

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**

Docket No. 03-E-0112

**In the Matter of the Liquidation of
US International Reinsurance Company**

LIQUIDATOR'S NINETEENTH REPORT

I, Roger A. Sevigny, Insurance Commissioner for the State of New Hampshire, as Liquidator ("Liquidator") of The Home Insurance Company ("Home") and US International Reinsurance Company ("USI Re") (collectively, the "Companies"), hereby submit this nineteenth report on the liquidations of the Companies, as of December 12, 2005, in accordance with RSA 402-C:25 and the Order Concerning Liquidator's Reports issued January 19, 2005.

1. Proofs of claim. The claim filing deadline in the Home and USI Re liquidations was June 13, 2004. The Liquidator has received a total of 132 new proofs of claim (129 for Home and 3 for USI Re) between the last Liquidator's report and November 25, 2005, so the proofs of claim submitted now total 18,888 (18,686 for Home and 202 for USI Re). These numbers include as a single proof of claim (a) multiple proofs received from a claimant that appear to assert the same claim, and (b) claims filed on behalf of mass tort claimants against a single insured. It is difficult to summarize the proofs of claim in advance of the claim determination process because (a) the proofs of claim that quantify the claim may be overstated

or understated, (b) most proofs of claim do not quantify the amount claimed, and (c) an individual proof of claim may involve many different claims and claimants.

2. Claim determinations and reports. The process of determining proofs of claims continues. Since the last Liquidator's report, the Liquidator has issued partial or final notices of determination addressing 258 proofs of claim for Home pursuant to the Restated and Revised Order Establishing Procedures Regarding Claims entered January 19, 2005, so that as of November 25, 2005, the notices of determination issued have addressed 1192 proofs of claim (1165 for Home and 17 for USI Re). Thirty claimants have filed requests for review and twenty five of these have been sent notices of redetermination. Nine claimants have filed objections with the Court, and the resulting disputed claims proceedings are now pending before the Referee. The Liquidator continues to file report of claims and recommendations when a sufficient number of the claims have passed the 60 day period for objections. Since the last Liquidator's report, the Liquidator submitted four further reports of claims and recommendations, and the Court entered orders on those reports on October 3, 2005, November 14, 2005, and December 9, 2005. The Liquidator has now presented and the Court has approved claims recommendations for a total of 913 claims (895 for Home and 18 for USI Re) involving a total allowed amount of \$78,173,305.78.

3. Financial reports. Copies of the unaudited September 30, 2005 financial statements for Home and USI Re are attached as Exhibits A and B to this report. The September 30, 2005 Home statements reflect \$704,425,421 in assets under the Liquidator's direct control, and \$100,777,801 in collections and other receipts and \$21,353,870 in operating disbursements of the liquidation since January 1, 2005. The September 30, 2005 USI Re statements reflect \$2,570,078 in assets under the Liquidator's direct control, and \$531,742 in

collections and other receipts and \$1,587,642 in operating disbursements of the liquidation since January 1, 2005.

4. 2005 Budget. A comparison of the actual and budgeted general and administrative expenses, on an incurred basis, through September 30, 2005 is attached as Exhibit C. As of September 30, 2005, actual expenses were below budget by approximately \$1,449,719 or 7.3%, with favorable variances in nearly all categories. The favorable variance is expected to be reduced to \$609,714 by year end. In the fourth quarter, the liquidation is expected to incur additional legal costs regarding AFIA, as well as costs associated with the termination of the lease for the basement at 59 Maiden Lane and establishment of the liquidation's own disaster recovery site that will result in savings in 2006 and future periods.

5. 2006 Budget. The 2006 budget is attached as Exhibit D. The 2006 budget is \$621,153 less than expected 2005 actual costs, and \$1,230,867 less than the budget for 2005. The expected actual for 2005 is \$609,714 less than the 2005 budget. During 2005, the liquidation reduced staff from 90 to the current level of 88. The 2006 budget anticipates a slight reduction from the current level. To provide context regarding the budget for 2006, a chart of comparisons among this liquidation and two other significant property casualty liquidations is provided as Exhibit E.¹

6. Investment update. A summary of the Companies' holdings of bonds and short-term investments as of September 30, 2005 is attached as Exhibit F. The book value of Home's

¹ Exhibit E compares the Home liquidation to two other liquidations, Reliance Insurance Company (insolvent 2002-Pennsylvania) and Transit Casualty Company (insolvent 1985-Missouri). As background, Home stopped writing business in 1995 and ran off its business for seven years before being declared insolvent. Reliance and Transit went directly into insolvency proceedings. However, Transit did not begin its reinsurance billings until the fourth full year of operations, so the Exhibit uses Transit's 7th year of insolvency for comparison to Home's third year of insolvency. As such, the stage of liquidation operations and amount of liabilities and performance of each company on the schedule are different and can be explained.

bonds and short-term investments at September 30, 2005, was approximately \$693 million compared to the market value of approximately \$686 million, an unrealized loss of \$7 million due to a rise in market rates for the quarter. Home maintains significant amounts of highly liquid investments to avoid realizing losses resulting from market fluctuations. Home and USI Re also continued to maintain approximately \$90 million and \$400,000, respectively, book value of Treasury bill investments outside of Conning Asset Management's control. These assets will be used to fund operating requirements and the anticipated second early access distribution.

7. Repatriation of Canadian Branch assets. As noted in the Liquidator's Seventeenth Report, the Liquidator received \$12 million from the Provisional Liquidator of Home's Canadian Branch on February 20, 2005. On November 18, 2005 the Liquidator received an additional \$10 million from the Provisional Liquidator of Home's Canadian Branch. The Provisional Liquidator of Home's Canadian Branch presently holds approximately \$9.5 million at current exchange rates. At this time there is only one remaining claim pending in the Canadian estate, in the claimed amount of Can \$525,000, although the issue of the Canadian Branch's tax obligations remains open.

8. Early Access Distributions to Guaranty Funds. As described in the Liquidator's Seventeenth Report, the Liquidator made an early access distribution to guaranty funds in early 2005 after obtaining approval from the Court and a release agreement from the United States. That distribution was in an amount equal to 100% of guaranty fund loss and loss adjustment expense payments from the inception of this proceeding through June 30, 2004. The Liquidator filed a motion for approval of a second early access distribution based on guaranty fund payments through September 30, 2005 reported to the Liquidator as of November 15, 2005 in the amount of \$63,105,388.13. Like the first early access distribution, this distribution will be

conditioned upon the Liquidator obtaining a waiver of claims under the federal priority statute from the United States, and it is subject to deductions to reflect deposits retained by certain states. The Court approved the second early access distribution by order issued December 9, 2005. It is expected that the distribution after these deductions will be approximately \$50 million.

9. AFIA. On September 22, 2005, the Court issued its Order granting the Liquidator's motion for approval of the agreement with AFIA Cedents. On October 20 and 21, 2005, the ACE Companies and Benjamin Moore & Co. filed notices of appeal with the New Hampshire Supreme Court.² The Supreme Court recently issued a scheduling order directing that the ACE Companies' and Benjamin Moore's briefs are due on December 27, 2005, and the Liquidator's brief is due February 10, 2006. The ACE Companies moved for a stay of the September 22 Order pending appeal, and this Court issued an order on that motion on December 9, 2005. In light of the September 22 Order, the Joint Provisional Liquidators applied to the High Court of Justice in London, England, for sanction of the Scheme of Arrangement referred to in the agreement with AFIA Cedents. After a hearing at which the ACE Companies appeared, the English Court issued a Judgment sanctioning the Scheme of Arrangement on November 10, 2005. A copy of the Judgment is attached as Exhibit G. The Joint Provisional Liquidators have also applied for the Global Liquidation Order referred to in the agreement with AFIA Cedents, and a hearing in the English Court on that application is scheduled for December 16, 2005.

² Nationwide General Insurance Company filed a notice of appeal from the denial of its motion to intervene in the evidentiary hearing. On December 8, 2005, Nationwide filed a motion to withdraw the appeal.

10. Other Significant Litigation. As previously noted, the New Hampshire Supreme Court accepted the plaintiffs' appeal of the Court's decision in Gonya v. Sevigny, and the brief for the Commissioner and Liquidator was filed with the Supreme Court on August 31, 2005. The appeal is scheduled for argument on January 19, 2006. Defendant Utica Mutual has appealed to the New Hampshire Supreme Court from the Court's decision granting summary judgment in favor of the Liquidator in Sevigny v. Utica Mutual Insurance Company. The Liquidator filed his brief with the Supreme Court (No. 2005-0610) on December 5, 2005. The Liquidator has revised and re-filed a complaint in the premium collection litigation with Employers Insurance of Wausau in light of the decision of the United States Court of Appeals for the First Circuit. Sevigny v. Employers Ins. of Wausau, 411 F.3d 24 (1st Cir. 2005). Wausau removed the case to the United States District Court for the District of New Hampshire and the Liquidator filed a motion to remand that action to this Court, with briefing having been concluded on November 10, 2005. That motion is presently pending. The Liquidator has appealed to the Pennsylvania Supreme Court from the Commonwealth Court's adverse decision in the retaliatory tax appeal case concerning whether the value of New Jersey second injury fund assessments is required to be included in the City/Home's New Jersey basis for the computation of its Pennsylvania retaliatory tax for the years 1986, 1987 and 1988. The briefs have been filed with the Pennsylvania Supreme Court, and the appeal is awaiting argument.

