

SIGNED  
BY  
CRANE  
9-18-12

SETTLEMENT AGREEMENT AND RELEASE

This Settlement Agreement and Release ("Settlement Agreement") is entered into and is effective as of the \_\_\_\_ day of September 2012, by and between Plaintiffs the State of Idaho and Office of the State Treasurer (collectively, "Idaho") and Defendant Key Trust Company of Ohio (by its successor in interest, KeyBank National Association, hereinafter "KeyBank"). Idaho and KeyBank are collectively referred to herein as the "Parties."

RECITALS

This Agreement is made with respect to the following facts and recitals:

A. Whereas, on or about April 22, 2011, Idaho filed a complaint against KeyBank, in an action styled *State of Idaho and Office of the State Treasurer v. KeyBank and Trust Company of Ohio, N.A.* a business organization conducting business in Idaho, Case No. CV OC 1108014 in the District Court of the Fourth Judicial District of the State of Idaho (the "State Court Action"), which is currently pending in that Court;

B. Whereas, the claims in the State Court Action have been, and continue to be, expressly denied and disputed by KeyBank, and by entering into this Settlement Agreement, KeyBank does not admit any of the allegations asserted in the State Court Action;

C. Whereas, the parties agreed to proceed with a mediation in order to attempt to resolve any and all disputes between themselves;

D. Whereas an all-day mediation proceeding was conducted on February 1, 2012 before Mediator Randall W. Wulff ("Wulff") at his offices in Oakland, California;

E. Whereas, as a result of this mediation, the parties have agreed to fully and finally resolve these disputes; and

F. Whereas, except as otherwise expressly provided in this Settlement Agreement, the Parties desire and have determined to resolve all claims existing between them relating to all Idaho investment accounts with KeyBank, including all potential causes of action and any and all claims and liabilities of every kind and nature asserted, or which could have been asserted, arising prior to the effective date of this Settlement Agreement, including, without limitation, all claims arising from or in any way related to the matters which are the subject of the State Court Action.

NOW, THEREFORE, in consideration of the promises and mutual covenants and agreements set forth herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties, intending to be legally bound, agree as follows:

## AGREEMENT

1. Disposition of ABS Investments. The parties agree to work together cooperatively in a joint effort to maximize the values of four distinct Asset Backed Securities ("ABS") in Idaho's IDLE Securities Lending Cash Collateral Account, *to wit*:

- Issue: GSAA 2006-20-2A1A, Cusip 362351AC2;
  - Issue: GSAA 2007-01-2A1A, Cusip 3622EQAC9;
  - Issue: GSAA 2007-03-2A1A, Cusip 3622EAAC4; and
  - Issue: JPM 2007-A1 1A1B, Cusip 466287BDO
- a. The parties agree to work cooperatively to liquidate the foregoing ABS investments in a reasonably prudent fashion over what is initially anticipated to be approximately a three year period from the date of the execution of this Settlement Agreement;
- b. Any realized losses (whether the principal loss is incurred upon a monthly basis or upon liquidation less any interest, any income or any increment received with respect to said investment) shall be borne by the parties as follows:
- i. 77.5% of any such realized losses to be borne by Idaho;
  - ii. 22.5% of any such realized losses to be borne by KeyBank. In no event, however, shall KeyBank's total contribution under the above arrangement exceed \$3.5 million; and
  - iii. KeyBank will provide Idaho with reports at reasonably regular intervals reflecting these efforts.

2. Dismissal of Lawsuit. The parties acknowledge that the State Court Action has been dismissed with prejudice with the parties bearing their respective fees and costs.

3. Release of Claims by Idaho. Except for the rights established by this Settlement Agreement, Idaho, its predecessors, successors and assigns, agents, current and former officers, employees, representatives, attorneys and other affiliates, remises, fully releases and forever discharges KeyBank and its present, former and future successors, predecessors, officers, shareholders, directors, officers, agents, representatives, employees, attorneys, assigns, parent corporations, subsidiary corporations and other affiliates from any and all past and present claims, charges, complaints, liabilities, losses, costs, contract damages, equitable damages, expenses, liens, debts, judgments, attorneys' fees and compensation of any kind or nature whatsoever, whether direct or indirect, known or unknown, suspected, unsuspected or claimed, vested or contingent, in law or in equity, arising from any act, event or transaction existing or occurring at any time from the inception of the relationship between the parties through February 1, 2012 related to the subject matter of the State Court Action and/or any and all investments or

