

**THE STATE OF NEW HAMPSHIRE**

**MERRIMACK, SS**

**SUPERIOR COURT**

**Docket No. 03-E-0106**

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

**LIQUIDATOR'S MOTION FOR APPROVAL OF SETTLEMENT  
AGREEMENT WITH APPLETON PAPERS, INC.**

In accordance with the Order Establishing Procedures for Review of Certain Agreements to Assume Obligations or Dispose of Assets entered April 29, 2004, Roger A. Sevigny, Commissioner of Insurance for the State of New Hampshire, as Liquidator ("Liquidator") of the Home Insurance Company ("Home") hereby moves that the Court enter an order in the form submitted herewith approving the Settlement Agreement and Mutual Release (the "Settlement Agreement") by and among the Liquidator, Appleton Papers, Inc. ("Appleton"), Liberty Mutual Insurance Company ("Liberty"), and American Manufacturers' Mutual Insurance Company ("AMMIC"). As reasons for this motion, the Liquidator respectfully states:

1. This motion requests approval of the Settlement Agreement resolving a deductible and premium collection action brought by the Liquidator against Appleton. The Settlement Agreement is subject to approval by the Court and will become effective on such approval. See Settlement Agreement ¶ 1. A copy of the Settlement Agreement, with financial terms redacted, is attached as Exhibit 1. A complete copy of the Settlement Agreement is attached to the Confidential Affidavit of Peter A. Bengelsdorf, Special Deputy Liquidator, in Support of Approval of Settlement Agreement with Appleton Papers, Inc. ("Bengelsdorf Confidential Aff.") submitted herewith under seal.

2. From 1988 through 1993, Home issued workers' compensation and general liability insurance policies to Appleton. Additionally, Appleton and Home entered into Deductible Reimbursement Agreements (the "Deductible Reimbursement Agreements") in conjunction with the Home Policies issued to Appleton from the years 1988 through 1990 (the "Deductible Policies"), which required Appleton to remit to Home losses and expenses incurred by Home within the deductible amounts in the Deductible Policies. Lastly, Home and Appleton entered into Premium Agreements (the "Premium Agreements") in conjunction with the Home Policies issued to Appleton for the years 1991 through 1993 (the "Premium Policies"), which required Appleton to pay premium based, in part, on the amount of loss Home paid on behalf of Appleton and expense Home incurred defending actions brought against Appleton under the Premium Policies. Bengelsdorf Confidential Aff. ¶¶ 2-4.

3. Appleton secured its obligations under the Deductible Reimbursement Agreements and the Premium Agreements by providing Home with an irrevocable Letter of Credit (the "Collateral"). Bengelsdorf Confidential Aff. ¶ 5.

4. Appleton tendered and demanded coverage under the Home Policies for certain losses and expenses, including defense costs. Bengelsdorf Confidential Aff. ¶ 6.

5. Liberty issued certain general liability policies to Appleton for the years prior to 1988. Appleton tendered and demanded coverage under some or all of the Liberty Policies for essentially the same losses and expenses as under the Home policies, including defense costs. AMMIC issued a general liability policy to Appleton for the calendar year 1994 ("AMMIC Policy"). Bengelsdorf Confidential Aff. ¶¶ 7-8.

6. The Liquidator commenced an action in this Court seeking payment from Appleton under the Deductible Reimbursement Agreements and the Premium Agreements.

Appleton filed an answer and counterclaim in response to the Liquidator's action, in which it disputed any obligation to pay additional amounts to Home under either the Premium Agreements or the Deductible Reimbursement Agreements and asserted that it was due back sums relating to Home's alleged overcharges of deductibles and/or retrospective premiums. Appleton also commenced a third-party action seeking recovery from AMMIC for sums held by AMMIC in claimed deductibles under the AMMIC Policy and commenced a third-party action seeking recovery from Liberty to the extent that Appleton may be responsible: (a) to AMMIC under the AMMIC Policy and/or (b) to Home under the Deductible Reimbursement Agreements and the Premium Agreements. Bengelsdorf Confidential Aff. ¶¶ 9-10.

7. After the filing of the pleadings, the parties and counsel, pursuant to the Court's directive, engaged in mediation in June 2005. Bengelsdorf Confidential Aff. ¶ 11.

8. The Liquidator and Appleton subsequently agreed to settle their disputes. That Agreement is reflected in the Settlement Agreement. The Settlement Agreement provides that Appleton will pay Home the settlement sum by wire within 20 days after the effective date. Settlement Agreement ¶ 2. The other provisions of the Settlement Agreement, including dismissal of the action and the related third party action with prejudice<sup>1</sup> and mutual releases (Settlement Agreement ¶¶ 11-12, 14-20) and withdrawal with prejudice of Appleton's Proofs of Claim (Settlement Agreement ¶ 2), are set forth in the Settlement Agreement. In addition, in light of Appleton's withdrawal of tender to Home of defense and indemnity (Settlement Agreement ¶ 8) and its election to administer and service workers' compensation claims other than those handled by the Pennsylvania Workers' Compensation Security Fund (the "PA Guaranty Association"), the Settlement Agreement provides for the release of the bulk of the

---

<sup>1</sup> The Settlement Agreement contemplates certain payments by Liberty and AMMIC to Appleton by virtue of Appleton's settlement with the Liquidator, but Appleton's payment to Home is not predicated upon and is independent of Liberty and AMMIC's agreed obligations to Appleton.

