

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

M. DIANE KOKEN, Insurance
Commissioner of the Commonwealth of
Pennsylvania,
In her official capacity as Liquidator of
RELIANCE INSURANCE COMPANY,

Plaintiff,

v.

RELIANCE INSURANCE COMPANY,

Defendant.

No. 269 M.D. 2001

2006 OCT -6 P 3:04

RECEIVED AND FILED
COMMONWEALTH COURT
OF PA (PHILA)

ORDER

This matter having come before the Court on the Petition of M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as Liquidator of Reliance Insurance Company, to Approve the Settlement between Reliance Insurance Company (In Liquidation) and the Pension Benefit Guaranty Corporation,

IT IS this ____ day of _____, 2005, hereby ORDERED that:

1. The Petition is GRANTED;
2. The Settlement Agreement is APPROVED and the Liquidator is

AUTHORIZED, pursuant to her authority under 40 P.S. § 221.23, to perform actions necessary and appropriate to effectuate the terms of the Settlement Agreement, including the funding of the settlement and advance from RCG Information Technology, Inc. to RCG International, Inc. in the amount of \$4 million and a loan from Reliance Insurance Company to RCG International, Inc. in the amount of \$18 million as set forth in the Petition, and, unless otherwise defined in this

Order, all capitalized terms used in this Order shall have the meaning ascribed to them in the Settlement Agreement; and,

3. The Settlement Amount is APPROVED, and the Liquidator's payment of that amount, is APPROVED and AUTHORIZED.

BY THE COURT:

James Gardner Colins, President Judge

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

M. DIANE KOKEN, Insurance
Commissioner of the Commonwealth of
Pennsylvania,
In her official capacity as Liquidator of
RELIANCE INSURANCE COMPANY

Plaintiff,

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**PETITION TO APPROVE SETTLEMENT
BETWEEN RELIANCE INSURANCE COMPANY (IN LIQUIDATION)
AND THE PENSION BENEFIT GUARANTY ASSOCIATION**

Petitioner, M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, in her official capacity as Statutory Liquidator (“Commissioner” or “Liquidator”) of Reliance Insurance Company (“Reliance”), petitions the Court for approval of the settlement resolving the dispute between Reliance and the Pension Benefit Guaranty Corporation (“PBGC”) (collectively, the “Parties”). The Parties have executed a Settlement Agreement, subject to this Court’s approval, that the Parties believe to be fair and equitable and the Liquidator believes is in the best interests of the estate of Reliance. A copy of the Settlement Agreement is attached to this Petition as Exhibit 1.

INTRODUCTION

The dispute from which this Settlement Agreement arises involves claims and liens asserted by the PBGC against Reliance and its downstream subsidiaries arising out of alleged

missed contributions to and underfunding of the Reliance Insurance Company Employee Retirement Plan ("the Reliance Plan") and the pension plan of Reliance's ultimate parent, the Reliance Group Holdings, Inc. ("RGH") Pension Plan ("the RGH Plan"). The Reliance Plan and the RGH Plan shall be referenced collectively as "the Plans." The PBGC contends that under Title IV of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"), the federal statutory scheme applicable to employers who sponsor defined benefit plans, Reliance is part of a "controlled group" of affiliated corporations, whose members are each jointly and severally liable for 100% of the pension liabilities of each and every member of the group. The PBGC alleges that, by reason of joint and several "controlled group" liability for missed contribution payments and underfunding, Reliance and its non-insurance, solvent, downstream subsidiaries owe more than \$100 million to the PBGC.¹

Based upon these alleged obligations, the PBGC (1) placed liens for the unpaid minimum funding contributions of both Plans in the stated amount of over \$60 million upon the assets of certain current Reliance downstream subsidiaries, impeding Reliance's ability to monetize these assets; (2) placed liens for the unpaid minimum funding contributions of both Plans in the stated amount of over \$60 million upon the assets of certain former downstream subsidiaries of Reliance (the "Moody subsidiaries"), which Reliance sold for \$55.5 million in 2004; (3) alleged that it could recover from Reliance the \$55.5 million in proceeds from Reliance's sale of the Moody subsidiaries ahead of policyholder claims and (4) alleged it could recover the unfunded

¹ The precise amounts owed are subject to dispute. However, the PBGC filed Proofs of Claim ("POCs") with the Liquidator in the Reliance liquidation proceeding that total more than \$175 million. Discovery has somewhat narrowed and clarified the amount the PBGC actually seeks, which is likely closer to \$120 million and also may be subject to reduction by amounts the PBGC has or may recover from Reliance's ultimate parent, RGH, Reliance's immediately parent, Reliance Financial Services Corporation ("RFSC") through the bankruptcy process or amounts it may collect from the non bankrupt subsidiaries of RGH or RFSC (other than Reliance, of course). The PBGC entered into a separate settlement with RGH and RFSC, pursuant to which it has collected funds and may receive additional monies. The PBGC is currently pursuing an action against at least one non-bankrupt subsidiary of RGH.

benefit liabilities of both Plans, whether via liens or otherwise, in the amount of approximately \$128 million. The pending liens upon the assets of the Moody subsidiaries which Reliance sold in 2004 has caused the purchaser, Moody International Finance Limited (“MIFL”) to threaten legal action against Reliance in the United Kingdom arising out of what it contends is a breach of the contract that governed the sale, and an intentional or negligent failure by Reliance to disclose the alleged PBGC liens.

Reliance contests the claims of the PBGC in their entirety because it contends that the claims of the PBGC against it or its downstream subsidiaries are entitled to no better than (c) class priority as claims of the government under The Insurance Company Law of 1921, as amended (“the Act”), 40 P.S. § 221.44. Reliance also contends that the liens were improperly placed in violation of the Rehabilitation and Liquidation Orders of this Court. The dispute between Reliance and the PBGC was, in part, being litigated in an action captioned *Koken v. Pension Benefit Guaranty Corporation*, Civil Action No. 04-4342 (E.D. Pa.), originally filed in this Court and then removed by the PBGC to the United States District Court for the Eastern District of Pennsylvania. The Federal Court denied Reliance’s motion to remand the action.

If approved by this Court, the Settlement Agreement will settle these issues, and result in the resolution and release of all claims asserted in the matter captioned *Koken v. Pension Benefit Guaranty Corp.*, Civil Action No. 04-4342 (E.D. Pa.), including all claims asserted by the PBGC against the Liquidator and Reliance, as well as against all current and former downstream subsidiaries of Reliance. The Settlement Agreement entirely resolves this high-stakes dispute, the outcome of which was not assured and the existence of which has severe collateral disadvantages to the estate. The Settlement Agreement releases Reliance and all of its subsidiaries from all liability to the PBGC arising out of the Reliance Plan and the RGH Plan. It

will further benefit the Reliance Estate by voiding all of the PBGC's liens, both those the PBGC contends arise as a matter of law, and those filed by the PBGC in state filing offices, against current and former Reliance subsidiaries and against the assets of companies affiliated with MIFL. These liens – regardless of their validity – place a cloud on the title of these entities, impairing their value and marketability. Elimination of the liens will further benefit Reliance by limiting the claims threatened by MIFL against Reliance, and avoiding all claims by the PBGC to a distribution in the Reliance Estate in connection with the proofs of claim submitted by the PBGC to the Liquidator.

In support of this Petition, the Liquidator avers the following:

I. BACKGROUND

A. The Reliance and RGH Pension Plans

1. For many years prior to the commencement of rehabilitation and liquidation proceedings, Reliance was the contributing sponsor of the Reliance Plan, a single employer, defined benefit pension plan for the benefit of its employees and former employees, covered by Title IV of ERISA.

2. Likewise, RGH, the ultimate parent of Reliance, was the contributing sponsor of the RGH Plan, a single-employer defined benefit pension plan covered by Title IV of ERISA.

