

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 WTM I COMPANY**

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 WTM I Company. 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 WTM I Company (the “Company”) and the Liquidator. The Company is a Chapter 11 debtor and debtor-in-possession in the United State Bankruptcy Court for the Eastern District of Virginia (the “Bankruptcy Court”). Settlement Agreement, fifth Whereas clause. 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 eleven insurance policies to Philip Morris, Inc. (“PMI”), under which the Company is a named insured, for policy periods between January 1, 1977 and January 1, 1986. Settlement Agreement, first Whereas clause. Upon Home’s placement in liquidation, the Company filed a proof of claim in the Home liquidation regarding claims under the policies, including but not limited to a claim for coverage of an environmental property damage claim. See Settlement Agreement, third Whereas clause. (The proof of claim, together with any other proof of claim by the Company are the “proofs of claim.”)

4. The Liquidator and the Company have negotiated a Settlement Agreement reflecting a resolution of the proofs of claim. The Settlement Agreement is subject to authorization by the Bankruptcy Court and approval by the Court. Settlement Agreement ¶ 1. The Bankruptcy Court authorized the settlement on January 28, 2015. A copy of the Bankruptcy Court’s order is attached as Exhibit 1.

5. The Settlement Agreement provides that the Liquidator will recommend allowance of the proofs of claim in the aggregate amount of \$1,260,000 as a Class II priority claim of the Company 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 proofs of claim. 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 the proofs of claim and all claims the Company has under the policies. Settlement Agreement, fourth Whereas clause, ¶2(B). To that end, the Settlement Agreement provides for mutual releases of all claims among the Liquidator, Home and the Company arising from or related to the proofs of claim or the policies. Id. ¶¶ 3, 4. The Liquidator also agrees not to pursue claims against the Company’s

other insurers that agree not to pursue such claims against Home, and the Company agrees to use reasonable efforts to obtain such agreements in connection with settlements with other insurers.

Id. ¶ 8. The Settlement Agreement and the releases therein do not in any way affect any rights or claims of PMI. Id. ¶ 6.

7. The Liquidator is not aware of any unresolved proofs of claim that have been submitted in relation to the policies and the Company. Settlement Agreement, ¶ 7. However, in resolving all matters relating to the proofs of claim, the Settlement Agreement contemplates denial of any third party claimants' claims in the Home liquidation without prejudice to their claims against the Company. Accordingly, the Company agrees to address, at its sole cost, the claims of claimants against the Company as if the Company had no insurance coverage from Home under the policies. The Company also agrees to indemnify and hold the Liquidator and Home harmless from all claims arising from or relating to the policies, including asserted rights of third party claimants, up to the amount ultimately distributed or distributable to the Company. Id.


8. The denial of any third party claimants' proofs of claim without prejudice to their claims against the Company will not harm the third party claimants, who will continue to have their claims against the Company, subject to the Company's bankruptcy plan. As noted above, the Company has agreed to address these claims as if it had no insurance coverage from Home under the policies. Settlement Agreement ¶ 7. Third party claimants' proofs of claim against the insolvent Home, if not denied with this agreement, would release the Company from those claims up to the limits of the policies but only entitle the third party claimants (assuming their claims were allowed) to the 15% interim distribution and any later distribution at a presently undetermined percentage at the future date when 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, the Company will continue to be responsible for any third party claimants' claims against it in accordance with the terms of the Company's bankruptcy plan. See, id.

9. The Settlement Agreement reflects a compromise of the claims asserted in the proof of claim. It is the result of negotiations involving the Claims Department, under my supervision, which has extensive experience in assessing the exposure presented by environmental property damage claims under Home's insurance policies. The agreed recommended settlement amount is based on careful evaluation and negotiation of coverage obligations under Home's policies respecting the underlying liabilities of the Company. The Liquidator accordingly recommends approval of the Settlement Agreement and allowance of the \$1,260,000 recommended amount as a Class II claim of the Company in accordance with RSA 402-C:45 and RSA 402-C:44.

10. 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 11TH day of February, 2015.



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

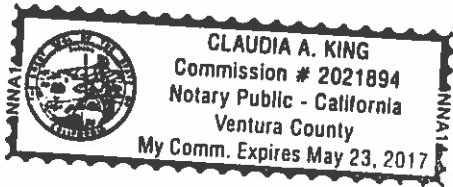
A notary public or other officer completing this certificate verifies only the identity of the individual who signed the document to which this certificate is attached and not the truthfulness, accuracy or validity of that document.

