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6
7 **SUPERIOR COURT OF THE STATE OF CALIFORNIA**
8 **FOR THE COUNTY OF LOS ANGELES**

9 JOHN GARAMENDI, Insurance
10 Commissioner of the State of California,
11
Applicant,

12 vs.

13 MISSION INSURANCE COMPANY, a
14 California corporation,
Respondent.

15
16 Consolidated with Case Numbers
17 C 576 324; C 576 416;
18 C 576 323; C 576 325; C 629 709

) Case No. C 572 724

) Honorable John Shepard Wiley Jr.

) **DECLARATION OF ROBERT H.**
) **NUNNALLY, JR. SUPPORTING THE**
) **MOTION TO APPROVE**
) **REHABILITATION PLAN**
) **IMPLEMENTATION AGREEMENT**
) **AND RELATED EXHIBITS WITH**
) **COVANTA HOLDING**
) **CORPORATION**

) Hon. John Shepard Wiley Jr.
) Department : 50
) Action filed: October 31, 1985
) Hearing date: February 24, 2006
) Hearing time: 8:30 a.m.

1 I, Robert H. Nunnally, Jr., being duly sworn, declare the following facts to be true and
2 correct under penalty of perjury:


3 1. I am Robert H. Nunnally, Jr. I am over the age of eighteen years. I am competent to be a
4 witness. I have personal knowledge of the facts to which I attest. I acquired my personal knowledge
5 in my role as an attorney representing the Insurance Commissioner, as Liquidator of Mission
6 Insurance Company, Mission National Insurance Company, and Enterprise Insurance Company.

7 2. I attach as Exhibit "A" a true and correct copy of the Reorganization, Rehabilitation, and
8 Restructuring Agreement entered into on December 13, 1989 by the Insurance Commissioner, as
9 Liquidator of Mission Insurance Company, Mission National Insurance Company, Enterprise
10 Insurance Company, and as Conservator of Mission American Insurance Company and Compac
11 Insurance Company, with the Missouri Director of the Division of Insurance as Receiver of Holland-
12 America Insurance Company and Mission Reinsurance Corporation, and with Mission Insurance
13 Group, Inc.

14 3. I attach as Exhibit "B" a true and correct copy of the Final Order of Rehabilitation which
15 was issued on April 25, 1990 by the Liquidation Court.

16 4. I attach as Exhibit "C" a true and correct copy of the Shares Allocation Order which
17 authorized and approved the allocation of the 1,648,488 shares of Covanta common stock which
18 have been allocated to MICT (1,172,874 shares), MNICT (399,751 shares) and EICT (75,863
19 shares), to be held by the Insurance Commissioner for and on behalf of holders of Deficiency
20 Claims.

21 I hereby declare the foregoing facts to be true and correct under penalty of perjury of the laws
22 of the State of California on this 13 day of January, 2006.

23
24 
Robert H. Nunnally, Jr.

**AGREEMENT
OF
REORGANIZATION, REHABILITATION
AND
RESTRUCTURING**

Dated as of: December 13, 1989

Exhibit "A"

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**AGREEMENT
OF
REORGANIZATION, REHABILITATION AND RESTRUCTURING**

This Agreement of Reorganization, Rehabilitation and Restructuring dated as of December 13, 1989, is by and among Mission Insurance Group, Inc., a debtor-in-possession under Chapter 11 of the United States Bankruptcy Code ("*MIG*"), Roxani M. Gillespie, as Insurance Commissioner of the State of California (the "*Receiver*"), solely in her capacities as conservator of Mission American Insurance Company ("*MAIC*") and Compac Insurance Company ("*CIC*"), as liquidator of Mission Insurance Company ("*MIC*"), Enterprise Insurance Company ("*EIC*") and Mission National Insurance Company ("*MNIC*"), and as ancillary liquidator of Holland-America Insurance Company ("*HAIC*") and Mission Reinsurance Company ("*MRC*"), and Lewis E. Melahn, as Director of the Division of Insurance of the State of Missouri (the "*Director*"), solely in his capacities as permanent receiver of HAIC and MRC (the foregoing entities, MIC, EIC, MNIC, HAIC and MRC, sometimes are referred to collectively hereinafter as the "*Mission Insurance Subsidiaries*").

RECITALS

The parties desire to establish a framework for the restructuring of MIG, MAIC, CIC and the Mission Insurance Subsidiaries by means of a plan of reorganization of MIG, an amendment to the respective plans of rehabilitation of MAIC and CIC, and a plan of rehabilitation of each of MIC, EIC, HAIC, MNIC and MRC, and for the implementation of the foregoing.

Now, therefore, the parties hereto do hereby agree as follows:

**ARTICLE I.
DEFINITIONS**

As used in this Agreement, the following terms shall have the meanings set forth below:

- 1.1. "*Bankruptcy Code*" means the United States Bankruptcy Code of 1978, as amended, 11 U.S.C. § 101 *et seq.*
- 1.2. "*Call and Put Agreement*" means that certain Call and Put Agreement between Whitman Heffernan Rhein & Co., Inc. or an affiliate or assignee thereof ("*WHR*") and the Receiver, solely in her capacity as the Receiver, as described in Section 2.4 hereof and in the form attached hereto as Exhibit "I."
- 1.3. "*CIC*" means Compac Insurance Company, for which the Receiver has been appointed conservator in the action pending in the Superior Court for the State of California, County of Los Angeles, styled *Insurance Commissioner of the State of California v. Compac Insurance Company*, Case No. C682377 (the "*CIC Court*"). CIC is a wholly-owned subsidiary of MAIC.
- 1.4. "*CIC Claims*" means those claims which, as determined by an order of the CIC Court, are properly allocated to the CIC estate, as further described in Section 3.7(c) hereof.
- 1.5. "*CIC Retained Assets*" means the assets of CIC which, pursuant to Section 2.2 hereof, are not transferred to the MAIC Trust as part of the CIC Transferred Assets; the CIC Retained Assets consist solely of the certificate of authority, corporate charter, articles, by-laws, unissued stock and all outstanding licenses, if any.
- 1.6. "*CIC Transferred Assets*" means all of the assets of CIC which, pursuant to Section 2.2 hereof, are to be transferred to the MAIC Trust; the CIC Transferred Assets are all of the assets of CIC other than the CIC Retained Assets, and include but are not limited to all of CIC's cash, bonds and tangible property, counterclaims against creditors and defenses, if any, to the CIC Claims.

1.7. "Closing" or "Closing Date" means three business days after satisfaction or waiver of the last remaining condition precedent to the implementation of this Agreement, as set forth in Article 4 hereof.

1.8. "Deficiency Claims" means, with respect to each of the Mission Insurance Subsidiaries, the claims, or that portion of the claims of creditors thereof, which have been made or could have been made against any of the Mission Insurance Subsidiaries in the Insurance Proceedings or against the Receiver or Director in accordance with the Insurance Code, of any kind whatsoever against such entity which remain unsatisfied after (a) final determination by the Trustee of the Trusts, final adjudication or other resolution of any and all litigation or administrative proceedings between the holders of such claims and the Trust established hereunder with respect to such entity, and (b) the Trustee of such Trust marshalls and distributes to the beneficiaries of the Trust, in accordance with the priorities set forth in the Insurance Code, all of the Transferred Assets received by the Trust from the Mission Insurance Subsidiary, less expenses of administration, including any income earned on investments of the Transferred Assets or changes made to the composition thereof during the administration of the Trust but not including the MIG Common Stock.

1.9. "Director" means Lewis E. Melahn, in his capacity as permanent receiver, or any successor to Mr. Melahn who may be appointed by the Rehabilitation Court.

1.10. "EIC" means Enterprise Insurance Company, for which the Receiver has been appointed liquidator in the action pending in the Superior Court for the State of California, County of Los Angeles, styled *Insurance Commissioner of the State of California v. Enterprise Insurance Company*, Case No. C576325 (the "EIC Court"). EIC is an indirectly wholly-owned subsidiary of MIC.

1.11. "EIC Claims" means those claims which, as determined by an order of the EIC Court, are properly allocated to the EIC estate, as further described in Section 3.2(c) hereof.

1.12. "EIC Common Stock" means the shares of authorized and unissued common stock of EIC which, when issued by EIC pursuant to Section 2.1 hereof, shall represent 19% of the issued and outstanding common stock of EIC.

1.13. "EIC Retained Assets" means the assets of EIC which, pursuant to Section 2.1 hereof, are not transferred to the EIC Trust as part of the EIC Transferred Assets; the EIC Retained Assets consist solely of the certificate of authority, corporate charter, articles, by-laws, unissued stock and all outstanding licenses, if any.

1.14. "EIC Transferred Assets" means all of the assets of EIC which, pursuant to Section 2.1 hereof, are to be transferred to the EIC Trust; the EIC Transferred Assets are all of the assets of EIC other than the EIC Retained Assets, and include but are not limited to all of EIC's cash, bonds and tangible property, statutory deposits, claims, suits, actions, choses in action and defenses thereto, claims against certain former officers and directors of MIG and/or the Mission Insurance Subsidiaries to the extent not released, all shares of MIG Common Stock owned by the Receiver on behalf of the holders of Deficiency Claims against EIC, and defenses, if any, to the EIC Claims. Without limiting the foregoing, and except as otherwise set forth in the EIC Plan of Rehabilitation, the EIC Transferred Assets include all causes of action possessed by the Receiver on behalf of EIC, whether currently existing or arising in the future, including but not limited to the causes of action for reinsurance recoverables and bad faith including the actions pending in the Superior Court of the State of California for the County of Los Angeles styled *Roxani Gillespie, etc. v. Abeille-Paix Reassurances, et al.*, Case Numbers C 629 709 and C 683 233 (collectively, the "Abeille-Paix Litigation") and any claims asserted in any other litigation brought by the Receiver on behalf of EIC to collect any assets or receivables of such company.

1.15. "EIC Trustee" means the trustee under that certain trust of EIC (the "EIC Trust") as described in Section 2.1 hereof and in the form attached hereto as Exhibit "B."

1.16. "Final Order of Confirmation" means the order of the MIG Bankruptcy Court confirming the Plan of Reorganization, as described in Section 2.4 hereof, pursuant to Section 1129 of the

Bankruptcy Code, which order is either final and non-appealable or, if an appeal therefrom has been taken, no order of a court of competent jurisdiction has been entered prior to the scheduled Closing Date staying the effect of the appealed order.

1.17. "Final Order of Rehabilitation" means, with respect to each Mission Insurance Subsidiary, the order of the Rehabilitation Court having jurisdiction of the delinquency proceeding relating to such Mission Insurance Subsidiary, approving the Plan of Rehabilitation as described in Article 2 hereof in all material respects, which order is either final and non-appealable or, if an appeal therefrom has been taken, no order of a court of competent jurisdiction has been entered prior to the scheduled Closing Date staying the effect of the appealed order. With respect to the estates of HAIC and MRC, the Final Order of Rehabilitation refers to such order(s) which may be made by the HAIC Courts and the MRC Courts.

1.18. "HAIC" means Holland-America Insurance Company, for which the Director has been appointed permanent receiver in the action pending in the Circuit Court of Jackson County, Missouri, at Kansas City, styled *Lewis R. Crist v. Holland-America Ins. Co. et al.*, Case No. CV87-4356, Civil Docket P. Division 13, and the Receiver has been appointed ancillary liquidator in the action pending in the Superior Court for the State of California, County of Los Angeles, styled *Insurance Commissioner of the State of California v. Holland-America Insurance Company*, Case No. C576323 (collectively, the "HAIC Court"). HAIC is an indirectly wholly-owned subsidiary of MIC.

1.19. "HAIC Claims" means those claims which, as determined by an order of the HAIC Court, are properly allocated to the HAIC estate, as further described in Section 3.3(c) hereof.

1.20. "HAIC Common Stock" means the shares of authorized and unissued common stock of HAIC which, when issued by HAIC pursuant to Section 2.1 hereof, shall represent 19% of the issued and outstanding common stock of HAIC.

1.21. "HAIC Retained Assets" means the assets of HAIC which, pursuant to Section 2.1 hereof, are not transferred to the HAIC Trust as part of the HAIC Transferred Assets; the HAIC Retained Assets consist solely of the certificate of authority, corporate charter, articles, by-laws, unissued stock and all outstanding licenses, if any.

1.22. "HAIC Transferred Assets" means all of the assets of HAIC which, pursuant to Section 2.1 hereof, are to be transferred to the HAIC Trust; the HAIC Transferred Assets are all of the assets of HAIC other than the HAIC Retained Assets, and include but are not limited to all of HAIC's cash, bonds and tangible property, statutory deposits, claims, suits, actions, choses in action and defenses thereto, claims against certain former officers and directors of MIG and/or the Mission Insurance Subsidiaries to the extent not released, all shares of MIG Common Stock owned by the Receiver on behalf of the holders of Deficiency Claims against HAIC, and defenses, if any, to the HAIC Claims. Without limiting the foregoing, and except as otherwise set forth in the HAIC Plan of Rehabilitation, the HAIC Transferred Assets include all causes of action possessed by the Receiver on behalf of HAIC, whether currently existing or arising in the future, including but not limited to the causes of action for reinsurance recoverables and bad faith including the actions pending in the Superior Court of the State of California for the County of Los Angeles styled *Roxani Gillespie, etc. v. Abeille-Paix Reassurances, et al.*, Case Numbers C 629 709 and C 683 233 (collectively, the "Abeille-Paix Litigation") and any claims asserted in any other litigation brought by the Receiver or the Director on behalf of HAIC to collect any assets or receivables of such company, all of which are intended to be transferred to the HAIC Trust and preserved in an unaltered fashion.

1.23. "HAIC Trustee" means the trustee under that certain trust of HAIC (the "HAIC Trust") as described in Section 2.1 hereof and in the form attached hereto as Exhibit "C."

1.24. "Indemnity and Pledge Agreement" means the agreement between MAIC and the MAIC Trustee as described in Article 2 hereof and in the form attached hereto as Exhibit "G".

1.25. "Insurance Code" means the California Insurance Code or the Missouri Insurance Code, as the context may require based upon the state of domicile of the Mission Insurance Subsidiary.

1.26. "Insurance Proceedings" means, collectively, all of the actions described in Sections 1.3, 1.10, 1.18, 1.28, 1.34, 1.46 and 1.52 hereof.

1.27. "KCP Common Stock" means those shares of common stock of KCP Holding Company represented by voting trust certificates owned by MAIC as of the Closing Date (subject to final adjustment pursuant to that certain Restated and Amended Rehabilitation, Asset Acquisition and Stock Purchase Agreement); the KCP Common Stock is not included in the MAIC Transferred Assets.