11. Reinsurance commutations. In accordance with the Court's March 23, 2004 order, the Liquidator reports that a reinsurance commutation agreement was reached between Home and Alea Europe Limited. In addition, four reinsurance commutation agreements were reached by USI Re with Bothnia International Insurance Company Limited, FAI Reinsurances Pty Limited, Minster Insurance Company Limited and Willoughby Assurance Limited. These

agreements are discussed in the confidential appendix submitted with this report. The Liquidator of Home also reached agreement on a commutation with Allstate Insurance Company and filed a motion for approval of the agreements with Allstate and Citizens Bank. The Court issued an order approving the agreements on December 9, 2005. Discussions with other reinsurers of Home and USI Re are continuing.

12. Deposits. Liquidation staff has been seeking to collect deposits made by Home and USI Re with various states and have collected or resolved issues with most states. Since the Liquidator's last report, the Liquidator has entered into a Special Deposit Release Agreement with the New Mexico Superintendent of Insurance which will shortly be submitted to the Court for its approval. The Agreement provides for the release of the Special Deposit in New Mexico by USI Re to the Liquidator upon receipt of Court approval. The proceeds of the Special Deposit (approximately \$330,000 minus expenses) will be held in trust by the Liquidator and will be used to satisfy any claims of New Mexico claimants for whose benefit the special deposit was made.

13. Asset dispositions (including compromises) and assumptions of obligations. In accordance with paragraph 5 of the Order Establishing Procedures for Review of Certain Agreements to Assume Obligations or Dispose of Assets entered April 29, 2004, and paragraph 5 of the Liquidator's Eleventh Report, the Liquidator submits a confidential schedule of asset dispositions (including compromises) and obligation assumptions since the last report to be filed under seal as an appendix to this report.

14. Sale of City International Insurance Company. As mentioned in the Eighteenth Liquidator's Report, the Liquidator has had additional expressions of interest from several potential acquirers for City International Insurance Company ("City"), an English subsidiary of

USI Re. Several of these persons have now begun their due diligence of City. As mentioned in previous reports, the Liquidator is considering moving the USI Re liabilities to a liquidating trust and selling the shell of USI Re, and a sale of City would streamline USI Re's corporate structure. City recently completed a commutation with a large cedent. The commutation was approved by the English insurance regulator, the Financial Services Authority. The commutation improved City's surplus as carried at June 30, 2005, and reduced its overall liabilities as compared to amounts at June 30, 2005. The surplus now exceeds minimum capital and surplus required by the FSA as of December 30, 2006, which increases City's solvability. City's capital and surplus may change when reserves are reviewed at year-end.

15. U.S. Ancillary Proceedings. Ancillary proceedings for Home have been filed in Oregon, New York, Massachusetts, and New Mexico. Idaho recently filed an ancillary petition for Home and a hearing on the application is scheduled for December 22, 2005. There are no pending ancillary proceedings for USI Re as the Oregon proceeding was closed by order of the Circuit Court for Marion County, Oregon dated April 14, 2005.

16. 59 Maiden Lane Lease. The Liquidator negotiated and agreed with the landlord at 59 Maiden Lane in New York to vacate the basement space at 59 Maiden Lane (the operational headquarters of the liquidations) and to extend the lease to December 31, 2010 (with a further option). The Liquidator moved for approval of the resulting agreement, and on November 28, 2005, the Court approved the Second Partial Surrender and Extension of Term Agreement.

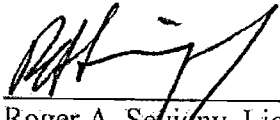
17. Information Technology. The new disaster recovery facility in Manchester, New Hampshire, has now been completed. On November 4, 2005, testing and certification of the disaster recovery facility were completed to confirm that all the systems currently running within

the New York data center could be recovered within 24 to 48 hours in case of a disaster at the New York data center. Having a built-in disaster recovery facility within its IT infrastructure, will avoid dependence on a vendor to receive access to its data center facility in case of a regional disaster. (The existing contract specifies 'first come, first served' scheme under which there could be a delay to a large number of disaster declarations by their clients in case of a regional disaster.) It will also avoid the cost associated with a disaster declaration and the daily usage charge of the vendor's computing and telecommunication resources (estimated at approximately \$230,000 per occurrence). It will also permit faster system recovery and business continuation, and save approximately \$960,000 over the next ten years by eliminating the need for a disaster recovery contract with an external vendor. The integrated disaster recovery facility in Manchester was completed ahead of schedule and realized a reduction of \$140,000 in capital expense budget for 2005.

18. Enhancements to the Notice of Determination (NOD) system are on-going to improve productivity and the quality and accuracy of the information being captured. Development of the Asset Distribution System (ADS) is progressing well and the system is expected to be in operation by the middle of 2006. In the interim, procedures are in place to permit the second early access distribution to the Guaranty Funds. The liquidation is making significant progress in reducing IT expenses and through various initiatives has saved approximately one million dollars from the 2005 IT budget.

19. 2006 Compensation Plan. The Liquidator has completed the review of the proposed 2006 Compensation Plans and expects to be filing a motion for approval of the plans with the Court in January 2006.

Respectfully submitted,



Roger A. Sevigny, Liquidator

December 15, 2005

Exhibits:

A – Financial Statement – Home

B – Financial Statement – USI Re

C - Comparison of the actual and budgeted general and administrative expenses through September 30, 2005

D - 2006 budget

E - Comparisons among Home, Reliance and Transit

F - Companies' holdings of bonds and short- term investments as of September 30, 2005

G – Judgment sanctioning Scheme of Arrangement

Confidential Appendix

THE HOME INSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

September 30, 2005 and December 31, 2004
(Unaudited)

The Home Insurance Company In Liquidation

Statement of Net Assets (Modified Cash Basis) (Unaudited)

	<u>September 30, 2005</u>	<u>December 31, 2004</u>
Assets		
Unrestricted bonds, short-term investments and cash at cost:		
Bonds (Note 2)	\$547,872,362	\$425,845,179
Short-term investments	90,247,890	90,609,091
Certificates of deposit	-	156,556
Cash and cash equivalents	64,629,428	88,031,228
Total unrestricted bonds, short-term investments and cash at cost	702,749,680	604,642,054
Common stocks, marketable, at market value (Note 2)	214,985	396,748
Interest income due and accrued	5,358,023	4,064,169
Total unrestricted liquid assets	708,322,688	609,102,971
Unrestricted illiquid assets: (Note 1)		
Surplus notes, at fair value	129,200	129,200
Common stocks, at fair value	1,910,285	14,000,000
Limited partnership interests, at fair value	2,679,098	3,497,773
Total unrestricted illiquid assets	4,718,583	17,626,973
Restricted liquid assets:		
Bonds, at cost (Note 2)	-	53,699,125
Cash and cash equivalents (Note 5)	542,328	848,689
Total restricted liquid assets	542,328	54,547,814
Fixed assets (net of accumulated depreciation of \$455,177 and \$270,708)	403,265	424,106
Receivable from US International Reinsurance Company (Note 4)	-	1,115,913
Total assets, excluding certain amounts	713,986,864	682,817,777
Liabilities		
Incurred but unpaid administrative expenses and investment expenses (Note 3)	4,316,330	5,608,065
Reserve related to real estate tax refund (Note 6)	5,245,113	5,245,113
Net assets, excluding certain amounts	<u>\$704,425,421</u>	<u>\$671,964,599</u>

See accompanying notes.

The Home Insurance Company in Liquidation

Statements of Receipts and Disbursements, and Changes in Cash, Bonds, Short-Term Investments and Cash Equivalents (Modified Cash Basis) (Unaudited)

	January 1, 2005 To September 30, 2005	January 1, 2004 To December 31, 2004
Cash receipts:		
Net investment income	\$ 20,626,908	\$ 13,303,931
Return of special deposits	19,862,425	2,070,071
Proceeds from sale of common stock (Note 1)	12,116,420	20,535,778
Repatriation of funds - Canadian branch (Note 7)	12,000,000	-
Salvage, subrogation and other claim recoveries	11,849,212	11,893,537
Reinsurance collections - unrestricted	5,849,635	99,926,205
Reinsurance collections - restricted	-	53,699,125
Receivable from Zurich	4,344,793	-
Proceeds from distribution by subsidiary (Note 1)	4,249,800	-
Proceeds from sale of certificates of deposit	4,180,000	4,696,926
Real estate tax refund (Note 6)	-	16,455,195
Agents' balances	3,794,536	8,792,572
Receivable collected from USI Re	1,464,909	1,968,778
Deposits with outside claim adjusters	-	1,277,774
Reimbursement of legal fees	-	483,160
Miscellaneous income	338,452	230,105
Proceeds from sale of bonds	-	225,000
Partial redemption of surplus notes	-	107,500
Sale of subsidiaries	-	30,483
Funds held - restricted	-	23,017
All other	100,710	1,216,656
Total cash receipts	100,777,801	236,935,813
Cash operating disbursements:		
Human resources costs (Note 3)	11,823,394	11,816,178
Losses and loss expenses paid (Note 1)	769,392	2,226,324
Consultant and outside service fees	2,489,671	3,489,852
General office and rent expense	2,181,577	3,308,640
Legal and audit fees	1,580,844	1,790,892
Administration costs	580,977	745,462
Computers and equipment cost	540,926	1,039,481
Investment expenses	526,925	13,642
Computer equipment - Disaster Recovery	236,447	-
Temporary services	233,854	300,352
Third party administrator payments	-	50,002
All other (Note 6)	389,864	1,251,844
Total cash operating disbursements	21,353,870	26,032,668
Excess of receipts over operating disbursements	79,423,930	210,903,145
Distributions to state guaranty associations (Note 8)	35,321,789	-
Net receipts over disbursements	44,102,141	210,903,145
Beginning cash and marketable securities, at cost	659,189,868	448,286,723
Ending cash and marketable securities, at cost	\$ 703,292,009	\$ 659,189,868

See accompanying notes.