transactions in the Securities Lending Cash Collateral Accounts (i.e., the IDLE, Local Government Investment Pool ("LGIP") and the Diversified Bond Fund ("DBF")) and related Custodial Accounts for IDLE, LGIP and DBF (hereinafter referred to as the "Claims"). The rights and obligations that KeyBank and Idaho, or their respective predecessors, parents, affiliates or subsidiaries, have between them, which are not related to the State Court Action, shall not be affected, impaired or released by this paragraph. Further, notwithstanding any other provision of this Agreement, Idaho is not releasing KeyBank from any charges, complaints, liabilities, controversies, rights, obligations, actions, causes of action, suits, injuries, demands, damages, losses, costs, contract damages, equitable damages, expenses, liens, debts, judgments, attorneys' fees and compensation of any kind or nature whatsoever related to Idaho's relationship with KeyBank other than those involving the Securities Lending Cash Collateral Accounts (i.e., the IDLE, LGIP and DBF) and related Custodial Accounts for IDLE, LGIP and DBF. Further, Idaho is not releasing KeyBank from any criminal demands, criminal charges, criminal claims, criminal actions, criminal complaints, criminal suits or criminal judgments against KeyBank which are unrelated to the Securities Lending Cash Collateral Accounts (i.e., the IDLE, LGIP and DBF) and related Custodial Accounts for IDLE, LGIP and DBF. The Treasurer is not aware of any such demands, claims, charges, actions, suits or judgments pending or anticipated against KeyBank.

4. Release of Claims by KeyBank. Except for the rights established by this Settlement Agreement, KeyBank and its present, former and future successors, predecessors, officers, shareholders, directors, officers, agents, representatives, employees, attorneys, assigns, parent corporations, subsidiary corporations and other affiliates remises, fully releases and forever discharges Idaho, its predecessors, successors and assigns, agents, current and former officers, employees, representatives, attorneys and other affiliates, from any and all past and present claims, charges, complaints, liabilities, losses, costs, contract damages, equitable damages, expenses, liens, debts, judgments, attorneys' fees and compensation of any kind or nature whatsoever, whether direct or indirect, known or unknown, suspected, unsuspected or claimed, vested or contingent, in law or in equity, arising from any act, event or transaction existing or occurring at any time from the inception of the relationship between the parties through February 1, 2012 related to the subject matter of the State Court Action and/or any and all investments or transactions in the Securities Lending Cash Collateral Accounts (i.e., the IDLE, LGIP and DBF) and related Custodial Accounts for IDLE, LGIP and DBF (hereinafter referred to as the "Claims"). The rights and obligations that KeyBank and Idaho, or their respective predecessors, parents, affiliates or subsidiaries, have between them, which are not related to the State Court Action, shall not be affected, impaired or released by this paragraph. Further, notwithstanding any other provision of this Agreement, KeyBank is not releasing Idaho from any charges, complaints, liabilities, controversies, rights, obligations, actions, causes of action, suits, injuries, demands, damages, losses, costs, contract damages, equitable damages, expenses, liens, debts, judgments, attorneys' fees and compensation of any kind or nature whatsoever related to Idaho's relationship with KeyBank other than those involving the Securities Lending Cash Collateral Accounts (i.e., the IDLE, LGIP and DBF) and related Custodial Accounts for IDLE, LGIP and DBF.

5. Confidentiality. The Parties agree that the terms and conditions of this Settlement Agreement are confidential and shall remain confidential to the maximum extent permitted by law and shall not be disclosed except as required by law; provided, however, that the amount and timing of the consideration may be provided, as and if necessary, to such counsel, accountants, financial consultants (e.g., Duff & Phelps), tax return preparers, or other persons as are retained

by the Parties and have an actual need for such information to fulfill their professional obligations to their clients or as may be required by order of a court of competent jurisdiction. Nothing herein shall prohibit or restrict the Parties or their attorney from disclosing this settlement or its underlying facts and circumstances to the Securities and Exchange Commission ("SEC"), FINRA, or any other regulatory authority or as required by law. The Treasurer agrees that in the event that a public records request is made of the Treasurer asking for information concerning this settlement it will notify KeyBank of that request within 5 business days of the request and prior to any release of information if the release of such information is required by law. The Parties agree that except as set forth above, they shall not make any press release or other public announcement of the fact of this settlement or its terms.

6. Representation of Comprehension of Document. The Parties warrant and represent that in executing this Settlement Agreement, they have relied upon legal advice from an attorney of their choice, that the terms of this Settlement Agreement and its consequences have been completely explained to the Parties by their respective attorneys, and that they fully understand the terms of this Settlement Agreement. Each Party to this Settlement Agreement has made such investigation of the facts and legal theories as it deems necessary

7. Non-Assignment. Each Party represents and warrants that it has not assigned, transferred or granted, or purported to assign, transfer or grant, any of the Claims as that term is defined in paragraph 3 herein.

