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7 MAXXAM GROUP HOLDINGS INC.,
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8 JOHN CAMPBELL and ROBERT MANNE

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26 NATIONAL UNION FIRE INSURANCE
COMPANY OF PITTSBURGH, PA
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1 UNITED STATES DISTRICT COURT
2 NORTHERN DISTRICT OF CALIFORNIA
3 SAN FRANCISCO DIVISION

4 THE PACIFIC LUMBER COMPANY, a
5 Delaware corporation; SCOTIA PACIFIC
6 COMPANY LLC, a Delaware corporation;
7 MAXXAM INC., a Delaware corporation;
8 MAXXAM GROUP INC., a Delaware
9 corporation; MAXXAM GROUP HOLDINGS
10 INC., a Delaware corporation; CHARLES E.
11 HURWITZ, an individual; GARY CLARK, an
12 individual; JOHN CAMPBELL, an individual;
13 and ROBERT MANNE, an individual,

14 Plaintiffs,

15 v.

16 GENERAL STAR INDEMNITY COMPANY,
17 a Connecticut corporation;
18 TRANSPORTATION INSURANCE
19 COMPANY, an Illinois corporation,

20 Defendants.

21 TRANSPORTATION INSURANCE
22 COMPANY, an Illinois corporation,

23 Counter-Complainant,

24 v.

25 THE PACIFIC LUMBER COMPANY, a
26 Delaware corporation; SCOTIA PACIFIC
27 COMPANY LLC, a Delaware corporation;
28 MAXXAM INC., a Delaware corporation;
MAXXAM GROUP INC., a Delaware
corporation; MAXXAM GROUP HOLDINGS
INC., a Delaware corporation; CHARLES E.
HURWITZ, an individual; GARY CLARK, an
individual; JOHN CAMPBELL, an individual;
ROBERT MANNE, an individual; and DOES 1
TO 25,

Counter-Defendants.

GENERAL STAR INDEMNITY COMPANY,
a Connecticut corporation,

Case No. C-06 0212 EDL
ORDER, AS MODIFIED, ON
**JOINT LIST OF ISSUES
NARROWING CASE MANAGEMENT
STATEMENT; REPORT ON
SETTLEMENT STATUS**

Judge: Honorable Elizabeth Laporte

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Third-Party Plaintiff,

v.

NATIONAL UNION FIRE INSURANCE
COMPANY OF PITTSBURGH, PA, a
Pennsylvania corporation,

Third-Party Defendant.

NARROWING OF ISSUES

Pursuant to the Court’s Order of August 19, 2008, and following the bankruptcy of former plaintiffs The Pacific Lumber Company (“PALCO”), Scotia Pacific Company LLC (“Scotia”) and the dismissal of plaintiff Gary Clark, the remaining plaintiffs, General Star Indemnity Co. (“General Star”), and Transportation Insurance Co. (“TIC”) have attempted to narrow the issues to be decided in this insurance coverage action.

The parties have identified certain issues in the Joint Master Matrix identifying the issues presented in the motions for partial summary judgment, filed on January 5, 2007 (Docket No. 144), which the parties propose to consolidate and re-submit to the Court for summary adjudication:

1. What is the nature of the “Property Damage,” if any, alleged in the underlying *Cave, Clark and Johnson* Lawsuits?
(Joint Master Matrix, Issue No. 1.)
2. Do the underlying actions allege “Property Damage” and/or “Bodily Injury” which occurred during the General Star and/or Transportation TIC policy periods?
(Joint Master Matrix, Issue Nos. 2, 3, 4 and 5.)
3. If “Property Damage” or “Bodily Injury” took place during the General Star and/or TIC policy periods, is coverage barred in whole or in part by the pollution exclusions?
(Joint Master Matrix, Issue No. 6.)

1 4. If "Property Damage" or "Bodily Injury" or took place during the
2 General Star policy periods, is coverage barred in whole or in part
3 by the subsidence exclusions in General Star's 1988 and 1989 policies?
4 (Joint Master Matrix, Issue No. 8.)

5 A number of other issues were raised and briefed in the parties' previously-filed motions
6 for partial summary judgment, and for which the parties reserve the right to re-submit to the Court
7 either separately or as they may be related to the foregoing issues. At this time, however, the
8 parties believe that adjudication of the narrowed issues identified above will help facilitate a
9 resolution of the primary disputes in this action.

10 **REPORT ON SETTLEMENT ISSUES**

11 As a result of the bankruptcy action, PALCO's insurance coverage interests are now
12 represented by the PLC Litigation Trust (the "Trust"). The Trust and TIC have been negotiating a
13 resolution of TIC's alleged obligations to PALCO for the underlying actions, and have reached a
14 settlement in principle in which the Trust would release its claims against TIC and General Star at
15 issue in this action. A draft settlement agreement has been circulated and is currently being
16 considered by the parties to the settlement. Once this settlement has been perfected, PALCO and
17 SCOTIA will dismiss their action against TIC and General Star.

18 Plaintiffs MAXXAM and the remaining individual plaintiffs have engaged in discussions
19 with TIC and General Star to try to resolve their disputes over the duty to defend. These
20 discussions are ongoing. If these discussions are successful, it is likely that this coverage action
21 can be dismissed without prejudice. The parties request that the stay in this coverage action be
22 continued another thirty (30) days so that the parties can determine if these discussions will be
23 successful. The parties further propose that the stay be lifted after thirty days unless they jointly
24 request the Court to maintain the stay.

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DATED: December 9, 2008.

STOEL RIVES LLP

By: /s/ Scott J. Kaplan
SCOTT J. KAPLAN
Attorneys for Plaintiffs/Counter-Defendants
MAXXAM INC., MAXXAM GROUP INC.,
MAXXAM GROUP HOLDINGS INC.,
CHARLES E. HURWITZ, JOHN
CAMPBELL and ROBERT MANNE

DATED: December 9, 2008.

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KEENER & MORROW

By: /s/ Sherman C. Lee
SHERMAN C. LEE
Attorneys for Defendant and
Counter-Complainant TRANSPORTATION
INSURANCE COMPANY

DATED: December 9, 2008.

BARBANEL & TREUER, P.C.

By: /s/ Alan H. Barbanel
ALAN H. BARBANEL
Attorneys for Defendant, Counterclaimant,
Cross-Claimant and Third-Party Plaintiff
GENERAL STAR INDEMNITY
COMPANY

DATED: December 9, 2008.

LEWIS BRISBOIS BISGAARD & SMITH LLP

By: /s/ Rebecca R. Weinreich
REBECCA R. WEINREICH
Attorneys for Third-Party Defendant
NATIONAL UNION FIRE INSURANCE
COMPANY OF PITTSBURGH, PA

DECLARATION REGARDING SIGNATURES

I, Sherman C. Lee, declare under penalty of perjury that I obtained concurrence to file this document from counsel for defendants.

/s/ Sherman C. Lee
Sherman C. Lee

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ORDER

January 20, 2009.

This action is stayed until ~~January 20, 2009.~~ [^] further order from the Court. Counsel shall submit a further joint status report to the Court no later than February 3, 2009. The further case management conference set for December 16, 2008, is continued to February 10, 2009, at 10:00 a.m.

Dated: December 11, 2008

THE HONORABLE ELIZABETH D. LAPORTE