The Home Insurance Company in Liquidation

Statement of Changes in Net Assets (Modified Cash Basis) (Unaudited)

	January 1, 2005 To <u>September 30, 2005</u>	January 1, 2004 To <u>December 31, 2004</u>
Net Assets, beginning of period	\$671,964,599	\$486,354,237
Excess of unrestricted and restricted receipts over operating disbursements	44,102,141	210,903,145
Other changes in net assets:		
Fair value of marketable common stocks, liquid	(181,763)	(18,313,679)
Fair value of surplus notes, illiquid	-	129,200
Fair value of common stocks, including stock sale, illiquid (Note 1)	(12,089,715)	(3,144,990)
Fair value of limited partnership interests, illiquid	(818,675)	3,410,488
Interest income due and accrued	1,293,854	2,674,165
Fixed assets	(20,841)	(68,230)
Due from USI Reinsurance	(1,115,913)	124,830
Incurred but unpaid administrative and investment expenses (Note 3)	1,291,734	(4,859,454)
Reserve related to real estate tax refund (Note 6)	-	(5,245,113)
Net Assets, end of period	<u>\$704,425,421</u>	<u>\$671,964,599</u>

See accompanying notes.

The Home Insurance Company in Liquidation (“Home”)
(Modified Cash Basis)
(Unaudited)

Notes to Financial Statements

September 30, 2005

1) Basis of Accounting

These financial statements are prepared using the modified cash basis of accounting which differs from accounting principles generally accepted in the United States. Only those assets that are within the possession of the Liquidator and other known amounts for which ultimate realization is expected to occur, primarily investments and cash, and certain receivables, are recorded. Liabilities that have been acknowledged by the Liquidator are prioritized into creditor classes in accordance with the New Hampshire statute establishing creditor classes in insurer insolvencies, RSA 402-C:44. Only incurred but unpaid Class I (Administration Costs) liabilities, which are in a creditor class superior to all other classes, are presented in these financial statements.

These financial statements do not record the amounts of certain assets such as outstanding receivables, reinsurance recoverables, securities on deposit with various states, funds held and claims against others, and certain liabilities, including insurance claims, as such amounts have not been settled and agreed to with third parties.

The amount shown for losses and loss expenses paid primarily represent (1) loss expenses for services rendered during the March 5, 2003 through June 10, 2003 rehabilitation period and accorded administrative expense priority by the rehabilitation order and liquidation order, and (2) checks issued for loss and loss expenses prior to June 11, 2003, which cleared after entry of the Home Liquidation Order.

Unrestricted illiquid assets represent investments in common stock and limited partnership interests which are not liquid since these are not publicly traded. In February 2005, Home consented to the voluntary dissolution of a subsidiary classified as an unrestricted illiquid common stock, and received \$4.2 million as part of the first distribution to shareholders. The carrying value was also decreased by \$4.2 million as a result of the distribution. Also, in June 2005 an investment in unrestricted, illiquid common stock with carrying value of \$7.9 million was sold for \$12.1 million.

This statement does not include any assets of Home’s branches outside of the United States; see Note 7 regarding repatriation of Canadian branch assets.

The Home Insurance Company in Liquidation ("Home")
(Modified Cash Basis)
(Unaudited)

Notes to Financial Statements (continued)

2) **Marketable Securities**

The carrying values and estimated fair values of marketable securities by major category are summarized as follows:

September 30, 2005				
Unrestricted Marketable Securities	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt Securities:				
U.S. Treasury notes	\$ 47,628,613	\$ 83,997	\$ (861,367)	\$ 46,851,243
Government agencies	165,191,525	12,087	(2,160,821)	163,042,791
Corporate	188,360,020	194,629	(4,444,416)	184,110,233
Mortgage Backed	120,070,448	43,120	(1,694,337)	118,419,231
Asset Backed	26,621,756	5,768	(286,292)	26,341,232
Total	<u>\$ 547,872,362</u>	<u>\$ 339,601</u>	<u>\$ (9,447,233)</u>	<u>\$ 538,764,730</u>
Common Stock	<u>1,628,052</u>	<u>110,664</u>	<u>(1,523,731)</u>	<u>214,985</u>
Total Common Stock	<u>\$ 1,628,052</u>	<u>\$ 110,664</u>	<u>\$ (1,523,731)</u>	<u>\$ 214,985</u>
December 31, 2004				
Unrestricted Marketable Securities	Cost	Gross Unrealized Gains	Gross Unrealized Losses	Fair Value
Debt Securities:				
U.S. Treasury notes	\$ 52,431,419	\$ -	\$ (351,483)	\$ 52,079,936
Government agencies	150,245,925	-	(575,829)	149,670,096
Corporate	141,439,770	820,194	(767,393)	141,492,571
Mortgage Backed	73,594,921	321,156	(80,874)	73,835,203
Asset Backed	8,133,144	1,138	(45,326)	8,088,956
Total	<u>\$ 425,845,179</u>	<u>\$ 1,142,488</u>	<u>\$ (1,820,905)</u>	<u>\$ 425,166,762</u>
Common Stock	<u>1,627,706</u>	<u>116,595</u>	<u>(1,347,553)</u>	<u>396,748</u>
Total Common Stock	<u>\$ 1,627,706</u>	<u>\$ 116,595</u>	<u>\$ (1,347,553)</u>	<u>\$ 396,748</u>
Restricted				
Marketable Securities				
Debt Securities:				
Total U.S. Treasury notes	<u>\$ 53,699,125</u>	<u>\$ -</u>	<u>\$ (269,000)</u>	<u>\$ 53,430,125</u>

The Home Insurance Company in Liquidation (“Home”)
 (Modified Cash Basis)
 (Unaudited)

Notes to Financial Statements (continued)

The carrying value and fair values of marketable debt securities by contractual maturity are as follows:

Marketable Debt Securities	<u>Unrestricted</u>	
	<u>Cost</u>	<u>Fair Value</u>
September 30, 2005		
One year or less	\$ 22,902,969	\$ 22,667,581
Over one year through five years	226,020,470	221,315,859
Over five years through twenty years	152,256,719	150,020,827
Mortgage Backed	120,070,448	118,419,231
Asset Backed	<u>26,621,756</u>	<u>26,341,232</u>
Total	<u>\$ 547,872,362</u>	<u>\$ 538,764,730</u>

Marketable Debt Securities	<u>Unrestricted</u>		<u>Restricted</u>	
	<u>Cost</u>	<u>Fair Value</u>	<u>Cost</u>	<u>Fair Value</u>
December 31, 2004				
One year or less	\$ 518,286	\$ 491,972	\$ 53,699,125	\$ 53,430,125
Over one year through five years	245,090,598	243,725,101	-	-
Over five years through twenty years	98,508,230	99,025,530	-	-
Mortgage Backed	73,594,921	73,835,203	-	-
Asset Backed	<u>8,133,144</u>	<u>8,088,956</u>	-	-
Total	<u>\$ 425,845,179</u>	<u>\$ 425,166,762</u>	<u>\$ 53,699,125</u>	<u>\$ 53,430,125</u>

The Liquidating Company received proceeds in 2004 from commutations, which were restricted pending certain future contingencies. Bonds with par value of \$53,800,000 were purchased with such restricted funds. These bonds were no longer restricted as of June 30, 2005.

The Home Insurance Company in Liquidation (“Home”)
(Modified Cash Basis)
(Unaudited)

Notes to Financial Statements (continued)

3) Incurred But Unpaid Administrative Expenses and Investment Expenses

Accrued administrative expenses incurred in the normal course of Home’s liquidation, but unpaid as of September 30, 2005, are as follows:

Human resources costs	\$2,065,749
Consultant and outside service fees	1,000,385
Computers and equipment costs	688,758
Legal and auditing fees	220,838
General office and rent expense	170,441
Temporary services	19,898
Other administration costs	<u>7,502</u>
Total accrued administrative expenses	<u>\$4,173,571</u>
Accrued investment expenses	<u>142,759</u>
Total accrued expenses	<u>\$4,316,330</u>

The amount of accrued expenses at December 31, 2004 was \$5,608,065 and net assets for 2005 increased by \$1,307,216 due to the decrease in the accrual.

Substantially all full-time employees of Home are covered by various employee incentive plans, which were approved by Merrimack County Superior Court of the State of New Hampshire (the Court) on March 4, 2005. The costs of these plans are primarily payable in 2006, but are based on 2005 service and are being accrued over the service period in 2005. Accrued administrative expense includes \$2,065,414 of incentive plan costs. In 2005, Home disbursed human resource costs of \$3,149,094 for the 2004 incentive plan which has been accrued at December 31, 2004.

4) Receivable from US International Reinsurance Company (USI Re)

In connection with an Asset Transfer Agreement approved by the Court, the Liquidator paid \$7,500,000 for the right, title and interest in a number of technology assets. Such costs are not reflected as fixed assets on the Statement of Net Assets. Included in the technology assets is an amount for an assumed reinsurance system; \$2,898,000 of this cost was allocated to Home’s subsidiary, USI Re. The balance of the receivable from USI Re related to the Asset Transfer Agreement was collected on September 29, 2005.

