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13 UNITED STATES BANKRUPTCY COURT
14 NORTHERN DISTRICT OF CALIFORNIA
15 SAN FRANCISCO DIVISION

16 In re

17 PLANT INSULATION COMPANY, a
California corporation,

18 Debtor.

19 Tax ID: 94-0292481

Case No. 09-31347
Chapter 11

**DECLARATION OF STEVEN B. SACKS
IN SUPPORT OF PLAN PROPONENTS'
MOTION FOR ORDER (A) APPROVING
SETTLEMENT AGREEMENT WITH
UNITED STATES FIDELITY AND
GUARANTY COMPANY, (B)
DESIGNATING UNITED STATES
FIDELITY AND GUARANTY COMPANY
AS A SETTLING ASBESTOS INSURER
UNDER THE PLAN, (C) APPROVING
THE SALE OF INSURANCE POLICIES
FREE AND CLEAR OF LIENS, CLAIMS,
AND INTERESTS, AND (D) APPROVING
RECONSIDERATION PROCEDURES**

Date: August 29, 2014
Time: 9:00 a.m.
Judge: Hon. Thomas E. Carlson
Place: Courtroom 23
235 Pine Street
San Francisco, CA

1 I, Steven B. Sacks, declare as follows:

2 1. I am a partner of the law firm of Sheppard, Mullin, Richter & Hampton LLP,
3 counsel for the Official Committee of Unsecured Creditors of Plant Insulation Company (the
4 “Committee”). I make this declaration in my above capacity. Except for those statements made
5 upon information and belief, the following facts are based upon my personal knowledge and if
6 called to testify, I could and would competently testify to such facts. As to those statements made
7 upon information and belief, I believe them to be true.

8 2. I submit this Declaration in support of the *Plan Proponents’ Motion For Order (A)*
9 *Approving Settlement Agreement With United States Fidelity And Guaranty Company, (B)*
10 *Designating United States Fidelity And Guaranty Company As A Settling Asbestos Insurer Under*
11 *The Plan, (C) Approving The Sale Of Insurance Policies Free And Clear Of Liens, Claims, And*
12 *Interests, And (D) Approving Reconsideration Procedures* (the “Motion”). All capitalized terms
13 not defined herein have the meanings given to them in the Motion.

14 3. I personally participated in the negotiations of the Settlement Agreement and Buy-
15 Back of Insurance Rights dated August 27, 2014 (the “Settlement Agreement”) documenting the
16 settlement and sale between the Plan Proponents and United States Fidelity and Guaranty
17 Company. A true and correct copy of the Settlement Agreement is attached hereto as Exhibit A.

18 I declare under penalty of perjury under the laws of the United States of America that the
19 foregoing is true and correct. Executed on August 28, 2014, at San Francisco, California.

20 /s/ Steven B. Sacks
21 Steven B. Sacks
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EXHIBIT A

SETTLEMENT AGREEMENT AND BUY-BACK OF INSURANCE RIGHTS

This Agreement is made as of August 27, 2014 (the “Settlement Agreement”), by and between Bayside Insulation & Construction, Inc., formerly known as Plant Insulation Company (the “Debtor”), and the Plant Insulation Company Asbestos Settlement Trust (the “Trust,” and collectively with the Debtor, the “Trust Parties”), on the one hand, and United States Fidelity and Guaranty Company, (“USF&G” as more fully defined herein), on the other hand, with the consent of the Official Committee of Unsecured Creditors of Plant Insulation Company (“Committee”) and Charles B. Renfrew (Ret.), as the duly appointed Futures Representative in the Debtor’s Bankruptcy Case (“FCR”). The Trust Parties and USF&G shall be referred to collectively herein as the “Parties.”

RECITALS

A. USF&G may have issued policies of insurance that provide, or are alleged to provide, liability insurance coverage to the Debtor (the “Policies,” as more fully defined herein).

B. Asbestos Injury Claims have been asserted against the Debtor, and the Debtor has incurred certain liabilities, expenses, and losses arising out of such Asbestos Injury Claims and is likely to be subject to such claims in the future, although the number, amount, and timing of such claims cannot be determined.

C. The Debtor has asserted alleged rights to insurance coverage with respect to Asbestos Injury Claims under the Policies.

D. Disputes have arisen among the Parties concerning their respective rights and obligations, if any, under the Policies.

E. The Debtor and United States Fidelity and Guaranty Company are parties to the Coverage Litigation.

F. USF&G has denied, and continues to deny, all substantive allegations and claims asserted against it in the Coverage Litigation.

G. On May 20, 2009, the Debtor filed a Chapter 11 bankruptcy case, which is pending in the United States Bankruptcy Court, Northern District of California as Case No. 09-31347 (the “Bankruptcy Case”). Confirmation of a plan of reorganization proposed in the Bankruptcy Case by the Debtor, the Committee and the FCR came before the bankruptcy judge during a hearing held in December 2011 and January 2012. Following the hearing, the Bankruptcy Court entered an order on April 4, 2012 (the “Original Confirmation Order”) confirming the plan as then proposed (the “Original Plan”). After the Original Confirmation Order was affirmed by the District Court, the Original Plan was implemented and became effective on November 16, 2012. On that date, Bayside Insulation & Construction, Inc. merged into Plant Insulation Company and then changed its name to Bayside Insulation & Construction, Inc.

H. On October 28, 2013, the Ninth Circuit Court of Appeals vacated the Original Confirmation Order. Thereafter, the Committee, the FCR and the Debtor jointly proposed modifications to the Original Plan. The Original Plan as modified by such modifications is called the “Plan.” On or about March 3, 2014, after a further confirmation trial, the Bankruptcy Court entered its *Order Confirming Amended and Restated Second Amended Plan of*

Reorganization of Plant Insulation, as Modified, Docket No. 2722 (the “New Confirmation Order”).

I. The New Confirmation Order provided that the Plan would not become effective until the Modified Effective Date. That date is defined in the New Confirmation Order as a date which cannot take place any earlier than the 15th day following entry of the order of the United States District Court issuing or affirming the New Confirmation Order, provided such order has not been stayed by a court of competent jurisdiction.

J. Notwithstanding the reversal of the Original Confirmation Order, the Bankruptcy Court entered an order that allowed the Trust to continue to function in certain matters as the consideration of the Plan was presented to the Bankruptcy Court and the District Court.

K. On August 18, 2014, the District Court affirmed the New Confirmation Order. *Order Affirming Confirmation Of Revised Plan Of Reorganization*, District Court Docket No. 77 (“Affirmation Order”). The Modified Effective Date of the Plan has not taken place.

L. The Parties desire to enter into the settlement that is embodied in this Settlement Agreement.

M. The Trust Parties desire to sell back to USF&G all of the Policies upon the terms and conditions set forth in this Settlement Agreement.

N. In consideration of certain monetary payments and other consideration as more fully set forth herein, the Parties intend to adopt by way of compromise—and without (i) prejudice to or waiver of their respective positions in other matters, (ii) trial or adjudication of any issues of fact or law, (iii) USF&G’s admission of liability or responsibility under, arising from, related to, or in connection with the Policies—a full and final settlement that releases and terminates all rights, obligations, and liabilities (if any) that the Parties may owe one another with respect to Asbestos-Related Claims and any other Claims under, arising from, related to, or in connection with the Policies as more fully set forth in this Agreement, subject to the provisions of Section VII herein.

NOW, THEREFORE, for good and valuable consideration, the Parties agree as follows:

AGREEMENT

I. DEFINITIONS

The following further definitions apply to capitalized terms wherever those terms appear throughout this Agreement or in the attachments hereto. All of the defined terms in the Plan and the New Confirmation Order shall have the same meaning in this Settlement Agreement unless given a different meaning herein. Each defined term stated in a singular form includes the plural form, each defined term stated in plural form includes the singular form, and each defined term stated in the masculine, feminine or neuter form includes each of the masculine, feminine and neuter forms. The word “including” means “including but not limited to.” The definitions set forth in this Section I shall control with respect to their use in this Agreement, in the event of any alleged inconsistency between the definitions in this Agreement and those in the Plan. The definitions set forth in the Plan shall control with respect to their use in the Plan, in the event of any alleged inconsistency between the definitions in this Agreement and those in the Plan.

A. Affiliate and Affiliated means an Entity that directly or indirectly (through one or more intermediaries) controls, is controlled by, or is under common control with another Entity.

B. Asbestos-Related Claim means any Claim relating in whole or in part, in fact or by allegation, to the presence of, or exposure to (directly or indirectly and in any manner) asbestos or asbestos-containing products that were alleged to have been manufactured, installed, removed, fabricated, sold, supplied, produced, designed, disturbed, released, used, or in any way at any time held, handled, distributed, marketed, or disposed of, by or at the direction of the Debtor or for which the Debtor may be alleged to be responsible for any reason.

