

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

Docket No. 03-E-0106

**In the Matter of the Liquidation of
The Home Insurance Company**

**LIQUIDATOR'S MOTION FOR APPROVAL OF
SETTLEMENT AGREEMENT WITH UNION OIL**

Roger A. Seigny, Insurance Commissioner for the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home"), moves that the Court enter an order in the form submitted herewith approving a Settlement Agreement and Mutual Release ("Settlement Agreement") between Union Oil Company of California, for itself and as successor to Molybdenum Corporation of America ("Molybdenum"), including all divisions of Union Oil Company of California, its former parent Unocal Corporation, and any subsidiaries and affiliates in which Union Oil Company of California has a 50% or greater interest, but not including Chevron Corporation or any subsidiaries thereof other than Union Oil Company of California (collectively, "Union Oil"), and the Liquidator. As reasons therefor, the Liquidator states as follows:

1. Home issued eighteen insurance policies to Union Oil for the policy period between April 24, 1962 and November 1, 1986, and two insurance policies to Molybdenum for the policy periods between December 4, 1963 and December 9, 1971 (collectively, the "policies"). Union Oil has also alleged coverage as an additional insured under Home insurance policies issued to lessees of Union 76 service stations ("dealer policies").¹ Upon Home's

¹ Home also issued (a) certain insurance policies in which Union Oil's interest was as a joint venturer or working interest holder; (b) workers compensation policies, fiduciary liability policies, fidelity policies; and (c) surety bonds. These policies are excluded from the Settlement Agreement and are not referred to below.

placement in liquidation, Union Oil filed five proofs of claim in the Home liquidation regarding claims under the policies and dealer policies, including but not limited to claims for coverage for environmental clean up costs and damages. Affidavit of Peter A. Bengelsdorf, Special Deputy Liquidator, in Support of Motion for Approval of Settlement Agreement with Union Oil (“Bengelsdorf Aff.”) ¶ 3.

3. The Liquidator and Union Oil have negotiated a Settlement Agreement reflecting a resolution of the proofs of claim and all matters under the policies and the dealer policies. A copy of the Settlement Agreement is attached as Exhibit A hereto. The Settlement Agreement is subject to approval by the Court. Settlement Agreement ¶ 1. Bengelsdorf Aff. ¶ 4.

4. The Settlement Agreement provides that the Liquidator will recommend allowance of the proofs of claim in the aggregate amount of \$10,316,566 as a Class II priority claim of Union Oil under RSA 402-C:44. Settlement Agreement ¶ 2(A). Allowance of the recommended amount as a Class II claim will fully and finally resolve the proofs of claim and all claims Union Oil has under the policies and the dealer policies. *Id.* ¶ 2(B). Distributions based on that allowance will be made at the same intervals and at the same percentages as distributions to other Class II creditors of Home. *Id.* ¶ 2(C). Bengelsdorf Aff. ¶ 5.

5. The Settlement Agreement is intended to resolve the proofs of claim and all claims under the policies and the dealer policies. See Settlement Agreement ¶¶ 2(B), 5. To that end, the Settlement Agreement provides for mutual releases of all claims between the Liquidator, Home and Union Oil arising from or related to the proofs of claim, the policies and the dealer policies. *Id.* ¶¶ 3, 4. As Union Oil and the California Insurance Guarantee Association are currently in litigation involving the claims subject to the proofs of claim, the Settlement Agreement release specifically includes a release by Union Oil of all claims against the California Insurance Guarantee Association and other insurance guaranty associations. *Id.* ¶3.

The Liquidator also agrees not to pursue claims respecting the underlying matters covered by the proofs of claim against other insurers of Union Oil that agree not to pursue such claims against Home. Id. ¶ 6. Bengelsdorf Aff. ¶ 6.