B. Reliance is Placed in Rehabilitation Followed by Liquidation, and RGH Files for Chapter 11 Bankruptcy Protection

3. Upon the Petition of M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, on May 29, 2001, this Court entered an Order placing Reliance into rehabilitation pursuant to 40 P.S. §§ 221.14, 221.15 of the Insurance Department Act of 1921, as amended 40 P.S. §211, et seq (“the Act”).

4. On October 3, 2001, this Court entered an Order declaring Reliance insolvent and placing Reliance into liquidation proceedings under 40 P.S. §§ 221.19, 221.20. The Court's October 3, 2001 Liquidation Order appointed the Commissioner as Liquidator of Reliance.

5. Reliance is part of a holding company structure and Reliance's ultimate parent company is RGH. Shortly after Reliance was placed in Rehabilitation, RGH filed for protection under Chapter 11 of the United States Bankruptcy Code, along with its subsidiary and Reliance's immediate parent company, RFSC.

6. Reliance has many current and former, direct and indirect, insurer and non-insurer subsidiaries. Most of Reliance's former insurer subsidiaries were merged into Reliance by approval of the Commissioner prior to Reliance's entry into rehabilitation. However, after the rehabilitation, a handful of subsidiaries remained, including RCG International Inc. ("RCG International"). RCG International, in turn, has many current and former downstream subsidiaries, including its current subsidiary RCG Information Technology, Inc. ("RCG IT") and its former subsidiaries, the Moody subsidiaries .

7. Beginning on the date of entry of the Order of Rehabilitation, Reliance made no further pension contributions to the Reliance Plan. Upon information and belief, RGH similarly ceased its contributions to the RGH Plan some time after filing for bankruptcy protection.

8. In accordance with an Agreement for Appointment of Trustee and Termination of Plan dated March 6, 2002 by and between Reliance and PBGC, the Reliance Plan was terminated pursuant to 29 U.S.C. § 1342, effective as of February 28, 2002, and the PBGC was appointed the statutory trustee of the Reliance Plan.

9. In accordance with an Agreement for Appointment of Trustee and Termination of Plan dated October 28, 2004 by and between RGH and PBGC, the RGH Plan was terminated

pursuant to 29 U.S.C. § 1342, effective as of January 31, 2004, and the PBGC was appointed the statutory trustee of the RGH Plan.

C. The PBGC Files Class (c) Proofs of Claim

10. On or about December 10, 2003, the PBGC filed a series of proofs of claims which claimed class (c) distribution priority with the Liquidator in the Reliance Liquidation Proceedings (“PBGC POCs”), including the following:

- a) A claim for \$119,800,000 for the unfunded benefit liabilities of the Reliance Plan;
- b) A claim for \$34,535,497 for unpaid minimum funding contributions to the Reliance Plan;
- c) A claim for \$1,250,428.20 for statutory liabilities for premiums with respect to the Reliance Plan;
- d) A claim for \$18,500,000 for unfunded benefit liabilities of the RGH Plan;
- e) A claim for \$2,422,852 for unpaid minimum funding contributions to the RGH Plan; and
- f) An unliquidated claim for statutory liabilities for premiums with respect to the RGH Plan.

11. The Liquidator issued Notices of Determination (“NOD”) in the Liquidation Proceeding assigning class (c) priority (with no allowed amount) for each of the PBGC POCs, to which the PBGC asserted no objections. At no time between May 31, 2001, and June 2004 (the date the PBGC wrote to RCG International advising of the existence of the liens), did the PBGC ever inform Reliance that it believed it had any claim against Reliance assets or downstream subsidiaries other than the class (c) priority claims reflected in the PBGC POCs.

D. The PBGC’s Liens

12. Unbeknownst to Reliance or its subsidiaries, starting on or about April 5, 2004, and continuing for some time thereafter, the PBGC began to file documents asserting liens (the "Filed Liens") in the amount of approximately \$60 million against the assets of RCG International and certain of its subsidiaries, against the assets of certain of the Moody subsidiaries (now owned by MIFL) in the state filing offices of various United States jurisdictions.

13. The PBGC contends it has federal statutory liens under 26 U.S.C. § 412(n) and 29 U.S.C. § 1082(f), arising by reason of missed minimum funding contributions and that these liens arose on the date of the missed contributions rather than on the date the liens were filed. While the face amount of the liens exceeds \$60 million, the actual amount of the full liability for missed contributions to the Plans and the time the liens arose are disputed. It is the PBGC's position that these liens arose by operation of law on the date that the aggregate of missed contributions exceeded \$1 million and that the liens exist against all of the assets of the non-bankrupt, non-liquidating subsidiaries of Reliance, which are or were members of the "controlled group" of Reliance or RGH, as that term is defined in 29 U.S.C. § 1301(a)(14) (the "Statutory Liens").²

² The mechanics of determining the members of a "controlled group" are set forth in 26 U.S.C. § 1563(a): "(1) Parent-subsidiary controlled group. One or more chains of corporations connected through stock ownership with a common parent corporation if--

(A) stock possessing at least 80 percent of the total combined voting power of all classes of stock entitled to vote or at least 80 percent of the total value of shares of all classes of stock of each of the corporations, except the common parent corporation, is owned (within the meaning of subsection (d)(1)) by one or more of the other corporations; and

(B) the common parent corporation owns (within the meaning of subsection (d)(1)) stock possessing at least 80 percent of the total combined voting power of all classes of stock entitled to vote or at least 80 percent of the total value of shares of all classes of stock of at least one of the other corporations, excluding, in computing such voting power or value, stock owned directly by such other corporations.

(2) Brother-sister controlled group. Two or more corporations if 5 or fewer persons who are individuals, estates, or trusts own (within the meaning of subsection (d)(2)) stock possessing more than 50 percent of the total combined voting power of all classes of stock entitled to vote or more than 50 percent of the total value of shares of all classes

E. The Moody Sale

14. On February 12, 2004, RCG International, the shares of which are wholly owned by Reliance, entered into an agreement to sell one hundred percent of the shares of RCG-Moody International Limited, plus eight shares of Moody International, Inc. and 20 shares of Moody International Limited, to MIFL, an unrelated company in consideration for \$55.5 million in cash and a \$350,000 repayment of an inter-company debt owing to RCG International.

15. On February 23, 2004, the Liquidator filed a Petition in this Court seeking approval for the sale of the Moody subsidiaries. The Petition disclosed that Reliance intended to cause RGC International to upstream the proceeds to Reliance.

16. This Court entered an Order approving the sale of the Moody subsidiaries on March 30, 2004, and a closing on the sale was held in London on April 5, 2004.

17. Most of the proceeds of the sale of the Moody subsidiaries were thereafter paid to Reliance, as had been stated in the Petition.

18. The PBGC also contends that it may recover from Reliance directly any proceeds of the sale of the Moody subsidiaries, because it asserts that the liens arose against the assets of those entities before the sale, attached to the proceeds of the sale, and followed the proceeds into the Reliance estate.

F. Dispute with the PBGC

19. The PBGC is a wholly-owned United States government corporation established under 29 U.S.C. § 1302(a) to administer the defined benefit pension plan termination insurance program created by Title IV of ERISA.

of stock of each corporation, taking into account the stock ownership of each such person only to the extent such stock ownership is identical with respect to each such corporation.” 26 U.S.C. § 1563(a).

20. Once a plan such as the Reliance Plan or the RGH Plan is terminated and the PBGC becomes the trustee, it becomes responsible for paying benefits. ERISA and the Internal Revenue Code authorize the PBGC to take various steps to recover moneys from a contributing sponsor or members of its controlled group, where minimum funding contributions have been missed or where the PBGC determines that the Plan was under-funded at the termination date. These issues are governed by a complex statutory scheme contained in part in ERISA, in part in the Internal Revenue Code and in part in various federal regulations.

