

SETTLEMENT AND RELEASE AGREEMENT

This Settlement and Release Agreement ("Agreement") is made by, between, and among the Federal Deposit Insurance Corporation as Receiver for Innovative Bank ("FDIC-R") and National Union Fire Insurance Company of Pittsburgh, Pa. ("National Union" or "Bond Insurer") (individually, the FDIC-R and National Union 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;

National Union issued the following Financial Institution Bonds to the Bank: bond

(b)(4) number [redacted] for the bond period of September 1, 2007 to September 1, 2008, bond

(b)(4) number [redacted], for the bond period of September 1, 2008, to September 1, 2009, and

(b)(4) bond number [redacted], for the bond period of October 9, 2009, to September 1, 2010

(collectively, the "Bonds").

Prior to closing, the Bank sent a Notice of Claim to National Union, pursuant to Section 5(a) of the Bond (the "Notice"), which claim was designated as Claim Nos. [redacted] (b)(4)

(b)(4) [redacted], and [redacted] (the "Bond Claims").

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 any and all claims, demands, and causes of action under the Bonds or with respect to the Bond Claims. On October 29, 2010,

pursuant to an extension granted to the FDIC-R by National Union, the FDIC-R submitted its Proofs of Loss under Section 5(c) of the Bond (the "Proofs of Loss") with respect to the Bond Claims.

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

On or before thirty (30) calendar days following the FDIC-R's execution of this Agreement, National Union agrees to pay to the FDIC-R the sum of Five Hundred Ten Thousand Dollars (\$510,000) ("the Settlement Payment").

National Union shall deliver its payment by check made payable to the Federal Deposit Insurance Corporation as receiver for Innovative Bank, to Christine P. Hsu, Esq., FDIC Legal Division, FDIC, 3501 Fairfax Drive, Room VS-B-7054, Arlington, VA 22226-3500.

SECTION II: Releases and Assignment

A. Release of National Union by the FDIC-R.

Effective upon its receipt of the Settlement Payment in full, as described in Section I, the FDIC-R, for itself and its successors and assigns, hereby releases and discharges National Union, its parents, subsidiaries, affiliates, and reinsurers, and their respective employees, officers, directors, agents, representatives, predecessors, successors, and assigns, from any and all claims, demands, obligations, damages, actions, and causes of action, direct or indirect, in law or in equity, known or unknown, that arise from or relate to the Bonds, the Bond Claims, the Notice, and the Proofs of Loss. The FDIC-R agrees that any interest it may have under the Bonds or

with respect to the Bond Claims, the Notice, and the Proofs of Loss is extinguished. Upon payment of the amount described in Section I of this Agreement, National Union shall have no further obligation with respect to the Notice, the Proof of Loss, the Bond Claims, and/or the Bonds.

B. Release of the FDIC-R by the Bond Insurer.

Effective simultaneously with the release granted in Paragraph II.A. above, National Union, for itself and its predecessors, successors, and assigns, hereby releases and discharges the FDIC-R and its employees, officers, directors, agents, representatives, predecessors, 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 the Bonds, the Bond Claim, the Notice, and the Proofs of Loss, including but not limited to any rights of subrogation, legal, equitable, or otherwise.

C. Assignment of Subrogation Rights to National Union.

In further consideration of the aforesaid payment by National Union, the FDIC-R does hereby transfer, assign and sign over to National Union all of its claims and rights against Jenny Shinn and/or any and all other persons, firms, or corporations arising out of the Bond Claims, the Proof of Loss, or the Bonds, but only to the extent of the Settlement Payment and only to the extent that such claims are not resolved or released by the terms and conditions of any Settlement Agreement with respect to the action entitled *Federal Deposit Insurance Corporation as Receiver for Innovative Bank v. Hong et al.*, United States District Court for the Northern District of California Case No. CV-12-2658. The FDIC-R does hereby agree to execute any and all further papers, releases, and/or assignments, and shall provide any further cooperation and assistance that may be necessary to effectuate the purposes of this assignment. It is understood

that National Union maintains these subrogation rights, and is entitled, but not obligated, to pursue recovery under its subrogation rights and/or assignment rights subject to the provisions of the Bond.

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

The Parties agree that the releases provided in Section II include and encompass a release and waiver of any and all rights or benefits conferred by the provisions of Section 1531 of the California Civil Code and/or any other federal statute or common law principle of similar effect. In connection with this waiver, the Parties hereby acknowledge that they are aware that they may hereafter discover claims or facts in addition to, or different from, those which they now know or believe to exist with respect to the subject matter of this Agreement.

The Parties acknowledge that they have been advised by legal counsel and are familiar with the provisions of Section 1542 of the California Civil Code, which provides as follows:

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.

SECTION III: 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.

C. Ownership of the Claims. The Parties hereby represent and warrant that they have not transferred, assigned, released, or otherwise compromised any rights or claims released herein. The FDIC-R represents and warrants that it is the sole owner of the Bond Claims. The FDIC-R understands and agrees that this representation is a material portion of the consideration provided to National Union in this Agreement.

D. Binding Effect. This Agreement is intended to confer rights and benefits only on the Parties. This Agreement shall be binding upon and inure to the benefit of the Parties and their respective successors, assigns, representatives, members, alter egos, and related entities. Except as otherwise expressly provided herein, no person or entity other than the Parties shall have any rights under this Agreement.

E. Attorney's Fees. Each Party shall bear all of his or its attorney's fees and costs with respect to the Notice, the Proof of Loss, the Bond Claims, and/or the Bonds. However, in the event of litigation in connection with or concerning this Agreement, the prevailing party shall be entitled to recover all reasonable costs and expenses incurred by that Party.

F. Reasonable Cooperation. 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 perform the terms of this Agreement.

G. 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 National Union and/or any member company of the American International Group, Inc.

H. 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.

I. Choice of Law. This Agreement shall be interpreted, construed, and enforced according to applicable federal law, or in its absence, the laws of the State of California.

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

If to FDIC-R

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

(b)(6)

and

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

(b)(6)

If to National Union:

Kenneth D. Watnick
Anderson McPharlin & Connors
444 South Flower Street
Suite 3100
Los Angeles, California 90012
Telephone: (213) 688-0080

(b)(6) _____ [Redacted]

K. 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. 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).

L. 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.

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

(b)(6) _____
By: [Redacted]

Christine P. Hsu

Its: Counsel

Date: 8/21/14

**NATIONAL UNION FIRE INSURANCE COMPANY
OF PITTSBURGH, Pa. by its authorized representative
AIG CLAIMS, INC.**

(b)(6)

By:

Print Name: Y. J. ...

Title: ...

Date: 7/15/11