022

(b)(6)

[Redacted]

If to the Settling Defendants:

Steve E. Shapiro
Kim, Shapiro, Park & Lee, PLC
3435 Wilshire Boulevard, Suite 2050
Los Angeles, CA 90010

(b)(6)

[Redacted]

E. Entire Agreement and Amendments. This Agreement constitutes the entire agreement and understanding between and among the undersigned Parties concerning the matters set forth herein and supersedes any prior agreements or understandings, except that the Settling Defendants and Chartis Specialty have entered into a separate agreement between themselves, relating to the Claims, to which the FDIC-R is not a party. This Agreement may not be amended or modified, nor may any of its provisions be waived, except in writing signed by the Parties bound thereby, or by their respective authorized attorney(s), or other representative(s).

F. Titles and Captions. All section titles and captions contained in this Agreement are for convenience only and shall not affect the interpretation of this Agreement.

G. No Transfer, Assignment, or Release. The Parties hereby represent and warrant that they have not transferred, assigned, released, or otherwise compromised any rights or claims released herein.

H. Each Party to Bear Own Attorneys' Fees. Except as provided in Section 1.C.2, each Party shall bear all of his or its attorney's fees and costs arising from or in connection with the FDIC-R Action and the matters and documents referred to herein, and all related matters.

I. Waiver Does Not Affect Enforceability of Agreement. No waiver or indulgence of any breach or series of breaches of this Agreement shall be deemed or construed as a waiver of any other breach of the same or any other provision hereof or affect the enforceability of any part or all of this Agreement, and no waiver shall be valid unless executed in writing by the waiving Party.

J. Construing Agreement. This Agreement was jointly drafted by the Parties and the language of all parts of this Agreement shall in all cases be construed as a whole according to their meaning and not strictly for or against any of the Parties.

K. Severable Provisions. If any provision of this Agreement is held to be illegal, invalid or unenforceable under present or future laws, such provision shall be fully severable, and this Agreement shall be construed and enforced as if such illegal, invalid or unenforceable provision had never comprised a part hereof. The remaining provisions of this Agreement shall remain in full force and effect and shall not be affected by the illegal, invalid or unenforceable provision or by its severance from this Agreement.

L. Effective Date. This Agreement is effective as of the date that the Agreement has been fully executed.

M. No Confidentiality. The undersigned Parties acknowledge that this Agreement shall not be confidential and will be disclosed pursuant to the Federal Deposit Insurance Corporation's applicable policies, procedures, and other legal requirements.

IN WITNESS WHEREOF, the Parties hereto have caused this Agreement to be executed by each of them or their duly authorized representatives on the dates hereinafter subscribed.

FEDERAL DEPOSIT INSURANCE CORPORATION
As Receiver for Innovative Bank

By:
Christine P. Hsu
Its: Counsel

Date: Nov. 14, 2014

SANGCHOL AN, an individual

_____ Dated:

CHANG K. CHANG, an individual

_____ Dated:

DAVID CHIU, an individual

_____ Dated:

(b)(6)

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As Receiver for Innovative Bank

By: _____
Christine P. Hsu
Its: Counsel
Date: _____

SANGCHOL AN, an individual

(b)(6)

Dated: 11/14/2014

CHANG K. CHANG, an individual

DAVID CHIU, an individual

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As Receiver for Innovative Bank

By: _____
Christine P. Hsu
Its: Counsel
Date: _____

SANGCHOL AN, an individual

Dated:

CHANG K. CHANG, an Individual

(b)(6) _____
[Redacted Signature]

Dated: November 14, 2014

DAVID CHIU, an individual

Dated:

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FEDERAL DEPOSIT INSURANCE CORPORATION
As Receiver for Innovative Bank

By: _____
Christine P. Hsu
Its: Counsel
Date: _____

SANGCHOL AN, an individual

Dated:

CHANG K. CHANG, an individual

Dated:

DAVID CHIU, an individual

(b)(6) _____

Dated: 11/19/2014

HARRY MOOK CHOI, an individual

(b)(6) [Redacted]

(b)(6) [Redacted]

Dated:

11/14/14 as authorized by probate court order
SEONG HOON HONG, an individual

Dated:

TONY HUEY, an individual

Dated:

JUNG KIM, an individual

JUNG MIN MOK, an individual

Dated:

BHUPENDRA PATIL, an individual

Dated:

YOUNG HQ WON, an individual

HARRY MOOK CHOI, an individual

Dated:

SEONG HOON HONG, an individual

(b)(6)



Dated/ *Dec. 5, 2014*

TONY HUEY, an individual

Dated:

JUNG KIM, an individual

Dated:

JUNG MIN MOK, an individual

Dated:

BHUPENDRA PATEL, an individual

Dated:

YOUNG HO WON, an individual

Dated:

HARRY MOOK CHOI, an individual

Dated: _____

SEONG HOON HONG, an individual

Dated: _____

TONY HUEY, an individual

(b)(6)

Dated: _____

11-14-14 /

JUNG KIM, an individual

Dated: _____

JUNG MIN MOK, an individual

Dated: _____

BHUPENDRA PATEL, an individual

Dated: _____

YOUNG HO WON, an individual

Dated: _____

HARRY MOOK CHOI, an individual

Dated: _____

SEONG HOON HONG, an individual

Dated: _____

TONY HUEY, an individual

Dated: _____

JUNG KIM, an individual /

(b)(6)



11/13/14

Dated: _____

JUNG MIN MOK, an individual

Dated: _____

BHUPENDRA PATEL, an individual

Dated: _____

YOUNG HO WON, an individual

Dated: _____

HARRY MOOK CHOI, an individual

Dated: _____

SEONG HOON HONG, an individual

Dated: _____

TONY HUEY, an individual

Dated: _____

JUNG KIM, an individual

Dated: _____

JUNG MIN MOK, an individual

(b)(6)

Dated: 11/19/11

BIJUPENDRA PATEL, an individual

Dated: _____

YOUNG HO WON, an individual

Dated: _____

HARRY MOOK CHOI, an individual

Dated:

SEONG HOON HONG, an individual

Dated:

TONY HUEY, an individual

Dated:

JUNG KIM, an individual

Dated:

JUNG MIN MOK, an individual

Dated:

(b)(6)

BHUPENDRA PATEL, an individual

Nov 14, 2014
Dated:

YOUNG HO WON, an individual

Dated:

HARRY MOOK CHOI, an individual

Dated:

SEONG HOON HONG, an individual

Dated:

TONY HUEY, an individual

Dated:

JUNG KIM, an individual

Dated:

JUNG MIN MOK, an individual

Dated:

BHUPENDRA PATEL, an individual

Dated:

YOUNG HO WON, an individual

(b)(6)



Dated:

CHARTIS SPECIALTY INSURANCE COMPANY

(b)(6)

By:

Print Name: Maureen Conway

Title: AUP

Date: 12/23/14