



March 29, 2006

Michelle L. Williams
Direct Dial: 262-951-4599
mwilliam@reinhardtlaw.com

Mr. James Schmidt
Wisconsin Dept. of Natural Resources
2300 N. Dr. Martin Luther King Jr. Dr.
Milwaukee, WI 53212-3128

Mr. Jeffrey Soellner
Wisconsin Dept. of Natural Resources
P.O. Box 7921
Madison, WI 53707-7921

Dear Messrs. Schmidt and Soellner: Re: Redi-Quick Dry Cleaners
9508 West Greenfield Avenue
West Allis, WI

Pursuant to the telephone conversation held this morning, we are forwarding to you copies of all correspondence between our office and the insurance companies in the above-referenced matter.

Please be advised that we are not including any of the attachments to these letters as some of them are quite voluminous. As you are reading these letters, however, if you want any specific items please let me know and I will make sure they are immediately sent to you.

Yours very truly,

A handwritten signature in blue ink that reads 'Michelle Williams'.

Michelle L. Williams

Waukesha\38421MLW:TMS

Encs.

cc Donald P. Gallo, Esq.
Pamela H. Schaefer, Esq.

List of Documents Enclosed:

03/24/05 – letter to American Economy Insurance Company/American States Ins. Co.
04/06/05 – letter to Acuity
06/20/05 – letter from Michael Cohen, Esq.
08/23/05 – letter from Thomas Hruz, Esq.
08/23/05 – letters from Natalie Thompson (2)
09/19/05 – letter to Thomas Hruz, Esq.
09/19/05 – letter to Natalie Thompson
10/04/05 – letter from Thomas Hruz, Esq.
10/27/05 – letter to Thomas Hruz, Esq.
11/21/05 – letter to Natalie Thompson
11/26/05 – letter from Thomas Hruz, Esq.
11/30/05 – letter to Natalie Thompson
12/23/05 – letters from Natalie Thompson (2)
01/13/06 – letter from Natalie Thompson
02/16/06 – letter to Thomas Hruz, Esq.
02/17/06 – letter to Natalie Thompson
03/08/06 – letter to Natalie Thompson



March 24, 2005

Donald P. Gallo, Esq., P.E.
Direct Dial: 262-951-4555
dgallo@reinhardtlaw.com

Carolyn A. Sullivan, Esq.
Direct Dial: 262-951-4536
csulliva@reinhardtlaw.com

American Economy Insurance Company/
American States Insurance Company
Safeco *PLZ*
Seattle, WA 98185

Dear Sir or Madam:

Re: Dorothy G. Inc.
DBA Redi-Quick Dry Cleaners
9508 W. Greenfield Avenue
West Allis, WI 53214
Policy No: 02-UD-001046-1

We write on behalf of your insured, Dorothy G. Inc. DBA Redi-Quick Dry Cleaners ("Dorothy G."). In July 1985, American Economy Insurance Company/American States Insurance Company ("American") issued Special Multi Peril Policy No. 02-UD-001046-1 to Dorothy G. (the "Policy"). A copy of this policy, which includes general liability, is enclosed at Tab A.

The Wisconsin Department of Natural Resources ("DNR") sent a Responsible Party letter to Mr. and Mrs. Serb and Dorothy Gruichich requiring them to investigate and remediate property located at the 9508 W. Greenfield Avenue, West Allis, Wisconsin site (the "Site") as a result of a release of dry cleaning chemicals at the Site. A copy of the December 8, 1994 Responsible Party letter is enclosed at Tab B. On September 17, 2004, the DNR sent a letter to Mr. Sam Gruichich stating that the site investigation at the Site "appears complete for now. However, there could be some future additional investigation" A copy of this letter is enclosed at Tab C.

Dorothy G. has incurred substantial expenses in response to the DNR's Responsible Party letter and has also incurred legal expenses in response to these

American Economy Insurance Company/
American States Insurance Company
March 24, 2005
Page 2

demands by the State of Wisconsin. A summary of these response costs and copies of invoices will be provided upon your request.

The terms of the Policy obligate American to indemnify and defend Dorothy G. The Policy states substantially as follows:

Comprehensive General Liability Coverage Insurance:

I. *The company will pay on behalf of the insured all sums which the insured shall become legally obligated to pay as damages because of Coverage A. **bodily injury** or Coverage B. **property damage** to which this insurance applies, caused by an occurrence, and the company shall have the right and duty to defend any suit against the insured seeking damages on account of such **bodily injury** or **property damage**, even if any of the allegations of the suit are groundless, false or fraudulent, and may make such investigation and settlement of any claim or suit as it deems expedient, but the company shall not be obligated to pay any claim or judgment or to defend any suit after the applicable limit of the company's liability has been exhausted by payment of judgments or settlements.*

Limits of Liability Amendatory Endorsement:

The total liability of the company for all damages, including damages for care and loss of services, under all BODILY INJURY liability and PROPERTY DAMAGE liability coverages of this policy because of BODILY INJURY or PROPERTY DAMAGE sustained by one or more persons or organizations as a result of any one OCCURRENCE shall not exceed the limit of liability shown above for "each OCCURRENCE".

American Economy Insurance Company/
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Additional Policy Provisions – Dry Cleaners and Laundries
Special Multi-Peril Policy
Section 1.A.3.J.

J. *CONTAMINATION CLEAN-UP EXPENSE: The Insured may apply up to \$1,000 to cover contamination cleanup expense resulting from a direct loss in any one occurrence at a described location, including expenses for testing and clean-up work where required by governmental pollution control authorities. Coverage does not apply to fines and penalties imposed on the insured as a result of a contamination occurrence nor to any expenses for clean-up off the designated premises.*

Section 1.B.3.L.

L. *CONTAMINATION CLEAN-UP EXPENSE: The insured may apply up to \$1,000 to cover contamination clean-up expense resulting from a direct loss in any one occurrence at a described location, including expenses for testing and clean-up work where required by governmental pollution control authorities. Coverage does not apply to fines or penalties imposed on the insured as a result of a contamination occurrence nor to any expenses for clean-up off the designated premises. Exclusion A-7 does not apply to this extension.*

In its decision in *Johnson Controls, Inc. v. Employers Ins. of Wausau*¹, the Wisconsin Supreme Court overturned its earlier decision in *City of Edgerton v. General Casualty Co.*² In doing so, the Wisconsin Supreme Court held that the insured's costs of restoring and remediating damaged property, whether those costs are based on remediation efforts of a third party or incurred directly by the insured, are covered damages under applicable CGL policies provided other policy exclusions do not apply. Thus, it is no longer necessary (as it was under the *Edgerton* case) to prove

¹ 2003 WI 108, 665 N.W.2d 257.

² 184 Wis. 2d 750, 517 N.W.2d 463 (1994).

American Economy Insurance Company/
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Page 4

that the insured has been sued. In addition, the *Johnson Controls* court found that receipt of a responsible party letter from EPA or an equivalent agency, such as the DNR, marks the beginning of an adversarial administrative legal proceeding and triggers a CGL insurer's duty to defend. Dorothy G. has received a Responsible Party letter from the DNR and has incurred response costs in response. Consequently, we ask that American States Insurance acknowledge its duty to defend Dorothy G.

Additionally, the Policy contains the following pollution exclusion:

(f) to bodily injury or property damage arising out of the discharge, dispersal, release or escape of smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids or gases, waste materials or other irritants, contaminants or pollutants into or upon land, the atmosphere or any water course or body of water; but this exclusion does not apply if such discharge, dispersal, release or escape is sudden and accidental;

In *Just v. Land Reclamation, Ltd.*, 155 Wis. 2d 737 (1990), the Wisconsin Supreme Court interpreted this pollution exclusion favorably to the insured, finding that the phrase "sudden and accidental" in the exclusion was ambiguous. The Court interpreted the phrase to mean either "abrupt and immediate" or "unexpected and unintended," thereby construing the exclusion in favor of the insured and finding insurance coverage in that case. Similarly, in the matter at hand, the release of contamination from the Site was neither expected nor intended by the insured and, thus, the exclusion does not bar coverage.

Please note that Dorothy G. is participating in the Wisconsin Drycleaner's Environmental Response Program ("DERP") program, such that a substantial portion (but not all) of its costs in remediating the Site have or will be reimbursed by the State of Wisconsin under this program. Nevertheless, on behalf of Dorothy G., we ask that American:

1. Agree to participate in the defense of Dorothy G. against proceedings and demands by the DNR which will require Dorothy G. to respond by site investigation and remediation or, alternatively to pay for such a defense; and

American Economy Insurance Company/
American States Insurance Company
March 24, 2005
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2. Acknowledge its duty to provide coverage and indemnify its insured under the terms of the Policy.

Please acknowledge your duty to defend, coverage and indemnification of Dorothy G. by April 8, 2005.

Yours very truly,



Donald P. Gallo
Carolyn A. Sullivan

Waukesh\26552DPG:CAS:JEL

Encs.

cc Mr. Sam Gruichich (without enclosures)



April 6, 2005

Donald P. Gallo, Esq., P.E.
Direct Dial: 262-951-4555
dgallo@reinhardt.com

Carolyn A. Sullivan, Esq.
Direct Dial: 262-951-4536
csulliva@reinhardt.com

Acuity, A Mutual Insurance Company
P.O. Box 58
Sheboygan, WI 53082-0058

Dear Sir or Madam:

Re: Dorothy G. Inc.
DBA Redi-Quick Dry Cleaners
9508 W. Greenfield Avenue
West Allis, WI 53214
Heritage Insurance Policy No: 194959

We write on behalf of your insured, Dorothy G. Inc. DBA Redi-Quick Dry Cleaners ("Dorothy G."). In August 1984, Heritage Insurance ("Heritage") issued Policy No. 194959 to Dorothy G. (the "Policy"). A copy of this policy, which includes comprehensive general liability, is enclosed at Tab A.

The Wisconsin Department of Natural Resources ("DNR") sent a Responsible Party letter to Mr. and Mrs. Serb and Dorothy Gruichich requiring them to investigate and remediate property located at the 9508 W. Greenfield Avenue, West Allis, Wisconsin site (the "Site") as a result of a release of dry cleaning chemicals at the Site. A copy of the December 8, 1994 Responsible Party letter is enclosed at Tab B. On September 17, 2004, the DNR sent a letter to Mr. Sam Gruichich stating that the site investigation at the Site "appears complete for now. However, there could be some future additional investigation" A copy of this letter is enclosed at Tab C.

