Hearing Date and Time: November 22, 2011 at 9:45 a.m.
Response Deadline: October 31, 2011 at 4:00 p.m.
Reply Deadline: November 16, 2011 at 4:00 p.m.

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UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
MOTORS LIQUIDATION COMPANY, *et al.*,	)	Case No. 09-50026 (REG)
Debtors.	)	(Jointly Administered)

REORGANIZED DEBTORS' (1) SUPPLEMENTAL CLAIM OBJECTION AND (2) MOTION TO ENFORCE THE PLAN INJUNCTION AND AUTOMATIC STAY AND TO ENJOIN CHARTIS U.S. FROM CONTINUING TO RETAIN MORE THAN $20 MILLION IT IMPROPERLY SEIZED FROM THE REORGANIZED DEBTORS

[CLAIMS NOS. 58680, 58681, 59682, and 59697]

TABLE OF CONTENTS

TABLE OF AUTHORITIES

Page

Cases

Statutes

Rules

REORGANIZED DEBTORS' (1) SUPPLEMENTAL CLAIM OBJECTION AND (2) MOTION TO ENFORCE THE PLAN INJUNCTION AND AUTOMATIC STAY AND TO ENJOIN CHARTIS U.S. FROM CONTINUING TO RETAIN MORE THAN $20 MILLION IT IMPROPERLY SEIZED FROM THE REORGANIZED DEBTORS

Reorganized Debtors Motors Liquidation Company, *et al.*, formerly known as General Motors Corporation ("**Old GM**"), respectfully submit the Reorganized Debtors' (1) Supplemental Claim Objection and (2) Motion To Enforce the Plan Injunction and Automatic Stay and To Enjoin Chartis U.S. From Continuing To Retain More Than $20 Million It Improperly Seized from the Reorganized Debtors and, in support hereof, respectfully represent as follows:

PRELIMINARY STATEMENT

1. The Reorganized Debtors respectfully submit this supplemental claim objection (**"Supplemental Claim Objection"**) to disallow claims that Chartis U.S. ("**Chartis**") asserted against Old GM without a factual basis, yet apparently relies on as a purported justification for its seizure of $20,571,486 of the Reorganized Debtors' funds (the "**Seized Cash**") as collateral.

2. In addition, the Reorganized Debtors make this motion (the "**Motion**") to enjoin Chartis from continuing to retain the Seized Cash in violation of the permanent injunction (the "**Plan Injunction**") incorporated into Section 10.7 of Old GM's confirmed Second Amended Joint Chapter 11 Plan (the "**Plan**") and the automatic stay provisions of the Bankruptcy Code, as made applicable here by Section 10.4 of the Plan.

3. As explained in more detail below, Chartis's seizure and retention of the Reorganized Debtors' funds is a willful violation of the Plan Injunction and automatic stay.

4. Chartis originally obtained the funds it seized as collateral from Old GM in connection with the "**Old GM Insurance Agreements**" described in the Assumption and Collateralization Agreements attached to the Declaration of Richard K. Milin dated October 5, 2011 in support of the relief sought herein (the "**Milin Decl.**") as Exhibit 2.

5. By March 1, 2011, however, Old GM concluded that Chartis would no longer have a good faith basis for keeping the collateral it had obtained from Old GM after the Plan's effective date and requested its return. By that time, Old GM had concluded that Chartis's proofs of claims (the "**Proofs of Claim**") sought payment of premiums and deductibles that Old GM did not actually owe and that the other sums Chartis sought in its Proofs of Claim were not owed or, at a minimum, were not supported by sufficient documentation for Old GM to determine that they were owed. (*See* Declaration of Thomas A. Morrow dated October 5, 2011 (**"Morrow Decl."**), annexed to the Milin Declaration as Exhibit 1, ¶ 12.)

6. Old GM also concluded that, by April 1, 2011, Chartis would have no good faith basis under the Old GM Insurance Agreements to retain the Seized Cash as collateral. (*See* Morrow Decl. ¶ 11.) The only claims Chartis might be entitled to use the Seized Cash to collateralize could not arise after April 1, 2011 because they would be (1) time-barred, in that they could only be based on claims-made insurance policies that had expired by that date, and (2) enjoined by Court order, because this Court had resolved substantially all of them under the Environmental Response Trust Consent Decree and Settlement Agreement (the "**Environmental Response Trust**"). (*See* Morrow Decl. ¶ 8.) In addition, during the months after April 1, 2011, at Chartis's insistence, the Reorganized Debtors obtained express written releases from all but one of the state

agencies that could potentially assert demands covered by the Old GM Insurance Agreements. (*See* Morrow Decl. ¶ 9.)

7. As of today, Chartis is holding most of the Seized Cash as collateral for, at best, speculative claims against it that are not a genuine risk for ***all three*** of the foregoing reasons: even if these hypothetical claims were asserted, they would be (i) time-barred, (ii) invalid because they are maintainable only against the Environmental Response Trust and (iii) barred by express releases.

8. On or about March 3, 2011, instead of returning Old GM's collateral as it requested, Chartis seized control of the collateral for its own purposes. Numerous subsequent requests by Old GM and then the Reorganized Debtors for return of the Seized Cash were refused, and Chartis failed to provide any cogent justification – or indeed any written justification at all – for its seizure of Old GM's property. (*See* Morrow Decl. ¶ 14.) No other insurer or surety refused to return Old GM's collateral in similar circumstances. (*See* Morrow Decl. ¶ 16.)

9. On September 16, 2011, after it became clear that Chartis would not return the Seized Cash voluntarily, the Reorganized Debtors sent Chartis a formal demand letter setting out why Chartis's actions violated the Plan Injunction and automatic stay and were otherwise improper. (*See* Milin Decl., Exh. 4.) Chartis has failed to respond to the letter.

10. As a result of Chartis's unreasonable and unjustified refusal to return the Seized Cash, the Reorganized Debtors have no choice but to request that this Court enter an order enforcing the Plan Injunction and automatic stay, and awarding penalties and sanctions against Chartis based on its flagrant misconduct.

JURISDICTION AND VENUE

11. Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157(b) and 1334(b). The relief sought herein constitutes a core proceeding pursuant to 28 U.S.C. § 157(b). Venue is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

FACTUAL BACKGROUND

A. The Chapter 11 Cases

12. On June 1, 2009 (the "**Commencement Date**"), Motors Liquidation Company (f/k/a General Motors Corporation), MLCS, LLC (f/k/a Saturn, LLC), MLCS Distribution Corporation (f/k/a Saturn Distribution Corporation), and MLC of Harlem, Inc. (f/k/a Chevrolet-Saturn of Harlem, Inc.) (collectively, the "**Initial Debtors**") commenced voluntary cases in this Court under chapter 11 of the Bankruptcy Code. On October 9, 2009, Remediation and Liability Management Company, Inc. and Environmental Corporate Remediation Company (the "**REALM/ENCORE Debtors**") commenced voluntary cases in this Court under chapter 11 of the Bankruptcy Code, which cases are jointly administered under Case Number 09-50026 (REG). On September 15, 2009, the Initial Debtors filed their schedules of assets and liabilities and statements of financial affairs, which were amended on October 4, 2009. On October 15, 2009, the REALM/ENCORE Debtors filed their schedules of assets and liabilities and statements of financial affairs.

13. On September 16, 2009, this Court entered an order (Docket No. 4079) establishing November 30, 2009 as the deadline for each person or entity to file a proof of claim in the Initial Debtors' cases, including governmental units. On December 2, 2009, this Court entered an order (Docket No. 4586) establishing February 1, 2010 as the deadline for each person or entity to file a proof of claim in the REALM/ENCORE

Debtors' cases (except governmental units, as defined in section 101(27) of the Bankruptcy Code, for which the Court established April 16, 2010 as the deadline to file proofs of claim).

14. On March 29, 2011, this Court entered an order confirming the Plan (the "**Confirmation Order**," Docket No. 9941). All conditions to the occurrence of the Effective Date were met or waived on March 31, 2011, thereby making the Plan effective as of that date.

B. The Chartis Proofs of Claim

15. Chartis filed four substantively identical Proofs of Claim dated November 29, 2009 against Motors Liquidation Company and certain affiliated debtors (Claims Nos. 59680, 59681, 59682 and 59697). Chartis designated its Proofs of Claim as unliquidated and secured by "right of setoff."

16. Old GM objected to Chartis's Proofs of Claim in its 110th Omnibus Objection to Claims filed on December 3, 2010 (the "**Claim Objection**," Docket No. 8000). The Claim Objection sought disallowance of the Proofs of Claim under section 502(e) of the Bankruptcy Code on the ground that they were, at best, contingent and unliquidated claims of a co-obligor. The Claim Objection also expressly reserved Old GM's right to object to the Chartis Proofs of Claim "on any other basis."

17. In response to the Claim Objection, Chartis filed a Response dated March 4, 2011 (the "**Chartis Response**," Docket No. 9601) in which Chartis attempted to articulate a basis for certain limited aspects of its Proofs of Claim in more detail. Chartis provided only three paragraphs of additional detail, however, and did not provide any substantial documentation to support any aspect of its Claims.

18. The Proofs of Claim assert a right of setoff by stating that "[t]o the extent Claimant holds any cash or other collateral as security for its claim, regardless of

whether such cash or collateral is property of the Debtors' estates, Claimant asserts a secured claim and/or a right of setoff and reserves its rights to collect against same by recoupment and/or setoff." (Proofs of Claim at p. 3 ¶ 8.) The Proofs of Claim provide no further justification or description of this purported right of setoff, however.

C. Chartis's Seizure of the Reorganized Debtors' Cash

19. Chartis now holds at least $20,571,486 in Seized Cash that belongs to the Reorganized Debtors.

20. Chartis originally obtained the Seized Cash from Old GM as collateral in connection with the Old GM Insurance Agreements. (*See* Assumption and Collateralization Agreements, Milin Decl., Exh. 1; Morrow Decl. ¶ 4.)

21. The Old GM Insurance Agreements do not authorize Chartis to continue to hold the Seized Cash as collateral because there are no longer any claims for which Chartis could be held liable under those agreements.

22. Chartis has identified only the following insurance policies (the "**Identified Policies**") as yielding potential obligations that the Reorganized Debtors might be required to collateralize and reimburse:

Policy Type	Insurer	Policy Number	Policy Limited and Collateral
Pollution	Chartis Specialty Insurance Co.	7146277	$8,000,000
Storage Tanks	Chartis Specialty Insurance Co.	7146278	$2,000,000
Hazardous waste (Ohio Closure/Post Closure)	Chartis Specialty Insurance Co.	7146282	$5,822,539
Hazardous Waste (Michigan Corrective Action)	Chartis Specialty Insurance Co.	7146281	$3,839,721
Hazardous Waste (New Jersey Closure)	Lexington Insurance Co.	7146280	$297,022
Hazardous Waste (Illinois Closure)	Lexington Insurance Co.	7146279	$612,204

23. All of the foregoing insurance policies are "claims made" policies that have expired and, except for Policy No. 7146281, no covered claims could be asserted under them after April 1, 2011. (*See* Morrow Decl. ¶¶ 5-6.)

24. Further, although the claims period for Policy No. 7146281 did not expire until September 1, 2011, the Reorganized Debtors cancelled that Policy on March 31, 2011. (*See* Milin Decl., Exh. 3; Morrow Decl. ¶ 7.) Consequently, no new claims against the Reorganized Debtors or Chartis can properly be asserted under any of the Identified Policies – any such claims would be time-barred.

25. Also, the vast majority of potential claims under the Identified Policies have been resolved by this Court's order approving the Plan and Environmental Response Trust incorporated therein. Decretal Paragraph 7 of the Confirmation Order states:

> The establishment and funding of the Environmental Response Trust and the transfer of the Environmental Response Trust Assets to the Environmental Response Trust or any entity formed by the Environmental Response Trust Administrative Trustee ***shall be in full***

> ***settlement and satisfaction of all present and future civil environmental liabilities or obligations of the Debtors to the Governmental Authorities***, other than the claims and rights reserved ….

(*See* Confirmation Order at pp. 19-21 (emphasis added).)

26. The Environmental Response Trust settlement resolved any potential claims by governmental authorities with respect to all of the sites covered by the Identified Policies except for the site at McCook, Illinois. (*See* Morrow Decl. ¶ 8.)

27. In addition to being time-barred and resolved by Court order, any potential claims that might be asserted in the future under the Identified Policies have been released. At Chartis's request – and after engaging in months of effort and expending significant resources – the Reorganized Debtors have obtained signed releases from all but one of the governmental authorities that, alone, could assert claims covered by the Identified Policies. The only exception is the Illinois authorities who have not yet provided a signed release for the McCook site. (*See* Morrow Decl. ¶ 9.)

28. The Identified Policy that relates to McCook cannot justify Chartis's retention of more than $20.5 million in Seized Cash – the policy limit is only $612,204. (*See* Morrow Decl. ¶ 10.)

29. Based on the foregoing facts, Chartis cannot assert claims against the Reorganized Debtors for more than $20.5 million under the Old GM Insurance Policies. Chartis simply cannot maintain in good faith that more than $20.5 million in claims will be asserted against it under the Identified Policies that the Reorganized Debtors will be obligated to reimburse. At a minimum, Chartis has failed to identify any likely insurance liabilities that could justify it in retaining any of the Seized Cash as collateral.

D. Chartis Refuses to Return the Seized Cash

30. Old GM requested the return of the Seized Cash on March 1, 2011. Chartis refused the request and took control of the Seized Cash for its own unspecified purposes about two days later. Chartis has also refused numerous subsequent requests by the Reorganized Debtors for the return of its Seized Cash. (*See* Morrow Decl. ¶ 13.)

31. Chartis has not informed the Reorganized Debtors that it is currently holding the Seized Cash in escrow or for the benefit of the Reorganized Debtors. (*See* Morrow Decl. ¶ 15.) Instead, Chartis is merely keeping the Seized Cash for itself. It also has suggested that it may be retaining the Seized Cash as an offset against the claims arising from the Bristol and Renick matters discussed below, but those claims do not exceed $6 million as asserted and, thus, total almost $15 million less than the Seized Cash.

32. Old GM and the Reorganized Debtors made attempts to reach a negotiated resolution with Chartis after March 1, 2011, both with and without the assistance of counsel. Those attempts were unsuccessful. As part of the negotiations, Chartis requested that the Reorganized Debtors obtain releases letters, but even though Chartis has been provided with letters releasing potential claims for all sites except McCook, Illinois, Chartis has not returned any of the Seized Cash. (*See* Morrow Decl. ¶ 18.)

33. To date, Chartis has neither returned any of the Seized Cash nor provided a reasoned justification – or any written justification at all – for its actions. (*See* Morrow Decl. ¶ 20.)

34. Section 10.7 of the Plan enjoins all parties in interest from taking any action to interfere with implementation or consummation of the Plan.

35. Section 10.4 of the Plan provides that the automatic stay remains in full force and effect until the closing of Old GM's chapter 11 case, which has not yet occurred.

36. Further, the Plan's provisions are made binding on claimants such as Chartis by Decretal Paragraph 5 of this Court's Confirmation Order.

37. On September 16, 2011, the Reorganized Debtors sent Chartis a formal demand letter setting out why Chartis's actions violated the Plan Injunction and automatic stay and requesting the return of the Seized Cash by September 30, 2011. (*See* Milin Decl., Exh. 4.) Chartis has failed to respond to the substance of the letter.

RELIEF REQUESTED

38. The Reorganized Debtors request that this Court: (i) disallow Chartis's claims because they lack factual support, (ii) enter an Order finding that Chartis's seizure and retention of the Seized Cash violates the Plan Injunction and the automatic stay imposed by section 362 of the Bankruptcy Code, which continues in effect pursuant to Section 10.4 of the Plan; (iii) enjoin Chartis from continuing to exercise dominion and control over the Reorganized Debtors' Seized Cash; (iv) impose civil sanctions and award damages against Chartis, including an award of the Reorganized Debtors' costs and attorneys' fees incurred in connection with this Motion or the Seized Cash at any time on or after April 1, 2011; and (v) grant the Reorganized Debtors such other and further relief as is just.

SUPPLEMENTAL CLAIM OBJECTION

A. The Court Should Disallow Chartis's Claims or, at a Minimum, Should Classify Them as Unsecured

39. The Chartis Proofs of Claim assert four types of claims (the "**Claims**") against Old GM: (a) claims for premiums, deductibles and related sums (the

"**Insurance Program Claims**"); (b) claims arising out of the Bristol Center matter (the "**Bristol Claim**"); (c) claims arising out of the Renick Cadillac matter (the "**Renick Claim**"); and (d) claims that Chartis reserves the right to assert, but has not yet asserted (the "**Reserved Claims**"). For the reasons stated below, all four types of claims should be disallowed or, at a minimum, should be categorized as unsecured.

i. Chartis's Insurance Program Claims for Premiums, Deductibles and Related Sums

40. The Chartis Proofs of Claim state that: "the Debtors are indebted to Claimant for premiums, deductibles, and other related fees, expenses and obligations for, among other things, insurance coverages and services …." (*Id*. at p. 1 ¶ 1.)

41. Chartis has provided no documentation to substantiate these Insurance Program Claims, and the Claims cannot be reconciled with Old GM's books and records, which show nothing due. Further, the Reorganized Debtors understand that Chartis has acknowledged that no premiums, deductibles, related fees, expenses or obligations are actually due.

42. In addition, to the extent that Chartis intends to assert claims for hypothetical obligations arising out of the Identified Policies, those claims are without merit for the reasons set forth above: any demands against the Reorganized Debtors or Chartis under the Identified Policies would be time-barred, would be invalid by reason of the Court's orders in connection with the Environmental Response Trust except with respect to the McCook, Illinois site, and, except with respect to that site, have been formally released. Even with respect to McCook, Chartis has provided no documentation to show that any claims are potentially likely to arise. (*See* Morrow Decl. ¶ 19.) Accordingly, Chartis's Insurance Program Claims should be disallowed in their entirety.

ii. Chartis's Bristol Claim

43. Chartis's counsel has maintained in discussions with the Reorganized Debtors that Chartis is entitled to retain the Seized Cash as security for the subrogation rights it asserts with respect to the Bristol and Renick Claims. Chartis has failed to provide documentation to support its Bristol claim, however, and there is no basis for categorizing that claim as secured. Further, even if Chartis could demonstrate that its Bristol Claim is a valid, secured claim – and as explained below, it cannot – the Bristol and Renick Claims as asserted total almost $15 million less than the Seized Cash that Chartis is refusing to return.

44. Chartis's Bristol Claim against the Reorganized Debtors seeks approximately $5 million. According to Chartis, Bristol Center LLC ("**Bristol**") is the current owner of environmentally contaminated Connecticut real estate that formerly belonged to Old GM. (*See* Proofs of Claim, Exhibit B.)

45. When Old GM could no longer pay the costs of environmental remediation, Bristol turned to its insurer, which happened to be Chartis, to fund the remediation costs. Chartis asserts that it has been paying for Bristol's remediation efforts and presumably will continue to do so until it exhausts the full $4.9 million in Bristol's insurance coverage. Chartis has asserted that it is therefore subrogated to Bristol's right to demand reimbursement from the Reorganized Debtors. (*See* Proofs of Claim, Exhibit B.)

46. Chartis's Bristol Claim does not arise out of Chartis's insurance program with Old GM, the Old GM Insurance Agreements or the Identified Polices – it arises entirely from Chartis's policy with an unrelated third party, Bristol. (*See* Proofs of Claim, Exhibit B.)

47. Chartis's Bristol Claim should be disallowed in its entirety because Chartis has provided no substantial documentation to support it. The Reorganized Debtors cannot determine, from the information Chartis has provided, exactly what remediation efforts Chartis maintains the Reorganized Debtors are liable for, whether the Reorganized Debtors are liable for all of them, or their likely cost.

48. Further, and at a minimum, the Court should classify the Bristol Claim as an unsecured claim that provides no basis for Chartis to retain the Seized Cash.

49. The only argument Chartis has articulated to justify retaining the Seized Cash to reimburse itself for the Bristol Claim is based on the Old GM-Chartis Payment Agreements (the "**Payment Agreement**," Milin Decl., Exh. 5). The Payment Agreement states, in what Chartis has identified as relevant part:

> If default occurs, we may take reasonable and appropriate steps that are necessary to protect our interest. We will exercise good faith consistent with usual and customary commercial and credit practice in selecting and exercising such steps. We may take steps such as the following:
>
> 1. We may declare the entire unpaid amount of Your Payment Obligation immediately due and payable.
>
> 2. We may change any or all unexpired Policies….
>
> 3. We may draw upon, liquidate, or take ownership of any or all collateral we hold regardless of the form, and hold or apply such amounts to any of Your Payment Obligation under this Agreement or any other premium, surcharge or deductible financing agreement between You and us, or under any Policies. However, we will not draw upon, liquidate, or take ownership of more collateral than is reasonably necessary to protect our interest.
>
> 4. We may require You to deliver to us additional collateral.…
>
> 5. We may cancel any or all unexpired Policies….

> 6. We may withhold payment of claims to You….
>
> 7. We may satisfy Your obligations to us in whole or in part by set-off against any moneys, securities, collateral, consideration or property of Yours received by, pledged to, held by or otherwise available to us in connection with Your Payment Obligation. You authorize us after any default to charge any account that You maintain with us in connection with Your Payment Obligation in order to satisfy any of Your obligations.

(Payment Agreement at p. 8.)

50. The Payment Agreement defines "Your Payment Obligation" as: "the amounts that you must pay us for the insurance and services in accordance with the terms of the Policies, this Agreement, and any similar primary casualty insurance policies and agreements with us incurred before the inception date hereof." (Payment Agreement at p. 4.)

51. Chartis has argued that the seventh numbered default remedy quoted above (the "**Setoff Remedy**") allows Chartis to retain some of the Reorganized Debtors' collateral to "satisfy [the Reorganized Debtors'] obligations to [Chartis] in whole or in part by set-off against any monies, securities, collateral, consideration or property of Yours received by, pledged to, held by or otherwise available to us in connection with Your Payment Obligation." (Payment Agreement at p. 8.)

52. For at least four reasons, however, the Payment Agreement's Setoff Remedy does not justify Chartis in using the Reorganized Debtors' collateral to satisfy its Bristol Claim.

53. *First*, Chartis has no right to exercise the Setoff Remedy because it is available only "[i]f default occurs." Chartis has acknowledged to the Reorganized Debtors that, notwithstanding contrary statements in the Chartis Response, Old GM

was not in default on any financial or other affirmative obligations to Chartis as of Old GM's bankruptcy filing.

54. Further, Chartis's Response identifies only $41,956 in alleged monetary defaults in connection with the Insurance Program, which would limit Chartis's remedies to retaining only $41,956 of the Seized Cash. In addition, Chartis cannot claim to be entitled to exercise default remedies due to Old GM's bankruptcy filing, because the Insurance Program, consisting of various inter-related agreements, is an executory contract and 11 U.S.C. § 365(b)(2) prohibits Chartis from treating Old GM as in default based solely on its bankruptcy filing.

55. *Second*, the Payment Agreement specifies that the Setoff Remedy can be used only with respect to Old GM property that has been "received by, pledged to, held by or otherwise available to us in connection with Your Payment Obligation." It appears, however, that Old GM's collateral could only have been legally held, under the Assumption and Collateralization Agreements, in a specified trust, and not by Chartis. Chartis has provided no documents to show that Chartis could legally or properly hold the Seized Cash instead of delivering it to a trust or escrow agent, and Chartis has failed to show that any agreements pledging the Seized Cash or making it available to Chartis – if there are such agreements – would make the Seized Cash available to pay the Bristol Claim. Consequently, Chartis has no right to use the Seized Cash for any Setoff Remedy.

56. *Third*, it is well established that a subrogee stands in the shoes of the subrogor and ordinarily can have no greater rights than the subrogor. Yet, Chartis appears to maintain that it can avail itself of the Reorganized Debtors' collateral to convert Bristol's unsecured claim against the Reorganized Debtors into a secured claim

against the Reorganized Debtors. Chartis has offered no legal support for this novel theory, and the Reorganized Debtors are aware of none.

57. *Fourth*, the Payment Agreement does not give Chartis the right to use Old GM's collateral to pay the Bristol Claim or any other claim that Chartis may assert against the Reorganized Debtors by right of subrogation. The Payment Agreement makes Old GM liable for its "Payment Obligation," but the Agreement's definition of that term, which is quoted above, limits it to specified financial obligations arising out of the Insurance Program. The Bristol Claim, therefore, is not part of Old GM's Payment Obligation to Chartis.