Additionally, in 2005 and 2004, Home received \$348,996 and \$193,990, respectively, from USI Re for administrative expenses incurred by Home on behalf of USI Re.

The Home Insurance Company in Liquidation (“Home”)
(Modified Cash Basis)
(Unaudited)

(Notes to Financial Statements (continued))

5) Restricted Funds

The Liquidator has drawn down on letters of credit (LOC) upon receiving notices of cancellation or notices of non-renewal from the issuing bank. Such LOC draw downs relate to insurance losses not yet proven and/or settled and are recognized as restricted cash receipts. Restricted funds will be recognized as unrestricted reinsurance recoveries when such balances are proven and/or settled between the beneficial owner and the Liquidator. Since the inception of the liquidation, restricted funds applied to reinsurance recoveries total \$542,328.

6) Real Estate Tax Refund

In December 2004, the Liquidator collected \$16,455,195 in a tax settlement with New York City concerning the property at 59 Maiden Lane, New York, New York (“59 Maiden Lane”). The tax settlement results in a refund of real estate tax for the years’ 1991/92 through 1995/96. In connection with this settlement, \$1,210,082 was paid as a legal contingency fee and a reserve of \$5,245,113 was established for amounts that may be payable to other tenants of 59 Maiden Lane.

7) Canadian Branch

On February 8, 2005, the Canadian Provisional Liquidator of Home’s Canadian Branch repatriated \$12 million in US dollars to the Liquidator. The Canadian Provisional Liquidator converted a total of approximately \$20 million in US dollars in preparation for potential repatriation to the Liquidator in 2005, and the Liquidator expects to receive additional releases in 2005 from Home’s Canadian branch assets.

The Home Insurance Company in Liquidation ("Home")
(Modified Cash Basis)
(Unaudited)

Notes to Financial Statements (continued)

8) Securities on Deposit

Investments on deposit at the original cost with various states were \$2,126,781, \$36,992,979 and \$73,947,287 at September 30, 2005, December 31, 2004 and June 11, 2003, respectively. As described in Note 1, the Liquidating Company does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

Seven states have withdrawn such deposits at par value of \$47,972,110, and market value as of September 30, 2005 of \$49,427,548, for use by the related state guaranty associations, and these amounts may be offset against future distributions to such guaranty associations.

9) Early Access Distribution

On October 15, 2004, the Court approved a first early access distribution to insurance guaranty associations based on reported guaranty association payments less recoveries through June 30, 2004, contingent on various matters occurring subsequent to December 31, 2004. The amount approved for distribution through payments or offsets was \$40.9 million.

In 2005, the Liquidator has paid \$35,321,789 representing early access distributions to certain state guaranty associations as approved by the Court. The Liquidator may periodically make additional early access distributions in the future, subject to Court approval.

10) Allowed Claims

As of September 30, 2005, the Liquidator has allowed, and the Court has approved, \$4,532 dollars of Class I claims, \$61,635,590 dollars of Class II claims, \$12,184,508 of Class V claims and \$42,426 of Class VIII claims. It is management's judgment that there will not be sufficient assets to make distributions on allowed claims below the Class II priority. Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44.

US INTERNATIONAL REINSURANCE COMPANY IN LIQUIDATION

Financial Statements (Modified Cash Basis)

**September 30, 2005 and December 31, 2004
(Unaudited)**

US International Reinsurance Company In Liquidation

Statement of Net Assets (Modified Cash Basis) (Unaudited)

	<u>September 30, 2005</u>	<u>December 31, 2004</u>
Assets		
Unrestricted bonds and cash at cost:		
Bonds (Note 3)	\$1,865,237	\$1,959,741
Short-term investments	417,456	1,499,452
Cash and cash equivalents	<u>285,416</u>	<u>293,766</u>
Total unrestricted bonds and cash at cost	2,568,109	3,752,959
Interest income due and accrued	<u>9,446</u>	<u>45,622</u>
Total unrestricted liquid assets	2,577,555	3,798,581
Restricted liquid assets:		
Bonds, at cost (Note 3 & 4)	<u>128,950</u>	<u>-</u>
Total restricted liquid assets	128,950	-
Total assets, excluding certain amounts	2,706,505	3,798,581
Liabilities		
Incurred but unpaid administrative expenses (Note 5)	136,427	126,754
Payable to The Home Insurance Company in Liquidation (Note 2)	-	1,115,913
Net assets, excluding certain amounts	<u>\$2,570,078</u>	<u>\$2,555,914</u>

See accompanying notes.

US International Reinsurance Company In Liquidation

Statements of Receipts and Disbursements, and Changes in Cash, Bonds, Short-Term Investments and Cash Equivalents (Modified Cash Basis) (Unaudited)

	January 1, 2005 To September 30, 2005	January 1, 2004 To December 31, 2004
Cash and marketable securities received:		
Reinsurance collections	\$112,672	\$731,106
Net investment income	168,086	181,540
Return of special deposits	250,000	3,913,863
All other	984	626
Total cash and marketable securities received	<u>531,742</u>	<u>4,827,135</u>
Cash operating disbursements:		
Consultant and outside service fees	27,108	28,953
Net payments to Home Insurance Company	1,464,909	1,975,039
All other	95,625	61,267
Total cash operating disbursements	<u>1,587,642</u>	<u>2,065,259</u>
Excess of receipts over operating disbursements	(1,055,900)	2,761,876
Beginning cash and cash equivalents, at cost	3,752,959	991,083
Ending cash and marketable securities, at cost	<u>\$2,697,059</u>	<u>\$3,752,959</u>

See accompanying notes.

US International Reinsurance Company in Liquidation

Statement of Changes in Net Assets (Modified Cash Basis) (Unaudited)

	January 1, 2005 To September 30, 2005	January 1, 2004 To December 31, 2004
Net Assets, beginning of period	\$2,555,914	(\$1,906,917)
Excess receipts over operating disbursements	(1,055,900)	2,761,876
Other changes in net assets:		
Interest income due and accrued	(36,176)	45,622
Incurred but unpaid administrative expenses	(9,673)	(126,754)
Payable to The Home Insurance Company in Liquidation	1,115,913	1,782,087
Net Assets, end of period	<u>\$2,570,078</u>	<u>\$2,555,914</u>

See accompanying notes.

US International Reinsurance Company in Liquidation ("USI Re")
(Modified Cash Basis)
(Unaudited)

Notes to Financial Statements

September 30, 2005

1) Basis of Accounting

These financial statements are prepared using the modified cash basis of accounting which differs from accounting principles generally accepted in the United States. Only those assets that are within the possession of the Liquidator and other known amounts for which ultimate realization is expected to occur, primarily investments and cash, and certain receivables, are recorded. Liabilities that have been acknowledged by the Liquidator are prioritized into creditor classes in accordance with the New Hampshire statute establishing creditor classes in insurer insolvencies, RSA 402-C:44. Only incurred but unpaid Class I (Administration Costs) liabilities, which are in a creditor class superior to all other classes, are presented in these financial statements.

These financial statements do not record the amounts of certain assets such as outstanding receivables, reinsurance recoverables, securities on deposit with various states, funds held and claims against others, and certain liabilities, including insurance claims, as such amounts have not been settled and agreed to with third parties.

2) Net Transfers to Home Insurance Company

In connection with an Asset Transfer Agreement approved by The State of New Hampshire, Merrimack County Superior Court (the Court), The Home Insurance Company in Liquidation, ("Home") USI Re's parent, paid \$7,500,000 for the right, title and interest in a number of technology assets. Included in the technology assets was an amount for an assumed reinsurance system, and USI Re's allocated share of this cost was \$2,898,000. On March 30, 2004 the Liquidator paid \$1,782,087 to Home. On September 29, 2005 the Liquidator paid the balance of \$1,115,913, to Home.

Additionally, in 2005 and 2004 the Liquidator paid \$348,996 and \$193,990, respectively, to Home for USI Re's allocated share of various administrative expenses incurred.

US International Reinsurance Company in Liquidation ("USI Re")
 (Modified Cash Basis)
 (Unaudited)

Notes to Financial Statements (continued)

3) Marketable Securities

The carrying values and estimated fair values of marketable securities by major category are summarized as follows:

	<u>September 30, 2005</u>			<u>Fair Value</u>
	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	
Unrestricted Marketable Securities				
Debt Securities:				
U.S. Treasury notes	<u>\$ 1,865,237</u>	<u>\$ 6,147</u>	<u>\$ (10)</u>	<u>\$ 1,871,374</u>
Total	<u>\$ 1,865,237</u>	<u>\$ 6,147</u>	<u>\$ (10)</u>	<u>\$ 1,871,374</u>

Restricted Marketable Securities				
Debt Securities:				
Total U.S. Treasury notes	<u>\$ 128,950</u>	<u>\$ -</u>	<u>\$ (250)</u>	<u>\$ 128,700</u>

	<u>December 31, 2004</u>			<u>Fair Value</u>
	<u>Cost</u>	<u>Gross Unrealized Gains</u>	<u>Gross Unrealized Losses</u>	
Unrestricted Marketable Securities				
Debt Securities:				
U.S. Treasury notes	<u>\$ 1,959,741</u>	<u>\$ -</u>	<u>\$ (74,578)</u>	<u>\$ 1,885,163</u>
Total	<u>\$ 1,959,741</u>	<u>\$ -</u>	<u>\$ (74,578)</u>	<u>\$ 1,885,163</u>

US International Reinsurance Company in Liquidation ("USI Re")
(Modified Cash Basis)
(Unaudited)

Notes to Financial Statements (continued)

The carrying value and fair values of marketable debt securities by contractual maturity are as follows:

Marketable Debt Securities	Unrestricted		Restricted	
	Cost	Fair Value	Cost	Fair Value
September 30, 2005				
One year or less	<u>\$ 1,865,237</u>	<u>\$ 1,871,374</u>	<u>\$ 128,950</u>	<u>\$ 128,700</u>
Total	<u>\$ 1,865,237</u>	<u>\$ 1,871,374</u>	<u>\$ 128,950</u>	<u>\$ 128,700</u>

Unrestricted Marketable Debt Securities	Cost	Fair Value
December 31, 2004		
One year or less	<u>\$ 1,959,741</u>	<u>\$ 1,885,163</u>
Total	<u>\$ 1,959,741</u>	<u>\$ 1,885,163</u>

4) Securities on Deposit

Investments on deposit with various states were \$454,180, \$938,240 and \$4,964,360 at September 30, 2005, December 31, 2004 and June 13, 2003, respectively. As described in Note 1, the Liquidating Company does not record the amount of these assets, as such amounts have not been settled and agreed to with the states.