STATE OF CALIFORNIA
COUNTY OF VENTURA

On February 11TH, 2015 before me, CLAUDIA A. KING - NOTARY Public, personally appeared Peter A. Bengelsdorf, Special Deputy Liquidator of The Home Insurance Company, who proved to me on the basis of satisfactory evidence to be the person whose name is subscribed to the within instrument and acknowledged to me that he executed the same in his authorized capacity, and that by his signature on the instrument the person, or the entity upon behalf of which the person acted, executed the instrument.

I certify under PENALTY OF PERJURY under the laws of the State of California that the foregoing paragraph is true and correct.

WITNESS my hand and official seal.



Signature *Claudia A. King*
Signature of Notary Public

IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

In re:) Case No. 08-36642-KLP
)
CANAL CORPORATION, et al.,) Chapter 11
)
Debtors.¹) (Jointly Administered)

ORDER AUTHORIZING WTM I COMPANY TO ENTER INTO SETTLEMENT AGREEMENT WITH THE HOME INSURANCE COMPANY

This matter coming before the Court on WTM's *Motion For Entry Of An Order Authorizing WTM I Company to Enter Into Settlement Agreement with The Home Insurance Company* (the "Motion") filed by debtor-in-possession WTM I Company ("WTM"); the Court (a) having reviewed the Motion and all responses and other parties relating thereto and (b) having heard the statements of counsel regarding the relief requested in the Motion at a hearing before the Court (the "Hearing"); the Court finding that (a) the Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157 and 1334; (b) this is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); (c) the Settlement Agreement and Mutual Release (the "Settlement Agreement") between WTM, on the one hand, and Roger A. Sevigny, Insurance Commissioner of the State of New Hampshire, solely in his capacity as Liquidator ("Liquidator") of The Home Insurance

¹ The Debtors whose chapter 11 cases have not been closed and the last four digits of their respective taxpayer identification numbers are as follows: Canal Corporation (f/k/a Chesapeake Corporation (6880), Canal NC Company (f/k/a Chesapeake Printing and Packaging Company) (9208), Canal NY Company, Inc. (f/k/a Chesapeake Pharmaceutical Packaging Company, Inc.) (0010), and WTM I Company (1080).

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*Attorneys for Debtor WTM I Company and
the Remaining Plan Debtors*

Company (“Home”) is (i) fair and reasonable, (ii) a reasonable exercise of WTM’s sound business judgment, and (iii) in the best interests of WTM and its estate and creditors; (d) notice of the Motion and the Hearing (and the proposed order) was proper and adequate under the circumstances and no other or further notice is necessary; and (e) upon the record herein after due deliberation thereon, good and sufficient cause exists for the granting of the relief as set forth herein. Therefore,

IT IS HEREBY ORDERED THAT:

1. The Motion is **GRANTED**.
2. Pursuant to Bankruptcy Code section 105 and Bankruptcy Rule 9019, WTM is authorized to enter into and perform under the Settlement Agreement in all respects.
3. WTM is authorized to take all actions necessary to effectuate the Settlement Agreement and the relief granted pursuant to this Order.
4. In accordance with the Order Approving Procedures for Deposits Into and Withdrawals From a Certain Designated Bank Account (the “Initial Fox River Funds Order”) and the supplemental orders thereto, WTM shall deposit into the Fox River Defense Account (as used in the Initial Fox River Funds Order and the supplemental orders thereto) any distributions received on account of WTM’s claim against Home, and WTM shall use such funds in accordance with the Initial Fox River Funds Order, the supplemental orders thereto, and any other applicable further orders of this Court.

5. This Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Dated: Jan 28 2015, 2015
Richmond, Virginia

/s/ Keith L. Phillips
UNITED STATES BANKRUPTCY JUDGE

Entered on Docket: 1/29/2015

WE ASK FOR THIS:

/s/ Shannon E. Daily
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and the Remaining Plan Debtors*

CERTIFICATION OF ENDORSEMENT UNDER LOCAL RULE 9022-1(C)

I hereby certify that the foregoing proposed order has been endorsed by all necessary parties.

/s/ Shannon E. Daily

SERVICE LIST

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Counsel to the Liquidator

SERVICE LIST
Core Group and 2002 List

CreditorName	CreditorNoticeName	Address1	Address2	Address3
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Bank of NY Mellon	Donna J Parisi	6525 West Campus Oval		
Buchalter Nemer A Professional Corporation	Shawn M Christianson	55 Second St 17th Fl		
Christian & Barton LLP	Augustus C Epps Jr & Jennifer M McLemore	909 E Main St Ste 1200		
Clifford Paper Inc	Brian OSullivan & Michael Policatti	600 E Crescent Ave		
Crowell & Moring LLP	Mark D Plevin & David W O'Brien & Tacie H Yoon			
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		Senior Trial Counsel Bankruptcy Office of Reorganization	3475 Lenox Road NE	Atlanta Office S

SERVICE LIST
Core Group and 2002 List

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