G. Reliance Files Petition to Declare Liens Invalid

21. On August 25, 2004, the Liquidator filed a Petition before this Court seeking the entry of an order: (1) declaring that the claims of the PBGC against present or former, direct or indirect subsidiaries of Reliance are solely and exclusively subject to the claim priority and distribution process in the Liquidation proceedings; (2) declaring null and void *ab initio* and striking all liens filed by the PBGC against present or former, direct or indirect subsidiaries of Reliance; and (3) enjoining the PBGC from filing any liens or otherwise taking any enforcement action on account of its Filed Liens or claims against any present or former, direct or indirect subsidiaries of Reliance (“Petition”).

22. Reliance contended that the Rehabilitation and Liquidation Orders, along with other orders of this Court, evidence this Court's exercise of in rem jurisdiction over all assets of Reliance, including its downstream subsidiaries and their assets, such that the assertion of liens by the PBGC was invalid. Instead, Reliance contended that the PBGC is confined to its class (c) priority POC to seek recovery from the assets of Reliance or its subsidiaries only after all policyholders have been paid in full.

23. On September 14, 2004, the PBGC removed the Petition from this Court to the United States District Court for the Eastern District of Pennsylvania (the “Federal Court”) under the caption *Koken v. Pension Benefit Guaranty Corp.*, Civil Action No. 04-4342 (the “Federal Action”).

24. The Liquidator filed a motion to remand the Federal Action to this Court, which was denied by the Federal Court on July 15, 2005.

25. The PBGC filed an Answer to the Petition in the Federal Action, asserting counterclaims against the Liquidator, RCG International and MIFL pursuant to 29 U.S.C. §§ 1082(f), 1303(c), and 26 U.S.C. § 412(n), seeking to have federal Statutory Liens for unpaid pension plan contributions declared valid and enforceable.

26. On May 12, 2006, the Federal Court entered an order dismissing MIFL from the Federal Action for lack of personal jurisdiction.

27. Reliance and the PBGC engaged in substantial documentary and deposition discovery, including the engagement and deposition of experts regarding (1) the calculation of the pension obligations; and (2) the issues regarding the priority of claims by the PBGC in liquidation and the scope of the jurisdiction of this Court and the Orders of Liquidation and Rehabilitation.

28. Reliance relies on the Supreme Court’s decision in United States v. Fabe, 508 U.S. 491 (1993), to contest the authority of the PBGC to collect moneys from Reliance or its subsidiaries outside the state statutory priority scheme, under which its claims would fall below the priority of policyholders. The PBGC argues that it may recover from solvent non-insurance subsidiaries, as well as enforce its Statutory Lien against the proceeds from the sale of the Moody subsidiaries in the hands of Reliance, outside of any state priority scheme,

notwithstanding the pronouncements of the Supreme Court in Fabe. The parties also dispute the amount of the unfunded benefit liabilities and, to a more limited extent, the amount owed to the Plans for unpaid minimum funding contributions.

29. While Reliance has solid, persuasive defenses to the actions and efforts of the PBGC, the amounts the PBGC seeks from Reliance, RCG International and RCG IT under its theory of joint and several controlled group liability exceed \$175 million. Additionally, application of ERISA joint and several controlled group liability to a state insurance insolvency governed by broad Orders of Rehabilitation and Liquidation is untested and accordingly unsettled. Particularly unsettled is the ability of PBGC to recover obligations created and owed by the insolvent insurer from the liquidating insurer's non-insolvent, non-insurer downstream subsidiaries and its ability to recover directly from a liquidating insurer under a federal law theory of "tracing" proceeds where the sold assets were allegedly subject to a lien. Were the PBGC to prevail on these two theories, it could potentially expose the entire value of RCG International and RCG IT to the PBGC's claims, as well as the proceeds of the sale of the Moody subsidiaries held by Reliance. The PBGC has valued RCG IT at about \$40 million. The Reliance estate received about \$48 million in proceeds from the sale of the Moody subsidiaries. While Reliance disputes the PBGC's claim to these moneys and assets, the PBGC has expressed its clear legal right and intention to pursue vigorously this \$88 million in potential value.

30. In addition, the existence of the Statutory and Filed Liens has impeded the Liquidator's ability to sell solvent Reliance subsidiaries.

H. MIFL's Threats of Action Against Reliance

31. While Reliance entered into the sale of the Moody subsidiaries in good faith and without knowledge of the PBGC's Statutory or Filed Liens, the Filed Liens and the PBGC's

Counterclaim against MIFL caused it to threaten legal action against Reliance for breach of warranty, and negligent and intentional misrepresentation. MIFL asserts that the PBGC's liens have impeded its ability to sell itself and caused it significant damages.

II. SUMMARY OF TERMS OF THE SETTLEMENT AGREEMENT

32. During the pendency of the Federal Action, the Parties engaged in extensive, arms-length settlement negotiations which culminated in the Settlement Agreement (attached as Exhibit 1), the terms of which are summarized below.

33. The effectiveness of the Settlement Agreement is expressly conditioned upon the approval of this Court, with the Effective Date of the Settlement Agreement defined as the date the Commonwealth Court Order approving the Settlement Agreement becomes final and non-appealable.

A. The Settlement Amount

34. The Settlement Agreement provides that in consideration of the settlement and compromise of the Federal Action and of the Parties' claims and defenses relating to or arising out of the Plans, and the exchange of releases in favor of Reliance and its subsidiaries and MIFL and its subsidiaries, the Liquidator will cause the sum of \$22 million (the "Settlement Amount") in cash to be paid to the PBGC.

35. Pursuant to the Settlement Agreement, immediately upon receipt by the PBGC of the Settlement Amount, all of the liens filed against the Reliance Releasees or Moody Releasees, as those terms are defined in the Settlement Agreement, will automatically terminate and have no further force or effect.

36. This Settlement Agreement will have the tremendous benefit to Reliance of clearing the title to the Reliance downstream subsidiaries so that their value may ultimately be

realized by sale or otherwise. It will also remove the immediate threat of action by MIFL against Reliance regarding the liens, which Reliance has faced for some time.

37. The Settlement Agreement obligates the PBGC to ensure that any and all liens filed against any Reliance Releasees or Moody Releasees are terminated and removed from any public record, and to provide such documentation as required by the Releasees evidencing the termination and removal of such liens.

38. The Settlement Agreement further provides that the moneys the PBGC receives from this Settlement will be the only money it shall receive on account of its claims against Reliance relating to the RGH Plan or the Reliance Plan, and that the PBGC will receive no distribution from the Reliance Estate on the PBGC POCs.

39. The Liquidator intends the source of funds to pay the PBGC to be from both RGC IT and RCG International, its downstream, non-insurance, non-insolvent subsidiaries, although the actual payment of the settlement will be by RCG International, a counterclaim defendant in the Federal Action. RCG IT does not currently have the cash necessary to satisfy the settlement without a detrimental effect on its business, however. Nor does RCG International have the cash necessary to satisfy the settlement. Accordingly, RCG IT will declare a dividend of a portion of its available cash to its parent company, RCG International, in the amount of \$4 million and Reliance intends to loan the balance of \$18 million to RCG International, to be repaid to Reliance upon the sale of RCG IT by RCG International. The Liquidator continues to maintain that the PBGC may not recover out of the estate of Reliance, except as a class (c) priority federal government creditor, whose recovery of any amount in this liquidation is doubtful.