Dorothy G. has incurred substantial expenses in response to the DNR's Responsible Party letter and has also incurred legal expenses in response to these demands by the State of Wisconsin. A summary of these response costs and copies of invoices will be provided upon your request.

The terms of the Policy obligate Heritage to indemnify and defend Dorothy G. The Policy states substantially as follows:

L-353A (7-82) COMPREHENSIVE GENERAL LIABILITY COVERAGE PART

	Schedule	
	Coverages	Limits of Liability
A.	Bodily Injury Liability	SEE L-341 ATTACHED
B.	Property Damage Liability	SEE L-341 ATTACHED

L-341A (7-82) GENERAL LIABILITY SINGLE LIMIT ENDORSEMENT

	Schedule	
	Coverages	Limits of Liability
	BODILY INJURY Liability and PROPERTY DAMAGE Liability	\$500,000 each OCCURRENCE \$500,000 aggregate

L-342A (7-92) SINGLE LIMIT OF LIABILITY

	Schedule	
	Coverages	Limits of Liability
	BODILY INJURY Liability and PROPERTY DAMAGE Liability	\$500,000 each OCCURRENCE

In its decision in *Johnson Controls, Inc. v. Employers Ins. of Wausau*¹, the Wisconsin Supreme Court overturned its earlier decision in *City of Edgerton v. General Casualty Co.*² In doing so, the Wisconsin Supreme Court held that the insured's costs of restoring and remediating damaged property, whether those costs are based on remediation efforts of a third party or incurred directly by the insured, are covered damages under applicable CGL policies provided other policy exclusions do not apply. Thus, it is no longer necessary (as it was under the *Edgerton* case) to prove that the insured has been sued. In addition, the *Johnson Controls* court found that

¹ 2003 WI 108, 665 N.W.2d 257.

² 184 Wis. 2d 750, 517 N.W.2d 463 (1994).

Acuity, A Mutual Insurance Company
April 6, 2005
Page 3

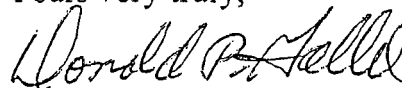
receipt of a responsible party letter from EPA or an equivalent agency, such as the DNR, marks the beginning of an adversarial administrative legal proceeding and triggers a CGL insurer's duty to defend. Dorothy G. has received a Responsible Party letter from the DNR and has incurred response costs in response. Consequently, we ask that Heritage acknowledge its duty to defend Dorothy G.

Please note that Dorothy G. is participating in the Wisconsin Drycleaner's Environmental Response Program ("DERP") program, such that a substantial portion (but not all) of its costs in remediating the Site have or will be reimbursed by the State of Wisconsin under this program. Nevertheless, on behalf of Dorothy G., we ask that Heritage (n/k/a Acuity):

1. Agree to participate in the defense of Dorothy G. against proceedings and demands by the DNR which will require Dorothy G. to respond by site investigation and remediation or, alternatively to pay for such a defense; and
2. Acknowledge its duty to provide coverage and indemnify its insured under the terms of the Policy.
3. Provide full copies of the policies that Heritage issued to Dorothy G.

Please acknowledge your duty to defend, coverage and indemnification of Dorothy G. by April 15, 2005.

Yours very truly,



Donald P. Gallo
Carolyn A. Sullivan

Waukesh\26832DPG\CAS:JEL

Encs.

cc Mr. Sam Gruichich (without enclosures)

MEISSNER TIERNE,
FISHER & NICHOLS

S.C.

ATTORNEYS AT LAW

THE MILWAUKEE CENTER

19TH FLOOR

111 EAST KILBOURN AVENUE

MILWAUKEE, WISCONSIN 53202-6622

TELEPHONE (414) 273-1300

FACSIMILE (414) 273-5840

COPY

MICHAEL J. COHEN
ATTORNEY-AT-LAW

EXTENSION 140
MJC@MTFN.COM

June 20, 2005

Donald P. Gallo, Esq.
Reinhart Boerner Van Deuren S.C.
W233 N2080 Ridgeview Parkway
Waukesha, WI 53188

Re: Dorothy G, Inc. d/b/a Redi-Quick Dry Cleaners
Heritage Insurance Policy No: 194959

Dear Mr. Gallo:

Please be advised that this office has been retained by ACUITY, A Mutual Insurance Company to serve as coverage counsel with respect to the claim that you recently submitted on behalf of your client, Dorothy G, Inc. Please direct all further communications concerning this matter to me.

Please be advised that ACUITY is investigating this claim under a full reservation of rights. In order to adequately respond to your demand for defense and indemnity, ACUITY will require some additional information from you and your client. Please be so kind as to provide me with copies of the following:

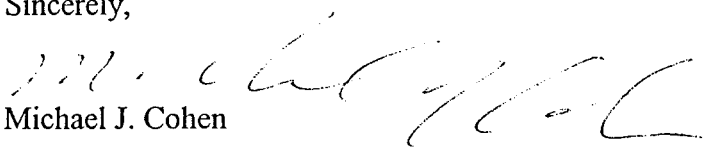
1. Any and all documents regarding the WDNR's claim against your client regarding investigation and remediation of the site;
2. All documents regarding the defense and indemnity expenses allegedly incurred by your client in response to the WDNR's demands;
3. All other insurance policies issued to your client that may provide coverage in relation to this claim and a coverage chart, if you have one; and

Donald P. Gallo, Esq.
Page 2
June 20, 2005

4. Copies of any and all communications by and between you or anyone else on behalf of your client and any other insurer regarding this claim.

Thank you in advance for your anticipated cooperation.

Sincerely,


Michael J. Cohen

cc: Tom McDermott

CMT9950.WPD

MEISSNER TIERNEY
FISHER & NICHOLS
S.C.

ATTORNEYS AT LAW
THE MILWAUKEE CENTER
19TH FLOOR
111 EAST KILBOURN AVENUE
MILWAUKEE, WISCONSIN 53202-6622
TELEPHONE (414) 273-1300
FACSIMILE (414) 273-5840

THOMAS M. HRUZ
ATTORNEY-AT-LAW

EXTENSION 157
TMH@MTFN.COM

August 23, 2005

VIA U.S. MAIL

Donald P. Gallo, Esq.
Reinhart Boerner Van Deuren S.C.
W233 N2080 Ridgeview Parkway
Waukesha, WI 53188

Re: Dorothy G, Inc. d/b/a Redi-Quick Dry Cleaners
Heritage Insurance Policy No: 194959

Dear Mr. Gallo:

It has now been more than two months since Michael Cohen mailed the enclosed letter advising you that ACUITY is investigating the above-referenced claim under a full reservation of rights. That letter requested that you provide additional information relevant to your client's claim so that ACUITY may adequately respond to your demand for defense and indemnity. Please advise us on when we can expect that information.

In addition, based upon our investigation of materials that we do presently have, it appears that your client has sought public aid for costs that it has incurred related to this claim. If your client has been reimbursed through the Dry Cleaner Environmental Response Fund, or any other public program, please identify the source of this funding, the amount received, and when it was received. If your client is still awaiting such reimbursement, please advise us as to what funds have been applied for and the present status of such application(s).

Thank you in advance for your anticipated cooperation.

Sincerely,



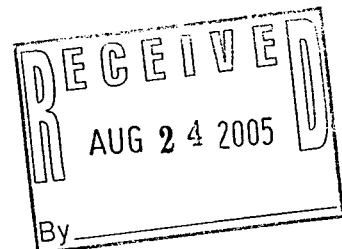
Thomas M. Hruz

Enclosure

Cc: Michael J. Cohen, Esq.

1-copy to:
• Sam & Linda G.
• Pam Schaeffer

We will prepare a package of information including all of the consultant proposals and the most recent appraisals from the house next door.





Central Region
Environmental Claims Department
P.O. Box 66769
St. Louis, MO 63166-6769

Phone: (800) 325-3200
Phone: (636) 825-8250
Fax: (636) 825-8601
www.safeco.com

August 23, 2005

Dorothy G. Inc. d/b/a Redi Quick Dry Cleaners
9508 W. Greenfield Ave
West Allis, WI 53214

Insured: Dorothy G. Inc.
Claim Number: 3327 1486 2009
Policy Number: 02-UD-001046
Re: Wisconsin Dept. of Natural Resources Ltr

American Economy Insurance Company, one of the Safeco Companies (hereafter, American Economy), acknowledges receipt of the above reference claim under your company policy.

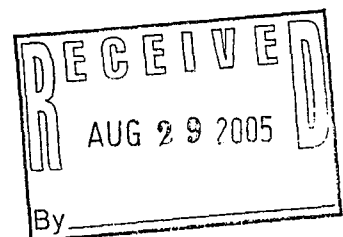
The information received from the Dorothy G. Inc. d/b/a Redi Quick Dry Cleaners indicates that American Economy may have provided coverage to you over the course of several years. We are currently reviewing your policies so that we can provide you with a definitive coverage position.

By investigating this matter, American Economy does not waive any rights, conditions or exclusions with respect to any policies issued by a Safeco Company. American Economy reserves the right to decline coverage and withdraw from your defense if the existence, terms, and conditions of the alleged policies cannot be proven or if the policies are located and are determined not to provide coverage for this claim.

If you have any questions or would like to discuss these matters further, I can be reached at 636-825-8250 or via email nattho@safeco.com.

Sincerely,

Natalie Thompson
SCLC Senior Examiner
Specialized Commercial Liability Claims
American Economy Insurance Company





Central Region
Environmental Claims Department
P.O. Box 66769
St. Louis, MO 63166-6769

Phone: (800) 325-3200
Phone: (636) 825-8250
Fax: (636) 825-8601
www.safeco.com

August 23, 2005

Dorothy G. Inc. d/b/a Redi Quick Dry Cleaners
9508 W. Greenfield Ave
West Allis, WI 53214

Insured: Dorothy G. Inc.
Claim Number: 3327 1486 2009
Policy Number: 02-UD-001046
Re: Wisconsin Dept. of Natural Resources Ltr

Dear Dorothy G. Inc,

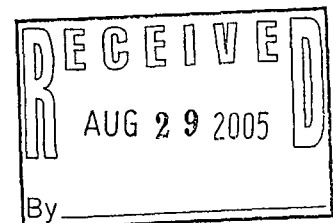
Be advised that I am the new adjuster assigned to the above noted claim. Please direct all future contact and correspondence to the undersigned.