58. The Bristol Claim also does not fall within the scope of the undefined term "obligations to us" that Chartis employs in describing the Setoff Remedy. In context, the natural reading of "obligations to us" is to refer to obligations in connection with the Insurance Program, not unrelated obligations owed for other reasons.

59. Also, "obligations to us" naturally refers only to direct obligations to "us" – *i.e.*, Chartis – and not to obligations to parties other than Chartis who, like Bristol, just happen to be insured by Chartis. Indeed, if the Setoff Remedy were intended to cover every conceivable debt that Old GM might have owed Chartis for any reason, it would allow Chartis to buy other parties' claims and secure or satisfy them with Old GM's collateral at the rate of one hundred cents on the dollar. In addition, if the parties had truly intended to give Chartis the right to use Old GM's collateral to satisfy debts unrelated to the Insurance Program, they would not have limited that right to be effective only upon default.

60. Equally important, other provisions of the Payment Agreement preclude any reading of "obligations to us" that might cover the Bristol Claim. The

Payment Agreement specifies that Old GM "must deliver collateral acceptable to us to secure Your Payment Obligation," adding that Chartis "may apply any collateral we hold in connection with this or any other similar primary casualty insurance policies or agreements to Your Payment Obligation." (Payment Agreement at p. 6.) This language suggests that Chartis will "apply any collateral" only to Old GM's Payment Obligation and not to unrelated obligations arising out of Chartis's business dealings with third parties.

61. Moreover, the next paragraph unambiguously limits use of the collateral to Old GM's Payment Obligations. It states that "You grant us a possessory security interest in any property You deliver to us to secure Your Payment Obligation" and "direct us to hold ***all such sums as collateral for Your Payment Obligation*** as they (sic) may be payable now or may become payable in the future." (Payment Agreement at p. 6 (emphasis added).) Because the Payment Agreement directs Chartis to use ***all*** of the collateral for Old GM's Payment Obligation, Chartis has no right to use that collateral for anything else, such as indirect, hypothetical obligations like the Bristol Claim.

62. The Payments Agreement's specific restriction on Chartis's use of Old GM's collateral trumps any potential reading of the vague and undefined term "obligations to us" that might allow Chartis to apply the Seized Cash to the Bristol Claim. This is especially true given that the Payment Agreement must be construed against Chartis as its drafter, and that the phrase "obligations to us" is tucked away as the ambiguous seventh numbered item in a list of default remedies.

63. Further, there is every reason to believe that, if Chartis were to convince a Court that the phrase "obligations to us" is ambiguous, and if the parties were therefore to conduct discovery concerning its meaning, the result would be the same: Old GM could not reasonably have understood or intended that Chartis would

use its Setoff Remedy as a reason to seize Old GM's collateral and apply it to a hypothetical subrogation claim unrelated to Old GM's Payment Obligation.

64. For the foregoing reasons, Chartis's Bristol Claim should be disallowed or, at a minimum, classified as unsecured. The Court should also rule that Chartis cannot assert a right of setoff with respect to its Bristol Claim and is not entitled to retain the Seized Cash as security for that Claim.

iii. Chartis's Renick Claim

65. Chartis's $1 million Renick Claim, like its Bristol Claim, is an undocumented, unsecured claim that Chartis asserts by purported right of subrogation. The Renick Claim should be disallowed or, at a minimum, the Court should classify it as unsecured and rule that Chartis cannot set off against it.

66. Chartis's Proofs of Claim describe the Renick Claim, in full, as follows:

> Renick Cadillac, Inc., Granite State Insurance Company, Policy #02 LX 003234283-2/000 (Commercial Garage Policy), Deutsch v. Renick Cadillac, Inc., et al., No. BC389150, Superior Court, Los Angeles County, California.
>
> Lexington has paid $1,000,000.00 in connection with settlement of the foregoing matter. Pursuant to its Proof of Claim, Lexington claims from the Debtor the amount of $1,000,000.00, plus any costs, including defense fees, paid by Lexington and/or any of its subsidiary, affiliate, and/or member companies in connection with the settlement of the foregoing matter, pursuant to the Debtor's indemnification obligations to the Insured Dealer.

(Proofs of Claim, Exh. A.)

67. As this description indicates, Chartis's Renick Claim seeks reimbursement from Old GM for sums that Chartis's affiliate Lexington paid to or on behalf of Renick Cadillac pursuant to an insurance policy issued to Renick, not Old GM.

68. Chartis's Renick Claim, like its Bristol Claim, should be disallowed because Chartis has provided no substantial documentation to support it. The Reorganized Debtors have investigated the matter and have been unable to locate any proof that Old GM actually owed the indemnification obligations to Renick Cadillac, Inc. that Chartis has asserted by purported right of subrogation.

69. Further, and at a minimum, the Court should classify the Renick Claim as an unsecured claim that Chartis cannot set off against the Seized Cash. The Renick Claim is a subrogation claim asserting rights that have no relationship to Old GM's insurance program with Chartis, and all of the reasons why Chartis cannot use the Seized Cash to satisfy the Bristol Claim apply equally to the Renick Claim.

70. For the foregoing reasons, Chartis's Renick Claim should be disallowed or, at a minimum, classified as unsecured. Also, the Court should rule that Chartis has no right to use the Renick Claim as the basis for a setoff against the Seized Cash.

iv. Chartis's Remaining Claims

71. Although Chartis's Proofs of Claim and Response reserve the right to assert additional claims, Chartis has not in fact asserted any additional claims and it has provided the Reorganized Debtors with no basis to assert such claims. At this late date, this Court should disallow any additional, hypothetical claims that Chartis purports to have the right to assert.

72. For the foregoing reasons, all four of the types of Claims that Chartis asserts in its Proofs of Claims should be disallowed.

MOTION TO ENFORCE THE PLAN INJUNCTION AND AUTOMATIC STAY

A. The Court Should Find that Chartis Has Violated the Plan Injunction and the Automatic Stay

73. Chartis had no justification for seizing the Seized Cash and has no justification for continuing to retain it. As shown above, Chartis has no legitimate expectation that it will incur liability under the Identified Policies, and it has no right to set off the Seized Cash against any of its Claims.

74. Chartis's seizure of more than $20.5 million of the Reorganized Debtors' money interferes with implementation and consummation of the Plan in violation of Section 10.7 of the Plan.

75. Chartis's seizure and retention of the Seized Cash also violates Section 10.4 of the Plan, which provides that the automatic stay of 11 U.S.C. § 362(a) remains in full force and effect until the closing of this chapter 11 Bankruptcy case.

76. Section 362(a)(6) of the Bankruptcy Code expressly stays "any act to collect, assess, or recover a claim against the debtor that arose before the commencement of the case." Similarly, section 362(a)(3) stays "any act to obtain possession of property of the estate or of property from the estate or to exercise control over property of the estate." 11 U.S.C. § 362(a)(3). *See In re Keene Corp.*, 162 B.R. 935, 942 (S.D.N.Y. 1994).

77. Chartis has violated 11 U.S.C. §§ 362(a)(3) and (a)(6) because it has acted to exercise control over and obtain possession of the Reorganized Debtors' property in an attempt to recover on claims under pre-petition insurance contracts.

78. Chartis cannot deny that it is bound by Sections 10.4 and 10.7 of the Plan. Decretal Paragraph 5 of the Bankruptcy Court's Confirmation Order expressly makes the Plan's provisions binding on claimants such as Chartis.

79. Further, Chartis's continuing violation of the Plan Injunction and automatic stay are willful: Old GM, and then the Reorganized Debtors, requested return of the Seized Cash on multiple occasions on and after March 1, 2011, and on September 16, 2011, the Reorganized Debtors provided Chartis with a full analysis of the issues, including a warning that Chartis was violating the Plan Injunction and automatic stay. Chartis has refused to return the Seized Cash despite the Reorganized Debtor's requests and warnings.

B. The Court Should Enjoin Chartis from Continuing To Exercise Dominion and Control over the Seized Cash

80. This Court should enjoin Chartis from continuing to exercise dominion and control over the Seized Cash. Chartis has no right to retain the Reorganized Debtors' property, and that property should be returned. *See* 11 U.S.C. § 362(a)(3) (barring "any act to obtain possession of property of the estate or of property from the estate or to exercise control over property of the estate."); *In re Enron Corp.*, 300 B.R. 201, 211 (Bankr. S.D.N.Y. 2003) ("Section 362 of the Bankruptcy Code operates … to, inter alia, stay automatically any act to transfer control over property of the estate.").

C. The Court Should Impose Sanctions and Award Damages for Civil Contempt Against Chartis Because of Its Willful Violation of the Automatic Stay and the Plan Injunction

81. Given Chartis's knowledge of the Plan Injunction and automatic stay, and its willful violation of both, this Court should impose civil contempt sanctions and award damages against Chartis. This is not a case of an unsophisticated creditor with little or no understanding of the bankruptcy process. This is a case of an insurer that is acting without explanation or justification and in blatant bad faith. Chartis's failure to provide a substantive response to the Reorganized Debtors' September 16,

2011 demand letter explaining why Chartis is in violation of the Plan Injunction and automatic stay is in itself a sufficient proof that Chartis's violation of the Plan Injunction and stay are willful.

82. In the Second Circuit, "contempt proceedings are the proper means of compensation and punishment for willful violations of the automatic stay." *Marine Asbestosis Legal Clinic v. LTV Steel Co., Inc. (In re Chateaugay Corp.)*, 920 F.2d 183, 187 (2d Cir. 1990). Sanctions are the appropriate remedy because under section 105(a) of the Bankruptcy Code and Bankruptcy Rule 9020, this Court may impose civil contempt sanctions that will: (a) protect the estate; and (b) enforce compliance with this Court's orders and the Bankruptcy Code. *See Spookyworld, Inc. v. Town of Berlin* (*In re Spookyworld, Inc.*), 346 F.3d 1, 11 (1st Cir. 2003) ("bankruptcy courts do possess the discretionary authorization to award damages for automatic stay violations under section 105"); *Bartel v. Eastern Airlines, Inc.*, No. 96-5105, 1998 WL 2405, at *2 (2d Cir. Jan 6, 1998) ("Bankruptcy courts have the power to impose civil contempt sanctions . . . for either or both of two purposes: to coerce the defendant into compliance with the court's order, and to compensate the complainant for the losses sustained.").

83. This Court has discretion to award civil contempt sanctions requiring Chartis to pay the Reorganized Debtors' attorneys' fees and costs incurred as a result of its deliberate misconduct. *See In re Power Recovery Sys., Inc.*, 950 F.2d 798, 802 (1st Cir. 1991) (imposing civil contempt fine in the amount of $1,000 for each day defendant continued to disobey court orders); *In re Ionosphere Clubs, Inc.*, 171 B.R. 18, 21 (S.D.N.Y. 1994) (rejecting appellant's argument that $750 per day sanction was improper and concluding that it was a proper remedy to compel the defendant to "stop violating the automatic stay and to desist from further violations."); *In re Stephen W. Grosse, P.C.*, 84 B.R. 377, 382 (Bankr. E.D.Pa. 1988) ("For deliberate and willful violations

of the automatic stay constituting civil contempt, compensatory damages as well as costs and attorneys fees are appropriate relief.").

84. Further, an award of costs and attorneys fees is plainly appropriate here: Once the Plan became effective on March 31, 2011, and the period for asserting claims under the Identified Policies expired on April 1, 2011, Chartis should have returned all, or at a minimum most, of the Seized Cash. Instead, Chartis has kept the Seized Funds for months while refusing the Reorganized Debtors' repeated requests for its return. Chartis also imposed unnecessary costs on the Reorganized Debtors' estates by demanding that the Reorganized Debtors obtain letters releasing patently invalid claims, and then ignoring those letters once they had been obtained.

85. In addition, even after release letters were obtained, Chartis forced the Reorganized Debtors to incur the costs of preparing a formal demand letter and then preparing and filing this Supplemental Claim Objection and Motion as the price of obtaining its own property. Chartis thereby caused – and knew it caused – significant harm to the Reorganized Debtors' estates. Chartis thus unquestionably "possessed general intent in taking actions which have the effect of violating the automatic stay." *Sucre v. MIC Leasing Corp*. (*In re Sucre*), 226 B.R. 340, 349 (Bankr. S.D.N.Y. 1998).

86. For the foregoing reasons, the Reorganized Debtors are entitled to reimbursement of their attorneys' fees and expenses incurred in acting to enforce the Plan Injunction and automatic stay. Also, Chartis should be held liable for any additional costs or damages that the Reorganized Debtors incur in their effort to obtain the return of the Seized Cash.

CONCLUSION

87. For all of the foregoing reasons, this Court should: (i) disallow Chartis's claims; (ii) enter an Order finding that Chartis's seizure and retention of the Seized Cash violates the Plan Injunction and section 362 of the Bankruptcy Code; (iii) enjoin Chartis from continuing to exercise dominion and control over the Reorganized Debtors' Seized Cash; (iv) impose civil sanctions and award damages against Chartis, including an award of the Reorganized Debtors' costs and attorneys' fees incurred in connection herewith or the Seized Cash at any time on or after April 1, 2011; and (v) grant the Reorganized Debtors such other and further relief as is just.

DATED: New York, New York
October 6, 2011

TOGUT, SEGAL & SEGAL LLP
By:

/s/ Richard K. Milin
SCOTT E. RATNER
RICHARD K. MILIN
One Penn Plaza - Suite 3335
New York, New York 10119
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Conflicts Counsel to Reorganized
Debtors Motors Liquidation Company, *et al.*

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Albert Togut
Scott E. Ratner
Richard K. Milin

Conflicts Counsel to the Reorganized Debtors

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
MOTORS LIQUIDATION COMPANY, *et al.*,	)	Case No. 09-50026 (REG)
Debtors.	)	(Jointly Administered)

DECLARATION OF RICHARD K. MILIN IN SUPPORT OF REORGANIZED DEBTORS' (1) SUPPLEMENTAL CLAIM OBJECTION AND (2) MOTION TO ENFORCE THE PLAN INJUNCTION AND AUTOMATIC STAY AND TO ENJOIN CHARTIS U.S. FROM CONTINUING TO RETAIN MORE THAN $20 MILLION IT IMPROPERLY SEIZED FROM THE REORGANIZED DEBTORS

RICHARD K. MILIN hereby declares as follows:

1. I am a member of the Bar of the State of New York and of counsel to the firm of Togut, Segal & Segal LLP, conflicts counsel to Reorganized Debtors Motors Liquidation Company, *et al.*, formerly known as General Motors Corporation. I respectfully submit this Declaration based upon personal knowledge and my review of the files in support of the Reorganized Debtors' (1) Supplemental Claim Objection and (2) Motion To Enforce the Plan Injunction and Automatic Stay and To Enjoin Chartis U.S. From Continuing To Retain More Than $20 Million It Improperly Seized from the Reorganized Debtors.

2. I attach as Exhibit 1 a copy of the Declaration of Thomas A. Morrow dated October 5, 2011 in support of Reorganized Debtors' (1) Supplemental

Claim Objection and (2) Motion To Enforce the Plan Injunction and Automatic Stay and To Enjoin Chartis U.S. From Continuing To Retain More Than $20 Million It Improperly Seized from the Reorganized Debtors.

3. I attach as Exhibit 2 copies of two Assumption and Collateralization Agreements effective July 10, 2009, entered into by and between: (i) Chartis Specialty Insurance Company (f/k/a American International Specialty Lines Insurance Company), General Motors LLC, and Motors Liquidation Company; and (ii) Lexington Insurance Company, General Motors LLC, and Motors Liquidation Company.

4. I attach as Exhibit 3 is a copy of a letter dated March 31, 2011 from Motors Liquidation Company to Aon Risk Services Central.

5. I attach as Exhibit 4 a copy of a letter from Richard K. Milin to Michael S. Davis dated September 16, 2011.

6. Attached hereto as Exhibit 5 are copies of Payment Agreements for Insurance and Risk Management Services (a) effective on April 1, 2009 by and between Lexington Insurance Company and Motors Liquidation Company, and (b) effective on September 1, 2006 by and between American International Specialty Lines Insurance Company and Motors Liquidation Company.

I declare under the penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

Executed in New York, New York on October 5, 2011

/s/ Richard K. Milin
RICHARD K. MILIN
One Penn Plaza, Suite 3335
New York, New York 10019
(212) 594-5000

Exhibit 1

TOGUT SEGAL & SEGAL LLP
One Penn Plaza, Suite 3335
New York, New York 10119
Telephone: (212) 594-5000
Facsimile: (212) 967-4258
Albert Togut
Scott E. Ratner
Richard K. Milin

Conflicts Counsel to the Reorganized Debtors

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
MOTORS LIQUIDATION COMPANY, *et al.*,	)	Case No. 09-50026 (REG)
Debtors.	)	(Jointly Administered)

DECLARATION OF THOMAS A. MORROW IN SUPPORT OF REORGANIZED DEBTORS' (1) SUPPLEMENTAL CLAIM OBJECTION AND (2) MOTION TO ENFORCE THE PLAN INJUNCTION AND AUTOMATIC STAY AND TO ENJOIN CHARTIS U.S. FROM CONTINUING TO RETAIN MORE THAN $20 MILLION IT IMPROPERLY SEIZED FROM THE REORGANIZED DEBTORS

THOMAS A. MORROW hereby declares as follows:

1. I am a managing director of AlixPartners, LLP and served as a Vice President of Motors Liquidation Company ("**Old GM**," and as of the effective date of Old GM's confirmed Second Amended Joint Chapter 11 Plan (the "**Plan**"), the "**Reorganized Debtors**") throughout the period from Old GM's bankruptcy filing until the March 31, 2011 effective date of Old GM's Plan (the "**Effective Date**"). I have continued to serve Old GM after the Effective Date in the capacity of advisor. My responsibilities for Old GM and the Reorganized Debtors have primarily consisted of overseeing risk management activities.

2. I respectfully submit this Declaration based upon personal knowledge, my review of relevant documents and Court filings, and communications and

advice I have received as specified below in support of the Reorganized Debtors' (1) Supplemental Claim Objection and (2) Motion To Enforce the Plan Injunction and Automatic Stay and To Enjoin Chartis U.S. From Continuing To Retain More Than $20 Million It Improperly Seized from the Reorganized Debtors.

3. Chartis U.S. ("**Chartis**") currently holds at least $20,571,486 of the Reorganized Debtors' funds (the "**Seized Cash**") that the Reorganized Debtors have asked Chartis to return.

4. Chartis originally obtained the Seized Cash from Old GM as collateral in connection with the insurance agreements identified in the Assumption and Collateralization Agreements among Old GM, General Motors LLC, Chartis Specialty Insurance Co. and Lexington Insurance Co. effective July 10, 2009 (the "**Old GM Insurance Agreements**").

5. Chartis has identified the following insurance policies (the "**Identified Policies**"), and only the following policies, as yielding potential obligations that Old GM or the Reorganized Debtors might be required to collateralize:

Policy Type	Insurer	Policy Number	Policy Limited and Collateral
Pollution	Chartis Specialty Insurance Co.	7146277	$8,000,000
Storage Tanks	Chartis Specialty Insurance Co.	7146278	$2,000,000
Hazardous waste (Ohio Closure/Post Closure)	Chartis Specialty Insurance Co.	7146282	$5,822,539
Hazardous Waste (Michigan Corrective Action)	Chartis Specialty Insurance Co.	7146281	$3,839,721
Hazardous Waste (New Jersey Closure)	Lexington Insurance Co.	7146280	$297,022
Hazardous Waste (Illinois Closure)	Lexington Insurance Co.	7146279	$612,204

6. All of the foregoing insurance policies are "claims made" policies that have expired. Except for Policy No. 7146281, no covered claims could be asserted under them after April 1, 2011.

7. Although the claims period for Policy No. 7146281 did not expire until September 1, 2011, the Reorganized Debtors cancelled that policy on March 31, 2011.

8. My understanding is that the Environmental Response Trust Consent Decree and Settlement Agreement, which became effective on the Effective Date, resolved any potential claims by governmental authorities with respect to all of the sites covered by the Identified Policies except for the site at McCook, Illinois.

9. My understanding is that any potential claims that might be asserted in the future under the Identified Policies have been released. After April 1, 2011, at Chartis's request – and after engaging in months of effort and expending significant resources – the Reorganized Debtors obtained signed releases from all but one of the governmental authorities that alone, I have been advised, could assert claims covered by the Identified Policies. The only exception is the Illinois authorities who have not yet provided a signed release for the McCook site.

10. The policy limit of the Identified Policy that relates to McCook is $612,204.

11. By March 1, 2011, based on the Identified Policies' expiration and the Environmental Response Trust Consent Decree and Settlement Agreement, I concluded that Chartis would no longer have a good faith basis for keeping the collateral it had obtained from Old GM after the Effective Date.

12. By March 1, 2011, I also had been advised that Chartis's proofs of claims (the "**Proofs of Claim**") sought payment of premiums and deductibles that Old

GM did not actually owe and that the other sums Chartis sought in its Proofs of Claim were not owed or, at a minimum, were not supported by sufficient documentation for Old GM to determine that they were owed.

13. Accordingly, I requested that Chartis return the collateral on March 1, 2011.

14. On or about March 3, 2011, I was informed that Chartis had refused to return Old GM's approximately $20.6 million in collateral – the "Seized Cash" referred to above.

15. I have not been informed at any time since March 3, 2011 that Chartis is holding the Seized Cash in escrow or for the benefit of the Reorganized Debtors. Rather, my understanding is that Chartis took control of the Seized Cash for its own purposes.

16. No other insurer or surety refused to return Old GM's collateral in circumstances similar to Chartis's.

17. Old GM and, after the effective date of Old GM's Plan, the Reorganized Debtors, have made numerous requests for the return of the Seized Cash after March 1, 2011. These requests have all been refused, and none of the Seized Cash has been returned.

18. Old GM and the Reorganized Debtors have also made attempts to reach a negotiated resolution with Chartis after March 1, 2011, both with and without the assistance of counsel. Those attempts were unsuccessful. As part of the negotiations, Chartis requested that the Reorganized Debtors obtain releases letters, but even though Chartis has been provided with letters releasing potential claims for all sites except McCook, Illinois, Chartis has not returned any of the Seized Cash.

19. With respect to McCook, Chartis has provided no documentation to the Reorganized Debtors to show that any claims under the Identified Policies are likely to arise.

20. To date, Chartis has not provided a reasoned justification – or any written justification at all – for its continued retention of the Seized Cash.

I declare under the penalty of perjury that the foregoing is true and correct to the best of my knowledge, information and belief.

Executed in New York, New York on October 5, 2011

/s/ Thomas A. Morrow
THOMAS A. MORROW
40 West 57TH Street
New York, New York 10019
(212) 490-2500

Exhibit 2

ASSUMPTION AND COLLATERALIZATION AGREEMENT
Effective July 10, 2009

entered into by and between

CHARTIS SPECIALTY INSURANCE COMPANY
(f/k/a American International Specialty Lines Insurance Company
(hereinafter, the "**Company**")

and

GENERAL MOTORS LLC
successor, by conversion to a Delaware limited liability company, of the Delaware corporation formerly known as General Motors Company[1], (hereinafter, "**NEW GM**")

and

MOTORS LIQUIDATION COMPANY (f/k/a General Motors Corporation),
a Delaware corporation[2] (hereinafter, "**OLD GM**")

WHEREAS, for the policy periods September 1, 2006 through September 1, 2007; September 1, 2007 through April 1, 2009; and April 1, 2009 through April 1, 2010, the Company issued to OLD GM, certain policies of insurance providing coverage for environmental liability (together with all endorsements, schedules and addenda thereto, the "**OLD GM Insurance Policies**"); and

WHEREAS, in conjunction with the OLD GM Insurance Policies, the Company and OLD GM executed that certain Payment Agreement effective September 1, 2006 (collectively with all addenda and schedules thereto, and the terms of any other agreements between the Company and OLD GM related thereto, the "**OLD GM Payment Agreement**"), detailing the respective liabilities, obligations and rights of the Company and OLD GM; and

WHEREAS, the OLD GM Insurance Policies and the OLD GM Payment Agreement are incorporated herein by reference and are hereinafter collectively referred to as the "**OLD GM Insurance Program Agreements**"; and

WHEREAS, as security for the obligations under the OLD GM Insurance Program Agreements, the Company currently maintains certain collateral in the form of (i) cash collateral in the amount of US Twelve Million Dollars ($12,000,000) (the "**Cash Collateral**"), which such Cash Collateral OLD GM and NEW GM each represents constitutes Restricted Cash (as defined in the Purchase Agreement) retained by OLD GM under the terms of the Purchase Agreement (defined below); and (ii) a collateral trust which, as of February 28, 2010, totals in the aggregate US Thirty One Million Three Hundred Thirty Four Thousand Nine Hundred Eleven Dollars and Fifty-Eight Cents ($31,334,911.58)(the "**Original Collateral Trust**"); and

WHEREAS, on June 1, 2009, OLD GM filed a voluntary petition under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the Southern District of New York (the "**Bankruptcy Court**"); and

---

[1] Pursuant to that certain Secretary of State Certificate of Conversion attached hereto as Exhibit A, NEW GM is the successor to General Motors Company by conversion to a Delaware limited liability company effective October 16, 2009.