6. The Liquidator is aware of no unresolved proofs of claim specifically referencing the policies or the dealer policies other than the proofs of claim filed by Union Oil (except for one proof of claim filed by another insurance company). However, in resolving all matters relating to the proofs of claim, the policies, and the dealer policies, the Settlement Agreement contemplates denial of any third party claimants' claims under the policies and the dealer policies in the Home liquidation without prejudice to their claims against Union Oil.

Accordingly, Union Oil acknowledges in the Settlement Agreement that it is intended to resolve all matters between Union Oil and the Liquidator/Home relating to the proofs of claim, the policies, and the dealer policies, including asserted rights of third party claimants. Settlement Agreement ¶ 5. Union Oil agrees to address, at its sole cost, the claims of claimants asserting claims against Union Oil as if Union Oil had no insurance coverage from Home under the policies or the dealer policies. Id. Union Oil agrees to indemnify the Liquidator and Home against claims arising from the policies and the dealer policies up to the amounts actually distributed to Union Oil.² Id. Bengelsdorf Aff. ¶ 7.

7. The denial of any third party claimants' proofs of claim without prejudice to their claims against Union Oil will not harm the third party claimants, who will continue to have their full claims against Union Oil. As noted above, Union Oil has agreed to address these claims as if it had no insurance coverage from Home under the policies or the dealer policies. Settlement Agreement ¶ 5. Third party claimants' proofs of claim against the insolvent Home, if not denied

² One insurer has submitted a contribution claim in respect of the policies. See Settlement Agreement ¶ 5. Unlike third party claimants' claims, a contribution claim is independent of the insured's claims (although derived from the same underlying circumstances), and the insurer's claim will remain to be determined on its own merits in the liquidation proceeding.

with this agreement, would release Union Oil from those claims up to the limits of the policies or the dealer policies but only entitle the third party claimants (assuming their claims are allowed) to a presently undetermined percentage distribution at the future date when a distribution is made. See RSA 402-C:40, I; Gonya v. Commissioner, New Hampshire Insurance Dept., 153 N.H. 521, 535 (2006) (noting the “inherent uncertainty of any creditor’s recovery in a liquidation”). It is not expected that the allowed claims of any third party claimants (or other Class II creditors) will be paid in full. Under the Settlement Agreement, Union Oil will continue to be fully responsible for any third party claimants’ claims against it. See Settlement Agreement ¶ 5. Bengelsdorf Aff. ¶ 8.

8. The Settlement Agreement reflects a compromise of the claims asserted in the proofs of claim. It is the result of negotiations involving the Claims Department, under the supervision of the Special Deputy Liquidator, which has extensive experience in assessing the exposure presented by environmental clean up costs and damages under Home’s insurance policies. The agreed settlement amount is based on careful evaluation and negotiation of coverage obligations under the policies and the dealer policies respecting the underlying liabilities of Union Oil. The Liquidator accordingly recommends approval of the Settlement Agreement and allowance of the \$10,316,566 settlement amount as a Class II claim of Union Oil in accordance with RSA 402 C:45 and RSA 402-C:44. Bengelsdorf Aff. ¶ 9.

9. The Court has previously approved similar settlement agreements. See, e.g., Order Approving Settlement Agreement with Wisconsin Energy (March 18, 2010); Order Approving Settlement Agreement with Straits Steel (May 3, 2009); Order Approving Settlement Agreement with Georgia-Pacific (April 3, 2008); Order Approving Commutation Agreement with Northwestern National Insurance Company and Settlement Agreement and Assignment of Distribution with AK Steel Corporation (March 10, 2006). The Liquidator’s negotiation and the

Court's approval of such agreements are authorized by the broad authority of the Liquidator to "compound, compromise or in any other manner negotiate the amount for which claims will be recommended to the court," RSA 402-C:45, I, and the authority of the Court to "approve, disapprove or modify any report on claims by the liquidator." RSA 402-C:45, II. It is also an appropriate exercise of the Liquidator's authority ("[s]ubject to the court's control") to "do such other acts . . . as are necessary or expedient for the accomplishment of or in aid of the purpose of liquidation." RSA 402-C:25, XXII.