If you have any questions or wish to discuss these matters, please do not hesitate to contact me at 636-825-8250 or via email at nattho@safeco.com.

Sincerely,

Natalie Thompson
SCLC Senior Examiner
Specialized Commercial Liability Claims
American Economy Insurance Company

Cc: Reinhart, Boerner & Van Deuren
Attn: Attorney Donald Gallo
W233 N2080 Ridgeview Parkway
Waukesha, WI 53188





September 19, 2005

Donald P. Gallo, Esq., P.E.
Direct Dial: 262-951-4555
dgallo@reinhartlaw.com

Pamela H. Schaefer, Esq.
Direct Dial: 262-951-4598
pschaefer@reinhartlaw.com

Natalie Thompson, SCLC Senior Examiner
Specialized Commercial Liability Claims
American Economy Insurance Company
Safeco Environmental Claims Department
P.O. Box 66769
St. Louis, MO 63166-6769

Dear Ms. Thompson:

Re: Dorothy G. Inc. d/b/a Redi-Quick Drycleaners
Claim Number: 3327 1486 2009
Policy Number: 02-UD-001046

You have asked us for some background information regarding the above claim. We represent Dorothy G. Inc. d/b/a Redi-Quick Drycleaners. The site in question is located at 9508 West Greenfield Avenue, West Allis. The firm of Envirogen (now Shaw Environmental) recently completed a subsurface investigation at this dry cleaning property. In September 2004, the Wisconsin Department of Natural Resources ("WDNR") conditionally approved this site investigation, noting that "there could be some future need for additional investigation" due to fluctuating contaminant concentrations in the groundwater. In August 2005, Shaw Environmental submitted a claim for reimbursement under the State of Wisconsin's Dry Cleaner Environmental Response Program ("DERP") for the costs of the site investigation. While some of the site investigation and cleanup costs will be covered by the Dry Cleaner Environmental Response Fund ("DERF"), Dorothy G's defense costs, statutory deductibles, and third party costs are not reimbursable under DERP. The DERP program has a statutory maximum reimbursable amount for each site of \$500,000.

The property includes an existing solvent dry cleaning operation in a single-story building located at the northwest corner of the intersection of 95th Street and Greenfield Avenue, West Allis. The building extends to both the north and west property boundaries, while an asphalt parking lot borders the building to the south and a small

Ms. Natalie Thompson
September 19, 2005
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landscaped strip is located on the east side of building. Residential and commercial properties border the property to the north and west, respectively.

Third Party Claim

A claim against Dorothy G. has been made by one of the adjoining neighbors, Ms. Suzanne Dauer. Her property address is 1361 South 95th Street, West Allis, Wisconsin 53214. Ms. Dauer is represented by Attorney E. Joseph Kershek, of Kershek Law Offices, Greenfield Professional Center, 10777 West Beloit Road, Greenfield, Wisconsin 53228. Soil and groundwater contamination with perchloroethylene (PCE) arising from the dry cleaning location owned and operated by Dorothy G. Inc. exists on the property owned by Ms. Dauer. Ms. Dauer has asked that Dorothy G. Inc. buy her property, rather than remediating it while she resides there. Through her attorney, Suzanne Dauer, provided two appraisal reports to Dorothy G. We enclose appraisals reports by Richard A. McCue stating a value of \$179,000 (as of June 23, 2005) and Richard S. Larkin stating a value of \$164,000 (as of June 17, 2005).

Site History

The property owned and operated by Dorothy G. has operated as an active drycleaner since at least the late 1950s. A reported 1,000-gallon solvent underground storage tank was formerly used to store PCE. This tank, while abandoned, reportedly remains in place. Prior to its use as a drycleaner the property was a retail gas service station. A subsurface investigation was completed at the property in accordance with the Petroleum Environmental Cleanup Fund Act ("PECFA") prior to initiation of the drycleaner solvent release investigation.

Remedial Action Options

A subsurface investigation was initiated at the property after dry cleaning solvents were detected in soil and groundwater samples obtained from the property during the PECFA investigation. Solvent impacts are generally located at the north and east ends of the property and have migrated off-site, to both the north (the Dauer residential property) and east (city street). Dorothy G. has obtained three remedial action proposals from environmental consultants. There is a significant range in the projected costs of remediation. Generally speaking, the higher priced remediation approach includes aggressive contaminant source removal both from the dry cleaning site and the Dauer

Ms. Natalie Thompson
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property. By contrast, the lower cost approaches utilize less source removal and result in leaving more contamination in place at both the Dorothy G. site and the Dauer property. Institutional restrictions and engineering controls will also be required for the lower cost approaches. The lower cost approaches both appear to underestimate the amount of soils which will be deemed hazardous due to the level of PCE contamination. If significant amounts of soils must be handled as hazardous waste, it will increase the cost.¹ Because DERF will pay the cost of both onsite and offsite remediation, but not third party claims, Dorothy G. prefers the more aggressive source control approach. Removing more of the contaminated source material initially will reduce the damage to Ms. Dauer's property and reduce the amount of her claim.

Each of three different consultants has proposed remedial action options. The three proposals are from Arcadis, KPRG and Shaw Environmental. Each of the three proposals are similar in some regards and different in others. Our client has not yet chosen an environmental consultant to proceed with the site remediation and we are awaiting input from the insurance carriers.

In May 2005 Arcadis proposed a combined remedial approach to address PCE contamination at the Dorothy G. site and the Dauer property, in both soil and groundwater. The elements of this proposal are as follows:

1. targeted soil excavation;
2. introduction of a reagent designed to "stimulate biological activity and assist in naturally-occurring degradation process";
3. passive soil venting to control (vapor migration);
4. groundwater monitoring; and
5. use of institutional controls.

¹ In Wisconsin, soil containing PCE can be managed as a solid waste if 1) the PCE concentration does not exceed the industrial contact RL, and 2) the concentration of PCE, as measured by the Toxicity Characteristic Leaching Procedure, does not exceed 0.7 milligrams per liter. The industrial direct contact RCL for PCE is 55 milligrams per kilogram (mg/kg). Based on the investigation data, the soil near the out-of-service PCE tank exceeds the RCL, and will require management as a hazardous waste.

Ms. Natalie Thompson
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The proposed institutional controls are required as impacted soils and groundwater are expected to remain on-site and will affect both the dry cleaning property and the adjacent Dauer property.

The total cost of Arcadis' proposed scope of work is estimated to be \$347,361. (This approach aggressively provides contaminant source control and is therefore an approach which reduces potential damage to Ms. Dauer.)

A second proposal has been received from KPRG and Associates, Inc. ("KPRG"), which notes that existing site investigation data is not sufficient to allow a complete engineering evaluation. Thus, as such, their proposal includes some additional gathering of data to further define lateral and vertical extent of contamination impacts. KPRG has proposed:

1. source control by removal of contaminated soil and utilizing engineered barriers, including the original concrete floor and extension thereof. KPRG estimates that 432 tons of impacted soil will be removed from the Dauer property. Of this amount, about 20 tons will require hazardous waste disposal;
2. institutional controls (deed restrictions); and
3. natural attenuation with enhanced biodegradation (by injection of Hydrogen Release Compound) and groundwater monitoring.

In addition, KPRG assumes the WDNR will accept the argument that residual impacts below approximately 10-12 feet are more accurately defined as groundwater, not soil contamination issues.

Please note that the KPRG proposal is estimated to \$124,805; however, the proposal does not provide for a completion of DERP claims, WDNR review fees or GIS registration, and KPRG estimates additional costs for additional reagent injection and vents.

Shaw's report includes a detailed site chronology (copy enclosed). In May 2005 Shaw has proposed the following remedial activities:

Ms. Natalie Thompson
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1. limited additional groundwater and soil sampling;
2. excavation and offsite disposal of impacted soils (source control) (including disposal of approximately 320 tons of hazardous waste);
3. introduction of a reagent to assist in naturally-occurring degradation processes; and
4. natural attenuation, demonstrated by use of groundwater monitoring.

The cost for Shaw's proposed scope of work is estimated to be \$128,308.

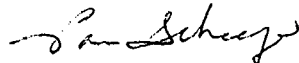
Enclosed are copies of the remedial action option proposals from each of these consultants for your review and comment.

By a letter dated March 24, 2005, our firm previously placed American Economy Insurance Company/American States Insurance Company on notice of this claim and asked for a determination of coverage, as well as indemnity and a defense against claims by the Wisconsin Department of Natural Resources. A copy of the notice letter is enclosed.

You indicated in our telephone conversation that you would like to interview Sam Gruichich regarding this claim. We would like to be present for any such interview.

We would appreciate a prompt response regarding this claim.

Yours very truly,



Pamela H. Schaefer
Donald P. Gallo

Wauk\31739PHS:CSA:JEL

Encs.

cc Mr. Sam Gruichich (without enclosures)



September 19, 2005

Donald P. Gallo, Esq., P.E.
Direct Dial: 262-951-4555
dgallo@reinhartlaw.com

Pamela H. Schaefer, Esq.
Direct Dial: 262-951-4598
pschaefer@reinhartlaw.com

Thomas M. Hruz, Esq.
Meissner, Tierney, Fisher & Nichols SC
111 E. Kilbourn Avenue, 19th Floor
Milwaukee, WI 53202-6633

Dear Mr. Hruz:

Re: Dorothy G. Inc. d/b/a Redi-Quick Drycleaners
Acuity/Heritage Policy No. 194959

You have asked us for some background information regarding the above claim. We represent Dorothy G. Inc. d/b/a Redi-Quick Drycleaners. The site in question is located at 9508 West Greenfield Avenue, West Allis. The firm of Envirogen (now Shaw Environmental) recently completed a subsurface investigation at this dry cleaning property. In September 2004, the Wisconsin Department of Natural Resources ("WDNR") conditionally approved this site investigation, noting that "there could be some future need for additional investigation" due to fluctuating contaminant concentrations in the groundwater. In August 2005, Shaw Environmental submitted a claim for reimbursement under the State of Wisconsin's Dry Cleaner Environmental Response Program ("DERP") for the costs of the site investigation. While some of the site investigation and cleanup costs will be covered by the Dry Cleaner Environmental Response Fund ("DERF"), Dorothy G's defense costs, statutory deductibles, and third party costs are not reimbursable under DERP. The DERP program has a statutory maximum reimbursable amount for each site of \$500,000.