As of December 31, 2004, the state of Oregon's ancillary receivership of USI Re was holding \$125,000 of investments which had been withdrawn from deposits. The security was returned to USI Re in February 2005 and is held as a restricted asset.

5) Incurred But Unpaid Administrative Expenses

USI Re incurred administrative expenses relating to outside service fees of \$136,427, in the normal course of liquidation, that were unpaid as of September 30, 2005.

US International Reinsurance Company in Liquidation ("USI Re")
(Modified Cash Basis)
(Unaudited)

Notes to Financial Statements (continued)

6) Allowed Claims

As of September 30, 2005, the Liquidator has allowed, and the Court has approved, \$805,513 dollars of Class V claims. Distributions on allowed claims will depend on the amount of assets available for distribution and the allowed claims in each successive priority class under New Hampshire RSA 402-C: 44.

The Home Insurance Company in Liquidation
 US International Reinsurance Company in Liquidation
 G&A Expenses (Actual vs Budget)
 September 30, 2005

General & Administrative Expense	YTD			Full Year Budget
	Actual 2005	Budget 2005	Variance 2005	
Salary and Benefits	10,678,925	11,058,205	(379,280)	15,003,285
Travel	69,748	218,701	(148,953)	288,452
Rent	1,819,890	1,823,115	(3,225)	2,430,820
Equipment	755,862	1,029,896	(274,034)	1,370,528
Printing and Stationery	68,345	82,516	(14,171)	108,388
Postage	45,752	36,207	9,545	48,276
Telephone	317,941	673,725	(355,784)	898,300
Disaster Recovery	52,681	63,000	(10,319)	84,000
Outside Services, including Special Deputy	2,700,576	2,907,754	(207,178)	3,946,936
Licensing Fees	1,583	5,750	(4,167)	7,000
Legal and Auditing	1,504,035	1,550,000	(45,965)	2,057,000
Bank Fees	116,908	112,502	4,406	150,000
Corporate Insurance	114,019	139,600	(25,581)	139,600
Miscellaneous Expenses	25,914	187,500	(161,586)	250,000
Total US Expenses Incurred	18,272,179	19,888,471	(1,616,292)	26,782,585
UK Liquidation expenses paid by the US liquidator	166,573	-	166,573	-
Total US and UK Expenses Incurred	18,438,752	19,888,471	(1,449,719)	26,782,585

The Home Insurance Company in Liquidation
 US International Reinsurance Company in Liquidation
 Budget 2006

General & Administrative Expense	Budget 2005	Expected Actual - 2005	Budget 2006
Salary and Benefits	15,003,285	14,775,039	14,495,920
Travel	288,452	142,997	222,249
Rent	2,430,820	2,623,375	2,177,382
Equipment	1,370,528	1,395,279	1,180,343
Printing and Stationery	108,388	91,127	134,355
Postage	48,276	60,457	78,832
Telephone	898,300	445,708	704,600
Disaster Recovery	84,000	227,251	-
Outside Services, including Special Deputy	3,946,936	3,665,955	3,960,045
Licensing Fees	7,000	323	1,600
Legal and Auditing	2,057,000	2,102,240	2,038,000
Bank Fees	150,000	147,368	156,000
Corporate Insurance	139,600	114,019	122,392
Miscellaneous Expenses	250,000	31,733	30,000
Total US Expenses Incurred	26,782,585	25,822,871	25,301,718
UK Liquidation expenses paid by the US liquidator	-	350,000	250,000
Total US and UK Expenses Incurred	26,782,585	26,172,871	25,551,718

Major Liquidations-Comparative Data

	Home	Reliance	Transit
Size of the estate (2):			
Estimated liabilities (gross, undiscounted)	3.7 billion	8.7 billion	3.7 billion
Assets	1.6 billion	6.2 billion	1.4 billion
Operating data:			
Cash and marketable securities, end of period (grossed up for early access cash distributions)	3rd Full Year of Receivership- 2006 Budget/Plan (millions)	3rd Full Year of Receivership- 2004 (millions)	7th Full Year of Receivership- 1992 (1) (millions)
Cash collected, net of loss and lae (grossed up for early access distributions)	875	1,387	313
Operating expenses	100	561	87
Salaries and benefits	25.6	112.0	23 (3)
Employee count, end of period	14.5	54.0	Unknown
	88	356	145

Size of the estate (2):

Estimated liabilities (gross, undiscounted)
Assets

Operating data:

Cash and marketable securities, end of period (grossed up for early access cash distributions)

Cash collected, net of loss and lae (grossed up for early access distributions)

Operating expenses

Salaries and benefits

Employee count, end of period

Notes:

(1) Transit liquidation date was 12/3/85, but reinsurance billings began in 1990, so 1992 was used for the 3rd year of comparative operating data.

(2) For Home and Reliance, estimated liabilities (gross, undiscounted) and related assets are based on pre-liquidation assumptions. Transit's estimated liabilities and related assets were determined from more fully developed data in the 1999 report. Home's assets are estimated ultimate amounts.

(3) Expense data for Transit is not adjusted for inflation to current period.

The Home Insurance Company in Liquidation
 Portfolio Summary Report- Bonds and Short Term Investments
 Securities Held as of September 30, 2005
 (000's)

Conning Managed:		Book Value	Market Value	Unrealized Gain (Loss)	Eff Mat (Years)	Book Yield	Average Credit Quality	Projected Income 2005
% of AV								
Fixed Income								
9%	Short Term	54,483	54,483	-	0.08	3.67	Aaa	1,437
8%	Government	47,753	46,851	(902)	3.69	3.22	Aaa	1,967
27%	Agency	165,255	163,043	(2,212)	2.81	3.63	Aaa	5,847
31%	Corporate	186,678	184,110	(2,568)	5.42	4.33	A1	7,250
16%	Mortgage Backed	94,464	93,590	(874)	5.16	5.10	Aaa	4,322
4%	Commercial Mortgage Backed	25,425	24,829	(596)	6.10	4.42	Aaa	818
5%	Asset Backed	28,608	28,341	(267)	3.15	4.14	Aa2	803
100%	Total	602,666	595,247	(7,419)	3.95	4.11	Aa1	22,444
Other investments- Home Insurance								
100%	US Treasury Bills	90,265	90,261	(4)	0.25	3.41	Aaa	2,491
Total Home Insurance		692,931	685,508	(7,423)	3.47	4.02	Aa1	24,935
Other investments- USI Re								
100%	US Treasury Bills	418	418	-	0.25	3.41	Aaa	33
Grand total (1)		693,349	685,926	(7,423)	3.47	4.02	Aa1	24,968 (2)

(1) Investment balances do not include cash amounts invested in sweep accounts of Citizens Bank and investments in common stocks and limited partnerships.
 (2) On an annualized basis, the total income generated by the portfolio, calculated based on holdings as of September 30, 2005, would be \$27.1 million.



Neutral Citation Number: [2005] EWHC 2485 (Ch)

Case No: 4138 of 2004

IN THE HIGH COURT OF JUSTICE
CHANCERY DIVISION
COMPANIES COURT

Royal Courts of Justice
Strand, London, WC2A 2LL

Date: 10/11/2005

Before :

MR JUSTICE MANN

IN THE MATTER OF THE HOME INSURANCE COMPANY

AND

IN THE MATTER OF THE COMPANIES ACT 1985

MR. R. KNOWLES Q.C. and MS. LUCY FRAZER (instructed by Clifford Chance LLP)
for The Home Insurance Company.

MR. R. HACKER Q.C. (instructed by Messrs. Lovells) for the Ace Companies.

Hearing dates: 3rd November 2005

Approved Judgment

I direct that pursuant to CPR PD 39A para 6.1 no official shorthand note shall be taken of this Judgment and that copies of this version as handed down may be treated as authentic.

MR JUSTICE MANN

Mr Justice Mann :

1. This is the hearing of a petition seeking the court's sanction of a scheme of arrangement proposed under S.425 of the Companies Act 1985 in respect of the affairs of The Home Insurance Company, a corporation incorporated in New Hampshire, U.S.A. It is the company's petition. For the purposes of bringing it, the company acts by provisional liquidators appointed in the circumstances appearing below.

