

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release ("Agreement") is made as of this _____ day of April, 2011, by, between, and among the following Parties:

The Plaintiff Federal Deposit Insurance Corporation, as receiver of Silver Falls Bank ("FDIC-R"), on the one hand and, on the other, Stephen M. Way, Alan Day, Daniel W. Files, Danny L. Johnson, Denis J. Dalisky, Donald W. Bauman, ^{David} ~~David A. Overler~~, Jerry R. Becker, Estate of Joseph J. Davis, Judy A. Duncan, Leroy W. Gilge, Robert K. Seibert, Terrence L. Kuenzi (collectively, the "Settling Individuals"); and OneBeacon America Insurance Company ("OneBeacon") (individually, the FDIC-R, the Settling Individuals, and OneBeacon may be referred to herein as "Party" and collectively as the "Parties").

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RECITALS

WHEREAS:

Prior to February 20, 2009, Silver Falls Bank (the "Bank") was a depository institution organized and existing under the laws of the State of Oregon.

On February 20, 2009, the Bank was closed by the Oregon Department of Consumer and Business Services, and pursuant to 12 U.S.C. § 1821(c), the FDIC-R was appointed receiver. In accordance with 12 U.S.C. § 1821(d), the FDIC-R as receiver 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 as receiver succeeded were any and all of the Bank's claims, demands, and causes of actions against its former directors and officers arising from the performance, nonperformance, and manner of performance of their respective functions, duties, and acts as directors and/or officers of the Bank.

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The FDIC-R has asserted claims against the Settling Individuals who had each served at various times as directors and/or officers of the Bank. The Settling Individuals have denied liability for the FDIC-R's claims.

OneBeacon issued directors' and officers' liability policy number (the (b)(4) "Policy"), which, among other things, insured the directors and officers of the Bank according to the terms, provisions, and conditions of the Policy. The Settling Individuals sought coverage under the Policy for the FDIC-R's claims against them. OneBeacon reserved its rights to deny or limit coverage under the Policy for the FDIC-R's claims against the Settling Individuals.

The undersigned Parties deem it in their best interests to enter into this Agreement to 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-R

A. As an essential covenant and condition to this Agreement, OneBeacon shall pay to the FDIC-R the sum of \$1,300,000.00 ("the Settlement Funds").

B. Upon the execution of an original, or originals in counterpart, of this Agreement by each of the undersigned Parties to this Agreement, but no later than May 13, 2011, the Settlement Funds shall be delivered to the FDIC-R by direct wire transfer into the following account:

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BANK: Federal Home Loan Bank of New York;

ROUTING #: [REDACTED]

ACCOUNT #: [REDACTED]

FOR CREDIT TO: "FDIC-R National Liquidation Account; OBI; FIN 10041; Silver Falls Bank, Silverton, OR; Contact: Elizabeth Ulmer Mendel, 949-579-1233; Professional Liability lawsuit (37100); DIF Fund."

C. For purposes of an IRS Form 1099, the FDIC-R's Tax ID is 53-018-5558.

D. In the event that the Settlement Funds are not delivered to the FDIC-R as noted above by May 13, 2011, interest shall accrue on all unpaid amounts at the rate of 5% per annum, from May 13, 2011, until the date of payment in full. However, if said Settlement Funds are not delivered to the FDIC-R by May 13, 2011 as a result of the FDIC-R's failure to execute this Agreement or any errors in the FDIC-R's wiring instructions provided in Paragraph B. above, no interest shall accrue until the day after the FDIC-R executes the Agreement or corrects any errors in the wiring instructions.

E. In addition, and without waiving any other rights that the FDIC-R may have, in the event that all Settlement Funds are not received by the FDIC-R on or before May 13, 2011, provided that such failure to receive Settlement Funds is not the result of the FDIC-R's failure to execute this Agreement or its failure to provide accurate wiring instructions, then the FDIC-R, in its sole discretion, shall have the right at any time prior to receipt of all Settlement Funds (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 all Settlement Funds (including all accrued interest), and/or shall have the right to enforce this Agreement against OneBeacon or any Settling Individual, in which event OneBeacon and the Settling Individuals agree to jurisdiction in

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Federal District Court in Oregon and agree to pay all of the FDIC-R's reasonable attorney's fees expended in enforcing the terms of this Agreement. Any decision by the FDIC-R to extend the terms of this Agreement or to accept a portion of the Settlement Funds shall not prejudice its rights to declare this Agreement null and void at any time prior to receipt of all Settlement Funds (including all accrued interest) or to enforce the terms of this Settlement Agreement; provided however, that in the event the FDIC-R declares this Agreement null and void, the FDIC-R will return all amounts FDIC-R has actually received pursuant to this Agreement.

