

# GRASSO LAW

P.C.

GARY GRASSO  
630.654.4500  
ggrasso@grassolaw.com

105 EAST FIRST STREET  
SUITE 101  
HINSDALE, ILLINOIS 60521  
TEL: 630.654.4500  
FAX: 630.455.4646

November 26, 2003

*Via Fax [212-530.3619] and Mail*  
Thomas Kober, Esq.  
The Home Insurance Company-in-Liquidation  
39 Maiden Lane  
New York, New York 10038

RE: *The Home Insurance Company v. Barry L. Kroll and Williams and  
Montgomery, Ltd., 5-01-0895 / 97 L 1101*

Dear Mr. Kober:

This letter confirms our telephone conversations yesterday afternoon and today during which you and I agreed in principle to settle this matter for Seven Million, Five Hundred Thousand Dollars (\$7,500,000), subject to the following terms and conditions:

1. Plaintiff, defendants and Great American will cooperate in immediately requesting, by written motion if necessary, that the Illinois Supreme Court reserve ruling on the pending Petition for Leave to Appeal.
2. Settlement is not contingent upon the result either of the foregoing motion or of the Petition for Leave to Appeal.
3. Great American and The Home will use their respective best efforts to get the necessary orders and pertinent documents drafted, executed and approved by the New Hampshire Superior Court, Merrimack County and the Liquidator.
4. Great American will use its best efforts to deliver the settlement draft, payable to The Home and its attorneys, by December 5, 2003 to Gary Grasso, as escrow agent for the settling parties, who will then deliver it forthwith by Fed Ex to Tom Kober for The Home upon Grasso receiving satisfactory evidence that the New Hampshire Superior Court, Merrimack County has approved the settlement, all procedures required by the Liquidator have been met, and all rights to appeal the court's approval order have expired or been waived.
5. A releasing agreement from The Home in favor of the W&M defendants.

Tom Kober, Esq.  
November 26, 2003

I understand from you that the Liquidator, or her deputy, already has approved the settlement amount of \$7.5 million, and will recommend it to the New Hampshire Superior Court, Merrimack County.

I further understand that you immediately will inform The Home's counsel, James Mendillo, Esq., of these matters so that he and Michael Reagan, Esq. for the defendants can jointly file the appropriate documents with the Illinois Supreme Court to stay its proceedings, and also file the necessary documents to vacate the judgment in the captioned case per Illinois rules.

Please contact me immediately if this letter does not comport with your understanding.

Respectfully,



Gary Grasso

C: C. Barry Montgomery, Esq.  
Barry Kroll, Esq.  
Michael Reagan, Esq.  
Steven Couch, Esq.