10. In his Motion for Approval of Commutation with Northwestern National Insurance Company and Settlement Agreement and Assignment of Distribution with AK Steel Corporation ¶¶ 19-23 (February 16, 2006), the Liquidator provided his analysis of New Hampshire law, including RSA 402-C:40 III, as it applies to this type of comprehensive policy coverage compromise and settlement in an insurer liquidation context. That analysis also applies to the proposed Settlement Agreement with Union Oil.

11. The Liquidator submits that the Settlement Agreement is fair and reasonable and in the best interests of the policyholders and creditors of Home. See Bengelsdorf Aff. ¶ 11.

WHEREFORE, the Liquidator respectfully requests that this Court:

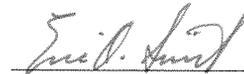
- A. Grant this Motion;
- B. Enter an Order in the form submitted herewith approving the Settlement Agreement, approving the Liquidator's claim recommendation, and allowing Union Oil's claim as a Class II claim in the aggregate amount of \$10,316,566; and
- C. Grant such other and further relief as justice may require.

Respectfully submitted,

ROGER A. SEVIGNY, INSURANCE
COMMISSIONER OF THE STATE OF
NEW HAMPSHIRE SOLELY AS
LIQUIDATOR OF THE HOME
INSURANCE COMPANY,

By his attorneys,
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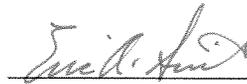


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November 1, 2010

Certificate of Service

I hereby certify that a copy of the foregoing Liquidator's Motion for Approval of Settlement Agreement with Union Oil, the Affidavit of Peter A. Bengelsdorf, and the Proposed Order, were sent, this 1st day of November, 2010, by first class mail, postage prepaid to all persons on the attached service list.



Eric A. Smith
NH Bar ID No. 16952

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

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The Home Insurance Company
Docket No. 03-E-0106

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SETTLEMENT AGREEMENT AND MUTUAL RELEASE

This Settlement Agreement and Mutual Release (the "Settlement Agreement") is made this 18th day of October 2010, by and between Union Oil Company of California (as defined herein below) for itself and as successor to Molybdenum Corporation of America (collectively, "Claimant"), on the one hand, and Roger A. Sevigny, Commissioner of Insurance of the State of New Hampshire, solely in his capacity as Liquidator ("Liquidator") of the Home Insurance Company ("Home"), on the other hand (the Claimant and the Liquidator are hereinafter referred to collectively as the "Parties").

As used in this Agreement, Union Oil Company of California shall include all divisions thereof, and any subsidiaries and affiliates of which Union Oil Company of California has a 50% or greater interest including but not limited to Molycorp, Inc. f/k/a Molybdenum Corporation of America. Union Oil Company of California shall also include its former parent Unocal Corporation. Union Oil Company of California does not include Chevron Corporation or Chevron Corporation subsidiaries other than Union Oil Company of California.

WHEREAS, Home issued the following insurance policies to Union Oil Company of California under which Union Oil Company of California is the named insured:

| <u>Policy Number</u> | <u>Policy Period</u> |
|----------------------|----------------------|
| HEC9543100 | 4/24/62-4/24/65 |
| HEC9559887 | 12/1/63-12/1/64 |
| HEC9559780 | 4/24/65-4/24/68 |
| HEC9558531 | 12/31/67-12/31/68 |
| HEC9791486 | 12/31/69-12-/31/70 |
| HEC9791491 | 3/15/70-11/1/70 |
| HEC9920019 | 11/1/71-11/1/72 |
| HEC4165652 | 11/1/72-11/1/75 |
| HEC4495462 | 11/1/75-11/1/76 |
| HEC9328454 | 11/1/76-11/1/77 |
| HEC9531684 | 11/1/77-11/1/78 |
| HEC9531685 | 11/1/77-11/1/78 |
| HEC9328446 | 11/1/76-11/1/77 |
| HEC9825234 | 11/1/78-11/1/79 |