[2] Pursuant to that certain Secretary of State Certificate of Corporate Name Change attached hereto as Exhibit B, General Motors Corporation changed its corporate name to "Motors Liquidation Company" effective July 9, 2009.

WHEREAS, pursuant to that certain Amended and Restated Master Sale and Purchase Agreement by and between OLD GM and NGMCO, Inc.[3] dated as of June 26, 2009, and approved by the Bankruptcy Court on July 5, 2009 (the "**Purchase Agreement**") and as described in detail therein; on July 10, 2009, NEW GM acquired substantially all of the assets of OLD GM, including but not limited to, in relevant part:

- the specific facilities identified on Exhibit D attached hereto (the "**Purchased Assets**"); and

- all of OLD GM's right, title, and interest in the portion of the Original Collateral Trust related to the Purchased Assets, which OLD GM and NEW GM each represents totals U.S. Twenty One Million Seven Hundred Eighty Seven Thousand Two Hundred Twenty-Three Dollars and Fifty-Eight Cents ($21,787,223.58) valued as of February 28, 2010 (the "**Purchased Collateral**"); and

WHEREAS, pursuant to and in accordance with the Purchase Agreement, Company, OLD GM and NEW GM (sometimes individually referred to herein as a "**Party**" and sometimes collectively referred to herein as the "**Parties**") desire to have NEW GM assume all of the existing, outstanding and future insurance debts, liabilities, and duties of OLD GM as such have been incurred and may be incurred with respect to the Purchased Assets (the "**Assumed Obligations**"), and NEW GM has agreed to assume the Assumed Obligations; and

WHEREAS, NEW GM is aware of and has a complete understanding of the extent of the Assumed Obligations and is prepared to memorialize its assumption of such Assumed Obligations through execution of this Assumption and Collateralization Agreement (this "**Agreement**"); and

WHEREAS, commencing on July 10, 2009, the Company issued to NEW GM certain policies of insurance providing coverage for environmental liability for the Assumed Obligations (together with all endorsements, the "**NEW GM Insurance Policies**"); and

WHEREAS, in conjunction with the NEW GM Insurance Policies, the Company and NEW GM executed that certain Payment Agreement effective July 10, 2009 (collectively with all addenda and schedules thereto, and the terms of any other agreements between the Company and NEW GM related thereto, the "**NEW GM Payment Agreement**"), detailing the respective liabilities, obligations and rights of the Company and NEW GM; and

WHEREAS, the NEW GM Insurance Policies and the NEW GM Payment Agreement are incorporated herein by reference and are hereinafter collectively referred to as the "**NEW GM Insurance Program Agreements;**" and

WHEREAS, to secure both the Assumed Obligations and its other obligations under the NEW GM Insurance Program Agreements, in accordance with the terms of this Agreement, NEW GM will provide the Company with certain security as more specifically set forth below in Paragraph 2.1; and

WHEREAS, it is understood and agreed by the Parties that NEW GM's assumption of the Assumed Obligations shall have no impact on the responsibilities of the Parties to each other, if any, outside the scope of this Agreement.

---

[3] Pursuant to that certain Secretary of State Certificate of Corporate Name Change attached hereto as Exhibit C, NGMCO, Inc., a Delaware corporation, changed its corporate name to "General Motors Company" effective July 9, 2009.

NOW, THEREFORE, in consideration of the premiums paid, premises and the mutual covenants contained herein, the Parties hereby do mutually agree as follows:

1. ASSUMPTION OF OBLIGATIONS

1.1 Effective July 10, 2009 (the "**Effective Date**"), and in accordance with the Purchase Agreement, OLD GM sold to NEW GM all of its right, title, and interest in the Purchased Assets and Purchased Collateral, and NEW GM assumed and agreed to perform, fulfill, and discharge all of the Assumed Obligations in conformity with the terms and conditions of the NEW GM Insurance Program Agreements. On and after the Effective Date, OLD GM shall have no further obligations or liabilities to Company related to the Assumed Obligations.

1.2 The Company hereby acknowledges and consents to the assumption of the Assumed Obligations by NEW GM.

2. SECURITY

2.1 The Company acknowledges that NEW GM shall, in conjunction with its assumption of the Assumed Obligations and pursuant to the terms of this Agreement and the NEW GM Insurance Program Agreements, procure in favor of the Company collateral in the form of a new collateral trust (the "**New Collateral Trust**"), or such other security in another form acceptable to the Company, in an amount equal to the Purchased Collateral (the "**NEW GM Security**") to secure both the Assumed Obligations and its obligations under the NEW GM Insurance Program Agreements. Subject to Sections 2.4, 2.5, and 2.6 below, NEW GM's procurement of the NEW GM Security shall satisfy its obligations to provide collateral under the NEW GM Insurance Program Agreements and the Assumed Obligations.

2.2 OLD GM consents to the transfer of the Purchased Collateral, plus interest accrued thereon between February 28, 2010 and the date of such transfer, to the New Collateral Trust. The Parties shall take all further actions necessary to effectuate the transfer of Purchased Collateral in accordance with the terms of this Agreement.

2.3 After the transfer of Purchased Collateral to the New Collateral Trust as set forth herein, (i) the amount equal to U.S. Nine Million Five Hundred Forty Seven Thousand Six Hundred Eighty Eight Dollars ($9,547,688.00) will remain in the Original Collateral Trust and (ii) the Cash Collateral shall be deposited in the Original Collateral Trust; and such resulting combined amount U.S. Twenty One Million Five Hundred Forty Seven Thousand Six Hundred Eighty Eight Dollars ($21,547,688.00) shall continue to secure the obligations of OLD GM under, and in accordance with, the OLD GM Insurance Program Agreements; the terms of which, except as amended herein, remain unchanged and in full force and effect.

2.4 Without limitation or regard to the purpose for which the NEW GM Security is originally provided, NEW GM hereby grants to the Company the right to liquidate or take ownership of any and all of the NEW GM Security and apply the proceeds to pay the Company any of the Assumed Obligations or other obligations of NEW GM, including but not limited to its obligations under the NEW GM Insurance Program Agreements.

2.5 It is understood and agreed by the Parties that nothing herein shall imply or serve to provide for a maximum value, cap or limit to the amount of security required at the present or in the future to secure the Assumed Obligations or other obligations of NEW GM, including but not limited to those obligations under the NEW GM Insurance Program Agreements. The terms and conditions of the NEW GM Insurance Program Agreements shall control the review and adjustment of

collateral. If as a result of such review the Company determines that additional collateral is required to secure the Assumed Obligations or other obligations of NEW GM, including but not limited to those obligations under the NEW GM Insurance Program Agreements, NEW GM will provide such additional collateral, in a form and amount acceptable to the Company, within thirty (30) days of the Company's written request.

2.6 Until such time as the NEW GM Collateral Trust is established and the NEW GM Security is received and accepted by the Company in accordance with Paragraphs 2.1 and 2.2 above, it is understood and agreed that the portion of the Original Collateral Trust that is Purchased Collateral is and will be available to pay the Company for the Assumed Obligations or other obligations of NEW GM, including but not limited to those obligations under the NEW GM Insurance Program Agreements.

3. REPRESENTATIONS, WARRANTIES AND COVENANTS

3.1 NEW GM agrees that all of the Assumed Obligations assumed pursuant to the terms of this Agreement shall be subject to the terms and conditions of the NEW GM Insurance Program Agreements only.

3.2 New GM and the Company agree to adhere to the existing coverages under the New GM Insurance Policies with respect to the Assumed Obligations for events that have occurred prior to the Effective Date and where claims are brought after the Effective Date.

3.3 Each of the Parties has entered into this Agreement based upon its own independent assessment of its rights and obligations under this Agreement and not based upon any representations, disclosures, or nondisclosures made by the other Party or by any other entity.

3.4 Each of the Parties represents and warrants that it is authorized to enter into this Agreement and the transactions contemplated herein; that the person or persons executing this Agreement on its behalf is/are authorized to do so; that it is not a party to any pending agreements, transactions or negotiations that would render this Agreement or any part hereof void, voidable or unenforceable; and that any authorizations, consents or approvals of any governmental or regulatory entity or authority required to make this Agreement valid and binding upon it has been obtained.

4. INDEMNIFICATION

NEW GM shall indemnify, defend and hold harmless the Company, its affiliates and their respective officers, directors, employees and agents from, against and with respect to any and all claims, liabilities, obligations, losses, damages, assessments, settlements, judgments, costs or expenses (including without limitation, reasonable attorneys' fees and costs and expenses reasonably incurred in investigating, preparing, defending against or prosecuting any litigation or claim), causes of action, suits, proceedings or demands, of any kind or character arising out of or in any manner incident, relating or attributable to any failure of NEW GM to perform, fulfill or discharge any of the insurance obligations assumed under this Agreement.

5. ARBITRATION

5.1 In the event of any dispute between the Company and NEW GM with reference to the interpretation, application, formation, enforcement or validity of this Agreement, or their rights with respect to any transaction involved, whether such dispute arose before or after the termination of this Agreement, such dispute upon the written request of any Party, will be submitted to binding arbitration.

5.2 Unless otherwise agreed to by the Company and NEW GM, all arbitrators will be executive officers or former executive officers of property or casualty or reinsurance companies domiciled in the United States not under the control of any of the Parties.

5.3 The arbitrators will interpret this Agreement as an honorable engagement and not merely a legal obligation; they are relieved of all judicial formalities and may abstain from following the strict rules of law, and they will make their award with a view toward effecting the general purpose of this Agreement in a reasonable manner.

5.4 The arbitrators will render their decision, in writing, based upon a hearing in which evidence may be introduced without following the strict rules of evidence, but in which cross-examination and rebuttal will be allowed. The arbitrators will have the power to award compensatory money damages, and interest thereupon, and will have exclusive jurisdiction over the entire matter in dispute, including any question as to its arbitrability; but the arbitrators will not have the power to award exemplary or punitive damages, however denominated, whether or not multiplied.

5.5 Each party to the arbitration will bear the expense of its own arbitrator and jointly and equally bear with the other party the expense of the arbitration.

5.6 Said arbitration will take place in New York, New York unless otherwise mutually agreed to by the Parties. The arbitration will be governed by the United States Arbitration Act, 9 U.S.C. 1, et seq., and judgment upon the award rendered by the arbitrators may be entered by a court having jurisdiction thereof.

5.7 This Article 5 will survive termination of this Agreement.

6. OTHER

The Bankruptcy Court shall have jurisdiction over the parties with respect to any disputes involving OLD GM regarding the terms or enforcement of this Agreement. Notwithstanding the preceding sentence, the Parties reserve all of their rights with respect to all jurisdictional issues, including the right to arbitration, regarding any dispute under the OLD GM Insurance Program Agreements, the Original Collateral Trust, the New GM Insurance Program Agreements, or the New Collateral Trust.

7. CONSTRUCTION

7.1 This Agreement shall be construed in accordance with the internal laws of the State of New York without regard to those provisions concerning conflicts of laws.

7.2 This Agreement is drafted in good faith. Should the need arise, the Parties shall cooperate in demonstrating to a court or arbitration panel that this Agreement, together with any terms and provisions contained therein, was negotiated in good faith.

7.3 It is expressly understood that this Agreement contains no admissions whatsoever regarding insurance coverage. This Agreement is not and shall not be interpreted as a contract or policy of insurance.

7.4 All Recitals included in this Agreement are specifically incorporated herein and made a part of this Agreement.

8. ENTIRE AGREEMENT

8.1 This Agreement is an integrated document, containing the entire undertaking between the Parties regarding the matters addressed herein, and, except as set forth in this Agreement, no representations, warranties, promises, inducements or considerations have been made or relied upon by the Parties.

8.2 This Agreement shall prevail over all prior communications between the Parties or their representatives regarding the matters contained herein.

9. EFFECT

This Agreement shall be binding upon and shall inure to the benefit of the Parties and their respective heirs, executors, legal representatives, successors and permitted assigns.

10. SEVERABILITY

Any provision hereof which is prohibited or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining provisions and without affecting the validity or enforceability of such provision in any other jurisdiction.

11. COUNTERPARTS

This Agreement may be executed in any number of counterparts, each of which shall be deemed to be an original as against either Party whose signature appears thereupon and all of which shall constitute one and the same instrument. This Agreement shall be deemed fully executed when one or more counterparts hereof, individually or taken together, shall bear the signatures of each Party.

[SIGNATURE PAGE FOLLOWS]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives.

CHARTIS SPECIALTY INSURANCE COMPANY

By: _____

Printed Name: Thomas J. O'Rourke

Title: Attorney-in-Fact

Date: April 23, 2010

GENERAL MOTORS LLC

By: _____

Printed Name: Alan G. Gier

Title: Director, Global Risk Management & Insurance

Date: April 7, 2010

MOTORS LIQUIDATION COMPANY

By: _____

Printed Name: Thomas A. Morrow

Title: Vice President

Date: May 11, 2010

EXHIBIT A

[Secretary of State Certificate of Conversion issued to NEW GM attached]

EXHIBIT B

[Secretary of State Certificate of Corporate Name Change issued to OLD GM attached]

EXHIBIT C

[Secretary of State Certificate of Corporate Name Change
issued to "General Motors Company" effective July 9, 2009 attached]

EXHIBIT D (page 1 of 2)

Facility		UST Facility #
GM Desert Proving Ground — Yuma 1500 East GM Drive Yuma, AZ 85365-9498	UST/AST	0-010299
General Motors Manufacturing — Stamping Marion Metal Center 2400 W. Second Street Marion, IN 46952-0036	UST/AST	003121
General Motors Proving Grounds 3300 General Motors Road Milford, MI 48380-3726	UST/AST	0016461
General Motors Technical Center[4] Environmental Services Bldg. 1-1 Warren, MI 48090	UST/AST	00033132, 00036423, 00036429, 00036430, 00036431. 00036434
GM Flint Assembly G-3000 Van Slyke Road Flint, MI 48551	UST/AST	00017757
GM Pontiac North Campus – Powertrain 895 Joslyn Road Pontiac, MI 48340-2920	UST/AST	00038781
GM Powertrain Group Saginaw Metal Casting Operations 1629 N. Washington Avenue Saginaw, MI 48605	UST/AST	00010581
GM Powertrain Romulus Engine 36880 Ecorse Road Romulus, MI 48174	UST/AST	00002680
Lansing Grand River 920 Townsend Street Lansing, MI 48921	UST/AST	00013819

[4] Identified as GM Powertrain Vehicle Performance Center, 30003 Van Dyke Ave, Warren, MI 48090 in the Purchase Agreement. They are one and the same.

EXHIBIT D (page 2 of 2)

GM Powertrain Division **Tonawanda Engine Plant** **2995 River Road** **P. O. Box 21** **Buffalo, NY 14240**	**UST/AST**	**9-600598**
MFD Lordstown Metal Center **2369 Ellsworth-Baily Road** **Lordstown, OH 44481**	**UST/AST**	**78000021**

EXHIBIT D (continued)

GMVM Janesville Assembly[5] 544 Kellogg Ave. Janesville, WI 53546 Tank ID # 650215 Tank Capacity -- 20,000 gallons	**UST/AST**
GM Technical Center 6250 West Chicago Road Warren, MI 48090 EPA ID#: MID050615996	**Pollution**
GM Powertrain Group Defiance 26427 St., Rte 281 E. Defiance, OH 43512 EPA ID#: OHD005050273	**Pollution**
NACG Metal Fab 2369 Ellsworth-Bailey Road Lordstown, OH 44481 EPA ID#: OHD083321091	**Pollution**
GM Powertrain Group Defiance (RCRA & RSWA) 26427 St., Rte 281 E. Defiance, OH 43512 EPA ID#: OHD005050273	**Closure/Post Closure**
NACG Metal Fab Plant (RCRA) 2369 Ellsworth-Bailey Road Lordstown, OH 44481 EPA ID#: OHD083321091	**Closure/Post Closure**

[5] Identified as GM Assembly Janesville, 1000 Industrial Ave, Janesville, WI 53546 in the Purchase Agreement. They are one and the same.

LETTER AGREEMENT
Effective July 10, 2009

entered into by and between

LEXINGTON INSURANCE COMPANY
(hereinafter, the "**Company**")

and

GENERAL MOTORS LLC
successor, by conversion to a Delaware limited liability company, of the Delaware corporation formerly known as General Motors Company[1], (hereinafter, "**NEW GM**")

and

MOTORS LIQUIDATION COMPANY (f/k/a General Motors Corporation),
a Delaware corporation[2] (hereinafter, "**OLD GM**", and together with the Company and NEW GM, the "**Parties**")

WHEREAS, for the policy period April 1, 2009 through April 1, 2010, the Company issued to OLD GM, certain policies of insurance providing coverage for environmental liability (together with all endorsements, schedules and addenda thereto, the "**OLD GM Insurance Policies**"); and

WHEREAS, in conjunction with the OLD GM Insurance Policies, the Company and OLD GM executed a certain Payment Agreement effective April 1, 2009 (collectively with all addenda and schedules thereto, and the terms of any other agreements between the Company and OLD GM related thereto, the "**OLD GM Payment Agreement**"), detailing the respective liabilities, obligations and rights of the Company and OLD GM; and

WHEREAS, the OLD GM Insurance Policies and the OLD GM Payment Agreement are incorporated herein by reference and are hereinafter collectively referred to as the "**OLD GM Insurance Program Agreements**"; and

WHEREAS, as security for the obligations under the OLD GM Insurance Program Agreements, the Company currently maintains certain collateral in the form of cash collateral in the amount of US One Million Two Hundred Forty Five Thousand Five Hundred Sixty Dollars and Ninety-Eight Cents ($1,245,560.98) valued as of February 28, 2010 (the "**Original Collateral**"); and

WHEREAS, OLD GM (as Grantor), the Company (as Beneficiary), and The Bank of New York Mellon (as Escrow Agent) are parties to that certain Escrow, Security and Control Agreement for Payment Agreement Obligations effective May 6, 2009 (the "**Lexington Trust**");and

WHEREAS, on June 1, 2009, OLD GM filed a voluntary petition under Chapter 11 of Title 11 of the United States Code in the United States Bankruptcy Court for the Southern District of New York (the "**Bankruptcy Court**"); and

---

[1] Pursuant to that certain Secretary of State Certificate of Conversion attached hereto as Exhibit A, NEW GM is the successor to General Motors Company by conversion to a Delaware limited liability company effective October 16, 2009.

[2] Pursuant to that certain Secretary of State Certificate of Corporate Name Change attached hereto as Exhibit B, General Motors Corporation changed its corporate name to "Motors Liquidation Company" effective July 9, 2009.

WHEREAS, pursuant to that certain Amended and Restated Master Sale and Purchase Agreement by and between OLD GM and NGMCO, Inc.[1] dated as of June 26, 2009, and approved by the Bankruptcy Court on July 5, 2009 (the "**Purchase Agreement**") and as described in detail therein; on July 10, 2009, NEW GM acquired substantially all of the assets of OLD GM, including but not limited to, in relevant part, all of OLD GM's right, title, and interest in the portion of the Original Collateral in an amount equal to U.S. Three Hundred Forty Seven Thousand One Hundred Fifteen Dollars and Ninety-Eight Cents ($347,115.98) valued as of February 28, 2010 (the "**Purchased Collateral**"); and

WHEREAS, pursuant to the Purchase Agreement, and as approved by the Bankruptcy Court on March 5, 2010, OLD GM shall retain an amount equal to U.S. Eight Hundred Ninety Eight Thousand Four Hundred Forty Five Dollars ($898,445.00) of the Original Collateral.

NOW, THEREFORE, in consideration of the premiums paid, premises and the mutual covenants contained herein, the Parties hereby do mutually agree as follows:

1. Within thirty (30) days of the execution of this Letter Agreement (this "**Agreement**") by all Parties, Company shall (i) transfer the Purchased Collateral to NEW GM (in accordance with wire instructions to be provided by NEW GM); and (ii) transfer the remainder of the Original Collateral in an amount equal to U.S. Eight Hundred Ninety Eight Thousand Four Hundred Forty Five Dollars ($898,445.00) to the Lexington Trust, which sum shall be held therein in accordance with the terms of the OLD GM Insurance Program Agreements and the Lexington Trust.

2. OLD GM consents to the above-described transfer of the Purchased Collateral, plus interest accrued thereon between February 28, 2010 and the date of such transfer, to NEW GM.

3. The Parties shall take all further actions necessary to effectuate the above-described transfer of the Purchased Collateral in accordance with the terms of this Agreement.

4. Each of the Parties represents and warrants that it is authorized to enter into this Agreement and the transactions contemplated herein; that the person or persons executing this Agreement on its behalf is/are authorized to do so; that it is not a party to any pending agreements, transactions or negotiations that would render this Agreement or any part hereof void, voidable or unenforceable; and that any authorizations, consents or approvals of any governmental or regulatory entity or authority required to make this Agreement valid and binding upon it has been obtained.

5. NEW GM acknowledges that the Company is expressly relying on the representations made in this Agreement in connection with the above-described transfer of the Purchased Collateral to NEW GM. NEW GM further acknowledges that the Company may suffer damages if these representations are determined to be incorrect at any time. NEW GM does not undertake to be responsible for any such damages beyond the actual loss caused to the Company in the event any of these representations are determined to be incorrect; provided, however, that NEW GM's liability to the Company shall in no event exceed the amount of the Purchased Collateral, plus any further amounts incurred by Company for reasonable attorneys' fees and expenses.

[1] Pursuant to that certain Secretary of State Certificate of Corporate Name Change attached hereto as Exhibit C, NGMCO, Inc., a Delaware corporation, changed its corporate name to "General Motors Company" effective July 9, 2009.

6. It is understood and agreed by the Parties that nothing herein shall have an impact on the responsibilities of the Parties to each other outside the scope of this Agreement.

7. The terms of the OLD GM Insurance Program Agreements and the Lexington Trust, except as amended herein, remain unchanged and in full force and effect.

8. The Bankruptcy Court shall have jurisdiction over the Parties with respect to any disputes involving OLD GM regarding the terms or enforcement of this Agreement. Notwithstanding the preceding sentence, the Parties reserve all of their rights with respect to all jurisdictional issues, including the right to arbitration, regarding any dispute under the OLD GM Insurance Program Agreements, the Original Collateral Trust, the New GM Insurance Program Agreements, or the New Collateral Trust.

9. The terms of this Agreement cannot be changed or terminated orally, cannot be orally waived, shall be binding on the Parties and their successors and shall be governed in all aspects by the laws of the State of New York.

10. All Recitals included in this Agreement are specifically incorporated herein and made a part of this Agreement.

[Signature Page Follows]

IN WITNESS WHEREOF, the Parties have caused this Agreement to be executed by their duly authorized representatives.