The property includes an existing solvent dry cleaning operation in a single-story building located at the northwest corner of the intersection of 95th Street and Greenfield Avenue, West Allis. The building extends to both the north and west property boundaries, while an asphalt parking lot borders the building to the south and a small

Thomas M. Hruz, Esq.
September 19, 2005
Page 2

landscaped strip is located on the east side of building. Residential and commercial properties border the property to the north and west, respectively.

Third Party Claim

A claim against Dorothy G. has been made by one of the adjoining neighbors, Ms. Suzanne Dauer. Her property address is 1361 South 95th Street, West Allis, Wisconsin 53214. Ms. Dauer is represented by Attorney E. Joseph Kershek, of Kershek Law Offices, Greenfield Professional Center, 10777 West Beloit Road, Greenfield, Wisconsin 53228. Soil and groundwater contamination with perchloroethylene (PCE) arising from the dry cleaning location owned and operated by Dorothy G. Inc. exists on the property owned by Ms. Dauer. Ms. Dauer has asked that Dorothy G. Inc. buy her property, rather than remediating it while she resides there. Through her attorney, Suzanne Dauer, provided two appraisal reports to Dorothy G. We enclose appraisals reports by Richard A. McCue stating a value of \$179,000 (as of June 23, 2005) and Richard S. Larkin stating a value of \$164,000 (as of June 17, 2005).

Site History

The property owned and operated by Dorothy G. has operated as an active drycleaner since at least the late 1950s. A reported 1,000-gallon solvent underground storage tank was formerly used to store PCE. This tank, while abandoned, reportedly remains in place. Prior to its use as a drycleaner the property was a retail gas service station. A subsurface investigation was completed at the property in accordance with the Petroleum Environmental Cleanup Fund Act ("PECFA") prior to initiation of the drycleaner solvent release investigation.

Remedial Action Options

A subsurface investigation was initiated at the property after dry cleaning solvents were detected in soil and groundwater samples obtained from the property during the PECFA investigation. Solvent impacts are generally located at the north and east ends of the property and have migrated off-site, to both the north (the Dauer residential property) and east (city street). Dorothy G. has obtained three remedial action proposals from environmental consultants. There is a significant range in the projected costs of remediation. Generally speaking, the higher priced remediation approach includes

aggressive contaminant source removal both from the dry cleaning site and the Dauer property. By contrast, the lower cost approaches utilize less source removal and result in leaving more contamination in place at both the Dorothy G. site and the Dauer property. Institutional restrictions and engineering controls will also be required for the lower cost approaches. The lower cost approaches both appear to underestimate the amount of soils which will be deemed hazardous due to the level of PCE contamination. If significant amounts of soils must be handled as hazardous waste, it will increase the cost.¹ Because DERF will pay the cost of both onsite and offsite remediation, but not third party claims, Dorothy G. prefers the more aggressive source control approach. Removing more of the contaminated source material initially will reduce the damage to Ms. Dauer's property and reduce the amount of her claim.

Each of three different consultants has proposed remedial action options. The three proposals are from Arcadis, KPRG and Shaw Environmental. Each of the three proposals are similar in some regards and different in others. Our client has not yet chosen an environmental consultant to proceed with the site remediation and we are awaiting input from the insurance carriers.

In May 2005 Arcadis proposed a combined remedial approach to address PCE contamination at the Dorothy G. site and the Dauer property, in both soil and groundwater. The elements of this proposal are as follows:

1. targeted soil excavation;
2. introduction of a reagent designed to "stimulate biological activity and assist in naturally-occurring degradation process";
3. passive soil venting to control (vapor migration);
4. groundwater monitoring; and
5. use of institutional controls.

¹ In Wisconsin, soil containing PCE can be managed as a solid waste if 1) the PCE concentration does not exceed the industrial contact RL, and 2) the concentration of PCE, as measured by the Toxicity Characteristic Leaching Procedure, does not exceed 0.7 milligrams per liter. The industrial direct contact RCL for PCE is 55 milligrams per kilogram (mg/kg). Based on the investigation data, the soil near the out-of-service PCE tank exceeds the RCL, and will require management as a hazardous waste.

Thomas M. Hruz, Esq.
September 19, 2005
Page 4

The proposed institutional controls are required as impacted soils and groundwater are expected to remain on-site and will affect both the dry cleaning property and the adjacent Dauer property.

The total cost of Arcadis' proposed scope of work is estimated to be \$347,361. (This approach aggressively provides contaminant source control and is therefore an approach which reduces potential damage to Ms. Dauer.)

A second proposal has been received from KPRG and Associates, Inc. ("KPRG"), which notes that existing site investigation data is not sufficient to allow a complete engineering evaluation. Thus, as such, their proposal includes some additional gathering of data to further define lateral and vertical extent of contamination impacts. KPRG has proposed:

1. source control by removal of contaminated soil and utilizing engineered barriers, including the original concrete floor and extension thereof. KPRG estimates that 432 tons of impacted soil will be removed from the Dauer property. Of this amount, about 20 tons will require hazardous waste disposal;
2. institutional controls (deed restrictions); and
3. natural attenuation with enhanced biodegradation (by injection of Hydrogen Release Compound) and groundwater monitoring.

In addition, KPRG assumes the WDNR will accept the argument that residual impacts below approximately 10-12 feet are more accurately defined as groundwater, not soil contamination issues.

Please note that the KPRG proposal is estimated to \$124,805; however, the proposal does not provide for a completion of DERP claims, WDNR review fees or GIS registration, and KPRG estimates additional costs for additional reagent injection and vents.

Thomas M. Hruz, Esq.
September 19, 2005
Page 5

Shaw's report includes a detailed site chronology (copy enclosed). In May 2005 Shaw has proposed the following remedial activities:

1. limited additional groundwater and soil sampling;
2. excavation and offsite disposal of impacted soils (source control) (including disposal of approximately 320 tons of hazardous waste);
3. introduction of a reagent to assist in naturally-occurring degradation processes; and
4. natural attenuation, demonstrated by use of groundwater monitoring.


The cost for Shaw's proposed scope of work is estimated to be \$128,308.

Enclosed are copies of the remedial action option proposals from each of these consultants for your review and comment.

By a letter dated March 24, 2005, our firm previously placed Heritage Insurance Company on notice of this claim and asked for a determination of coverage, as well as indemnity and a defense against claims by the Wisconsin Department of Natural Resources. A copy of the notice letter is enclosed.

We would appreciate a prompt response regarding this claim.

Yours very truly,



Pamela H. Schaefer
Donald P. Gallo

Wauk3165SPHS:CSA:JEL

Encs.

cc Mr. Sam Gruichich (without enclosures)

MEISSNER TIERNEY
FISHER & NICHOLS
S.C.

ATTORNEYS AT LAW
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111 EAST KILBOURN AVENUE
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THOMAS M. HRUZ
ATTORNEY-AT-LAW

EXTENSION 157
TMH@MTFN.COM

October 4, 2005

VIA E-MAIL & U.S. MAIL

Pamela H. Schaefer, Esq.
Reinhart Boerner Van Deuren S.C.
W233 N2080 Ridgeview Parkway
Waukesha, WI 53188

Re: Dorothy G, Inc. d/b/a Redi-Quick Dry Cleaners
Heritage Insurance Policy No: 194959

Dear Ms. Schaefer:

Thank you for your letter of September 19, 2005 and for the materials enclosed with that correspondence, all of which relate to the above-referenced matter. We appreciate the information provided but also note that your client, Dorothy G., Inc., still has yet to respond to the specific requests for information outlined in Michael Cohen's letter of June 20, 2005. Specifically, we requested, on behalf of ACUITY, the following:

1. Any and all documents regarding the WDNR's claim against your client regarding investigation and remediation of the site;
2. All documents regarding the defense and indemnity expenses allegedly incurred by your client thus far in response to the WDNR's demands;
3. All other insurance policies issued to your client that may provide coverage in relation to this claim and a coverage chart, if you have one; and
4. Copies of any and all communications by and between you or anyone else on behalf of your client and any other insurer regarding this claim.

Please provide these materials at your earliest convenience, so that ACUITY may adequately respond to your client's request for ACUITY's determination regarding possible coverage for defense and indemnification of the claims at issue.

Ms. Pamela H. Schaefer, Esq.
October 4, 2005
Page 2

In addition, based on the materials that you have provided, it appears that there is an alleged third-party property damage claim by a neighboring property owner to the Dorothy G. site. Please provide us with all information and documentation that your client possesses related to that claimant, including without limitation all documents and communications between the claimant (including the claimant's counsel) and your client.

Please be advised that ACUITY continues to investigate this claim under a full reservation of rights. Thank you in advance for your anticipated cooperation.

Sincerely,

A handwritten signature in black ink, appearing to read 'Thomas M. Hruz', with a long horizontal flourish extending to the right.

Thomas M. Hruz

Cc: Michael J. Cohen, Esq.



October 27, 2005

Pamela H. Schaefer, Esq.
Direct Dial: 262-951-4598
pschaefer@reinhardt.com

Thomas M. Hruz, Esq.
Meissner, Tierney, Fisher & Nichols SC
111 E. Kilbourn Avenue, 19th Floor
Milwaukee, WI 53202-6633

Dear Mr. Hruz:

Re: Dorothy G. Inc. d/b/a Redi-Quick Drycleaners
Acuity/Heritage Policy No. 194959
DNR BRRTS # 02-41-000676

This letter is in response to your letter of October 4, 2005. You have requested the following additional materials:

1. Any and all documents regarding the WDNR's claim against your client regarding the investigation and remediation of the site.

Response: We have previously forwarded a copy of the Wisconsin Department of Natural Resources' 1994 Responsible Party letter to you. This letter was attached to our original correspondence to you dated March 2005. In addition, I am enclosing a copy of a page from the WDNR's website which references this site and summarizes DERP payment requests for the site. The site is referred to as both a LUST site and a DERP site. The site was a LUST site because of the presence of underground petroleum storage tanks. It subsequently became a DERP site after contamination relating to drycleaning processes was also found at the site. We do not have a copy of the complete WDNR file. The documentation which you are requesting is a public record available from the WDNR. The information on the enclosed summary should help you to locate the WDNR file.

