

LIMS Nr [redacted]
DIF/Bond

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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

ONEBEACON INSURANCE COMPANY

(b)(6)

Date: October 6th 2010

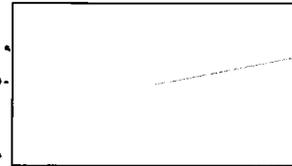
BY:

TITLE: Chair Counsel

Print Name: Wayne A. Everson

recc
11/19/10

11/19/10
ENTERED
CMS



(b)(2)

SETTLEMENT AND RELEASE AGREEMENT

This Settlement and Release Agreement ("Agreement") is made as of this ___ day of November, 2010, by and between the following undersigned parties:

Plaintiff Federal Deposit Insurance Corporation, As Receiver for the St. Stephen State Bank ("FDIC"), and the Defendant Lynette D. Jeppesen ("Jeppesen").

RECITALS

WHEREAS: Prior to January 15, 2010, the St. Stephen State Bank ("Bank") was a federally insured depository institution organized and existing under the laws of Minnesota;

WHEREAS: On January 15, 2010, the Bank was closed by the Minnesota Department of Commerce and pursuant to 12 U.S.C. § 1821(c), the FDIC was appointed receiver of the Bank;

WHEREAS: In accordance with 12 U.S.C. § 1821(d), the FDIC as receiver succeeded to all rights, titles, powers and privileges of the Bank, its shareholder, and creditors, including right and title with respect to the Bank's assets;

WHEREAS: Among the assets to which the FDIC as receiver succeeded are certain of the Bank's claims, demands, and causes of actions against Lynette D. Jeppesen, as follows:

1. On June 1, 2010, the FDIC filed against Jeppesen a Complaint for "Non-Dischargeability of Debt" under section 523 of the United State Bankruptcy Code in the United States Bankruptcy Court, District of Minnesota, Third Division, No. 10-31309 ("Lawsuit"), alleging among other things defalcation while acting in a fiduciary capacity, seeking among other things entry of judgment in favor of the FDIC and against Jeppesen in the amount of \$42,750.75, and a determination pursuant to 11 U.S.C. § 523 that such judgment is not subject to any discharge Jeppesen may otherwise receive

under the bankruptcy code.

2. On June 30, 2010, Defendant Jeppesen filed an "Answer to Complaint Objecting to Dischargeability of Debt" which among other things generally denies the allegations by FDIC, states various affirmative defenses, and seeks dismissal of FDIC's Complaint in its entirety;

WHEREAS: The undersigned parties deem it in their best interests to enter into this Agreement to avoid the uncertainty, trouble, and expense of further litigation, and desire to settle the Lawsuit without further legal action based upon the terms and conditions contained herein;

SETTLEMENT

NOW, THEREFORE, in consideration of the promises, covenants, 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 & Delivery to FDIC

A. As an essential covenant and condition to this Agreement, Jeppesen agrees to pay the FDIC the sum of Ten Thousand Dollars (\$10,000.00) in certified funds made payable to: FDIC as receiver for St. Stephen State Bank ("Settlement Funds") and execute this Agreement and deliver both to the FDIC as forth in Section I(B) below on or before Monday, November 15, 2010.

B. Jeppesen shall deliver the Agreement and Settlement funds to the FDIC by delivering both on or before November 15, 2010 to: Andrew J. Steil, Rinke Noonan, 1015 W. St. Germain St., #300, St. Cloud, MN.

C. In the event either the Settlement Funds or Agreement is not delivered as set forth above in Section I(A) and Section I(B), then this Agreement shall become null and void.

D. Upon performance of delivering the Settlement Funds and Agreement as set forth in Section I(A) and Section I(B) above, the parties through their attorneys shall execute a stipulated dismissal with prejudice and without costs or expenses to either party with each part to bear its own expense for the perpetration of such filing.

SECTION II Release

A. Release of FDIC by Jeppesen.

Effective simultaneously with the release granted in Section II(b) below, Jeppesen, on behalf of herself individually, and her respective heirs, executors, administrators, agents, representatives, successors and assigns, hereby releases and discharges the FDIC, and its employees, officers, directors, representatives, attorneys, 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 causes of action alleged in the Lawsuit.

B. Release of Jeppesen by FDIC.

Effective upon delivery of the Settlement Funds and Agreement as set forth in SECTION I above, the FDIC in its capacity as receiver for the Bank, hereby releases and discharges Jeppesen, 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 in its capacity as receiver for the Bank that arise from or relate to the causes of action alleged in the Lawsuit.

C. Express Reservations From Releases By FDIC.

Notwithstanding any other provision, by this Agreement the FDIC 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:

- (i) against Jeppesen 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, the Bank, other financial institutions, or any other person or entity, including without limitation any claims acquired by FDIC as successor in interest to the Bank or any person or entity other than the Bank;

- (ii) against any person or entity not expressly released in this Agreement;
and
- (iii) which are not expressly released in Section II(A) and Section II(B) above.

SECTION III 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 any of them regarding any claim.

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 they are a party 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.

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 and the terms set forth herein. This Agreement may not be amended or modified except by an express written instrument signed by both parties to this Agreement, or by their respective authorized attorney(s) or other representative(s).

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 conclude the Lawsuit, and to otherwise perform the terms of this Agreement.

G. Advice of Counsel. Neither party is relying upon any representation nor information from the other party in agreeing to this Agreement and each party has had an opportunity to review this agreement with an attorney and accountant of its choosing. Each party hereby acknowledges that 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 or her 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.

SO AGREED:

**FEDERAL DEPOSIT INSURANCE CORPORATION
AS RECEIVER FOR THE ST. STEPHEN STATE BANK**

(b)(6)

Date: 11/1/2010

BY

[Redacted Signature]

TITLE: Counsel

PRINT NAME: Andrew Gilbert

(b)(6)

Date: 11-15-10

LYNETTE D. JEPPESEN

BY

(b)(6)

[Redacted Signature]

PRINT NAME: Lynette Jepsen