LEXINGTON INSURANCE COMPANY

By: _____

Printed Name: Thomas J. O'Rourke

Title: Attorney-in-Fact

Date: April 23, 2010

GENERAL MOTORS LLC

By: _____

Printed Name: Alan G. Gier

Title: Director, Global Risk Management & Insurance

Date: April 7, 2010

MOTORS LIQUIDATION COMPANY

By: _____

Printed Name: Thomas A. Morrow

Title: Vice President

Date: May 11 2010

EXHIBIT A

[Secretary of State Certificate of Conversion issued to NEW GM attached]

EXHIBIT B

[Secretary of State Certificate of Corporate Name Change issued to OLD GM attached]

EXHIBIT C

[Secretary of State Certificate of Corporate Name Change
issued to "General Motors Company" effective July 9, 2009 attached]

Exhibit 3

MLC

Motors Liquidation Company
401 S. Old Woodward, Suite 370
Birmingham, MI 48009

Phone: 313.486.4044
Fax: 313.486.4258

March 31, 2011

Aon Risk Services Central
Joseph G. Callanan, Jr.
3000 Town Center, Suite 3000
Southfield, MI 48075

RE: Motors Liquidation Company
Hazardous Waste-Corrective Action Policy 7146281 (13000 Eckles Road, Livonia, MI)
Collateral Amount: $3,839,721

Dear Mr. Callanan:

As you may know, Motors Liquidation Company ("MLC"), f/k/a General Motors Corporation, entered into a settlement agreement on October 20, 2010 with federal and state governmental authorities regarding MLC's environmental obligations at its owned real property, including MLC's site at 13000 Eckles Road, Livonia, MI. ("Settlement Agreement")[1] On March 3, 2011, this Settlement Agreement was approved by the United States Bankruptcy Court for the Southern District of New York as part of MLC's Chapter 11 Plan of Liquidation. The Settlement Agreement dictates that MLC's owned real property will be transferred to an Environmental Response Trust on March 31, 2011 and discharges MLC's corrective action responsibilities at its owned real property, including those corrective action obligations insured by Hazardous Waste-Corrective Action Policy 7146281. In exchange for MLC's funding of, and transfer of certain assets to the Environmental Response Trust, the governmental authorities have agreed not to seek, and have provided a covenant not to sue, MLC or the Environmental Response Trust with respect to any financial assurance required under environmental law relating to MLC's owned real property. (Settlement Agreement ¶ 96).

MLC hereby surrenders policy Hazardous Waste-Corrective Action Policy 7146281 and requests that you cancel Hazardous Waste-Corrective Action Policy 7146281 effective 12:00 midnight March 31, 2011. Please transfer any and all collateral being held in connection with Hazardous Waste-Corrective Action Policy 7146281 to MLC on March 31, 2011, the Effective Date of a confirmed plan of liquidation of MLC. Collateral should be transferred via wire transfer from collateral account to the following account:

JPMorgan Chase
611 Woodward Ave. Detroit, MI 48226

[1] A copy of the October 20, 2010 Environmental Response Trust Consent Decree and Settlement Agreement can be found on EPA's website at http://www.epa.gov/compliance/resources/cases/cleanup/cercla/mlc/index.html.

Account Name: MLC Master Funding Account
Account #: 838723369
Routing#: 021000021

Please make every effort to ensure that these funds are deposited in the aforementioned account by close of business on March 31, 2011. Should you have any questions or concerns, please contact Matthew D. Morton, MLC's counsel at Weil, Gotshal & Manges, at (202) 682-7053.

Tom Morrow, MLC

cc: Celeste R. Gill (P52484)
Assistant Attorney General
Environment, Natural Resources and
Agriculture Division
6th Floor, G. Mennen Williams Building
525 West Ottawa Street
P.O. Box 30755
Lansing, MI 48909

Exhibit 4

TOGUT, SEGAL & SEGAL LLP

ONE PENN PLAZA
NEW YORK, NEW YORK 10119

(212) 594-5000
FACSIMILE
(212) 967-4258
INTERNET
eMail@TeamTogut.com

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FRANK A. OSWALD *
NEIL BERGER *
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MICHAEL D. HAMERSKY
NAOMI G. MOSS
LARA R. SHEIKH
JONATHAN P. IBSEN°
ANTHONY F. PIRRAGLIA

*MEMBER NY AND NJ BAR
°MEMBER NY AND CT BAR
◦ MEMBER NY AND MA BAR
◦ MEMBER NY AND AZ BAR

September 16, 2011

Michael S. Davis, Esq.
Zeichner Ellman & Krause LLP
575 Lexington Avenue
New York, New York 10022
Tel. (212) 826-5311
Fax (866) 213 9038
MDavis@zeklaw.com

Re: Motors Liquidation Company, *et al.*
(f/k/a General Motors Corp, *et al.*)
Chapter 11 Case No. 09-50026 (REG)

Dear Michael:

On behalf of Motors Liquidation Company, *et al.*, f/k/a General Motors Corp., *et al.* ("Old GM"), we write to request the immediate return of $20,571,486 million in cash belonging to Old GM (the "Seized Cash") that your client Chartis U.S. ("Chartis") has improperly seized for its own purposes and has refused to return. As you know, Old GM has been requesting that Chartis return the Seized Cash since early March 2011, but Chartis has refused, and it has similarly failed to provide any substantial justification for its refusal. Old GM can only consider Chartis's conduct to be in bad faith, and it is a clear violation of both the Confirmation Order that Judge Gerber entered in the above-referenced bankruptcy case (the "Bankruptcy Case") and the automatic stay imposed by 11 U.S.C. § 362 (the "Automatic Stay"). Accordingly, unless Chartis returns Old GM's $20.5 million in Seized Cash by September 30, 2011, we will have no choice but to seek Court assistance in securing its return as well as damages and other appropriate relief.

To date, Chartis has provided no written explanation of its refusal to return the Seized Cash. As a result, Old GM has been forced to piece together Chartis's rationale from past discussions between the parties, Chartis's proofs of claim Nos. 59680-82 and 59697 (the "Proofs of Claim"), and Chartis's response to Old GM's initial objection to the Proofs of Claim (the

"Response"). From these sources, Chartis appears to be relying on three arguments in refusing to return the Seized Cash: (a) the argument that Old GM may owe Chartis significant sums under the "Insurance Program" referenced in the Proofs of Claim; (b) the argument that Old GM may owe Chartis up to $5 million in connection with the "Bristol" matter discussed in Exhibit B to the Proofs of Claim, and (c) the argument that Old GM may owe Chartis up to $1 million in connection with the "Renick Cadillac" settlement mentioned in Exhibit A to the Proofs of Claim.

As discussed below, these arguments provide no basis for Chartis's refusal to return the Seized Cash. At a minimum, the Insurance Program – which is Chartis's sole arguable basis for retaining at least $14.5 million of the Seized Cash – cannot possibly yield further claims against Old GM. Indeed, the only claims that Chartis might speculate could potentially arise out of the Insurance Program would be (1) time-barred, in that they could only be based on claims-made insurance policies that have now expired; (2) enjoined by Court order, because the Bankruptcy Court overseeing Old GM's bankruptcy has resolved substantially all of them under the Environmental Response Trust Consent Decree and Settlement Agreement (the "Environmental Response Trust"); and (3) expressly released in writing, because at Chartis's specific request (and at considerable expense), Old GM has obtained releases from each of the state agencies that could potentially assert demands covered by the Insurance Program, again with the exception of McCook. Moreover, the McCook policy, under which any claims had to have been asserted by April 1, 2011, had a coverage limit of only $612,204. Given these facts, Chartis's seizure and retention of Old GM's cash as a supposed protection against purely hypothetical liabilities that would be time-barred, resolved under the Environmental Response Trust *and* expressly released is not merely bad faith – it is outrageous.

Chartis Has No Right To Hold the Seized Cash To Collateralize Non-Existent Insurance Program Obligations

Chartis obtained the Seized Cash from Old GM as collateral in connection with the Insurance Program and "Old GM Insurance Agreements" described in the Assumption and Collateralization Agreements attached to this letter as Exhibit 1. By March 1, 2011, Chartis no longer had a good faith basis for keeping Old GM's cash, and Old GM requested its return. Instead, on or about March 3, 2011, Chartis seized Old GM's cash, which it could not plausibly claim it was merely holding in escrow, and thereby violated the Automatic Stay as well as the Bankruptcy Court's March 29, 2011 Confirmation Order continuing the Automatic Stay. *See* Confirmation Order, Docket No. 9941. Every other insurer or surety returned Old GM's collateral upon request in circumstances similar to those of Chartis; Chartis, and only Chartis, refused.

Since March 2011, Old GM has made several further requests for the return of its Seized Cash, and it has attempted to reach a negotiated resolution with Chartis, both with and without the assistance of counsel. Unfortunately, Chartis has responded by resorting to

obviously flawed arguments and delaying tactics, such as demanding release letters for merely potential claims that, as of April 1, 2011, would have been both time-barred and not assertable against Old GM or Chartis because they had been resolved pursuant to the Environmental Response Trust. As a result, Chartis has now refused to return Old GM's Seized Cash for more than five months without providing any plausible justification for doing so.

Chartis has no right to continue to hold the Seized Cash: the Old GM Insurance Agreements provide no authorization whatsoever for Chartis to keep Old GM's assets as collateral for claims against it that Chartis knows can never be made. Chartis has identified only the following insurance policies (the "Identified Policies") as yielding potential obligations that Old GM might be required to reimburse:

Policy Type	Insurer	Policy Number	Policy Limit and Collateral
Pollution	Chartis Specialty Insurance Co.	7146277	$8,000,000
Storage Tanks	Chartis Specialty Insurance Co.	7146278	$2,000,000
Hazardous waste (Ohio Closure/ Post Closure)	Chartis Specialty Insurance Co.	7146282	$5,822,539
Hazardous Waste (Michigan Corrective Action)	Chartis Specialty Insurance Co.	7146281	$3,839,721
Hazardous Waste (New Jersey Closure)	Lexington Insurance Co.	7146280	$297,022
Hazardous Waste (Illinois Closure)	Lexington Insurance Co.	7146279	$612,204

However, all of the foregoing insurance policies have expired and, except for Policy No. 7146281, no covered claims could be asserted under them after April 1, 2011. Further, although the claims period for Policy No. 7146281 did not expire until September 1, 2011, Old GM cancelled that Policy on March 31, 2011. [*See* Exhibit 2]. Consequently, no new claims against Old GM or Chartis can properly be asserted under the Identified Policies that Chartis has used as a pretext for its improper retention of the Seized Cash – any such claims would be time-barred.

Also, claims under the Identified Policies have been resolved by the Bankruptcy Court order approving the Environmental Response Trust. As Decretal Paragraph 7 of Old GM's Confirmation Order states:

> The establishment and funding of the Environmental Response Trust and the transfer of the Environmental Response Trust Assets to the Environmental Response Trust or any entity formed by the Environmental Response Trust Administrative Trustee ***shall be in full settlement and satisfaction of all present and future civil environmental liabilities or obligations of the Debtors to the Governmental Authorities,*** other than the claims and rights reserved ....

See Confirmation Order at pp. 19-21 (emphasis added). The Environmental Response Trust settlement resolved any potential claims by governmental authorities with respect to all of the sites covered by the Identified Policies except for the site at McCook, Illinois.

In addition to being time-barred and resolved by Court order, any potential claims that might be asserted in the future under the Identified Policies have been released. At Chartis's request – and after engaging in months of effort and expending significant resources – Old GM has obtained signed releases from all but one of the governmental authorities that alone could assert claims covered by the Identified Policies. The exception relates only to the Illinois authorities who have not yet provided a signed release for the McCook site but have indicated their willingness to do so. Further, as noted above, the Identified Policy that relates to McCook plainly cannot justify Chartis's retention of $20.5 million in Seized Cash – the policy limit is only $612,204.

Given these facts, Chartis's continued retention of the Seized Cash is a clear violation of the Bankruptcy Court's Confirmation Order and of the Automatic Stay that Order incorporates and extends. Section 10.4 of Old GM's confirmed Second Amended Joint Chapter 11 Plan (the "Plan") provides that the Automatic Stay remains in full force and effect until the closing of the Bankruptcy Case, and Section 10.7 of the Plan enjoins all parties in interest from taking any action to interfere with implementation or consummation of the Plan – such as seizing and refusing to return $20.5 million. Further, the Plan's provisions are made binding on claimants such as Chartis by Decretal Paragraph 5 of the Bankruptcy Court's Confirmation Order. Chartis's unjustified seizure and retention of $20.5 million of Old GM's cash is therefore a clear violation of these provisions of the Plan, for which Old GM, if necessary, will seek appropriate remedies.

Chartis Has No Right To Hold the Seized Cash To Collateralize Its Claimed Subrogation Rights Relating to the Bristol Claim

Despite the fact that it cannot lawfully retain any part of the Seized Cash to collateralize obligations under Old GM's Insurance Program (for the reasons discussed above), Chartis maintains that it has the right to retain approximately $5 million of the Seized Cash to pay sums that Old GM allegedly owes to Chartis in connection with the Bristol matter described in Exhibit B to Chartis's Proofs of Claim (the "Bristol Claim"). According to Chartis, Bristol Center LLC ("Bristol") is the current owner of environmentally contaminated Connecticut real

estate that formerly belonged to Old GM. *See* Chartis Proofs of Claim, Exhibit B. When Old GM could no longer pay the costs of environmental remediation, the State of Connecticut held Bristol responsible, and Bristol turned to its insurer, which happened to be Chartis. Chartis asserts that it has been paying for Bristol's remediation efforts and will presumably continue to do so until it exhausts the full $5 million in coverage and is therefore subrogated to Bristol's right to demand reimbursement from Old GM. In other words, Chartis's $5 million Bristol Claim does not arise out of the Insurance Program, the Identified Polices, or any other insurance policy that Chartis issued to Old GM – it arises entirely from Chartis's policy with an unrelated third party, Bristol. *See* Chartis Proofs of Claim, Exhibit B.

Nevertheless, Chartis has asserted that it is entitled to use the Seized Cash to reimburse itself for its Bristol Claim under the Old GM-Chartis Payment Agreement (included herewith as Exhibit 3, the "Payment Agreement"), which states, in what Chartis has identified as relevant part:

> If default occurs, we may take reasonable and appropriate steps that are necessary to protect our interest. We will exercise good faith consistent with usual and customary commercial and credit practice in selecting and exercising such steps. We may take steps such as the following:
>
> 1. We may declare the entire unpaid amount of Your Payment Obligation immediately due and payable.
> 2. We may change any or all unexpired Policies....
> 3. We may draw upon, liquidate, or take ownership of any or all collateral we hold regardless of the form, and hold or apply such amounts to any of Your Payment Obligation under this Agreement or any other premium, surcharge or deductible financing agreement between You and us, or under any Policies. However, we will not draw upon, liquidate, or take ownership of more collateral than is reasonably necessary to protect our interest.
> 4. We may require You to deliver to us additional collateral....
> 5. We may cancel any or all unexpired Policies....
> 6. We may withhold payment of claims to You....
> 7. We may satisfy Your obligations to us in whole or in part by set-off against any moneys, securities, collateral, consideration or property of Yours received by, pledged to, held by or otherwise available to us in connection with Your Payment Obligation. You authorize us after any default to charge any account that You maintain with us in connection with Your Payment Obligation in order to satisfy any of Your obligations.

Payment Agreement at p. 8.

The Payment Agreement defines "Your Payment Obligation" as: "the amounts that you must pay us for the insurance and services in accordance with the terms of the Policies, this

Agreement, and any similar primary casualty insurance policies and agreements with us incurred before the inception date hereof." Payment Agreement at p. 4.

Chartis has maintained that it is entitled to retain a portion of the Seized Cash because the seventh numbered default remedy quoted above (the "Setoff Remedy") allows Chartis to "satisfy Your obligations to us in whole or in part by set-off against any monies, securities, collateral, consideration or property of Yours received by, pledged to, held by or otherwise available to us in connection with Your Payment Obligation." For at least four reasons, however, the Setoff Remedy does not justify Chartis in retaining the Seized Cash to satisfy its Bristol Claim.

First, Chartis has no right to exercise the Setoff Remedy because it is available only "[i]f default occurs." Chartis has acknowledged to us that, notwithstanding contrary statements in its Response to Old GM's initial objection to its Proofs of Claim, Old GM was not in default on any financial or other affirmative obligations to Chartis as of Old GM's bankruptcy filing. Further, Chartis's Response identifies only $41,956 in alleged monetary defaults in connection with the Insurance Program, which would limit Chartis's remedies to retaining only $41,956 of the Seized Cash. In addition, Chartis cannot claim to be entitled to exercise default remedies due to Old GM's bankruptcy filing, because the Insurance Program, consisting of various inter-related agreements, is clearly an executory contract and 11 U.S.C. § 365(b)(2) prohibits Chartis from treating Old GM as in default based solely on its bankruptcy filing.

Second, the Payment Agreement specifies that the Setoff Remedy can be used only with respect to Old GM's property that has been "received by, pledged to, held by or otherwise available to us in connection with Your Payment Obligation." It appears, however, that Old GM's collateral could only have been legally held, under the Assumption and Collateralization Agreements, in a specified trust. Chartis has provided no evidence to show that the Seized Cash is legally or properly held by Chartis rather than by a trust or escrow agent, and it has failed to show that any agreements pledging the Seized Cash or making it available to Chartis would make it available to pay the Bristol claim. Consequently, Chartis has no right to use the Seized Cash for any Setoff Remedy.

Third, it is well established that a subrogee stands in the shoes of the subrogor and can have no greater rights than the subrogor. Yet Chartis appears to maintain that it can avail itself of Old GM's collateral to convert Bristol's unsecured claim against Old GM into a secured claim against Old GM. Chartis has offered no legal support for this novel theory, and it is contrary to black letter law.

Fourth, the Payment Agreement does not give Chartis the right to use Old GM's collateral to pay the Bristol Claim or any other claim that Chartis may assert against Old GM by right of subrogation. The Payment Agreement makes Old GM liable for its "Payment Obligation," but the Agreement's definition of that term, which is quoted above, limits it to specified

financial obligations arising out of the Insurance Program. The Bristol Claim, therefore, is not part of Old GM's Payment Obligation to Chartis.

The Bristol Claim also does not fall within the scope of the undefined term "obligations to us" that Chartis employs in describing the Setoff Remedy. In context, the natural reading of "obligations to us" is to refer to obligations in connection with the Insurance Program, not unrelated obligations owed for other reasons. Also, "obligations to us" naturally refers only to direct obligations to "us" – *i.e.*, Chartis – and not to indirect obligations to parties other than Chartis who, like Bristol, just happen to be insured by Chartis. Indeed, if the Setoff Remedy were intended to cover every conceivable debt that Old GM might owe to Chartis for any reason, it would allow Chartis to buy other parties' claims and secure or satisfy them with Old GM's collateral at the rate of one hundred cents on the dollar. In addition, if the parties had truly intended to give Chartis the right to use Old GM's collateral to satisfy debts unrelated to the Insurance Program, they would not have limited that right to be effective only upon default.

Equally important, other provisions of the Payment Agreement preclude any reading of "obligations to us" that might cover the Bristol Claim. The Payment Agreement specifies that Old GM "must deliver collateral acceptable to us to secure Your Payment Obligation," adding that Chartis "may apply any collateral we hold in connection with this or any other similar primary casualty insurance policies or agreements to Your Payment Obligation." Payment Agreement at p. 6. This language implies that Chartis will "apply any collateral" only to Old GM's Payment Obligation and not to unrelated obligations arising out of Chartis's business dealings with third parties.

Moreover, the next paragraph eliminates any ambiguity by expressly limiting use of Old GM's collateral to its Payment Obligations. It states that "You grant us a possessory security interest in any property You deliver to us to secure Your Payment Obligation" and "direct us to hold ***all such sums as collateral for Your Payment Obligation*** as they (sic) may be payable now or may become payable in the future." (Emphasis added.) Payment Agreement at p. 6. Because the Payment Agreement directs Chartis to use ***all*** of Old GM's collateral for its Payment Obligation, Chartis has no right to use that collateral for any other obligations such as the Bristol Claim.

The Payments Agreement's specific restriction on Chartis's use of Old GM's collateral trumps any potential reading of the vague and undefined term "obligations to us" that might allow Chartis to apply the Seized Cash to the Bristol Claim. This is especially true given that the Payment Agreement must be construed against Chartis as its drafter, and that the phrase "obligations to us" is tucked away as the ambiguous seventh numbered item in a list of default remedies. Further, there is every reason to believe that, if Chartis were to convince a Court that the phrase "obligations to us" is ambiguous, and if the parties were to conduct discovery concerning its meaning as a result, the result would be the same: Old GM could not reason-

ably have understood or intended that Chartis would use its Setoff Remedy as a reason to seize Old GM's collateral and apply it to a subrogation claim unrelated to its Payment Obligation. The Seized Cash must be returned.

Chartis Has No Right To Hold the Seized Cash To Collateralize Its Claimed Subrogation Rights Relating to the Renick Claim

Chartis's claim based on the Renick Cadillac matter (the "Renick Claim") provides even less justification for retaining even less of the Seized Cash than the Bristol Claim. Like the $5 million Bristol Claim, the $1 million Renick Claim arises from a right to subrogation that Chartis asserts it has based on an insurance policy it issued to a party other than Old GM. Chartis's Proofs of Claim describe the Renick Claim in full as follows:

> Renick Cadillac, Inc., Granite State Insurance Company, Policy #02 LX 003234283-2/000 (Commercial Garage Policy), Deutsch v. Renick Cadillac, Inc., et al., No. BC389150, Superior Court, Los Angeles County, California.
>
> Lexington has paid $1,000,000.00 in connection with settlement of the foregoing matter. Pursuant to its Proof of Claim, Lexington claims from the Debtor the amount of $1,000,000.00, plus any costs, including defense fees, paid by Lexington and/or any of its subsidiary, affiliate, and/or member companies in connection with the settlement of the foregoing matter, pursuant to the Debtor's indemnification obligations to the Insured Dealer.

As this description indicates, Chartis's Renick Claim seeks reimbursement from Old GM for sums that Chartis's affiliate Lexington paid to or on behalf of Renick Cadillac pursuant to an insurance policy issued to Renick, not Old GM. Like the Bristol Claim, the Renick Claim is a subrogation claim asserting rights that have no relationship to Old GM's Insurance Program. As a result, all of the reasons why Chartis cannot use the Seized Cash to satisfy the Bristol Claim apply equally to the Renick Claim. Moreover, Chartis has not provided, and Old GM has been unable to locate, any proof that Old GM actually owes any "indemnification obligations to the Insured Dealer." Consequently, Chartis has no right to retain any of the Seized Cash to satisfy or collateralize its Renick Claim.

Conclusion

For all of the foregoing reasons, among others, Chartis must return the Seized Cash by September 30, 2011. Neither Old GM's Insurance Program, nor Chartis's Bristol and Renick Claims, provide any genuine grounds for retaining $20.5 million of Old GM's money. Chartis has held the Seized Cash, with no good faith justification, for far too long. It has done so, moreover, in violation of the Bankruptcy Court's Confirmation Order and the Automatic Stay.

Please contact us immediately to discuss the return of Old GM's Seized Cash so that the parties can avoid any further costs or delays for which, as indicated above, Old GM reserves the right to hold Chartis accountable.

Very truly yours,

TOGUT, SEGAL & SEGAL LLP
By:

Richard K. Milin

RKM/lw, cj

cc: Michelle Leavitt, Esq.
Mr. Tom Morrow
Scott E. Ratner, Esq.

Exhibit 5

AIG RISK MANAGEMENT

Payment Agreement

For

Insurance and Risk Management Services

effective on the 1st day of April, 2009

by and between *us*,

Lexington Insurance Company

And *you*, *our* Client

General Motors Corporation
300 Renaissance Center
Detroit, MI 48265

in consultation with *your* representative

Aon Risk Services
3000 Town Center, Suite 3000
Southfield, MI 48075

TABLE of CONTENTS

PAYMENT AGREEMENT

WHO HAS AGREED TO THIS AGREEMENT?

This Agreement is between:

- *You*, the organization(s) named as "our Client" in the *Schedule*, and
- *us*, the insurer(s) named in the *Schedule*.

The words "we", "us" and "our" in this Agreement refer to the insurer(s) named in the *Schedule*.

WHAT HAVE *YOU* AND WE AGREED TO?

***We* have agreed** to the following:

- to provide *You* insurance and services according to the *Policies* and other agreements; and
- to extend credit to *You* by deferring our demand for full payment of the entire amount of *Your Payment Obligation* if *You* make partial payments according to this Agreement.

To induce us to agree as above,

***You* have agreed** to the following:

- to pay us all *Your Payment Obligation* and to perform all *Your* other obligations according to this Agreement and *Schedule* for all entities covered by the *Policies*;
- to provide us with collateral according to this Agreement and *Schedule*;

WHEN DOES THIS AGREEMENT BEGIN?

This Agreement begins on the Effective Date shown in the first page (the title page) of this Agreement. Unless otherwise agreed in writing, this Agreement will also apply to any policies and *Schedules* that we may issue as renewals, revisions, replacements or additions to the attached *Schedule* and the *Policies* listed there.

WHEN WILL THIS AGREEMENT END?

This Agreement will end only after *You* and we have settled and paid all obligations between *You* and us relating to this Agreement. Neither *You* nor we may cancel this Agreement without the other's consent.

WHICH WORDS HAVE SPECIAL MEANINGS IN THIS AGREEMENT?