1.28. "MAIC" means Mission American Insurance Company, for which the Receiver has been appointed conservator (the "MAIC Conservator") in the action pending in the Superior Court for the State of California, County of Los Angeles, styled *Insurance Commissioner of the State of California v. Mission American Insurance Company*, Case No. C634774 (the "MAIC Court"). MAIC is a wholly-owned subsidiary of MIG.

1.29. "MAIC Arbitration Proceeding" means that certain arbitration proceeding pending between the Receiver and MAIC and/or CIC, with respect to the Receiver's MAIC Claim (as such term is defined in the Settlement Agreement dated as of April 21, 1988 between MIG and the Receiver, in her capacities as MAIC Conservator and MIC Liquidator).

1.30. "MAIC Claims" means those claims which, as determined by an order of the MAIC Court, are properly allocated to the MAIC estate, as further described in Section 3.6(c) hereof.

1.31. "MAIC Retained Assets" means the assets of MAIC which, pursuant to Section 2.2 hereof, are not transferred to the MAIC Trust as part of the MAIC Transferred Assets; the MAIC Retained Assets consist solely of all outstanding shares of common stock of the Mission Insurance Subsidiaries and CIC, whether previously owned by MAIC or received by MAIC pursuant to this Agreement, the KCP Common Stock, certificate of authority, corporate charter, articles, by-laws, unissued stock, and all outstanding licenses of MAIC, if any.

1.32. "MAIC Transferred Assets" means all of the assets of MAIC which, pursuant to Section 2.2 hereof, are to be transferred to the MAIC Trust; the MAIC Transferred Assets are all of the assets of MAIC other than the MAIC Retained Assets, and include but are not limited to all of MAIC's cash, bonds and tangible property, counterclaims against creditors, and defenses, if any, to the MAIC Claims.

1.33. "MAIC Trustee" means the trustee under that certain trust of MAIC (the "MAIC Trust") as described in Section 2.2 hereof and in the form attached hereto as Exhibit "F."

1.34. "MIC" means Mission Insurance Company, of which the Receiver has been appointed liquidator (the "MIC Liquidator") in the action pending in the Superior Court of the State of California, County of Los Angeles, styled *Insurance Commissioner of the State of California v. Mission Insurance Company*, Case No. C576321 (the "MIC Court"). MIC is a wholly-owned subsidiary of MAIC.

1.35. "MIC Claims" means those claims which, as determined by an order of the MIC Court, are properly allocated to the MIC estate, as further described in Section 3.1(c) hereof.

1.36. "MIC Common Stock" means the shares of authorized and unissued common stock of MIC which, when issued by MIC pursuant to Section 2.1 hereof, shall represent 19% of the issued and outstanding common stock of MIC.

1.37. "MIC Retained Assets" means the assets of MIC which, pursuant to Section 2.1 hereof, are not transferred to the MIC Trust as part of the MIC Transferred Assets; the MIC Retained Assets consist solely of the certificate of authority, corporate charter, articles, by-laws, unissued stock and all outstanding licenses of MIC, if any.

1.38. "MIC Transferred Assets" means all of the assets of MIC which, pursuant to Section 2.1 hereof, are to be transferred to the MIC Trust; the MIC Transferred Assets are all of the assets of MIC other than the MIC Retained Assets, and include but are not limited to all of MIC's cash, bonds and tangible property, statutory deposits, claims, suits, actions, choses in action and defenses thereto, claims against certain former officers and directors of MIG and/or the Mission Insurance Subsidiaries

to the extent not released; all shares of MIG Common Stock owned by the Receiver on behalf of the holders of Deficiency Claims against MIC, and defenses, if any, to the MIC Claims. Without limiting the foregoing, and except as otherwise set forth in the MIC Plan of Rehabilitation, the MIC Transferred Assets include all causes of action possessed by the Receiver on behalf of MIC, whether currently existing or arising in the future, including but not limited to the causes of action for reinsurance recoverables and bad faith including the actions pending in the Superior Court of the State of California for the County of Los Angeles styled *Roxani Gillespie, etc. v. Abeille-Paix Reassurances, et al.*, Case Numbers C 629 709 and C 683 233 (collectively, the "*Abeille-Paix* Litigation") and any claims asserted in any other litigation brought by the Receiver on behalf of MIC to collect any assets or receivables of such company.

1.39. "*MIC Trustee*" means the trustee under that certain trust of MIC (the "*MIC Trust*") as described in Section 2.1 hereof and in the form attached hereto as Exhibit "A."

1.40. "*MIG*" means Mission Insurance Group, Inc., a debtor-in-possession under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Central District of California, Case No. LA 86-00300 LF (the "*MIG Bankruptcy Court*").

1.41. "*MIG Common Stock*" means 1,518,988 shares of MIG Plan Common Stock which, when issued to the Receiver on behalf of the Mission Insurance Subsidiaries pursuant to the Plan of Reorganization, shall represent 24% of the MIG Plan Common Stock, as described in Section 2.4 hereof.

1.42. "*MIG Plan Common Stock*" means 6,329,115 shares of common stock of MIG (including, as part thereof, the MIG Common Stock), par value \$.10 per share, to be issued pursuant to the MIG Plan of Reorganization. The number of shares of MIG Plan Common Stock does not include the MIG Rights Offering Common Stock.

1.43. "*MIG Rights Offering Common Stock*" means the 7,032,350 shares of common stock of MIG, par value \$.10 per share, to be offered by MIG pursuant to and in connection with the Rights Offering, including the shares of common stock of MIG subject to the Call and Put Agreement. The number of shares of MIG Rights Offering Common Stock does not include the MIG Plan Common Stock.

1.44. "*Mission Insurance Subsidiaries*" means MIC, EIC, HAIC, MNIC and MRC.

1.45. "*Mission Non-Insurance Subsidiaries*" means MRMC, PRMC and S&T. The Mission Non-Insurance Subsidiaries are signatories to this Agreement solely for the purpose of acknowledging their approval hereof as to form and content.

1.46. "*MNIC*" means Mission National Insurance Company, for which the Receiver has been appointed liquidator in the action pending in the Superior Court for the State of California, County of Los Angeles, styled *Insurance Commissioner of the State of California v. Mission National Insurance Company*, Case No. C576324 (the "*MNIC Court*"). MNIC is a wholly-owned subsidiary of MIC.

1.47. "*MNIC Claims*" means those claims which, as determined by an order of the MNIC Court, are properly allocated to the MNIC estate, as further described in Section 3.4(c) hereof.

1.48. "*MNIC Common Stock*" means the shares of authorized and unissued common stock of MNIC which, when issued by MNIC pursuant to Section 2.1 hereof, shall represent 19% of the issued and outstanding common stock of MNIC.

1.49. "*MNIC Retained Assets*" means the assets of MNIC which, pursuant to Section 2.1 hereof, are not transferred to the MNIC Trust as part of the MNIC Transferred Assets; the MNIC Retained Assets consist solely of the certificate of authority, corporate charter, articles, by-laws, unissued stock and all outstanding licenses of MNIC, if any.

1.50. "*MNIC Transferred Assets*" means all of the assets of MNIC which, pursuant to Section 2.1 hereof, are to be transferred to the MNIC Trust; the MNIC Transferred Assets are all of the assets of MNIC other than the MNIC Retained Assets, and include but are not limited to all of MNIC's

cash, bonds and tangible property, statutory deposits, claims, suits, actions, choses in action and defenses thereto, claims against certain former officers and directors of MIG and/or the Mission Insurance Subsidiaries to the extent not released, all shares of MIG Common Stock owned by the Receiver on behalf of the holders of Deficiency Claims against MNIC, and defenses, if any, to the MNIC Claims. Without limiting the foregoing, and except as otherwise set forth in the MNIC Plan of Rehabilitation, the MNIC Transferred Assets include all causes of action possessed by the Receiver on behalf of MNIC, whether currently existing or arising in the future, including but not limited to the causes of action for reinsurance recoverables and bad faith including the actions pending in the Superior Court of the State of California for the County of Los Angeles styled *Roxani Gillespie, etc. v. Abeille-Paix Reassurances, et al.*, Case Numbers C 629 709 and C 683 233 (collectively, the "*Abeille-Paix* Litigation") and any claims asserted in any other litigation brought by the Receiver on behalf of MNIC to collect any assets or receivables of such company.

1.51. "*MNIC Trustee*" means the trustee under that certain trust of MNIC (the "*MNIC Trust*") as described in Section 2.1 hereof and in the form attached hereto as Exhibit "D."

1.52. "*MRC*" means Mission Reinsurance Corporation, for which the Director has been appointed permanent receiver in the action pending in the Circuit Court of Jackson County, Missouri, at Kansas City, styled *Lewis R. Crist v. Holland-America Ins. Co., Mission Reinsurance Corporation*, Case No. CV87-4356, Civil Docket P, Division 13, and the Receiver has been appointed ancillary liquidator in the action pending in the Superior Court for the State of California, County of Los Angeles, styled *Insurance Commissioner of the State of California v. Mission Reinsurance Company*, Case No. C576416 (collectively, the "*MRC Court*"). MRC is a wholly-owned subsidiary of MIG.

1.53. "*MRC Claims*" means those claims which, as determined by an order of the MRC Court, are properly allocated to the MRC estate, as further described in Section 3.5(c) hereof.

1.54. "*MRC Common Stock*" means the shares of authorized and unissued common stock of MRC which, when issued by MRC pursuant to Section 2.1 hereof, shall represent 19% of the issued and outstanding common stock of MRC.

1.55. "*MRC Retained Assets*" means the assets of MRC which, pursuant to Section 2.1 hereof, are not transferred to the MRC Trust as part of the MRC Transferred Assets; the MRC Retained Assets consist solely of the certificate of authority, corporate charter, articles, by-laws, unissued stock, and all outstanding licenses, if any.

1.56. "*MRC Transferred Assets*" means all of the assets of MRC which, pursuant to Section 2.1 hereof, are to be transferred to the MRC Trust; the MRC Transferred Assets are all of the assets of MRC other than the MRC Retained Assets, and include but are not limited to all of MRC's cash, bonds and tangible property, statutory deposits, claims, suits, actions, choses in action and defenses thereto, claims against certain former officers and directors of MIG and/or the Mission Insurance Subsidiaries to the extent not released, all shares of MIG Common Stock owned by the Receiver on behalf of the holders of Deficiency Claims against MRC, and defenses, if any, to the MRC Claims. Without limiting the foregoing, and except as otherwise set forth in the MRC Plan of Rehabilitation, the MRC Transferred Assets include all causes of action possessed by the Receiver on behalf of MRC, whether currently existing or arising in the future, including but not limited to the causes of action for reinsurance recoverables and bad faith including the actions pending in the Superior Court of the State of California for the County of Los Angeles styled *Roxani Gillespie, etc. v. Abeille-Paix Reassurances, et al.*, Case Numbers C 629 709 and C 683 233 (collectively, the "*Abeille-Paix* Litigation") and any claims asserted in any other litigation brought by the Receiver or the Director on behalf of MRC to collect any assets or receivables of such company, all of which are intended to be transferred to the MRC Trust and preserved in an unaltered fashion.

1.57. "*MRC Trustee*" means the trustee under that certain trust of MRC (the "*MRC Trust*") as described in Section 2.1 hereof and in the form attached hereto as Exhibit "E."

1.58. "*MRMC*" means Mission Re Management Corporation. MRMC, a subsidiary of MIG, is one of the Mission Non-Insurance Subsidiaries.

1.59. "PRMC" means Pacific Reinsurance Management Corp., a debtor-in-possession under Chapter 11 of the Bankruptcy Code in the United States Bankruptcy Court for the Central District of California. PRMC, a subsidiary of MIG, is one of the Mission Non-Insurance Subsidiaries.

1.60. "Plan of Reorganization" means the plan of reorganization of MIG, as described in Section 2.4 hereof and in the form attached hereto as Exhibit "H."

1.61. "Plans of Rehabilitation" means, collectively, (a) those certain amendments to the plans of rehabilitation of MAIC and CIC as described in Article 2 hereof and (b) those certain plans of rehabilitation of the Mission Insurance Subsidiaries as set forth in Article 2 hereof.

1.62. "Receiver" means Roxani M. Gillespie, in her capacity as conservator of MAIC and CIC or liquidator of the Mission Insurance Subsidiaries, or any successor to Ms. Gillespie who may be appointed by a Rehabilitation Court.

1.63. "Rehabilitation Court" means any of the MAIC Court, CIC Court, MIC Court, EIC Court, HAIC Court, MNIC Court and MRC Court.

1.64. "Rights Offering" means the offer to be made by MIG to certain persons and entities affording them the right, but not the obligation, to make an investment in additional shares of common stock of MIG (i.e., the MIG Rights Offering Common Stock) on the terms and conditions described in the Plan of Reorganization and in Section 2.4(b) hereof.

1.65. "S&T" means Sayre & Toso, Inc. S&T, a subsidiary of MIG, is one of the Mission Non-Insurance Subsidiaries.

1.66. "Trusts" means those certain Trusts established for and as successors to MAIC, CIC and the Mission Insurance Subsidiaries pursuant to Sections 2.1 and 2.2 hereof.

ARTICLE 2.

PLANS OF REHABILITATION AND REORGANIZATION

2.1. *Rehabilitation of Mission Insurance Subsidiaries.*

(a) **Rehabilitation of MIC.** Subject to the satisfaction or waiver of the conditions precedent set forth in Section 4.1 hereof, the following is the Plan of Rehabilitation of MIC:

(i) *Exchange of MIC Common Stock for the Deficiency Claims.* At the Closing, MIC, acting by and through the Receiver, shall issue and deliver the MIC Common Stock in exchange for the Deficiency Claims against MIC. Such issuance shall be made to the Receiver as agent (in accordance with the provisions of this Agreement and the Exhibits hereto) for and on behalf of all holders of Deficiency Claims against MIC in order of priority as provided by the Insurance Code. The Receiver shall act in a manner that does not violate the proportionality requirements of Section 108(e)(8)(B) of the Internal Revenue Code of 1986, as amended.

(ii) *Exchange of MIC Common Stock for MIG Common Stock.* Promptly after the actions set forth in the foregoing subsection (i) and in subsections (b)(ii), (c)(ii), (d)(ii) and (e)(ii) of this Section 2.1 have occurred, MIG shall issue the MIG Common Stock to MAIC which, in turn, shall transfer the MIG Common Stock to the Receiver, acting on behalf of holders of Deficiency Claims against the Mission Insurance Subsidiaries, in exchange for the MIC Common Stock, EIC Common Stock, HAIC Common Stock, MNIC Common Stock and MRC Common Stock. The Receiver shall allocate the MIG Common Stock among the holders of Deficiency Claims in a manner consistent with the Insurance Code priorities and with the method previously employed by the Receiver for allocation of pooled assets among the Mission Insurance Subsidiaries or as otherwise ordered by the Rehabilitation Courts. The shares of MIG Common Stock shall be subject to the transfer restrictions set forth in section 5.5 of the Plan of Reorganization.