2. All documents regarding the defense and indemnity expenses allegedly incurred by your client thus far in response to the WDNR's demands.

Thomas M. Hruz, Esq.

October 27, 2005

Page 2

Response: We are gathering these documents, including copies of legal invoices and invoices from the various environmental consultants who have worked for and with Dorothy G. and will provide this information to you as soon as we have it in hand. (Note that the environmental consultant's claims are summarized on the WDNR chart, enclosed.) We enclose copies of the Reinhart Boerner Van Deuren s.c. invoices. Please treat these as confidential. We have not substantially redacted the invoices in order to expedite your review of them (note: "Real Estate Issues" refers to this site).

I have spoken to Timothy Welch, PG of Shaw Environmental & Infrastructure, Inc., who informs me that, as of October 5, the WDNR has not yet responded to the application for a DERF payment made on August 18. I am enclosing, with this correspondence, a copy of the cover letter and application forms which were submitted to DERF on August 18.

3. All other insurance policies issued to your client that may provide coverage in relation to this claim and a coverage chart, if you have one.

Response: We have not prepared a coverage chart; however, Dorothy G. has also made a request for coverage under a policy of insurance issued by American Economy Insurance Company (Safeco). We enclose a copy of correspondence to Ms. Natalie Thompson of Safeco dated September 19, 2005. We note that the attachments to that letter were the same as the attachments to the letter which you received on or about the same date. We are also enclosing a copy of correspondence from Natalie Thompson, who is the claims examiner for Safeco and a copy of their policy. We also enclose a copy of the insurance policy issued by American States.

4. Additional information about the third party claim of Ms. Dauer.

Response: Regarding correspondence between representatives of Dorothy G. and the WDNR, we also enclose a copy of a letter dated August 18, 2005, from Shaw Environmental & Infrastructure, Inc. to Mr. Binyoti Amungwafor of the WDNR. I am also enclosing information about the first DERF claim which was submitted in or about January 2001. I understand, from Mr. Welch of Shaw, that a total of \$8,713.50 was paid on the first claim and that the deductible amount was \$10,000 (see e-mail and chart attached and DNR letter of February 13, 2001).

Thomas M. Hruz, Esq.
October 27, 2005
Page 3

We would appreciate a prompt response regarding this claim.

Yours very truly,



Pamela H. Schaefer

Wauk\33049PHS:JEL

Encs.

cc Mr. Sam Gruichich (without enclosures)
Donald P. Gallo, Esq. (without enclosures)



November 21, 2005

Pamela H. Schaefer
Direct Dial: 262-951-4598
pschaefer@reinhartlaw.com

Ms. Natalie Thompson, SCLC Senior Examiner
Specialized Commercial Liability Claims
American Economy Insurance Company
Safeco Environmental Claims Department
P.O. Box 66769
St. Louis, MO 63166-6769

Dear Ms. Thompson:

Re: Dorothy G. Inc d/b/a Redi-Quick
Drycleaners
Claim No. 3327-1486-2009
Policy No. 02-UD-001046

This letter will confirm our discussions on Monday November 21st. We wrote to you on September 19, 2005 and at that time provided you with some additional background information which you had requested regarding this claim. I spoke to you briefly on September 29th and at that time you indicated that you would be getting back to us shortly. As of today's date, Monday, November 21, 2005, we have not had a response. I understand from our conversation today that you will be getting back in touch with me by telephone on Monday, November 28th to discuss the status and potential resolution of our claim on behalf of Dorothy G. I look forward to speaking with you on November 28th.

Yours very truly,

A handwritten signature in black ink, appearing to read 'P. Schaefer'.

Pamela H. Schaefer

Waukesha\34238PHS:JMP

cc Mr. Sam Gruichich

FILE COPY

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THOMAS M. HRUZ
ATTORNEY-AT-LAW

EXTENSION 157
TMH@MTFN.COM

November 26, 2005

VIA U.S. MAIL

Pamela H. Schaefer, Esq.
Reinhart Boerner Van Deuren S.C.
W233 N2080 Ridgeview Parkway
Waukesha, WI 53188

Re: Dorothy G, Inc. d/b/a Redi-Quick Dry Cleaners
Heritage Insurance Policy No: 194959

Dear Ms. Schaefer:

Thank you for your letter of October 27, 2005 and for the materials enclosed with that correspondence, all of which relate to the above-referenced matter. Your letter was sent in response to our letter of October 4, 2005, which had renewed our request for particular information outlined in Michael Cohen's letter of June 20, 2005.

While your letter and the enclosed documents provide some of the information that ACUITY has requested, there still are gaps within the information, as well as additional questions regarding the claim that we now have based upon the information we have acquired. These issues must be answered and/or clarified in order for our client to make an informed decision with respect to your client's claim. The following outlines these issues that need to be addressed.

First, our request for "any and all documents regarding the WDNR's claim against your client regarding investigation and remediation of the site" is not limited in scope to documents located within the WDNR file for this site (please note that we do, in fact, have a copy of that file). We need any and all documents in your client's custody or control that are related to the WDNR's claim against your client, whether or not those documents happen also to appear in the WDNR file. In fact, we imagine that your client may have numerous documents related to the claims and remediation of the site that have not found their way to the WDNR. If this is not true, we still need to know that no such additional information exists.

Second, thank you for sending us the copies of the Reinhart Boerner Van Deuren S.C. invoices for work related to the WDNR's claims at this site. We look forward to receiving

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11-29-05

Ms. Pamela H. Schaefer, Esq.
November 26, 2005
Page 2

the additional documents which you stated are being gathered. When you produce this information, please also provide a total of the costs that your client is seeking in its claim to ACUITY (both for defense and indemnification). Also, please continue to forward to us, in a reasonably expeditious manner, all such information on defense and indemnity expenses as it becomes known. Thank you.

As to our requests related to other insurance coverage in relation to this claim, we are concerned that you have not identified any liability insurers of your client predating ACUITY's coverage period. Please explain why your client is apparently not seeking coverage from other liability insurance policies (other than from the American States policy) with respect to this claim. Also, if you do create a coverage chart, please kindly forward it to us. Please also provide us with copies of any other communications you have had with SAFECO that you have not yet provided us.

Fourth, the information provided in your letter under the heading for the third-party claim of the neighbor located to the north of the Dorothy G site does not appear to be responsive to our request (*i.e.*, the information in your letter speaks only of communication regarding the WDNR and the DERF claims that have been made). As previously stated, please provide us with all information and documentation that your client possesses related to that claimant, including without limitation all documents and communications between the claimant (including the claimant's counsel) and your client or your office. In particular, ACUITY will need more information regarding the neighbor's apparent request for the purchase of her property in lieu of her living there during the remediation. Also, has there been any claim made by the City of West Allis (or any other party) related to other contamination that has migrated off-site? Please provide any information related to any such claim(s).

Another important factual issue that needs to be clarified is the status of other Potentially Responsible Parties ("PRPs") for this claim. In particular, what is that status of the owner of the property that Dorothy G leases, whom we understand to be either Ms. Ruth Barnekow or her daughter Kristine Hein (formerly "Buettner"). We understand from some documents reviewed in the WDNR file that Ms. Barnekow has apparently taken the position that she is not liable for remediating the dry-cleaning solvent contamination located on the site, but we believe that there may be no legal basis for her, as an owner of the property, to take such a stance. ACUITY is entitled to be apprised of all identified PRPs for the site and, in particular, what their current role is in assisting (either financially or otherwise) with the remediation efforts.

Finally, we need a clear statement and explanation of where the remediation efforts stand. We understand that your client and its environmental contractor were (as of early October) still awaiting a result on the August 18, 2005 application for DERF funds for the site. We also have received the three Remedial Action Proposals from three different environmental firms. Beyond that, we are uncertain as to the status of any remediation efforts. In your

Ms. Pamela H. Schaefer, Esq.
November 26, 2005
Page 3

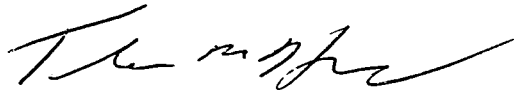
September 19, 2005 letter, you stated that your client has not yet chosen a remediation strategy because, in part, it is "awaiting input from the insurance carriers." However, until your client makes a full disclosure of all facts and circumstances regarding this claim, ACUITY is unable to evaluate your client's claim and provide any input. In any event, we would like a summary of all past remediation done on the site related to the dry-cleaning solvent contamination and all efforts presently being undertaken or that are planned. Please inform us immediately if any remediation is occurring or is set to occur, whether due to your client's initiative or by the direction of the WDNR.

As stated before, the information that you have supplied to us, along with the information requested in this correspondence, is necessary for ACUITY to adequately respond to your client's request for ACUITY's determination regarding possible coverage for defense and indemnification of the claims at issue. As you know, your client has duties under the applicable ACUITY policy to provide this and other information, as well as to assist and cooperate in ACUITY's investigation of this claim.

Please also be advised that ACUITY continues to investigate this claim under a full reservation of rights.

Thank you in advance for your anticipated cooperation. If you have any question regarding the aforementioned requests for information, or would otherwise like to discuss these matters so as to ensure that all the information that we have requested is in fact provided, please feel free to call me.

Sincerely,



Thomas M. Hruz

Cc: Michael J. Cohen, Esq.



November 30, 2005

Pamela H. Schaefer, Esq.
Direct Dial: 262-951-4598
pschaeffe@reinhartlaw.com

Natalie Thompson, SCLC Senior Examiner
Specialized Commercial Liability Claims
American Economy Insurance Company
Safeco Environmental Claims Department
P.O. Box 66769
St. Louis, MO 63166-6769

Dear Ms. Thompson:

Re: Dorothy G. Inc. d/b/a Redi-Quick Drycleaners
Claim Number: 3327 1486 2009
Policy Number: 02-UD-001046

We originally notified American Economy Insurance of our client's claim on March 24, 2005. At that time, we asked for a prompt determination of coverage, as well as indemnity and a defense against claims by the Department of Natural Resources. We have previously provided you with an additional copy of that letter.