B. Releases

40. The Settlement Agreement provides for the release by the PBGC Releasors, as that term is defined in the Settlement Agreement, of any and all claims the PBGC Releasors had, have or may have against the Reliance Releasees relating in any way to the Reliance Plan or the RGH Plan, including, without limitation, any claim that (i) has been or could have been asserted in the matter titled *Koken vs. Pension Benefit Guaranty Corp.*, Civil Action No. 04-4342 in the US District Court for the Eastern District of Pennsylvania; (ii) arose or could have arisen in connection with the operation or termination of the Reliance Plan or the RGH Plan; (iii) might be available to the PBGC pursuant to Title IV of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"); (iv) is or might be available to the PBGC pursuant to the Internal Revenue Code of 1986, as amended (the "Code"); (v) was or could have been the subject of the POCs the PBGC filed in the liquidation proceeding, or (vi) arose or could have arisen as a result of any controlled group liability on the part of any of the Reliance Releasees pursuant to ERISA, the Code or any other applicable law.

41. As defined in the Settlement Agreement, the Reliance Releasees include Reliance and all of its subsidiaries and any actual or alleged members of its controlled group except RGH, RFSC and the subsidiaries of RGH and RFSC (except Reliance). This leaves the PBGC free to attempt to pursue additional funds from RGH, RFSC and their respective subsidiaries (other than Reliance).

42. The Settlement Agreement further provides for the release by the PBGC Releasors of any and all claims they had, have or may have against the Moody Releasees, including, without limitation, any claim that (i) has been or could have been asserted in the matter titled *Koken vs. Pension Benefit Guaranty Corp.*, Civil Action No. 04-4342 in the US District Court for the Eastern District of Pennsylvania; (ii) arose or could have arisen in

connection with the operation or termination of the Reliance Plan and the RGH Plan; (iii) might be available to Releasors pursuant to Title IV of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"); (iv) is or might be available to the Releasors pursuant to the Internal Revenue Code of 1986, as amended (the "Code"); (v) was or could have been the subject of the POCs the PBGC filed in the liquidation proceeding; or (vi) arose or could have arisen as a result of any controlled group liability on the part of any of the Moody Releasees pursuant to ERISA, the Code or any other applicable law.

43. The inclusion of a release in favor of MIFL was a term of the Settlement Agreement specifically sought by the Liquidator in view of certain allegations pending against the Liquidator by MIFL and its threat to pursue legal remedies.

III. THE LIQUIDATOR BELIEVES THE SETTLEMENT IS IN THE BEST INTEREST OF THE RELIANCE ESTATE

44. The Act confers broad power on the Liquidator to administer the affairs of an insolvent insurer's estate and to achieve the purposes of the Act. See 40 P.S. §§ 221.1 and 221.23.


45. The Act authorizes the Liquidator to take such actions as she deems "necessary or expedient to . . . conserve or protect the [insolvent insurer's] assets or property[.]" including the power to "compromise" claims involving assets of the insolvent insurer in order to accomplish or aid in achieving the purposes of liquidation. 40 P.S. § 221.23.

46. In furtherance of the purpose of liquidation, as set forth in the Act, and pursuant to her authority under the Act and the Order of Liquidation, the Liquidator has entered into the Settlement Agreement, which she believes is in the best interests of the Reliance Estate for the following reasons: (1) it will result in the resolution and release of all claims asserted in the Federal Action, including the counterclaims asserted by the PBGC against the Liquidator,

Reliance's subsidiary RCG International, and MIFL in connection with the sale of the Moody subsidiaries; (2) it will further benefit the Reliance Estate by voiding all liens, filed or asserted by the PBGC against current and former Reliance subsidiaries, the existence of which have hampered Reliance's ability to sell these assets; (3) it will eliminate any claim by the PBGC to a distribution in the Reliance Estate in connection with the PBGC POCs to the Liquidator; and (4) it will limit any claim by MIFL or its subsidiaries against Reliance for breach of the sale agreement or misrepresentation.

WHEREFORE, the Liquidator respectfully requests that this Court grant the Petition and enter an Order in the form attached hereto: (1) approving the terms of the Settlement Agreement as set forth in Exhibit 1; (2) authorizing the Liquidator to perform actions necessary and appropriate to effectuate the terms of the Settlement Agreement; (3) approving the Settlement Amount and approving and authorizing the Liquidator's payment of that amount funded as described in paragraph 39; and (4) ordering such other relief as this Court deems necessary and appropriate.

BLANK ROME LLP

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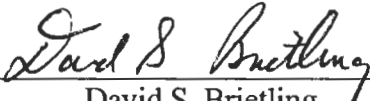
Dated: October 6, 2006

VERIFICATION

I, David S. Brietling, have been retained by M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, and am responsible for the on-site insurance and financial operations of Reliance Insurance Company (in Liquidation) as Chief Liquidation Officer. I am also responsible for coordinating the activities of the Pennsylvania Insurance Department's Reliance liquidation team. I am authorized by the Commissioner to make this verification on behalf of the Liquidator of Reliance Insurance Company. I hereby verify that the facts set forth in the foregoing Petition are true and correct to the best of my knowledge, information and belief.

I understand that this Verification is made subject to the penalties of 18 P.S. § 4904 relating to unsworn falsification to authorities.

Date: October 3, 2006



David S. Brietling
Chief Liquidation Officer

EXHIBIT 1

**SETTLEMENT AGREEMENT BETWEEN M. DIANE KOKEN,
INSURANCE COMMISSIONER OF THE COMMONWEALTH OF
PENNSYLVANIA ACTING IN HER OFFICIAL CAPACITY AS
LIQUIDATOR OF THE RELIANCE INSURANCE COMPANY
AND THE PENSION BENEFIT GUARANTY CORPORATION**

This Settlement Agreement is made and entered into by and between M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania acting in her Official Capacity as Liquidator of the Reliance Insurance Company ("Liquidator") and the Pension Benefit Guaranty Corporation ("PBGC").

WHEREAS, on May 29, 2001, the Reliance Insurance Company ("Reliance") was placed into Rehabilitation by Order of the Commonwealth Court of Pennsylvania (the "Commonwealth Court");

WHEREAS, on October 3, 2001, the rehabilitation of Reliance was terminated, Reliance was declared insolvent, and Reliance was placed into liquidation by Order of the Commonwealth Court ("Liquidation Order");

WHEREAS, the liquidation of Reliance is conducted by the Liquidator under the procedures established by statute and by the Commonwealth Court, and the court filings relating to the liquidation of Reliance are maintained by the Commonwealth Court at docket number 269 M.D. 2001("the Liquidation Proceedings")

WHEREAS, the Liquidation Order appointed M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania, as the statutory Liquidator of Reliance;

WHEREAS, the PBGC is a wholly-owned United States government corporation established under 29 U.S.C. § 1302(a) to administer the defined benefit pension plan termination insurance program created by Title IV of the Employee Retirement Income Security Act of 1974, as amended ("ERISA");

WHEREAS, Reliance was the contributing sponsor of the Reliance Insurance Company Employee Retirement Plan ("Reliance Plan"). The Reliance Plan is a single-employer defined benefit pension plan covered by Title IV of ERISA. In accordance with that certain Agreement for Appointment of Trustee and Termination of Plan dated March 6, 2002 by and between Reliance and PBGC, the Reliance Plan was terminated, pursuant to 29 U.S.C. § 1342, effective as of February 28, 2002 and PBGC was appointed the statutory trustee of the Reliance Plan;

WHEREAS, Reliance Group Holdings, Inc. ("RGH"), the ultimate parent of Reliance, was the contributing sponsor of the Reliance Group Holdings, Inc. Pension Plan (the "RGH Plan"). The RGH Plan is a single-employer defined benefit pension plan covered by Title IV of ERISA. In accordance with that certain Agreement for Appointment of Trustee and Termination of Plan dated October 28, 2004 by and between RGH and PBGC, the RGH Plan was terminated, pursuant to 29 U.S.C. § 1342, effective as of January 31, 2004, and PBGC appointed the statutory trustee of the RGH Plan;

WHEREAS, on or about December 10, 2003, the PBGC filed a series of proofs of claim with the Liquidator in the Reliance Liquidation Proceedings ("PBGC POCs") including the following:

- a) A claim for \$119,800,000 for the unfunded benefit liabilities of the Reliance Plan;
- b) A claim for \$34,535,497 for unpaid minimum funding contributions to the Reliance Plan;
- c) A claim for \$1,250,428.20 for statutory liabilities for premiums with respect to the Reliance Plan;
- d) A claim for \$18,500,000 for the unfunded benefit liabilities of the RGH Plan;
- e) A claim for \$2,422,852 for unpaid minimum funding contributions to the RGH Plan; and

- f) An unliquidated claim for statutory liabilities for premiums with respect to the RGH Plan.