C. Certain Insurers means the following insurers or their successors that issued liability policies to Plant: OneBeacon Insurance Company, OneBeacon America Insurance Company, American Employers' Insurance Company, OneBeacon Insurance Group, Ltd., Transport Insurance Company, as successor in interest to Transport Indemnity Company, American Home Assurance Company, Insurance Company of the State of Pennsylvania, and Granite State Insurance Company, ACE Fire Underwriters Insurance Company; ACE Property & Casualty Insurance Company; Arrowood Indemnity Company f/k/a Royal Indemnity Company (successor-in-interest to Globe Indemnity Company); Sompo Japan Insurance Company of America f/k/a Yasuda Fire & Marine Insurance Company; United States Fidelity & Guaranty Company; United National Insurance Company; Insurance Company of the West; Mt. McKinley Insurance Company f/k/a Gibraltar Casualty Company; Safety National Casualty Corporation (formerly Safety Mutual Casualty Corporation); American Automobile Insurance Company; Fireman's Fund Insurance Company; National Surety Corporation, and all other Allianz-affiliated insurance companies; U.S. Fire Insurance Company, Industrial Indemnity Co. and any other insurer(s), excluding USF&G, that are alleged or found to be an insurer of Plant.

D. Claim means:

1. "Claim" as that term is defined in the Bankruptcy Code, 11 U.S.C. § 101(5);
2. "Demand" as that term is defined in the Bankruptcy Code, 11 U.S.C. § 524(g)(5); and
3. Any claim (whether past, present, or future, known or unknown, asserted or unasserted, foreseen or unforeseen, fixed or contingent, direct or indirect, matured or unmatured, liquidated or unliquidated, direct, consequential, or assigned, and whether in law, equity, admiralty, or otherwise), assertion of right, complaint, cross-complaint, counterclaim, affirmative defense, writ, demand, inquiry, request, directive, obligation, suit, lawsuit, action, direct action, cause of action, administrative proceeding, governmental claim or action, order, judgment, settlement, mediation, arbitration, lien, and any other assertion of liability of any kind or subject matter whatsoever (whether related to asbestos or not). For the avoidance of doubt, "Claim" includes, among other things, Contribution Claims, Direct Action Claims, Asbestos-Related Claims, and Trust Claims, as well as any claim arising out of, related to, involving, resulting

from, or attributable to asbestos in any form and from any source, including products containing such substances, or to any other substance, product, matter, or material in any form or state.

E. Claimant means the past, present, or future holder of any Claim based on the alleged historical action or inaction by the Debtor.

F. Committee means (1) the Official Committee of Unsecured Creditors, appointed by the United States Trustee in the Bankruptcy Case in accordance with Section 1102(a)(1) of the Bankruptcy Code, as it may be reconstituted from time to time, or, (2) in the event any consent or action is required of the Committee and the Committee is no longer able to consent or act pursuant to § 5.9.3 of the Plan, the Trust Advisory Committee.

G. Contribution Claim means any Claim by any insurer of the Debtor against another insurer of the Debtor based on contribution, equitable contribution, indemnity, equitable indemnity, subrogation, equitable subrogation, "other insurance rights," or pursuant to any other theory of law or in equity, under, arising out of, related to, or in connection with coverage claims by or underlying Claims asserted against or because of alleged historical action or inaction by the Debtor.

H. Coverage Litigation means the Declaratory Relief Action and any other or subsequent litigation, whenever and wherever brought, which relates to insurance coverage for Asbestos-Related Claims by or against the Debtor or its alleged insurers.

I. Debtor Releasors means (1) the Debtor, formerly known as Plant Insulation Company, and each of its (a) past and present Affiliates, (b) any past and present joint ventures in which it has or had interests, (c) past and present officers, directors, employees, agents, representatives, shareholders, and attorneys of any of the above, but only to the extent of their rights and obligations under, arising from, related to, and/or in connection with the Debtor or the Trust, and (e) the predecessors, successors, and assigns of any of the Entities set forth in subparts (1)(a)-(c) of this definition; and (2) the Trust.

J. Direct Action Claim means any Claim (other than a Contribution Claim) or lawsuit by an Entity (other than the Debtor) against USF&G based on, arising from, related to, or in connection with any Claim against or because of historical action or inaction by the Debtor Releasors other than the Trust, whether arising by contract, in tort, or under the law of any jurisdiction, including any case law or statutory law that gives or allegedly gives a third party a direct cause of action of any kind against the insurer, such as but not limited to California Insurance Code Section 11580.

K. Entity means any Person, individual, corporation, partnership, association, limited liability company, joint stock company, joint venture, estate, trust, unincorporated organization, federal, state, local, or foreign government or any governmental or quasi-governmental body or political subdivision, or any agency, department, board, or instrumentality thereof of any federal, state, local, or foreign government.

L. Execution Date means August 27, 2014.

M. Final Order means an order or judgment that has been entered and (1) as to which the time to appeal, petition for certiorari, or move for reargument or rehearing has expired and as to which no appeal, petition for certiorari, or other proceedings for reargument or rehearing shall then be pending, or (2) in the event that an appeal, writ of certiorari, reargument or rehearing has been sought, such order or judgment shall have been affirmed by the highest court to which such order or judgment was appealed, or certiorari has been denied, or from which reargument or rehearing was sought, and the time to take any further appeal, petition for certiorari, or move for reargument or rehearing shall have expired; *provided, however*, that the possibility that a motion under Rule 59 or Rule 60 of the Federal Rules of Civil Procedure or any analogous rule under the Bankruptcy Rules may be filed with respect to such order or judgment shall not cause such order or judgment not to be a “final order.”

N. Insurance Rights means (1) the Policies, (2) any right to or interest in insurance coverage or proceeds relating to the Policies, and (3) any Claims under, arising out of, relating to, or in connection with the Policies that arise or are alleged to arise under any theory of law, equity, or admiralty, whether statutory or otherwise.

O. Settlement Approval Order means an order as defined in Section I.R below.

P. Settlement Consideration means the payments set forth in Section II of this Agreement and other non-monetary consideration given by or on behalf of USF&G under this Agreement.

Q. Settlement Effective Date means the 21st day following the entry by the Bankruptcy Court (which is defined to mean the Bankruptcy Judge and not the District Judge) of an order (the “Settlement Approval Order”) which is not stayed and does the following: (a) approves the sale of the Policies to USF&G under Bankruptcy Code Section 363; (b) finds based on the evidence presented to it that USF&G is a purchaser of the Policies in good faith under Bankruptcy Code section 363(m); (c) orders that it is appropriate that USF&G becomes a Settling Asbestos Insurer under the Plan, and that USF&G is entitled to the benefits of the Settling Asbestos Insurer Injunction in the Plan under the terms of the Bankruptcy Code, including Bankruptcy Code Section 524(g); (d) orders that USF&G shall be a Settling Asbestos Insurer under the Plan; and (e) approves the settlement with USF&G that is embodied in this Settlement Agreement.

R. Subsidiary of an Entity means (1) a corporation as to which the Entity possesses shares of common stock and can exercise control through the voting power of said stock, (2) a limited liability company as to which the Entity can exercise control under the terms of the limited liability company’s operating agreement, or (3) a partnership as to which the Entity can exercise control under the terms of the partnership’s agreement. For avoidance of doubt, a Subsidiary of an Entity is also an Affiliate of that Entity.

S. Termination Date means the date on which either (i) the Parties, with the written consent of the Committee and the FCR, agree in writing that the New Confirmation Order will not become a Final Order and that the Debtor will not be able to confirm another Plan that contains the Settling Asbestos Insurer Injunction and Channeling Injunction in favor of USF&G; or (ii) after notice and hearing, the Bankruptcy Court enters an order finding that the New

Confirmation Order will not become a Final Order and the Debtor will not be able to confirm another Plan that contains the Settling Asbestos Insurer Injunction and Channeling Injunction, and such order has been entered for a period of 15 days without such order having been stayed.

T. Trust Claims means, to the extent that liability for such Claims is transferred to or assumed by the Trust pursuant to the Plan, (1) Asbestos Injury Claims and Asbestos Indirect Claims caused by conduct of, and/or exposure to asbestos or asbestos-containing products for which Plant Insulation Company and/or Bayside Insulation & Construction, Inc., and/or their respective predecessors, Affiliates, successors, and assigns, have or are alleged to have legal responsibility and (2) any other Claims against Plant Insulation Company, Bayside Insulation & Construction, Inc., or any of the Settling Asbestos Insurers.

U. USF&G means United States Fidelity and Guaranty Company and: i) its Affiliates; ii) its predecessors in interest; iii) its Agents (as defined in the Plan) but only in relation to the Policies; and iv) any Entity that acquires any of the foregoing Entities through assignment, merger, or otherwise, but only to the extent that such acquiring Entity succeeds to such foregoing Entity's rights and obligations as they existed on the Execution Date with respect to the Debtor; provided, however, that in the event that such successor or acquiring Entity has any rights or obligations of its own (that is, rights and obligations that are independent and not derivative of USF&G's rights and obligations as it existed on the Execution Date), then such successor or acquiring Entity shall not be considered to be included within the definition of "USF&G" for purposes of this Agreement with respect to such independent rights and obligations. Notwithstanding the above, "USF&G" shall not mean or include any of the Certain Insurers.