Collateral that Home holds to secure Appleton's payment of premium and deductibles, with the remaining Collateral being held with respect to workers' compensation claims that are being handled and paid by the PA Guaranty Association. Settlement Agreement ¶10; Bengelsdorf Confidential Aff. ¶¶ 12-14.

9. For the reasons set forth at paragraphs 9-14 of the Confidential Bengelsdorf Affidavit, the Liquidator submits that the Agreement is fair and reasonable and that it is in the best interest of the policyholders and other creditors of Home. The Settlement Agreement will convert a contingent, unliquidated asset into immediate cash and avoid delay, cost, and uncertainty in the collection of this asset through a continued litigation process. Bengelsdorf Confidential Aff. ¶ 15.

WHEREFORE, the Liquidator respectfully requests that this Court:

- A. Grant this Motion for Approval of Settlement Agreement with Appleton Papers, Inc;
- B. Enter an Order in the form submitted herewith approving the Agreement; and
- C. Grant such other and further relief as justice may require.


Respectfully submitted,

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

By his attorneys,

KELLY A. AYOTTE  
ATTORNEY GENERAL

J. Christopher Marshall  
Civil Bureau  
New Hampshire Department of Justice  
33 Capitol Street  
Concord, NH 03301-6397  
(603) 271-3650



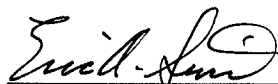
---

J. David Leslie  
Eric A. Smith  
Rackemann, Sawyer & Brewster  
One Financial Center  
Boston, MA 02111  
(617) 542-2300

August 31, 2006

**Certificate of Service**

I hereby certify that a copy of the foregoing Motion for Approval of Settlement Agreement with Appleton Papers, Inc. and the Proposed Order approving the motion were sent, this 31<sup>st</sup> day of August, 2006, by first class mail, postage prepaid to all persons on the attached service list.



Eric A. Smith

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

In the Matter of the Liquidation of  
The Home Insurance Company  
Docket No. 03-E-0106

SERVICE LIST

Ronald L. Snow, Esq.  
Lisa Snow Wade, Esq.  
Orr & Reno  
One Eagle Square  
P.O. Box 3550  
Concord, New Hampshire 03302-3550

Gary Lee, Esq.  
Pieter Van Tol, Esq.  
Lovells  
590 Madison Avenue  
New York, New York 10022

Gail M. Goering, Esq.  
Adam Goodman, Esq.  
Eric Haab, Esq.  
Lovells  
One IBM Plaza  
330 N. Wabash Avenue, Suite 1900  
Chicago, Illinois 60611

Andre Bouffard, Esq.  
Eric D. Jones, Esq.  
Downs Rachlin Martin PLLC  
199 Main Street  
P.O. Box 190  
Burlington, Vermont 05402-0190

Peter G. Callaghan, Esq.  
Preti, Flaherty, Beliveau, Pachos  
& Haley, PLLP  
57 North Main Street  
P.O. Box 1318  
Concord, New Hampshire 03302-1318

Martin P. Honigberg, Esq.  
Sulloway & Hollis, P.L.L.C.  
9 Capitol Street  
P.O. Box 1256  
Concord, New Hampshire 03302-1256

George T. Campbell, III, Esq.  
Robert A. Stein, Esq.  
Robert A. Stein & Associates, PLLC  
One Barberry Lane  
P.O. Box 2159  
Concord, New Hampshire 03302-2159

David M. Spector, Esq.  
Dennis G. LaGory, Esq.  
Kristy L. Allen, Esq.  
Schiff Hardin LLP  
6600 Sears Tower  
Chicago, Illinois 60606

Jack B. Gordon, Esq.  
Fried, Frank, Harris, Shriver  
& Jacobson, LLP  
1001 Pennsylvania Avenue  
Washington, D.C. 20004

Andrew W. Serell, Esq.  
Rath, Young and Pignatelli  
One Capital Plaza  
P.O. Box 1500  
Concord, New Hampshire 03302-1500

Stephan P. Parks, Esq.  
Doreen F. Connor, Esq.  
Wiggin & Nourie, P.A.  
670 North Commercial Street, Suite 305  
P.O. Box 808  
Manchester, New Hampshire 03105-0808

Michael Cohen, Esq.  
Cohen & Buckley, LLP  
1301 York Road  
Baltimore, Maryland 21093



**REDACTED****SETTLEMENT AGREEMENT AND MUTUAL RELEASE**

This Settlement Agreement and Mutual Release (the "Settlement Agreement") is made this \_\_\_ day of August, 2006, by and among Appleton Papers Inc. ("Appleton"), Roger A. Sevigny, Insurance Commissioner of the State of New Hampshire (the "Liquidator"), solely in his capacity as Liquidator of The Home Insurance Company in Liquidation ("Home"), American Manufacturers Mutual Insurance Company ("AMMIC") and Liberty Mutual Insurance Company ("Liberty"). Appleton, the Liquidator, in his capacity as such and on behalf of Home, AMMIC and Liberty are hereinafter collectively referred to as the "Parties."