Words with special meanings in the *Policies* have the same meanings in this Agreement as they have in the *Policies*. Non-italicized capitalized words in this Agreement are defined in the *Policies*, or their meanings are otherwise described in this Agreement.

The following are definitions of other special words. Terms printed in this Agreement in italic typeface have the meanings described below.

1. **"ALAE"** means Allocated Loss Adjustment Expense as defined in the *Policies*.
2. **"Deductible Loss Reimbursements"** means the portion of any *Loss* and *ALAE* we pay that *You* must reimburse us for under any "Deductible" or "Loss Reimbursement" provisions of a *Policy*.
3. **"Loss"** or **"Losses"** means damages, benefits or indemnity that we become obligated under the terms of the *Policies* to pay to claimants.
4. **"Policy"** or **"Policies"** means:
   - any of the insurance *Policies* described by their policy numbers in the *Schedule*, and their replacements and renewals;
   - any additional insurance *Policies* that we may issue to *You* that *You* and we agree to make subject to this Agreement;
5. **"Retained Amount"** or **"Retention"** means one of the following:
   - **Self-Insured Retention:** the amount specified in the applicable *Policy* as *Your* Self-Insured Retention per occurrence, accident, offense, claim or suit; or
   - **Deductible:** the amount specified in the applicable *Policy* as the Reimbursable or Deductible portion of *Loss* per occurrence, accident, offense, claim or suit; or
   - **Loss Limit:** the portion of any *Loss* we pay because of an occurrence, offense, accident, claim or suit, that we will include in the computation of the premiums.

   The *Policies* show the type of *Retention* that applies to any specific occurrence, offense, accident, claim or suit.

6. **"Schedule"** means each of the attachments to this Agreement that describes specific elements of the Agreement for a specified period of time. Each *Schedule* is a part of this Agreement. Additional *Schedules* or amendments to *Schedules* may be attached to this Agreement from time to time by mutual agreement between *You* and us.
7. **"You"** means the person or organization named as our Client in the title page of this Agreement, its predecessor and successor organizations, and each of its subsidiary, affiliated or associated organizations that are included as Named Insureds under any of the *Policies*. Each is jointly and severally liable to us for the entire amount of *Your Payment Obligation*.
8. **"Your Payment Obligation"** means the amounts that you must pay us for the insurance and services in accordance with the terms of the *Policies*, this Agreement, and any similar primary casualty insurance policies and agreements with us incurred before the inception date hereof. Such amounts shall include, but are not limited to, any of the following, including any portions thereof not yet due and payable:
   - the premiums and premium surcharges,
   - *Deductible Loss Reimbursements*,
   - any amount that we may have paid on *Your* behalf because of any occurrence, accident, offense, claim or suit with respect to which *you* are a self-insurer,
   - any other fees, charges, or obligations as shown in the *Schedule* or as may arise as *You* and we may agree from time to time.

   Loss Reserves: *Your Payment Obligation* includes any portion of the premiums, premium surcharges, *Deductible Loss Reimbursements* or other obligations that we shall have calculated on the basis of our reserves for *Loss* and *ALAE*. Those reserves shall include specific reserves on known *Losses* and *ALAE*, reserves for incurred but not reported *Losses* and *ALAE*, and reserves for statistically expected development on *Losses* and *ALAE* that have been reported to us. Any *Loss* development factors we apply in determining such reserves will be based on our actuarial evaluation of relevant statistical data including, to the extent available and credible, statistical data based upon *your* cumulative *Loss* and *ALAE* history.

WHAT ELSE SHOULD *YOU* KNOW ABOUT *YOUR PAYMENT OBLIGATION*?

Amounts: We will calculate *Your Payment Obligation* according to the methods stated in the *Policies* and any other similar primary casualty insurance policies and agreements between us.

You must abide by the results under this Agreement of any payment of *Loss* or *ALAE* that the claims service provider or we shall have made in the absence of negligence and in good faith under any of the *Policies*.

Credit: Credit is extended to you whenever *Your* payment of some or all of *Your Payment Obligation* is postponed beyond the effective date of the insurance policies to which such obligations pertain. Any extension of unsecured credit to *You* under this Agreement is extended only for the duration of the policy year for which it is extended. It is subject to review and revision or withdrawal at each anniversary of this Agreement or at other times in accordance with the terms of this Agreement. Any extension of credit to you under this Agreement, including any deferral or waiver of the collection of collateral from *You* is not an assumption by us of any of *Your* obligations to us. Any extension of credit to *You* does not limit our right to enforce *Your* performance under this Agreement.

A Credit Fee may be charged for any unsecured credit extended to you. The Credit Fee, if any, is shown in the *Schedule*. Any such Credit Fee is an annual fee and applies only to the policy year to which such *Schedule* applies. A renewal Credit Fee may be charged for the period of any renewed extension of unsecured credit, and shall be shown in the *Schedule* pertaining thereto.

Payment of the Credit Fee, if any, is neither payment of premium for insurance of any kind nor payment of *Deductible Loss Reimbursements*.

WHEN MUST *YOU* PAY *YOUR PAYMENT OBLIGATION*?

All payments are due by the due date stated in the *Schedule*, or as respects Additional Payments, within 30 days of the later of the Invoice, Notice or Bill date or your evidenced receipt date of the Invoice, Notice or Bill for each such Additional Payment.

PAYMENT AGREEMENT

WHAT IS THE PAYMENT PLAN?

Deposit and Installments

You must pay us a Deposit and Installments in the amounts and by the dates shown in the *Schedule* for the *Policies* described in the *Schedule*.

Claims Payment Deposit: If so shown in the *Schedule*, the Deposit includes a Claims Payment Deposit. The Claims Payment Deposit will not bear interest. We will return the amount of the Claim Payment Deposit to *You* when *You* have paid us all amounts due us.

If the total amount of claims we shall have paid on *Your* behalf exceeds the sum of the Claims Payment Deposit for three (3) consecutive billing periods, we may require *You* to pay us additional funds for the Claims Payment Deposit. However, the entire Claims Payment Deposit shall not exceed 250% of the average amount of the claims we had paid in each of the prior 3 periods.

Additional Payments

You must also make payments in addition to the Deposit and Installments according to the Payment Method described under "Additional Payments" in the *Schedule*.

WHAT IS THE BILLING METHOD?

Deposit and Installments: *You* must pay us the amounts shown in the *Schedule* as "Installments". *You* must pay us those amounts by their Due Dates shown there.

Additional Payments: *You* have chosen the **Direct Billing Method** or the **Automatic Withdrawal Method,** or a combination of both. *Your* choice is shown in the *Schedule*.

Direct Billing Method

For the Additional Payments described under "WHAT IS THE PAYMENT PLAN?", we will further bill *You* as necessary for the payment of *Losses* we must pay or have paid within *Your "Retention"* and *Your* share of *ALAE* covered by the *Policies*. We will not bill more than permitted under any Aggregate Stop or Maximum Premium or Maximum Insurance Cost provisions that apply to the *Policies*.

Automatic Withdrawal Method

For the Additional Payments described under "WHAT IS THE PAYMENT PLAN?", we will draw funds from the "Automatic Withdrawal Account" described in the *Schedule* as necessary for the payment of *Losses* within *Your "Retention"* and *Your* share of *ALAE* covered by the *Policies*. We will not withdraw more than permitted under any Aggregate Stop or Maximum Premium or Maximum Insurance Cost provisions that apply to the *Policies*.

You hereby authorize us to withdraw funds from that Account upon our demand.

You must pay enough cash into that "Automatic Withdrawal Account" to cover our expected payments of *Loss* within *Your Retention* and *Your* share of *ALAE* during the next Claims Payment Fund Coverage Period shown in the *Schedule*. The minimum amount of such cash funds is shown in the *Schedule* as "Minimum Amount". *You* must make a payment in that amount into that Account immediately whenever its balance falls below 25% of that amount. Interest earned on that Account belongs to *You*.

WHAT ABOUT COLLATERAL?

Collateral is Required

You must deliver collateral acceptable to us to secure *Your Payment Obligation* at the time(s), in the form(s) and in the amount(s) shown in the *Schedule*. Subject to the terms of this Agreement, we may apply any collateral we hold in connection with this or any other similar primary casualty insurance policies or agreements to *Your Payment Obligation*.

Grant of Security Interest and Right to Offset

You grant us a possessory security interest in any property *You* deliver to us to secure *Your Payment Obligation*. *You* also grant us a continuing first-priority security interest and right of offset with respect to all premiums, surcharges, dividends, cash, accounts, or funds that are payable to *You* and are now or may in the future come into our possession in connection with *Your Payment Obligation*. *You* agree to assist us in any reasonable way to enable us to perfect our interest. *You* direct us to hold all such sums as collateral for *Your Payment Obligation* as they may be payable now or may become payable in the future.

Letter of Credit

Any letter of credit must be clean, unconditional, irrevocable and evergreen. It must be from a bank that we and the Securities Valuation Office of the National Association of Insurance Commissioners have approved and in a form acceptable to us. It must be in the amount shown in the *Schedule*.

If any letter of credit is canceled, no later than 30 days before that letter of credit expires, *You* must deliver to us a substitute letter of credit that complies with the requirements set forth above. Upon *Your* written request, we will not unreasonably withhold our consent to a reasonable extension of the time within which *You* must deliver such a substitute letter of credit to us. The substitute letter of credit must take effect no later than the date of termination of the expiring letter of credit. *Your* duty to deliver such a letter of credit will continue until *You* have satisfied all *Your* obligations under this Agreement and the *Policies*. If *You* fail to provide us with a qualifying substitute letter of credit as indicated above, we may draw upon the existing letter of credit in full.

Other Collateral

With respect to any collateral we accept other than a letter of credit, including but not limited to any collateral we hold in trust or escrow, any agreements between *You* and us about our respective rights and obligations with respect to such collateral are incorporated by reference into this Agreement. Nothing in those agreements will limit or modify any of our rights under this Agreement.

Collateral Reviews

The collateral we require to secure *Your Payment Obligation* is subject to reviews and revisions as described below.

We will review our collateral requirement annually. In addition, we may review our collateral requirement at any time that we may deem reasonably necessary, including at any time after an event such as but not limited to the following:

1. the non-renewal or cancellation of any *Policy* to which this Agreement applies,
2. the failure or violation of any financial covenants or tests, or minimum financial rating (if any) specified in the *Schedule*,
3. the occurrence of any direct or indirect transaction for the merger or consolidation, or the conveyance, sale, transfer, dividend, spin-off, lease, or sale and lease back, of all or any material portion of *Your* property, assets, business or equity to any other entity,
4. any material adverse change in the financial condition of *You*, *Your* subsidiaries or affiliates taken separately or in combination, or any other entity on which we rely for security or guarantee in connection with this Agreement.

You and *we* will cooperate with each other and each other's designated consultants in the conduct of such reviews.

If as a result of any review we find that we require additional collateral, *You* will provide us such additional collateral within 30 days of our written request, which shall be accompanied by a worksheet showing our calculation of the amount thereof. If a return of collateral to *You* is indicated, we will return annually the indicated amount to *You* within 30 days of our written acknowledgement thereof.

Collateral Adjustment Procedure

The additional collateral that *You* must provide us will be in the amount of the difference between the total unpaid amount of *Your Payment Obligation* and the total amount of *Your* collateral that we then hold. We may adjust the collateral requirement relating to the unexpired term of the *Policies* on the basis of our evaluation of *Your* financial condition. If such difference is a negative sum, that sum is the amount that we will return to *You*. However, we are not obligated to return collateral to *You* if *You* are in default of any provision of this Agreement or any other similar agreement relating to your primary casualty insurance with us.

Financial Information

You must provide financial information to us as a basis for our collateral reviews within 14 days after our request.

If *You* are not subject to the reporting requirements of the Securities and Exchange Act of 1934, *You* must provide us copies of *Your* audited annual financial statements.

If we so request, *You* must provide us such financial information as we may reasonably deem necessary to determine *Your* financial condition, including but not limited to copies of *Your* completed quarterly financial statements. Those statements must include the following:

- balance sheet,
- income statement
- statement of retained earnings,
- cash flow statement,
- notes to the statements, and
- any supplemental schedules.

Reporting Requirement

Give us prompt notice of the event of any default as described in the section titled "What is Default", or any event described in the section titled "Collateral Reviews" in this Agreement, that has happened or is about to happen.

As an alternative to the above, at *Your* option, provide us with the same notices at the same time that *You* provide such notices to any other creditor regarding any material financial or operational condition that *You* are obligated to report to such other creditor.

WHAT IS DEFAULT?

Default is any of the following:

1. failure by *You* or any of *Your* subsidiaries or affiliates to perform within 5 days after its due date any obligation *You* or any of *Your* subsidiaries or affiliates have under this Agreement or any other agreement with us.
2. *Your* insolvency, or the occurrence of any of the following:
   - the commencement of liquidation or dissolution proceedings, *Your* general failure to pay debts as they become due, general assignment by *You* for the benefit of creditors, the filing by or against *You* of any petition, proceeding, case or action under the provisions of the United States Bankruptcy Code or other such law relating to debtors, the appointment of, or the voluntary or involuntary filing for a petition for the appointment of, a receiver, liquidator, rehabilitator, trustee, custodian or similar official to take possession or control of any of *Your* property; or
   - *Your* default on any material outstanding debt not cured within its applicable cure period, if any.
3. the cancellation by *You*, without our prior consent, of any *Policy* material to this Agreement. However, *Your* concurrent cancellation of <u>all</u> the unexpired *Policies* shall not constitute default.
4. the discovery of any material inaccuracy or incompleteness in any representation, warranty or condition precedent *You* make in connection with this Agreement, the insurance afforded by any of the *Policies* or *Your Payment Obligation*.

WHAT MAY WE DO IN CASE OF DEFAULT?

If default occurs, we may take reasonable and appropriate steps that are necessary to protect our interest. We will exercise good faith consistent with usual and customary commercial and credit practice in selecting and exercising such steps. We may take steps such as the following:

1. We may declare the entire unpaid amount of *Your Payment Obligation* immediately due and payable.
2. We may change any or all unexpired *Policies* under Loss Reimbursement or Deductible plans to Non-Deductible plans for the remaining term of any such *Policy*, to become effective after ten days written notice to *You*. We will therewith increase the premiums for those *Policies* in accordance with our applicable rating plan.
3. We may draw upon, liquidate, or take ownership of any or all collateral we hold regardless of the form, and hold or apply such amounts to any of *Your Payment Obligation* under this Agreement or any other premium, surcharge or deductible financing agreement between *You* and us, or under any *Policies*. However, we will not draw upon, liquidate, or take ownership of more collateral than is reasonably necessary to protect our interest.
4. We may require *You* to deliver to us additional collateral, including an amendment to the letter of credit or an additional letter of credit or other additional collateral. The other additional collateral, letter of credit or its amendment must conform to the requirements described above. *You* must deliver it within 15 days of *Your* receipt of a written notice from us.
5. We may cancel any or all unexpired *Policies* as if for non-payment of premium or *Deductible Loss Reimbursements*. We may apply any return of premium resulting from the cancellation to remedy any default.
6. We may withhold payment of claims to *You* or any of *Your* subsidiaries or affiliates.
7. We may satisfy *Your* obligations to us in whole or in part by set-off against any moneys, securities, collateral, consideration or property of *Yours* received by, pledged to, held by or otherwise available to us in connection with *Your Payment Obligation*. *You* authorize us after any default to charge any account that *You* maintain with us in connection with *Your Payment Obligation* in order to satisfy any of *Your* obligations.

HOW WILL DISAGREEMENTS BE RESOLVED?

What if we disagree about payment due?

If *You* disagree with us about any amount of *Your Payment Obligation* that we have asked *You* to pay, within the time allowed for payment *You* must:

- give us written particulars about the items with which *You* disagree; and
- pay those items with which *You* do not disagree.

We will review the disputed items promptly and provide *You* with further explanations, details, or corrections. *You* must pay us the correct amounts for the disputed items within 10 days of agreement between *You* and us about their correct amounts. Any disputed items not resolved within 60 days after our response to *Your* written particulars must immediately be submitted to arbitration as set forth below. With our written consent, which shall not be unreasonably withheld, *You* may have reasonable additional time to evaluate our response to *Your* written particulars.

So long as *You* are not otherwise in default under this Agreement, we will not exercise our rights set forth under "What May We Do In Case of Default?", pending the outcome of the arbitration on the disputed amount of *Your Payment Obligation*.

What about disputes other than disputes about payment due?

Any other unresolved dispute arising out of this Agreement must be submitted to arbitration. *You* must notify us in writing as soon as *You* have submitted a dispute to arbitration. We must notify *You* in writing as soon as we have submitted a dispute to arbitration.

Arbitration Procedures

How arbitrators must be chosen: *You* must choose one arbitrator and we must choose another. They will choose the third. If *You* or we refuse or neglect to appoint an arbitrator within 30 days after written notice from the other party requesting it to do so, or if the two arbitrators fail to agree on a third arbitrator within 30 days of their appointment, either party may make an application to a Justice of the Supreme Court of the State of New York, County of New York and the Court will appoint the additional arbitrator or arbitrators.

Qualifications of arbitrators: Unless *You* and we agree otherwise, all arbitrators must be executive officers or former executive officers of property or casualty insurance or reinsurance companies or insurance brokerage companies, or risk management officials in an industry similar to *Yours*, domiciled in the United States of America not under the control of either party to this Agreement.

How the arbitration must proceed: The arbitrators shall determine where the arbitration shall take place. The arbitration must be governed by the United States Arbitration Act, Title 9 U.S.C. Section 1, et seq. Judgment upon the award rendered by the arbitrators may be entered by a court having jurisdiction thereof.

You and we must both submit our respective cases to the arbitrators within 30 days of the appointment of the third arbitrator. The arbitrators must make their decision within 60 days following the termination of the hearing, unless *You* and we consent to an extension. The majority decision of any two arbitrators, when filed with *You* and us will be final and binding on *You* and on us.

The arbitrators must interpret this Agreement as an honorable engagement and not merely a legal obligation. They are relieved of all judicial formalities. They may abstain from following the strict rules of law. They must make their award to effect the general purpose of this Agreement in a reasonable manner.

The arbitrators must render their decision in writing, based upon a hearing in which evidence may be introduced without following strict rules of evidence, but in which cross-examination and rebuttal must be allowed.

The arbitrators may award compensatory money damages and interest thereupon. They may order *You* to provide collateral to the extent required by this Agreement. They will have exclusive jurisdiction over the entire matter in dispute, including any question as to its arbitrability. However, they will not have the power to award exemplary damages or punitive damages, however denominated, whether or not multiplied, whether imposed by law or otherwise.

Expenses of Arbitration: *You* and we must each bear the expense of our respective arbitrator and must jointly and equally bear with each other the expense of the third arbitrator and of the arbitration.

This Section will apply whether that dispute arises before or after termination of this Agreement.

TO WHOM MUST *YOU* AND WE GIVE NOTICES?

We will mail or deliver all notices to *You* at *Your* address in the *Schedule*. *You* must mail or deliver all notices to our Law Representative with a copy to our Account Executive at the address specified in the *Schedule*. All notices must be in writing.

MAY RIGHTS OR OBLIGATIONS UNDER THIS AGREEMENT BE ASSIGNED?

Neither *You* nor we may assign our rights or obligations under this Agreement without the written consent of the other, which shall not be unreasonably withheld.

WILL PAST FORBEARANCE WAIVE RIGHTS UNDER THIS AGREEMENT?

Past forbearance, neglect or failure to enforce any or all provisions of this Agreement, or to give notice of insistence upon strict compliance with it, will not be a waiver of any rights. A waiver of rights in a past circumstance will not be a course of conduct that waives any rights in any subsequent circumstance.

WHO MUST PAY TO ENFORCE THIS AGREEMENT?

If *You* or we fail to perform or observe any provisions under this Agreement, the other may incur reasonable additional expenses to enforce or exercise its remedies. Either *You* or we must reimburse the other upon demand and presentation of clear and convincing supporting evidence for any and all such additional expenses.

HOW MAY THIS AGREEMENT BE CHANGED?

This Agreement may be changed only by agreement by *You* and us, as evidenced by a written addendum to this Agreement, duly executed by the authorized representatives of each.

PAYMENT AGREEMENT

WHAT IF THE LAW CHANGES?

If any part of this Agreement should become unenforceable because of any change in law, the remainder of this Agreement will remain in full force and effect.

ARE *YOU* AUTHORIZED TO MAKE THIS AGREEMENT?

You hereby represent and warrant that *Your* execution, delivery and performance of this Agreement have been authorized by all necessary corporate actions. The individual executing this agreement on *Your* behalf has full right and authority to execute and deliver this agreement and to bind *You* jointly and severally.

SIGNATURES

TO SIGNIFY AGREEMENT, *You* and we have caused this Agreement to be executed by the duly authorized representatives of each.

For **Lexington Insurance Company**
On behalf of itself and its affiliates first listed above:

In New York, New York,
This 12th day of May, 2009
Signed by _____
Typed Name: Joseph Davide
Title: Attorney-In-Fact

For *You*, our Client
General Motors Corporation
In Detroit, Mich.
This 22 day of May, 2009
Signed by _____
Typed Name Alan B. Pires
Title Director, Global Risk Financing & Insurance

Schedule of Policies and Payments

Paid-Loss Payments Plan

Effective from 04/01/2009 to 04/01/2010

Annexed to the PAYMENT AGREEMENT

effective on 04/01/2009

by and between us,

Lexington Insurance Company

and *You*, our Client

General Motors Corporation

on behalf of *You* and all *Your* subsidiaries or affiliates except those listed below:

(None)

For our use only: Contract Number

***Your* Address:**

Contact Name: Alan Gier
Company Name: General Motors Corporation
Street: 300 Renaissance Center
City: Detroit **State: Michigan** **Zip: 48265** **Telephone: (313)665-3457**

***Your* Representative:**

Contact Name: Joseph Callanan
Company Name: Aon Risk Services
Street: 3000 Town Center, Suite 3000
City: Southfield **State: MI** **Zip: 48075** **Telephone: (248)936-5260**

Our Account Executive:

Contact Name: Peter Rapciewicz
Company Name: Lexington Insurance Company
Street: 175 Water Street, 27th Floor
City: New York **State: NY** **Zip: 10038** **Telephone: (212)458-3019**

Our Law Representative:

Contact Name: Salvatore Tollis
Company Name: AIU Holdings, Inc.
Street: 175 Water Street, 18th Floor
City: New York **State: NY** **Zip: 10038** **Telephone: (212)458-7051**

Remit Payments to:

Contact Name: Lystra Charles
Company Name: AIU Holdings, Inc.
Street: PO Box 10472
City: Newark **State: NJ** **Zip: 07193** **Telephone: (908)679-2621**

Remit Collateral to:

Contact Name: Attn: Donato DiLuzio
Company Name: AIU Holdings, Inc.
Street: PO Box 923, Wall Street Station
City: New York **State: NY** **Zip: 10268** **Telephone: (212)820-2412**

A. *Policies* and Other Agreements

Workers Compensation and Employers Liability Insurance

Commercial General Liability Insurance
0907328 0907330
Automobile Liability Insurance

Other Insurance

Other Agreements (Describe)

B. Payment Plan:

1. Cash Deposit, Installments and Estimated Deferred Amounts

Pay-ment No.	Due Date	Provision for Expenses and Excess Losses (1)	Special Taxes and Surcharges	Annual Credit Fee	Provision for Limited Losses (2)	*Your* Estimated Payment Obligation
1	04/01/2009	$60,000	$0	$0	$0	$ 60,000
	Subtotals	$60,000	$ 0	$ 0	$ 0	$ 60,000
	DLP*	N/A	N/A	N/A	$898,445	$898,445
	DEP*	$0	$0	$0	N/A	$ 0
	Totals	$60,000	$ 0	$ 0	$898,445	$ 958,445

DLP means "Deferred Loss Provision". This is the estimated amount *You* must pay us as "Regular Loss payments" and "Sizeable Loss Payments" described below.

DEP means "Deferred Expense Provision". This is an estimated amount that *You* must pay us as follows:

Notes: (1) "Provision for Expenses and Excess Losses" is a part of the Premium
(2) "Provision for Limited Losses" includes provision for *Loss* within your *Retention* (both Deductible and Loss Limit) and *Your* share of *ALAE*. Any "Deposit" in this column is the Claims Payment Deposit. Refer to definitions in the Payment Agreement.