(iii) *Transfer of MIC Transferred Assets.* Promptly after the action set forth in the foregoing subsection (ii) has occurred, the Receiver shall transfer to the MIC Trust (subject to the MIC Claims which shall be assumed by the MIC Trust subject to the priorities set forth in the Insurance Code) all of the MIC Transferred Assets, excluding only the MIC Retained Assets. If the Receiver acquires the MIG Rights Offering Common Stock pursuant to the call provisions of the Call and Put Agreement or otherwise, an allocable percentage of such stock or the proceeds of any sale thereof realized by the Receiver pursuant to the put provisions of the Call and Put Agreement shall be transferred to the MIC Trust as soon as practicable in a manner consistent with the terms of the Call and Put Agreement. During the term of the MIC Trust, the MIC Trustee shall continue to hold such MIG Common Stock for the benefit of the holders of Deficiency Claims against MIC and otherwise shall administer the MIC Trust in accordance with the terms of the MIC Trust.

(iv) *Effect of Rehabilitation of MIC.* As a result of the entry of the Final Order of Rehabilitation of MIC and the consummation of the transactions contemplated herein, any and all Deficiency Claims against MIC shall be deemed exchanged in full by operation of the Final Order of Rehabilitation for the MIC Common Stock; thereafter, any person who previously held, asserted or could have asserted any Deficiency Claim against MIC shall have an interest, if at all, solely in his capacity first, as a beneficial owner of shares of MIC Common Stock and, after the exchange thereof for shares of MIG Common Stock, as a beneficial owner thereof. Such interest and beneficial ownership shall be in accordance with the priorities and related requirements of the Insurance Code and shall be held through and in accordance with the provisions of the MIC Trust.

(v) *Release From Insurance Proceedings.* Pursuant to the Final Order of Rehabilitation of MIC, MIC's name shall be changed and it shall be released from all Insurance Proceedings free of any claims and liabilities of any kind whatsoever.

(vi) *Release of Certain Claims by Receiver.* Any and all claims, causes of action, proceedings and actions by or on behalf of the Receiver on behalf of MIC against MIG, its Official Committee of Unsecured Creditors, the Mission Non-Insurance Subsidiaries, the Mission Insurance Subsidiaries, MAIC and/or CIC, including specifically all claims respecting such entities described and included in the proofs of claim filed by the Receiver in the MIG Bankruptcy Court or in connection with the MAIC Arbitration Proceeding, shall, contingent upon full performance by MIG of all of the provisions of this Agreement, be released by the Receiver on behalf of MIC, effective on the date of consummation of the Plan of Reorganization; provided, however, that this release does not extend to claims filed or which may be filed by the Receiver or the Director on behalf of MIC against other parties not expressly listed above or claims against the other Mission Insurance Subsidiaries arising from inter-company pooling agreements or other inter-company balances, all of which claims are part of the Transferred Assets being administered as part of the Trust estate and shall be satisfied, to the extent of the validity of such claims, solely from the assets of the Trusts established for the other Mission Insurance Subsidiaries after the date of consummation of the Plan of Reorganization; nor shall such release constitute a general release which might be construed to benefit any person or entity not a party to this Agreement, including but not limited to third parties such as reinsurers, former officers and directors of any of the Mission Insurance Subsidiaries, or any insurance carrier which might be liable by reason of any claim of any nature whatsoever, as now or which may hereafter be described in such proofs of claim or any other claim, cause of action or proceeding asserted by or on behalf of the Receiver or the Director, all of which are preserved and transferred as part of the Transferred Assets, unless specifically released by a separate agreement to that effect executed by the Receiver and the Director.

(vii) *Release of Claims by MIC.* Any and all claims, causes of action, proceedings and actions by, of, or on behalf of MIC against the Receiver, any Deputy Insurance Commissioner,

the Director, any of the Trusts contemplated herein, or any employee, agent or representative of any of the foregoing, shall be released and fully discharged, effective on the date of consummation of the Plan of Reorganization.

(b) **Rehabilitation of EIC.** Subject to the satisfaction or waiver of the conditions precedent set forth in Section 4.1 hereof, the following is the Plan of Rehabilitation of EIC:

(i) *Distribution of EIC Stock.* At the Closing, (A) HAIC, acting by and through the Director, shall distribute to MNIC all of the outstanding stock of EIC, whereupon (B) MNIC, acting by and through the Receiver, shall distribute to MIC all of such stock, whereupon, (C) MIC, acting by and through the Receiver, shall distribute to MAIC all of such stock so that, after giving effect to such distributions, MAIC shall be the holder of all of the outstanding common stock of EIC.

(ii) *Exchange of EIC Common Stock for the Deficiency Claims.* Immediately after the foregoing distributions and on the Closing Date, EIC, acting by and through the Receiver, shall issue and deliver the EIC Common Stock in exchange for the Deficiency Claims against EIC. Such issuance shall be made to the Receiver as agent (in accordance with the provisions of this Agreement and the Exhibits hereto) for and on behalf of all holders of Deficiency Claims against EIC in order of priority as provided by the Insurance Code. The Receiver shall act in a manner that does not violate the disproportionality requirements of Section 108(e)(8)(B) of the Internal Revenue Code of 1986, as amended.

(iii) *Exchange of EIC Common Stock for MIG Common Stock.* Promptly after the actions set forth in the foregoing subsection (ii) and in subsection (a)(i), (c)(ii), (d)(ii) and (e)(ii) have occurred, the EIC Common Stock shall be exchanged for shares of MIG Common Stock as provided in Section 2.1(a)(ii) above. The shares of MIG Common Stock shall be subject to the transfer restrictions set forth in section 5.5 of the Plan of Reorganization.

(iv) *Transfer of EIC Transferred Assets.* Promptly after the action set forth in the foregoing subsection (iii) has occurred, EIC, acting by and through the Receiver, shall transfer to the EIC Trust (subject to the EIC Claims which shall be assumed by the EIC Trust subject to the priorities set forth in the Insurance Code) all of the EIC Transferred Assets, excluding only the EIC Retained Assets. If the Receiver acquires the MIG Rights Offering Common Stock pursuant to the call provisions of the Call and Put Agreement, an allocable percentage of such stock or the proceeds of any sale thereof realized by the Receiver pursuant to the put provisions of the Call and Put Agreement or otherwise shall be transferred to the EIC Trust as soon as practicable in a manner consistent with the terms of the Call and Put Agreement. During the term of the EIC Trust, the EIC Trustee shall continue to hold such MIG Common Stock for the benefit of the holders of Deficiency Claims against EIC and otherwise shall administer the EIC Trust in accordance with the terms of the EIC Trust.

(v) *Effect of Rehabilitation of EIC.* As a result of the entry of the Final Order of Rehabilitation of EIC and the consummation of the transactions contemplated herein, any and all Deficiency Claims against EIC shall be deemed exchanged in full by operation of the Final Order of Rehabilitation for the EIC Common Stock; thereafter, any person who previously held, asserted or could have asserted any Deficiency Claim against EIC shall have an interest, if at all, solely in his capacity first, as a beneficial owner of shares of EIC Common Stock and, after the exchange thereof for shares of MIG Common Stock, as a beneficial owner thereof. Such interest and beneficial ownership shall be in accordance with the priorities and related requirements of the Insurance Code and shall be held through and in accordance with the provisions of the EIC Trust.

(vi) *Release From Insurance Proceedings.* Pursuant to the Final Order of Rehabilitation of EIC, EIC's name shall be changed and it shall be released from all Insurance Proceedings free of any claims and liabilities of any kind whatsoever.

(vii) *Release of Certain Claims by Receiver.* Any and all claims, causes of action, proceedings and actions by or on behalf of the Receiver on behalf of EIC against MIG, its

Official Committee of Unsecured Creditors, the Mission Non-Insurance Subsidiaries, the Mission Insurance Subsidiaries, MAIC and/or CIC, including specifically all claims respecting such entities described and included in the proofs of claim filed by the Receiver in the MIG Bankruptcy Court or in connection with the MAIC Arbitration Proceeding, shall, contingent upon full performance by MIG of all of the provisions of this Agreement, be released by the Receiver on behalf of EIC, effective on the date of consummation of the Plan of Reorganization; provided, however, that this release does not extend to claims filed or which may be filed by the Receiver or the Director on behalf of EIC against other parties not expressly listed above or claims against the other Mission Insurance Subsidiaries arising from inter-company pooling agreements or other inter-company balances, all of which claims are part of the Transferred Assets being administered as part of the Trust estate and shall be satisfied, to the extent of the validity of such claims, solely from the assets of the Trusts established for the other Mission Insurance Subsidiaries after the date of consummation of the Plan of Reorganization; nor shall such release constitute a general release which might be construed to benefit any person or entity not a party to this Agreement, including but not limited to third parties such as reinsurers, former officers and directors of any of the Mission Insurance Subsidiaries, or any insurance carrier which might be liable by reason of any claim of any nature whatsoever, as now or which may hereafter be described in such proofs of claim or any other claim, cause of action or proceeding asserted by or on behalf of the Receiver or the Director, all of which are preserved and transferred as part of the Transferred Assets, unless specifically released by a separate agreement to that effect executed by the Receiver and the Director.

(viii) *Release of Claims by EIC.* Any and all claims, causes of action, proceedings and actions by, of, or on behalf of EIC against the Receiver, any Deputy Insurance Commissioner, the Director, any of the Trusts contemplated herein, or any employee, agent or representative of any of the foregoing, shall be released and fully discharged, effective on the date of consummation of the Plan of Reorganization.

(c) **Rehabilitation of HAIC.** Subject to the satisfaction or waiver of the conditions precedent set forth in Section 4.1 hereof, the following is the Plan of Rehabilitation of HAIC:

(i) *Distribution of HAIC Stock.* At the Closing, (A) MNIC, acting by and through the Receiver, shall distribute to MIC all of the outstanding stock of HAIC, whereupon, (B) MIC, acting by and through the Receiver, shall distribute to MAIC all of such stock so that, after giving effect to such distributions, MAIC shall be the holder of all of the outstanding common stock of HAIC.

(ii) *Exchange of HAIC Common Stock for the Deficiency Claims.* Immediately after the foregoing distributions and on the Closing Date, HAIC, acting by and through the Director, shall issue and deliver the HAIC Common Stock in exchange for the Deficiency Claims against HAIC. Such issuance shall be made to the Director as agent (in accordance with the provisions of this Agreement and the Exhibits hereto) for and on behalf of all holders of Deficiency Claims against HAIC in order of priority as provided by the Insurance Code. The Director shall act in a manner that does not violate the disproportionality requirements of Section 108(e)(8)(B) of the Internal Revenue Code of 1986, as amended. Upon the Director's receipt of the HAIC Common Stock, the Director shall transfer such stock to the Receiver, as nominee for the Director, in order to have the exchange thereof for shares of MIG Common Stock implemented pursuant to the next succeeding subsection (iii).

(iii) *Exchange of HAIC Common Stock for MIG Common Stock.* Promptly after the actions set forth in the foregoing subsection (ii) and in subsections (a)(i), (b)(ii), (d)(ii) and (e)(ii) of this Section 2.1 have occurred, the HAIC Common Stock shall be exchanged for shares of MIG Common Stock as provided in Section 2.1(a)(ii) above. The shares of MIG Common Stock shall be subject to the transfer restrictions set forth in section 5.5 of the Plan of Reorganization.

(iv) *Transfer of HAIC Transferred Assets.* Promptly after the action set forth in the foregoing subsection (iii) has occurred, HAIC, acting by and through the Director, shall transfer to the HAIC Trust (subject to the HAIC Claims, which shall be assumed by the HAIC Trust subject to the priorities set forth in the Insurance Code) all of the HAIC Transferred Assets. If the Receiver acquires the MIG Rights Offering Common Stock pursuant to the call provisions of the Call and Put Agreement, an allocable percentage of such stock or the proceeds of any sale thereof realized by the Receiver pursuant to the put provisions of the Call and Put Agreement or otherwise shall be transferred to the HAIC Trust as soon as practicable in a manner consistent with the terms of the Call and Put Agreement. During the term of the HAIC Trust, the HAIC Trustee shall continue to hold such MIG Common Stock for the benefit of the holders of Deficiency Claims against HAIC and otherwise shall administer the HAIC Trust in accordance with the terms of the HAIC Trust.

(v) *Effect of Rehabilitation of HAIC.* As a result of the entry of the Final Order of Rehabilitation of HAIC and the consummation of the transactions contemplated herein, any and all Deficiency Claims against HAIC shall be deemed exchanged in full by operation of the Final Order of Rehabilitation for the HAIC Common Stock; thereafter, any person who previously held, asserted or could have asserted any Deficiency Claim against HAIC shall have an interest, if at all, solely in his capacity first, as a beneficial owner of shares of HAIC Common Stock and, after the exchange thereof for shares of MIG Common Stock, as a beneficial owner thereof. Such interest and beneficial ownership shall be in accordance with the priorities and related requirements of the Insurance Code and shall be held through and in accordance with the HAIC Trust.

(vi) *Release From Insurance Proceedings.* Pursuant to the Final Order of Rehabilitation of HAIC, HAIC's name shall be changed and it shall be released from all Insurance Proceedings free of any claims and liabilities of any kind whatsoever. The parties acknowledge that the approval of both of the HAIC Courts is required.

(vii) *Release of Certain Claims by Director.* Any and all claims, causes of action, proceedings and actions by or on behalf of the Director on behalf of HAIC against MIG, its Official Committee of Unsecured Creditors, the Mission Non-Insurance Subsidiaries, the Mission Insurance Subsidiaries, MAIC and/or CIC, including specifically all claims respecting such entities described and included in the proofs of claim filed by the Director in the MIG Bankruptcy Court or in connection with the MAIC Arbitration Proceeding, shall, contingent upon full performance by MIG of all of the provisions of this Agreement, be released by the Director on behalf of HAIC, effective on the date of consummation of the Plan of Reorganization; provided, however, that this release does not extend to claims filed or which may be filed by the Receiver or the Director on behalf of HAIC against other parties not expressly listed above or claims against the other Mission Insurance Subsidiaries arising from inter-company pooling agreements or other inter-company balances, all of which claims are part of the Transferred Assets being administered as part of the Trust estate and shall be satisfied, to the extent of the validity of such claims, solely from the assets of the Trusts established for the other Mission Insurance Subsidiaries after the date of consummation of the Plan of Reorganization; nor shall such release constitute a general release which might be construed to benefit any person or entity not a party to this Agreement, including but not limited to third parties such as reinsurers, former officers and directors of any of the Mission Insurance Subsidiaries, or any insurance carrier which might be liable by reason of any claim of any nature whatsoever, as now or which may hereafter be described in such proofs of claim or any other claim, cause of action or proceeding asserted by or on behalf of the Receiver or the Director, all of which are preserved and transferred as part of the Transferred Assets, unless specifically released by a separate agreement to that effect executed by the Receiver and the Director.