V. Policies means (1) all Policies listed on Appendix A hereto, and (2) any and all known or unknown liability insurance policies, whether primary, umbrella, or excess or any other kind of policy providing liability coverage, ever issued by USF&G (a) to or for the benefit of the Debtor or (b) that potentially or actually provide coverage to the Debtor or Trust for any Claim.

II. SETTLEMENT CONSIDERATION

A. Provided that the Settlement Effective Date has occurred, United States Fidelity and Guaranty Company shall pay to the Trust in cash via wire transfer: (i) twenty one million dollars (\$21,000,000) within 15 days after both (a) the Settlement Approval Order has become a Final Order and is not stayed, and (b) the Affirmation Order and New Confirmation Order have become Final Orders and are not stayed; and (ii) one million dollars (\$1,000,000) on or before December 31, 2016 but only if the conditions set forth in Section II(A)(i)(a) and (b) have been met, but 15 days after the conditions are met if not met by the end of 2016.

B. On the Settlement Effective Date, the Debtor shall provide a bill of sale in a form reasonably acceptable to USF&G that is consistent with the Settlement Approval Order. Subject to Section VII of this Agreement, the Debtor Releasors intend to reserve no rights or benefits whatsoever relating to the Insurance Rights, and the Parties acknowledge and agree that USF&G's buy-back of the Policies is supported by reasonable and valuable consideration.

III. ADDITIONAL CONDITIONS FOR SETTLEMENT CONSIDERATION

A. The Trust, the Debtor, the Committee and the FCR each represent by their respective signatures below that the consideration provided by USF&G through this settlement is reasonable and valuable consideration that directly benefits their respective constituencies and effectuates their duties under the Bankruptcy Code regardless of whether any holder of an Asbestos Related Claim personally receives an actual payment from the funds paid by USF&G.

B. No holder of any Asbestos-Related Claim shall receive any distribution of funds from the Trust, unless and until such holder: (1) executes a general release and agreement, in the form attached hereto as Appendix B, releasing USF&G from any further liability and (2) agrees in writing to provide judgment reduction in the form of a credit to another insurer obligated to pay insurance to the holder, which credit shall be equal to the amount of such other insurer's right to contribution from USF&G, subject to an absolute cap at the amount actually paid to such holder by the Trust.

C. The Trust Parties will use their best efforts to provide USF&G with all of the benefits of the protections against all Asbestos-Related Claims, demands, or liabilities of any kind by any person or entity provided to Settling Asbestos Insurers under the Settling Asbestos Insurer Injunction. If, despite their best efforts, they fail to obtain such Section 524(g) protection for USF&G, this Agreement can be terminated pursuant to the provisions of Section VII of this Agreement.

D. The Parties will use their best efforts to see that the Settlement Approval Order and the New Confirmation Order become Final Orders.

E. If, before the Plan's Modified Effective Date and after the Settlement Effective Date, any Entity asserts a claim against USF&G arising from, related to, or in connection with any Claim released under this Agreement, the Trust will, at its own expense, use its best efforts to enforce the Settling Asbestos Insurer Injunction barring any such claims and, if appropriate, obtain an order from the Bankruptcy Court pursuant to Section 105(a) of the Bankruptcy Code enjoining or otherwise prohibiting the prosecution of any such claim against USF&G.

F. If any Entity asserts any Claim against USF&G that is subject to the Settling Asbestos Insurer Injunction, the Trust will, at its own expense, defend the validity of the Asbestos Insurer Injunction and its application to USF&G and will use best efforts to establish that such claim is enjoined as to USF&G.

G. Unless and until the New Confirmation Order becomes a Final Order, the Trust Parties shall use their best efforts to ensure that Certain Insurers (other than those insurers that have entered into settlement agreements with the Trust Parties) provide a proper defense for all Asbestos-Related Claims.

IV. FULL AND MUTUAL RELEASES AND INSURANCE RIGHTS BUY-BACK

Effective upon the Settlement Effective Date, and subject to the restoration of rights under Section VII:

A. USF&G's Buy-Back of the Debtor Releasors' Interest in the Policies. All interests of the Debtor Releasors in the Policies shall be deemed to have been sold back to USF&G pursuant to Section 363 of the Bankruptcy Code without any further action being required. USF&G's buy-back of the Debtor Releasors' interests in the Policies shall be free and clear of any and all liens, Claims, rights, title, or interest and, as a result, the Policies shall no longer remain in effect.

B. Release of USF&G by the Debtor Releasors

1. In consideration of the mutual promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, the Debtor Releasors irrevocably and forever settle, remise, release, covenant not to sue, and discharge USF&G, along with their respective successors in interest, in their capacity as such and their agents, employees, directors, officers, representatives, members and attorneys, but only with respect to the liability of those agents, employees, directors, officers, representatives, members and attorneys, if any, under, arising from, related to, and/or in connection with their relationship to USF&G, from and with respect to any and all Claims that the Debtor Releasors ever had, now have, or hereafter may have, under, arising out of, related to, and/or in connection with: (a) Claims for insurance coverage under, arising from, related to, and/or in connection with the Policies; (b) Claims seeking to effectuate Insurance Rights, including both defense costs and indemnification of Claims and/or other Insurance Rights; (c) Claims under, arising out of, related to, and/or in connection with any act, omission, representation, or conduct of any sort under, arising from, related to, and/or in connection with the Policies or seeking to effectuate Insurance Rights; (d) Asbestos-Related Claims, Trust Claims and Asbestos Injury Claims; (e) Claims filed directly or indirectly against USF&G relating to either Insurance Rights or Trust Claims; (f) Claims for any form of extra-contractual liability under, arising out of, related to, and/or in connection with Insurance Rights, punitive or exemplary damages, antitrust or unfair competition, breach of the duty of good faith and fair dealing, bad faith or other misconduct or alleged wrongdoing, breach of statutory duties, and/or breach of common law duties, such as, but not limited to, negligent undertaking, breach of fiduciary duty and/or any other theory of extra-contractual liability; and (g) Claims that are the subject of Coverage Litigation.

2. In addition, the Debtor Releasors do hereby irrevocably and forever settle, remise, release, covenant not to sue, and discharge USF&G from and with respect to any liability USF&G may have under, arising out of, related to, and/or in connection with the Policies, including without limitation all Claims, rights, and liabilities of any and all kinds. The Debtor Releasors' release of USF&G shall leave USF&G completely released as if USF&G had never issued the Policies and had never had any dealings with, or actual or alleged duties or obligations whatsoever to, any of the Debtor Releasors or any Persons allegedly harmed or injured by the Debtor. This settlement is explicitly acknowledged by all concerned to be effective notwithstanding any facts, legal theories, alleged mistakes, misrepresentations, or failures to disclose that are presently known to, or that subsequently become known to, the Debtor Releasors or anyone else. Payment of the Settlement Consideration by USF&G shall be deemed to fully and properly exhaust all limits of liability, including without limitation all per-occurrence, per-accident, and aggregate limits under the Policies. When effective, the releases contained in this Section IV are intended to operate as if no Policies had ever been issued.

3. The releases provided for in this Section IV shall not relieve USF&G of any of their obligations under this Agreement or affect the Debtor Releasors' rights to bring a claim for enforcement or breach of this Agreement.

C. Release of the Debtor Releasors by USF&G.

1. In consideration of the mutual promises contained herein, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged, USF&G irrevocably and forever settle, remise, release, covenant not to sue, and discharge the Debtor Releasors, from and with respect to any and all Claims under, arising out of, related to, and/or in connection with Insurance Rights, including Claims for bad faith or other misconduct or alleged wrongdoing relating to the Insurance Rights or Trust Claims. The releases provided for in this Section IV shall not relieve the Debtor Releasors of any of their obligations under this Agreement or affect USF&G's rights to bring a claim for enforcement or breach of this Agreement.

2. For the avoidance of doubt, and without limitation, USF&G shall be deemed to have fully released and extinguished all past, present, and future Claims against the Debtor Releasors under, arising out of, related to, and/or in connection with Insurance Rights. The Debtor Releasors shall have no further obligations to USF&G under, arising out of, related to, and/or in connection with Insurance Rights.

D. The Parties hereto intend to reserve no rights or benefits whatsoever under, arising out of, related to, and/or in connection with Insurance Rights, and any and all rights, duties, responsibilities, and obligations of the Parties created by or in connection with the Policies are fully and finally extinguished.

E. The Parties understand and acknowledge that (1) Claims that have been or may be asserted against the Debtor Releasors may increase or decrease in amount or in severity over time and may include progressive, cumulative, unknown, and/or unforeseen elements and (2) there may be hidden, unknown, and unknowable damages, defense expenses, or other costs related to such Claims. Each of the Parties acknowledges and agrees that it nevertheless willingly enters into this Agreement, including the releases set forth in this Section IV. Likewise, each of the Parties expressly assumes the risk that Claims, acts, omissions, matters, causes, or other facts or things arising out of, related to, and/or in connection with Insurance Rights may have occurred that one or more of the Parties do not know or do not suspect to exist, and the Parties expressly assume the risk of new or additional facts, Claims, or legal theories, or subsequent legal developments, that were not known and could not be anticipated at the Execution Date. Each of the Parties waives, with respect to the Claims released in this Agreement, the terms and provisions of any statute, rule, or doctrine of common law that either (i) narrowly construes releases purporting by their terms to release Claims in whole or in part under, arising out of, or related to, and/or in connection with such acts, omissions, matters, causes, or things or (ii) restricts or prohibits the releasing of such Claims.