WHEREAS, Home issued the following workers' compensation and general liability insurance policies to Appleton from 1988 through 1993 (the "Home Policies"):

<b><u>POLICY NO.</u></b>	<b><u>POLICY PERIOD</u></b>
WC P998298	1/1/88 – 1/1/89
WC P998346	1/1/89 – 1/1/90
WC P998402	1/1/90 – 1/1/91
WC P998442	1/1/91 – 1/1/92
WC K980014	1/1/92 – 1/1/93
WC P998486	1/1/93 – 1/1/94
GL 9273308	1/1/88 – 1/1/89
GLR 9085274	1/1/89 – 1/1/90
GLR F385276	1/1/90 – 1/1/91
GLR F989047	1/1/91 – 1/1/92
GLR F989057	1/1/92 – 1/1/93
GLR 989065	1/1/93 – 1/1/94

WHEREAS, Appleton and Home entered into Deductible Reimbursement Agreements (the "Deductible Reimbursement Agreements") in conjunction with the Home Policies issued to Appleton for the years 1988 through 1990 (the "Deductible Policies"), which Home maintains required Appleton to remit to Home losses and expenses incurred by Home within the deductible

amounts expressed in the Deductible Policies in accordance with the terms and conditions contained therein;

WHEREAS, Appleton and Home entered into Premium Agreements (the "Premium Agreements") in conjunction with the Home Policies issued to Appleton for the years 1991 through 1993 (the "Premium Policies"), which Home maintains required Appleton to pay premium based, in part, on the amount of loss Home paid on behalf of Appleton and expense Home incurred defending actions brought against Appleton under the Premium Policies in accordance with the terms and conditions contained therein;

WHEREAS, Appleton secured its obligations under the Deductible Reimbursement Agreements and the Premium Agreements by providing Home with an irrevocable Letter of Credit presently standing in the amount of [REDACTED] the "Collateral");

WHEREAS, Home maintains that Appleton tendered and demanded coverage under the Home Policies for certain losses and expenses, including defense costs;

WHEREAS, Liberty or any of its direct or indirect parents, subsidiaries or affiliates issued certain general liability policies for the benefit of Appleton or any of its direct and indirect parents, subsidiaries, divisions and affiliates, predecessors, successors and assigns allegedly providing coverage for the years prior to 1988 (the "Liberty Policies"), including, without limitation, the following general liability policies:

Policy Number	Effective Date
LG1-651-004038-058	6/30/78-6/30/79
LG1-651-004033-328	1/1/78-1/1/79
LG1-651-004033-329	1/1/79-1/1/80
LG1-651-004033-320	1/1/80-1/1/81
LG1-651-004033-321	1/1/81-1/1/82
LG1-651-004033-322	1/1/82-1/1/83
LG1-651-004033-323	1/1/83-1/1/84

<b>Policy Number</b>	<b>Effective Date</b>
LG1-651-004033-324	1/1/84-1/1/85
LG1-651-004033-325	1/1/85-1/1/86
RG1-651-004033-326	1/1/86-1/1/87
RG1-651-004033-327	1/1/87-1/1/88

**WHEREAS**, Appleton tendered and demanded coverage under some or all of the Liberty Policies for losses and expenses, including defense costs;

**WHEREAS**, AMMIC issued a general liability policy to Appleton for the calendar year 1994 (the "AMMIC Policy");

**WHEREAS**, Home was placed into liquidation effective June 11, 2003 (the "Liquidation Date"), by Order of the Superior Court of the State of New Hampshire, Merrimack County (the "Liquidation Court"), pursuant to which the Liquidator was appointed as Liquidator of Home;

**WHEREAS**, pursuant to NH Rev. Stat. Ann. § 402-C:1 *et seq.*, effective as of the Liquidation Date, the Liquidator is vested with all of Home's past, present and future rights, claims, powers and defenses, and is authorized to compromise, settle or release any claims or disputes that Home has asserted, or may assert in the future;

**WHEREAS**, pursuant to the Order of the Liquidation Court, Appleton submitted a Proof of Claim to Home seeking recovery of amounts that Appleton had previously paid to Home under the Premium Agreements and the Deductible Reimbursement Agreements (the "Appleton Proof of Claim");