| | |
|------------|-----------------|
| HEC9825265 | 11/1/78-11/1/79 |
| HEC9825352 | 11/1/79-3/31/81 |
| GL1151686 | 11/1/84-11/1/85 |
| GL1439971 | 11/1/85-11/1/86 |

and Home issued the following insurance policies to Molybdenum Corporation of America under which Molybdenum Corporation of America is the named insured:

| <u>Policy Number</u> | <u>Policy Period</u> |
|----------------------|----------------------|
| HEC9543514 | 12/4/63-12/4/68 |
| HEC9664346 | 12/4/68-12/9/71 |

which together with all other insurance policies that Home may have issued to Union Oil Company of California and Molybdenum Corporation of America are hereinafter defined collectively as the "Policies." The term "Policies" shall not include: (1) policies issued by Home to entities other than Claimant in which Claimant's interest is as a joint venturer, working interest holder, or as a participant in a multi-party group organized to investigate or remediate contamination or address an environmental claim in response to a directive, demand, claim, suit, request for release, action of any kind, proceeding, or notice by a governmental or private person or entity (hereafter "PRP notice"), (2) policies issued by Home to Claimant to the extent that such coverage was obtained by Claimant on behalf of a group in which Claimant's interest is as a joint venturer or working interest holder, or as a recipient of a PRP notice. The term "Policies" shall also not include surety bonds, workers' compensation, fiduciary liability or fidelity policies.

WHEREAS, Claimant has alleged that Home issued policies, including policies that Home has or may argue to be unsubstantiated, in whole or in part, to lessees of Union 76 service stations under which Claimant is an additional insured, and said policies issued by Home are defined collectively herein as the "Dealer Policies";

WHEREAS, Home is being liquidated pursuant to the June 13, 2003 Order of the Merrimack County Superior Court (the "Liquidation Court"), pursuant to which the Liquidator was appointed as the Liquidator of Home;

WHEREAS, Claimant seeks payment from Home respecting claims, including but not limited to claims for environmental clean up costs and damages and Claimant has submitted proofs of claim in the Home liquidation estate that have been assigned the following proof of claim numbers:

EMTL18142
EMTL388145
EMTL701041
EMTL701043
EMTL701044

which together with any other proof of claim hereinbefore or hereinafter filed by Claimant in the Home liquidation estate are hereinafter defined collectively as the "Proofs of Claim";

WHEREAS, Claimant is litigating with the California Insurance Guaranty Association with respect to matters concerning the Policies;

WHEREAS, the Parties are desirous of resolving all claims that were asserted, or could have been or could be asserted, between them and resolving all matters concerning the Proofs of Claim and all rights and obligations with respect to the Policies and all of Claimant's rights and obligations with respect to the Dealer Policies;

WHEREAS, the Parties agree that this Settlement Agreement is subject to and conditioned upon its approval by the Liquidation Court and allowance of the Recommended Amount (as defined below) into the Home liquidation estate and in the event that the Liquidation Court does not approve the Settlement Agreement and allow the Recommended Amount, this Settlement Agreement shall be null and void and without any force or effect;

NOW, THEREFORE, in consideration of all the respective transactions contemplated by this Settlement Agreement, and the mutual covenants and representations herein contained, the receipt and sufficiency of which are hereby acknowledged, the Parties hereby agree as follows:

1. Effectiveness. This Settlement Agreement is conditioned and shall only become effective (the "Effective Date") upon approval by the Liquidation Court. The Liquidator shall move at his expense for approval of this Settlement Agreement promptly following execution by both Parties.
2. Recommendation, Allowance and Classification of Claims
 - A. Subject to all the terms of this Settlement Agreement, and with the agreement of Claimant, which by Claimant's execution hereof is hereby granted, the Liquidator shall recommend pursuant to N.H. RSA 402-C:45 that the Proofs of Claim be allowed in the amount of \$10,316,566 (the "Recommended Amount") as a Class II priority claim under N.H. RSA 402-C:44. The Liquidator shall seek allowance of the Recommended Amount as a Class II priority claim by the Liquidation Court in the Liquidator's motion for approval of this Settlement Agreement.
 - B. Allowance of the Recommended Amount as a Class II claim by the Liquidation Court shall fully and finally resolve the Proofs of Claim and any and all claims of whatever nature that Claimant has under the Policies and the Dealer Policies. In the event that the Liquidation Court does not allow the Recommended Amount as a Class II claim, this Settlement Agreement shall be null and void and shall have no force and effect and the Parties will be returned to *status quo ante*, as if no such agreement was ever reached, with this Settlement Agreement thereafter being inadmissible for any purpose in any dispute between the Parties.

C. If and when the Liquidation Court allows the Recommended Amount as a Class II claim, Claimant will become a Class II creditor in the Home liquidation estate pursuant to N.H. RSA 402-C:44, and Claimant shall, subject to this Settlement Agreement, receive distributions on the allowed amount at the same intervals and at the same percentages as other Class II creditors of Home.

D. All such distributions to Claimant under this Settlement Agreement shall be made payable to Union Oil Company of California and Seebach & Seebach and sent by U.S. Mail to Seebach & Seebach, 633 W. Fifth Street, Suite 5410, Los Angeles, CA 90071.

3. Release by Claimant

A. Subject to the terms of this Settlement Agreement and the Liquidation Court's approval of the Recommended Amount as a Class II claim, Claimant for itself and on behalf of its officers, directors, employees, agents, attorneys, predecessors, and their successors and assigns, all in their capacities as such, irrevocably and unconditionally releases and discharges the Liquidator, Home, the California Insurance Guarantee Association and all other insurance guaranty associations, and each of their respective officers, directors, employees, agents, attorneys, subsidiaries, affiliates, predecessors, successors, and assigns (including any trustee or other statutory successor), from any and all actions, causes of action, liabilities, adjustments, obligations, offsets, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, premiums, losses, salvage, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and/or demands arising from or related to the Proofs of Claim, the Policies, or the Dealer Policies in law, admiralty or equity, which Claimant, its predecessors, successors, and assigns, ever had, now have, or hereafter may have against the Liquidator or Home or the California Insurance Guarantee

Association or any other insurance guaranty association, or their respective officers, directors, employees, agents, attorneys, subsidiaries, affiliates, predecessors, successors, and assigns, all whether known or unknown, suspected or unsuspected, fixed or contingent, in law, admiralty or equity, arising from or related to the Proofs of Claim, the Policies or the Dealer Policies.

B. Further, the Parties each expressly waives and relinquishes all Rights and benefits it may have under Section 1542 of the Civil Code of The State of California, which reads as follows: "Section 1542. [Certain claims not affected by general release.] A General release does not extend to claims which the creditor does not know or suspect to exist in his or her favor at the time of executing the release, which if known by him or her must have materially affected his or her settlement with the debtor."

4. Release by Liquidator Subject to the terms of this Settlement Agreement and the Liquidation Court's approval of the Recommended Amount as a Class II claim, the Liquidator, in his capacity as such, and on behalf of Home and each of their respective officers, directors, employees, agents, attorneys, subsidiaries, affiliates, predecessors, and their successors and assigns, irrevocably and unconditionally releases and discharges Claimant and its officers, directors, employees, agents, attorneys, predecessors, successors, and assigns, from any and all actions, causes of action, liabilities, adjustments, obligations, offsets, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, premiums, losses, salvage, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and/or demands arising from or related to the Proofs of Claim, the Policies or the Dealer Policies, in law, admiralty or equity, which the Liquidator, Home, or their subsidiaries, affiliates, predecessors, successors, and assigns, ever had, now have or hereafter may have against Claimant or its officers, directors, employees, agents, attorneys, predecessors,

successors, and assigns, all whether known or unknown, suspected or unsuspected, fixed or contingent, in law, admiralty or equity, arising from or related to the Proofs of Claim, the Policies or the Dealer Policies.