Factual Background

2. Home Insurance was incorporated in 1973. Its business was conducting various types of insurance. Amongst the business that it transacted was contracting to reinsure certain risks, those contracts being in favour of a group of companies which can be described for present purposes as the AFIA Claimants. In its turn, Home Insurance reinsured those risks with a number of companies which can conveniently be described as the ACE Companies. The nature of the arrangements between the AFIA Claimants, Home Insurance and the ACE Companies is that no claim can be made against the ACE Companies on the outward reinsurance until a proper claim has been made on Home Insurance by the AFIA Claimants. That insurance and reinsurance business was carried on in this jurisdiction.
3. In March 1997 the New Hampshire Insurance Department placed Home Insurance and its insurance subsidiary under its supervision following an order made by the Merrimack County Superior Court of the State of New Hampshire ("the Superior Court"). In March 2003 a Rehabilitator was appointed by the Superior Court. In around May 2003 the Rehabilitator concluded that Home Insurance was insolvent and that further attempts to rehabilitate the company would be futile. Accordingly, on 8th May 2003 she filed a petition with the Superior Court seeking a winding up. That order was granted on 11th June 2003. On the same day as the petition was filed in New Hampshire, the Rehabilitator presented a winding up petition to the English court and, again on the same day, this court appointed Margaret Elizabeth Mills and Gareth Howard Hughes to be provisional liquidators. That provisional liquidation is still in force and no winding up order has yet been made. The order appointing the provisional liquidators clearly contemplates that, following the appointment of a liquidator in New Hampshire, the provisional liquidators should exercise their powers as requested and approved by that liquidator, save where the English court otherwise directs and save where to do so would cause them to contravene English law. The provisional liquidation is clearly subsidiary or ancillary to the New Hampshire liquidation.
4. In New Hampshire, insurance creditors do not all have an equal right to prove. Reinsurance creditors are Class V creditors, which means that their claims are subordinated. The AFIA Claimants are Class V creditors and submitted proofs in the New Hampshire liquidation proceedings in or before June 2004, but they have not pursued their claims. The state of assets and liabilities in the liquidation of Home Insurance is such that as things stand, as Class V creditors the AFIA Claimants will not make any recovery. It was therefore feared that they would not make properly formulated claims under their policies because they would have no incentive to do so. It would be costly and time-consuming for them to make claims, and the only result would be recovery on the ACE Companies' reinsurance in which the AFIA Claimants

would not participate (because of their subordination). If they made no claims that would mean that no claim could be made against the ACE Companies in respect of the relevant reinsurance, and that asset would be lost to everyone.

5. In order to avoid that consequence there were negotiations between the insolvency practitioners and the AFIA Claimants in order to try to come to an arrangement to extract some benefit from the reinsurance treaties effected with the ACE Companies. The overall effect of the arrangement is that the AFIA Claimants will make claims which will, so far as valid and proper, give rise to claims against the ACE Companies. It was agreed that the recoveries from the ACE Companies, after deduction of certain expenses, would be split as to 50% to the AFIA Claimants (sharing pari passu) and as to 50% for the other ordinary creditors of Home Insurance. The overall arrangement was summarised in a letter from the provisional liquidators to the various AFIA Claimants dated 22nd January 2004. As well as containing the arrangement just summarised (set out at rather greater length and more formally) it was stipulated that the approval of the supervising New Hampshire court would be sought to a compromise to that effect, involving the implementation of a scheme of arrangement pursuant to S.425 between Home Insurance and the AFIA Claimants. For their part, the AFIA Claimants agreed that they would not seek to enter into any direct arrangement with the ACE Companies during what was described as the "Standstill Period" which was a number of potential dates depending on the fate of various steps necessary to implement the details of the arrangements. For working purposes, Home Insurance says that the claim against the ACE Companies is worth about US\$231m. I should say that that is only a working figure and the ACE Companies do not accept it. In particular, the ACE Companies claim to be entitled to set-offs and a number of other potential defences. I mention this at this stage in order to demonstrate that the claims potentially have a very significant albeit uncertain value.
6. Home Insurance duly sought to implement that arrangement and on 5th July 2004 Park J. granted permission for the company to convene a scheme meeting to implement the appropriate scheme of arrangement. The only class of creditors at whom the scheme is directed is the AFIA Claimants. The meeting of creditors was held on 8th September 2004. All creditors present and voting at the scheme unanimously approved it; the total in value of their claims exceeds US\$482m. That meeting having been held, the scheme now comes before me for sanction. The extended period of time between that meeting and the presentation of the petition for sanction (which was presented on 3rd November 2005) seems to have been filled by proceedings in New Hampshire. In order to explain their significance, I need to refer to some of the terms of the detailed scheme.

Scheme

7. I do not think it is necessary for me to set out any of the terms of the scheme verbatim. It will suffice if I summarise those that are significant for present purposes. The significant terms are as follows:
 - i) Clause 2.2 provides that the company, acting by the New Hampshire liquidator and the provisional liquidators, should procure that it uses all reasonable endeavours to collect in and realise the sums due from those companies who reinsured liabilities owing to the AFIA Claimants. Almost all of those companies are in fact the ACE Companies; I was told that there may be one or

two non-ACE Companies in that category, but that does not matter for present purposes. In essence, the liabilities to be recovered were those of the ACE Companies.

- ii) After certain payments out in respect of expenses and the like, the company was to procure that 50% of the proceeds of that exercise was to be paid to the New Hampshire liquidator and 50% was to be paid to the scheme administrators to be held as scheme assets.
- iii) Clause 2.4 prevented any of the AFIA Claimants from taking proceedings to enforce their claims against Home Insurance.
- iv) Clause 2.7 preserved rights of set-off so far as they exist under New Hampshire law.
- v) Clause 2.14 is an important clause for present purposes. It provides that scheme creditors are to give the New Hampshire liquidator and the provisional liquidators all reasonable assistance required by Home Insurance in connection with the scheme and with the recovery of scheme assets. In substance this seems to give the various liquidators the important power to compel the AFIA Claimants to follow through and provide them with relevant material with a view to being able to make onward claims against the ACE Companies.
- vi) Clause 3 provides for payment *pari passu* to the AFIA Claimants as scheme creditors.
- vii) Clause 7 deals with the duration of the scheme. Clause 7.1(d) is the most important event. It provides that the scheme shall terminate if the New Hampshire liquidator determines in his sole discretion (following consultation with the scheme administrator and the creditors' committee) that the scheme should terminate in the event that the New Hampshire Supreme Court entered a decision which had the effect of disapproving the proposal. As will appear below, at the time there were proceedings pending in that Court which went to the validity of the overall arrangement.
- viii) Clause 8.3 contains certain provisions governing the date from which the scheme becomes effective. It provides that the scheme should only apply from the "Effective Date", which is described as being the date on which all of three specified conditions are fulfilled (and when the sanction order has been delivered for registration to the Registrar of Companies). The three conditions are:
 - a) The obtaining of an order of the New Hampshire court (defined as the "Superior Court") approving in principle the proposal to implement the scheme (as described in the letter that I have referred to above).
 - b) The obtaining of a "Global Liquidation Order" from this court, that order being an order approving the remission of Home Insurance's English assets to the New Hampshire liquidator for the administration and distribution as part of the New Hampshire liquidation. An

application has been made to me for such an order; I have not yet heard or determined it.

c) Obtaining approval from the FSA.

8. The third of those conditions (FSA approval) has been obtained. The second has not, but a decision on it can be made by me once this judgment has been delivered; I propose to hear the application at that point in time. Its fate will therefore very shortly be known. It was not suggested at the hearing before me that any uncertainties in that respect would have any effect on whether I should sanction the scheme. The first condition may or may not have been fulfilled, depending on the correct view as to the effect of certain proceedings in New Hampshire and the status of an order made by the Superior Court. It is those proceedings that have hitherto apparently been holding up this scheme. I therefore need to turn to a short description of those proceedings.

The New Hampshire Proceedings

9. On 11th February 2004, before the application to Park J., the New Hampshire liquidator commenced proceedings in the Superior Court seeking that court's approval in principle to the proposed arrangement with the AFIA Claimants. There were two objectors to that approval. The first was a direct insurance claimant called Benjamin Moore and Co (who are said to have a Class II claim in the liquidation which is not subordinated in the same way as the Class V claims of the AFIA Claimants) and the second were the ACE Companies. I understand the main ground of opposition to have been that the proposed arrangements contravened the mandatory *pari passu* rule which is said to obtain in New Hampshire liquidations. On 24th April 2004 the Superior Court entered an order approving the scheme. On 7th May 2004 Benjamin Moore & Co appealed against that order, with the ACE Companies assuming active participation as an automatic party to that appeal. There were various applications to the Superior Court and to the Supreme Court for a stay of the first approval order. They were unsuccessful. The appeal was still pending at the date of the hearing before Park J. On 13th September 2004, the Supreme Court delivered its decision. It directed the Superior Court to address a number of specific issues, and directed it to conduct an evidentiary hearing. In essence, this order of the Supreme Court prevented the Superior Court's earlier order from being an approval within the relevant condition in clause 8.3 of the scheme. The scheme could therefore not be made effective. That had to wait, at the earliest, for the next determination of the Superior Court. That took some time, but on 22nd September 2005 the Superior Court issued an order confirming its previous position and holding, for the purposes of New Hampshire law, that the agreement was necessary, fair and reasonable. It therefore approved it.
10. The liquidators had not sought to obtain the sanction of the court to the arrangement pending the second determination of the New Hampshire Superior Court. Nor did the liquidators seek sanction immediately after the obtaining of the order. Before they did so, on 20th and 21st October 2005, both the ACE Companies and Benjamin Moore & Co filed appeals against the Superior Court's order of 22nd September. There has been some debate as to whether or not the commencement of those appeals means that there is a technical stay of the Superior Court's order so that the order cannot be treated as an order within condition 8.3 of the scheme. It is the ACE Companies'

contention that it does. Applications have been made in New Hampshire in order to clarify the position on a stay, and if necessary to obtain an order for a stay. I received some limited evidence from a partner in Lovells (who act for the ACE Companies) who was admitted to the New Hampshire bar, and he expresses the view that there is a stay and that that stay has an effect which means conceptually the relevant approval for the purposes of the conditionality of the scheme cannot be said to have been obtained. Neither Mr Hacker QC, who appeared for the ACE Companies, nor Mr Knowles QC, who appeared for the company, invited me positively to decide that point one way or the other. My decision in this case will have to reflect the fact that it remains an open question as to whether or not the stay has the effect contended for. It is not known when the latest appeals will actually be heard and determined by the New Hampshire Supreme Court, but nobody has suggested that it will happen imminently, and the sensible assumption is that it may well take several months. Mr Knowles accepted that if that Court's decision is against the validity of the overall arrangement, the scheme would probably have to be terminated, and if necessary clause 7.1(d) would be invoked.