**WHEREAS**, the Liquidator assigned the following Proof of Claim numbers to the Appleton Proof of Claim:

INSU 221428	INSU 274834
INSU 274774	INSU 275038
INSU 274809	INSU 462581

INSU 274813

WHEREAS, the Liquidator, in his capacity as the Liquidator and on behalf of Home, commenced an action in the Liquidation Court seeking payment from Appleton under the Deductible Reimbursement Agreements and the Premium Agreements filed under Docket No. 04-E-0179 (the "Liquidator's Action");

WHEREAS, Appleton: (i) filed an answer and counterclaim in response to the Liquidator's Action, (ii) commenced a third-party action seeking recovery from AMMIC for sums held by AMMIC in claimed deductibles under the AMMIC Policy, and (iii) commenced a third-party action seeking recovery from Liberty to the extent that Appleton may be responsible: (a) to AMMIC under the AMMIC Policy and/or (b) to Home under the Deductible Reimbursement Agreements and the Premium Agreements (the "Third-Party Action");

WHEREAS, the Liquidator's Action and the Third-Party Action are referred to herein collectively as the "NH Litigation;"

WHEREAS, Appleton, the Liquidator, in his capacity as such and on behalf of Home, AMMIC and Liberty wish to settle and fully and finally resolve their disputes with respect to the NH Litigation;

WHEREAS, in addition to wishing to settle and finally resolve any and all claims asserted in connection with the NH Litigation, Appleton and Liberty wish to settle and finally resolve certain other claims as more fully set forth in the Settlement Agreement and Mutual Release Between Appleton and Liberty dated as of August \_\_, 2006 (the "Liberty-Appleton Agreement");

**WHEREAS**, as between Appleton and Liberty, this Settlement Agreement and the Liberty-Appleton Agreement constitute one global, integrated settlement transaction;

**WHEREAS**, Home and Appleton wish to settle and fully and finally resolve the Appleton Proof of Claim;

**WHEREAS**, Appleton wishes to mitigate any future liability it may owe to Home with respect to the Deductible Reimbursement Agreements and the Premium Agreements and thus has elected to handle directly workers' compensation claims (the "WC Claims") that are currently being handled by the various insurance company insolvency guaranty associations (the "Guaranty Associations") other than those WC Claims handled by the Pennsylvania Workers' Compensation Security Fund (the "PA Security Fund");

**WHEREAS**, Appleton has agreed to post security for the benefit of the Guaranty Associations, including but not limited to the PA Security Fund, in the event that any Guaranty Association is required to pay the WC Claims;

**WHEREAS**, the PA Security Fund has not yet agreed to permit Appleton to directly administer, service, process or pay the WC Claims for which the PA Security Fund is responsible (the "PA WC Claims");

**WHEREAS**, Appleton and Home have agreed that the amount of collateral currently required to secure the PA WC Claims is [REDACTED] ("PA WC Collateral");

**WHEREAS**, Appleton has requested cancellation and release of the Collateral with the exception of the PA WC Collateral; and

**WHEREAS**, based on Appleton's agreement that it will post security for the benefit of the Guaranty Associations, other than with respect to the PA Security Fund, with respect to the

WC Claims, Home has agreed to cause the Collateral to be cancelled and released with the exception of the PA WC Collateral.

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

1. **Effective Upon Approval.** This Settlement Agreement is conditioned and shall only become effective (the "Effective Date"), upon approval by the Liquidation Court; provided, however, that solely as between Liberty and Appleton, the Effective Date shall occur upon the later of (i) the date that the Liquidation Court approves this Settlement Agreement, or (ii) the date that Liberty-Appleton Agreement has been executed by both Appleton and Liberty. In the event that the Liquidation Court does not approve this Settlement Agreement it shall be null and void and of no force and effect.

2. **Withdrawal of Appleton Proof of Claim.** Solely as between Home and Appleton, upon the Effective Date, any Proof of Claim that Appleton has filed in the Home liquidation estate, including the Appleton Proof of Claim, shall be deemed withdrawn with prejudice.

3. **Payment to Home.** In addition to all amounts previously paid, within twenty (20) days after the Effective Date which, for the avoidance of doubt, is the date that the Liquidation Court approves the Settlement Agreement, Appleton shall pay to Home, by wire transfer, the total sum of [REDACTED] (the "Appleton Settlement Sum"). The Appleton Settlement Sum shall constitute full and final settlement of any

and all liabilities and obligations that Appleton has incurred to date under the Deductible Reimbursement Agreements and the Premium Agreements, with time being of the essence in the performance by Appleton. Said wire transfer shall be directed to:

Bank: Citizens Bank - Manchester, NH  
ABA: [REDACTED]  
For the Account of: The Home Insurance Company in Liquidation  
286 Commercial Street, Manchester, NH 03108  
Account: [REDACTED]  
Reference: Premium Accounting

Payment shall be transferred free and clear of and without any deduction for or on account of any set-off or counterclaim.