F. California Civil Code Section 1542

The parties acknowledge that they have been advised by their attorneys concerning, and are familiar with, California Civil Code section 1542 and expressly waive any and all rights under California Civil Code section 1542, which provides that:

“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,”

The Parties also expressly waive any and all rights under any other federal or state statute or law of similar effect. The Parties expressly assume the risk that facts, omissions, matters, causes, or things may have occurred that they do not know or do not suspect to exist.

G. This settlement and the Agreement are explicitly acknowledged by all concerned to be complete and effective notwithstanding any facts, legal theories, alleged mistakes, misrepresentations, alleged duties to disclose, or failures to disclose that are presently known to, or that subsequently become known to, the Debtor Releasers or anyone else. This Agreement shall not be subject to any claims of accident, unilateral mistake, mutual mistake, mistake of fact, estoppel, rescission, or reformation, and/or comparable claims, as the Parties intend by this Agreement to resolve all present and future disputes.

H. This Agreement also constitutes a full and final resolution of all Claims and defenses in the Coverage Litigation as among the Parties.

I. The provisions of this Section IV (including but not limited to provisions regarding the buy-back of rights in the Policies and releases of claims) are subject to the provisions of Section VII.

V. CESSATION OF LITIGATION, CLAIMS, AND DISMISSALS

A. Noticed Motion. The Committee, Debtor and FCR shall file a motion on due notice to approve the settlement contemplated by this Agreement (“Settlement Motion”). The Settlement Motion shall be set for hearing on August 29, 2014 pursuant to an Order Shortening Time. Notice of the hearing on the Settlement Motion and of the issuance of an Order Shortening Time shall be provided by email to each attorney who represents a member of the Committee and on all asbestos claimants’ Counsel that have filed a notice of appearance in the Bankruptcy Case, and on counsel for Certain Insurers. In the Settlement Motion the moving parties shall request that the Court adopt certain procedures for reconsideration of the Approval Order similar to those “Reconsideration Procedures” suggested and adopted by the court in connection with the Motion to approve the ACE Settlement, as such Reconsideration Procedures are described in the Memorandum in support of such motion, Bankruptcy Court Docket No. 2387, filed in the Bankruptcy Case on October 22, 2012. Following entry of a Settlement Approval Order on the Settlement Motion, the Plan Proponents shall serve a Notice of Entry of the Settlement Approval Order and of the reconsideration procedures contained in that order by first-class mail on all parties entitled to notice under the Order Limiting Notice (Docket No. 238), on the persons previously served with the Settlement Motion, and on persons filing proofs

of claim asserting Asbestos Related Claims, and upon persons who submitted Plan Ballots in connection with Asbestos Related Claims, either through counsel or directly to unrepresented claimants. USF&G may, at its election and expense, serve by email or U.S. mail the Notice of Entry of the Settlement Approval Order and of the reconsideration procedures contained in that order on the Debtor's co-defendants through counsel and as reasonably ascertainable in any cases pending in the tort system and/or publish notice of the Settlement Approval Order and the reconsideration procedures.

B. Direct Actions Against USF&G. The Trust agrees that until the denial by the Bankruptcy Court of approval of this Settlement, it will not grant a request from any holder of a judgment to pursue USF&G through a Direct Action Claim.

C. Withdrawal of Claim. On the Settlement Effective Date, USF&G shall withdraw without prejudice all proofs of claim that they filed in the Bankruptcy Case. When the New Confirmation Order and the Settlement Approval Order become Final Orders, or when USF&G elects the Reaffirmation Alternative, USF&G shall withdraw with prejudice all proofs of claim.

D. Dismissal of Coverage Litigation. On the Settlement Effective Date, the Trust Parties, as appropriate, shall dismiss without prejudice all claims against USF&G in the Coverage Litigation, and USF&G shall dismiss, without prejudice, all claims it has asserted in such Coverage Litigation. When the New Confirmation Order and the Settlement Approval Order become Final Orders, or when USF&G elect the Reaffirmation Alternative, the Trust Parties, as appropriate, shall dismiss with prejudice all claims against USF&G in the Coverage Litigation, and USF&G shall dismiss with prejudice all claims they have asserted in such Coverage Litigation.

E. Tender of Claims. The Debtor agrees, that on the Settlement Effective Date the Debtor will withdraw, by correspondence, the tender of all Asbestos-Related Claims to USF&G, so long as this Settlement Agreement is not terminated pursuant to Section VII. The Debtor also agrees that, so long as this Settlement Agreement is not terminated pursuant to Section VII:

1. The Debtor Releasors will not tender any Claims to USF&G; and
2. The Debtor Releasors will not request that USF&G fund any judgments or settlements of any Claims.

F. Preservation of Appellate Rights. Until the later of (i) the Settlement Effective Date and (ii) entry by the Bankruptcy Court of an order denying any motion for reconsideration filed pursuant to any "Reconsideration Procedures" referenced in section V.A. above, (a) USF&G may take the necessary steps in connection with the appeal of the New Confirmation Order in order to preserve their appellate rights, and (b) USF&G may file conditional joinders in any briefs in the appeal of the New Confirmation Order or Coverage Litigation briefs filed by other insurers, provided, however, that any such joinders or notice of appeal shall expressly state that they shall terminate immediately without any further action required and be deemed irrevocably withdrawn if the Settlement Approval Order has become a Final Order. Any notices, briefs or other filings in connection with such appeal shall disclose that USF&G has in fact

settled and is making such filings solely to preserve their rights in the event the Settlement Effective Date does not occur and the Settlement Approval Order does not become final.

G. Dismissal of Claims. On and after the Settlement Effective Date, and so long as this Agreement is not terminated and has not been breached by USF&G, the Trust Parties shall use reasonable best efforts to obtain, upon the request of USF&G either the dismissal, with or without prejudice, of any complaints and cross-complaints against USF&G by any of the Certain Insurers, or the tolling of, or the severance and stay of, any Claims by any of the Certain Insurers against USF&G in the Coverage Litigation and the Bankruptcy Case.

H. Costs. With the exception of the provisions of Sections III.F and III.G. of this Agreement, the Parties shall bear, as to each other only, their own costs, expenses, counsel and professional fees in the Coverage Litigation, the Bankruptcy Case, and in connection with the negotiation, execution, and performance of this Agreement.

VI. REINSURANCE CLAIMS/LIMITATIONS ON REIMBURSEMENT CLAIMS

A. USF&G will be free to pursue reinsurance claims against any and all reinsurers or retrocessionaires regarding any consideration paid by USF&G in connection with this Agreement. USF&G is free to allocate the Settlement Consideration among the policies in its sole discretion.

B. Claims Against Other Insurers.

1. Other than the pursuit of reinsurance claims, USF&G will not otherwise seek reimbursement of the consideration paid to the Trust Parties as part of this settlement from any other insurer or such other insurers' Affiliates that enter into a settlement with the Debtor and/or the Trust concerning Asbestos Injury Claims or Trust Claims in which such other insurer(s) agree: (1) not to seek any defense costs or indemnity payments from USF&G; (2) not to assert a Contribution Claim against USF&G; and (3) to release or dismiss with prejudice any Contribution Claims against USF&G.

2. Subject to VI(A) above, to the extent that the Debtor entered into settlements with other insurers prior to the Settlement Effective Date, USF&G will not otherwise seek reimbursement of the consideration paid in this settlement from such previously-settled insurers if those previously-settling insurers have waived their Contribution Claims or assigned their Contribution Claims to the Debtor or the Trust, and the practical effect of that assignment means that such settling insurers will: (1) not seek any defense costs or indemnity payments from USF&G; (2) not assert a Contribution Claim against USF&G; and (3) release or dismiss with prejudice any Contribution Claims against USF&G.

3. In the event that the Trust enters into any settlement agreement(s) with one or more Asbestos Insurers against which the Trust Parties have asserted or may assert Claims, the Trust covenants that it shall use its best efforts to obtain a provision substantially identical to Section VI.B.2 of this Agreement in such settlement agreement.

