

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, SPECIAL DEPUTY LIQUIDATOR,
IN SUPPORT OF MOTION FOR APPROVAL OF SETTLEMENT AGREEMENT
WITH MONTROSE**

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

1. I was appointed Special Deputy Liquidator of the Home Insurance Company (“Home”), by the Insurance Commissioner for the State of New Hampshire, as Liquidator (“Liquidator”) of Home. I submit this affidavit in support of the Liquidator’s Motion for Approval of Settlement Agreement with Montrose. The facts and information set forth 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. The motion seeks approval for the Settlement Agreement and Mutual Release (“Settlement Agreement”) between Montrose Chemical Corporation of California (“Montrose”) and the Liquidator. The Settlement Agreement was negotiated under my supervision. A copy of the Settlement Agreement is attached as Exhibit A to the Liquidator’s motion.

3. Home issued 17 insurance policies to Stauffer Chemical Company (“Stauffer”) for certain policy periods between 1967 and 1980, under which Montrose asserts rights as an insured or as an additional insured. After Home was placed in liquidation, Montrose filed proofs of claim. The proofs of claim seek coverage under the policies for environmental clean up costs and damages.

4. The Liquidator and Montrose have negotiated a Settlement Agreement reflecting a resolution of the proofs of claim under the policies. The Settlement Agreement is subject to approval by the Court. Settlement Agreement ¶ 1.

5. The Settlement Agreement provides that the Liquidator will recommend allowance of Montrose's proofs of claim in the aggregate amount of \$15,000,000 (the "Settlement Amount") as a Class II priority 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 Montrose's proofs of claim insofar as they relate to environmental claims (as defined in the fourth Whereas clause of the Settlement Agreement). *Id.* ¶ 2(B). Distributions based on that allowance will be made at the same intervals and at the same percentages as distributions to other Class II creditors of Home. *Id.* ¶ 2(C).

6. The Settlement Agreement is intended to resolve Montrose's proofs of claim insofar as they relate to environmental claims under the policies, including claims asserted in Montrose Chemical Corporation of California v. Canadian Universal Insurance Company, Case No. BC 055158 (Los Angeles Superior Court). Settlement Agreement ¶¶ 2(B) and 3(A). To that end, the Settlement Agreement provides for mutual releases of all claims under the policies or proofs of claim between Home and Montrose as respects environmental claims and dismissal of claims against Home in the action. *Id.* ¶¶ 3 and 4. The Liquidator agrees not to pursue any claims respecting the Settlement Amount against other insurers, and Montrose agrees to use reasonable commercial efforts to obtain a comparable agreement as part of any settlement with other insurers involving environmental claims to which the proofs of claim relate. *Id.* ¶ 5.

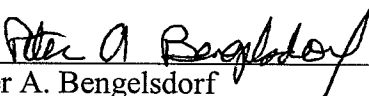
7. Two Montrose affiliates, Stauffer and Stauffer Management Company ("SMC"), have also asserted environmental claims under the policies by filing proofs of claim, which

remain pending. (Relying on available information, the Liquidator does not expect the asserted Stauffer and SMC claims to overlap with the damages supporting the allowance given Montrose.) The Liquidator is not aware of any other claimant or third-party claimant asserting environmental claims under the policies, although two non-specific proofs of claim might permit such claims. Settlement Agreement ¶ 5. In resolving the environmental claims relating to the proof of claim and the policies, the Settlement Agreement acknowledges that third parties could pursue claims under the policies relating to the same environmental claims. Montrose agrees that any amounts allowed in the liquidation arising from such claims (except Stauffer and SMC) will ratably reduce the Settlement Amount as respects amounts not yet distributed to Montrose. Id. Montrose further agrees to cooperate with the Liquidator in defending any such claims (including any claims of Stauffer and SMC in the event they overlap with the damage items claimed by Montrose), and the Liquidator agrees to reimburse Montrose for reasonable third party costs it incurs in cooperating with the Liquidator. Id.

8. The Settlement Agreement reflects a compromise of the claims asserted in Montrose's proofs of claim. It is the result of negotiations involving Home's Claims Department, under my supervision, which has extensive experience in assessing the exposure presented by environmental claims under Home's insurance policies. The agreed settlement amount is based on careful evaluation and negotiation of coverage obligations under Home's policies respecting the underlying liabilities of Montrose. The Liquidator accordingly recommends approval of the Settlement Agreement and allowance of the \$15,000,000 settlement amount as a Class II claim in accordance with RSA 402-C:45 and RSA 402-C:44.

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

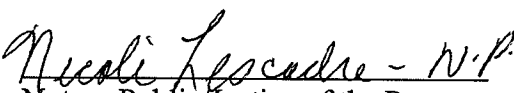
Signed under the penalties of perjury this 12TH day of September, 2008.



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

STATE OF NEW HAMPSHIRE
HILLSBOROUGH COUNTY

Subscribed and sworn to, before me, this 12th day of September, 2008.



Notary Public/Justice of the Peace

NICOLE LESCADRE, Notary Public
My Commission Expires October 31, 2012