

**THE STATE OF NEW HAMPSHIRE**

**MERRIMACK, SS**

**SUPERIOR COURT**

**Docket No. 03-E-0106  
In the Matter of the Liquidation of  
The Home Insurance Company**

**AFFIDAVIT OF PETER A. BENGELSDORF IN SUPPORT OF  
APPROVAL OF SETTLEMENT AGREEMENT WITH LUCENT  
TECHNOLOGIES, INC.**

I, Peter A. Bengelsdorf, hereby depose and say:

1. I was appointed as Special Deputy Liquidator of The Home Insurance Company (“Home”) by the Insurance Commissioner of the State of New Hampshire, acting as liquidator of Home (“Liquidator”), effective June 11, 2003. I submit this affidavit in support of the Liquidator’s motion for approval of a Settlement Agreement and Mutual Release (“Settlement Agreement”) with claimant Lucent Technologies, Inc. (“Lucent”). The facts and information set forth in this affidavit are either within my own knowledge gained through my involvement with this matter, in which case I confirm that they are true, or are based on information provided to me by others, in which case they are true to the best of my knowledge, information and belief.

2. Home issued insurance policies to American Telephone & Telegraph Company (“AT&T”) for various periods. AT&T asserted environmental claims under its policies, and in July 1994 AT&T and Home agreed to a Settlement Agreement and Release (“The 1994 Agreement”) concerning coverage with respect to certain environmental claims.

3. In 1995, AT&T announced a plan to spin off Lucent from AT&T, and that plan was subsequently formalized pursuant to “The Separation and Distribution Agreement” by and among AT&T, Lucent and NCR Corporation, originally entered on February 1, 1996, and amended and restated on March 29, 1996.

4. All rights and obligations under the 1994 Agreement were assigned by AT&T to Lucent, and Home accepted the assignment pursuant to a letter agreement executed by Home on April 2, 1996.

5. Lucent filed thirty timely proofs of claim (Nos. INSU701948, INSU701949, and INSU701951 through INSU701978) in the Home liquidation. The proofs of claim seek payment of amounts due or to become due under The 1994 Agreement.

6. The Liquidator and Lucent have reached an agreement to resolve the Lucent proofs of claim and all matters relating to The 1994 Agreement. The agreement is reflected in the Settlement Agreement. A copy of the Settlement Agreement is attached as Exhibit A to the motion. It is subject to approval by the Court. Settlement Agreement ¶ 1.

7. The Settlement Agreement provides that the Liquidator will recommend allowance of Lucent's proofs of claim in the aggregate amount of \$9,737,517 as a Class II claim under RSA 402-C:44. Settlement Agreement ¶ 2(A). Allowance of the recommended amount as a Class II claim will fully and finally resolve the Lucent proofs of claim. *Id.* ¶ 2(B). Distributions based on that allowance will be made to Lucent at the same intervals and at the same percentages as distributions to other Class II creditors of Home. *Id.* ¶ 2(C).

8. The Settlement Agreement is intended to resolve the Lucent proofs of claim and all matters relating to rights Lucent may have in the AT&T policies under The 1994 Agreement. See Settlement Agreement ¶¶2(B), 5. To that end, the Settlement Agreement provides for mutual releases of all claims between Home and Lucent arising from The 1994 Agreement or claims released in The 1994 Agreement. *Id.* ¶¶ 3-4. AT&T has filed proofs of claim asserting claims under policies issued by Home to AT&T for matters outside The 1994 Agreement. Those claims by AT&T are not affected by the Settlement Agreement with Lucent.

9. The Liquidator's review of proofs of claim has not identified any third party claimant proofs of claim asserting claims against Lucent regarding Lucent's rights under the 1994 Agreement. However, in resolving all matters relating to The 1994 Agreement, the Settlement Agreement contemplates denial of any such third party claimants' claims without prejudice. Accordingly, Lucent acknowledges in the Settlement Agreement that it is intended to resolve all such matters, including asserted rights of third party claimants. Settlement Agreement ¶ 5. Lucent agrees to address, at its sole cost, the claims of claimants against Lucent as if there had been no liquidation proceeding for Home and as if Lucent had no insurance coverage from Home. Id. Lucent agrees to indemnify the Liquidator and Home against claims arising from rights Lucent may have in the AT&T policies under The 1994 Agreement. Id.

10. The Liquidator has negotiated the Settlement Agreement in compromise of Lucent's claims asserted on its proofs of claim and now recommends approval of the Settlement Agreement and allowance of the \$9,737,517 settlement amount as a Class II claim in accordance with RSA 402-C:45. The recommended settlement amount is an agreed aggregate amount based on evaluation and negotiation of obligations under The 1994 Agreement, which reflects resolution of coverage issues and assessment of the underlying environmental claims. I believe that the settlement amount recommended is fair and reasonable and that the priority class recommended is proper under RSA 402-C:44.

11. I believe that the Settlement Agreement is fair and reasonable and in the best interests of the policyholders and creditors of Home.

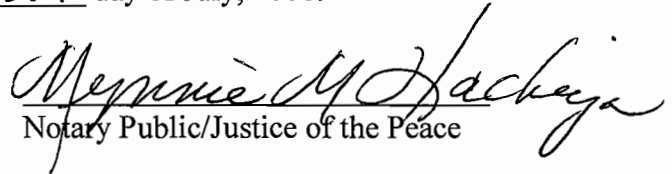
Signed under the penalties of perjury this 24<sup>TH</sup> day of July, 2006.



Peter A. Bengelsdorf  
Special Deputy Liquidator of  
The Home Insurance Company

STATE OF CALIFORNIA  
COUNTY OF VENTURA

Subscribed and sworn to, before me, this 24 day of July, 2006.



Mynnie M. Hachiya  
Notary Public/Justice of the Peace