WHEREAS, the Liquidator issued Notices of Determination ("NOD") in the Liquidation Proceeding assigning priority class (c) (with no allowed amount) for each of the PBGC POCs, to which the PBGC asserted no objections;

WHEREAS, on February 12, 2004, RCG International, Inc., the shares of which were owned by Reliance, entered into an agreement to sell one hundred percent of the shares of RCG-Moody International Limited plus eight shares of Moody International Inc. and 20 shares of Moody International Limited to Moody International Finance Limited, an unrelated company ("the Moody sale");

WHEREAS, on February 23, 2004, the Liquidator filed a Petition in Commonwealth Court seeking approval of the Moody sale;

WHEREAS, the Commonwealth Court entered an Order approving the Moody sale on March 30, 2004, and on April 5, 2004, a closing was held on the Moody sale in London, England, United Kingdom;

WHEREAS, the PBGC contends it has federal statutory liens under 26 U.S.C. § 412(n) and 29 U.S.C. § 1082(f), which arose by operation of law prior to the date of the Moody sale against all of the assets of the non-bankrupt, non-liquidating subsidiaries of Reliance, which are or were members of the "controlled group" of Reliance or RGH, as that term is defined in 29 U.S.C. § 1301(a)(14), as a result of allegedly unpaid pension contributions due and owing to the Reliance Plan and RGH Plan (the "Liens"), as well as claims for unfunded benefit liabilities under 29 U.S.C. § 1362 and premiums under 29 U.S.C. § 1307 due and owing to PBGC;

WHEREAS, between April 1, 2004, and December 31, 2004, the PBGC filed Notices of Federal Lien (the "Filed Liens") against the assets of RCG International, Inc., which is wholly owned by Reliance, and certain of RCG International, Inc.'s subsidiaries and upon the assets of RCG-Moody International Limited and its subsidiaries that were sold to Moody International Finance Limited, in the state filing offices of various United States jurisdictions, and upon the assets of companies affiliated with Moody International Finance Limited in the United Kingdom (a true and correct list of the entities upon which the Filed Liens were filed, the dates of the Filed Lien filings, the filing office or other location and the amount of each asserted Filed Lien are attached hereto as Exhibit A);

WHEREAS, on August 25, 2004, the Liquidator filed a Petition in the Reliance Liquidation Proceeding in the Commonwealth Court seeking the entry of an order: 1) declaring that the claims of the PBGC against present or former, direct or indirect subsidiaries of Reliance are relegated solely and exclusively to the claim priority and distribution process in the Reliance Liquidation Proceeding; 2) declaring null and void ab initio and striking all liens filed by the PBGC against present or former, direct or indirect subsidiaries of Reliance; and 3) enjoining the PBGC from filing any liens against or otherwise taking any enforcement action on account of the Liens or claims against any present or former, direct or indirect subsidiaries of Reliance;

WHEREAS, the PBGC removed the Petition filed in the Commonwealth Court to the United States District Court for the Eastern District of Pennsylvania, in an action titled Koken v. Pension Benefit Guaranty Corp., Civil Action No. 04-4342 (the "Federal Action");

WHEREAS, the Liquidator sought, but was denied, remand of the Federal Action to the Commonwealth Court;

WHEREAS, the PBGC asserted counterclaims in the Federal Action against the Liquidator, RCG International, Inc. and Moody International Finance Limited pursuant to 29 U.S.C. §§ 1082(f), 1303(c), and 26 U.S.C. § 412(n) to have federal statutory liens for unpaid pension plan contributions declared valid and enforceable;

WHEREAS, Moody International Finance Limited was dismissed from the Federal Action for lack of personal jurisdiction;

WHEREAS, the Parties desire to settle and end the disputes between them in the manner set forth herein in order to avoid the substantial costs, risks, disruptions and uncertainties of continued litigation;

WHEREAS, this Settlement Agreement affords significant benefits to each of the Parties;

WHEREAS, the Parties acknowledge that the payment contemplated by this Settlement Agreement, and its terms and conditions, including but not limited to, the releases exchanged pursuant to this Settlement Agreement, are part of an overall resolution of complex legal and factual issues, the outcomes of which are uncertain, and by entering into this Settlement Agreement no party is admitting any liability either as alleged, or as could have been alleged, in or in connection with the Reliance Liquidation Proceeding or the Federal Action;

NOW, THEREFORE, in consideration of the foregoing and the mutual covenants and agreements hereinafter set forth, and for other good and valuable consideration, the receipt and sufficiency of which is hereby acknowledged and agreed to and, intending to be legally bound, the Parties agree as follows:

1. Definitions. As used herein:
 - a) "Execution Date": The date on which the last Party signs this Settlement Agreement;
 - b) "Effective Date": The date on which the Commonwealth Court Order approving this Settlement Agreement becomes final and non-appealable;

- c) "Parties": M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania acting in her official capacity as Liquidator of the Reliance Insurance Company and the Pension Benefit Guaranty Corporation;
- d) "Reliance Entities": Reliance and RCG International, Inc. and their respective present and former, direct and indirect subsidiaries, partners, divisions, committees, predecessors, successors, creditors, assigns, beneficiaries and all present and former officers, directors, partners, agents, attorneys, employees, representatives, and other related entities or individuals of the foregoing, as well as any actual or alleged members of Reliance's controlled group (but excluding (i) RGH, (ii) Reliance Financial Services Corporation ("RFSC"), and (iii) any subsidiaries of RGH or RFSC other than Reliance or downstream subsidiaries of Reliance); and
- e) "Moody Entities": The Moody Companies (those companies listed on the attached Exhibit B) and Close Brothers Private Equity LLP and their respective affiliates, partners, parents, subsidiaries, divisions, committees, predecessors, successors, assigns, beneficiaries and all present or former officers, directors, partners, agents, attorneys, employees, representatives, and other related entities and individuals of the foregoing.

2. Payment to the PBGC. The Liquidator agrees to make a cash payment to PBGC in the sum of \$22,000,000 by wire transfer no later than ten (10) business days from the Effective Date of this Settlement Agreement.

3. Commonwealth Court Approval. The Parties expressly agree and understand that this Settlement Agreement is subject to approval by the Commonwealth Court. This Settlement Agreement is not effective until approved by the Commonwealth Court and denial of such approval will render this Settlement Agreement null and void. Within ten (10) business days of the Execution Date, the Parties shall file this Settlement Agreement with the Commonwealth Court seeking approval of the Settlement Agreement. The Parties agree to cooperate in accomplishing the foregoing as well as any additional procedures required for obtaining Commonwealth Court approval of this Settlement Agreement.