Sanctioning the Scheme

11. Against that background, I need to consider whether it is right for me to sanction the scheme. I was taken to the appropriate authorities as to my function, and have well in mind the principles arising from those authorities. I have also considered the procedural requirements for the validity of a scheme. I am satisfied that the procedural requirements have been fulfilled. I am also satisfied that, subject to the points made by the ACE Companies at the hearing before me, it would be right for the court to sanction this scheme in accordance with the principles that I have just referred to. The real issues in this matter arise out of the submissions made on behalf of the ACE Companies. I shall therefore consider those in order to determine whether anything in them requires that I should not sanction the scheme at this stage. I say "at this stage" because Mr Hacker does not invite me simply to refuse sanction. His case is that the matter should be adjourned until the outcome of the pending appeal in the New Hampshire Supreme Court is known. Until that is known, he says it would be inappropriate to sanction the scheme because, if the Supreme Court allows the appeal and does not give the necessary approval, the scheme cannot go ahead, and would have to be brought to an end (under the provisions of clause 7). It is said by him to be neither necessary nor appropriate to sanction the scheme now in the face of that uncertainty, and he relies on certain prejudice were I to do so. He therefore says the petition should be adjourned.
12. Mr Hacker's case in this respect turns on two heads of supposed prejudice or disadvantage, but before dealing with them I should make a point about the loudness with which his client's voice should be heard. No point has been taken as to his client's locus standi to appear before me, but Mr Knowles has invited me to bear in mind what Mr Knowles says is the ACE Companies' real interest and real motivation in seeking to prevent the scheme (and indeed the overall arrangements) taking effect. If the overall arrangements are not implemented, then it seems highly likely that the ACE Companies will be very significant beneficiaries. If the AFIA Claimants do not make claims, then claims cannot be made against the ACE Companies. In that event, the ACE Companies would be able to keep such sums as they would otherwise be obliged to disgorge under the relevant reinsurance treaties. Their real motivation is

likely to be to prevent those claims being made, and the points that they make against the implementation of the scheme (and the arrangements) should be heard with that firmly in mind.

13. I bear firmly in mind what Mr Knowles has said. Bearing in mind the nature of the objections that are made (which appear below) it would be naïve to put on one side the obvious benefits to the ACE Companies of suggesting barriers to the scheme and I will not fall victim to such naïvete. It seems to me to be obvious that the ACE Companies will have such a motivation. That does not mean that any other points advanced by them are necessarily bad, but so far as they make any points which involve an assessment of what the real practical impact of what I am being asked to sanction is, then I bear firmly in mind the fact that the points are being made on behalf of someone who cannot justifiably assert their own principal interest. In saying this, I do not ignore two things. The first is that in the New Hampshire courts, the arrangements were opposed by Benjamin Moore and Co, who are Class II creditors. Mr Hacker told me that that concern supported the ACE Companies' case in this court, but it was not represented before me. It is, however, the only Class II creditor that has indicated opposition to the arrangements (as far as I am aware). It is not at all surprising that the other Class II creditors have supported it – they are all likely to benefit. The second matter is the status of the ACE Companies as creditors. They claim to be creditors of Home Insurance. Throughout the proceedings in the New Hampshire courts, the ACE Companies have asserted that they are Class V (i.e. subordinated) creditors. Purely in that capacity, they would have little discernable interest in opposing the scheme. Without the scheme they get nothing; with the scheme they still get nothing. However, in Mr Lee's witness statement (referred to above) signed on 2nd November 2005, they assert for the first time that as well as being Class V creditors they are also Class II creditors. Mr Knowles says that this is the first time that they have asserted that they are Class II creditors, save that they have hitherto asserted a small (US\$7,000) claim, and he invites me to treat that assertion with a certain degree of scepticism. I think that I should do no more than note that they have claimed to be Class II creditors and it has not been demonstrated that they are not. I am therefore prepared to assume for these purposes that they are Class II creditors. As such, they are capable of benefiting from the scheme, because they will be able to partake in a fund swelled by 50% of the recoveries on the reinsurance treaties; though of course they will have provided those monies themselves, which demonstrates where their real interests are likely to lie. Nevertheless, as Class II creditors, they would have an interest in making sure that there was no wasted expenditure, which is a point that Mr Hacker makes. They can, at least logically, make that case.
14. With all that in mind, I turn therefore to consider the grounds on which the ACE Companies say that I should not sanction the scheme and should do no more than adjourn the petition at this stage. Their grounds of objection can be grouped under two headings. The first heading concerns the current state of uncertainty as to the lawfulness of the overall arrangement under New Hampshire law and the relationship between any decision of this court and the deliberations of the New Hampshire court. The second relates to the potential waste of money which would arise if I were to sanction the scheme and if it were in due course to transpire that the New Hampshire courts withhold their approval. I shall take the points in that order.

The Interaction with the New Hampshire Proceedings

15. Mr Hacker made a number of points under this head. His first point was based on what he called comity. He said that the doctrine of comity required that I should defer to the New Hampshire court which has to rule on the lawfulness of the arrangement for New Hampshire purposes. It would, he said, be unsatisfactory for me to sanction a scheme where its lawfulness is in issue. He was unable to develop his case beyond making those points. I am afraid that in my view it is a case that is not susceptible to any development, or indeed any real exposition. Comity simply does not come into it. There is no material sense in which the activities which each court is conducting in its own jurisdiction can be said to trespass upon, or conflict with, the activities of the other. The New Hampshire courts are considering the overall arrangements from the point of view of New Hampshire law. I am not concerned with that law. I am considering the scheme from the point of view of English law relating to schemes of arrangement. Whilst our deliberations may to some extent turn on issues which are inter-dependent, in the sense that if the overall arrangement is unlawful under New Hampshire law then the scheme will fail, and in the sense that the New Hampshire arrangements require or envisage a scheme of arrangement, there is no relevant overlapping matter which in any way invokes the doctrine of comity or anything like it. This is no basis for declining to sanction the scheme of arrangement if I would otherwise do so.
16. The next point is to some extent related. Mr Hacker said that there was scope for creating confusion as between the courts of this jurisdiction and the New Hampshire courts unless I held my hand. He points to a statement in the judgment or order of the Supreme Court given on 13th September 2004, in which it said:

“Nor did the court consider whether comity concerns require that the New Hampshire liquidation proceedings be stayed pending completion of the proceedings in the United Kingdom. See *Allstate Ins Co v Hughes* 174 BR 884 890 (SDNY 1994)(discussing whether the court may take action that calls into question the validity of scheme of arrangement approved by court in United Kingdom).”

This, I am told, did not reflect any submissions made to the New Hampshire court; it was a point that it expressed of its own notion. Neither Mr Hacker nor Mr Knowles suggested that the Supreme Court's concerns in this respect (if it had any) would be supported by either of their clients. Mr Hacker did say that it demonstrated the potential for confusion and the potential for a sanction decision in this jurisdiction to give rise to an unjustifiable impression that the decision of the New Hampshire court should somehow be affected by a sanction decision here. He said there was no basis on which that should be the case. Again, I do not think that that concern is in the least justified. While it is true that the Supreme Court did demonstrate an awareness of a potential point which in fact nobody would argue, it did not actually consider the point, and it is apparent from the next order in the Superior Court (following on the Supreme Court's decision) that the Superior Court appreciated that the point was not a material one because the judge in that court pointed out relevant differences between the *Allstate* case and the case before it. I can see no sensible basis on which it can be feared that the New Hampshire courts would give any unwarranted deference to any

order that I might make on this petition, bearing in mind our different respective functions.

17. In this context Lovells, as solicitors acting for the ACE Companies, wrote to Messrs Clifford Chance, acting for the company, on 28th October 2005, raising various points. They were answered by Clifford Chance in a letter dated 31st October 2005. One of the points, and the answer to it, was as follows:

“1. Please confirm that the JPLs (joint provisional liquidators) are able and willing to give an irrevocable assurance and confirmation that, if the application were to be heard now and the scheme were to be approved, such approval would not in any way be relied upon in any proceedings before the New Hampshire courts as evidencing the supposed benefit to the company in implementing the scheme or giving rise to some form of issue estoppel on that question.

[Answer] Whilst the NH liquidator will obviously bring the outcome of the hearing of the JPLs’ application for sanction of the Scheme to the attention of the NH Supreme Court, he shall not seek to rely on the High Court’s decision as further evidencing the benefit to the company of implementing the scheme or as giving rise to an estoppel on that issue.”