(viii) *Release of Claims by HAIC.* Any and all claims, causes of action, proceedings and actions by, of, or on behalf of HAIC against the Receiver, any Deputy Insurance Commissioner, the Director, any of the Trusts contemplated herein, or any employee, agent, or representative of any of the foregoing, shall be released and fully discharged, effective on the date of consummation of the Plan of Reorganization.

(d) *Rehabilitation of MNIC.* Subject to the satisfaction or waiver of the conditions precedent set forth in Section 4.1 hereof, the following is the Plan of Rehabilitation of MNIC:

(i) *Distribution of MNIC Stock.* At the Closing, MIC, acting by and through the Receiver, shall distribute to MAIC all of the outstanding stock of MNIC so that, after giving effect to such distribution, MAIC shall be the holder of all of the outstanding common stock of MNIC.

(ii) *Exchange of MNIC Common Stock for the Deficiency Claims.* Immediately after the foregoing distribution and on the Closing Date, MNIC, acting by and through the Receiver, shall issue and deliver the MNIC Common Stock in exchange for the Deficiency Claims against MNIC. Such issuance shall be made to the Receiver as agent (in accordance with the provisions of this Agreement and the Exhibits hereto) for and on behalf of all holders of Deficiency Claims against MNIC in order of priority as provided by the Insurance Code. The Receiver shall act in a manner that does not violate the disproportionality requirements of Section 108(e)(8)(B) of the Internal Revenue Code of 1986, as amended.

(iii) *Exchange of MNIC Common Stock for MIG Common Stock.* Promptly after the actions set forth in the foregoing subsection (ii) and in subsections (a)(i), (b)(ii), (c)(ii) and (e)(ii) of this Section 2.1 have occurred, the MNIC Common Stock shall be exchanged for shares of MIG Common Stock as provided in Section 2.1(a)(ii) above. The shares of MIG Common Stock shall be subject to the transfer restrictions set forth in section 5.5 of the Plan of Reorganization.

(iv) *Transfer of MNIC Transferred Assets.* Promptly after the action set forth in the foregoing subsection (iii) has occurred, MNIC, acting by and through the Receiver, shall transfer to the MNIC Trust (subject to the MNIC Claims which shall be assumed by the MNIC Trust subject to the priorities set forth in the Insurance Code) all of the MNIC Transferred Assets, excluding only the MNIC Retained Assets. If the Receiver acquires the MIG Rights Offering Common Stock pursuant to the call provisions of the Call and Put Agreement, an allocable percentage of such stock or the proceeds of any sale thereof realized by the Receiver pursuant to the put provisions of the Call and Put Agreement or otherwise shall be transferred to the MNIC Trust as soon as practicable in a manner consistent with the terms of the Call and Put Agreement. During the term of the MNIC Trust, the MNIC Trustee shall continue to hold such MIG Common Stock for the benefit of the holders of Deficiency Claims against MNIC and otherwise shall administer the MNIC Trust in accordance with the terms of the MNIC Trust.

(v) *Effect of Rehabilitation of MNI.* As a result of the entry of the Final Order of Rehabilitation of MNIC and the consummation of the transactions contemplated herein, any and all Deficiency Claims against MNIC shall be deemed exchanged in full by operation of the Final Order of Rehabilitation for the MNIC Common Stock; thereafter, any person who previously held, asserted or could have asserted any Deficiency Claim against MNIC shall have an interest, if at all, solely in his or her capacity first, as a beneficial owner of shares of MNIC Common Stock and, after the exchange thereof for shares of MIG Common Stock, as a beneficial owner thereof. Such interest and beneficial ownership shall be in accordance with the priorities and related requirements of the Insurance Code and shall be held through and in accordance with the provisions of the MNIC Trust.

(vi) *Release From Insurance Proceedings.* Pursuant to the Final Order of Rehabilitation of MNIC, MNIC's name shall be changed and it shall be released from all Insurance Proceedings free of any claims and liabilities of any kind whatsoever.

(vii) *Release of Certain Claims by Receiver.* Any and all claims, causes of action, proceedings and actions by or on behalf of the Receiver on behalf of MNIC against MIG, its Official Committee of Unsecured Creditors, the Mission Non-Insurance Subsidiaries, the Mission Insurance Subsidiaries, MAIC and/or CIC, including specifically all claims respecting such entities described and included in the proofs of claim filed by the Receiver in the MIG Bankruptcy Court or in connection with the MAIC Arbitration Proceeding, shall, contingent upon full performance by MIG of all of the provisions of this Agreement, be released by the Receiver on behalf of MNIC, effective on the date of consummation of the Plan of Reorganization; provided, however, that this release does not extend to claims filed or which may be filed by the Receiver or the Director on behalf of MNIC against other parties not expressly listed above or claims against the other Mission Insurance Subsidiaries arising from inter-company pooling agreements or other inter-company balances, all of which claims are part of the Transferred Assets being administered as part of the Trust estate and shall be satisfied, to the extent of the validity of such claims, solely from the assets of the Trusts established for the other Mission Insurance Subsidiaries after the date of consummation of the Plan of Reorganization; nor shall such release constitute a general release which might be construed to benefit any person or entity not a party to this Agreement, including but not limited to third parties such as reinsurers, former officers and directors of any of the Mission Insurance Subsidiaries, or any insurance carrier which might be liable by reason of any claim of any nature whatsoever, as now or which may hereafter be described in such proofs of claim or any other claim, cause of action or proceeding asserted by or on behalf of the Receiver or the Director, all of which are preserved and transferred as part of the Transferred Assets, unless specifically released by a separate agreement to that effect executed by the Receiver and the Director.

(viii) *Release of Claims by MNIC.* Any and all claims, causes of action, proceedings and actions by, of, or on behalf of MNIC against the Receiver, any Deputy Insurance Commissioner, the Director, any of the Trusts contemplated herein, or any employee, agent or representative of any of the foregoing, shall be released and fully discharged, effective on the date of consummation of the Plan of Reorganization.

(e) *Rehabilitation of MRC.* Subject to the satisfaction or waiver of the conditions precedent set forth in Section 4.1 hereof, the following is the Plan of Rehabilitation of MRC:

(i) *Distribution of MRC Stock.* At the Closing, MIG, acting by and through the Receiver, shall distribute to MAIC all of the outstanding stock of MRC so that, after giving effect to such distribution, MAIC shall be the holder of all of the outstanding common stock of MRC.

(ii) *Exchange of MRC Common Stock for the Deficiency Claims.* Immediately after the foregoing distribution and on the Closing Date, MRC, acting by and through the Director, shall issue and deliver the MRC Common Stock in exchange for the Deficiency Claims against MRC. Such issuance shall be made to the Director as agent (in accordance with the provisions of this Agreement and the Exhibits hereto) for and on behalf of all holders of Deficiency Claims against MRC in order of priority as provided by the Insurance Code. The Director shall act in a manner that does not violate the disproportionality requirements of Section 108(e)(8)(B) of the Internal Revenue Code of 1986, as amended. Upon the Director's receipt of the MRC Common Stock, the Director shall transfer such stock to the Receiver, as nominee for the Director, in order to have the exchange thereof for shares of MIG Common Stock implemented pursuant to the next succeeding subsection (iii).

(iii) *Exchange of MRC Common Stock for MIG Common Stock.* Promptly after the actions set forth in the foregoing subsection (ii) and in subsections (a)(i), (b)(ii), (c)(ii) and (d)(ii) of this Section 2.1 have occurred, the MRC Common Stock shall be exchanged for shares of MIG Common Stock as provided in Section 2(a)(ii) above. The shares of MIG Common Stock shall be subject to the transfer restrictions set forth in section 5.5 of the Plan of Reorganization.

(iv) *Transfer of MRC Transferred Assets.* Promptly after the action set forth in the foregoing subsection (iii) has occurred, MRC, acting by and through the Director, shall transfer to the MRC Trust (subject to the MRC Claims which shall be assumed by the MRC Trust subject to the priorities set forth in the Insurance Code) all of the MRC Transferred Assets, excluding only the MRC Retained Assets. If the Receiver acquires the MIG Rights Offering Common Stock pursuant to the call provisions of the Call and Put Agreement, an allocable percentage of such stock or the proceeds of any sale thereof realized by the Receiver pursuant to the put provisions of the Call and Put Agreement or otherwise shall be transferred to the MRC Trust as soon as practicable in a manner consistent with the terms of the Call and Put Agreement. During the term of the MRC Trust, the MRC Trustee shall continue to hold such MIG Common Stock for the benefit of the holders of Deficiency Claims against MRC and otherwise shall administer the MRC Trust in accordance with the terms of the MRC Trust.

(v) *Effect of Rehabilitation of MRC.* As a result of the entry of the Final Order of Rehabilitation of MRC and the consummation of the transactions contemplated herein, any and all Deficiency Claims against MRC shall be deemed exchanged in full by operation of the Final Order of Rehabilitation for the MRC Common Stock; thereafter, any person who previously held, asserted or could have asserted any Deficiency Claim against MRC shall have an interest, if at all, solely in his capacity first, as a beneficial owner of shares of MRC Common Stock and, after the exchange thereof for shares of MIG Common Stock, as a beneficial owner thereof. Such interest and beneficial ownership shall be in accordance with the priorities and related requirements of the Insurance Code and shall be held through and in accordance with the MRC Trust.

(vi) *Release from Insurance Proceedings.* Pursuant to the Final Order of Rehabilitation of MRC, MRC's name shall be changed and it shall be released from all Insurance Proceedings free of any claims and liabilities of any kind whatsoever. The parties acknowledge that the approval of both of the MRC Courts is required.

(vii) *Release of Certain Claims by Director.* Any and all claims, causes of action, proceedings and actions by or on behalf of the Director on behalf of MRC against MIG, its Official Committee of Unsecured Creditors, the Mission Non-Insurance Subsidiaries, the Mission Insurance Subsidiaries, MAIC or CIC, including specifically all claims respecting such entities described and included in the proofs of claim filed by the Director in the MIG Bankruptcy Court or in connection with the MAIC Arbitration Proceeding, shall, contingent upon full performance by MIG of all of the provisions of this Agreement, be released by the Director on behalf of MRC, effective on the date of consummation of the Plan of Reorganization; provided, however, that this release does not extend to claims filed or which may be filed by the Receiver or the Director on behalf of MRC against other parties not expressly listed above or claims against the other Mission Insurance Subsidiaries arising from inter-company pooling agreements or other inter-company balances, all of which claims are part of the Transferred Assets being administered as part of the Trust estate and shall be satisfied, to the extent of the validity of such claims, solely from the assets of the Trusts established for the other Mission Insurance Subsidiaries after the date of consummation of the Plan of Reorganization; nor shall such release constitute a general release which might be construed to benefit any person or entity not a party to this Agreement, including but not limited to third parties such as reinsurers, former officers and directors of any of the Mission Insurance Subsidiaries, or any insurance carrier which might be liable by reason of any claim of any nature whatsoever, as now or which may hereafter be described in such proofs of claim or any other claim, cause of action or proceeding asserted by or on behalf of the Receiver or the Director, all of which are preserved and transferred as part of the Transferred Assets, unless specifically released by a separate agreement to that effect executed by the Receiver and the Director.

(viii) *Release of Claims by MRC.* Any and all claims, causes of action, proceedings and actions by, of, or on behalf of MRC against the Receiver, any Deputy Insurance Commissioner, the Director, any of the Trusts contemplated herein, or any employee, agent or representative of any of the foregoing, shall be released and fully discharged, effective on the date of consummation of the Plan of Reorganization.

(f) *Separate Statement of Releases.* Any of the releases set forth in this Section 2.1 shall be separately set forth in any or all of the Plans of Rehabilitation and/or the Plan of Reorganization upon the request therefor of a beneficiary of such release.

(g) *California Civil Code.* The releases provided in Section 2.1 hereof, notwithstanding Section 1542 of the California Civil Code (which provides that "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release which if known by him must have materially affected his settlement with the debtor"), shall be full releases to the extent provided herein. Each of the parties acknowledges the significance and consequence of such specific waiver of Section 1542.

2.2. Rehabilitation of MAIC and CIC.

(a). *Rehabilitation of MAIC.* Subject to the satisfaction or waiver of the conditions precedent set forth in Section 4.1 hereof, the following are the essential components to be set forth in an amendment to the existing plan of rehabilitation of MAIC:

(i) *Transfer of MAIC Transferred Assets.* At the Closing, MAIC, acting by and through the Receiver, shall transfer to the MAIC Trust all of the MAIC Transferred Assets, subject to the MAIC Claims which shall be assumed by the MAIC Trust, and excluding only the MAIC Retained Assets.

(ii) *MAIC Trust: Funding and Indemnity.*

(A) In connection with the resolution, settlement and/or compromise of any of the MAIC claims and the payment of all related costs of administration, if any, including without limitation attorneys' fees and the costs of accountants, consultants and other advisors to the Trustee (the "*MAIC Trust Liabilities*") by the MAIC Trustee in accordance with the terms of the MAIC Trust and Section 2.2 hereof:

(1) The MAIC Trustee shall be obligated to refund to MAIC all of the cash remaining in the MAIC Trust after the MAIC Trustee, in its sole discretion and after receipt of an appropriate order from the MAIC Court, determines that all of the MAIC Trust Liabilities and CIC Liabilities (defined in Section 2.2(b)(ii) below) and any other liabilities, if any, have been paid, reserved or otherwise satisfied; and

(2) In accordance with the terms of the MAIC Indemnity and Pledge Agreement, the form of which is annexed hereto as Exhibit "G:"

a. MAIC shall indemnify the MAIC Trust and the MAIC Trustee for, and hold such Trust and Trustee harmless from and against, any shortfall which may exist or develop between the MAIC Transferred Assets and the MAIC Trust Liabilities, such indemnification not to exceed the total assets of MAIC.

b. MAIC shall have the right reasonably to request, from time to time, information from the MAIC Trustee regarding the status of the MAIC Claims and/or CIC Claims and the administration thereof by the MAIC Trustee, and such Trustee shall use its best efforts to provide such information. The MAIC Trustee shall not resolve, settle or compromise any claim in excess of his good faith estimate thereof.

c. Except for sales by MAIC of all or part of the KCP Common Stock to third parties for consideration bargained for at arm's length, no sale, assignment, dividend, distribution or other transfer of substantially all of the assets of MAIC shall be made, nor shall MAIC merge into or consolidate with any third party, unless the purchaser, assignee, recipient, distributee, transferee or survivor thereof shall agree, in writing, to assume the indemnity obligations of MAIC hereunder to the extent of the then current value of the property so received. With respect to sales by MAIC of all or part of the KCP Common Stock to third parties, the MAIC Trustee shall have a security interest in and to the proceeds thereof.