4. **Interest (Appleton).** If Appleton fails to pay any portion of the Appleton Settlement Sum within twenty (20) business days after the Effective Date, it shall pay (a) interest on any unpaid amount at the rate of [REDACTED] per annum from the Effective Date; and (b) any reasonable costs, including reasonable attorneys' fees, incurred by the Liquidator or Home in recovering the Appleton Settlement Sum in full (the "Collection Costs"). The acceptance by Home of the Appleton Settlement Sum together with all interest and Collection Costs due, if any, in respect of late payment as determined and calculated as aforesaid shall constitute a full and final settlement and release hereunder as if payment of the Appleton Settlement Sum had been made in full within twenty (20) business days after the Effective Date.

5. **Payment to Appleton by AMMIC.** In addition to all amounts previously paid, within twenty (20) days after the Effective Date, AMMIC shall pay to Appleton, by check, the total sum of [REDACTED] the "AMMIC Settlement Sum"). The AMMIC Settlement Sum shall constitute full and final settlement of any and all liabilities and obligations that AMMIC has incurred to date under the AMMIC Policy with respect to the Third-Party Action, with time

being of the essence in the performance by AMMIC. Payment shall be transferred free and clear of and without any deduction for or on account of any set-off or counterclaim.

6. **Payment to Appleton by Liberty.** In addition to all amounts previously paid, within twenty (20) days after the Effective Date, Liberty shall pay to Appleton, by check, the total sum called for in the Liberty-Appleton Agreement (the "Liberty Global Settlement Sum"), with time being of the essence in the performance by Liberty. Payment shall be transferred free and clear of and without any deduction for or on account of any set-off or counterclaim.

7. **No Contribution Rights.** Effective upon the releases in favor of Liberty and AMMIC contained herein, and, in the case of Liberty, the releases granted by Appleton to Liberty under the Liberty-Appleton Agreement, Liberty and AMMIC hereby withdraw and relinquish any right either had or may have, including any right under any Proof of Claim that either has filed or may subsequently file in the liquidation proceedings of Home, to seek recovery from Home for contribution, equitable subrogation, indemnification or any other method by which Liberty and/or AMMIC could assert that Home is required to share in the cost of defense or indemnification of any claim that as of the Effective Date has been asserted against Appleton.

8. **Withdrawal of Claim Tender.** By execution of this Settlement Agreement, Appleton, with the exception of the PA WC Claims, and any tender or demand in any way related to, arising out of or otherwise associated with claims of contamination of the Fox River, Green Bay, Lake Michigan or surrounding land or associated assertions of bodily injury or property damage, hereby withdraws and relinquishes any tender or demand previously submitted by Appleton seeking for the Home to defend or indemnify any claim brought against Appleton, including but not limited to the following claims:



- a. Nancy Magaras v. Appleton Papers Inc., et al., Third Judicial District Court in and for Salt Lake City, Utah, Civil File No. 930905780.
- b. Mary Patricia Helinski v. Appleton Papers Inc., United States District Court for the District of Maryland, Civil File No. N-93-3784.
- c. James J. Ellis, Claudia B. Cinquanti, Margaret B. Marks, and Sharon L. Prezioso v. Appleton Papers Inc., et al., United States District Court for the Northern District of New York, Civil File Nos. 94-CV-0558, 94-CV-0559, 94-CV-0560, 94-CV-0561.
- d. Ann B. Holcomb v. Appleton Papers Inc., et al., United States District Court for the Eastern District of Virginia, Norfolk Division, Civil File No. 2:-3-CV-00071.
- e. Rosemary C. Petralia v. AT&T Global Information Solutions Company, a/k/a NCR Corporation, et al., United States District Court for the District of New Hampshire, Civil File No. C-99-183.
- f. Brenda Smith v. Appleton Papers Inc., et al., United States District Court for the Eastern District of Virginia, Norfolk Division, Civil File No. 2:-01-CV-965.
- g. Sharon O. Page and George Page v. Appleton Papers Inc., et al., Montgomery County, Ohio, Court of Common Pleas, Civil File No. 99-CV-0288.
- h. Sharon O. Page and George Page v. Appleton Papers Inc., et al. Montgomery County, Ohio, Court of Common Pleas, Civil File No. 97-5967.
- i. Mildred Jackson v. Appleton Papers Inc., et al., United States District Court for the District of South Carolina, Charleston Division, Civil No. 2:03-CV-0279-18.
- j. Workers' Compensation Claimants Daniel Brockman, Dawn Aerts, Robert Golden and Karen Kirk.

9. **Indemnification by Appleton.** Upon the Effective Date of this Settlement Agreement, Appleton agrees that should any Guaranty Association, including but not limited to the PA Security Fund, pay any WC Claim and request reimbursement from the Home estate, Appleton shall fully indemnify and hold the Liquidator and Home harmless from and against any and all such claims. Appleton further agrees that its indemnification and hold harmless obligations hereunder shall extend to and include any claims made under the Home Policies against the Liquidator or Home by vendors of or respecting Appleton (including claims for

defense and indemnity), other insurers of Appleton, and by any individuals or entities asserting “direct action” claims arising out of or related to the Home Policies.