Whilst accepting that the answer largely gives the assurance sought, Mr Lee in his witness statement seeks to say that the reference to the liquidators bringing the outcome of the hearing to the attention of the New Hampshire Supreme Court somehow reinforces the concern expressed in Lovells’ letter. I am afraid I simply do not see how that can be so. I have difficulty in seeing how the company could properly take any other course than to draw the outcome of this hearing to the attention of the New Hampshire court, and the expression of such an intention, and indeed the event in question (assuming it happened) seem to me to be fundamentally unlikely to cause “confusion” in any material way. Even if I am wrong about that and there is some theoretical scope for confusion, I am quite satisfied that the Supreme Court will be able to resolve the confusion in a proper and accurate way. I have seen a page of the transcript of some of the evidence given before the Superior Court at the evidentiary hearing, and that page shows that counsel for the company sought to ask a question about the proposed scheme of arrangement on the footing that it somehow went to the question of fairness and reasonableness. The Superior Court ruled that that question was inadmissible. If proof be needed of the drawing of the necessary distinctions in the New Hampshire court, then that short exchange provides it. I am afraid that I regard this concern as contrived and fanciful. The same goes for the other way in which Mr Hacker sought to encapsulate this limb of his submissions, which was that by pursuing this petition, Home Insurance was somehow trying to obtain some “litigation advantage”. I cannot imagine what that would be.

18. In the circumstances, I consider that there is nothing in this limb of the ACE Companies’ case which points against my sanctioning the scheme.

Waste

19. The evidence and the submissions of the company and liquidators demonstrates that it would be the intention of the liquidators to continue to gather in and process the claims of the AFIA Claimants pending the decision of the Supreme Court in a few months' time. They will therefore be conducting some activities which will attract some expenditure. This is said by the ACE Companies to be wasted expenditure were it to transpire that the whole arrangement is unlawful under New Hampshire law so that matters have to come to a halt. That wasted expenditure would fall on the liquidation estate and diminish the amounts available for the creditors. It will be noted that unless the ACE Companies do indeed have a Class II claim, an assertion made only a couple of days ago, this submission is a purely altruistic one on the part of the ACE Companies, since on the available evidence they have no interest in the liquidation estate as Class V creditors. Of course, as debtors of the liquidation (so far as they indeed are) they have an interest in the non-pursuit of claims, but of course that is not to be taken as any part of the case they make before me.

20. On the evidence, the extent of work that will be done on the incoming claims side of the scheme of arrangement over the next few months is not spelled out. It is probably impossible to say with any precision what will be required. Only two numbers are available. The first is the sum of \$4m which apparently has been spent over the two years to date in relation to (as I understand it) these matters. The other is the sum of \$20m, which is an estimate given to the AFIA Claimants at a presentation of the scheme as being an estimate of the sums which would or might have to be spent on the exercise of receiving claims, dealing with them appropriately, passing them on to the ACE Companies and achieving payment and distribution. There is no suggestion that there was any great science behind that number. Faced with this evidence, it is obviously impossible for me to form anything like a reliable view as to how much money will be spent on relevant exercises in the next few months. However, it does not seem to me that it is likely it will be great. Furthermore, there are at least two classes of significant people who think that it is worthwhile spending that money in order to keep the matter going. The first is the liquidators (the provisional liquidators and the New Hampshire liquidator) whose business it is to run the relevant affairs of Home Insurance. They are apparently of the view that it will be in the interests of the creditors for them to carry on. It seems to me that I should give considerable weight to that judgment. They are in a position to be able to form a view as to the amount that would have to be spent, the prospects of the success in the Supreme Court, the chances of the money turning out to be wasted and so on. The second class of people are the unsecured creditors of Home Insurance. There is apparently an informal creditors' committee. I have seen a clip of consents signed by or on behalf of various members of that committee in which they express support for the scheme and support the view that sanction should be given. I have to be careful about how much weight I give to those letters. That is for at least two reasons. First, all but one of those letters come from entities who I am told are AFIA Claimants, so looking at their own interests they would, of course, be likely to support the grant of sanction because they voted for the scheme in the first place. However, one of them is from a non-AFIA Claimant creditor, namely US Property and Casualty Guaranty Association. That claims to be a creditor in the substantial sum of \$122m. That indicates, not surprisingly, that at least one substantial creditor supports the sanctioning of the scheme. The second reason I have to be careful is that those letters do not expressly

approve expenditure on dealing with claims between now and whenever it is that the New Hampshire Supreme Court delivers its judgment. However, the scheme itself caters for the possibility that sanction would be given before a ruling in the then pending appeal in the Supreme Court. The liquidators made it plain to Lovells in their letter of 31st October 2005 that:

“The initial stages in the implementation of the scheme will include the determination of the AFIA Claimants’ claims....as well as the collection of amounts due to the company from the ACE group of companies.”

It seems to me to be likely that the creditors’ committee would know that activities were going to continue and would be content with that course. That would not be at all surprising. First, there have already been significant delays in this matter overall, and another six months’ delay would not be without significance. Second, if activities continue, AFIA claims might be brought to such an extent that, whether or not there is a scheme, they can then be passed on to the ACE Companies. Were that to happen, and were the overall arrangements (and therefore the scheme) to fail, there would still be the prospect of a recovery from the ACE Companies which would, on these supposed facts, accrue to the benefit of the general body of creditors.

21. In the light of that, I do not think that these submissions of the ACE Companies, whether motivated by altruism or not, have any real weight, and again I reject them as being a reason or reasons for not sanctioning the scheme. If, as creditors of Home Insurance, the ACE Companies really think that the liquidators are wasting money in respect of which they might otherwise benefit, then it seems to me to be likely that they have a remedy elsewhere in the form of seeking the court’s direct intervention against the liquidators. That would seem to me to be a more appropriate avenue for pursuing this sort of claim if it is a good claim honestly made. It is not appropriate to invite me to control the liquidators indirectly by declining to sanction the scheme. In fact, even if I did decline to sanction the scheme, it does not follow that any money will be saved, because there is no evidence that the liquidators would then cease the activity of gathering in the AFIA claims and (so far as possible) pursuing the ACE Companies.

Conclusions

22. I have already concluded that, leaving out of account the ACE Companies’ objections, this is a scheme which I would approve. Since I do not consider that there is anything in the ACE Companies’ submissions which point away from an approval, I shall therefore sanction the scheme. I reiterate that I do so taking into account the matters which it is proper for an English court to take into account in sanctioning a scheme of arrangement. My attention was drawn in particular to the decision of Lewison J. in *British Aviation Insurance Co Ltd [2005] EWHC 1621* where various principles are set out, and I apply those principles. I do not seek to trespass in any way on the matters which are germane to the deliberations of the New Hampshire Supreme Court in the pending appeal.

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT


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

In the Matter of the Liquidation of
US International Reinsurance Company
Docket No. 03-E-0112

CERTIFICATE OF SERVICE

I hereby certify that on December 15, 2005, a copy of the Liquidator's Nineteenth Report, without the confidential appendix, was served upon the persons named on the attached Service List, by first class mail, postage prepaid.

Dated: December 15, 2005


Eric A. Smith

THE STATE OF NEW HAMPSHIRE

MERRIMACK, SS.

SUPERIOR COURT

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

In the Matter of the Liquidation of
US International Reinsurance Company
Docket No. 03-E-0112

SERVICE LIST

Ronald L. Snow, Esq.
Lisa Snow Wade, Esq.
Orr & Reno
One Eagle Square
P.O. Box 3550
Concord, New Hampshire 03302-3550

Gary Lee, Esq.
Pieter Van Tol, Esq.
Lovells
16th Floor
900 Third Avenue
New York, New York 10022

Gail M. Goering, Esq.
Adam Goodman, Esq.
Eric Haab, Esq.
Lovells
One IBM Plaza
330 N. Wabash Avenue, Suite 1900
Chicago, Illinois 60611

Andre Bouffard, Esq.
Eric D. Jones, Esq.
Downs Rachlin Martin PLLC
199 Main Street
P.O. Box 190
Burlington, Vermont 05402-0190

Peter G. Callaghan, Esq.
Preti, Flaherty, Beliveau, Pachos
& Haley, PLLP
57 North Main Street
P.O. Box 1318
Concord, New Hampshire 03302-1318

Martin P. Honigberg, Esq.
Sulloway & Hollis, P.L.L.C.
9 Capitol Street
P.O. Box 1256
Concord, New Hampshire 03302-1256

George T. Campbell, III, Esq.
Robert A. Stein, Esq.
Robert A. Stein & Associates, PLLC
One Barberry Lane
P.O. Box 2159
Concord, New Hampshire 03302-2159

David M. Spector, Esq.
Dennis G. LaGory, Esq.
Kristy L. Allen, Esq.
Schiff Hardin LLP
6600 Sears Tower
Chicago, Illinois 60606

Jack B. Gordon, Esq.
Fried, Frank, Harris, Shriver
& Jacobson, LLP
1001 Pennsylvania Avenue
Washington, D.C. 20004

Andrew W. Serell, Esq.
Rath, Young and Pignatelli
One Capital Plaza
P.O. Box 1500
Concord, New Hampshire 03302-1500

Stephan P. Parks, Esq.
Doreen F. Connor, Esq.
Wiggin & Nourie, P.A.
670 North Commercial Street, Suite 305
P.O. Box 808
Manchester, New Hampshire 03105-0808

Michael Cohen, Esq.
Cohen & Buckley, LLP
1301 York Road
Baltimore, Maryland 21093