(iii) *Release From Insurance Proceedings.* Pursuant to the Final Order of Rehabilitation of MAIC, MAIC's name shall be changed and it shall be released from all Insurance Proceedings free of any claims and liabilities of any kind whatsoever.

(iv) *Release of Certain Claims by Receiver.* Any and all claims, causes of action, proceedings and actions by or on behalf of the Receiver on behalf of MAIC against MIG, its Official Committee of Unsecured Creditors, the Mission Non-Insurance Subsidiaries, the Mission Insurance Subsidiaries or CIC, including specifically all claims respecting such entities described and included in the proofs of claim filed by the Receiver in the MIG Bankruptcy Court or in connection with the MAIC Arbitration Proceeding, shall, contingent upon full performance by MIG of all of the provisions of this Agreement, be released by the Receiver on behalf of MAIC, effective on the date of consummation of the Plan of Reorganization; provided, however, that this release does not extend to claims filed or which may be filed by the Receiver or the Director on behalf of MAIC against other parties not expressly listed above or claims against the Mission Insurance Subsidiaries arising from inter-company pooling agreements or other inter-company balances, all of which claims are part of the Transferred Assets being administered as part of the Trust estate and shall be satisfied, to the extent of the validity of such claims, solely from the assets of the Trusts established for the Mission Insurance Subsidiaries after the date of consummation of the Plan of Reorganization; nor shall such release constitute a general release which might be construed to benefit any person or entity not a party to this Agreement, including but not limited to third parties such as reinsurers, former officers and directors of any of the Mission Insurance Subsidiaries, or any insurance carrier which might be liable by reason of any claim of any nature whatsoever, as now or which may hereafter be described in such proofs of claim or any other claim, cause of action or proceeding asserted by or on behalf of the Receiver or the Director, all of which are preserved and transferred as part of the Transferred Assets, unless specifically released by a separate agreement to that effect executed by the Receiver and the Director.

(v) *Release of Claims by MAIC.* Any and all claims, causes of action, proceedings and actions by, of, or on behalf of MAIC against the Receiver, any Deputy Insurance Commissioner, the Director, any of the Trusts contemplated herein, or any employee, agent or representative of any of the foregoing, shall be released and fully discharged, effective on the date of consummation of the Plan of Reorganization.

(b) *Rehabilitation of CIC.* Subject to the satisfaction or waiver of the conditions precedent set forth in Section 4.1 hereof, the following are the essential components to be set forth in an amendment to the existing plan of rehabilitation of CIC:

(i) *Transfer of CIC Transferred Assets.* At the Closing, CIC, acting by and through the Receiver, shall transfer to the MAIC Trust all of the CIC Transferred Assets, subject to the CIC Claims which shall be assumed by the MAIC Trust, and excluding only the CIC Retained Assets.

(ii) *MAIC Trust: Indemnity.* In connection with the resolution, settlement and/or compromise of any of the CIC Claims and the payment of all related costs of administration,

if any, including without limitation attorneys' fees and the costs of accountants, consultants and other advisors to the Trustee (the "*CIC Liabilities*") by the MAIC Trustee, such Trustee shall be indemnified by MAIC, on behalf of CIC, to the extent of any shortfall between the CIC Transferred Assets and the CIC Liabilities in accordance with the terms of the Indemnity and Pledge Agreement.

(iii) *Release From Insurance Proceedings.* Pursuant to the Final Order of Rehabilitation of CIC, CIC's name shall be changed and it shall be released from all Insurance Proceedings free of any claims and liabilities of any kind whatsoever.

(iv) *Release of Certain Claims by Receiver.* Any and all claims, causes of action, proceedings and actions by or on behalf of the Receiver on behalf of CIC against MIG, its Official Committee of Unsecured Creditors, the Mission Non-Insurance Subsidiaries, the Mission Insurance Subsidiaries and/or MAIC, including specifically all claims respecting such entities described and included in the proofs of claim filed by the Receiver in the MIG Bankruptcy Court or in connection with the MAIC Arbitration Proceeding, shall, contingent upon full performance by MIG of all of the provisions of this Agreement, be released by the Receiver on behalf of CIC, effective on the date of consummation of the Plan of Reorganization; provided, however, that this release does not extend to claims filed or which may be filed by the Receiver or the Director on behalf of CIC against other parties not expressly listed above or claims against the Mission Insurance Subsidiaries arising from inter-company pooling agreements or other inter-company balances, all of which claims are part of the Transferred Assets being administered as part of the Trust estate and shall be satisfied, to the extent of the validity of such claims, solely from the assets of the Trusts established for the Mission Insurance Subsidiaries after the date of consummation of the Plan of Reorganization; nor shall such release constitute a general release which might be construed to benefit any person or entity not a party to this Agreement, including but not limited to third parties such as reinsurers, former officers and directors of any of the Mission Insurance Subsidiaries, or any insurance carrier which might be liable by reason of any claim of any nature whatsoever, as now or which may hereafter be described in such proofs of claim or any other claim, cause of action or proceeding asserted by or on behalf of the Receiver or the Director, all of which are preserved and transferred as part of the Transferred Assets, unless specifically released by a separate agreement to that effect executed by the Receiver and the Director.

(v) *Release of Claims by CIC.* Any and all claims, causes of action, proceedings and actions by, of, or on behalf of CIC, against the Receiver, any Deputy Insurance Commissioner, the Director, any of the Trusts contemplated herein, or any employee, agent or representative of any of the foregoing, shall be released and fully discharged, effective on the date of consummation of the Plan of Reorganization.

(c) *Separate Statement of Releases.* Any of the releases set forth in this Section 2.2 shall be separately set forth in any or all of the Plans of Rehabilitation and/or the Plan of Reorganization upon the request therefor of a beneficiary of such release.

(d) *California Civil Code.* The releases provided in Section 2.2 hereof, notwithstanding Section 1542 of the California Civil Code (which provides that "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release which if known by him must have materially affected his settlement with the debtor"), shall be full releases to the extent provided herein. Each of the parties acknowledges the significance and consequence of such specific waiver of Section 1542.

2.3. *Powers of the Trustees.* The Trustees shall administer the Trusts in the manner provided for therein and in compliance with the provisions of Article 14 of the California Insurance Code (Sections 1010 *et seq.*), the Agreement Between Liquidators dated July 1, 1988 (the "Management Contract") or such other laws of each state as may be applicable to each respective Trust. The Receiver, the Director and/or the Trustees shall have a right to apply to the Rehabilitation Court.

determined in accordance with the Management Contract, for (a) direction as to the allocations of Deficiency Claims and MIG Common Stock and (b) such other matters as the Receiver, the Director and the Trustees may deem appropriate.

2.4. *Reorganization of MIG.* Subject to the satisfaction or waiver of the conditions precedent set forth in Section 4.1 hereof, the Plan of Reorganization of MIG shall provide for the following plan to be implemented after entry of the Final Order of Confirmation:

(a) *Equity Reorganization.* Upon consummation of its Plan of Reorganization, MIG shall authorize and issue the MIG Plan Common Stock (including, as part thereof, the MIG Common Stock), which stock shall be exchanged and allocated among the following classes of creditors of MIG and interested parties in the following percentages:

(i) Unsecured Senior Creditors (bondholders and certain general unsecured creditors)	71%
(ii) Receiver (<i>i.e.</i> , MIG Common Stock)	24%
(iii) Subordinated Creditor	4%
(iv) Common Stockholders	1%

(b) *Rights Offering.* In addition to subsection (a) above, as part of the Plan of Reorganization, MIG shall offer to certain persons and entities the right, but not the obligation, to make an investment in the MIG Rights Offering Common Stock pursuant to the Rights Offering, on the following terms:

(i) The Rights Offering shall provide for the raising of \$17,018,287 of capital.

(ii) The Rights Offering shall be priced at \$2.42 per share of common stock of MIG.

(iii) Pursuant to the terms of the Call and Put Agreement, if the Receiver exercises the call right thereunder, then, within 190 days after the conclusion of the Rights Offering, the Receiver or the permitted assignee of the Receiver may put back to WHR all of the shares of MIG Rights Offering Common Stock then held thereby, whereupon WHR shall be obligated immediately to purchase for cash such shares at \$3.22 per share.

(iv) In the event and to the extent that the offerees, or any of them, do not elect to participate in the Rights Offering, WHR shall be obligated by means of a firm underwriting agreement to purchase any and all of the remaining shares of MIG Rights Offering Common Stock thereunder on the same terms as theretofore was offered to the offerees.

(v) Subject to the Call and Put Agreement, the rights created pursuant to and in connection with the Rights Offering shall be exercisable only by the persons and entities in whom such right is originally vested, and such rights shall not be transferable by such offerees.

(c) *Characteristics of Common Stock of MIG.* Subject to the transfer restrictions set forth in section 5.5 of the Plan of Reorganization and to applicable securities laws, the shares of MIG Rights Offering Common Stock (including the shares of common stock of MIG subject to the Call and Put Agreement) shall be freely tradeable in one or more public securities markets.

(d) *Charter Amendment.* The articles of incorporation and by-laws of MIG shall be amended and restated, in accordance with the terms of the Plan of Reorganization.

(e) *Release of Certain Claims by Receiver and Director.* Any and all claims, causes of action, proceedings and actions by or on behalf of the Receiver or the Director against MIG, its Official Committee of Unsecured Creditors, the Mission Non-Insurance Subsidiaries, the Mission Insurance Subsidiaries, MAIC and/or CIC, including specifically all claims respecting such entities described and included in the proofs of claim filed by the Receiver or the Director in the MIG Bankruptcy Court or in connection with the MAIC Arbitration Proceeding, shall, contingent upon full performance by MIG of all of the provisions of this Agreement, be released by the Receiver and the Director, effective on the date of consummation of the Plan of Reorganization; provided,

however, that this release does not extend to claims filed or which may be filed by the Receiver or the Director on behalf of any of the Mission Insurance Subsidiaries, MAIC or CIC against other parties not expressly listed above or claims against any other Mission Insurance Subsidiaries arising from inter-company pooling agreements or other inter-company balances, all of which claims are part of the Transferred Assets being administered as part of the Trust estate and shall be satisfied, to the extent of the validity of such claims, solely from the assets of the Trusts established for the other Mission Insurance Subsidiaries after the date of consummation of the Plan of Reorganization; nor shall such release constitute a general release which might be construed to benefit any person or entity not a party to this Agreement, including but not limited to third parties such as reinsurers, former officers and directors of any of the Mission Insurance Subsidiaries, or any insurance carrier which might be liable by reason of any claim of any nature whatsoever, as now or which may hereafter be described in such proofs of claim or any other claim, cause of action or proceeding asserted by or on behalf of the Receiver or the Director, all of which are preserved and transferred as part of the Transferred Assets, unless specifically released by a separate agreement to that effect executed by the Receiver and the Director.

(f) **Release of Claims by MIG.** Any and all claims, causes of action, proceedings and actions by, of, or on behalf of MIG against the Receiver, any Deputy Insurance Commissioner, the Director, any of the Trusts contemplated herein, or any employee, agent or representative of any of the foregoing, shall be released and fully discharged, effective on the date of consummation of the Plan of Reorganization.

(g) **Separate Statement of Releases.** Any of the releases set forth in this Section 2.4 shall be separately set forth in any or all of the Plans of Rehabilitation and/or the Plan of Reorganization upon the request therefor of a beneficiary of such release.

(h) **California Civil Code.** The releases provided in Section 2.4 hereof, notwithstanding Section 1542 of the California Civil Code (which provides that "A general release does not extend to claims which the creditor does not know or suspect to exist in his favor at the time of executing the release which if known by him must have materially affected his settlement with the debtor"), shall be full releases to the extent provided herein. Each of the parties acknowledges the significance and consequence of such specific waiver of Section 1542.

ARTICLE 3.

COVENANTS OF THE PARTIES

3.1 *Covenants of MIC.* MIC, acting by and through the Receiver, covenants with each other party hereto to take the following actions:

(a) Promptly after the execution of this Agreement, file the MIC Plan of Rehabilitation with the MIC Court, upon appropriate notice;

(b) Use best efforts to obtain the Final Order of Rehabilitation with respect to the MIC Plan of Rehabilitation on or prior to February 28, 1990; and

(c) Use best efforts to determine which claims have been properly asserted against MIC and/or the other Mission Insurance Subsidiaries—as opposed to MAIC or CIC—and to request that the MIC Court enter an order requiring such claims to be asserted only against the appropriate Mission Insurance Subsidiary or MAIC or CIC; provided, however, that the foregoing shall not determine the merits of any such claim.

3.2 *Covenants of EIC.* EIC, acting by and through the Receiver, covenants with each other party hereto to take the following actions:

(a) Promptly after the execution of this Agreement, file the EIC Plan of Rehabilitation with the EIC Court, upon appropriate notice;

(b) Use best efforts to obtain the Final Order of Rehabilitation with respect to the EIC Plan of Rehabilitation on or prior to February 28, 1990; and

(c) Use best efforts to determine which claims have been properly asserted against EIC and/or the other Mission Insurance Subsidiaries—as opposed to MAIC or CIC—and to request that the EIC Court enter an order requiring such claims to be asserted only against the appropriate Mission Insurance Subsidiary or MAIC or CIC; provided, however, that the foregoing shall not determine the merits of any such claim.

3.3 *Covenants of HAIC.* HAIC, acting by and through the Director and/or the Receiver, as they may agree, covenants with each other party hereto to take the following actions:

(a) Promptly after the execution of this Agreement, file the HAIC Plan of Rehabilitation with the HAIC Court, upon appropriate notice;

(b) Use best efforts to obtain the Final Order of Rehabilitation with respect to the HAIC Plan of Rehabilitation on or prior to February 28, 1990; and

(c) Use best efforts to determine which claims have been properly asserted against HAIC and/or the other Mission Insurance Subsidiaries—as opposed to MAIC or CIC—and to request that the HAIC Court enter an order requiring such claims to be asserted only against the appropriate Mission Insurance Subsidiary or MAIC or CIC; provided, however, that the foregoing shall not determine the merits of any such claim.

3.4. *Covenants of MNIC.* MNIC, acting by and through the Receiver, covenants with each other party hereto to take the following actions:

(a) Promptly after the execution of this Agreement, file the MNIC Plan of Rehabilitation with the MNIC Court, upon appropriate notice;

(b) Use best efforts to obtain the Final Order of Rehabilitation with respect to the MNIC Plan of Rehabilitation on or prior to February 28, 1990; and

(c) Use best efforts to determine which claims have been properly asserted against MNIC and/or the other Mission Insurance Subsidiaries—as opposed to MAIC or CIC—and to request that the MNIC Court enter an order requiring such claims to be asserted only against the appropriate Mission Insurance Subsidiary or MAIC or CIC; provided, however, that the foregoing shall not determine the merits of any such claim.