4. Release of Reliance Releasees and Covenant Not To Sue by PBGC. On the

Execution Date, PBGC shall sign the document attached hereto as Exhibit C ("Release of Reliance Releasees and Covenant Not To Sue by PBGC"), which shall be delivered to, and held in escrow by Blank Rome LLP and shall be released to the Liquidator only upon written notice (via electronic communication or other format) from PBGC's Assistant Chief Counsel that PBGC has received the payment required under ¶2 of this Settlement Agreement. In the event that PBGC does not timely receive the payment described in ¶2 of this Settlement Agreement, Blank Rome LLP shall return the signed Release to PBGC for destruction.

5. Release of Moody Releasees and Covenant Not To Sue by PBGC. On the Execution Date, PBGC shall sign the document attached hereto as Exhibit D ("Release of Moody Releasees and Covenant Not To Sue by PBGC"), which shall be delivered to, and held in escrow by Blank Rome LLP and shall be released to the Liquidator only upon written notice (via electronic communication or other format) from PBGC's Assistant Chief Counsel that PBGC has received payment required under ¶2 of this Settlement Agreement. In the event that PBGC does not timely receive the payment described in ¶2 of this Settlement Agreement, Blank Rome LLP shall return the signed Release to PBGC for destruction.

6. PBGC's Claims in the Reliance Liquidation Proceeding. PBGC shall accept and not object to the NODs issued to it with respect to the PBGC POCs. The PBGC hereby agrees and accepts that, notwithstanding and regardless of the amount of assets ultimately collected in the Reliance Liquidation Proceeding and notwithstanding and regardless of whether other claimants to whom NODs were issued at priority class (c) receive some distribution from the assets of Reliance, the PBGC will receive no distribution on the PBGC POCs. The amounts paid pursuant to Paragraph 2 of this Settlement Agreement represent the only form of compensation, money or reimbursement it shall receive from this date forward from the Liquidator, Reliance,

any member of Reliance's controlled group, the Reliance Entities and Moody Entities with respect to the PBGC POCs filed in the Reliance Liquidation Proceeding.

7. Withdrawal of Filed Liens by PBGC. Immediately upon receipt by PBGC of the payment described in ¶2 of this Settlement Agreement, all of the liens filed against any Reliance Entities or Moody Entities shall automatically terminate and be of no further force or effect. PBGC agrees that, as soon as reasonably practicable after receipt by PBGC of the payment described in ¶2 of this Settlement Agreement, it shall execute and deliver any instrument, document or agreement that the Reliance Entities or Moody Entities may reasonably require to evidence the termination and removal of such liens and to remove of record any such Filed Lien. Within 10 business days after receipt by PBGC of the payment described in ¶2 of this Settlement Agreement, PBGC shall file Withdrawals of Notice of Federal Lien in the form attached hereto as Exhibit E in all of the filing offices and locations and with respect to all the Reliance Entities and Moody Entities identified in Exhibit A.

8. Entire Agreement. The Parties and their attorneys have jointly reviewed and participated in the drafting of this Settlement Agreement, such that this Settlement Agreement shall be construed as having been equally written by all of the Parties. This Settlement Agreement contains the entire understanding of the Parties with respect to the subject matter hereof and supersedes all prior agreements and understandings, whether written or oral, between them with respect to the subject matter hereof. Each Party has executed this Settlement Agreement without reliance upon any promise, representation or warranty other than those expressly set forth herein. Each Party acknowledges that: (i) it has carefully read this Settlement Agreement; (ii) it has had the assistance of legal counsel of its choosing (and such other professionals and advisors as it has deemed necessary) in the review and execution hereof;

(iii) the meaning and effect of the various terms and provisions hereof have been fully explained to it by such counsel; (iv) it has conducted such investigation, review and analysis as it has deemed necessary to understand the provisions of this Settlement Agreement and the transactions contemplated hereby; and (v) it has executed this Settlement Agreement on its own free will.

9. Authority. The Parties each expressly represent and warrant that the execution and delivery of this Settlement Agreement (i) are within its powers, (ii) have been duly authorized by all necessary corporate action (or will hereafter be promptly ratified as such), and (iii) to the best of each Party's knowledge do not violate the provisions of any federal or state law or any court order. In addition, the Parties each expressly represent and warrant that its undersigned officer is duly authorized to execute and deliver this Settlement Agreement (or such act will hereafter be promptly ratified as such), and that, upon execution, delivery, and approval by the Commonwealth Court, this Settlement Agreement shall be a legal, valid, and binding obligation and enforceable in accordance with its terms.

10. Intent to be Bound. The Parties warrant and represent that they intend to be bound by each provision of this Settlement Agreement in accordance with and subject to its terms.

11. No Admissions. This Settlement Agreement and all negotiations, statements and proceedings in connection therewith shall not in any event be construed as, or deemed to be evidence of, an admission or concession on the part of any Party of any fact, liability or wrongdoing by them, or any of them, and shall not be offered or received in evidence in any action or proceeding, or used in any way as an admission, concession or evidence of any fact, liability or wrongdoing of any nature on the part of any Party. Notwithstanding the foregoing, nothing herein shall prohibit the introduction into evidence of this Settlement Agreement in any

action to enforce this Settlement Agreement or any term or provision of this Settlement Agreement.

12. Amendment. No amendment of this Settlement Agreement shall be effective unless set forth in a written instrument executed prior to the effective date thereof by all of the Parties.

13. Assignability. This Settlement Agreement may not be assigned without the prior written consent of the other Party or Parties, and any attempted assignment without such consent shall be void.

14. Counterpart Execution. This Settlement Agreement may be executed in multiple counterparts, each of which shall be deemed an original, but which together shall constitute a single agreement. All signatures required under this Settlement Agreement need not appear in the same document.

15. Governing Law. This Settlement Agreement shall be governed by the laws of the Commonwealth of Pennsylvania, to the extent not preempted by federal law.

16. Costs and Expenses. Each of the Parties shall bear their own costs and legal expenses, including attorneys fees incurred in connection with the issues raised herein.

IN WITNESS WHEREOF, the Parties have hereunto signed this Settlement Agreement by their duly authorized representatives as of the date set forth opposite their respective signatures.

Dated: October 5, 2006

David S. Smithley, Chief Liquidation Officer
M. Diane Koken, Insurance Commissioner of
the Commonwealth of Pennsylvania, solely in
her Official Capacity as Liquidator of Reliance
Insurance Company

Dated: Oct. 4, 2006

Pension Benefit Guaranty Corporation

By: Michael P. Mora
Michael P. Mora
Its: Assistant Chief Counsel

EXHIBIT A

Schedule of Liens filed by PBGC Pursuant to 26 U.S.C. § 412(n)

<u>Entity</u>	<u>Date Filed</u>	<u>Filing Office</u>	<u>Amount</u>
Inspection Services, Inc.	04/05/2004	St. Mary Parish Clerk of Ct, LA	\$60,336,558.00
ISI Moody International, Inc.	04/05/2004	St. Mary Parish Clerk of Ct, LA	\$60,336,558.00
AOQC Moody International, Inc.	04/05/2004	St. Mary Parish Clerk of Ct, LA	\$60,336,558.00
Inspection Services, Inc.	04/05/2004	St. Mary Parish Clerk of Ct, LA	\$1,662,449.00
ISI Moody International, Inc.	04/05/2004	St. Mary Parish Clerk of Ct, LA	\$1,662,449.00
AOQC Moody International, Inc.	04/05/2004	St. Mary Parish Clerk of Ct, LA	\$1,662,449.00
RCG International, Inc.	04/05/2004	Dep't of State of NY, UCC Unit	\$60,336,558.00
RCG International, Inc.	04/05/2004	Dep't of State of NY, UCC Unit	\$1,662,449.00
Moody International, Inc. (Houston)	04/05/2004	Sec'y of State of TX, UCC Section	\$60,336,558.00
Moody's International Corporation	04/05/2004	Sec'y of State of TX, UCC Section	\$60,336,558.00
Moody International, Inc. (Spring, TX)	04/05/2004	Sec'y of State of TX, UCC Section	\$60,336,558.00
Moody International Certification, Inc.	04/05/2004	Sec'y of State of TX, UCC Section	\$60,336,558.00
AOQC Moody International, Inc.	04/05/2004	Sec'y of State of TX, UCC Section	\$60,336,558.00