10. **Release of Collateral.** Upon receipt of the Appleton Settlement Sum, Appleton shall be entitled to cancel the Collateral, with the express exception of the PA WC Collateral, and upon notification to the issuing banks, Home shall take all reasonable actions to cause such cancellation to become effective. Should Appleton tender, demand or in any other way seek recovery from Home of any indemnity obligation or defense costs under the Home Policies, or should Home or the Liquidator be obliged to recognize any indemnity or defense obligations under impacted Home Policies from whatever source, Home shall be entitled to immediate reinstatement of the Collateral to the extent necessary to secure Appleton’s ensuing obligations under the Deductible Reimbursement Agreements or the Premium Agreements.

11. **Neither Party Docket Markings.** Immediately upon payment of the Appleton Settlement Sum the Parties shall cause to be filed Neither Party Docket Markings (with prejudice) that terminate Home’s involvement in the NH Litigation. Immediately upon payment of the AMMIC Settlement Sum, and the Liberty Global Settlement Sum, the remaining parties hereto shall cause to be filed Neither Party Docket Markings (with prejudice) terminating the remainder of the NH Litigation.

**RELEASES BY LIQUIDATOR, IN HIS CAPACITY AS SUCH AND  
ON BEHALF OF HOME**

12. **Release by the Liquidator, in his Capacity as Such and on behalf of Home.** Subject to the terms of this Settlement Agreement and in consideration of the payment of the Appleton Settlement Sum, the Liquidator, in his capacity as such, and on behalf of Home and its past, present and future direct and indirect parents, subsidiaries and affiliates, and each of its and

their present and former officers, directors, employees, agents, attorneys, shareholders, servants, predecessors, and the successors and assigns of each of them (including any liquidator or other statutory successor), releases and discharges Appleton, AMMIC and Liberty and their respective parents, subsidiaries and affiliates, and each of its and their present and former officers, directors, employees, agents, attorneys, liquidators, shareholders, servants, predecessors, and the successors and assigns of each of them (including any trustee, liquidator or other statutory successor), from any and all actions, causes of action, liabilities, adjustments, obligations, offsets, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, premiums, losses, salvage, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, counterclaims and demands whatsoever, in law, admiralty or equity, which the Liquidator or Home ever had, now has, or hereafter may have against Appleton, AMMIC and/or Liberty by reason of any matter whatsoever solely with respect to the NH Litigation.

13. Exception to the Liquidator's Release of Appleton. The foregoing release excludes and does not waive or release the Liquidator or Home's right to claim retrospective premiums or reimbursement of deductibles that are (i) based solely on events causing a loss that occurs subsequent to the Effective Date and (ii) to which Home would otherwise be entitled under the Home Policies. By way of example, the payment by Home pursuant to the Home Policies of medical expenses incurred subsequent to the Effective Date could entitle Home to receive retrospective premium from Appleton pursuant to the terms of the Premium Agreements. Moreover, should any Guaranty Association, including but not limited to the PA Security Fund, pay any amount for WC Claims that is not fully reimbursed by Appleton or covered by collateral that Appleton provided to any Guaranty Association, Home shall retain whatever rights it would

otherwise have had absent this Settlement Agreement and Mutual Release to obtain premium or deductible reimbursement from Appleton under the Premium Agreements and the Deductible Reimbursement Agreements. Notwithstanding the foregoing, however, Appleton reserves its right to object to, contest and/or dispute any such future retrospective premium adjustments or deductible reimbursements that Home may seek.

#### **RELEASES BY APPLETON**

14. **Release of Home and the Liquidator by Appleton.** Subject to the terms of this Settlement Agreement, Appleton, on its own behalf and on behalf of its present parent, Paperweight Development Corp., subsidiaries and affiliates, and each of its and their present and future officers, directors, employees, agents, attorneys, affiliates, shareholders, servants, predecessors, and the successors and assigns of each of them (including any trustee or other statutory successor), hereby irrevocably and unconditionally releases and discharges the Liquidator and Home and each of their present and former officers, directors, employees, assets, attorneys, shareholders, servants, predecessors, and the successors and assigns of each of them (including any liquidator or other statutory successor) (the "Home Releasees"), from any and all actions, causes of action, liabilities, adjustments, obligations, offsets, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, premiums, losses, salvage, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and demands whatsoever, in law, admiralty or equity, which Appleton ever had, now has, or hereafter may have against the Home Releasees by reason of any matter whatsoever with respect to the Appleton Proof of Claim and the NH Litigation.