2. Adjustments

The sums shown above are only estimated amounts. If *Your Payment Obligation* changes under the terms of the *Policies*, we will promptly notify *You* as such changes become known to us. All additional or return amounts relating thereto shall be payable in accordance with the terms of the Payment Agreement.

3. Additional Payments

On a Monthly basis, we will report to *You* the amounts of *Loss* and *ALAE* that we have paid under the *Policies*. *You* must subsequently pay us as described below.

Regular Loss Payments: Regular Loss Payments apply in addition to the amounts shown with Due Dates in Section B above.

We will bill *You* or withdraw funds from the Automatic Withdrawal Account (whichever Billing Method applies as shown below) at the periodic intervals stated above for the amounts of *Loss* within *Your Retention* and *Your* share of *ALAE* that we will have paid under the *Policies*, less all amounts *You* will have paid us to date as such Regular Loss Payments and the Sizable Loss Payments described below.

Sizable Loss Payments: If we must make payment for any *Loss* within *Your Retention* and *Your* share of *ALAE* arising out of a single accident, occurrence, offense, claim or suit that in combination exceeds the Sizable Loss Payment Amount of $25,000, *You* must pay us the amount of that payment of *Loss* within 10 days after *You* receive our bill.

Billing Method:

☒ Billing to

☒ *You* at *Your* address shown in the *Schedule*, or

☐ *Your* Representative at its address shown in the *Schedule*; or

☐ Automatic Withdrawal from the account described below.

If Automatic Withdrawal Account applies: Minimum Amount: $0

Name of Depository Institution:

Address:

Account Number:

4. Conversion

The Conversion Date for each *policy* described in section A above shall be the date _ months after the inception of such *Policy*.

On or shortly after the Conversion Date upon the presentation of our invoice, *You* must pay in cash the entire unpaid amount of *Your Payment Obligation* for such *Policies*.

C. Security Plan

1. Collateral

Collateral on Hand (by Type)	Amount of Collateral
Trusts	$898,445
Total Collateral on Hand	**$ 898,445**

Additional Collateral Required (by Type)	Amount of Collateral	Due Date
N/A	$0	
Total Additional Collateral Required	**$ 0**	
Total Collateral Required	**$ 898,445**	

2. Financial Covenants, Tests, or Minimum Credit Ratings

We may require additional collateral from *You* in the event of the following:

a. Credit Trigger:

i. If the credit rating of the entity named below and for the type of debt described below, promulgated by Standard & Poor's Corporation ("S&P") or by Moody's Investors Services, Inc. ("Moody's"), drops to or below the grade shown respectively under S&P or Moody's, or

ii. If S&P or Moody's withdraws any such rating.

We may require and *You* must deliver such additional collateral according to the Payment Agreement up to an amount such that our unsecured exposure will not exceed the amount shown as the Maximum Unsecured Exposure next to such rating in the grid below.

"Unsecured exposure" is the difference between the total unpaid amount of *Your Payment Obligation* (including any similar obligation incurred before the inception of the Payment Agreement and including any portion of *Your Payment Obligation* that has been deferred and is not yet due) and the total amount of *Your* collateral that we hold.

Name of Entity: **Type of Debt Rated:**

Ratings at Effective Date

S&P	Moody's	Unsecured Exposure at Effective Date

Potential Future Ratings

S&P	Moody's	Maximum Unsecured Exposure
		$0

b. Other Financial Tests or Covenants:

3. Adjustment of Credit Fee

If the amount of unsecured exposure is changed because of *Your* delivery of additional collateral to us due to the requirements under item 2 above, the Credit Fee shall be adjusted on a pro-rata basis from the date of such delivery. Adjustment of the credit fee shall not include an adjustment of any fees associated with your deferred premium payment plan.

SIGNATURES

IN WITNESS WHEREOF, *you* and we have caused this *Schedule* to be executed by the duly authorized representatives of each.

For us, **Lexington Insurance Company,**

This 12th day of April, 2009

Signed by _____

Typed Name Joseph Davide

Title Attorney-in-Fact

For *You*: ***General Motors Corporation***

this 22 day of June, 2009

Signed by _____

Typed Name Alan G. Gien

Title Director, Global Risk Financing + Insurance

Mandatory Addendum

to

PAYMENT AGREEMENT

By and between us

Lexington Insurance Company

(Company, "we", "us" or "our")

and *You*, our Client

General Motors Corporation

This Addendum is attached to and forms a part of the Payment Agreement entered into between Company and Client as of the 1st day of April 2009.

1. The section entitled **WHO HAS AGREED TO THIS AGREEMENT?,** is deleted and replaced with the following:

   This Agreement is between:

   - *You*, the organization(s) named as "our Client" in the *Schedule*, and
   - *us*, the insurers set forth above as "Company", "we," "us" and "our" in this Addendum.

2. The section entitled **WHICH WORDS HAVE SPECIAL MEANINGS IN THIS AGREEMENT? B. - Your Payment Obligation,** is deleted and replaced with the following:

   "Your Payment Obligation" means the amounts that *You* must pay *us* for the insurance and services in accordance with the terms of the *Policies*, this Agreement, and any similar primary casualty insurance policies and agreements with *us* incurred before the inception date hereof. Such amounts shall include, but are not limited to, any of the following, including any portions thereof not yet due and payable:

   - the premiums and premium surcharges, taxes and assessments,
   - *Deductible Loss Reimbursements*,
   - any amount that we may have paid on *Your* behalf because of any occurrence, accident, offense, claim or suit with respect to which *You* are a self-insurer,
   - any other fees, charges, or obligations as shown in the *Schedule* or as may arise as *You* and we may agree from time to time,
   - costs and expenses incurred by any third party administrator,
   - any penalties or charges incurred as a result of your failure to cooperate in the completion of an actual premium audit.

   Loss Reserves: *Your Payment Obligation* includes any portion of the premiums, premium surcharges, *Deductible Loss Reimbursements* or other obligations that we shall have calculated on the basis of our reserves for *Loss* and *ALAE*. Those reserves shall include specific reserves on known *Losses* and *ALAE*, reserves for incurred but not reported *Losses* and *ALAE*, and reserves for statistically expected development on *Losses* and *ALAE* that

have been reported to *us*. Any *Loss* development factors we apply in determining such reserves will be based on our actuarial evaluation of relevant statistical data including, to the extent available and credible, statistical data based upon *Your* cumulative *Loss* and *ALAE* history.

Taxes, Assessments and Surcharges: The taxes, assessments and surcharges shown on the Schedule are based upon our knowledge of the current law in the states involved. If the law changes, or a rate or assessment changes, or a new surcharge is imposed, or a state reinterprets its law, any additional taxes, assessments and surcharges will become part of *Your Payment Obligation.*

3. The section entitled: **WHAT ELSE SHOULD YOU KNOW ABOUT YOUR PAYMENT OBLIGATION?** is amended to include the following:

We will contract with a Third Party Administrator (TPA) that *You* select for the adjustment of *Your* claims under the Policies provided that we consent to *Your* selection in advance. Our relationship with the TPA will be governed by a Claims Service Agreement (CSA) between *us* and the TPA, a copy of which will be made available to *You* upon *Your* request. Any TPA *You* select must meet all of our licensing requirements. Should we terminate the CSA at *Your* request or should the TPA no longer meet our service standards, we will enter into a CSA with another TPA. We will exercise good faith consistent with usual and customary commercial practice before we change one TPA to another TPA. Any amounts we pay to any TPA on *Your* behalf shall be considered part of *Your Payment Obligation*, and shall include, but not be limited to the following: cost of adjusting expense at new TPA; costs or losses incurred as a result of claims handling conduct of prior TPA, including fines and penalties; fines and penalties for failure to submit accurate data to regulatory bureaus; data transfer expense; costs to retrieve or recreate information not properly maintained by prior TPA; and costs to set up new escrow account.

4. The section entitled: **WHEN MUST *YOU* PAY *YOUR* PAYMENT OBLIGATION?** is amended to include the following:

All payments are due by the due date stated in the *Schedule*, or as respects Additional Payments, within 30 days of the later of the Invoice, Notice or Bill date or *Your* evidenced receipt date of the Invoice, Notice or Bill for each such Additional Payment. If payment is not made when due, interest will accrue on the unpaid balance daily after the due date at the Prime Rate then in effect at Citibank, N.A., NY, NY, plus 150 basis points.

5. The section entitled: **WHAT ABOUT COLLATERAL?** is amended to include the following:

Collateral Exchange:

At our sole discretion we may approve *Your* substitution or exchange of one form or instrument of collateral for another. Any replacement collateral must be in a form and drawn on a bank or insurer acceptable to *us*. If the original collateral was in the form of cash on which interest was being earned, a substitution may result in a change to the interest rate. We will not approve *Your* substitution or exchange of collateral if *You* are in Default of any of the terms of this Agreement or have triggered any applicable Financial Covenants, Tests or Minimum Credit Ratings shown in the Schedule.

6. The section entitled: **HOW WILL DISAGREEMENTS BE RESOLVED? ARBITRA-TION PROCEDURES - How Arbitrators Must Be Chosen**, is deleted and replaced with the following:

How arbitrators must be chosen: *You* must choose one arbitrator and we must choose another. They will choose the third. If *You* or we refuse or neglect to appoint an arbitrator within 30 days after written notice from the other party requesting it to do so, or if the two arbitrators fail to agree on a third arbitrator within 30 days of their appointment, either party may make application only to a court of competent jurisdiction in the City, County, and State of New York. Similarly, any action or proceeding concerning arbitrability, including motions to compel or to stay arbitration, may be brought only in a court of competent jurisdiction in the City, County, and State of New York.

7. The section entitled: **ARE YOU AUTHORIZED TO MAKE THIS AGREEMENT?** Is amended to include the following:

This Agreement together with the Schedules, Addenda, Policies and any related agreements between *You* and *us*, constitute the basis for a program of insurance coverage. We would not have entered into any of them without *Your* agreement on all of them. For that reason, *You* should review all such documents together when making any accounting, tax or legal determinations relating to the insurance program.

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to be executed by their duly authorized representatives.

For **Lexington Insurance Company:**
In New York, New York,
This 12th day of April, 2009
Signed by _____
Typed Name Joseph Davide
Title Attorney-In-Fact

For *You*, our Client
General Motors Corporation
In Detroit, MI
This 22 day of June, 2009
Signed by _____
Typed Name Alan G. Gien
Title Director, Global Risk Financing + Insurance

AIG RISK MANAGEMENT

Payment Agreement

For

Insurance and Risk Management Services

effective on the 1st day of September, 2006

by and between *us*,

American International Specialty Lines Insurance Company

And *you*, *our* Client

General Motors Corporation
300 Renaissance Ctr
Detroit, MI 48265-0001

in consultation with *your* representative

Aon Risk Services, Inc. of MI
P.O. Box 5156
Southfield, MI 48086-5156

TABLE of CONTENTS

PAYMENT AGREEMENT

WHO HAS AGREED TO THIS AGREEMENT?

This Agreement is between:

- *You*, the organization(s) named as "our Client" in the *Schedule*, and
- *us*, the insurer named in the *Schedule*.

The words "we", "us" and "our" in this Agreement refer to the insurer named in the *Schedule*.

WHAT HAVE *YOU* AND WE AGREED TO?

***We* have agreed** to the following:

- to provide *You* insurance and services according to the *Policies* and other agreements; and
- to extend credit to *You* by deferring our demand for full payment of the entire amount of *Your Payment Obligation* if *You* make partial payments according to this Agreement.

To induce us to agree as above,

***You* have agreed** to the following:

- to pay us all *Your Payment Obligation* and to perform all *Your* other obligations according to this Agreement and *Schedule* for all entities covered by the *Policies*;
- to provide us with collateral according to this Agreement and *Schedule*;

WHEN DOES THIS AGREEMENT BEGIN?

This Agreement begins on the Effective Date shown in the first page (the title page) of this Agreement. Unless otherwise agreed in writing, this Agreement will also apply to any policies and *Schedules* that we may issue as renewals, revisions, replacements or additions to the attached *Schedule* and the *Policies* listed there.

WHEN WILL THIS AGREEMENT END?

This Agreement will end only after *You* and we have settled and paid all obligations between *You* and us relating to this Agreement. Neither *You* nor we may cancel this Agreement without the other's consent.

WHICH WORDS HAVE SPECIAL MEANINGS IN THIS AGREEMENT?

Words with special meanings in the *Policies* have the same meanings in this Agreement as they have in the *Policies*. Non-italicized capitalized words in this Agreement are defined in the *Policies*, or their meanings are otherwise described in this Agreement.

The following are definitions of other special words. Terms printed in this Agreement in italic typeface have the meanings described below.

1. **"ALAE"** means Allocated Loss Adjustment Expense as defined in the *Policies*.
2. **"Deductible Loss Reimbursements"** means the portion of any *Loss* and *ALAE* we pay that *You* must reimburse us for under any "Deductible" or "Loss Reimbursement" provisions of a *Policy*.
3. **"Loss"** or **"Losses"** means damages, benefits or indemnity that we become obligated under the terms of the *Policies* to pay to claimants.
4. **"Policy"** or **"Policies"** means:
   - any of the insurance *Policies* described by their policy numbers in the *Schedule*, and their replacements and renewals;
   - any additional insurance *Policies* that we may issue to *You* that *You* and we agree to make subject to this Agreement;
5. **"Retained Amount"** or **"Retention"** means one of the following:
   - **Self-Insured Retention:** the amount specified in the applicable *Policy* as *Your* Self-Insured Retention per occurrence, accident, offense, claim or suit; or
   - **Deductible:** the amount specified in the applicable *Policy* as the Reimbursable or Deductible portion of *Loss* per occurrence, accident, offense, claim or suit; or
   - **Loss Limit:** the portion of any *Loss* we pay because of an occurrence, offense, accident, claim or suit, that we will include in the computation of the premiums.

   The *Policies* show the type of *Retention* that applies to any specific occurrence, offense, accident, claim or suit.

6. **"Schedule"** means each of the attachments to this Agreement that describes specific elements of the Agreement for a specified period of time. Each *Schedule* is a part of this Agreement. Additional *Schedules* or amendments to *Schedules* may be attached to this Agreement from time to time by mutual agreement between *You* and us.
7. **"You"** means the person or organization named as our Client in the title page of this Agreement, its predecessor and successor organizations, and each of its subsidiary, affiliated or associated organizations that are included as Named Insureds under any of the *Policies*. Each is jointly and severally liable to us for the entire amount of *Your Payment Obligation*.
8. **"Your Payment Obligation"** means the amounts that you must pay us for the insurance and services in accordance with the terms of the *Policies*, this Agreement, and any similar primary casualty insurance policies and agreements with us incurred before the inception date hereof. Such amounts shall include, but are not limited to, any of the following, including any portions thereof not yet due and payable:
   - the premiums and premium surcharges,
   - *Deductible Loss Reimbursements*,
   - any amount that we may have paid on *Your* behalf because of any occurrence, accident, offense, claim or suit with respect to which *you* are a self-insurer,
   - any other fees, charges, or obligations as shown in the *Schedule* or as may arise as *You* and we may agree from time to time.

   Loss Reserves: *Your Payment Obligation* includes any portion of the premiums, premium surcharges, *Deductible Loss Reimbursements* or other obligations that we shall have calculated on the basis of our reserves for *Loss* and *ALAE*. Those reserves shall include specific reserves on known *Losses* and *ALAE*, reserves for incurred but not reported *Losses* and *ALAE*, and reserves for statistically expected development on *Losses* and *ALAE* that have been reported to us. Any *Loss* development factors we apply in determining such reserves will be based on our actuarial evaluation of relevant statistical data including, to the extent available and credible, statistical data based upon *your* cumulative *Loss* and *ALAE* history.

WHAT ELSE SHOULD *YOU* KNOW ABOUT *YOUR PAYMENT OBLIGATION?*

Amounts: We will calculate *Your Payment Obligation* according to the methods stated in the *Policies* and any other similar primary casualty insurance policies and agreements between us.

You must abide by the results under this Agreement of any payment of *Loss* or *ALAE* that the claims service provider or we shall have made in the absence of negligence and in good faith under any of the *Policies*.

Credit: Credit is extended to you whenever *Your* payment of some or all of *Your Payment Obligation* is postponed beyond the effective date of the insurance policies to which such obligations pertain. Any extension of unsecured credit to *You* under this Agreement is extended only for the duration of the policy year for which it is extended. It is subject to review and revision or withdrawal at each anniversary of this Agreement or at other times in accordance with the terms of this Agreement. Any extension of credit to you under this Agreement, including any deferral or waiver of the collection of collateral from *You* is not an assumption by us of any of *Your* obligations to us. Any extension of credit to *You* does not limit our right to enforce *Your* performance under this Agreement.

A Credit Fee may be charged for any unsecured credit extended to you. The Credit Fee, if any, is shown in the *Schedule*. Any such Credit Fee is an annual fee and applies only to the policy year to which such *Schedule* applies. A renewal Credit Fee may be charged for the period of any renewed extension of unsecured credit, and shall be shown in the *Schedule* pertaining thereto.

Payment of the Credit Fee, if any, is neither payment of premium for insurance of any kind nor payment of *Deductible Loss Reimbursements*.

WHEN MUST *YOU* PAY *YOUR PAYMENT OBLIGATION?*

All payments are due by the due date stated in the *Schedule*, or as respects Additional Payments, within 30 days of the later of the Invoice, Notice or Bill date or your evidenced receipt date of the Invoice, Notice or Bill for each such Additional Payment.

PAYMENT AGREEMENT

WHAT IS THE PAYMENT PLAN?

Deposit and Installments

You must pay us a Deposit and Installments in the amounts and by the dates shown in the *Schedule* for the *Policies* described in the *Schedule*.

Claims Payment Deposit: If so shown in the *Schedule*, the Deposit includes a Claims Payment Deposit. The Claims Payment Deposit will not bear interest. We will return the amount of the Claim Payment Deposit to *You* when *You* have paid us all amounts due us.

If the total amount of claims we shall have paid on *Your* behalf exceeds the sum of the Claims Payment Deposit for three (3) consecutive billing periods, we may require *You* to pay us additional funds for the Claims Payment Deposit. However, the entire Claims Payment Deposit shall not exceed 250% of the average amount of the claims we had paid in each of the prior 3 periods.

Additional Payments

You must also make payments in addition to the Deposit and Installments according to the Payment Method described under "Additional Payments" in the *Schedule*.

WHAT IS THE BILLING METHOD?

Deposit and Installments: *You* must pay us the amounts shown in the *Schedule* as "Installments". *You* must pay us those amounts by their Due Dates shown there.

Additional Payments: *You* have chosen the **Direct Billing Method** or the **Automatic Withdrawal Method,** or a combination of both. *Your* choice is shown in the *Schedule*.

Direct Billing Method

For the Additional Payments described under "WHAT IS THE PAYMENT PLAN?", we will further bill *You* as necessary for the payment of *Losses* we must pay or have paid within *Your "Retention"* and *Your* share of *ALAE* covered by the *Policies*. We will not bill more than permitted under any Aggregate Stop or Maximum Premium or Maximum Insurance Cost provisions that apply to the *Policies*.

Automatic Withdrawal Method

For the Additional Payments described under "WHAT IS THE PAYMENT PLAN?", we will draw funds from the "Automatic Withdrawal Account" described in the *Schedule* as necessary for the payment of *Losses* within *Your "Retention"* and *Your* share of *ALAE* covered by the *Policies*. We will not withdraw more than permitted under any Aggregate Stop or Maximum Premium or Maximum Insurance Cost provisions that apply to the *Policies*.

You hereby authorize us to withdraw funds from that Account upon our demand.

You must pay enough cash into that "Automatic Withdrawal Account" to cover our expected payments of *Loss* within *Your Retention* and *Your* share of *ALAE* during the next Claims Payment Fund Coverage Period shown in the *Schedule*. The minimum amount of such cash funds is shown in the *Schedule* as "Minimum Amount". *You* must make a payment in that amount into that Account immediately whenever its balance falls below 25% of that amount. Interest earned on that Account belongs to *You*.

WHAT ABOUT COLLATERAL?

Collateral is Required

You must deliver collateral acceptable to us to secure *Your Payment Obligation* at the time(s), in the form(s) and in the amount(s) shown in the *Schedule*. Subject to the terms of this Agreement, we may apply any collateral we hold in connection with this or any other similar primary casualty insurance policies or agreements to *Your Payment Obligation*.

Grant of Security Interest and Right to Offset

You grant us a possessory security interest in any property *You* deliver to us to secure *Your Payment Obligation*. *You* also grant us a continuing first-priority security interest and right of offset with respect to all premiums, surcharges, dividends, cash, accounts, or funds that are payable to *You* and are now or may in the future come into our possession in connection with *Your Payment Obligation*. *You* agree to assist us in any reasonable way to enable us to perfect our interest. *You* direct us to hold all such sums as collateral for *Your Payment Obligation* as they may be payable now or may become payable in the future.

Letter of Credit

Any letter of credit must be clean, unconditional, irrevocable and evergreen. It must be from a bank that we and the Securities Valuation Office of the National Association of Insurance Commissioners have approved and in a form acceptable to us. It must be in the amount shown in the *Schedule*.

If any letter of credit is canceled, no later than 30 days before that letter of credit expires, *You* must deliver to us a substitute letter of credit that complies with the requirements set forth above. Upon *Your* written request, we will not unreasonably withhold our consent to a reasonable extension of the time within which *You* must deliver such a substitute letter of credit to us. The substitute letter of credit must take effect no later than the date of termination of the expiring letter of credit. *Your* duty to deliver such a letter of credit will continue until *You* have satisfied all *Your* obligations under this Agreement and the *Policies*. If *You* fail to provide us with a qualifying substitute letter of credit as indicated above, we may draw upon the existing letter of credit in full.

Other Collateral

With respect to any collateral we accept other than a letter of credit, including but not limited to any collateral we hold in trust or escrow, any agreements between *You* and us about our respective rights and obligations with respect to such collateral are incorporated by reference into this Agreement. Nothing in those agreements will limit or modify any of our rights under this Agreement.

Collateral Reviews

The collateral we require to secure *Your Payment Obligation* is subject to reviews and revisions as described below.

We will review our collateral requirement annually. In addition, we may review our collateral requirement at any time that we may deem reasonably necessary, including at any time after an event such as but not limited to the following:

1. the non-renewal or cancellation of any *Policy* to which this Agreement applies,
2. the failure or violation of any financial covenants or tests, or minimum financial rating (if any) specified in the *Schedule,*
3. the occurrence of any direct or indirect transaction for the merger or consolidation, or the conveyance, sale, transfer, dividend, spin-off, lease, or sale and lease back, of all or any material portion of *Your* property, assets, business or equity to any other entity,
4. any material adverse change in the financial condition of *You, Your* subsidiaries or affiliates taken separately or in combination, or any other entity on which we rely for security or guarantee in connection with this Agreement.

You and *we* will cooperate with each other and each other's designated consultants in the conduct of such reviews.

If as a result of any review we find that we require additional collateral, *You* will provide us such additional collateral within 30 days of our written request, which shall be accompanied by a worksheet showing our calculation of the amount thereof. If a return of collateral to *You* is indicated, we will return annually the indicated amount to *You* within 30 days of our written acknowledgement thereof.

Collateral Adjustment Procedure

The additional collateral that *You* must provide us will be in the amount of the difference between the total unpaid amount of *Your Payment Obligation* and the total amount of *Your* collateral that we then hold. We may adjust the collateral requirement relating to the unexpired term of the *Policies* on the basis of our evaluation of *Your* financial condition. If such difference is a negative sum, that sum is the amount that we will return to *You*. However, we are not obligated to return collateral to *You* if *You* are in default of any provision of this Agreement or any other similar agreement relating to your primary casualty insurance with us.

Financial Information

You must provide financial information to us as a basis for our collateral reviews within 14 days after our request.

If *You* are not subject to the reporting requirements of the Securities and Exchange Act of 1934, *You* must provide us copies of *Your* audited annual financial statements.

If we so request, *You* must provide us such financial information as we may reasonably deem necessary to determine *Your* financial condition, including but not limited to copies of *Your* completed quarterly financial statements. Those statements must include the following:

- balance sheet,
- income statement
- statement of retained earnings,
- cash flow statement,
- notes to the statements, and
- any supplemental schedules.

Reporting Requirement

Give us prompt notice of the event of any default as described in the section titled "What is Default", or any event described in the section titled "Collateral Reviews" in this Agreement, that has happened or is about to happen.