5. Resolution of Matters and Indemnification. Claimant acknowledges that this Settlement Agreement is intended to resolve all matters arising out of or relating to any rights it ever had, now has or hereafter may have in the Policies, the Dealer Policies or the Proofs of Claim, including any asserted rights of claimants against Claimant under the Policies or the Dealer Policies, and Claimant agrees to address, at its sole cost and expense, any such claims of claimants against Claimant as if there had been no liquidation proceeding for Home and as if Claimant had no insurance coverage from Home by virtue of the Policies and the Dealer Policies. In consideration of the Recommended Amount being allowed by the Liquidation Court as a Class II claim, Claimant agrees to indemnify and hold the Liquidator and Home harmless from and against any and all claims, losses, liabilities, debts, damages, costs or expenses arising from or related to the Policies or to any and all asserted rights of claimants against Claimant arising from or related to the Dealer Policies and such indemnification shall be capped at the amount actually distributed in relation to the Recommended Amount as allowed by the Liquidation Court. The future obligations of Claimant under this paragraph shall extend to and include (by way of example and not limitation) any claims, including claims for defense and indemnity made under the Policies against the Liquidator or Home by vendors of or respecting Claimant, by other insurers of Claimant, and by any individuals or entities asserting "direct action" claims arising out of or related to the Policies or, as respects the Claimant as an insured under the Dealer Policies (hereinafter "Indemnified Claims"). Nothing in this Settlement Agreement shall require Claimant to indemnify or hold harmless Liquidator or Home for claims under the Dealer Policies

brought by or on behalf of any claimant against any insured, other than Claimant. The Liquidator shall promptly notify Claimant of any such claim, and any material developments related thereto, shall take no action that will prejudice the outcome of such claim, shall afford Claimant the opportunity to reasonably participate in the defense of such claims and Claimant shall have no duty to pay for defense, indemnity or hold harmless prior to receipt of notice. The Liquidator shall assert all defenses to such claims reasonably available to the Liquidator, including defenses under the Order of Liquidation or the New Hampshire Insurers Rehabilitation and Liquidation Act. The Parties shall cooperate with each other (including but not limited to the provision of affidavits or testimony) to defend against and resolve such claims. Claimant shall have the right to settle such claims outside of the Home liquidation at its own expense subject to the Liquidator's written consent which shall not be unreasonably withheld. The Liquidator represents that he has reviewed the proofs of claim submitted in the Home liquidation and that as of the date of this Settlement Agreement is signed on his behalf, he is aware of no unresolved proofs of claim that have been submitted specifically referencing the Policies or the Dealer Policies other than the Proofs of Claim filed by Claimant and a proof of claim by Great American Insurance Company asserting a contingent contribution claim.

6. Mutual Release of Settling Carriers. Claimant agrees to use reasonable commercial efforts to cause any settlement agreement relating to the underlying matters covered by the Proofs of Claim with any other insurance company to include a waiver by that other insurance company of any claim, including contribution, apportionment, indemnification, subrogation, equitable subrogation, allocation, or recoupment, against Home regarding these matters. The Liquidator agrees to waive, relinquish and release any claim, including contribution, apportionment, indemnification, subrogation, equitable subrogation, allocation, or recoupment,

as to the matters covered by the Proofs of Claim against any other insurance company which executes a settlement with Claimant that includes a provision that is materially the same as this paragraph.