15. **Release of AMMIC by Appleton.** Subject to the terms of this Settlement Agreement, Appleton and its officers, directors, employees, agents, attorneys, affiliates,

shareholders, parents, predecessors, successors and assigns, hereby irrevocably and unconditionally releases and discharges AMMIC and its present and former officers, directors, employees, attorneys, liquidators, shareholders, servants and agents, and the successors and assigns, from all actions, causes of action, liabilities, adjustments, obligations, offsets, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, premiums, losses, salvage, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, and demands whatsoever, in law, admiralty or equity, which Appleton ever had or now has against AMMIC by reason of any matter whatsoever with respect to the NH Litigation.

16. **Release of Liberty by Appleton.** Subject to the terms of this Settlement Agreement and the terms of the Liberty-Appleton Agreement, Appleton, on its own behalf and on behalf of its present parent Paperweight Development Corp., subsidiaries and affiliates, and each of its and their present and former officers, directors, employees, agents, attorneys, shareholders, servants, predecessors, and the successors and assigns of each of them (including any trustee or other statutory successor), hereby irrevocably and unconditionally releases and discharges Liberty and its past, present and future direct and indirect parents, subsidiaries and affiliates, and each of its and their present and former officers, directors, employees, agents, attorneys, shareholders, servants, predecessors, and the successors and assigns of each of them (including any liquidator or other statutory successor) (the "Liberty Releasees"), from any and all actions, causes of action, liabilities, adjustments, obligations, offsets, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, premiums, losses, salvage, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, counterclaims and demands whatsoever, in law, admiralty or equity,

which Appleton ever had, now has, or hereafter may have against the Liberty Releasees by reason of any matter whatsoever solely with respect to the NH Litigation.

**RELEASES BY AMMIC**

17. **Release of Appleton by AMMIC.** Subject to the terms of this Settlement Agreement and in consideration of the payment of the AMMIC Settlement Sum, AMMIC, on its own behalf, and on behalf its officers, directors, employees, agents, attorneys, shareholders, predecessors, successors or assigns, releases and discharges Appleton and its parents, subsidiaries and affiliates, and each of its and their present and former officers, directors, employees, attorneys, liquidators, shareholders, servants and agents, and the successors and assigns of each of them from any and all actions, causes of action, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, executions, claims, counterclaims and demands whatsoever in law or in equity, which AMMIC ever had, now has, or hereafter may have against Appleton, Liberty and/or the Liquidator and Home by reason of any matter whatsoever solely with respect to the NH Litigation.

18. **Releases of Liberty, Home and the Liquidator by AMMIC.** Subject to the terms of this Settlement Agreement, AMMIC, on its own behalf and on behalf of its past, present and future direct and indirect parents, subsidiaries and affiliates, and each of its and their present and former officers, directors, employees, agents, attorneys, shareholders, servants, predecessors, and the successors and assigns of each of them (including any liquidator or other statutory successor), hereby irrevocably and unconditionally releases and discharges Liberty, Home and the Liquidator and their respective past, present and future direct and indirect parents, subsidiaries and affiliates, and each of its and their present and former officers, directors,

employees, agents, attorneys, liquidators, shareholders, servants, predecessors, and the successors and assigns of each of them, from any and all actions, causes of action, liabilities, adjustments, obligations, offsets, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, premiums, losses, salvage, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, counterclaims and demands whatsoever, in law, admiralty or equity, which AMMIC ever had, now has or hereafter may have against Liberty, Home and/or the Liquidator, by reason of any matter whatsoever solely with respect to the NH Litigation.

#### **RELEASES BY LIBERTY**

19. **Release of Appleton by Liberty.** Subject to the terms of this Settlement Agreement and the terms of the Liberty-Appleton Agreement, Liberty, on its own behalf and on behalf of its past, present and future direct and indirect parents, subsidiaries and affiliates, and each of its and their present and former officers, directors, employees, agents, attorneys, shareholders, servants, predecessors, and the successors and assigns of each of them (including any liquidator or other statutory successor), hereby irrevocably and unconditionally releases and discharges Appleton and present parent Paperweight Development Corp., subsidiaries and affiliates, and each of its and their present and former officers, directors, employees, agents, attorneys, shareholders, servants, predecessors, and the successors and assigns of each of them (including any trustee or other statutory successor) (the "Appleton Releasees"), from any and all actions, causes of action, liabilities, adjustments, obligations, offsets, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, premiums, losses, salvage, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, counterclaims and demands whatsoever, in law, admiralty or equity,

which Liberty ever had, now has, or hereafter may have against the Appleton Releasees by reason of any matter whatsoever solely with respect to the NH Litigation.