As an alternative to the above, at *Your* option, provide us with the same notices at the same time that *You* provide such notices to any other creditor regarding any material financial or operational condition that *You* are obligated to report to such other creditor.

WHAT IS DEFAULT?

Default is any of the following:

1. failure by *You* or any of *Your* subsidiaries or affiliates to perform within 5 days after its due date any obligation *You* or any of *Your* subsidiaries or affiliates have under this Agreement or any other agreement with us.
2. *Your* insolvency, or the occurrence of any of the following:
   - the commencement of liquidation or dissolution proceedings, *Your* general failure to pay debts as they become due, general assignment by *You* for the benefit of creditors, the filing by or against *You* of any petition, proceeding, case or action under the provisions of the United States Bankruptcy Code or other such law relating to debtors, the appointment of, or the voluntary or involuntary filing for a petition for the appointment of, a receiver, liquidator, rehabilitator, trustee, custodian or similar official to take possession or control of any of *Your* property; or
   - *Your* default on any material outstanding debt not cured within its applicable cure period, if any.
3. the cancellation by *You*, without our prior consent, of any *Policy* material to this Agreement. However, *Your* concurrent cancellation of all the unexpired *Policies* shall not constitute default.
4. the discovery of any material inaccuracy or incompleteness in any representation, warranty or condition precedent *You* make in connection with this Agreement, the insurance afforded by any of the *Policies* or *Your Payment Obligation*.

WHAT MAY WE DO IN CASE OF DEFAULT?

If default occurs, we may take reasonable and appropriate steps that are necessary to protect our interest. We will exercise good faith consistent with usual and customary commercial and credit practice in selecting and exercising such steps. We may take steps such as the following:

1. We may declare the entire unpaid amount of *Your Payment Obligation* immediately due and payable.
2. We may change any or all unexpired *Policies* under Loss Reimbursement or Deductible plans to Non-Deductible plans for the remaining term of any such *Policy*, to become effective after ten days written notice to *You*. We will therewith increase the premiums for those *Policies* in accordance with our applicable rating plan.
3. We may draw upon, liquidate, or take ownership of any or all collateral we hold regardless of the form, and hold or apply such amounts to any of *Your Payment Obligation* under this Agreement or any other premium, surcharge or deductible financing agreement between *You* and us, or under any *Policies*. However, we will not draw upon, liquidate, or take ownership of more collateral than is reasonably necessary to protect our interest.
4. We may require *You* to deliver to us additional collateral, including an amendment to the letter of credit or an additional letter of credit or other additional collateral. The other additional collateral, letter of credit or its amendment must conform to the requirements described above. *You* must deliver it within 15 days of *Your* receipt of a written notice from us.
5. We may cancel any or all unexpired *Policies* as if for non-payment of premium or *Deductible Loss Reimbursements*. We may apply any return of premium resulting from the cancellation to remedy any default.
6. We may withhold payment of claims to *You* or any of *Your* subsidiaries or affiliates.
7. We may satisfy *Your* obligations to us in whole or in part by set-off against any moneys, securities, collateral, consideration or property of *Yours* received by, pledged to, held by or otherwise available to us in connection with *Your Payment Obligation*. *You* authorize us after any default to charge any account that *You* maintain with us in connection with *Your Payment Obligation* in order to satisfy any of *Your* obligations.

HOW WILL DISAGREEMENTS BE RESOLVED?

What if we disagree about payment due?

If *You* disagree with us about any amount of *Your Payment Obligation* that we have asked *You* to pay, within the time allowed for payment *You* must:

- give us written particulars about the items with which *You* disagree; and
- pay those items with which *You* do not disagree.

We will review the disputed items promptly and provide *You* with further explanations, details, or corrections. *You* must pay us the correct amounts for the disputed items within 10 days of agreement between *You* and us about their correct amounts. Any disputed items not resolved within 60 days after our response to *Your* written particulars must immediately be submitted to arbitration as set forth below. With our written consent, which shall not be unreasonably withheld, *You* may have reasonable additional time to evaluate our response to *Your* written particulars.

So long as *You* are not otherwise in default under this Agreement, we will not exercise our rights set forth under "What May We Do in Case of Default?", pending the outcome of the arbitration on the disputed amount of *Your Payment Obligation*.

What about disputes other than disputes about payment due?

Any other unresolved dispute arising out of this Agreement must be submitted to arbitration. *You* must notify us in writing as soon as *You* have submitted a dispute to arbitration. We must notify *You* in writing as soon as we have submitted a dispute to arbitration.

Arbitration Procedures

How arbitrators must be chosen: *You* must choose one arbitrator and we must choose another. They will choose the third. If *You* or we refuse or neglect to appoint an arbitrator within 30 days after written notice from the other party requesting it to do so, or if the two arbitrators fail to agree on a third arbitrator within 30 days of their appointment, either party may make an application to a Justice of the Supreme Court of the State of New York, County of New York and the Court will appoint the additional arbitrator or arbitrators.

Qualifications of arbitrators: Unless *You* and we agree otherwise, all arbitrators must be executive officers or former executive officers of property or casualty insurance or reinsurance companies or insurance brokerage companies, or risk management officials in an industry similar to *Yours*, domiciled in the United States of America not under the control of either party to this Agreement.

How the arbitration must proceed: The arbitrators shall determine where the arbitration shall take place. The arbitration must be governed by the United States Arbitration Act, Title 9 U.S.C. Section 1, et seq. Judgment upon the award rendered by the arbitrators may be entered by a court having jurisdiction thereof.

You and we must both submit our respective cases to the arbitrators within 30 days of the appointment of the third arbitrator. The arbitrators must make their decision within 60 days following the termination of the hearing, unless *You* and we consent to an extension. The majority decision of any two arbitrators, when filed with *You* and us will be final and binding on *You* and on us.

The arbitrators must interpret this Agreement as an honorable engagement and not merely a legal obligation. They are relieved of all judicial formalities. They may abstain from following the strict rules of law. They must make their award to effect the general purpose of this Agreement in a reasonable manner.

The arbitrators must render their decision in writing, based upon a hearing in which evidence may be introduced without following strict rules of evidence, but in which cross-examination and rebuttal must be allowed.

The arbitrators may award compensatory money damages and interest thereupon. They may order *You* to provide collateral to the extent required by this Agreement. They will have exclusive jurisdiction over the entire matter in dispute, including any question as to its arbitrability. However, they will not have the power to award exemplary damages or punitive damages, however denominated, whether or not multiplied, whether imposed by law or otherwise.

Expenses of Arbitration: *You* and we must each bear the expense of our respective arbitrator and must jointly and equally bear with each other the expense of the third arbitrator and of the arbitration.

This Section will apply whether that dispute arises before or after termination of this Agreement.

TO WHOM MUST *YOU* AND WE GIVE NOTICES?

We will mail or deliver all notices to *You* at *Your* address in the *Schedule*. *You* must mail or deliver all notices to our Law Representative with a copy to our Account Executive at the address specified in the *Schedule*. All notices must be in writing.

MAY RIGHTS OR OBLIGATIONS UNDER THIS AGREEMENT BE ASSIGNED?

Neither *You* nor we may assign our rights or obligations under this Agreement without the written consent of the other, which shall not be unreasonably withheld.

WILL PAST FORBEARANCE WAIVE RIGHTS UNDER THIS AGREEMENT?

Past forbearance, neglect or failure to enforce any or all provisions of this Agreement, or to give notice of insistence upon strict compliance with it, will not be a waiver of any rights. A waiver of rights in a past circumstance will not be a course of conduct that waives any rights in any subsequent circumstance.

WHO MUST PAY TO ENFORCE THIS AGREEMENT?

If *You* or we fail to perform or observe any provisions under this Agreement, the other may incur reasonable additional expenses to enforce or exercise its remedies. Either *You* or we must reimburse the other upon demand and presentation of clear and convincing supporting evidence for any and all such additional expenses.

HOW MAY THIS AGREEMENT BE CHANGED?

This Agreement may be changed only by agreement by *You* and us, as evidenced by a written addendum to this Agreement, duly executed by the authorized representatives of each.

WHAT IF THE LAW CHANGES?

If any part of this Agreement should become unenforceable because of any change in law, the remainder of this Agreement will remain in full force and effect.

ARE *YOU* AUTHORIZED TO MAKE THIS AGREEMENT?

You hereby represent and warrant that *Your* execution, delivery and performance of this Agreement have been authorized by all necessary corporate actions. The individual executing this agreement on *Your* behalf has full right and authority to execute and deliver this agreement and to bind *You* jointly and severally.

SIGNATURES

TO SIGNIFY AGREEMENT, *You* and we have caused this Agreement to be executed by the duly authorized representatives of each.

For **American International Specialty Lines Insurance Company**

In New York, New York,

This 15th day of November, 2006

Signed by _____

Typed Name David Bowlin

Title Authorized Representative

For *You*, our Client

General Motors Corporation

In Detroit, Michigan

This 8 day of Nov 2006

Signed by _____

Typed Name Alan G. Gier

Title Director Risk Financing

Schedule of Policies and Payments

Paid-Loss Payments Plan

Effective from 9/1/2006 to 9/1/2007

Annexed to the PAYMENT AGREEMENT

effective on 9/1/2006

by and between us,

American International Specialty Lines Insurance Company

and *You*, our Client

General Motors Corporation
300 Renaissance Ctr
Detroit, MI 48265-0001

on behalf of *You* and all *Your* subsidiaries or affiliates except those listed below:

For our use only: Contract Number 680451

***Your* Address:**

Contact Name: Alan Gier
Company Name: General Motors Corporation
Street: 300 Renaissance Ctr
City: Detroit **State:** MI **Zip:** 48265-0001 **Telephone:** (313) 665-3457

***Your* Representative:**

Contact Name: Joseph Callanan
Company Name: Aon Risk Services, Inc. of MI
Street: P.O. Box 5156
City: Southfield **State:** MI **Zip:** 48086-5156 **Telephone:** (248) 396-5293

Our Account Executive:

Contact Name: David Bowlin
Company Name: American International Group
Street: 175 Water Street
City: New York **State:** NY **Zip:** 10038 **Telephone:** (212) 458-6325

Our Law Representative:

Contact Name: Virginia Doty
Company Name: American International Group
Street: 175 Water Street
City: New York **State:** NY **Zip:** 10038 **Telephone:** (212) 458-7015

Remit Payments to:

Contact Name: Lystra Charles
Company Name: American International Group
Street: P.O. Box 10472
City: Newark **State:** NJ **Zip:** 07193 **Telephone:** (908) 679-2621

Remit Collateral to:

Contact Name: Attn: Mr. Art Stillwell
Company Name: American International Group
Street: P.O. Box 923 Wall Street Station
City: New York **State:** NY **Zip:** 10268 **Telephone:** (212) 770-0896

A. *Policies* and Other Agreements

Commercial General Liability Insurance
GL 5756340 GL 5756341 GL 5756342
Automobile Liability Insurance

Other Insurance

Other Agreements (Describe)

B. Payment Plan:

1. Cash Deposit, Installments and Estimated Deferred Amounts

Pay-ment No.	Due Date	Provision for Expenses and Excess Losses (1)	Special Taxes and Surcharges	Annual Credit Fee	Provision for Limited Losses (2)	*Your* Estimated Payment Obligation
1	2/1/2007	$15,000	$0	$0	$0	$15,000
	Subtotals	$ 15,000	$0	$0	$0	$15,000
	DLP*	N/A	N/A	N/A	$73,000,000	$ 73,000,000
	DEP*	$0	$0	$0	N/A	$0
	Totals	$15,000	$0	$0	$0	$73,015,000

DLP means "Deferred Loss Provision". This is the estimated amount *You* must pay us as "Regular Loss payments" and "Sizeable Loss Payments" described below.

DEP means "Deferred Expense Provision". This is an estimated amount that *You* must pay us as follows:

Notes: (1) "Provision for Expenses and Excess Losses" is a part of the Premium

(2) "Provision for Limited Losses" includes provision for *Loss* within your *Retention* (both Deductible and Loss Limit) and *Your* share of *ALAE*. Any "Deposit" in this column is the Claims Payment Deposit. Refer to definitions in the Payment Agreement.

2. Adjustments

The sums shown above are only estimated amounts. If *Your Payment Obligation* changes under the terms of the *Policies*, we will promptly notify *You* as such changes become known to us. All additional or return amounts relating thereto shall be payable in accordance with the terms of the Payment Agreement.

3. Additional Payments

On a **Monthly** basis, we will report to *You* the amounts of *Loss* and *ALAE* that we have paid under the *Policies*. *You* must subsequently pay us as described below.

Regular Loss Payments: Regular Loss Payments apply in addition to the amounts shown with Due Dates in Section B above.

We will bill *You* or withdraw funds from the Automatic Withdrawal Account (whichever Billing Method applies as shown below) at the periodic intervals stated above for the amounts of *Loss* within *Your Retention* and *Your* share of *ALAE* that we will have paid under the *Policies*, less all amounts *You* will have paid us to date as such Regular Loss Payments and the Sizable Loss Payments described below.

Sizable Loss Payments: If we must make payment for any *Loss* within *Your Retention* and *Your* share of *ALAE* arising out of a single accident, occurrence, offense, claim or suit that in combination exceeds the Sizable Loss Payment Amount of **$25,000**, *You* must pay us the amount of that payment of *Loss* within 10 days after *You* receive our bill.

Billing Method:

☒ Billing to

- ☒ *You* at *Your* address shown in the *Schedule*, or
- ☐ *Your* Representative at its address shown in the *Schedule*; or

☐ Automatic Withdrawal from the account described below.

If Automatic Withdrawal Account applies: Minimum Amount: $0

Name of Depository Institution:

Address:

Account Number:

4. Conversion

The Conversion Date for each *policy* described in section A above shall be the date **66** months after the inception of such *Policy*.

On or shortly after the Conversion Date upon the presentation of our invoice, *You* must pay in cash the entire unpaid amount of *Your Payment Obligation* for such *Policies*.

C. Security Plan

1. Collateral

Collateral on Hand (by Type)	Amount of Collateral
Cash Security (Cash Collateral)	$48,000,000
Total Collateral on Hand	**$48,000,000**

Additional Collateral Required (by Type)	Amount of Collateral	Due Date
Cash Security (Cash Collateral)	$25,000,000	10/31/2006
Total Additional Collateral Required	**$25,000,000**	
Total Collateral Required	**$73,000,000**	

2. Financial Covenants, Tests, or Minimum Credit Ratings

We may require additional collateral from *You* in the event of the following:

a. Credit Trigger:

i. If the credit rating of the entity named below and for the type of debt described below, promulgated by Standard & Poor's Corporation ("S&P") or by Moody's Investors Services, Inc. ("Moody's"), drops below the grade shown respectively under S&P or Moody's, or

ii. If S&P or Moody's withdraws any such rating.

We may require and *You* must deliver such additional collateral according to the Payment Agreement up to an amount such that our unsecured exposure will not exceed the amount shown as the Maximum Unsecured Exposure next to such rating in the grid below.

"Unsecured exposure" is the difference between the total unpaid amount of *Your Payment Obligation* (including any similar obligation incurred before the inception of the Payment Agreement and including any portion of *Your Payment Obligation* that has been deferred and is not yet due) and the total amount of *Your* collateral that we hold.

Name of Entity: **Type of Debt Rated:**

Ratings at Effective Date

S&P	Moody's	Unsecured Exposure at Effective Date

Potential Future Ratings

S&P	Moody's	Maximum Unsecured Exposure
		$0

b. Other Financial Tests or Covenants:

3. Adjustment of Credit Fee

If the amount of unsecured exposure is changed because of *Your* delivery of additional collateral to us due to the requirements under item 2 above, the Credit Fee shall be adjusted on a pro-rata basis from the date of such delivery. Adjustment of the credit fee shall not include an adjustment of any fees associated with your deferred premium payment plan.

SIGNATURES

IN WITNESS WHEREOF, *you* and we have caused this *Schedule* to be executed by the duly authorized representatives of each.

For us, **American International Specialty Lines Insurance Company,**

This 21st day of November, 2006

Signed by _____

Typed Name David Bowlin

Title Authorized Representative

For *You*: ***General Motors Corporation***

this 8 day of Dec, 2006

Signed by _____

Typed Name Alan G. Gier

Title Director Risk Financing

2006 Addendum

to

PAYMENT AGREEMENT

By and between us

American International Specialty Lines Insurance Company

(Company, "we", "us" or "our")

and *You*, our Client

General Motors Corporation
300 Renaissance Ctr
Detroit, MI 48265-0001

This Addendum is attached to and forms a part of the Payment Agreement entered into between Company and Client as of the 1st day of September 2006.

1. The section entitled **WHO HAS AGREED TO THIS AGREEMENT?,** is deleted and replaced with the following:

   This Agreement is between:

   - *You*, the organization(s) named as "our Client" in the *Schedule*, and
   - *us*, the insurer set forth above as "Company", "we," "us" and "our" in this Addendum.

2. The section entitled **WHICH WORDS HAVE SPECIAL MEANINGS IN THIS AGREEMENT? 8. - Your Payment Obligation,** is deleted and replaced with the following:

   "**Your Payment Obligation**" means the amounts that *You* must pay us for the insurance and services in accordance with the terms of the *Policies*, this Agreement, and any similar primary casualty insurance policies and agreements with us incurred before the inception date hereof. Such amounts shall include, but are not limited to, any of the following, including any portions thereof not yet due and payable:

   - the premiums and premium surcharges, taxes and assessments,
   - *Deductible Loss Reimbursements*,
   - any amount that we may have paid on *Your* behalf because of any occurrence, accident, offense, claim or suit with respect to which *you* are a self-insurer,
   - any other fees, charges, or obligations as shown in the *Schedule* or as may arise as *You* and we may agree from time to time.
   - costs and expenses incurred by any third party administrator.

Loss Reserves: *Your Payment Obligation* includes any portion of the premiums, premium surcharges, *Deductible Loss Reimbursements* or other obligations that we shall have calculated on the basis of our reserves for *Loss* and *ALAE*. Those reserves shall include specific reserves on known *Losses* and *ALAE*, reserves for incurred but not reported *Losses* and *ALAE*, and reserves for statistically expected development on *Losses* and *ALAE* that have been reported to us. Any *Loss* development factors we apply in determining such reserves will be based on our actuarial evaluation of relevant statistical data including, to the extent available and credible, statistical data based upon *Your* cumulative *Loss* and *ALAE* history.

Premium Tax on Deductibles: If any claim is made by any state regulatory authority that the amounts which *You* have paid us as deductible reimbursements hereunder are premium, and thus subject to premium taxes and/or assessments, we will notify *You* of the existence of such claim. We will give *You* the opportunity of joining with us in any proceeding to contest such claim at *Your* own expense, or to contest such claim independently at *Your* own expense. In the event a determination is made that said reimbursed amounts are taxable as premium or subject to assessments, *You* agree to pay the premium taxes and/or assessments and any related fines, penalties or interest that may be imposed as a result of the non-payment of premium taxes and/or assessments applicable to the *Policies*. Any state in which premium tax on deductible reimbursements is already included in the premium charged hereunder will be identified on the *Schedule*.

3. The section entitled: **WHAT ELSE SHOULD YOU KNOW ABOUT YOUR PAYMENT OBLIGATION?** is amended to include the following:

We will contract with a Third Party Administrator (TPA) that you select for the adjustment of your claims under the Policies provided that we consent to your selection in advance. Our relationship with the TPA will be governed by a claims service agreement between us and the TPA, a copy of which will be made available to you upon your request. Any TPA you select must meet all of our licensing requirements. You will be responsible for any costs associated with any change from one TPA to another TPA that we or you make at any time. We will exercise good faith consistent with usual and customary commercial practice before we change one TPA to another TPA. Any amounts we pay to any TPA on your behalf shall be considered part of Your Payment Obligation, and shall include, but not be limited to the following: cost of adjusting expense at new TPA; costs or losses incurred as a result of claims handling conduct of prior TPA, including fines and penalties; fines and penalties for failure to submit accurate data to regulatory bureaus; data transfer expense; costs to retrieve or recreate information not properly maintained by prior TPA; and costs to set up new escrow account.

4. The section entitled: **WHEN MUST *YOU* PAY *YOUR* PAYMENT OBLIGATION?** is amended to include the following:

All payments are due by the due date stated in the *Schedule*, or as respects Additional Payments, within 30 days of the later of the Invoice, Notice or Bill date or *Your* evidenced receipt date of the Invoice, Notice or Bill for each such Additional Payment. If payment is not made when due, interest will accrue on the unpaid balance daily after

the due date at the Prime Rate then in effect at Citibank, N.A., NY, NY, plus 150 basis points.

5. The section entitled: **WHAT ABOUT COLLATERAL?** is amended to include the following:

   Collateral Exchange:

   At our sole discretion we may approve Your substitution or exchange of one form or instrument of collateral for another. Any replacement collateral must be in a form and drawn on a bank or insurer acceptable to us. If the original collateral was in the form of cash on which interest was being earned, a substitution may result in a change to the interest rate. We will not approve your substitution or exchange of collateral if you are in Default of any of the terms of this Agreement or have triggered any applicable Financial Covenants, Tests or Minimum Credit Ratings shown in the Schedule.

6. The section entitled: **HOW WILL DISAGREEMENTS BE RESOLVED? ARBITRATION PROCEDURES - How Arbitrators Must Be Chosen**, is deleted and replaced with the following:

   How arbitrators must be chosen: You must choose one arbitrator and we must choose another. They will choose the third. If you or we refuse or neglect to appoint an arbitrator within 30 days after written notice from the other party requesting it to do so, or if the two arbitrators fail to agree on a third arbitrator within 30 days of their appointment, either party may make application only to a court of competent jurisdiction in the City, County, and State of New York. Similarly, any action or proceeding concerning arbitrability, including motions to compel or to stay arbitration, may be brought only in a court of competent jurisdiction in the City, County, and State of New York.

7. The section entitled: **ARE YOU AUTHORIZED TO MAKE THIS AGREEMENT?** Is amended to include the following:

   This Agreement together with the Schedules, Addenda, Policies and any related agreements between *You* and *Us*, constitute the basis for a program of insurance coverage. We would not have entered into any of them without your agreement on all of them. For that reason, you should review all such documents together when making any accounting, tax or legal determinations relating to the insurance program.

IN WITNESS WHEREOF, the parties hereto have caused this Addendum to be executed by their duly authorized representatives.

For **American International Specialty Lines Insurance Company**

On behalf of itself and its affiliates first listed above:

In New York, New York,

This 13th day of February, 2007,

Signed by _____

Typed Name David Bowlin

Title Authorized Representative

For *You*, our Client

General Motors Corporation

In Detroit, MI,

This 28 day of May, 2007

Signed by _____

Typed Name Alan Gier

Title Director Risk Financing

Schedule of Policies and Payments

Paid Loss Payments Plan

Effective from 09/01/2007 to 09/01/2008

Annexed to the PAYMENT AGREEMENT

effective on **09/01/2006**

by and between us,

American International Specialty Lines Insurance Company

and *You*, our Client

GENERAL MOTORS CORPORATION
300 RENAISSANCE CTR
DETROIT MI 48265-0001

on behalf of *You* and all *Your* subsidiaries or affiliates except those listed below:

For our use only: **680462**

List of Addressees for Notices and Other Purposes

***Your* Address:**

Contact Name: Alan Gier
Company Name: GENERAL MOTORS CORPORATION
Street: 300 RENAISSANCE CTR
City: DETROIT **State:** MI **Zip:** 48265-0001 **Phone:** (313) 665-3457

***Your* Representative:**

Contact Name: Joseph Callanan
Company Name: AON RISK SERVICES, INC. OF MI
Street: 3000 TOWN CENTER #3000
City: SOUTHFIELD **State:** MI **Zip:** 48086-5156 **Phone:** (248) 936-5260

Our Account Executive:

Contact Name: Thomas Agnello
Company Name: American International Group
Street: 175 Water Street
City: New York **State:** NY **Zip:** 10038 **Phone:** (212) 458-6325

Our Law Representative:

Contact Name: Salvatore Tollis
Company Name: American International Group
Street: 175 Water Street
City: New York **State:** NY **Zip:** 10038 **Phone:** (212) 458-7051

Remit Payments to:

Contact Name: Lystra Charles
Company Name: American International Companies
Street: PO Box 10472
City: Newark **State:** NJ **Zip:** 07193 **Phone:** (908) 679-2621

Remit Collateral to:

Contact Name: Attn: Mr. Donato DiLuzio
Company Name: American International Group Inc.
Street: P.O.Box 923 Wall Street Station
City: New York **State:** NY **Zip:** 10268 **Phone:** (212) 820-2412

Contact Name:
Company Name:
Street:
City: **State:** **Zip:** **Phone:**

Contact Name:
Company Name:
Street:
City: **State:** **Zip:** **Phone:**

A. *Policies* and Other Agreements

Workers Compensation and Employers Liability Insurance

Commercial General Liability Insurance

GL 1595325 , GL 1595326 , GL 1595327 , GL 1595328 , GL 1595329 , GL 1595466 , GL 1595502 , GL 1595629.

