

LIMS Nr [redacted]
DIF/Bond

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10/19/10

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10/19/10

SETTLEMENT AND RELEASE AGREEMENT

This Settlement and Release Agreement ("Agreement") is made as of this ^{4th} day of October 2010, by and between the following undersigned parties:

The Federal Deposit Insurance Corporation in any of its capacities, including but not limited to, its capacity as receiver for the St. Stephen State Bank, St. Stephen, Minnesota ("FDIC"), and

The OneBeacon Insurance Company ("OneBeacon").

RECITALS

WHEREAS:

Prior to January 15, 2010, the St. Stephen State Bank ("the Bank") was a state-chartered, federally-insured bank located in St. Stephen, Minnesota;

On January 15, 2010, the Bank was closed by the Minnesota Department of Commerce and the Federal Deposit Insurance Corporation was appointed receiver of the Bank;

In accordance with 12 U.S.C. § 1821(d), the FDIC as receiver succeeded to all rights, titles, powers, and privileges of the Bank, including those with respect to its assets and claims;

Among the assets to which the FDIC succeeded were any and all of the Bank's claims, demands, and causes of action pursuant to and arising in connection with the OneBeacon Financial Institution Bond Number [redacted] (the "Bond");

(b)(4)

The Bond's three-year coverage, including its Insuring Agreement (A) Employee Dishonesty, became effective January 24, 2008;

On December 21, 2009, the Bank submitted its Proof of Loss to OneBeacon under the terms of the Bond, regarding losses covered by the Bond for the dishonest acts of Lynette Jeppeson, an employee of the Bank at the time such acts were committed and discovered; and

The undersigned parties deem it in their best interests to enter into this Agreement to compromise and settle the FDIC's claim and avoid the uncertainty, trouble, and 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 FDIC

(b)(2) A. OneBeacon agrees to pay the FDIC the sum of \$27,135.75 (the "Settlement Fund"). The Settlement Fund shall be paid by check to "FDIC as receiver for The St. Stephen State Bank (FIN)" no later than November 1, 2010, as further described in Section I.C., below. In the event that the Settlement Fund is not delivered to the FDIC (or its counsel) by November 1, 2010, interest shall accrue on all unpaid amounts at the rate of 10% per annum from November 1, 2010, until the date of payment.

B. In addition, and without waiving any other rights that the FDIC may have, in the event that the full Settlement Fund is not received by the FDIC on or before November 1, 2010, then the FDIC, in its sole discretion, shall have the right at any time prior to receipt of the full Settlement Fund (including all accrued interest) to declare this Agreement null and void, shall have the right to extend this Agreement for any period of

time until it receives the full Settlement Fund (including all accrued interest), and/or shall have the right to enforce this Agreement against OneBeacon, in which event OneBeacon agrees to the jurisdiction of the United States District Court for the District of Columbia and agrees to pay all the FDIC's reasonable attorneys' fees expended in enforcing the terms of this Agreement. Any decision by the FDIC to extend the terms of this Agreement or to accept some of the Settlement Fund shall not prejudice its rights to declare this Agreement null and void at any time prior to receipt of the full Settlement Fund (including all accrued interest) or to enforce the terms of this Settlement Agreement; provided however, that acceptance of some of the Settlement Fund shall reduce OneBeacon's obligation to the FDIC under the Bond or under this Agreement solely in the amount of such received funds.

C. The Settlement Fund, plus accrued interest, if any, shall be delivered, by overnight mail to:

Andrew Gilbert
Counsel
Federal Deposit Insurance Corporation
3501 Fairfax Drive, Room B-7012
Arlington, Virginia 22226

SECTION II: RELEASES

A. Release of OneBeacon by FDIC. Effective upon payment of the Settlement Fund plus all accrued interest as described in SECTION I above, the FDIC, for itself and its successors and assigns, hereby releases and discharges OneBeacon and its employees, officers, directors, representatives, agents, attorneys, predecessors, successors, and assigns, from any and all claims, demands, obligations, damages, actions, and causes of actions, direct or indirect, in law or in equity, belonging to the FDIC, that

in any way arise from or relate to the Bond, and agrees that any interest it may have under the Bond is hereby extinguished.

B. Release of FDIC by OneBeacon. Effective simultaneously with the release granted in Paragraph II.A. above, OneBeacon for itself and its successors and assigns, hereby releases and discharges the FDIC and its employees, officers, directors, representatives, agents, attorneys, 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, belonging to FDIC, that in any way arise from or relate to the Bond including but not limited to any rights of subrogation.

C. Notwithstanding this Section II, and without any admission, stipulation or understanding as to whether or not any refund or return of prior-paid Bond coverage premiums is due and owing by or to OneBeacon or FDIC, or by or to any other person, the parties FDIC and OneBeacon agree that the releases stated in this Section II do not release or in any way effect whether or not any refund or return of prior-paid Bond coverage premiums is due or owing by or to the parties OneBeacon and FDIC, or by or to any other person.

SECTION III: WITHDRAWAL OF BOND CLAIM

Upon execution of this Agreement by each of the undersigned parties and receipt of the Settlement Fund, plus any accrued interest pursuant to Section I.A., the FDIC shall consider its claim against OneBeacon withdrawn with prejudice, with each party to bear its own attorneys fees and costs.

SECTION IV: REPRESENTATIONS AND ACKNOWLEDGEMENTS

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 that this Agreement is not an admission or evidence of liability by either of them regarding any claim.

B. Execution in Counterparts. This Agreement may be executed in counterparts by the undersigned parties and all such counterparts when so executed shall together constitute the final Agreement, as if one document had been signed by all parties hereto; 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 the Agreement.

C. Binding Effect. Each of the undersigned persons represents and warrants that each of them is a party hereto or is authorized to sign this Agreement on behalf of the respective party, and that each of them has the full power and authority to bind such party to each and every provision of this Agreement. This Agreement shall be valid and binding upon and inure to the benefit of the undersigned parties and their respective heirs, executors, administrators, representatives, successors and assigns and when duly executed shall be valid and binding upon the parties in accordance with its terms.

D. 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 Minnesota.

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. This Agreement may not be amended or modified except by another written instrument signed by the party or parties to be bound thereby, or by their respective authorized attorneys or other representatives.

F. Reasonable Cooperation. The undersigned 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 perform the terms 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 date hereinafter subscribed.

FEDERAL DEPOSIT INSURANCE CORPORATION

(b)(6)

Date: Oct. 4, 2010

BY:

TITLE: Counsel, FDIC Legal Division

Print Name: ANDREW GILBERT

ONEBACON INSURANCE COMPANY

(b)(6)

Date: Oct 6th 2010

BY:

TITLE: Chair Counsel

Print Name: Wayne A. Everson