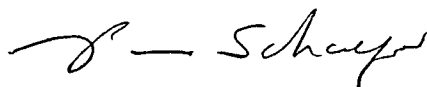
On August 30, 2005, we provided you with additional background information on the above claim, at your request. This was followed by our letter dated September 19, 2005, in which we provided additional information that you had requested. I spoke with you briefly on September 29, and at that time, you indicated you would be getting back to us shortly. We did not hear from you thereafter. On November 21, I spoke with you once again and you stated at that time that you would be calling us on November 28 to discuss this claim. November 28 has come and gone and we have not heard from you.

It has now been nine months since our original notice of claim was sent to your company, with no substantive response. If we do not have a substantive answer from you by December 15, it is our intention to commence a declaratory action shortly thereafter to establish coverage.

Ms. Natalie Thompson
November 30, 2005
Page 2

We would appreciate a prompt response determining coverage and providing our client a defense by payment of its attorney fees incurred in responding to the Wisconsin Department of Natural Resources' demands for site investigation and remediation and demands of third parties for compensation due to offsite contamination.

Yours very truly,



Pamela H. Schaefer

Wauk\34451PHS:JEL

Encs.

cc Mr. Sam Gruichich (without enclosures)



Central Region
Specialized Commercial Liability Claims
P.O. Box 66769
St. Louis, MO 63166-6769

Overnight Address:
1400 South Highway Dr. Suite 100
Fenton, MO 63026

Phone: (636) 825-8250
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JAN 03 REC'D
RECEIVED

December 23, 2005

Reinhart, Boerner, Van Deuren S.C.
Attorneys at Law
Attn: Pamela Schaefer, Esq.
PO Box 2265
Waukesha, WI 53187-2265

Insured: Dorothy G. Inc. DBA Redi Quick Dry Cleaners
Claim Number: 3327 1486 2009
Policy Number: 02-UD-001046
Re: WDNR Remediation Letter
Third Party Property Damage of Suzanne Dauer

Dear Ms. Schaefer,

American Economy Insurance Company, one of the Safeco Companies (hereafter, American Economy) has completed its initial coverage analysis, however is missing a substantial amount of information. A reservations of rights letter has been issued to Dorothy G. Inc. DBA Redi Quick Dry Cleaners (hereafter, Dorothy G).

American Economy is requesting the following information as we are continuing our investigation of the matter. Please provide the following:

- Copy of the Petroleum Environmental Cleanup Fund Act (PECFA) investigation documents and reports.
- Copy of the Wisconsin Department of Natural Resources (WDNR) reports and all other documentation regarding the site investigation, according to the 1994 letter the Gruichich received.
- Copy of documentation, agreements and/or letters pertaining to the Dry Cleaner Environmental Response Fund (DERF) Program and documentation of reimbursement for any remediation of the Dorothy G site.
- Copy of any demand letters from the attorney representing the third party claimant Ms. Dauer.

COPY

- Copy of documentation from Dorothy G's and/or the Gruichich out of pocket cost for the remediation, site investigation and any other costs relating to the claims presented.
- Copy of rental, lease agreements or ownership documentation of the building and land located at 9508 W. Greenfield Ave, West Allis, WI 53214.
- Documentation regarding the off-site contamination of Ms. Dauer property located at 1361 South 95th Street, West Allis, WI 53214.
- List of all other insurers that provided General Liability Coverage for Dorothy G. Inc. and the 9508 W. Greenfield Ave, West Allis, WI location.
- Defense cost documentation from your firm.
- Return the answers to the list of factual questions regarding the claim

By investigating this matter, American Economy does not waive any rights, conditions or exclusions with respect to any policies issued by American Economy to Dorothy G.

If you have any questions regarding this letter feel free to give me a call at 636-825-8250 or via email nattho@safeco.com.

Sincerely,



Natalie Thompson
SCLC Senior Examiner
Specialized Commercial Liability Claims
American Economy Insurance Company

Enclosure

CC: Dorothy G. Inc. DBA Redi Quick Dry Cleaners
Attn: Mr. and Mrs. Serb and Dorothy Gruichich
9508 W. Greenfield Ave
West Allis, WI 53214

COPY



Central Region
Specialized Commercial Liability Claims
P.O. Box 66769
St. Louis, MO 63166-6769

Phone: (636) 825-8250
Phone: (636) 825-8602
nattho@safeco.com

www.safeco.com

Overnight Address:
1400 South Highway Dr. Suite 100
Fenton, MO 63026

December 23, 2005

Dorothy G. Inc. DBA Redi Quick Dry Cleaners
Attn: Mr. and Mrs. Serb and Dorothy Gruichich
9508 W. Greenfield Ave
West Allis, WI 53214

Insured:	Dorothy G. Inc. DBA Redi Quick Dry Cleaners
Claim Number:	3327 1486 2009
Policy Number:	02-UD-001046
Re:	WDNR Remediation Letter Third Party Property Damage of Suzanne Dauer

Dear Mr. and Mrs. Gruichich,

American Economy Insurance Company, one of the Safeco Companies (hereafter, American Economy), acknowledges receipt of the above reference claims under your company policy.

Attorney Pamela Schaefer of the law firm Reinhart, Boerner and Van Deuren represents Dorothy G. American Economy was put on notice March 30, 2005 seeking a defense and indemnity from the Wisconsin Department of Natural Resources (WDNR) claim regarding a site investigation and cleanup costs for the property located at 9508 West Greenfield Ave, West Allis, WI on behalf of Dorothy G.

On December 8, 1994 the WDNR sent a Responsible Party Letter to Mr. and Mrs. Gruichich requiring them to investigate and remediate property located on W. Greenfield Avenue, as a result of a release of dry cleaning chemicals at the Site. On September 17, 2004 the WDNR sent a letter stating the Site appears complete for now, however there could be some future additional investigation.

Attorney Schaefer has also tendered a third party property damage claim from Suzanne Dauer, who resides at 1361 South 95th Street, West Allis, WI. Ms. Dauer is seeking compensation due to alleged off-site contamination of her property from Dorothy G. who is an adjoining neighbor to the dry cleaners. Ms. Dauer is represented by Attorney Joseph Kershek of the law firm Kershek Law Offices. No lawsuit has been filed.

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American Economy will join with any other insurance carriers who issued general liability coverage to your company over the period of the claimant's potential exposure and provide a defense, subject to the following reservations of rights.

American Economy Insurance Company issued policy 02-UD-001046 to Dorothy G. Inc. DBA Redi-Quick Dry Cleaners effective 8/1/85-8/1/86 with liability limits of \$500,000 per occurrence and \$500,000 aggregate. The policy is a **Special Multi-Peril Policy**

Section I: Property Covered, Special Personal Property Form MP110

Personal Property of the Insured

Business personal property owned by the insured and usual to the occupancy of the insured, including the insured's interest in personal property owned by others to the extent of the value of labor, materials and charges furnished, performed or incurred by the insured; all while in or on the buildings or in the open (including within vehicles) on or within 100 feet of the designated premises.

This coverage shall also include Tenant's Improvements and Betterments, meaning the insured's use interest in fixtures, alterations, installations or additions constituting a part of the buildings occupied but not owned by the insured and made or acquired at the expense of the insured exclusive of rent paid by the insured, but which are not legally subject to a removal by the insured.

Personal Property of Others

This insurance shall cover for the account of the owners (other than the named insured) personal property belonging to others in the care, custody or control of the insured, while in or on the buildings or in the open (including within vehicles) on or within 100 feet of the designated premises.

Loss shall be adjusted with the named insured for the account of the owners of the property, except that the right to adjust any loss with the owners is reserved to the Company and the receipts of the owners in satisfaction thereof shall be in full satisfaction of any claim by the named insured for which payments have been made.

Property Not Covered

Property which is more specifically covered in whole or in part by this or any other contract of insurance, except for the amount of loss which is in excess of the amount due from such more specific insurance.

Perils Insured Against

This policy insures against all risks of direct physical loss subject to the provisions and stipulations herein and in the policy of which this form is made a part.

The Perils of Insured Against Section of every form or endorsement made a part of this policy only apply if the loss is not excluded by any applicable Exclusions made a part of this policy.

Exclusions

This policy does not insure under this form against loss caused by:

- Enforcement of any ordinance or law regulating the use, construction, repair or demolition of property, including debris removal expense;
- wear and tear, marring or scratching;
- rust, mold, wet or dry rot, contamination;

Additional Policy Provisions-Dry Cleaners and Laundries Special Multi-Peril Policy form MO-208 (2/83) states:

This policy is extended to provide the additional coverage stated below:

Section 1: Buildings Form MP 109

The following are added under Extensions of Coverage:

CONTAMINATION CLEAN-UP EXPENSE

The insured may apply up to \$1000 to cover contamination cleanup expense resulting from a direct loss in any one occurrence at a described location, including expenses for testing and clean-up work where required by governmental pollution control authorities. Coverage does not apply to fines and penalties imposed on the insured as a result of a contamination occurrence not to any expenses for clean-up off the designated premises.

Personal Property Form MP110

The following are added under Extensions of Coverage:

CONTAMINATION CLEAN-UP EXPENSE

The insured may apply up to \$1000 to cover contamination cleanup expense resulting from a direct loss in any one occurrence at a described location, including expenses for testing and clean-up work where required by governmental

pollution control authorities. Coverage does not apply to fines and penalties imposed on the insured as a result of a contamination occurrence not to any expenses for clean-up off the designated premises.

Section II: Comprehensive General Liability Insurance Coverage Form 9-CCGL (1/80), states:

Insuring Agreement

The company will pay on behalf of the insured all sums which the insured shall become legally obligated to pay as damages because of bodily injury or property damage to which this insurance applies, caused by an occurrence, and the company shall have the right and duty to defend any suit against the insured seeking damages on account of such bodily injury or property damage, even if any of the allegations of the suit are groundless, false or fraudulent, and may make such investigation and settlement of any claim or suit as it deems expedient, but the company shall not be obligated to pay any claim or judgment or to defend any suit after the applicable limit of the company's liability has been exhausted by payment of judgments or settlements.

Exclusions

This insurance does not apply:

To bodily injury or property damage arising out of the discharge, dispersal, release or escape of smoke, vapors, soot, fumes, acids, alkalis, toxic chemicals, liquids or gases, waste materials or other irritants, contaminants or pollutants into or upon land, the atmosphere or any water course or body of water; but this exclusion does not apply if such discharge, dispersal, release or escape is sudden and accidental.