VII. PROVISIONS APPLICABLE UPON OCCURRENCE OF TERMINATION DATE

If the New Confirmation Order is reversed on appeal, the Debtor, the Committee and the FCR will seek the entry of another order confirming a plan of reorganization for the Debtor that contains the Settling Asbestos Insurer Injunction and Channeling Injunction in favor of USF&G, similar to the ones contained in the Plan and approved by the New Confirmation Order. Upon the occurrence of a Termination Date, USF&G shall have the option to do either of the following (hereinafter, the "Alternatives"): (1) reaffirm the purchase of the Policies ("Reaffirmation Alternative"), or (2) terminate the settlement and the purchase of the Policies ("Termination Alternative"). If USF&G does not exercise either of the foregoing Alternatives within 120 days of the Termination Date, then USF&G shall be deemed to have elected the Termination Alternative. If the Termination Alternative is elected shall be deemed to have executed a bill of sale in favor of the Debtor conveying all interests in the Policy back to the Debtor. As a matter of law, when the Termination Alternative is elected, or deemed elected, USF&G shall have no further interests in the Policies as owners, and they shall be deemed property of the Debtor. In such a case when the Termination Alternative is elected or deemed elected, the claim of USF&G shall be deemed to be refiled, USF&G can be pursued in the Coverage Litigation or similar litigation, and the Debtor may tender all pending asbestos cases again to USF&G. In addition, when the Termination Alternative is elected or deemed elected, all releases under Section IV of this Settlement Agreement shall be deemed null and void ab initio. In the event that USF&G elects the Reaffirmation Alternative, then immediately USF&G shall withdraw with prejudice its proof of claim in the Bankruptcy Case, the Trust Parties shall dismiss with prejudice all claims against USF&G in the Coverage Litigation, USF&G shall dismiss with prejudice all claims it has asserted in such Coverage Litigation, and United States Fidelity and Guaranty Company shall immediately pay to the Trust the Settlement Consideration.

VIII. COOPERATION

A. USF&G and the Trust Parties shall cooperate with each other in effectuating the provisions of this Agreement. Notwithstanding anything else in this Agreement, the Parties agree that USF&G may challenge or object to confirmation of the Plan if the Plan is altered, modified, or revised, if any such alteration, modification, or revision (a) is inconsistent with the terms of this Agreement, (b) materially and adversely affects the interests of USF&G under this Agreement, or (c) does not include the Settling Asbestos Insurer Injunction.

B. Following the Settlement Effective Date, and prior to the date, if ever, that this Agreement is terminated by USF&G in accordance with Section VII, the Trust will undertake all reasonable actions and cooperate with USF&G (as applicable) to obtain the dismissal of any Direct Action Claims, Contribution Claims, or other Claims or actions against USF&G, or to obtain additional orders from the Bankruptcy Court or the District Court enjoining such actions, should any further orders become necessary as set forth in Section V of this Agreement. Likewise, the Trust Parties will not encourage and/or assist any Entity with any such Claim or action against USF&G under, arising from, related to, and/or in connection with USF&G or Insurance Rights. Nor will the Trust Parties authorize or cause to be taken any action that is inconsistent with this Agreement.

C. The Trust Parties will undertake all reasonable actions and cooperate with USF&G in connection with USF&G's claims against their reinsurers and retrocessionaires, including responding to reasonable requests for information and meeting with representatives of reinsurers and retrocessionaires, as set forth below.

1. Following the Settlement Effective Date, the Trust shall cause USF&G to have the right (upon reasonable notice and in a reasonable manner) to review and obtain from the Debtor or the Trust relevant files, information, and documents: (a) concerning Claims subject to payment or potential payment with the proceeds of this Agreement, and (b) required of or necessary to USF&G in connection with any Claims, arbitrations, or litigation for reinsurance for the Settlement Consideration or in connection with this Agreement. USF&G will accept the documents in the form in which they were provided to the Debtor or the Trust (e.g., electronic, paper, etc.) or in the form easiest for the Debtor or the Trust to provide. Neither the Debtor nor the Trust shall be required to modify or change the form or format of any such information. USF&G shall pay reasonable copying charges of documents obtained under Section VIII of this Agreement.

2. For the avoidance of doubt, the relevant files, information and documents referenced in Section VIII.C.1 of this Agreement shall include:

- a. information from any database maintained by the Debtor or the Trust, any information that the Debtor or the Trust collects pursuant to any trust distribution procedures, and any information included on any claim form used by the Debtor or the Trust with respect to Trust Claims, and
- b. for each Trust Claim resolved:
 - i. the Claimant's name;
 - ii. a claim number, if the Trust uses such a number to identify Claims;
 - iii. the Claim's status (open or closed);
 - iv. the date of first exposure, if the Trust collects such information;
 - v. the alleged disease and date of diagnosis, if the Trust collects such information; and
 - vi. the amount at which such Claim was allowed and, if a different amount, the amount which the holder of such Claim was paid by the Trust;
 - vii. the site for which Plant is responsible to which the Claimant alleges exposure;

viii. whether there is a medical diagnosis of the alleged disease;
and

ix. date of death, if applicable.

3. Following the Settlement Effective Date, the Trust Parties shall reasonably cooperate with USF&G in obtaining and providing the files, information, and documents referred to in Sections VIII.C.1 and VIII.C.2 of this Agreement at USF&G's reasonable request and expense, provided that USF&G shall have no obligation to pay, other than reasonable copying costs, any internal costs of the Debtor or the Trust (including costs associated with time or expenses of employees of the Debtor or the Trust). For the avoidance of doubt, and without limitation of the foregoing (but subject to the first sentence of this paragraph with respect to expenses), the Trust shall undertake all reasonable actions to cooperate with USF&G in connection with any obligation that USF&G may have to provide information to their reinsurers and retrocessionaires, including, upon reasonable notice and in a reasonable manner, responding to reasonable requests for information and meeting with representatives of USF&G's reinsurers and retrocessionaires. Such cooperation shall include providing USF&G's representatives with access to all files relating to Trust Claims, including all product exposure, medical, claim status, and payment records contained in such files. For the avoidance of doubt, this Section VIII, and any results of such a review:

- a. shall not affect USF&G's payment obligations under this Agreement;
- b. shall not obligate the Trust to collect any information from any Claimant that it is not otherwise obligated to collect; and
- c. shall not give USF&G any right to challenge the allowance or payment of any Claim by the Trust.

D. At the Trust's sole discretion, the Trust may satisfy its obligations under Section VIII.C of this Agreement by providing USF&G (or their representatives) with a report concerning Trust Claims activity with respect to the time period that is the subject of USF&G's request for relevant files, information, and documents (the "Report"). If the Trust is required to collect under the Plan or any trust distribution procedures, or in fact collects the following information, such Reports shall include:

- 1. with respect to the Trust, the number of total Claims filed, pending, settled, dismissed or that went to judgment, the total indemnity paid, and total expense paid; and
- 2. with respect to each Claim resolved during the relevant period:
 - a. the Claimant's name and social security number;
 - b. the Claim number;

- c. jurisdiction, if any;
- d. status (open or closed);
- e. the date of first exposure as set forth in the complaint or as reflected by information reasonably available to the Trust (as applicable);
- f. the site for which Plant is responsible to which the Claimant alleges exposure;
- g. the alleged disease and the date of diagnosis;
- h. whether there is a medical diagnosis of the alleged disease;
- i. date of death, if applicable; and
- j. the amount of indemnity paid.

E. If the Trust exercises its discretion to provide Reports to USF&G pursuant to Section VIII.D of this Agreement, the Trust shall still be obligated, at the request of USF&G (upon reasonable notice, at USF&G's sole expense, and in a reasonable manner convenient to the Trust) to make available to USF&G files, information, and documents described in Section VIII of this Agreement relating to Trust Claims that are the subject of the Report.

F. Notwithstanding anything in Section VIII of this Agreement to the contrary:

1. Neither the Debtor nor the Trust shall be required to provide any files, information, documents, or Reports that would be protected from disclosure as to USF&G by the attorney-client privilege or the work product doctrine.

2. USF&G shall not make use of any Report, results, files, information, or documents obtained by USF&G pursuant to this section (collectively, the "Materials") other than for the following purposes (collectively, the "Permitted Uses") and no others:

- a. to provide the Materials to reinsurers, attorneys, accountants, auditors, actuaries, employees, and such other representatives of USF&G and/or reinsurers or retrocessionaires that need to be apprised of the Materials, and to any governmental entity or rating agency requesting such information;
- b. to use the Materials in any proceeding or process to obtain reinsurance with respect to the Settlement Consideration or this Agreement or in connection with its compliance with applicable laws or regulations; and
- c. to respond to any order of any court compelling the production of the Materials, after providing reasonable notice to the Debtor or, if established, the Trust that such materials are being requested in any legal proceeding and before the entry of such an order.

3. USF&G shall restrict access to the Materials to their reinsurers, retrocessionaires, employees, attorneys, accountants, actuaries, regulators, rehabilitators, liquidators, and rating agencies who reasonably require access to the Materials for Permitted Uses and in compliance with any court order requiring production after notice pursuant to paragraph F.2.c above.

G. In the event that USF&G desire to disclose any of the Materials to any third party, other than as permitted pursuant to Section VIII.F of this Agreement, USF&G shall: (a) use its best efforts to obtain from such third party an agreement to restrict such third party's use of the Materials to the Permitted Uses and to refrain from disclosing any of the Materials other than as permitted under the terms of this Agreement, which agreement shall identify the Trust as an intended third party beneficiary; (b) provide the Trust with written notice describing USF&G's intention to so disclose the Materials and provide the Trust with a reasonable opportunity to obtain its own confidentiality agreement or a protective order; and (c) in the event that USF&G is unable to obtain such an agreement from such third party, prior to the disclosure of the Materials to such third party, advise such third party that the Materials contain confidential information whose dissemination is restricted by the terms of this Agreement and/or applicable law. In the event that USF&G is requested to provide any third party with Materials pursuant to court process, USF&G shall promptly provide notice of such request to the Trust, which notice shall include a copy of the relevant request, so as to permit the Trust to seek a protective order with respect to the disclosure of such Materials.