8. Entire Agreement. This Settlement Agreement represents the entire agreement between the parties and cannot be varied, amended or waived, except in writing by all Parties. Further, this Settlement Agreement supercedes the Memorandum of Understanding & Settlement Agreement entered by the parties on February 1, 2012. Each of the Persons released and discharged herein is a third party beneficiary of this Settlement Agreement.

9. No Admission of Liability. This Settlement Agreement is entered into by the Parties solely for the purpose of compromising and settling the matters in dispute as described herein. This Settlement Agreement does not constitute, nor shall it be construed as, an admission of liability by either Party, all such liability being expressly denied.

10. No Presumption Regarding Drafting. This Settlement Agreement shall not be construed against either Party, but shall be construed as if both Parties jointly prepared it.

11. Representations. The Parties each acknowledge and warrant that their execution of this Settlement Agreement is free and voluntary, and in the absence of undue influence and/or duress. Both Parties acknowledge that no other party, or agent, or attorney of any other party, has made any promise, representation or warranty, whatsoever, express or implied, not contained herein concerning the subject matter hereof, to induce the other Party to execute this Settlement Agreement, and each Party hereto acknowledges that he, she or it has not executed this instrument in reliance upon any promise, representation or warranty not contained herein.

12. Costs and Attorneys' Fees. It is expressly understood and agreed that the Parties shall bear their own costs and attorneys' fees.

13. Severability. If any provision of this Settlement Agreement is unenforceable, for any reason, the remaining provisions shall nevertheless be of full force and effect.

14. Choice of Law. This Settlement Agreement shall be governed by, construed, and enforced in accordance with the laws of the State of Idaho, without regard to its conflict of laws provision.

15. **ALTERNATIVE DISPUTE RESOLUTION TO ENFORCE THE SETTLEMENT AGREEMENT.** IN THE EVENT OF A DISPUTE CONCERNING THE MEMORIALIZATION AND/OR IMPLEMENTATION OF THIS SETTLEMENT AGREEMENT, THE PARTIES AGREE TO FIRST RETURN TO MEDIATOR WULFF (OR SUCH OTHER MEDIATOR AS IS MUTUALLY ACCEPTABLE TO THE PARTIES, IN THE EVENT MEDIATOR WULFF IS UNAVAILABLE) FOR HIS ASSISTANCE IN RESOLVING ANY DISPUTES. THIS WILL HAPPEN ON AN EXPEDITED BASIS. THIS PROVISION DOES NOT PRECLUDE THE PARTIES FROM TAKING LEGAL ACTION IN THE EVENT THEY ARE UNABLE TO RESOLVE THEIR DISPUTE WITH THE ASSISTANCE OF MEDIATOR WULFF OR ANOTHER DESIGNATED MEDIATOR.

16. Authority. The individuals signing this Settlement Agreement on behalf of any Party personally warrant, covenant, and represent that such Party has approved this Settlement Agreement and that they are authorized to execute this document on behalf of such Party.

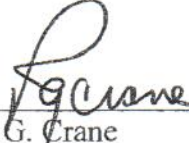
17. Counterparts; Electronic Copies. This Settlement Agreement may be executed in counterparts, each of which when executed, shall be deemed an original, and all of which together shall constitute one and the same release and Settlement Agreement. Delivery by facsimile or by email of an electronic copy of an executed counterpart of any signature page to this Settlement Agreement shall have the same force and effect as an original signature.

18. Affiliates. For purposes of this Settlement Agreement, an "affiliate" means, as to any specified Person, any other Person controlling or controlled by or under common control with such specified Person, whether by common committee or trustee, by contract or ownership or otherwise. For the purposes of this definition, "controls," when used with respect to any specified Person, means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise; and the terms "controlling" or "controlled" have meanings correlative to the foregoing. For purposes of this Agreement, "Person" means any individual, corporation, partnership, limited liability company, joint venture, association, joint stock company, trust (including any beneficiary thereto), unincorporated organization, other entity or government or any agency or political subdivision thereof. For purposes of this Agreement, unless the context otherwise requires, "including" or "include" means "including without limitation".

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the parties hereto have executed this Settlement Agreement as of the day and year first above written.

STATE OF IDAHO  
OFFICE OF THE STATE TREASURER

Dated: 9-18-12 By:   
Ron G. Crane  
Idaho State Treasurer

KEY TRUST COMPANY OF OHIO (by its  
successor in interest, KEYBANK NATIONAL  
ASSOCIATION)

Dated: \_\_\_\_\_ By: \_\_\_\_\_  
Its Authorized Agent