To property damage to property owned or occupied by or rented to the insured, property used by the insured, or property in the care, custody or control of the insured or as to which the insured is for any purpose exercising physical control.

To loss of use of tangible property which has not been physically injured or destroyed resulting from a delay in or lack of performance by or on behalf of the named insured of any contract or agreement, or the failure of the named insured's products or work performed by or on behalf of the named insured to meet the level of performance, quality, fitness or durability warranted or represented by the named insured; but this exclusion does not apply to loss of use of other tangible property resulting from sudden and accidental physical injury to or destruction of the named insured's products or work performed by or on behalf of the named

insured after such products or work have been put to use by any person or organization other than an insured.

Conditions Applicable to Section II

Insured's Duties in the Event of Occurrence, Claim or Suit

In the event of an occurrence, written notice containing particulars sufficient to identify the insured and also reasonably obtainable information with respect to the time, place and circumstances thereof and the names and addresses of the injured and of available witnesses shall be given by or for the insured to the Company or any of its authorized agents as soon as practicable.

If claim is made or suit is brought against the insured, the insured shall immediately forward to the Company every demand, notice, summons or other process received by him or his representative.

The insured shall cooperate with the Company and upon the Company's request, assist in making settlements, in the conduct of suits and in enforcing any right of contribution or indemnity against any person or organization who may be liable to the insured because of injury or damage with respect to which insurance is afforded under this policy; and the insured shall attend hearings and trials and assist in securing and giving evidence and obtaining the attendance of witnesses. The insured shall not, except at his own cost, voluntarily make any payment, assume any obligation or incur any expenses other than for first aid to others at the time of accident.

Definitions

Occurrence means an accident, including continuous or repeated exposure to conditions, which results in bodily injury or property damage neither expected nor intended from the standpoint of the insured;

Property damage means physical injury to or destruction of tangible property which occurs during the policy period, including the loss of use thereof at any time resulting there from, or loss of use of tangible property which has not been physically injured or destroyed provided such loss of use is caused by an occurrence during the policy period.

An Ultra Plus Comprehensive Liability Endorsement Form 9-227 (11/81) is attached to the policy and states:

Personal Injury and Advertising Injury Liability Coverage

The company will pay on behalf of the insured all sums which the insured shall become legally obligated to pay as damages because of personal injury or

advertising injury to which this insurance applies, sustained by any person or organization and arising out of the conduct of the name insured's business, within the policy territory, and the company shall have the right and duty to defend any suit against the insured seeking damages on account of such injury, even if any of the allegations of the suit are groundless, false or fraudulent, and may make such investigation and settlement of any claim or suit as it deems expedient but the company shall not be obligated to pay any claim or judgment or to defend any suit after the applicable limit of the company's liability has been exhausted by payment of judgment or settlements.

Exclusions

This insurance does not apply:

-to personal injury or advertising injury arising out of the willful violation of a penal statute or ordinance committed by or with the knowledge or consent of the insured;

Additional Definitions

Personal injury means injury arising out of one or more of the following offenses committed during the policy period: wrongful entry or eviction or other invasion of the right of private occupancy.

The WDNR put you on notice regarding the dry cleaning solvent contamination on December 8, 1994. Information received indicated the dry cleaners have been in business at the W. Greenfield Avenue location since the late 1950's. According to the letter dated September 17, 2004 the WDNR stated the Site appears complete for now, however there could be some future additional investigation.

It is American Economy's position that there may have been no occurrence under the American Economy policies or property damage within an American Economy policy period. American Economy reserves the right to deny coverage if it is determined that there was no property damage within the policy period or occurrence within the meaning of the policies.

A PRP letter from the Environmental Protection Agency (EPA) or an equivalent state agency should be treated as a suit. American Economy will defend Dorothy G. regarding the remediation claim from the WDNR and third party claim of Ms. Suzanne Dauer. American Economy is continuing its investigation and reserves the right to deny coverage for indemnification for these claims if any other policy exclusions are applicable to the remediation claim and third party property damage claim.

It is American Economy's recommendation that Dorothy G put all other insurers on notice of these claims. If no other insurer steps forward to defend Dorothy G in regards to the remediation claim of WDNR and the third party property damage claim, American

Economy will strongly suggest allocating orphan years of coverage to Dorothy G for payment of any potential indemnification.

It is unclear when the Site investigation began. However, the WDNR letter dated December 8, 1994, indicated a release of dry cleaning chemicals. Dorothy G. did not tender the claim to American Economy until March 30, 2005. This is 11 years after Dorothy G. was made aware of a potential claims. The WDNR letter further stated: *the longer contamination is left in the environment the farther it can spread and the more it may cost to clean up.* Wisconsin Statue regarding Notice of a claim states *notice or proof loss should be furnished as soon as reasonably possible and within one year after the time it was required by the policy.* The American Economy policies state notice should be provided as soon as practicable. The statue further states *failure to give notice as required by the policy does not bar liability under the policy if the insurer was not prejudiced by the failure.* American Economy reserves the right to deny coverage if the claims tendered to American Economy is found to be prejudice by the failure to notify American Economy in a timely manner of the remediation claim from WDNR and the third party property damage claim.

While stating the above conditions, limitations, and exclusions, American Economy does not waive any other conditions or exclusions within the policies which may become relevant and applicable as discovered by further investigation. American Economy reserves the right to amend this reservation of rights as additional coverage, legal or factual information is developed.

If you have any questions regarding this letter or wish to discuss any aspect of the claim, please do not hesitate to contact me at 636-825-8250 or via email nattho@safeco.com.

Sincerely,



Natalie Thompson
SCLC Senior Examiner
Specialized Commercial Liability Claims
American Economy Insurance Company

Cc: Reinhart, Boerner, Van Deuren S.C.
Attorneys at Law
Attn: Pamela Schaefer, Esq.
PO Box 2265
Waukesha, WI 53187-2265

MIC Insurance Services
610 N. Water Street
Suite 230
Milwaukee, WI 53202



Central Region
Specialized Commercial Liability Claims
P.O. Box 66769
St. Louis, MO 63166-6769

Phone: (636) 825-8250
Phone: (636) 825-8602
nattho@safeco.com

www.safeco.com

Overnight Address:
1400 South Highway Dr. Suite 100
Fenton, MO 63026

January 13, 2006

Reinhart, Boerner, Van Deuren S.C.
Attorneys at Law
Attn: Pamela Schaefer, Esq.
PO Box 2265
Waukesha, WI 53187-2265

Insured: Dorothy G. Inc. DBA Redi Quick Dry Cleaners
Claim Number: 3327 1486 2009
Policy Number: 02-UD-001046
Re: WDNR Remediation Letter
Third Party Property Damage of Suzanne Dauer

Dear Ms. Schaefer,

Happy New Year. I am back in the office. Hopefully you had a chance to review the letters that I forwarded to you prior to the holidays. We had requested information in order to complete our investigation.

Enclosed is a list of supplemental questions that I have for Dorothy G.:

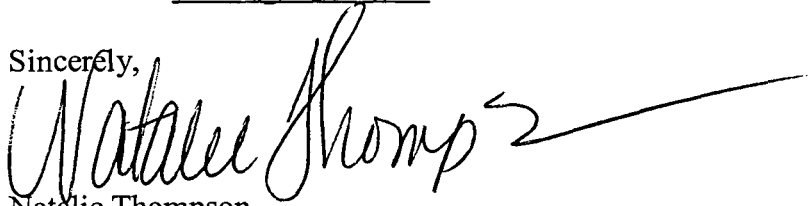
- When was the underground storage tank (UST) installed?
- By whom?
- How long was it in use?
- Why did the insured discontinue its use?
- When did the insured discontinue its use?
- Who decommissioned the tank?
- Provide supporting documentation to these questions
- Copies of all correspondence from the WDNR, EPA, Department of Health, Fire Department, Landlord, any person and/or agency regarding the use and removal of the UST.

By investigating this matter, American Economy does not waive any rights, conditions or exclusions with respect to any policies issued by American Economy to Dorothy G.

received
P.H.S. 1/17/06

If you have any questions regarding this letter feel free to give me a call at 636-825-8250 or via email nattho@safeco.com.

Sincerely,

A handwritten signature in black ink that reads "Natalie Thompson". The signature is written in a cursive style with a long, sweeping horizontal line extending to the right.

Natalie Thompson
SCLC Senior Examiner
Specialized Commercial Liability Claims
American Economy Insurance Company

Enclosure

CC: Dorothy G. Inc. DBA Redi Quick Dry Cleaners
Attn: Mr. and Mrs. Serb and Dorothy Gruichich
9508 W. Greenfield Ave
West Allis, WI 53214

- Who owns the business?
- Are there any other trade names? What are they?
- From whom did you buy the business? When?
- Who owns the building? How long?
- When was the business Incorporated?
- Who operated the business? Is the business still open? The number of employees? Identify all employees and addresses
- When did the business begin operations?
- Who owns the property?
- What insurers provided General Liability Insurance over the course of ownership?
- Physical layout
 - how large was the building? the storage space?
 - is this a one this a one story building? are there parapet walls between stores, roof drains?
 - to where does the roof drain?
 - how were the odors from the cleaning fluids vented?
 - floor drains?
 - sump?
 - type sewer system, city or septic, dry well?
 - type of machines? Name? Model number? How many machines? Closed system?
 - volume of dry cleaning?
 - how much solvent was used?
 - how often was it replaced?
 - how was that done?
 - what was done with the old solvent?
 - what about lint?
 - are you aware of any spills? When the spills occurred? When did you discover the spills?
 - do you still have the original machines? if replaced when? What was done with the old machines?
- The claim is submitted for dry cleaning solvent contamination?
 - where was the contamination found?

- who discovered it?
- when?
- what steps have been taken?
- what authority was notified?
- what was the source of the dry cleaning solvent leakage?
- what dry cleaner solvent is used?
- where was it purchased?
- in what quantity?
- how was the solvent delivered? (in front or rear of cleaners)
- is Dorothy G listed as a RCRA generator
- provide a copy of the permit

- Was perc stored on site? Where? How? What type of container?
- Ast/Ust?
- From whom did you buy the business? When? Any contracts?
- Are you still in business?
- What correspondence have you received regarding pollution of the site?
- Is there any off-site contamination from the dry cleaners? If so who? Could there potentially be others?



