

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 APPROVAL
OF SETTLEMENT AGREEMENT WITH AEROMOTIVE**

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

1. I was appointed Special Deputy Liquidator of The Home Insurance Company ("Home"), by the Commissioner of Insurance 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 and Mutual Release ("Settlement Agreement") Aeromotive Company and Aeromotive Manufacturing Company ("Aeromotive") and the Liquidator. 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. Home issued four insurance policies under which Aeromotive is a named insured for policy periods between July 1, 1978 and July 1, 1982. Upon Home's placement in liquidation, Aeromotive filed two proofs of claim in the Home liquidation regarding these policies. The proofs of claim seek coverage under the policies for liabilities Aeromotive has incurred for environmental clean up costs and damages.

3. The Liquidator and Aeromotive have reached an agreement to resolve the proofs of claim and all matters under the policies, which is reflected in the Settlement Agreement attached as Exhibit A. It is subject to approval by the Court. Settlement Agreement at fourth Whereas clause and ¶ 1.

4. The Settlement Agreement provides that the Liquidator will recommend allowance of Aeromotive's proofs of claim in the aggregate amount of \$202,206 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 Aeromotive's proofs of claim and all claims under the policies. 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).

5. The Settlement Agreement is intended to resolve Aeromotive's proofs of claim and all matters relating to the policies. See Settlement Agreement at fourth Whereas clause, ¶¶ 2(B), 5. To that end, the Settlement Agreement provides for mutual releases of all claims between Home and Aeromotive arising from or related to proofs of claim or the policies. Id. ¶¶ 3, 4.

6. The Liquidator is not aware of any third party claimants asserting claims under the policies regarding Aeromotive. However, in resolving all matters relating to the proofs of claim and the policies, the Settlement Agreement contemplates denial of any third party claimants' claims in the Home liquidation without prejudice to their claims against Aeromotive. Accordingly, Aeromotive acknowledges in the Settlement Agreement that it is intended to resolve all matters between Aeromotive and the Liquidator/Home relating to the policies and proofs of claim, including asserted rights of third party claimants. Settlement Agreement ¶ 5.

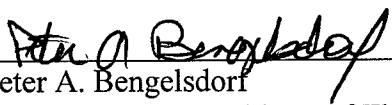
Aeromotive agrees to address, at its sole cost, the claims of claimants against Aeromotive as if Aeromotive had no insurance coverage from Home under the policies. Id. Aeromotive agrees to indemnify the Liquidator and Home against claims arising from the policies up to the distribution it receives on the allowed amount. Id.

7. The denial of any third party claimants' proofs of claim without prejudice to their claims against Aeromotive will not harm any third party claimants, who will continue to have their full claims against Aeromotive. As noted above, Aeromotive has agreed to address these claims as if it had no insurance coverage from Home under the policies. Settlement Agreement ¶ 5. Third party claimants' proofs of claim against the insolvent Home, if not denied with this agreement, would release Aeromotive from those claims up to the limits of the policies but only entitle the third party claimants (assuming their claims are allowed) to a presently undetermined percentage distribution at the future date when a distribution is made. It is not expected that the allowed claims of any third party claimants (or other Class II creditors) will be paid in full. Under the Settlement Agreement, Aeromotive will continue to be fully responsible for any third party claimants' claims against it. See Settlement Agreement ¶ 5.

8. The Settlement Agreement reflects a compromise of the claims asserted in the Aeromotive'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 clean up 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 claims against Aeromotive. The Liquidator accordingly recommends approval of the Settlement Agreement and allowance of the \$202,206 settlement amount as a Class II claim in accordance with RSA 402-C:45 and RSA 402-C:44.

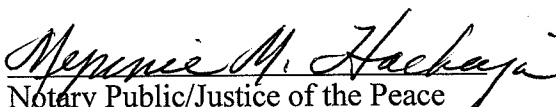
9. I believe that the Settlement Agreement is fair and reasonable and in the best interests of the policyholders and other creditors of Home.

Signed under the penalties of perjury this 24TH day of May, 2007.


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 May, 2007


Myinnie M. Hachiya
Notary Public/Justice of the Peace