7. No Assignments. Claimant warrants and agrees that it has not assigned, conveyed, or otherwise transferred any claims, demands, causes of action, rights, or obligations related in any way to the Policies, the Dealer Policies or any proceeds thereof, or to the claims, losses and expenses released herein, to any person or entity. Claimant shall not assign or otherwise transfer this Settlement Agreement or any rights or obligations thereunder without the written consent of the Liquidator, which consent shall not be unreasonably withheld.

8. Preserve Rights to UST Funds. The Parties acknowledge that this Agreement is not intended, and shall not be construed, to deprive Claimant of any rights which it may have through state or federal government-sponsored, funded or maintained programs, including but not limited to, any program established to fund the investigation and cleanup of environmental contamination emanating from or associated with underground storage tanks (“UST Fund”). The Parties acknowledge that the amounts paid pursuant to this Agreement were negotiated contemplating that money has been and/or may be received and retained by Claimant from such UST Fund. Neither Claimant nor the Liquidator or Home intends for the payment made under this Agreement to preclude Claimant from any recovery of full compensation of any amount available under any UST Fund. The Parties further acknowledge that this Agreement is neither dependent nor contingent upon Claimant’s efforts to recover from any UST Fund.

9. Allocation. Claimant for its purposes only shall allocate the amounts paid under this Settlement Agreement as follows:

- a. first, without priority among the following subcategories, to

- i. reimburse Claimant's environmental investigation and remediation costs to the extent such costs were found ineligible for reimbursement under any UST Fund;
- ii. reimburse Claimant's defense costs incurred in litigating claims and lawsuits brought as a result of contamination;
- iii. reimburse payments by Claimant pursuant to settlements made and judgments awarded on claims and lawsuits brought as a result of environmental contamination;
- iv. costs of future legal fees and expenses, settlement and judgments hereafter paid, payable, or potentially payable to third parties for claims and
 - b. second, to the remaining claims.

Claimant and the Liquidator shall allocate the amounts paid in settlement as they deem appropriate. Nothing herein shall be deemed an admission by either Party that the other Party's allocation is proper.

10. Further Assurances. The Parties shall take all further actions as may be necessary to carry out the intent and purpose of this Settlement Agreement and to consummate the transactions contemplated herein.

11. Governing Law and Venue. This Settlement Agreement shall be governed by and construed in accordance with the laws of the State of New Hampshire without regard to the conflicts of law provisions thereof. The Parties agree that the exclusive venue for any dispute between the Parties arising out of the Proof of Claim, the Policies, the Dealer Policies or this Settlement Agreement shall be the Liquidation Court.

12. Due Diligence. The Parties acknowledge and agree that, in negotiating and executing this Settlement Agreement, they have relied upon their own judgment and upon the recommendations of their own legal counsel, that they have read this Settlement Agreement and

have had the opportunity to consider its terms and effects, and that they have executed this Settlement Agreement voluntarily and with full understanding of its terms and effects. This Settlement Agreement is the product of negotiations between the Parties. No Party shall be charged with having promulgated this Settlement Agreement, and the general rule that ambiguities are to be construed against the drafter shall not apply to this Agreement.

13. No Third Party Rights. Except for the release or paragraph 3 regarding the California Insurance Guarantee Association and other insurance guaranty associations, this Settlement Agreement is entered into solely for the benefit of the Liquidator, Home, and Claimant and is not intended to, and does not give or create any rights to or in any person or entity other than the Parties.

14. Counterparts. This Settlement Agreement may be executed in multiple counterparts, each of which, when so delivered, shall be an original, but such counterparts shall together constitute one and the same instrument. The Parties agree that a signature sent by facsimile or electronic mail to the other Party shall have the same force and effect as an original signature.

15. Power and Authority to Execute. Subject to the approval of the Liquidation Court required by paragraph 1, each Party hereto represents and warrants that it has the full power and authority to execute, deliver, and perform this Settlement Agreement; that all requisite and necessary approvals have been obtained to consummate the transactions contemplated by this Settlement Agreement; that there are no other agreements or transactions to which it is a party that would render this Settlement Agreement or any part thereof, void, voidable or unenforceable; that each individual signing on behalf of a Party has been duly authorized by that Party to execute this Settlement Agreement on its behalf; and that no claims being released under

the terms of this Settlement Agreement have been assigned, sold, or otherwise transferred to any other entity.

