

SETTLEMENT AND RELEASE AGREEMENT

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

The Plaintiff Federal Deposit Insurance Corporation as Receiver for The Farmers Bank of Lynchburg ("FDIC-R"), and Brenda F. Barnes, William B. Bryant, Jerry F. Daniel, Howard G. Kirksey, III, Marion E. Lowery, William C. Menkel, Richard S. Moody, Lydia Reynolds, Sloan A. Stewart and Gerald Wade (collectively the "Settling Individuals"), and The Cincinnati Insurance Company ("Insurer") (individually, the FDIC-R, the Settling Individuals and the Insurer may be referred to herein as "Party" and collectively as the "Parties").

RECITALS

WHEREAS:

Prior to June 15, 2012, The Farmers Bank of Lynchburg, Lynchburg, Tennessee ("Bank") was a depository institution organized and existing under the laws of the State of Tennessee;

On June 15, 2012, the Tennessee 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 if and to the extent any such claims, demands or causes of action existed.

The FDIC-R has asserted claims against the Settling Individuals, each of whom served at various times as a director and/or officer of the Bank. The Settling Individuals deny liability for the claims.

Insurer issued a director and officer liability policy numbered [redacted] for the [redacted] (b)(4) period of July 1, 2009, to July 1, 2012 ("Policy"), which insured the directors and officers of the Bank according to the terms, provisions, and conditions of the Policy. The Settling Individuals asserted claims for coverage under the Policy. Insurer has reserved its rights to deny coverage under the Policy for claims asserted by FDIC-R against the Settling Individuals.

The undersigned Parties deem it in their best interests to enter into this Agreement to avoid the uncertainty 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, on or before thirty (30) calendar days following the date all Parties have executed this Agreement, the Settling Individuals and Insurer, jointly and severally, agree to pay the FDIC-R the sum of Nine Hundred Seventy Five Thousand and 00/100 Dollars (\$975,000.00) ("the Settlement Payment"). On or before twenty (20) calendar days following the date all Parties have executed this Agreement, the FDIC-R shall deliver to Insurer by overnight delivery to Insurer's counsel, Victor C. Peters, whose address is Peters & Nye LLP, 14 Executive Court, Suite 2, South Barrington, IL 60010, a fully executed IRS Form W-9.

B. Insurer shall deliver the Settlement Payment by check sent via overnight delivery to FDIC-R's counsel, Mary L. Wolff, whose address is Wolff Ardis, P.C., 5810 Shelby Oaks Drive, Memphis, TN 38134. The Settlement Payment check shall be made payable to "FDIC-R for The Farmers Bank of Lynchburg (10447)" and the Settlement Payment check memo area shall state "Professional Liability [redacted]" (b)(5)

Interest shall accrue on all unpaid amounts at the rate of 5% per annum beginning thirty-one (31) calendar days following the date all Parties have executed this Agreement.

C. If the FDIC-R does not receive 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 (including all accrued interest) to:

1. Extend the period of time for the Settlement Payment, including interest accruing from the date determined by subsection B above, through the date of payment at a rate calculated in accordance with 26 U.S.C. § 6621(a)(2); or

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

3. Terminate the Agreement and institute an action on the FDIC-R's claims. The Settling Individuals and Insurer covenant and agree not to assert any objections, defenses, claims or counterclaims that did not exist or were otherwise unavailable as of the date this Agreement was fully executed; and/or

4. 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 shall not prejudice the FDIC-R's rights to take any of the actions set forth in Section I.C.2 through I.C.4 at any time prior to receipt of Settlement Payment (including all accrued interest) in full.

SECTION II: Releases

A. The FDIC-R's Releases.

Upon receipt of the Settlement Payment in full, and except as provided in Section II.D., the FDIC-R, for itself, and its successors, and assigns, hereby releases and discharges:

1. The Settling Individuals and their respective heirs, executors, trustees, administrators, representatives, insurers, 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 or assertable by 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.

2. Insurer, 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. As part of this release of the Insurer, the FDIC-R agrees that any interest it may have in or under the Policy is extinguished.

3. All other former directors, officers, and employees of the Bank (collectively, the "Covered Persons") and their respective heirs, executors, trustees, administrators, representatives, insurers, 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 or assertable by the FDIC-R, that arise from or relate to, 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 any claim against the FDIC-R.

B. The Settling Individuals' Release.

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

1. The 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.

2. The Insurer from any and all claims under the Policy relating to the FDIC-R's claims against them concerning the Bank.

3. Each other from any and all claims relating to the Bank, the FDIC-R's claims or the Policy.

C. The Insurer's Release.

Effective simultaneously with the releases granted in Section II.A. above, Insurer, 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:

1. 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 the Policy.

2. Each of the Settling Individuals from any and all claims under the Policy relating to the FDIC-R's claims against them concerning the Bank.

D. Exceptions from Releases by 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 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 such claims acquired by FDIC-R as successor in interest to the Bank or any person or entity other than 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 Mandatory Victims Restitution Act, 18 U.S.C. §§ 3322 and 3663 et. seq., if appropriate.