3.5. *Covenants of MRC.* MRC, acting by and through the Director and/or the Receiver, as they may agree, covenants with each other party hereto to take the following actions:

(a) Promptly after the execution of this Agreement, file the MRC Plan of Rehabilitation with the MRC Court, upon appropriate notice;

(b) Use best efforts to obtain the Final Order of Rehabilitation with respect to the MRC Plan of Rehabilitation on or prior to February 28, 1990; and

(c) Use best efforts to determine which claims have been properly asserted against MRC and/or the other Mission Insurance Subsidiaries—as opposed to MAIC or CIC—and to request that the MRC Court enter an order requiring such claims to be asserted only against the appropriate Mission Insurance Subsidiary or MAIC or CIC; provided, however, that the foregoing shall not determine the merits of any such claim.

3.6. *Covenants of MAIC.* MAIC, acting by and through the Receiver, covenants with each other party hereto to take the following actions:

(a) Promptly after the execution of this Agreement, prepare and file the amendments to the MAIC Amended Plan of Rehabilitation with the MAIC Court, upon appropriate notice;

(b) Use best efforts to obtain the Final Order of Rehabilitation with respect to the MAIC Amended Plan of Rehabilitation on or prior to February 28, 1990; and

(c) Use best efforts to determine which claims have been properly asserted against MAIC—as opposed to any Mission Insurance Subsidiary or CIC—and to request that the MAIC Court enter an order requiring such claims to be asserted only against the appropriate Mission Insurance Subsidiary or CIC; provided, however, that the foregoing shall not determine the merits of any such claim.

3.7. *Covenants of CIC.* CIC acting by and through the Receiver, covenants with each other party hereto to take the following actions:

(a) Promptly after the execution of this Agreement, prepare and file the amendments to the CIC Amended Plan of Rehabilitation with the CIC Court, upon appropriate notice;

(b) Use best efforts to obtain the Final Order of Rehabilitation with respect to the CIC Amended Plan of Rehabilitation on or prior to February 28, 1990; and

(c) Use best efforts to determine which claims have been properly asserted against CIC—as opposed to any Mission Insurance Subsidiary or MAIC—and to request that the CIC Court enter an order requiring such claims to be asserted only against the appropriate Mission Insurance Subsidiary or MAIC; provided, however, that the foregoing shall not determine the merits of any such claim.

3.8. *Covenants of MIG.* Prior to the Closing, MIG covenants with each other party hereto to take the following actions:

(a) Promptly after the execution of this Agreement, file the Plan of Reorganization with the MIG Bankruptcy Court, together with a disclosure statement, as defined in the Bankruptcy Code, upon notice to the appropriate parties, all in accordance with Chapter 11 of the Bankruptcy Code;

(b) Use best efforts to (i) preserve the tax benefits described in Sections 4.1(h) and 4.2(f) hereof, effective as of the Closing Date, and (ii) obtain (A) the approval of the MIG Bankruptcy Court of the aforesaid disclosure statement, (B) the approval of creditors of MIG with respect to the Plan of Reorganization, and (C) the Final Order of Confirmation, on or prior to February 28, 1990;

(c) Enter into an agreement with WHR in connection with the firm underwriting by WHR of the Rights Offering pursuant to Section 2.4 hereof; and

(d) Concurrently with the obligations undertaken pursuant to subsection (b) above, to the extent required by applicable bankruptcy laws, cause the Mission Non-Insurance Subsidiaries to obtain approval of this Agreement and the consummation of the transactions contemplated or provided hereunder.

3.9. *Covenants of the Receiver and Director.* Each of the Receiver and Director severally covenants with each other party hereto to take the following actions:

(a) With respect to the Receiver's Claim (as such term is defined in the Plan of Reorganization), cause the Receiver's Claim to vote to accept the Plan of Reorganization when MIG solicits creditor approval thereof;

(b) On the Closing Date, to cause the distributions of the outstanding stock of the Mission Insurance Subsidiaries to be effected in the manner provided in Section 2.1 hereof; and

(c) On the Closing Date, provided same is permissible under the Internal Revenue Code and the Insurance Code, to cause the tax returns of the Mission Insurance Subsidiaries as of such date to reflect not less than \$600 million of net operating loss carryforwards available to such entities as of such date (provided that the sole remedy by MIG for a breach of the foregoing covenant shall be a right to MIG to terminate this Agreement without any liability to any party hereto).

3.10. Covenants of All Parties.

(a) Each of the parties hereto covenants with each other party hereto to take the following actions:

(i) Act in mutual cooperation and provide to each other party all reasonable assistance in furtherance of the implementation and effectuation of this Agreement;

(ii) Use best efforts to obtain the approval of this Agreement, both in the Insurance Proceedings and the MIG Bankruptcy Court; and

(iii) Execute, acknowledge, deliver, file and record such further certificates, amendments, instruments, agreements and documents, and to do all other acts and things as may be required by law or as may be necessary or advisable to carry out the intent of this Agreement.

(b) The dates set forth in this Article 3. for the occurrence, completion or performance of each of the obligations set forth herein, represent the best estimates of reasonable time requirements of the parties. In the event that any party hereto becomes aware of circumstances or events which create a reasonable likelihood that any such time requirement is inadequate, such party shall provide notice thereof to all of the other parties hereto in accordance with Section 8.11 hereof, which notice shall include a revised estimate by such party of the time of occurrence, completion or performance of the particular obligation.

ARTICLE 4.

CONDITIONS PRECEDENT TO CLOSING

4.1. Conditions Precedent for the Benefit of the Receiver and Director. Subject to the provisions of Section 7.1 hereof, the following conditions precedent to the closing of the transactions contemplated hereby are provided for the benefit of the Receiver and Director:

(a) The Final Orders of Rehabilitation shall have been entered no later than June 30, 1990;

(b) The MIG Bankruptcy Court shall have approved the execution by MIG of this Agreement by the entry of the Final Order of Confirmation no later than June 30, 1990;

(c) All other approvals and consents of governmental, regulatory or judicial entities or bodies which may be necessary or desirable to implement this Agreement and effectuate the transactions contemplated hereby shall have been received no later than June 30, 1990;

(d) The Call and Put Agreement shall have been signed by the Receiver, as liquidator and/or ancillary liquidator of the Mission Insurance Subsidiaries, and the other parties thereto contemporaneously with the Closing of this Agreement;

(e) The firm underwriting agreement with respect to the Rights Offering pursuant to Section 2.4 hereof shall have been executed no later than June 30, 1990, and the Receiver shall have determined, to her reasonable satisfaction, that such Agreement constitutes the unequivocal and unconditional obligation of WHR to MIG;

(f) The Indemnity and Pledge Agreement shall have been signed contemporaneously with the Closing of this Agreement;

(g) The Receiver and the Director shall have received comfort deemed adequate by them that the consummation of the transactions described in this Agreement will have no effect on the liability or obligations of any reinsurer, insurer or other entity which has obligations or duties to any of the Mission Insurance Subsidiaries or upon any guaranty association, guaranty fund, insolvency pool or other similar entities of the several United States (collectively, "Guaranty Funds") to any claimants entitled to treatment of their claims as "covered claims" as well as other claimants entitled to payment or reimbursement from any Guaranty Funds, all in connection

with the affairs of MIC, EIC, HAIC, MNIC or MRC, or any of them, including without limitation, the lack of any final determination, as of a date which is three (3) days prior to the Closing Date, in any proceeding brought by any Guaranty Funds, asserting that the consummation of the transactions contemplated by this Agreement will in any way alter, modify or terminate any such obligations or liabilities. In addition to the foregoing, the Receiver and the Director shall have received an order of the Superior Court stating that all obligations, liabilities and other rights and duties of any such reinsurer, insurer or any other entity which has obligations or duties to any of the Mission Insurance Subsidiaries or upon any Guaranty Funds will be preserved intact as of the Closing Date and thereafter, notwithstanding the rehabilitation of each of MIC, EIC, HAIC, MNIC and MRC, the discharge of each such company from the Insurance Proceedings, and the transfer of the Transferred Assets of each of MIC, EIC, HAIC, MNIC and MRC to the MIC Trust, the EIC Trust, the HAIC Trust, the MNIC Trust and the MRC Trust respectively; and

(h) The parties shall have received comfort deemed adequate by them, including without limitation the execution of a closing agreement with, or receipt of a private letter ruling from, the Internal Revenue Service or the entry of appropriate court orders binding upon the Internal Revenue Service, that any cancellation of indebtedness income or income associated with litigation recoveries, settlements, discounting of reserves, loss disallowances, restorations, recoveries, or restatement of any loss reserves, in connection with the implementation of the Plans of Rehabilitation either (i) is not realized by any party as a result of the implementation of the Plans of Rehabilitation or (ii) if realized by virtue of the implementation of the Plans of Rehabilitation, will either be offset in full by the net operating loss carry forwards of MIG and the Mission Insurance Subsidiaries or will not be recognized because of an insolvency exception contained in Section 108 of the Internal Revenue Code of 1986, as amended.

4.2. *Conditions Precedent for the Benefit of MIG.* Subject to the provisions of Section 7.1 hereof, the following conditions precedent to the closing of the transactions contemplated hereby are provided for the benefit of MIG:

- (a) The MIG Bankruptcy Court shall have approved the execution by MIG of this Agreement by the entry of the Final Order of Confirmation no later than June 30, 1990;
- (b) The Final Orders of Rehabilitation shall have been entered no later than June 30, 1990;
- (c) All other approvals and consents of governmental, regulatory or judicial entities or bodies which may be necessary or desirable to implement this Agreement and effectuate the transactions contemplated hereby shall have been received no later than June 30, 1990;
- (d) The Call and Put Agreement, reasonably acceptable in form and substance to MIG, shall have been signed by the Receiver, as liquidator and/or ancillary receiver of the Mission Insurance Subsidiaries, and the other parties thereto contemporaneously with the Closing of this Agreement;
- (e) The firm underwriting agreement with respect to the Rights Offering pursuant to Section 2.4 hereof shall have been executed no later than June 30, 1990, and MIG shall have determined, to its reasonable satisfaction, that such Agreement constitutes the unequivocal and unconditional obligation of WHR to MIG; and
- (f) The parties shall have received comfort deemed adequate by them, including without limitation the execution of a closing agreement with, or receipt of a private letter ruling from, the Internal Revenue Service or the entry of appropriate court orders binding upon the Internal Revenue Service, that any cancellation of indebtedness income or income associated with litigation recoveries, settlements, discounting of reserves, loss disallowances, restorations, recoveries, or restatement of any loss reserves, in connection with the implementation of the Plans of Rehabilitation either (i) is not realized by any party as a result of the implementation of the Plans of Rehabilitation or (ii) if realized by virtue of the implementation of the Plans of Rehabilitation, will either be offset in full by the net operating loss carry forwards of MIG and the Mission Insurance Subsidiaries or will not be recognized because of an insolvency exception contained in Section 108 of the Internal Revenue Code of 1986, as amended.

4.3. *Satisfaction and Waiver of Conditions Precedent.* Each of the foregoing conditions precedent may be waived by the party for whose benefit such condition precedent exists only in writing signed by such party. At any time prior to the complete satisfaction or waiver of any condition precedent set forth in this Article 4, the parties may agree, in writing, to close the transactions contemplated by this Agreement into an escrow established for such purpose with a mutually acceptable escrow agent. In such event, upon the complete satisfaction or waiver of all of the conditions precedent set forth in this Article 4, the escrow shall terminate and the Closing shall be deemed to have occurred on the date on which the escrow was established.

ARTICLE 5. CLOSING EVENTS

5.1. *Satisfaction of Conditions.* All of the conditions precedent set forth in Article 4 hereof shall be satisfied or waived in accordance with Section 4.3 hereof before any other closing event set forth hereinafter can occur.

5.2. *Execution of Documents.* On the Closing Date, the parties shall sign and duly file, record and deliver all of the documents which are necessary to implement the Plans of Rehabilitation and Reorganization provided for herein. Specifically, without limiting the foregoing, the Receiver shall sign and deliver the Call and Put Agreement on behalf of each of the Mission Insurance Subsidiaries and the Director hereby consents to the Receiver's taking such action on behalf of HAIC, the HAIC Trust, MRC and the MRC Trust.

5.3. *Commencement of Rights Offering.* After the Closing, the Rights Offering shall be commenced pursuant to the Plan of Reorganization.

ARTICLE 6. REPRESENTATIONS AND WARRANTIES

6.1. *Absence of Representations and Warranties.* Except as provided in this Article 6, the transactions contemplated hereby are being effected on an "as-is" and "where-is" basis, without recourse, representation or warranty of any kind, and no party hereto is making any representation or warranty to any other party hereto with respect to the value of any consideration being given, received or exchanged hereunder or contemplated hereby.

6.2. *Representations and Warranties of MIG.* MIG represents to each other party hereto that, subject to the entry of the Final Order of Confirmation, (a) MIG has the necessary power and authority to enter into this Agreement and the other agreements contemplated hereby to which it is a party and to consummate the transactions contemplated hereby and thereby; (b) MIG has taken all action necessary to execute, deliver and perform this Agreement and any other agreement contemplated hereby to which it is a party; (c) the execution, delivery and performance of this Agreement and the other agreements contemplated hereby to which it is a party will not violate its articles of incorporation or by-laws or any indenture, contract, agreement, instrument or other commitment to which MIG is a party or by which MIG is bound, and will not be in conflict with, or result in a breach or default on the part of any such entity (or will be an occurrence which, with the lapse of time and/or the giving of notice, would constitute a breach or default) under any such indenture, contract, agreement, instrument or other commitment, nor will such execution, delivery and performance materially conflict with or result in a violation of, or constitute a material default under, any term or provision of applicable law, or any judgment, writ, injunction, decree or order of any court, governmental authority or arbitrator relating to MIG; and (d) after issuance of the MIG Plan Common Stock, MIG will have 20,000,000 shares of common stock authorized, \$.10 par value, of which 6,329,115 shares

will be issued and outstanding, which shares will be fully paid and non-assessable, and no other class of capital stock authorized, nor will there be any outstanding option, warrant or right to acquire common stock of MIG except pursuant to the Rights Offering.

ARTICLE 7.

TERMINATION

7.1. *Failure of Conditions.* This Agreement shall terminate upon the failure of any of the conditions precedent set forth in Article 4 hereof, if such failure is neither waived nor cured within a period of thirty days after the time for the occurrence or performance of such condition. Notwithstanding the foregoing, this Agreement shall not terminate automatically upon the failure to obtain the Final Order of Confirmation of the MIG Plan of Reorganization or any of the Final Orders of Rehabilitation in connection with the Plans of Rehabilitation prior to June 30, 1990, if any such Plan continues actively to be pursued by the appropriate party thereafter in good faith.