H. In the event that USF&G desires to utilize any of the Materials in any litigation, arbitration, mediation, or other adjudicatory or settlement process instituted for the purpose of obtaining reimbursement of the Settlement Consideration from its reinsurers or retrocessionaires, as permitted by Section VIII.F.2.a of this Agreement, USF&G shall: (a) use its best efforts to obtain a protective order, or similar protection, in form and content reasonably satisfactory to the Trust, preserving the confidentiality of the Materials, including sealing any files, information, documents, or Reports that may otherwise become a part of the public record, if any, in such proceeding; and (b) prior to the disclosure of Materials, provide the Trust with written notice describing USF&G's intentions to utilize the Materials and provide the Trust with a reasonable opportunity to obtain its own protective order. Notwithstanding the foregoing, in the event that USF&G or the Debtor are unable to obtain a protective order, or similar protection, USF&G may use the Materials in any such litigation, arbitration, or other adjudicatory process without restriction; provided that, before disclosing the Materials to any Entity under the provisions of Section VIII.G of this Agreement, USF&G shall first advise such Entity that the Materials contain confidential information whose dissemination is restricted by the terms of this Agreement and/or applicable law.

I. Any releases of Claims obtained by the Trust from the holders of Asbestos Injury Claims or Asbestos Injury Demands shall include a provision providing for the release of USF&G from any and all liability for or relating to such Asbestos Injury Claims or Asbestos Injury Demands, either by name or by the inclusion of a release in favor of all Settling Asbestos Insurers and their Affiliates.

IX. REPRESENTATIONS BY COUNSEL

The Parties acknowledge and agree that this Agreement was bargained for and entered into in good faith and as the result of arms-length negotiations and that at all material times they have been represented by counsel of their own choosing concerning the rights affected by this Agreement, the form and content of it, and the advisability of executing it. This Agreement has been reviewed by counsel for each of the Parties and shall not be strictly or presumptively construed against any Party, pursuant to the doctrine of *contra preferentum* or otherwise.

X. REMEDIES

The performance under this Agreement by the Parties is unique. The Parties acknowledge and agree that money damages would be both incalculable and an insufficient remedy for any breach of this Agreement by the Parties and that any such breach would cause the non-breaching Party irreparable harm. Accordingly, the Parties also agree that in the event of any breach or threatened breach of this Agreement, in addition to any other remedies at law or in equity they may have, the Parties shall be entitled, without the requirement of posting a bond or other security, to specific performance of this Agreement, which shall include any equitable relief necessary to require the applicable Party to specifically perform this Agreement, without proof of actual damages.

XI. REPRESENTATIONS AND WARRANTIES

A. The Trust Parties represent and warrant that they have not sold, assigned, or conveyed any Insurance Rights to any other Entity.

B. The Debtor represents that it is the sole owner of the Policies issued or allegedly issued to the Debtor and that no other party has legal title to said policies.

C. The Parties represent and warrant that, upon and after the Settlement Effective Date, each of them shall not contest that this Agreement, including the releases set forth in Section IV of this Agreement, will be binding or that valuable and fair consideration or reasonably equivalent value has been received by the Debtor and/or the Trust for this Agreement.

D. The Parties represent and warrant that, following the Execution Date, each of them shall reasonably cooperate with the other in responding to and opposing any motion, objection, Claim, assertion, or argument by any third party that this Agreement, including the releases set forth in the Agreement, is not binding, or should be avoided, or that valuable and fair consideration or reasonably equivalent value has not been received by the Debtor and/or the Trust for this Agreement.

E. The Trust Parties represent and warrant that they have entered into this Agreement for the specific purpose of obtaining the Settlement Consideration, which Settlement Consideration shall be, based on the Trust's evaluation and determination, used in the best interest of creditors and other parties in interest, whether known or unknown, who hold or may hold Claims against the Debtor or the Trust; all in full compliance with all applicable state and federal laws.

F. Each Party represents and warrants that it has authority to execute this Agreement as its binding and legal obligation, subject, in the case of the Debtor, to the approval set forth in the Settlement Approval Order. Each of USF&G represents and warrants that it has the authority to execute this Agreement as binding and legal obligations of USF&G under the terms of this Agreement. Each Party represents and warrants that the individual signing this Agreement on its or their behalf is authorized by those they purport to represent to execute this Agreement and that the Parties have read and understand this Agreement in full.

G. The representations, warranties, and covenants contained herein are made as of the Execution Date, and shall survive the execution and delivery of this Agreement, and the consummation of this Agreement, and shall remain in full force and effect until a Claim based thereon is barred by applicable statutes of limitation.

XII. NON-PREJUDICE AND CONSTRUCTION OF AGREEMENT

A. This Agreement and the negotiations leading thereto are subject to Federal Rule of Evidence 408 and California Evidence Code Sections 1119 and 1152. This Agreement is intended to be a buy-back of the Insurance Rights, and is a compromise between the Parties that settled disputed Claims. This Agreement shall not be construed as an admission or concession relating to or in any way connected with USF&G Policies or the Insurance Rights, nor shall this Agreement or any provision hereof be construed as a waiver, modification or retraction of the positions of the Parties with respect to the interpretation and application of the policies and alleged policies that are the subject of Coverage Litigation.

B. This Agreement is the product of informed, arms-length negotiations and involves compromises of the Parties' previously stated legal positions. Accordingly, this Agreement does not reflect the Parties' views as to their rights and obligations with respect to matters or Entities outside the scope of this Agreement. This Agreement is without prejudice to positions taken by USF&G with regard to other insureds or Claimants, and without prejudice to positions taken by Plant with regard to other insurers. The Parties specifically disavow any intention to create rights in third parties under or in relation to this Agreement. This Agreement is the jointly-drafted product of multi-lateral negotiations among parties of equal sophistication and bargaining power and thus shall not be interpreted for or against any Party notwithstanding California Civil Code Section 1654, and no provision of this Agreement shall be construed against any USF&G because of its status as an insurance company or as having issued or allegedly issued the Policies to the Debtor.

C. This Agreement is not, nor shall it be construed as, an insurance policy.

XIII. NO WAIVER

This Agreement may be amended, modified, superseded, or canceled, and any of the terms hereof may be waived, only by a written instrument that specifically states that it amends, modifies, supersedes, or cancels this Agreement, executed by or on behalf of all of the Parties or, in the case of a waiver, by or on behalf of the Party waiving compliance. The failure of a Party at any time or times to require performance of any provision of this Agreement shall in no manner affect the right at a later time to enforce the same or any other provision of this Agreement. No

waiver by a Party of any condition, or of any breach of any term, covenant, representation, or warranty contained in this Agreement, in any one or more instances, shall be deemed to be or construed as a further or continuing waiver of any such condition or breach, or a waiver of any other condition or of any breach of any other term, covenant, or warranty. The consent by one Party to any act for which such consent was required shall not be deemed to imply consent or waiver of the necessity of obtaining such consent for the same or similar acts in the future, and no forbearance by a Party to seek a remedy for noncompliance or breach by another Party shall be construed as a waiver of any right or remedy with respect to such noncompliance or breach.

XIV. NOTICES

A. All notices, requests, demands, and other communications required or permitted to be given under this Agreement shall be deemed to have been duly given if in writing and delivered personally, or by registered or certified mail, return receipt requested, or by Federal Express with signature required, addressed as follows:

The Debtor:

Shahram Ameli
Ronald Ishida
Bayside Insulation & Construction, Inc.
1635 Challenge Drive
Concord, California 94520

The Trust:

Sara Beth Brown
Executive Director
Plant Insulation Company Asbestos Settlement
Trust
300 East Second Street, Suite 1410
Reno, Nevada 89501

The Committee:

Michael H. Ahrens
Steven B. Sacks
Sheppard, Mullin, Richter & Hampton LLP
Four Embarcadero Center, 17th Floor
San Francisco, CA 94111

The Futures Representative:

Gary S. Fergus
Fergus, A Law Office
595 Market Street, Suite 2430
San Francisco, CA 94105

USF&G:

The Travelers Companies
General Counsel – SLG
One Tower Square – 8FP
Hartford, CT 06183

With a copy to:

Andrew T. Frankel
Simpson Thacher & Bartlett LLP
425 Lexington Avenue
New York, New York 10017

B. Any Party may change the address to which communications are to be directed to it by giving notice to the others, in the manner provided in this Section XIV.

XV. INTEGRATION

This Agreement (including the attachments hereto) constitutes the entire settlement agreement among the Parties with respect to the subject matter hereof, and supersede all discussions, agreements and understandings, both written and oral, among the Parties with respect thereto, provided that USF&G as appropriate shall continue to have the protections contained in earlier cost-sharing agreements with other insurance carriers to the extent that USF&G needs to rely upon such other agreements for additional protections to supplement those provided under this Agreement.

