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January 26, 2005



BY E-MAIL (PDF)

Gary S. Lee, Esq.  
Lovells  
900 Third Avenue  
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Re: In The Matter Of The Liquidation Of The Home Insurance Company

Dear Gary:

We write in response to your January 7, 2005 letter.

We acknowledge your disagreement with us regarding issues of jurisdiction and the propriety of your documents requests, as well as your reservation of rights. Please confirm, however, that your reservation of rights does not extend to the positions set forth in paragraph 4 of our December 28 letter. We do not want to be in a position where we voluntarily produce materials within the scope of paragraph 2 of our letter, only to have your client seek to compel the production of the materials identified in paragraph 4.

With respect to paragraph 2 of our prior letter, we are not certain that we understand what confirmation you seek. As stated in that letter, we will produce all documents reflecting communications with the Liquidator or Joint Provisional Liquidators concerning (1) the Agreement and (2) the topics identified in paragraph 2, but we will not produce documents concerning the topics set forth in paragraph 4. Please advise if there is some aspect of your document request that you believe we have overlooked.

We will not produce internal communications and communications between and among the AFIA cedents. Such communications are irrelevant to an evaluation of the necessity, fairness and reasonableness of the Agreement, which was negotiated at arms-length between the AFIA cedents and the Liquidator. In addition, the documents sought are privileged (both as work-product and, to the extent they include legal advice, attorney-client communications). The liquidation proceeding provides the necessary

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predicate for invocation of the work-product privilege, as does the fact that the communications were made in connection with the settlement of disputes between the AFIA cedents and the Liquidator. In all events, disclosure of confidential thoughts regarding the negotiations with the Liquidator would be oppressive. Communications between the AFIA cedents also are protected by a common interest privilege.

Regarding a potential deposition of Mr. Williams, he would be available at a mutually agreeable time and place, but his testimony would be subject to the same limitations that are set forth in our December 28 letter with respect to document production.

Sincerely,



Jack B. Gordon

cc: Ronald L. Snow, Esq.