Moody International, Inc. (Houston)	04/05/2004	Sec'y of State of TX, UCC Section	\$1,662,449.00
Moody's International Corporation	04/05/2004	Sec'y of State of TX, UCC Section	\$1,662,449.00
Moody International, Inc. (Spring, TX)	04/05/2004	Sec'y of State of TX, UCC Section	\$1,662,449.00
Moody International Certification, Inc.	04/05/2004	Sec'y of State of TX, UCC Section	\$1,662,449.00
AOQC Moody International, Inc.	04/05/2004	Sec'y of State of TX, UCC Section	\$1,662,449.00
Moody International Holdings, LLC	04/05/2004	Sec'y of State of TX, UCC Section	\$1,662,449.00
RCG Information Technology, Inc.	04/06/2004	Middlesex County Clerk, NJ	\$60,336,558.00
RCG Information Technology, Inc.	04/06/2004	Middlesex County Clerk, NJ	\$1,662,449.00
RCG Moody International	12/13/2004	Recorder of Deeds for Dist of Columbia	\$60,336,558.00
RCG Moody International	12/13/2004	Recorder of Deeds for Dist of Columbia	\$1,662,449.00

EXHIBIT B

EXHIBIT B

Close Brothers Private Equity (UK) Fund VI
Close Brothers Private Equity (US) Fund VI
RCG – Moody International Limited, England
Moody United Certification Ltd., China
Moody International Limited, England
Moody International SrL, Italy
Moody International Certification Limited, Japan
Moody International Inc., USA
Moody Algeria Sarl, Algeria
Moody International de Argentina SA, Argentina
Moody International Pty Limited, Australia
Moody Int. (Pvt) Bangladesh Ltd., Bangladesh
Moody Inernational Brasil Ltda, Brazil
Brasil Inspectores Ltda, Brazil
Moody International OOD, Bulgaria
Moody International Cameroun Sarl, Carmeroon
Moody International Limited, Canada
Moody (Shanghai) Consulting Limited, China
Moody Energy Technical Service Limited, China
Shenzhen Moody Quality Management Limited, China
Shanghai Moody Management Technical Limited, China
Moody International SRO, Czech Republic

Moody International Ecuador, Ecuador
Moody International Limited Egypt, Egypt
Moody International Certification Limited, England
Moody International (Russia) Limited, England
Management Systems International Ltd., England
Premier Assessments Limited, England
Moody International Limited, Channel Islands
AOQC BV, Netherlands
Moody International Finland OY, Finland
OY Moody Trading Ltd., Finland
Moody Overseas Oy, Finland
Moody Certification France SARL, France
Moody International SAS, France
Moody International GmbH, Germany
Moody Q-Zert GmbH, Germany
Moody International BV, Netherlands
AOQC BV, Holland
Moody International (India) Pvt Limited, India
PT Moody Inter Indonesia Pty Limited, Indonesia
Moody International Qeshm , Iran
Moody International Certification SRL, Italy
Moody International Limited, Japan
Moody International Limited, Jersey
Moody International LLC, Kazakhstan
Ural Energy Limited, Kazakhstan

Moody International Korea Limited, Korea
Moody International Mexico SA de CV, Mexico
Moody International Norway AS, Norway
Moody International Philippines Inc., Philippines
SC Moody International Srl, Romania
ZAO Moody International, Russia
AOQC Moody International SA Limited, Saudi Arabia
Moody International South Africa (Pty) Limited, South Africa
Moody International Lanka (Private) Ltd., Sri Lanka
Moody International Scandinavia AB, Sweden
Moody International Certification AB, Sweden
Moody International QA Services Pte Limited, Singapore
Moody International Taiwan Corporation Limited, Taiwan
Moody International Thailand Limited, Thailand
Moody International Kalite Servisleri Ltd., Turkey
RCG Moody International (Uruguay) SA, Uruguay
Moody International Holdings LLC, USA
Moody International Certification Inc., USA
ISI Moody International Inc., USA
RCG Moody International de Venezuela SA, Venezuela
AOQC Moody International, Azerbaijan
AOQC Moody International Limited, Qatar
AOQC Moody International, Dubai
AOQC Moody International Limited, Abu Dhabi
AOQC Moody International, Azerbaijan

Moody International Sro, Azerbaijan
Moody International Holdings Chile Ltda, Chile
Moody International Limited, Kazakhstan
Oy Moody Trading Ltd., Russia
Moody Overseas Oy, Russia
Aspects Moody Certification Limited, England
Moody Marine Limited, England
ACISE International, France
Certibat, France
Moody International SA, Ivory Coast
Moody International Certification SIA, Latvia
Moody International Certification (Malaysia) Sdn Bhd, Malaysia
Moody International (Malaysia) Sdn Bhd Ltd., Malaysia
Moody International Certification Limited, Malta
Moody International Morocco, Morocco
Moody Int. Nigeria Limited, Nigeria
Moody International (Pvt) Ltd, Pakistan
Moody Tottrup Eurocontrol Internacional SA, Spain
Moody International Certification GmbH, Germany
Branch - Moody International Certification, Dubai
Moody International Polska, Poland
Moody International Kazakhstan LLC — Kazakhstan Atyrau Branch
Moody International Kazakhstan LLC — Kazakhstan Almaty Branch
Moody International Kazakhstan LLC - Kazakhstan Uralsk Branch
Moody International (Holdings) Limited, UK

Moody International Finance Limited, UK
Moody Training Malaysia Sdn Bhd, Malaysia
Moody SEA Sdn Bhd, Malaysia
Moody Americas Inc., USA
Schindler & Associates LLC, USA
Moody International Angola Lda, Angola
Moody International Certification AS, Norway
ZAO Svarka & Diagnostika, Russia
ICL Certifications Limited, India
Moody International Limited, Trinidad & Tobago
Moody International Certification Chile Ltda, Chile
Moody International (Middle East) Limited, Panama
ICL Certifications Limited
Moody International UK Limited

EXHIBIT C

Release of Reliance Releasees and Covenant Not To Sue By PBGC

In consideration of the benefits granted to it in the Settlement Agreement Between M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania acting in Her Official Capacity as Liquidator ("Liquidator") of the Reliance Insurance Company ("Reliance") and the Pension Benefit Guaranty Corporation ("PBGC"), PBGC, on behalf of itself, its officers, directors, employees, and their successors and assigns, as well as on behalf of the Reliance Insurance Company Employee Retirement Plan ("Reliance Plan") and the Reliance Group Holdings, Inc. Pension Plan ("RGH Plan") (the "Releasers"), forever waives, releases and discharges Reliance and RCG International, Inc. and their respective present or former, direct or indirect subsidiaries, partners, divisions, committees, predecessors, successors, creditors, assigns, beneficiaries, and all present and former officers, directors, partners, agents, attorneys, employees, representatives, and other related entities or individuals of the foregoing, as well as any actual or alleged members of Reliance's "controlled group" (as defined under 29 U.S.C. § 1301(a)(14)) (but excluding (i) Reliance Group Holdings, Inc. ("RGH"), (ii) Reliance Financial Services Corporation ("RFSC") and (iii) any subsidiaries of RGH or RFSC other than Reliance or downstream subsidiaries of Reliance) (the "Reliance Releasees") from any and all claims, causes of action, demands and obligations of any kind or nature whatsoever, that the Releasers had, have or may have against the Reliance Releasees arising out of, relating to, or with respect to, directly or indirectly, the Reliance Plan or the RGH Plan from the beginning of the world until the date of the Settlement Agreement, including but not limited to those arising out of or relating to (A) any claim that (i) has been or could have been asserted in the matter titled Koken vs. Pension Benefit Guaranty Corp., Civil Action No. 04-4342 in the US District Court for the Eastern District of Pennsylvania; (ii) arose or could have arisen in connection with the operation