7.2. *Status Quo Ante.* In the event of termination of this Agreement for any reason, the parties hereto shall be restored to the *status quo ante*, i.e., to their respective positions immediately prior to the execution hereof. In such event, none of the parties hereto may introduce or otherwise use this Agreement or Exhibits, notices, affidavits, or other documents related thereto for any reason in any adversary proceeding involving any of such parties.

ARTICLE 8.

MISCELLANEOUS

8.1. *No Allocation of Common Stock.* With respect to the allocation of MIG Common Stock in satisfaction of the Receiver's claims against MAIC, CIC, MIG, the Mission Insurance Subsidiaries and the Mission Non-Insurance Subsidiaries, none of the parties hereto shall ascribe value received to any particular claim or claims of the Receiver.

8.2. *Press Releases.* The parties shall cooperate in the preparation of any and all press releases or other public written statements regarding this Agreement or the transactions contemplated hereby, and no party hereto shall make or issue any such press release without the prior consent of all of the parties hereto.

8.3. *Expenses; Brokers.* Each party shall pay its own expenses in connection with the authorization, preparation, execution and performance of this Agreement, including, without limitation, all fees and expenses of agents, representatives, attorneys, accountants, and consultants. Each party represents and warrants to each other party that no broker or other person or entity acting pursuant to the authority of such party is entitled to any broker's commission.

8.4. *Liability of the Receiver and Director.* The Receiver is a party to this Agreement and the other agreements contemplated hereby, and the Director is a party to this Agreement, only in each of their respective representative capacities as conservator of MAIC and CIC and as liquidator of the Mission Insurance Subsidiaries and as permanent receiver of HAIC and MRC, and not individually, and the parties hereto agree and acknowledge that neither the Receiver nor the Director shall have any personal liability for any matters or obligations hereunder.

8.5. *Governing Law; Jurisdiction.*

(a) By execution of this Agreement and the consummation of the provisions hereof, it is not the intention of the Receiver or the Director, as between themselves, to amend, alter or otherwise modify any term of the Management Contract, including specifically any provision thereof concerning their mutual cooperation, governing law and other jurisdictional issues and their responsibilities in administering the affairs of the Mission Insurance Subsidiaries, by any provision

of this Agreement or any related document. The law governing the Management Contract shall govern this Agreement. MIG hereby consents to the jurisdiction of the courts of the State of California for purposes of this Agreement.

(b) At all times before and after the Closing Date, the Management Contract shall continue to apply to the responsibilities of the Receiver, the Director, the Trustees of the various Trusts and the courts in which the respective conservation, liquidation and/or rehabilitation proceedings involving the Trusts will continue to be pending as described in Article 2 hereof.

8.6. *Headings.* The headings and captions set forth herein are for convenience only and shall not be deemed a part of this Agreement. The recitals hereto are for introductory purposes only and shall not be considered in interpreting the remaining portions of this Agreement.

8.7. *Further Assurances.* Each party hereto shall execute and deliver all letters, applications, certificates and other documents as reasonably requested by any other party hereto as are reasonably necessary to effect or carry out the provisions of this Agreement and the other agreements contemplated hereby.

8.8. *Entire Agreement.* This Agreement and the other agreements contemplated hereby constitute the entire agreement among the parties with respect to the reorganization, rehabilitation and restructuring of the Mission Insurance Subsidiaries, MAIC, CIC and MIG. There are no representations, promises, warranties, covenants, or undertakings, other than those expressly set forth or referred to herein.

8.9. *Amendment.* This Agreement may be amended only in writing executed by all of the parties hereto.

8.10. *Waiver of Compliance.* Any failure of a party hereto to comply with any obligation, covenant, agreement or condition herein may be expressly waived in writing, but such waiver or failure to insist upon strict compliance with such obligation, covenant, agreement or condition shall not operate as a waiver of, or estoppel with respect to, any subsequent or other failure.

8.11. *Notices.* All notices, requests, demands and other communications required or permitted to be made hereunder shall be in writing and shall be deemed to have been duly given if delivered by hand, or mailed by certified or registered mail with postage prepaid and return receipt requested, or sent by facsimile transmission, as follows:

(a) If to the Receiver, MAIC, CIC, or the Mission Insurance Subsidiaries, to:

Insurance Commissioner of the
State of California, as
Conservator of Mission American
Insurance Company and Compac
Insurance Company, as Liquidator
of Mission Insurance Company,
Enterprise Insurance Company and
Mission National Insurance Company,
and as Ancillary Liquidator
of Holland-America Insurance
Company and Mission
Reinsurance Corporation
California Department of Insurance
600 South Commonwealth Avenue
Los Angeles, California 90005

with a copy to:

Dana Carli Brooks, Esq.
Rubinstein & Perry
2600 Wilshire Boulevard
4th Floor
Los Angeles, California 90057

and to:

Jeffrey H. Karlin, Esq.
Rubinstein & Perry
222 Kearny Street
Suite 900
San Francisco, California 94108

(b) If to the Director, to:

Director of the Division of Insurance, Department
of Economic Development, State of Missouri, as
Receiver of Holland-America Insurance
Company and Mission Reinsurance Corporation
P. O. Box 690
Jefferson City, Missouri 65102

with a copy to:

William C. Jolley, Jr., Esq.
Craft Fridkin Schaffer & Rhyne
1100 One Main Plaza
4435 Main Street
Kansas City, Missouri 84111

(c) If to MIG, to:

Lawrence G. Becker, Esq.
Mission Insurance Group, Inc.
c/o Great American Holding Corp.
580 Walnut Street
Cincinnati, Ohio 45202

with a copy to:

Pamela Kohlman Webster, Esq.
Buchalter, Nemer, Fields & Younger,
a Professional Corporation
700 South Flower Street
Suite 700
Los Angeles, California 90017

and to:

Myron Kirschbaum, Esq.
Kaye, Scholer, Fierman, Hays & Handler
425 Park Avenue
New York, New York 10022

and to:

Mr. Martin J. Whitman, Chairman
Official Committee of Unsecured Creditors
of Mission Insurance Group, Inc.
c/o Whitman Heffernan Rhein & Co., Inc.
767 Third Avenue
New York, New York 10017

(d) If to WHR, to:

Mr. C. Kirk Rhein, Jr.
Managing Director
Whitman Heffernan Rhein & Co., Inc.
767 Third Avenue
New York, New York 10017

with a copy to:

Lisa D. Levey, Esq.
Anderson Kill Olick & Oshinsky, P.C.
666 Third Avenue—10th Floor
New York, New York 10017

and to:

Duncan N. Darrow, Esq.
Anderson Kill Olick & Oshinsky, P.C.
666 Third Avenue—10th Floor
New York, New York 10017

or to such other address as may be designated by a party by written notice to the other parties hereto. All notices shall be deemed to have been given or served upon receipt if delivered personally, or on the fifth day after the date if so mailed, or on the date of facsimile transmission confirmed by electronic receipt, if given pursuant to this Section.

8.12. *Counterparts.* This Agreement may be executed simultaneously in counterparts, each of which shall be deemed an original and all of which, when taken together, shall constitute one and the same instrument.

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

"MIG:"

MISSION INSURANCE GROUP, INC.,
debtor-in-possession

By: Lawrence G. Becker, Vice President, Secretary
and General Counsel

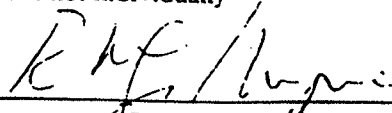


Lawrence G. Becker

"MAIC:"

MISSION AMERICAN INSURANCE
COMPANY

By: Roxani M. Gillespie, in her capacity as Receiver,
but not individually

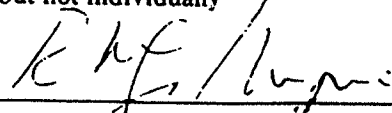


Roxani M. Gillespie

"CIC:"

COMPAC INSURANCE COMPANY

By: Roxani M. Gillespie, in her capacity as Receiver,
but not individually



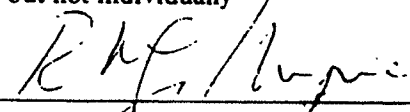
Roxani M. Gillespie

MISSION INSURANCE SUBSIDIARIES:

"MIC:"

MISSION INSURANCE COMPANY

By: Roxani M. Gillespie, in her capacity as Receiver,
but not individually

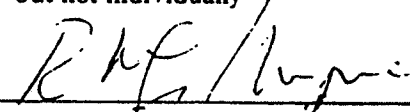


Roxani M. Gillespie

"EIC:"

ENTERPRISE INSURANCE COMPANY

By: Roxani M. Gillespie, in her capacity as Receiver,
but not individually

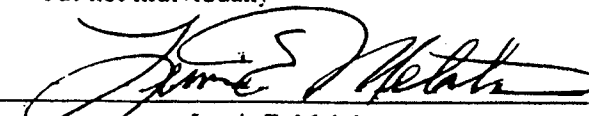


Roxani M. Gillespie

"HAIC:"

HOLLAND-AMERICA INSURANCE COMPANY

By: Lewis E. Melahn, in his capacity as Director,
but not individually



Lewis E. Melahn

"MNIC:"

MISSION NATIONAL INSURANCE COMPANY

By: Roxani M. Gillespie, in her capacity as Receiver,
but not individually



Roxani M. Gillespie

"MRC:"

MISSION REINSURANCE CORPORATION

By: Lewis E. Melahn, in his capacity as Director,
but not individually



Lewis E. Melahn

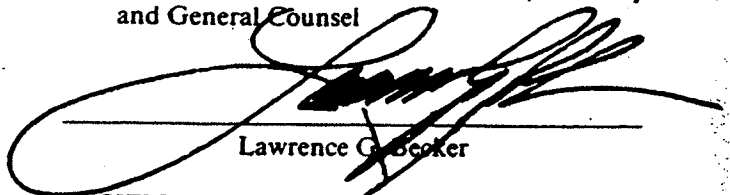
Approved as to form and content:

MISSION NON-INSURANCE SUBSIDIARIES:

"MRMC:"

MISSION RE MANAGEMENT CORPORATION

By: Lawrence G. Becker, Vice President, Secretary
and General Counsel

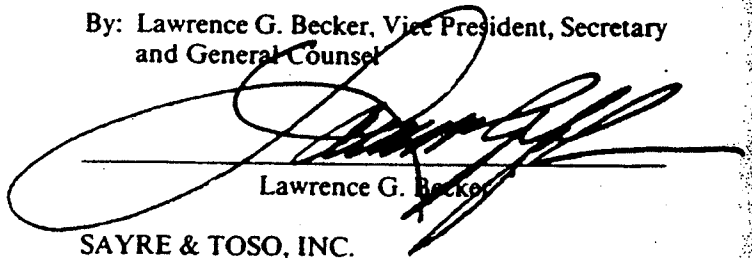


Lawrence G. Becker

"PRMC:"

PACIFIC REINSURANCE MANAGEMENT
CORP., debtor-in-possession

By: Lawrence G. Becker, Vice President, Secretary
and General Counsel

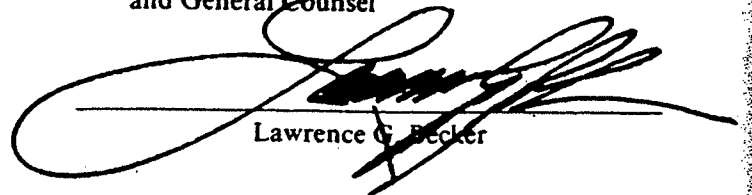


Lawrence G. Becker

"S&T:"

SAYRE & TOSO, INC.

By: Lawrence G. Becker, Vice President, Secretary
and General Counsel



Lawrence G. Becker

**Exhibits to Agreement of
Reorganization, Rehabilitation and Restructuring**

<u>Document</u>	<u>Exhibit</u>
MIC Trust	"A"
EIC Trust	"B"
HAIC Trust	"C"
MNIC Trust	"D"
MRC Trust	"E"
MAIC Trust	"F"
Indemnity and Pledge Agreement	"G"
Plan of Reorganization	"H"
Call and Put Agreement	"I"

KARL L. RUBINSTEIN
DANA CARLI BROOKS
RUBINSTEIN & PERRY
2600 Wilshire Boulevard
Los Angeles, California 90057
(213) 487-4769

Attorneys for Petitioner

ORIGINAL FILED

APR 25 1990

COUNTY CLERK

SUPERIOR COURT OF THE STATE OF CALIFORNIA
FOR THE COUNTY OF LOS ANGELES

INSURANCE COMMISSIONER OF THE
STATE OF CALIFORNIA,

Petitioner,

v.

MISSION INSURANCE COMPANY,
a California corporation,

Respondent.

Case No. C 572724

FINAL ORDER OF
REHABILITATION

INSURANCE COMMISSIONER OF THE
STATE OF CALIFORNIA,

Applicant,

v.

MISSION NATIONAL INSURANCE
COMPANY, a California corporation,

Respondent.

Case No. C 576324

INSURANCE COMMISSIONER OF THE
STATE OF CALIFORNIA,

Applicant,

v.

MISSION REINSURANCE CORPORATION,
a Missouri corporation,

Respondent.

Case No. C 576416

1	INSURANCE COMMISSIONER OF THE)	Case No. C 576323
2	STATE OF CALIFORNIA,)	
3	Applicant,)	
4	v.)	
5	HOLLAND-AMERICA INSURANCE COMPANY,)	
6	a Missouri corporation,)	
7	Respondent.)	
8	INSURANCE COMMISSIONER OF THE)	Case No. C 576325
9	STATE OF CALIFORNIA,)	
10	Applicant,)	
11	v.)	
12	ENTERPRISE INSURANCE COMPANY,)	
13	a California corporation,)	
14	Respondent.)	
15	INSURANCE COMMISSIONER OF THE)	Case No. C 634774
16	STATE OF CALIFORNIA,)	
17	Applicant,)	
18	v.)	
19	MISSION AMERICAN INSURANCE)	
20	COMPANY, a California)	
21	corporation,)	
22	Respondent.)	
23	INSURANCE COMMISSIONER OF THE)	Case No. C 682377
24	STATE OF CALIFORNIA,)	
25	Applicant,)	
26	v.)	
27	COMPAC INSURANCE COMPANY,)	
28	a California corporation,)	
	Respondent.)	
	/ / /)	

1 ROXANI GILLESPIE, INSURANCE
2 COMMISSIONER OF THE STATE OF
3 CALIFORNIA, IN HER CAPACITY AS
LIQUIDATOR OF MISSION INSURANCE
COMPANY,

4 Plaintiff,

5 v.