XVI. ADDITIONAL DOCUMENTS

Subject to section V.F above, the Parties shall take such steps and shall execute any such other documents as may be reasonably required to obtain the final Settlement Approval Order and affirmation of the New Confirmation Order, or as may be reasonably necessary to effectuate any other requirement or agreement herein.

XVII. EXECUTION

This Agreement may be executed in multiple counterparts, each of which shall be deemed an original but all of which shall constitute one and the same instrument. Execution of this Agreement may be effected by facsimile or other electronic transmission of executed copies of the signature pages delivered to counsel for the Parties. This Agreement shall become effective as of the date it is fully executed by all Parties.

XVIII. JURISDICTION AND GOVERNING LAW

The Parties agree to the jurisdiction of the Bankruptcy Judge supervising the Bankruptcy Case to resolve any disputes under this Agreement. This Agreement shall be governed by and construed in accordance with the laws of the State of California, without giving effect to the conflicts of laws principles thereof, and federal bankruptcy law, as applicable.

XIX. ASSIGNMENT

Except as provided herein, this Agreement may not be assigned except by written agreement of the Parties.

XX. BANKRUPTCY OBLIGATIONS

A. The Trust Parties will use their best efforts to see that the Settlement Approval Order and the New Confirmation Order are entered and become Final Orders.

XXI. ADDITIONAL PROTECTIONS OF USF&G

A. In any proceeding, suit, or action, including the Coverage Litigation, involving one or more of the Trust Parties or any insurer with respect to Claims, where any Entity has asserted, asserts, or could assert any Contribution Claim or similar Claim against USF&G under, arising out of, related to, and/or in connection with the Policies with respect to Insurance Rights that are released under this Agreement, any judgment obtained by one or more of the Trust Parties against such other Entity shall be automatically reduced by the amount, if any, of any judgment that Entity obtains against USF&G, the purpose being to ensure that USF&G does not become obligated to pay more than the amount of the Settlement Consideration. The Debtor or the Trust, as the case may be, shall cooperate with USF&G in any litigation asserting Contribution Claims against USF&G with respect to any liability under, arising out of, related to, and/or in connection with one or more of the Policies, and shall support arguments made by USF&G that its obligations with respect to such Claims have been fully released, satisfied, and extinguished by the settlement and this Agreement. This reduction of judgment provision may be relied upon by USF&G as a defense in any such litigation.

B. In order to effectuate this judgment reduction clause in any action against another Entity where USF&G is not a party, the Debtor or the Trust, as the case may be, shall either (1) obtain a finding from that court of what amount USF&G would be required to pay such other insurer under its Contribution Claim or other Claim, before entry of judgment against such other Entity, or (2) set aside the money in escrow paid from such other Entity until such rights are adjudicated in a proceeding involving USF&G where this judgment reduction clause can be applied.

C. The Plan or any other plan that is the subject of any confirmation order shall require Trust approval for the commencement and prosecution of actions by Claimants directly against insurers. Unless this Agreement is terminated under Section VII, from and after the Settlement Effective Date, the Trust shall not agree to permit any Direct Action Claim to be commenced against USF&G .

D. This Agreement shall not subject USF&G or the Trust Parties to any reporting requirements and obligations under 42 U.S.C. § 1395y et seq., commonly referred to as the Medicare, Medicaid, and SCHIP Extension Act of 2007 (the "Act"), for any Asbestos Related Claims or Trust Claims. If USF&G requests, or to the extent any Entity contends that any obligation under 42 U.S.C. § 1395y(b) and the rules and regulations promulgated thereunder (including 42 C.F.R. 411 et seq.) is triggered in connection with the Settlement Consideration, the Trust will cooperate fully and, for each claimant who receives payment from the Trust, will to the extent the Trust has such information and is permitted to disclose such information to such Settling Party , provide such Settling Party , within 10 calendar days of the date that any amounts are paid to a claimant by the Trust, with information required to be reported to Medicare, at the time such reporting obligation arises, including some or all of (a) the name, (b) social security

the name, (b) social security number, (c) Medicare number, (d) date of birth, (e) address, (f) date(s) of injury, (g) injury, (h) defense insurance (if known), (i) applicable ICD-9, ICD-10, or similar injury and diagnosis codes, (j) state of venue, (k) plaintiff's attorney's name and address, and (l) amounts received from the Trust. To the extent that Medicare asserts a demand for reimbursement of the conditional payments made by Medicare, the parties will discuss and agree upon an appropriate response to Medicare. The Trust will comply with all laws and regulations with respect to Medicare as applied to the Trust. If one or more of the Trust Parties agrees in a subsequent settlement agreement with an insurer to an alternative means of handling such reporting requirements and obligations, then each of USF&G shall be entitled, at their option, to have the benefit of such alternate means.

XXII. CONFIDENTIALITY

The Parties agree that the terms of this Agreement are confidential and will not be disclosed prior to the filing of pleadings disclosing such terms.

XXIII. BINDING EFFECT

This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors.

IN WITNESS WHEREOF, the Parties have executed this Agreement by their duly authorized officers or representatives.

UNITED STATES FIDELITY AND
GUARANTY COMPANY (on behalf of
USF&G)

BAYSIDE INSULATION &
CONSTRUCTION, INC.,
a California corporation (on behalf of the
Debtor Releasors other than the Trust)

By: THJ
Name: Thomas J. Joyce
Title: Senior Vice President

By: _____
Name: _____
Title: _____

PLANT INSULATION COMPANY
ASBESTOS SETTLEMENT TRUST

By: _____
Name: _____
Title: _____

I am one of the co-chairs of the Official Committee of Unsecured Creditors, and confirm to the Debtor and USF&G that the Committee consents to the Debtor's execution of the settlement.

By: _____
Alan R. Brayton

number, (c) Medicare number, (d) date of birth, (e) address, (f) date(s) of injury, (g) injury, (h) defense insurance (if known), (i) applicable ICD-9, ICD-10, or similar injury and diagnosis codes, (j) state of venue, (k) plaintiff's attorney's name and address, and (l) amounts received from the Trust. To the extent that Medicare asserts a demand for reimbursement of the conditional payments made by Medicare, the parties will discuss and agree upon an appropriate response to Medicare. The Trust will comply with all laws and regulations with respect to Medicare as applied to the Trust. If one or more of the Trust Parties agrees in a subsequent settlement agreement with an insurer to an alternative means of handling such reporting requirements and obligations, then each of USF&G shall be entitled, at their option, to have the benefit of such alternate means.

XXII. CONFIDENTIALITY

The Parties agree that the terms of this Agreement are confidential and will not be disclosed prior to the filing of pleadings disclosing such terms.

XXIII. BINDING EFFECT


This Agreement shall be binding upon and inure to the benefit of the Parties hereto and their respective successors.

IN WITNESS WHEREOF, the Parties have executed this Agreement by their duly authorized officers or representatives.

UNITED STATES FIDELITY AND
GUARANTY COMPANY (on behalf of
USF&G)

BAYSIDE INSULATION &
CONSTRUCTION, INC.,
a California corporation (on behalf of the
Debtor Releasors other than the Trust)

By: _____
Name: _____
Title: _____

By:  _____
Name: Shahram Ameli
Title: President _____

PLANT INSULATION COMPANY
ASBESTOS SETTLEMENT TRUST

By: _____
Name: _____
Title: _____

I am one of the co-chairs of the Official Committee of Unsecured Creditors, and confirm to the Debtor and USF&G that the Committee consents to the Debtor's execution of the settlement.

By: _____
Alan R. Brayton

the name, (b) social security number, (c) Medicare number, (d) date of birth, (e) address, (f) date(s) of injury, (g) injury, (h) defense insurance (if known), (i) applicable ICD-9, ICD-10, or similar injury and diagnosis codes, (j) state of venue, (k) plaintiff's attorney's name and address, and (l) amounts received from the Trust. To the extent that Medicare asserts a demand for reimbursement of the conditional payments made by Medicare, the parties will discuss and agree upon an appropriate response to Medicare. The Trust will comply with all laws and regulations with respect to Medicare as applied to the Trust. If one or more of the Trust Parties agrees in a subsequent settlement agreement with an insurer to an alternative means of handling such reporting requirements and obligations, then each of USF&G shall be entitled, at their option, to have the benefit of such alternate means.

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GUARANTY COMPANY (on behalf of
USF&G)

BAYSIDE INSULATION &
CONSTRUCTION, INC.,
a California corporation (on behalf of the
Debtor Releasors other than the Trust)

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

PLANT INSULATION COMPANY
ASBESTOS SETTLEMENT TRUST

By: *SM Snyder*
Name: Stephen Snyder
Title: managing partner

I am one of the co-chairs of the Official Committee of Unsecured Creditors, and confirm to the Debtor and USF&G that the Committee consents to the Debtor's execution of the settlement.