SECTION II: Releases

A. Release of Settling Individuals by FDIC-R.

Effective upon receipt in full of the settlement funds plus any accrued and owed interest described in SECTION I above, and except as provided in PARAGRAPH II.H., the FDIC-R, for itself and its successors and assigns, hereby releases and discharges each of the Settling Individuals and their respective heirs, executors, administrators, 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, the performance, nonperformance, or manner of performance of the Settling Individuals' respective functions, duties and actions as officers and/or directors of the Bank.

B. Release of FDIC-R by the Settling Individuals.

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

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FDIC-R, and its employees, officers, directors, 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, the Bank or to the performance, nonperformance, or manner of performance of the Settling Individuals' respective functions, duties and actions as officers and/or directors of the Bank or that arise from or relate to the Policy.

C. Release by Settling Individuals of Each Other.

Effective simultaneously with the releases granted in Paragraph II.B. above, the Settling Individuals, and their respective heirs, executors, administrators, representatives, successors and assigns, hereby release and discharge each other 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 performance, nonperformance, or manner of performance of their respective functions, duties and actions as officers and/or directors of the Bank.

D. Release of OneBeacon by FDIC-R.

Effective simultaneously with the releases granted in Paragraphs II.A. and II.B. above, the FDIC-R, for itself and its successors and assigns, hereby releases and discharges OneBeacon, 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 the Policy and the FDIC-R agrees that any interest it may have under the Policy is extinguished.

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E. Release of OneBeacon by Settling Individuals.

Effective simultaneously with the releases granted in Paragraphs II.A. and II.B. above, the Settling Individuals, on behalf of themselves individually, and their respective heirs, executors, administrators, agents, representatives, successors and assigns, hereby release and discharge OneBeacon, 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 the FDIC-R's claims against the Settling Individuals.

F. Release of FDIC-R by OneBeacon.

Effective simultaneously with the release granted in Paragraph II.D. above, OneBeacon, for itself and its successors and assigns, and on behalf of its parents, subsidiaries, affiliates and reinsurers, and their successors and assigns, hereby releases and discharges 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 the Policy.

G. Release of Settling Individuals by OneBeacon.

Effective simultaneously with the releases granted in Paragraph II.E. above, OneBeacon, for itself and its successors and assigns, and on behalf of its parents, subsidiaries, affiliates, and reinsurers, and their successors and assigns, hereby releases and discharges each of the Settling Individuals, and their respective heirs, executors, administrators, agents, representatives, successors and assigns, from any and all claims, demands, obligations, damages, actions, and

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causes of action, direct or indirect, in law or in equity, that arise from or relate to the FDIC-R's claims against the Settling Individuals.

H. Express Reservations From Releases By FDIC-R.

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

a. against the Settling Individuals 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 FDIC-R, the Bank, other financial institutions, or any other person or entity, including without limitation any claims acquired by FDIC-R as successor in interest to the Bank or any person or entity other than Bank;

b. against any person or entity not expressly released in this Agreement;

c. which are not expressly released in Paragraphs H.A. or H.D. above; and

d. 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 USC § 3663, *et seq.*, if appropriate.

2. Notwithstanding any other provision, 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 that entity's ability to institute

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administrative enforcement proceedings seeking removal, prohibition or any other administrative enforcement which may arise by operation of law, rule or regulation.

3. Notwithstanding any other provision, this Agreement does not purport to waive, or intend to waive, any claims which could be brought by the United States through either the Department of Justice, the United States Attorney's Office for the District of Oregon or any other federal agency.

SECTION III: Waiver of Dividends and Proceeds from Litigation

To the extent, if any, that Settling Individuals are or were shareholders of the Bank 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 to proceeds from 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 FDIC-R, the Federal Deposit Insurance Corporation or the United States government, or any agency thereof, in connection with the Bank, its conservatorship or receivership, the Settling Individuals hereby knowingly assign to the FDIC-R any and all rights, titles and interest in and to any and all such dividends, payments or other distributions, or such proceeds.

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 or coverage by any of them regarding any claim.

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B. Execution in Counterparts. This Agreement may be executed in counterparts by one or more of the Parties named herein 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 Party or Parties subscribed thereto upon the execution by all Parties to this Agreement.

C. Binding Effect. Each of the undersigned persons represents and warrants that he, she, or it is a Party hereto or is authorized to sign this Agreement on behalf of the respective Party, and has 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.

D. Specific Representations and Warranties. The Settling Defendants severally but not jointly swear or affirm that all financial information in the affidavits and financial statements prepared by them and provided to the FDIC-R was true, complete, and accurate at the time of submission.