16. Successor-in-Interest Bound. This Settlement Agreement shall be binding upon, and shall inure to the benefit of the Parties and their respective officers, directors, employees, affiliates, attorneys, liquidators, receivers, administrators, agents, representatives, successors, and assigns.

17. Entire Agreement. This Settlement Agreement constitutes the entire agreement and understanding between the Parties with respect to the subject matter thereof. This Settlement Agreement supersedes all prior agreements and understandings, whether written or oral, concerning such matters.

18. Survival of Warranties and Representations. The warranties and representations made herein shall survive the execution of this Settlement Agreement.

19. Validity of Settlement Agreement. Subject to approval of this Settlement Agreement by the Liquidation Court as required by paragraph 1, each Party represents and warrants that this Settlement Agreement is a legal, valid, and binding obligation, enforceable in accordance with its terms.

20. No Waiver. No waiver of any right under this Settlement Agreement shall be deemed effective unless contained in a writing signed by the Party or an authorized representative of the Party charged with such waiver, and no waiver of any breach or failure to perform shall be deemed to be a waiver of any future breach or failure to perform or of any other provision of this Settlement Agreement. This Settlement Agreement may not be amended except in a document signed by the Party or an officer or other authorized official of the Party to be charged.

21. Notice. All notices to be given under this Settlement Agreement shall be given by facsimile and first class U.S. mail directed to:

If to Claimant, to:

Richard F. Chatfield-Taylor
Senior Counsel, Law Department
Environmental Practice Group
Chevron U.S.A. Inc.
6111 Bollinger Canyon Road, Room 4154
San Ramon, CA 94583-5186
Fax: 866-312-3065

and

Brendan M. Dixon
Seebach & Seebach
633 West Fifth Street, Suite 5410
Los Angeles, CA 90071
Fax: (213) 553-7910

If to the Liquidator, to:

Thomas W. Kober, Chief Claims Officer
The Home Insurance Company in Liquidation
61 Broadway, 6th Floor
New York, New York 10006-2504

and

J. Christopher Marshall
Civil Bureau
New Hampshire Department of Justice
33 Capitol Street
Concord, New Hampshire 03301-6397
Fax: 603-271-2110

and

J. David Leslie, Esq.
Rackemann, Sawyer & Brewster, P.C.
160 Federal Street
Boston, MA 02110-1700
Fax: 617-542-7437

22. Severability. If any provision of this Settlement Agreement is invalid, unenforceable, or illegal under the law of any applicable jurisdiction, the validity and enforceability of such provision in any other jurisdiction shall not be affected thereby and the remaining provisions of this Settlement Agreement shall remain valid and enforceable. However, in the event of such invalidity, unenforceability, or illegality, the Parties shall negotiate in good faith to amend this Settlement Agreement through the insertion of additional provisions which are valid, enforceable, and legal and which reflect, to the extent possible, the purposes contained in the invalid, unenforceable, or illegal provision.

Wherefore, the Parties have caused this Settlement Agreement to be executed on their respective behalves as of the date below the signatures of their duly authorized representatives.

UNION OIL COMPANY OF CALIFORNIA,
a California corporation

By: Frank G. Soler

Name: Frank G. Soler

Title: Assistant Secretary

Date: October 20th, 2010

**ROGER A. SEVIGNY, COMMISSIONER OF INSURANCE OF
THE STATE OF NEW HAMPSHIRE, SOLELY IN HIS
CAPACITY AS LIQUIDATOR OF THE HOME INSURANCE
COMPANY**

By: Thomas W. Koben

Name: Thomas W. Koben

Title: Chief Claims Officer

Date: October 22, 2010