By: _____
Alan R. Brayton

the name, (b) social security number, (c) Medicare number, (d) date of birth, (e) address, (f) date(s) of injury, (g) injury, (h) defense insurance (if known), (i) applicable ICD-9, ICD-10, or similar injury and diagnosis codes, (j) state of venue, (k) plaintiff's attorney's name and address, and (l) amounts received from the Trust. To the extent that Medicare asserts a demand for reimbursement of the conditional payments made by Medicare, the parties will discuss and agree upon an appropriate response to Medicare. The Trust will comply with all laws and regulations with respect to Medicare as applied to the Trust. If one or more of the Trust Parties agrees in a subsequent settlement agreement with an insurer to an alternative means of handling such reporting requirements and obligations, then each of USF&G shall be entitled, at their option, to have the benefit of such alternate means.

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IN WITNESS WHEREOF, the Parties have executed this Agreement by their duly authorized officers or representatives.

UNITED STATES FIDELITY AND
GUARANTY COMPANY (on behalf of
USF&G)

BAYSIDE INSULATION &
CONSTRUCTION, INC.,
a California corporation (on behalf of the
Debtor Releasors other than the Trust)

By: _____
Name: _____
Title: _____

By: _____
Name: _____
Title: _____

PLANT INSULATION COMPANY
ASBESTOS SETTLEMENT TRUST

By: _____
Name: _____
Title: _____

I am one of the co-chairs of the Official Committee of Unsecured Creditors, and confirm to the Debtor and USF&G that the Committee consents to the Debtor's execution of the settlement.

By: Alan R. Brayton
Alan R. Brayton

Dated: AUGUST 28, 2014

I am the Futures Representative, and confirm to the Debtor and USF&G that the Futures Representative consents to the Debtor's execution of the settlement.

By: _____
Charles Renfrew

Dated: _____

Dated: _____

I am the Futures Representative, and confirm to the Debtor and USF&G that the Futures Representative consents to the Debtor's execution of the settlement.

By: Charles B. Renfrew
Charles Renfrew

Dated: Aug 28, 2014

APPENDIX A

Section I (V)(1) Policies

United States Fidelity and Guaranty Company 1CC D 14385, January 1, 1980 – January 1, 1981

United States Fidelity and Guaranty Compoany 1CC D 83425, January 1, 1981 – January 1, 1982

APPENDIX B

GENERAL RELEASE AND ACKNOWLEDGEMENT

In consideration for a distribution and payment of any funds from (1) the Plant Insulation Company Asbestos Settlement Trust (the "Trust") created under the Amended and Restated Second Amended Plan of Reorganization of Plant Insulation Company, as Modified (the "Plan"), confirmed by the Bankruptcy Court on March 3, 2014, and/or (2) Bayside Insulation and Construction, Inc. (the "Debtor," and collectively with the Trust, the "Trust Parties"), formerly known as Plant Insulation Company, of which the undersigned hereby acknowledges receipt, [INJURED PARTY NAME; AUTHORIZED REPRESENTATIVE OF INJURED PARTY] acknowledges and agrees to the following:

1. (a) United States Fidelity and Guaranty Company ("USF&G") and all other Affiliated insurance companies as of August 27, 2014, along with (b) each of their predecessors, and present or past parents, Subsidiaries, divisions, Affiliates, joint venturers, directors, officers, agents, employees, representatives, members, and attorneys, and (c) the successors, assigns, heirs, administrators, and executors of the entities and individuals identified in subsections (a) and (b) (collectively, the "Settling Party Entities") are hereby released and forever discharged from any and all claims, existing now or in the future, known or unknown, arising out of, related to, and/or in connection with any exposure to asbestos. A "Subsidiary" of an entity means (x) a corporation as to which the entity possesses shares of common stock and can exercise control through the voting power of said stock, (y) a limited liability company as to which the entity can exercise control under the terms of the limited liability company's operating agreement, or (z) a partnership as to which the entity can exercise control under the terms of the partnership's partnership agreement. "Affiliate" means an entity that directly or indirectly (through one or more intermediaries) controls, is controlled by, or is under common control with another entity. The Settling Party Entities shall also include any entity that acquired or acquires any of the foregoing entities or that becomes a successor in interest to the foregoing entities, but only to the extent that such successor succeeds to such Settling Party Entity's rights and obligations with respect to the Trust Parties. This release specifically includes, but is not limited to, all personal injury or bodily injury claims, loss of consortium claims, and wrongful death claims against any Settling Party Entity arising out of, related to, and/or in connection with the injured party's exposure to asbestos allegedly caused by Plant Insulation Company and/or the Debtor or for which Plant Insulation Company and/or the Debtor is allegedly responsible, and any such claims arising out of, related to, and or in connection with any insurance policy issued or allegedly issued by any Settling Party Entity. For purposes of this release, "claims" includes all claims, demands, actions, suits, or assertions of liability of any kind, and "injury" includes all injuries, illnesses, medical expenses, funeral expenses, lost wages, and all other economic damages, disabilities, and harms of any kind including, but not limited to, all physical and emotional injuries. However, this release does not cover claims for injuries allegedly suffered by the injured party's spouse and children because of their alleged personal exposure to asbestos or their asbestos property damage claims.

2. The undersigned acknowledges that future injuries, diseases, or damages that are not now known to the undersigned may develop or later be discovered, or presently unknown consequences of known injuries may develop or be discovered, and this release is expressly intended to, and does, cover and include any and all such future consequences of known or

unknown injuries or damages to the undersigned and all claims or rights of action relating thereto.

3. The undersigned hereby waives any right or benefit that the undersigned may have, now or in the future, under Section 1542 of the Civil Code of the State of California which reads as follows:

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.

The undersigned hereby expressly waives any liability of the Settling Party Entities due to any negligence, strict liability, intentional or other tortious conduct on the part of the Settling Party Entities or others now, in the past, or in the future, whether known or unknown, arising out of, related to, and/or in connection with any exposure to asbestos experienced by the injured party.

4. The undersigned warrants and agrees that this General Release and Acknowledgement is binding on the undersigned and each of his or her heirs, devisees, executors, administrators, personal representatives, successors, and assigns, and the undersigned agrees to indemnify and hold harmless the Settling Party Entities against any claims presented in the future by the undersigned's heirs, devisees, executors, administrators, personal representatives, successors, and/or assigns. It is the wish and intention of the undersigned that should any claims be presented against the Settling Party Entities by the undersigned's heirs, devisees, executors, administrators, personal representatives, successors, and/or assigns, the undersigned's estate will upon tender undertake to defend such claims and indemnify and hold harmless the Settling Party Entities against any judgment obtained on such claims.

5. The undersigned covenants and agrees that he or she will not at any time commence, maintain, or prosecute any actions or otherwise assert any claims against any of the Settling Party Entities, including any actions or claims arising under Section 11580 of the California Insurance Code, with respect to any and all claims that are the subject of this General Release and Acknowledgement.

6. The undersigned understands that the Settling Party Entities have paid certain funds to the Trust, and the undersigned has received payment of a distribution of funds from one or more of the Trust Parties. The undersigned hereby expressly waives all rights that he or she has or may have under Section 6149.5 of the Business and Professions Code of California, which requires that a copy of the cover letter accompanying the funds paid to the undersigned be sent to the undersigned.

7. Pursuant to and in implementation of Section III.B. of the Settlement Agreement and Buy-Back of Insurance Rights between the Trust Parties, on the one hand, and the Settling Party Entities, on the other hand, dated August 27, 2014, the undersigned agrees that in any lawsuit the undersigned may assert against other insurers or alleged insurers of Plant Insulation Company, he or she shall provide judgment reduction in the form of a credit to reduce the amount of any judgment the undersigned obtains against any and all other insurer(s), such credit to be in the amount, if any, the other defendant insurer(s) prove prior to the entry of such judgment that the Settling Party Entities are liable to pay such other insurer(s) as a result of that insurer's

contribution claims against the Settling Party Entities so that any such claim by such other insurer(s) against the Settling Party Entities is therefore satisfied and extinguished, subject to an absolute cap at the amount actually paid to such holder by the Trust.

8. Claimant does not believe that any reporting requirements and obligations under 42 U.S.C. § 1395y et seq., commonly referred to as the Medicare, Medicaid, and SCHIP Extension Act of 2007 (the “Act”), are triggered by any payments under this Agreement. However, if any Released Party or the Trust is required by Medicare or the responsible federal agency to report under 42 U.S.C. § 1395y(b) and the rules and regulations promulgated thereunder (including 42 C.F.R. 411 et seq.) information pertaining to the injured party and this settlement, then after reasonable notice and an opportunity to object, and if said time is less than 10 days the Released Party must have provided notice to the Trust promptly after receiving notice of its reporting obligations evidence of which must be provided to the Trust, and further provided that if Released Party’s reporting obligations are more than ten days away, Claimant can object at any time up to two days days prior to the date of the reporting obligation as long as Released party has given prompt notice to the Trust of this requirement, Claimant authorizes the Trust to release information so required to any Released Party and only for such purpose.

9. **The undersigned acknowledges that he or she has been advised by counsel or had the opportunity to seek advice of counsel as to the terms and effect of this General Release and Acknowledgement, and that the undersigned understands the terms and effect of this General Release and Acknowledgement.**

Date: _____

Claimant

or

Authorized Representative