E. Reasonable Cooperation. The undersigned parties agree to cooperate in good faith to effectuate all the terms and conditions of this Agreement.

F. 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 Oregon.

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G. 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 attorney(s) or other representative(s).

II. 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.

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 Silver Falls Bank

(b)(6) By:

Date: 4/29/11

Print Name: Elizabeth Ullmer Mendel

Title: Senior Attorney, Professional Liability & Financial Crimes Sec.

ONEBEACON AMERICA INSURANCE COMPANY

By: _____

Date: _____

Print Name: _____

Title: _____

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FEDERAL DEPOSIT INSURANCE CORPORATION, As Receiver for Silver Falls Bank

By: _____ Date: _____

Print Name: Elizabeth Ullmer Mendel

Title: Senior Attorney, Professional Liability & Financial Crimes Sec.

ONEBEACON AMERICA INSURANCE COMPANY

(b)(6) By: _____ Date: 05/02/2011

Print Name: Wayne A. Everaen

Title: Claim Counsel



STEPHEN M. WAY

Date: _____

(b)(6)



ALAN DAY

Date: 5/6/2011

DANIEL W. FILES

Date: _____

DANNY L. JOHNSON

Date: _____

DENIS J. DALISKY

Date: _____

DONALD W. BAUMAN

Date: _____

DAVIS A. DOERFLER

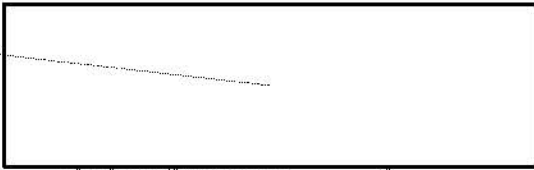
Date: _____

JERRY R. BECKER

Date: _____

(b)(6)

(b)(6)



STEPHEN M. WAY

Date: 5/3/11

ALAN DAY

Date:

DANIEL W. FILES

Date:

DANNY L. JOHNSON

Date:

(b)(6)



DENIS J. MILISKY

Date: 4-27-2011

(b)(6)



DONALD W. BAUMAN

Date: 4-27-11

(b)(6)



DAVIS A. DOERFLER

Date: 4-27-11

(b)(6)



JERRY R. BECKER

Date:

STEPHEN M. WAY

Date: _____

ALAN DAY

Date: _____

(b)(6)



DANIEL W. FILES

Date: 5/5/11

DANNY L. JOHNSON

Date: _____

DENIS J. DALISKY

Date: _____

DONALD W. BAUMAN

Date: _____

DAVIS A. DOERFLER

Date: _____

(b)(6)



JERRY R. BECKER

Date: 4-27-11

ONEBEACON AMERICA INSURANCE COMPANY

By: _____

Date: _____

Print Name: _____

Title: _____

STEPHEN M. WAY

Date: _____

ALAN DAY

Date: _____

DANIEL W. FILES

Date: _____

(b)(6)



DANNY L. JOHNSON

Date: *April 27, 2011*

DENIS J. DALISKY

Date: _____

DONALD W. BAUMAN

Date: _____

DAVIS A. DOERFLER

Date: _____

JERRY R. BECKER

Date: _____

(b)(6)

[Redacted Signature]

JULY A. DUNCAN

Date: 4/27/11

(b)(6)

[Redacted Signature]

LEROY W. GILGE

Date: 4/27/11

ROBERT K. SEIBERT

Date: _____

(b)(6)

[Redacted Signature]

TERRENCE L. KUENZI

Date: 4/27/11

Personal Representative or Person with Power of Attorney for the ESTATE OF JOSEPH J. DAVIS

By: _____

Date: _____

Print Name: _____

Title: _____

JUDY A. DUNCAN

Date: _____

LEROY W. GILGE

Date: _____

(b)(6)



ROBERT K. SEIBERT

Date: 5/8/2011

TERRENCE L. KUENZI

Date: _____

Personal Representative or Person with Power of Attorney for the
ESTATE OF JOSEPH J. DAVIS

By: _____

Date: _____

Print Name: _____

Title: _____

JUDY A. DUNCAN

Date: _____

LEROY W. GILGE

Date: _____

ROBERT K. SEIBERT

Date: _____

TERRENCE L. KUENZI

Date: _____

Personal Representative or Person with Power of Attorney for the
ESTATE OF JOSEPH J. DAVIS

(b)(6)

By: _____

[Redacted Signature]

Date: _____

4/28/2011

Print Name: _____

Catherine A. Wilson

Title: _____

Trustee