

Dear Ms. Holton,

In reply to Mr. Kober's written submission dated February 3, 2006. I am writing you to continue disputing Mr. Kober's findings regarding my claim total of \$216,148. I want the liquidator to use his broad powers to ensure that a portion of the \$767 million dollars that The Home Insurance Company in liquidation has collected so far are used, to pay claims for the permanently disabled employees. With regards to benefits, The Home/REM realized they had! a responsibility to permanently disabled employees like me when they continued to offer medical benefits until 2003. That is why I am requesting a portion of The Home's liquidated assets be set aside for distribution to permanently disabled employees. I find it difficult to understand that any company should be allowed to walk away from their responsibilities to permanently disabled employees. This is clearly a violation of ERISA.

With regards to Mr. Kober's statement that I did not give proof of malfeasance by Home senior management. The Home Senior management clearly violated their fiduciary responsibilities to their stockholders and employees. I will list some major incidents of malfeasance that are part of both public and corporate records.

- Soon after I joined the company in December of 1988, Home senior management requested an efficiency study by Coopers & Lybrand. They recommended that 20% of the workforce at the Home be eliminated. The Home senior management accordingly instituted the first major layoff in company history based on the consultant's recommendation. George Schafenberger: Chairmen of the board took a 4.5 million dollar bonus and bought a corporate jet. Since Mr. Schafenberger had already been chairman of the board for fifteen years I found it shocking that the board of directors rewarded him with a bonus instead of censuring/firing him because this overstaffing clearly occurred on his watch.
- The Home senior management then embarked on an acquisition campaign in order to become a financial services company. Home senior management created an umbrella corporation named AMbase that included the Home Insurance Company, Carteret Savings (purchase price \$264 million), and Gruntal Stock Brokers (purchase price \$60 million). This was a catastrophe. Carteret Savings failed during the Savings and Loan crisis and they lost the entire purchase price, and Gruntal couldn't be sold for any price.
- Home/AMbase senior management sold the company headquarters building at 59 Maiden Lane, NYC to Olympia & York for \$195 million dollars even though the building was recently appraised for 75 to 85 million dollars. Senior management signed a long-term lease, which started at \$55 dollars a square foot and escalated to \$99 dollars a square foot when the lease expired in December of 1999. This was the first corporation that I worked for where the first line item in the annual budget was rent instead of salaries and benefits. At the time I could have bought premium office space in the Wall Street Maiden Lane area for approximately \$28 to \$30 a square foot and had it furnished for another \$2 a square foot. Home senior management rewarded themselves with bonuses (Chairman: George Schafenberger \$35 million, President: Marshall Manley \$14 million, etc.)
- Two months before the Home was sold to a Swedish company, we reported losses of \$110 million dollars and the Home senior management declared themselves a special bonus totaling \$9 million. The resolution trust who was overseeing the dissolving of Carteret Savings, declared that the Home senior management were enriching themselves at the expense of the stockholders. About the time I left on disability I understood that the Home senior management was going to be indicted and the resolution trust was attempting to get the \$9 million dollars back.

The above is just a few instances of how Home senior management and the board of directors mismanaged the company and enriched themselves at the expense of the stockholders and employees. At that time AMbase stock was worth less than \$1 dollar a share, down from \$7 or \$8 dollars a share.

John J. Demko PRO SAE