20. Releases of AMMIC, Home and the Liquidator by Liberty. Subject to the terms of this Settlement Agreement, Liberty, on its own behalf and on behalf of its past, present and future direct and indirect parents, subsidiaries and affiliates, and each of its and their present and former officers, directors, employees, agents, attorneys, shareholders, servants, predecessors, and the successors and assigns of each of them (including any liquidator or other statutory successor), hereby irrevocably and unconditionally releases and discharges AMMIC, Home and the Liquidator and their respective past, present and future direct and indirect parents, subsidiaries and affiliates, and each of its and their present and former officers, directors, employees, agents, attorneys, shareholders, servants, predecessors, and the successors and assigns of each of them (including any liquidator or other statutory successor), from any and all actions, causes of action, liabilities, adjustments, obligations, offsets, suits, debts, dues, sums of money, accounts, reckonings, bonds, bills, premiums, losses, salvage, specialties, covenants, contracts, controversies, agreements, promises, variances, trespasses, damages, judgments, extents, executions, claims, counterclaims and demands whatsoever, in law, admiralty or equity, which Liberty ever had, now has or hereafter may have against AMMIC, Home and/or the Liquidator, by reason of any matter whatsoever solely with respect to the NH Litigation.

#### LIBERTY-APPLETON AGREEMENT

21. One Settlement as between Appleton and Liberty. The Parties understand and agree that, except as between Appleton and Liberty, the rights and obligations of any of the parties hereto, as between themselves and Appleton, Liberty or *inter se*, are not in any way conditioned upon the effectiveness of the Liberty-Appleton Agreement. Liberty and Appleton



understand and acknowledge that, solely with respect to each other, this Settlement Agreement, including the releases, covenants and undertakings made herein, is conditioned upon the effectiveness of the Liberty-Appleton Agreement.

#### **MISCELLANEOUS PROVISIONS**

22. **Further Assurances.** The Parties shall take all further actions as may be necessary to carry out the intent and purpose of this Settlement Agreement and to consummate the transactions contemplated herein. Solely as between Liberty and Appleton, Liberty and Appleton shall take all further actions as may be necessary to consummate the transactions contemplated by this Settlement Agreement and the Liberty-Appleton Agreement.

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

24. **Due Diligence.** The Parties acknowledge and agree that, in executing this Settlement Agreement, they have relied upon their own judgment and upon the recommendations of their legal counsel, if any, that they have read the Settlement Agreement and have had the opportunity to consider the terms and effects of each and to ask any questions that they have of anyone, and that they have executed this Settlement Agreement voluntarily and with full understanding of its terms and effects.

25. **Counterparts.** This Settlement Agreement may be executed in two or more counterparts, each of which shall be deemed an original, but all of which together shall constitute

one and the same instrument. This Settlement Agreement shall be of no force and effect until executed by all Parties.

26. **Power and Authority to Execute.** Each Party hereto represents and warrants that it has the full power and authority to execute, deliver and perform this Settlement Agreement, that each individual signing on behalf of a Party has been duly authorized by that Party to execute this Settlement Agreement on its behalf, and that no claims being released under the terms of this Settlement Agreement have been assigned, sold, or otherwise transferred to any other entity.

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

28. **Entire Agreement.** This Settlement Agreement constitutes the entire agreement and understanding among the Parties with respect to the subject matter hereof. This Settlement Agreement supersedes all prior agreements and understandings, whether written or oral, concerning such matters. Solely as between Liberty and Appleton, this Settlement Agreement is conditioned upon the effectiveness of, and must be read in conjunction with, the Liberty-Appleton Settlement.

29. **Survival of Warranties and Representations.** This warranties and representations made herein shall survive the consummation of this Settlement Agreement.

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

that there are no laws, rules or regulations that prohibit its enforceability. The provisions of this Settlement Agreement are severable, and if any part is found unenforceable, the remainder shall remain valid and enforceable.

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

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

**APPLETON PAPERS INC.**

By: Tami L. Van Straten

Name: Tami L. Van Straten

Title: Sr. Legal Counsel & Asst. Secretary

Date: August 10, 2006

**ROGER A. SEVIGNY, Insurance Commissioner  
of the State of New Hampshire, solely in his  
capacity as Liquidator of THE HOME  
INSURANCE COMPANY IN LIQUIDATION**

By: Jonathan Rosen

Name: Jonathan Rosen

Title: Chief Operating Officer of The Home  
Insurance Company in Liquidation

Date: August 11, 2006

**AMERICAN MANUFACTURERS MUTUAL  
INSURANCE COMPANY**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**LIBERTY MUTUAL INSURANCE COMPANY**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**THE HOME INSURANCE COMPANY  
IN LIQUIDATION**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**AMERICAN MANUFACTURERS MUTUAL  
INSURANCE COMPANY**

By: William A. Plank

Name: William A. Plank

Title: Executive Liability Spec.

Date: August 11, 2006

**LIBERTY MUTUAL INSURANCE COMPANY**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**THE HOME INSURANCE COMPANY  
IN LIQUIDATION**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**AMERICAN MANUFACTURERS MUTUAL  
INSURANCE COMPANY**

By: \_\_\_\_\_

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_

**LIBERTY MUTUAL INSURANCE COMPANY**

By: Kim A. Olson

Name: Kim A. Olson

Title: Director - CERC

Date: 8/14/06