SECTION III: Waiver of Dividends and Proceeds from Litigation

To the extent, if any, that Settling Individuals are or were shareholders of the Bank or Farmers Bancorp, Inc., 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 Federal Deposit Insurance Corporation in any capacity or 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 in any capacity, the United States government, or any agency or department of the United States government in connection with the Bank, its conservatorship, or receivership, 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 proceeds.

SECTION IV: 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, trustees, 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 or her counsel.

SECTION V: 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 effectuate the signing, delivery, execution, filing, recording, and entry, of any documents necessary to perform the terms of this Agreement.

SECTION VI: 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.

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.

C. 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 Tennessee.

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

If to the FDIC-R:

Mary L. Wolff
Wolff Ardis, P.C.
5810 Shelby Oaks Drive
Memphis, TN 38134

(b)(6)

If to Settling Individuals Bryant, Daniel, Kirksey, Menkel, Reynolds, Stewart and Wade:

Larry H. Montgomery
Glankler Brown, PLLC
6000 Poplar Avenue, Suite 400
Memphis, TN 38119

(b)(6)

If to Settling Individual Barnes:

Robert A. McLean
Farris Bobango
999 S. Shady Grove Road, Suite 500
Memphis, TN 38120

(b)(6)

If to Settling Individual Lowery:

Nader Baydoun
Baydoun & Knight, PLLC
5147 Virginia Way, Suite 210
Brentwood, TN 37027

(b)(6)

If to the Settling Individual Moody:

Marc T. McNamee
Neal & Harwell, PLC
150 Fourth Avenue North, Suite 2000
Nashville, TN 37219

(b)(6)

If to Insurer:

Victor C. Peters
Peters & Nye LLP
14 Executive Court, Suite 2
South Barrington, IL 60010

(b)(6)

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. 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.

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 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 THE FARMERS BANK OF
LYNCHBURG

(b)(6)

Date: 07/31/2015

BY:

TITLE: Senior Attorney

PRINT NAME: Richard E. Elsea

Date: _____

Brenda F. Barnes

Date: 8/2/15

(b)(6)

William B. Bryant

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FEDERAL DEPOSIT INSURANCE CORPORATION AS
RECEIVER FOR THE FARMERS BANK OF
LYNCHBURG

(b)(6) Date: 07/31/2015

BY:

TITLE: Senior Attorney

PRINT NAME: Richard E. Elsea

(b)(6) Date: 7/31/2015

Brenda F. Barnes

Date: _____

William B. Bryant

Date: 8-3-2015

(b)(6)

Jerzy E. Daniel

[Redacted]

Date: 8/3/2015

(b)(6)

Howard G. Kirksey III

[Redacted]

Date: _____

Marion E. Lowery

Date: _____

William C. Menkel

Date: _____

Richard S. Moody

Date: _____

Lydia Reynolds

Date: 8/3/2015

(b)(6)

Sloan A. Stewart

[Redacted]

Date: _____

Gerald Wade

Date: _____

Jerry F. Daniel

Date: _____

Howard G. Kirksey, III

Date: 3-4-15

Marion E. Lowery

(b)(6)



Date: _____

William C. Menkel

Date: _____

Richard S. Moody

Date: _____

Lydia Reynolds

Date: _____

Sloan A. Stewart

Date: _____

Gerald Wade

Date: _____

Jerry F. Daniel

Date: _____

Howard G. Kirksey, III

Date: _____

Marion E. Lowery

Date: 8/4/15

William C. Menkel

(b)(6)



Date: _____

Richard S. Moody

Date: _____

Lydia Reynolds

Date: _____

Sloan A. Stewart

Date: _____

Gerald Wade

Date: _____

Jerry F. Daniel

Date: _____

Howard G. Kirksey, III

Date: _____

Marion E. Lowery

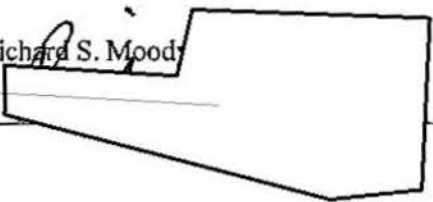
Date: _____

William C. Menkel

(b)(6)

Date: 7/31/15

Richard S. Moody



Date: _____

Lydia Reynolds

Date: _____

Sloan A. Stewart

Date: _____

Gerald Wade

Date: _____

Jerry F. Daniel

Date: _____

Howard G. Kirksey, III

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William C. Menkel

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Richard S. Moody

Date: 8/3/2015

Lydia Reynolds

Date: _____

Sloan A. Stewart

Date: _____

Gerald Wade

(b)(6)

Date: _____

Jerry F. Daniel

Date: _____

Howard G. Kirksey, III

Date: _____

Marion E. Lowery

Date: _____

William C. Menkel

Date: _____

Richard S. Moody

Date: _____

Lydia Reynolds

Date: _____

Sloan A. Stewart

Date: 8-4-2015

Gerard Wade

(b)(6)

(b)(6)

Date: August 10, 2015 The Cincinnati Insurance Company

BY:

TITLE: Manager-Management Liability Claims

PRINT NAME: Estance S. Hennigan