6 ABEILLE-PAIX REASSURANCES,
7 et al.,

8 Defendants.

Case No. C 683233

9 ROXANI GILLESPIE, INSURANCE
10 COMMISSIONER OF THE STATE OF
11 CALIFORNIA, IN HER CAPACITY AS
LIQUIDATOR OF MISSION INSURANCE
12 COMPANY, MISSION NATIONAL
INSURANCE COMPANY, ENTERPRISE
INSURANCE COMPANY, MISSION
13 REINSURANCE CORPORATION, HOLLAND-
AMERICA INSURANCE COMPANY,

14 Plaintiffs,

15 v.

16 ABEILLE-PAIX (L'), et al.,

17 Defendants.

Case No. C 629709

19
20 IT IS HEREBY FOUND AND ORDERED AS FOLLOWS:

21 1. Roxani Gillespie, Insurance Commissioner of the State of
22 California, in her capacity as domiciliary Liquidator of Mission
23 Insurance Company, Mission National Insurance Company and
24 Enterprise Insurance Company, as ancillary liquidator of Holland-
25 America Insurance Company and Mission Reinsurance Corporation,
26 and as conservator of Mission American Insurance Company and
27 Compac Insurance Company (hereinafter "the Receiver") has
28 complied with the provisions of that certain Order Of

Rehabilitation, Establishment of Hearing Date and Notice Procedures entered in these proceedings (the "Preliminary Order") to which reference is hereby made for further detail. The provisions of the said Preliminary Order are hereby reaffirmed and continued except to the extent directly inconsistent with the provisions of this Order. All terms used herein, unless otherwise stated, shall have the same meaning as they have in the Agreement of Reorganization, Rehabilitation and Restructuring (the "Rehabilitation Agreement").

2. The Court finds that the Receiver has complied with the notice provisions of paragraph 4 of the Preliminary Order and that due, fair, sufficient and proper notice of the Hearing of the Receiver's Motion for Instructions and Motion for Approval of Agreement of Reorganization, Rehabilitation and Restructuring (the "Receiver's Motion") was provided to all persons and entities entitled thereto.

3. Full and fair opportunity was afforded to all persons and entities appearing either in person or by counsel and to all other persons and entities interested in these proceedings to present such comments, suggestions, arguments and objections as they might desire and to present such relevant evidence as they may desire with regard to the Receiver's Motion, to the Preliminary Order, to the commencement or conduct of these proceedings, to the Rehabilitation Agreement, the Partial Settlement Agreement (as defined below) or to the transactions contemplated and described therein.

4. The Rehabilitation Plans, the Partial Settlement Agreement and the transactions contemplated therein are a

reasonable exercise of the state's police power, through the Receiver, and are not arbitrary, capricious or improperly discriminatory.

5. The Court has fully considered all comments, suggestions, arguments and objections that were presented at the Hearing and all objections to the Rehabilitation Plans which were made or which could have been made at the Hearing and all such objections are hereby, in every respect and in all things, overruled. The Receiver's Motion, the Rehabilitation Plans described therein, and the transactions contemplated in the Rehabilitation Agreement described therein are hereby granted and approved.

6. The Receiver is hereby authorized to proceed to close the transactions set out in the Rehabilitation Agreement and, without further order of this Court, to perform all of the obligations, terms, conditions, provisions thereof, and to take all such actions and execute all such other and further documents, including but not limited to assignments, documents of title and any other document of any kind or nature as may be necessary or convenient to close the said transactions and to effectuate the purpose and intent of the Rehabilitation Plans.

7. This Court continues and reaffirms its assumption of exclusive and continuing jurisdiction over all of the Transferred Assets of Mission Insurance Company, Mission National Insurance Company, Enterprise Insurance Company, Holland-America Insurance Company and Mission Reinsurance Corporation (hereinafter, collectively, the "Mission Insurance Subsidiaries") Mission American Insurance Company and Compac Insurance Company

(hereinafter, collectively, "Mission American") and hereby continues such assertion and assumption of jurisdiction to the exclusion of all others and, further, asserts and continues to ~~assume sole and exclusive jurisdiction to administer the~~ Transferred Assets and to determine the validity or invalidity of any and all claims to or affecting such assets. Further, without limitation of this Court's jurisdiction as a matter of law, the Court also retains jurisdiction with respect to the Rehabilitation Agreement, the Partial Settlement Agreement and with respect to any and all transactions contemplated therein, including, but not limited to the adjudication of any and all disputes arising out of or in connection with the terms thereof or the transactions contemplated therein.

8. The Trusts of Mission Insurance Company, Mission National Insurance Company, Enterprise Insurance Company and the Mission American Trust shall be administered by the Insurance Commissioner of the State of California and her successors in office, ex officio, as Trustee. The Trustee may appoint one or more Deputy Trustees and Counsel for the Trusts. The Trusts of Holland-America Insurance Company and Mission Reinsurance Corporation shall be administered, in accordance with the Agreement Between Liquidators dated July 1, 1988 and in accordance with the terms of the Trusts, and the Missouri Director of Insurance in his capacity as domiciliary Receiver (the "Director") shall be Trustee. All current work in progress regarding the Mission Insurance Companies and Mission American and the benefits of all past work shall be transferred to and preserved for the benefit of the Trusts.

9. With respect to the Transferred Assets of the Mission Insurance Companies and Mission American, this Court specifically finds that all rights, remedies or causes of action possessed by the Receiver or the Director, whether currently existing or arising in the future, are preserved and transferred to the Trusts, including, but not limited to, the causes of action for reinsurance recoverables and bad faith asserted in the Abeille-Paix Litigation and the claims asserted in the Collection Litigation, and that such rights, remedies and causes of action and all other claims shall continue without any change in form or substance as before this Court's approval of the Rehabilitation Agreement.

10. Actual notice was provided to the guaranty association, guaranty fund or other similar entity of each state of the Hearing, the Receiver's Motion, the Rehabilitation Agreement and the Rehabilitation Plans contained therein. All obligations, liabilities and other rights and duties of those guaranty associations, guaranty funds or similar entities of the several United States to the policyholders and claimants of the Mission Insurance Companies shall continue unabated in conjunction with this Court's approval of the Rehabilitation Agreement and the Rehabilitation Plans contained therein and there shall be no change, abrogation, alteration or other modification of the obligations and rights of these guaranty associations as a result of this Court's order or the transactions contemplated in the Rehabilitation Agreement or the Rehabilitation Plans.

11. All persons and entities are hereby enjoined from instituting or maintaining any action at law or suit in equity of

any kind or nature, including, but not limited to matters in arbitration, against the Trusts of the Mission Insurance Subsidiaries, or the Mission American Trust, the Receiver, the Director, the Trustees, their Deputy Trustee(s), their Counsel or any of their agents, employees, consultants or anyone acting under their direction, and from attaching or executing upon or taking any legal proceedings against any of the Transferred Assets of the Mission Insurance Subsidiaries or Mission American and from doing any act interfering with the conduct of the business of the Trusts by the Trustees or with the dominion and control of the Trustees over these Transferred Assets and from interfering with any provision of this Order or the Rehabilitation Agreement or the transactions contemplated in connection therewith, except after an order of this Court, obtained after reasonable notice to the Trustees.

12. At such time as the Commissioner notifies this Court that all conditions precedent to closing the contemplated transactions have occurred, and that she has been satisfied as to all related tax issues, then: (a) Mission Insurance Company, Mission National Insurance Company, Enterprise Insurance Company, Holland-America Insurance Company and Mission Reinsurance Corporation shall be released, discharged, and dismissed from the current liquidation proceedings pending before this Court free of any claims and liabilities of any kind whatsoever and such liquidation proceedings then will be terminated as to these companies. These proceedings shall continue as to the Trust estates of these companies which trust estates shall function as liquidating insurance entities subject to the Commissioner's

00 00

1 powers under the Insurance Code; (b) Mission American Insurance
2 Company and Compac Insurance Company shall be released,
3 discharged, and dismissed from the current conservatorship
4 proceedings pending before this Court free of any claims and
5 liabilities of any kind whatsoever and such conservatorship
6 proceedings then will be terminated as to these companies. These
7 proceedings shall continue as to the Trust estates of these
8 companies which trust estates shall function as liquidating
9 insurance entities subject to the Commissioner's powers under the
10 Insurance Code; and (c) the names of the Mission Insurance
11 Subsidiaries and Mission American shall be changed as follows:
12 (i) the name of Mission Insurance Company shall be changed to
13 Danielson Insurance Company, (ii) the name of Mission National
14 Insurance Company shall be changed to Danielson National
15 Insurance Company; (iii) the name of Enterprise Insurance Company
16 shall be changed to Danielson-Heffernan Insurance Company; (iv)
17 the name of Holland-America Insurance Company shall be changed to
18 Danielson-Rhein Insurance Company; (v) the name of Mission
19 Reinsurance Corporation shall be changed to Danielson Reinsurance
20 Corporation; (vi) the name of Mission American Insurance Company
21 shall be changed to Danielson American Insurance Company; and
22 (vii) the name of Compac Insurance Company shall be changed to
23 Danielson-Whitman Insurance Company.

24 13. The Partial Settlement Agreement dated as of December
25 13, 1989 between, among others, the Receiver, Director and the
26 Settling Cross-Defendants (the "Partial Settlement Agreement") is
27 approved and, in such connection, at such time as the Receiver
28 notifies this Court that all conditions precedent to closing the

contemplated transactions have occurred, and that she has been
satisfied as to the tax issues, then the claims to be released by
the Receiver and the Director in Paragraph 3 thereof will be
dismissed with prejudice and the Receiver's indemnity claims as
provided in Paragraph 4 thereof will be dismissed without
prejudice.

DATED: APR 25 1990

Kurt J. Lewin

KURT J. LEWIN

Hon. Kurt J. Lewin
Judge of the Superior Court

[pldg2212]

PROOF OF SERVICE: By Mail
1013a(3) CCP Revised 9/7/95

STATE OF CALIFORNIA, COUNTY OF LOS ANGELES

I am employed in the County of Los Angeles, State of California. I am over the age of 18 and not a party to the within action; my business address is 355 S. Grand Avenue, 31st Floor, Los Angeles, California 90071.

On September 19, 1997, I served the foregoing document described as **RESPONDENT'S SUPPLEMENTAL APPENDIX** by placing true copies thereof enclosed in sealed envelopes addressed as follows:

SEE ATTACHED MAILING LIST

I am readily familiar with the firm's practice of collection and processing correspondence for mailing. Under that practice it would be deposited with the U.S. Postal Service on that same day with postage thereon fully prepaid at Los Angeles, California, in the ordinary course of business. I am aware that on motion of the party served, service is presumed invalid if postal cancellation date or postage meter date is more than one day after date of deposit for mailing in affidavit.

Executed on September 19, 1997, at Los Angeles, California.

 X (State) I declare under penalty of perjury under the laws of the State of California that the above is true and correct.

 (Federal) I declare that I am employed by the office of a member of the bar of this court at whose direction the service was made.


SHARIE LEE FOSTER, Declarant

INSURANCE COMMISSIONER v.
MISSION INSURANCE

L.A.S.C. Case No. C572 724
Re: Amended Final Liquidation
Dividend Plan
(Revised 3/27/97)

JOHN L. HARTMAN, ESQ.
STANTON G. WARE, ESQ.
450 Sansome St., 13th Fl.
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SEP 24 2004

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7 SUPERIOR COURT OF THE STATE OF CALIFORNIA
8 FOR THE COUNTY OF LOS ANGELES
9

10 JOHN GARAMENDI, Insurance
11 Commissioner of the State of California,

12 Applicant,

13 vs.

14 MISSION INSURANCE COMPANY, a
15 California corporation,

16 Respondent.

17 Consolidated with Case Numbers

18 C 576 324; C 576 416;
19 C 576 323; C 576 325; C 629709

Case No. C 572 724

[PROPOSED] ORDER WHICH GRANTS
THE INSURANCE COMMISSIONER'S
MOTION TO APPROVE ALLOCATION
OF DANIELSON SHARES

Date: September 24, 2004
Time: 8:30 a.m.
Department: 50

Filed: October 31, 1985

1 On the 24th day of September, 2004, this Court heard the Insurance Commissioner's Motion
2 to Approve Allocation of Danielson Shares. The Court noted that no opposition was filed. The Court
3 finds the Motion should be GRANTED.

4 The Court authorizes and approves the allocation of shares as follows:

5 Mission Insurance Company Trust: 1,172,874

6 Mission National Insurance Company Trust: 399,751

7 Enterprise Insurance Company Trust: 75,863

8 Holland America Insurance Company Trust: 150,134

9 Mission Reinsurance Corporation Trust: 4613.

10 The Court authorizes the Insurance Commissioner to take steps to allocate the shares in
11 accordance with this allocation, and to follow this pro rata method of allocation as to any further
12 shares to be distributed. The Court also authorizes the method of distribution of shares to the
13 individual deficiency claimants, as determined by the Insurance Commissioner in the claims process.

14 As to Enterprise Insurance Company Trust, share distribution may be made to the approved
15 claimants based on the percentages as of the April 2004 interim distribution.

16 So ordered

17
18 Signed this 24 day of September, 2004

19
20 J. STEPHEN CZULEGER

21
22 Judge of the Superior Court
23
24
25
26
27
28

1 **PROOF OF SERVICE: By U.S. Mail**
2 **(Code Civ. Proc., §§ 1013, 2015.5)**

3 STATE OF TEXAS, COUNTY OF DALLAS.

4 I am employed in the County of Dallas, State of Texas. I am over the age of 18 and not a party to the
5 within action; my business address is 625 West Centerville Road, Suite 110, Street, Garland, Texas
6 75041.

6 On this date, I serve the foregoing documents described **DECLARATION OF ROBERT H.**
7 **NUNNALLY, JR. SUPPORTING THE MOTION TO APPROVE REHABILITATION PLAN**
8 **IMPLEMENTATION AGREEMENT AND RELATED EXHIBITS WITH COVANTA**
9 **HOLDING CORPORATION** by placing a copy thereof enclosed in sealed envelopes addressed as
10 follows:

9 Sent via U.S. Mail to:

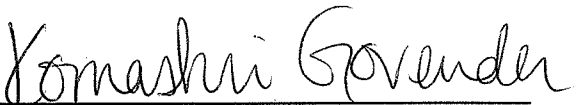
10 See Attached Exhibit "A"

11 I am readily familiar with my employer's practices of collection and processing correspondence for
12 mailing with the U.S. Postal Service and the above-referenced correspondence will be deposited with
13 the U.S. Postal Service on the same date as stated below, following ordinary course of business.

14 X (State) I declare under penalty of perjury under the laws of the State of California that the above
15 is true and correct.

16 ___ (Federal) I declare that I am employed by the office of a member of the bar of this court at whose
17 direction the service was made.

18 Executed on January 18, 2006 at Garland, Texas

19 
20 Komashri Govender
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28

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