Automobile Liability Insurance

Other Insurance

Other Agreements (Describe)

B. Payment Plan:

1. Cash Deposit, Installments and Estimated Deferred Amounts

Payment No.	Due Date	Provision for Expenses And Excess *Losses*(1)	Special Taxes and Surcharges	Annual Credit Fee	Provision for Limited *Losses*(2)	*Your* Estimated *Payment Obligation*
1	02/01/2008	$90,000	$0	$0	$0	$90,000
	Subtotals	$90,000	$0	$0	$0	$90,000
	DLP*	N/A	N/A	N/A	$45,284,947	$45,284,947
	DEP*	$0	$0	$0	N/A	$0
	Totals	$90,000	$0	$0	$45,284,947	$45,374,947

DLP means "Deferred Loss Provision". This is the estimated amount *You* must pay us as "Regular Loss Payments" and "Sizeable Loss Payments" described below.

DEP means "Deferred Expense Provision". This is an estimated amount that *You* must pay us as follows:

Date	Type	Amount
N/A	N/A	N/A

Notes

(1) "Provision for Expenses and Excess Losses" is a part of the Premium.

(2) "Provision for Limited Losses" includes provision for *Loss* within *Your Retention* (both Deductible and Loss Limit) and *Your* share of *ALAE*. Any "Deposit" in this column is the Claims Payment Deposit. Refer to definitions in the Payment Agreement.

2. Adjustments

The sums shown above are only estimated amounts. If *Your Payment Obligation* changes under the terms of the *Policies*, we will promptly notify *You* as such changes become known to us. All additional or return amounts relating thereto shall be payable in accordance with the terms of the Payment Agreement.

3. Additional Payments

On a **Monthly** basis, we will report to *You* the amounts of *Loss* and *ALAE* that we have paid under the *Policies*. *You* must subsequently pay us as described below.

Regular Loss Payments: Regular Loss Payments apply in addition to the amounts shown with Due Dates in Section B above.

We will bill *You* or withdraw funds from the Automatic Withdrawal Account (whichever Billing Method applies as shown below) at the periodic intervals stated above for the amounts of *Loss* within *Your Retention* and *Your* share of *ALAE* that we will have paid under the *Policies*, less all amounts *You* will have paid us to date as such Regular Loss Payments and the Sizable Loss Payments described below.

Sizable Loss Payments: If we must make payment for any *Loss* within *Your Retention* and *Your* share of *ALAE* arising out of a single accident, occurrence, offense, claim or suit that in combination exceeds the Sizable Loss Payment Amount of **$25,000**, *You* must pay us the amount of that payment of *Loss* within 10 days after

You receive our bill.

Billing Method:

☒ Billing to

☒ *You* at *Your* address shown in the *Schedule*, or

☐ *Your* Representative at its address shown in the *Schedule*; or

☐ Automatic Withdrawal from the account described below.

If Automatic Withdrawal Account applies: Minimum Amount:

Name of Depository Institution:

Address:

Account Number:

4. Conversion

The **Conversion Date** for each *Policy* described in section A above shall be the date _ months after the inception of such *Policy*.

On or shortly after the Conversion Date upon the presentation of our invoice, *You* must pay in cash the entire unpaid amount of *Your Payment Obligation* for such *Policies*.

C. Security Plan

1. Collateral

Collateral on Hand (by Type)	Amount of Collateral
Trusts	$47,214,508
Total Collateral on Hand	$47,214,508

Additional Collateral Required (by Type)	Amount of Collateral	Due Date
N/A	N/A	
Total Additional Collateral Required	**$0**	
Total Collateral Required	**$47,214,508**	

2. Financial Covenants, Tests, or Minimum Credit Ratings

We may require additional collateral from *You* in the event of the following:

a. Credit Trigger:

i. If the credit rating of the entity named below and for the type of debt described below, promulgated by Standard & Poor's Corporation ("S&P") or by Moody's Investors Services, Inc. ("Moody's"), drops below the grade shown respectively under S&P or Moody's, or

ii. If S&P or Moody's withdraws any such rating.

We may require and *You* must deliver such additional collateral according to the Payment Agreement up to an amount such that our unsecured exposure will not exceed the amount shown as the Maximum Unsecured Exposure next to such rating in the grid below.

"Unsecured exposure" is the difference between the total unpaid amount of *Your Payment Obligation* (including any similar obligation incurred before the inception of the Payment Agreement and including any portion of *Your Payment Obligation* that has been deferred and is not yet due) and the total amount of *Your* collateral that we hold.

Name of Entity: Type of Debt Rated:

Ratings at Effective Date

S&P	Moody's	Unsecured Exposure at Effective Date

Potential Future Ratings

S&P	Moody's	Maximum Unsecured Exposure

b. Other Financial Tests or Covenants:

3. Adjustment of Credit Fee

If the amount of unsecured exposure is changed because of *Your* delivery of additional collateral to us due to the requirements under item 2 above, the Credit Fee shall be adjusted on a pro-rata basis from the date of such delivery. Adjustment of the credit fee shall not include an adjustment of any fees associated with your deferred premium payment plan.

SIGNATURES

IN WITNESS WHEREOF, *You* and we have caused this *Schedule* to be executed by the duly authorized representatives of each.

For us, **American International Specialty Lines Insurance Company**
this 18th day of December, 2007
Signed by Thomas A. Agnello
Typed Name Thomas Agnello
Title Attorney-In-Fact

For *You:* **GENERAL MOTORS CORPORATION**
this 14 day of January, 2008
Signed by Alan G. Gier
Typed Name Alan G. Gier
Title Director, Global Risk Financing & Insurance

Schedule of Policies and Payments

Paid-Loss Payments Plan

Effective from 04/01/2009 to04/01/2010

Annexed to the PAYMENT AGREEMENT

effective on 09/01/2006

by and between us,

American International Specialty Lines Insurance Company

and *You*, our Client

General Motors Corporation

on behalf of *You* and all *Your* subsidiaries or affiliates except those listed below:

(None)

For our use only: Contract Number

***Your* Address:**

Contact Name: Alan Gler
Company Name: General Motors Corporation
Street: 300 Renaissance Center
City: Detroit **State: MI** **Zip: 48265** **Telephone: (313)665-3457**

***Your* Representative:**

Contact Name: Joseph Callanan
Company Name: Aon Risk Services
Street: 3000 Town Center
City: Southfield **State: MI** **Zip: 48075** **Telephone: (248)936-5260**

Our Account Executive:

Contact Name: Peter Rapclewicz
Company Name: American International Specialty Lines Insurance Company
Street: 175 Water Street, 27th Floor
City: New York **State: NY** **Zip: 10038** **Telephone: (212)458-3019**

Our Law Representative:

Contact Name: Salvatore Tollis
Company Name: AIU Holdings, Inc.
Street: 175 Water Street, 18th Floor
City: New York **State: NY** **Zip: 10038** **Telephone: (212)458-7051**

Remit Payments to:

Contact Name: Lystra Charles
Company Name: AIU Holdings, Inc.
Street: PO Box 10472
City: Newark **State: NJ** **Zip: 07193** **Telephone: (908)679-2621**

Remit Collateral to:

Contact Name: Attn: Donato DiLuzio
Company Name: AIU Holdings, Inc.
Street: PO Box 923, Wall Street Station
City: New York **State: NY** **Zip: 10268** **Telephone: (212)820-2412**

A. *Policies* and Other Agreements

Workers Compensation and Employers Liability Insurance

Commercial General Liability Insurance
0907325 09027326 0907327 0907329
Automobile Liability Insurance

Other Insurance

Other Agreements (Describe)

B. Payment Plan:

1. Cash Deposit, Installments and Estimated Deferred Amounts

Pay-ment No.	Due Date	Provision for Expenses and Excess Losses (1)	Special Taxes and Surcharges	Annual Credit Fee	Provision for Limited Losses (2)	*Your* Estimated Payment Obligation
1	04/01/2009	$140,000	$0	$0	$0	$140,000
	Subtotals	$140,000	$0	$0	$0	$140,000
	DLP*	N/A	N/A	N/A	$31,300,114	$31,300,114
	DEP*	$0	$0	$0	N/A	$ 0.00
	Totals	$140,000	$0	$0	$31,300,114	$31,440,114

DLP means "Deferred Loss Provision". This is the estimated amount *You* must pay us as "Regular Loss payments" and "Sizeable Loss Payments" described below.

DEP means "Deferred Expense Provision". This is an estimated amount that *You* must pay us as follows:

Notes: (1) "Provision for Expenses and Excess Losses" is a part of the Premium

(2) "Provision for Limited Losses" includes provision for *Loss* within your *Retention* (both Deductible and Loss Limit) and *Your* share of *ALAE*. Any "Deposit" in this column is the Claims Payment Deposit. Refer to definitions in the Payment Agreement.

2. Adjustments

The sums shown above are only estimated amounts. If *Your Payment Obligation* changes under the terms of the *Policies*, we will promptly notify *You* as such changes become known to us. All additional or return amounts relating thereto shall be payable in accordance with the terms of the Payment Agreement.

3. Additional Payments

On a **Monthly** basis, we will report to *You* the amounts of *Loss* and *ALAE* that we have paid under the *Policies*. *You* must subsequently pay us as described below.

Regular Loss Payments: Regular Loss Payments apply in addition to the amounts shown with Due Dates in Section B above.

We will bill *You* or withdraw funds from the Automatic Withdrawal Account (whichever Billing Method applies as shown below) at the periodic intervals stated above for the amounts of *Loss* within *Your Retention* and *Your* share of *ALAE* that we will have paid under the *Policies*, less all amounts *You* will have paid us to date as such Regular Loss Payments and the Sizable Loss Payments described below.

Sizable Loss Payments: If we must make payment for any *Loss* within *Your Retention* and *Your* share of *ALAE* arising out of a single accident, occurrence, offense, claim or suit that in combination exceeds the Sizable Loss Payment Amount of **$25,000**, *You* must pay us the amount of that payment of *Loss* within 10 days after *You* receive our bill.

Billing Method:

☒ Billing to

- ☒ *You* at *Your* address shown in the *Schedule*, or
- ☐ *Your* Representative at its address shown in the *Schedule*; or

☐ Automatic Withdrawal from the account described below.

If Automatic Withdrawal Account applies: Minimum Amount: $0

Name of Depository Institution:

Address:

Account Number:

4. Conversion

The Conversion Date for each *policy* described in section A above shall be the date _ months after the inception of such *Policy*.

On or shortly after the Conversion Date upon the presentation of our invoice, *You* must pay in cash the entire unpaid amount of *Your Payment Obligation* for such *Policies*.

C. Security Plan

1. Collateral

Collateral on Hand (by Type)	Amount of Collateral
Trusts	$32,501,547
Total Collateral on Hand	$32,501,547

Additional Collateral Required (by Type)	Amount of Collateral	Due Date
Trusts	($1,201,433)	
Total Additional Collateral Required	**$ 0**	
Total Collateral Required	**$31,300,114**	

2. Financial Covenants, Tests, or Minimum Credit Ratings

We may require additional collateral from *You* in the event of the following:

a. Credit Trigger:

i. If the credit rating of the entity named below and for the type of debt described below, promulgated by Standard & Poor's Corporation ("S&P") or by Moody's Investors Services, Inc. ("Moody's"), drops to or below the grade shown respectively under S&P or Moody's, or

ii. If S&P or Moody's withdraws any such rating.

We may require and *You* must deliver such additional collateral according to the Payment Agreement up to an amount such that our unsecured exposure will not exceed the amount shown as the Maximum Unsecured Exposure next to such rating in the grid below.

"Unsecured exposure" is the difference between the total unpaid amount of *Your Payment Obligation* (including any similar obligation incurred before the inception of the Payment Agreement and including any portion of *Your Payment Obligation* that has been deferred and is not yet due) and the total amount of *Your* collateral that we hold.

Name of Entity: **Type of Debt Rated:**

Ratings at Effective Date

S&P	Moody's	Unsecured Exposure at Effective Date

Potential Future Ratings

S&P	Moody's	Maximum Unsecured Exposure
		$0

b. Other Financial Tests or Covenants:

3. Adjustment of Credit Fee

If the amount of unsecured exposure is changed because of *Your* delivery of additional collateral to us due to the requirements under item 2 above, the Credit Fee shall be adjusted on a pro-rata basis from the date of such delivery. Adjustment of the credit fee shall not include an adjustment of any fees associated with your deferred premium payment plan.

SIGNATURES

IN WITNESS WHEREOF, *you* and we have caused this *Schedule* to be executed by the duly authorized representatives of each.

For us, **American International Specialty Lines Insurance Company,**

This 12th day of May, 2009

Signed by _____

Typed Name Joseph Davide

Title Attorney-in-Fact

For *You*: ***General Motors Corporation***

this 22 day of July 2009

Signed by _____

Typed Name Alan G. Cieri

Title Director, Global Risk Financing & Insurance

TOGUT, SEGAL & SEGAL LLP
One Penn Plaza, Suite 3335
New York, New York 10119
(212) 594-5000
Albert Togut
Scott E. Ratner
Richard K. Milin

Conflicts Counsel to the Reorganized Debtors

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
MOTORS LIQUIDATION COMPANY, *et al.*,	)	Case No. 09-50026 (REG)
Debtors.	)	(Jointly Administered)

ORDER CONCERNING CHARTIS U.S. AND PROOFS OF CLAIM NUMBERS 59680, 59681, 59682, AND 59697

Upon consideration of: (i) the 110th Omnibus Objection to Claims filed on December 3, 2010 (the "**Claim Objection"**, Docket No. 8000); (ii) the Response to the Claim Objection by Chartis U.S. (**"Chartis"**), dated March 4, 2011 (the "**Chartis Response**," Docket No. 9601); (iii) the (1) Supplemental Claim Objection and (2) Motion To Enforce the Plan Injunction and Automatic Stay and To Enjoin Chartis From Continuing To Retain More Than $20 Million It Improperly Seized from the Reorganized Debtors, dated October 6, 2011 (the "**Supplemental Claim Objection**") and filed by Reorganized Debtor Motors Liquidation Company (f/k/a General Motors Corporation) and its affiliated debtors (the "**Reorganized Debtors**"), by their attorneys, Togut, Segal & Segal LLP; and consideration of the Supplemental Claim Objection and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); and venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; and due and proper notice of the Supplemental Claim Objection having been provided; and a

hearing having been held to consider the relief requested in the Supplemental Claim Objection (the **"Hearing"**); and upon consideration of the Supplemental Claim Objection and the pleadings submitted by the parties in support or opposition to the relief sought therein and upon the record of the Hearing and all of the proceedings had before the Court; and the Court having found and determined that the relief sought in the Supplemental Claim Objection is in the best interests of the Reorganized Debtors, their estates, creditors, and all parties in interest and that the legal and factual bases set forth in the Supplemental Claim Objection establish just cause for the relief granted herein; and after due deliberation and sufficient cause appearing therefore, it is:

ORDERED, that Proofs of Claim Nos. 59680, 59681, 59682 and 59697 filed by Granite State Insurance Company, National Union Fire Insurance Company of Pittsburgh, Pa., American International Specialty Lines Insurance Company, The Insurance Company of the State of Pennsylvania, Lexington Insurance Company, American Home Assurance Company, American Home Assurance Company of Canada, AIG Life Insurance Company, AIG Excess Liability Insurance Company, Ltd., Illinois National Insurance Company, New Hampshire Insurance Company-United Kingdom, and certain other entities related to Chartis, Inc. are disallowed and expunged; and it is further

ORDERED, that Chartis's retention of not less than $20,571,486 of the Reorganized Debtors' funds that Chartis purports to hold as collateral in connection with insurance policies it or its affiliates issued to the Reorganized Debtors or their predecessors in interest (the **"Funds"**) violates the permanent injunction incorporated into Section 10.7 of the Reorganized Debtors' confirmed Second Amended Joint Chapter 11 Plan (the **"Plan"**) and section 362 of the Bankruptcy Code, as made applicable here by Section 10.4 of the Plan; and it is further

ORDERED, that Chartis is enjoined from continuing to exercise dominion or control over the Funds; and it is further

ORDERED, that Chartis is liable for, and directed to pay, all of the Reorganized Debtors' costs and reasonable attorneys' fees in connection with this Supplemental Claim Objection and the Reorganized Debtors' efforts to obtain the return of the Funds at any time on or after April 1, 2011, the exact amount of which will be established by Reorganized Debtors' counsel who will submit a declaration stating such fees and costs, subject only to Bankruptcy Court approval; and it is further

ORDERED, that this Court shall retain jurisdiction to hear and determine all matters arising from or related to this Order.

Dated: New York, New York
November __, 2011

_____
HONORABLE ROBERT E. GERBER
UNITED STATES BANKRUPTCY JUDGE

Hearing Date and Time: November 22, 2011 at 9:45 a.m.
Response Deadline: October 31, 2011 at 4:00 p.m.
Reply Deadline: November 16, 2011 at 4:00 p.m.

TOGUT SEGAL & SEGAL LLP
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New York, New York 10119
Telephone: (212) 594-5000
Facsimile: (212) 967-4258
Albert Togut
Scott E. Ratner
Richard K. Milin

Conflicts Counsel to the Reorganized Debtors

UNITED STATES BANKRUPTCY COURT
SOUTHERN DISTRICT OF NEW YORK

In re:	)	Chapter 11
MOTORS LIQUIDATION COMPANY, *et al.*,	)	Case No. 09-50026 (REG)
Debtors.	)	(Jointly Administered)

NOTICE OF HEARING ON REORGANIZED DEBTORS' (1) SUPPLEMENTAL CLAIM OBJECTION AND (2) MOTION TO ENFORCE THE PLAN INJUNCTION AND AUTOMATIC STAY AND TO ENJOIN CHARTIS U.S. FROM CONTINUING TO RETAIN MORE THAN $20 MILLION IT IMPROPERLY SEIZED FROM THE REORGANIZED DEBTORS

[CLAIMS NOS. 59680, 59681, 59682, and 59697]

PLEASE TAKE NOTICE THAT a hearing will be held before the Honorable Robert E. Gerber, United States Bankruptcy Judge, on **November 22, 2011 at 9:45 a.m.** in Room 621 of the United States Bankruptcy Court for the Southern District of New York ("**Bankruptcy Court**"), One Bowling Green, New York, New York 10004-1408, or as soon thereafter as counsel can be heard, to consider the Reorganized Debtors' (1) Supplemental Claim Objection and (2) Motion To Enforce the Plan Injunction and Automatic Stay and To Enjoin Chartis U.S. From Continuing To Retain More Than $20 Million It Improperly Seized from the Reorganized Debtors (the "**Supplemental Claim Objection**").

PLEASE TAKE FURTHER NOTICE that responses, if any, to the Supplemental Claim Objection must: (a) be made in writing, stating in detail the reasons therefore; (b) comply with the Bankruptcy Code, the Bankruptcy Rules and the Local Bankruptcy Rules for the United States Bankruptcy Court for the Southern District of New York; (c) be filed with the Bankruptcy Court in accordance with General Order M-399 (i) electronically by registered users of the Bankruptcy Court's case filing system, or (ii) on a 3.5 inch disk (preferably in Portable Document Format (PDF), WordPerfect, or any other Windows-based word processing format) by all other parties in interest (d) be delivered in hard copy form to the chambers of the Honorable Robert E. Gerber, United States Bankruptcy Judge, at the United States Bankruptcy Court for the Southern District of New York, One Bowling Green, Room 621, New York, New York 10004; and (e) be served upon: (i) Togut, Segal & Segal LLP, conflicts counsel for the Reorganized Debtors, One Penn Plaza, Suite 3335, New York, New York 10119 (Attn: Scott E. Ratner, Esq.); (ii) Dickstein Shapiro, LLP, attorney for the GUC Trust, 1633 Broadway, New York, New York 10019-6708 (Attn: Barry N. Seidel, Esq., and Stefanie Birbower Greer, Esq.); (iii) the Reorganized Debtors, c/o Motors Liquidation Company, 401 South Old Woodward Avenue, Suite 370, Birmingham, Michigan 48009 (Attn: Thomas Morrow); (iv) General Motors, LLC, 400 Renaissance Center, Detroit, Michigan 48265 (Attn: Lawrence S. Buonomo, Esq.); (v) Cadwalader, Wickersham & Taft LLP, attorneys for the United States Department of the Treasury, One World Financial Center, New York, New York 10281 (Attn: John J. Rapisardi, Esq.); (vi) the United States Department of the Treasury, 1500 Pennsylvania Avenue NW, Room 2312, Washington, D.C. 20220 (Attn: Joseph Samarias, Esq.); (vii) Vedder Price, P.C., attorneys for Export Development Canada, 1633 Broadway, 47th Floor, New York, New York 10019 (Attn: Michael J. Edelman, Esq. and Michael L. Schein, Esq.); (viii) Kramer Levin Naftalis & Frankel LLP,

attorneys for the statutory committee of unsecured creditors, 1177 Avenue of the Americas, New York, New York 10036 (Attn: Thomas Moers Mayer, Esq., Robert Schmidt, Esq., Lauren Macksoud, Esq., and Jennifer Sharret, Esq.); (ix) the Office of the United States Trustee for the Southern District of New York, 33 Whitehall Street, 21st Floor, New York, New York 10004 (Attn: Tracy Hope Davis, Esq.); (x) the U.S. Attorney's Office, S.D.N.Y., 86 Chambers Street, Third Floor, New York, New York 10007 (Attn: David S. Jones, Esq. and Natalie Kuehler, Esq.); (xi) Caplin & Drysdale, Chartered, attorneys for the official committee of unsecured creditors holding asbestos-related claims, 375 Park Avenue, 35th Floor, New York, New York 10152-3500 (Attn: Elihu Inselbuch, Esq. and Rita C. Tobin, Esq.) and One Thomas Circle, N.W., Suite 1100, Washington, DC 20005 (Attn: Trevor W. Swett III, Esq. and Kevin C. Maclay, Esq.); (xii) Stutzman, Bromberg, Esserman & Plifka, A Professional Corporation, attorneys for Dean M. Trafelet in his capacity as the legal representative for future asbestos personal injury claimants, 2323 Bryan Street, Suite 2200, Dallas, Texas 75201 (Attn: Sander L. Esserman, Esq. and Robert T. Brousseau, Esq.); (xiii) Gibson, Dunn & Crutcher LLP, attorney for Wilmington Trust Company as GUC Trust Administrator and for Wilmington Trust Company as Avoidance Action Trust Administrator, 200 Park Avenue, 47th Floor, New York, New York 10166 (Attn: Keith Martorana, Esq.); (xiv) FTI Consulting, as the GUC Trust Monitor and as the Avoidance Action Trust Monitor, One Atlantic Center, 1201 West Peachtree Street, Suite 500, Atlanta, Georgia 30309 (Attn: Anna Phillips); (xv) Crowell & Moring LLP, attorneys for the Revitalizing Auto Communities Environmental Response Trust, 590 Madison Avenue, 19th Floor, New York, New York 10022-2524 (Attn: Michael V. Blumenthal, Esq.); and (xvi) Kirk P. Watson, Esq., as the Asbestos Trust Administrator, 2301 Woodlawn Boulevard, Austin, Texas 78703, so as to be received no later than **4:00 p.m. (Eastern Time) on October 31,**

2011 (the "**Response Deadline**").

PLEASE TAKE FURTHER NOTICE that only responses made in writing and timely filed and received by the Response Deadline will be considered by the Bankruptcy Court at the Hearing and that if no responses to the Supplemental Claim Objection are timely filed and served in accordance with the procedures set forth herein, the Bankruptcy Court may enter an order granting the relief requested in the Supplemental Claim Objection without further notice.

Dated: New York, New York
October 6, 2011

TOGUT, SEGAL & SEGAL LLP
By:

/s/ Richard K. Milin
SCOTT E. RATNER
RICHARD K. MILIN
One Penn Plaza - Suite 3335
New York, New York 10119
(212) 594-5000

Conflicts Counsel to Reorganized
Debtors Motors Liquidation Company, *et al.*