or termination of the Reliance Plan or the RGH Plan; (iii) might be available to the Releasers pursuant to Title IV of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"); (iv) is or might be available to the Releasers pursuant to the Internal Revenue Code of 1986, as amended (the "Code"); (v) was or could have been the subject of any of the multiple proofs of claim the PBGC filed in the Reliance liquidation proceeding in the Commonwealth Court of Pennsylvania at docket number 269 M.D. 2001; or (vi) arose or could have arisen as a result of any controlled group liability on the part of any of the Reliance Releasees pursuant to ERISA, the Code or any other applicable law; or (B) the negotiation and execution of this Settlement Agreement (collectively, the "PBGC Claims"). PBGC represents and warrants that it has not assigned, encumbered or otherwise disposed of any right or interest, or any part thereof, in the PBGC Claims which are released and discharged. PBGC understands that it may hereafter discover facts in addition to or different from the facts now known or believed by it to be true and PBGC accepts and assumes such risk and fully, finally and forever releases and discharges all claims against the Reliance Releasees as specified above. PBGC covenants and agrees that it will never institute or prosecute any claims, demands, or causes of action relating to the matters released herein against the Reliance Releasees or any of them. It is agreed and understood that this is a RELEASE, which shall inure to the benefit of and be binding upon the successors and assigns of the Parties and Reliance Releasees. Notwithstanding any of the foregoing, it is

understood that PBGC retains the right to enforce the terms and conditions of the Settlement Agreement.

Dated: Oct. 4, 2006

Pension Benefit Guaranty Corporation

By: Michael P. Mone

Its: Assistant Chief Counsel

EXHIBIT D

Release of Moody Releasees and Covenant Not To Sue by PBGC

In consideration of the benefits granted to it in the Settlement Agreement Between M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania acting in Her Official Capacity as Liquidator ("Liquidator") of the Reliance Insurance Company ("Reliance") and the Pension Benefit Guaranty Corporation ("PBGC"), PBGC, on behalf of itself, its officers, directors, employees and their successors and assigns, as well as on behalf of the Reliance Insurance Company Employee Retirement Plan ("Reliance Plan") and the Reliance Group Holdings, Inc. Pension Plan ("RGH Plan") (the "Releasers"), forever waives, releases and discharges the Moody Companies (those companies listed on Exhibit B attached to the Settlement Agreement) and Close Brothers Private Equity LLP and their respective affiliates, partners, parents, subsidiaries, divisions, committees, predecessors, successors, assigns, beneficiaries, and all present and former officers, directors, partners, agents, attorneys, employees, representatives, and other related entities or individuals of the foregoing (the "Moody Releasees"), from any and all claims, causes of action, demands and obligations of any kind or nature whatsoever, that the Releasers had, have or may have against the Moody Releasees, arising out of, relating to, with respect to, directly or indirectly, the Reliance Plan or the RGH Plan, from the beginning of the world until the date of the Settlement Agreement, including but not limited to those arising out of or relating to (A) any claim that (i) has been or could have been asserted in the matter titled Koken vs. Pension Benefit Guaranty Corp., Civil Action No. 04-4342 in the US District Court for the Eastern District of Pennsylvania; (ii) arose or could have arisen in connection with the operation or termination of the Reliance Plan and the RGH Plan; (iii) might be available to Releasers pursuant to Title IV of the Employee Retirement Income Security Act of 1974, as amended ("ERISA"); (iv) is or might be available to the Releasers pursuant to the Internal Revenue Code of 1986, as amended (the "Code"); (v) was or could have

been the subject of any of the multiple proofs of claim the PBGC filed in the Reliance liquidation proceeding in the Commonwealth Court of Pennsylvania at docket number 269 M.D. 2001; or (vi) arose or could have arisen as a result of any controlled group liability on the part of any of the Moody Releasees pursuant to ERISA, the Code or any other applicable law; or (B) the negotiation and execution of this Settlement Agreement (collectively, the "PBGC Claims").

PBGC represents and warrants that it has not assigned, encumbered or otherwise disposed of any right or interest, or any part thereof, in the PBGC Claims which are released and discharged.

PBGC understands that it may hereafter discover facts in addition to or different from the facts now known or believed by it to be true and PBGC accepts and assumes such risk and fully, finally and forever releases and discharges all claims against the Moody Releasees as specified above. PBGC covenants and agrees that it will never institute or prosecute any claims, demands, or causes of action relating to the matters released herein against the Moody Releasees or any of them. It is agreed and understood that this is a RELEASE, which shall inure to the benefit of and be binding upon the successors and assigns of the Parties and the Moody Releasees.

Notwithstanding any of the foregoing, it is understood that PBGC retains the right to enforce the terms and conditions of the Settlement Agreement.

Dated: Oct. 4, 2001

Pension Benefit Guaranty Corporation

By: Michael P. Mora

Its: Assistant Chief Counsel

EXHIBIT E

Please return a copy of the recorded original to:

_____, ESQ.
OFFICE OF THE CHIEF COUNSEL
PENSION BENEFIT GUARANTY CORPORATION
1200 K ST., N.W., SUITE 340
WASHINGTON, DC 20005-4026
PHONE NO. (202) 326-4020 (EXT.)



**PENSION BENEFIT GUARANTY CORPORATION
WITHDRAWAL OF NOTICE OF FEDERAL LIEN
UNDER 26 U.S.C. § 412(n)**

The Pension Benefit Guaranty Corporation ("PBGC") is a wholly-owned United States government corporation created by Title IV of the Employee Retirement Income Security Act of 1974 ("ERISA"), 29 U.S.C. §§ 1301-1461 (2000 & Supp. III 2003). Notice is hereby given that the Notice of Lien filed by the PBGC for the benefit of the below-named Pension Plan under 26 U.S.C. § 412(n), is hereby withdrawn.

NAME AND ADDRESS OF EMPLOYER (DEBTOR):

Regarding PBGC Lien #

NAME OF PENSION PLAN (SECURED PARTY):

[plan name]
c/o Pension Benefit Guaranty Corporation
1200 K Street, N.W.
Washington, DC 20005

This Withdrawal of Notice of Federal Lien refers to the PBGC Notice of Federal Lien under 26 U.S.C. § 412(n) described to the right:

FILE NUMBER:
FILING DATE:
FILING LOCATION:

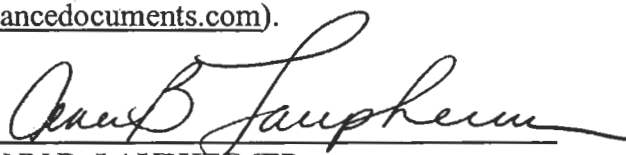
This notice was prepared and signed at Washington, D.C., on this ____ day of _____, 20__.

Associate Chief Counsel
Pension Benefit Guaranty Corporation

CERTIFICATE OF SERVICE

I, Ann B. Laupheimer, hereby certify that on or about this day, pursuant to the Court's Order of April 1, 2004, service of the foregoing Petition to Approve Settlement Between Reliance Insurance Company (In Liquidation) and the Pension Benefit Guaranty Corporation was made on the attached Master Service List and the individuals, if any, listed below through the transmission of a Notice of Filing and through posting of a true and correct copy in PDF file format on the Reliance Documents website (www.reliancedocuments.com).

Dated: October 6, 2006


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v.

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