February 16, 2006

Pamela H. Schaefer, Esq.
Direct Dial: 262-951-4598
pschaeffe@reinhartlaw.com

Thomas M. Hruz, Esq.
Meissner, Tierney, Fisher & Nichols SC
111 E. Kilbourn Avenue, 19th Floor
Milwaukee, WI 53202-6633

Dear Mr. Hruz :

Re: Dorothy G. Inc. d/b/a Redi-Quick Drycleaners
Acuity/Heritage Policy No. 194959
DNR BRRTS # 02-41-000676

This letter is in response to your letter of November 26, 2005. You have requested the following additional materials:

1. Any and all documents regarding the WDNR's claim against your client regarding the investigation and remediation of the site.

Response: We have subsequently compared our files with the WDNR files to see if any other documents exist that you may not possess. As of November 26, 2005, to the best of our knowledge, we had provided to you everything in our clients' possession. We enclose documents that pertain to this claim that have been created since that date:

- *Dry Cleaner Environmental Response Audit Letter* dated January 24, 2006 from Jeff Soellner at WDNR. (See Tab 1)

2. Provide additional invoices for work related to the WDNR's claims at this site.

Response: We enclose copies of invoices and proof of payment for investigative work done by Envirogen from year 2000 to 2004 (See Tab 2), and a single invoice from August 2005 for \$1,000.00 (See Tab 3). Please refer to (question 3.) for attorney fees.

February 16, 2006

Page 2

3. Provide a total of the costs that your client is seeking in its claim to Acuity.

Response: We seek reimbursement for the following:

- DERF deductible = **\$10,000.00**
(please refer to January 24, 2006 letter from WDNR) (See Tab 1)
Defense Costs = **\$12, 385.82** Please note that the invoices reflect the separation between real estate and environmental issues (client matter -0001) and insurance claim issues (client matter -0002) We seek only defense costs from Real Estate and Environmental Issues for a current amount of \$12,385.82. Copies of invoices are attached (See Tab 4). These invoices have not been redacted; please handle them on a confidential basis.
- Third-Party Claim - to date there has not been an actual claim, however the offsite owner has submitted appraisals to the insured with the intention for them to purchase their property at 1361 South 95th Street. (See Tab 5)

4. Identify other liability insurers (other than American States) predating Acuity's coverage period .

Response: There are no other insurers predating Acuity besides these. Other carriers after these policies include Sentry and Zurich.

5. Provide us with copies of other communications that you have had with Safeco that have not been provided to date.

Response: We enclose 2 letters from Natalie Thompson of Safeco of 12/23/05 and 1/13/06, plus our response letter. (See Tab 7 and Tab 8)

6. Provide all information and documentation that our client possesses related to the third-party claim from the neighbor and her counsel.

Response: We enclose a letter from the third-party claimant's counsel dated August 17, 2005 and copies of the appraisals for that property. To date, there has been no other correspondence. (See Tab 5)

7. Has any claim been made by the City of West Allis or any other party related to contamination that may have migrated offsite?

February 16, 2006

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Response: No.

8. What is the status of the owner of the property from whom Dorothy G leases?

Response: Dorothy G. Inc. entered into a land contract with the owner, Ruth (Barnekow) Elgas on October 30, 2003. We enclose a copy of that contract. (See Tab 6)

9. What is the status of other Potentially Responsible Parties (PRPs)?

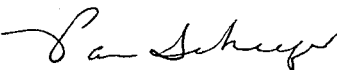
Response: There have been no other PRPs named by WDNR.

10. Where do remediation efforts stand?

Response: The insured is evaluating the best option of the three Remediation Action proposals from 2005. You indicated that you have these in your possession in your last correspondence to us.

We would appreciate a prompt response regarding this claim.

Yours very truly,



Pamela H. Schaefer

Donald P. Gallo

Waukesha\36848PHS:MLW

Encs.

cc: Sam Gruichich, w/o encls.



February 17, 2006

Pamela H. Schaefer, Esq.
Direct Dial: 262-951-4598
pschaefer@reinhardtlaw.com

Natalie Thompson
SCLC Senior Examiner
Safeco, Central Region
P.O. Box 66769
St. Louis, MO 63166-6769

Dear Ms. Thompson :

Re: Dorothy G. Inc. Redi Quick Dry
Cleaners 3327 1486 2009
02-UD-001046
9508 W. Greenfield Ave.
West Allis, WI

This letter is in response to your correspondence of December 23, 2005 and January 13, 2006 requesting further documentation to support the above captioned insurance claim. Our responses are highlighted:

- Copy of the Petroleum Environmental Cleanup Fund Act (PECFA) investigation documents and reports.
We do not seek reimbursement for any petroleum related issues for this site; we only seek reimbursement for the chlorinated solvent release. We have attached a summary of remittances totaling \$80,677.75 that have been reimbursed for remediation of the petroleum contaminants from the Petroleum Environmental Cleanup Fund Award (see Tab 1).
- Copy of the Wisconsin Department of Natural Resources (WDNR) reports and all other documentation regarding the site investigation, according to the 1994 letter that Gruichich received.

February 17, 2006

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We attach a copy of Wisconsin State Statute 292.65 which explains the Dry Cleaner Environmental Response Program (DERF) (see Tab 2), and Wisconsin Administrative Code chapter NR 169 which describes the implementation of the statute (see Tab 3). We have attached the reports and correspondence that pertain to the Perchloroethylene release: Site Investigation Report dated July 11, 2001 performed by Envirogen (see Tab 4); Additional Site Investigation Activities dated January 14, 2004 performed by Envirogen (see Tab 5); Groundwater Laboratory Results dated April 6, 2004 performed by Shaw (formerly Envirogen) (see Tab 5A); the Remedial Action Plan Proposal dated May 25, 2005 performed by Shaw Environmental (see Tab 6); and Wisconsin Department of Natural Resources ("WDNR") letters dated September 17, 2004, February 26, 2004, December 19, 2002, and October 3, 2001 (see Tab 7).

- Copy of documentation, agreements and/or letters pertaining to the Dry Cleaner Environmental Response Fund (DERF) Program and documentation of reimbursement for any remediation of the Dorothy G site.
We attach Invoices, Support Documentation, Proof of Payment (see Tab 8); Invoice No. 103367-R8-00501 dated August 9, 2005 (see Tab 9); and the letter from WDNR dated January 24, 2006 explaining costs claimed, eligible costs, and deductible amounts (see Tab 10).
- Copy of any demand letters from the attorney representing the third party claimant Ms. Dauer.
We attach a copy of correspondence from Kershek Law Offices dated August 17, 2005 and copies of current appraisals(see Tab 11). There has been no other correspondence since then.
- Copy of the documentation from Dorothy G's and/or the Gruichich out of pocket cost for the remediation, site investigation and any other costs relating to the claims presented.
(See Tabs 8, 9 and 10)
- Copy of rental, lease agreements or ownership documentation of the building and land located at 9508 W. Greenfield Ave., West Allis, WI 53214.

February 17, 2006

Page 3

We attach the lease between Chester Barnekow and Dorothy G. dated August 1, 1981 (see Tab 12) and a copy of the land contract between Dorothy G., Inc. and Ruth (Barnekow) Elgas dated October 30, 2003 (Lease was terminated at time of Land Contract) (see Tab 13).

- **Documentation regarding the off-site contamination of Ms. Dauer property located at 1361 South 95th Street, West Allis, WI 53214. Please refer to Figure 1 and Table 2 in Site Investigation Report dated July 2001 (see Tab 4) for offsite groundwater data, specifically MW-12, which is located on the Dauer property. We also attach a letter from Envirogen to Ms. Dauer dated January 20, 2003 (see Tab 14) and the Permission and Access For Environmental Site Investigation Agreement (see Tab 15).**
- **List of all other insurers that provided General Liability Coverage for Dorothy G Inc. and the 9508 W. Greenfield Ave., West Allis, WI location . Acuity/Heritage Insurance, Sentry and Zurich.**
- **Defense cost documentation from your firm. Please note that the invoices reflect the separation between real estate and environmental issues (client matter -0001) and insurance claim issues (client matter -0002) (see Tab 17). We seek reimbursement only of those from Real Estate Environmental Issues for a current amount of \$12,385.82. This sum, \$12,385.82 was for defense costs relating to WDNR's claim and the Dauer's claim. We have not redacted the bills. Please handle them on a confidential basis.**

Return the answers to the list of factual questions regarding the claim: Please note that there are still some unanswered questions that we are awaiting from our client. We will forward them to you as soon as we receive them.

- **Who owns the business? Dorothy G. Inc.**
- **Are there any other trade names? Yes What are they? Dorothy G. Corp, Redi-Quik Dry Cleaners**

February 17, 2006

Page 4

- From whom did you buy the business? When? **August 1, 1981**
- Who owns the building? **Ruth Barnekow Elgas** How long?
- When was the business Incorporated? **August 1, 1981**
- Who operated the business? **Dorothy G., Inc.** Is the business still open? **Yes**
The number of employees? **Sam Gruichich** Identify all employees and addresses.
- When did the business begin operations? **August 1, 1981**
- Who owns the property? **Ruth (Barnekow) Elgas**
- What insurers provided General Liability Insurance over the course of ownership? **Heritage (now, Acuity)**
- Physical layout. **We attach figures 1, 2, 3, 4, and A, B, C, D along with a historical narrative as stated to WDNR in the February 29, 1996 letter from Mr. Gruichich and the Attachment #3 - Detail Explanation of Subject for all items under physical layout (see Tab 19):**
 - how large was the building? **approximately 3000 sq. ft**
 - is this a one this a one story building? **yes** Are there parapet walls between stores, roof drains?
 - to where does the roof drain?
 - how were the odors from the cleaning fluids vented?
 - floor drains?
 - sump?
 - type sewer system, city or septic, dry well?
 - type of machines? **see attached figures for machine information**
Name? Model number? How many machines? Closed system?
 - volume of dry cleaning?
 - how much solvent was used?
 - how often was it replaced?
 - how was that done?
 - what was done with the old solvent?
 - what about lint?
 - are you aware of any spills? **There have been no spills since the lease period of August 1, 1981** When the spills occurred? When did you discover the spills?
 - do you still have the original machines? **no** If replaced when? **see attached figures for historical summary of machines** What was done with the old machines?

- The claim is submitted for dry cleaning solvent contamination? **yes**
 - where was the contamination found? **In soil and groundwater outside the building from another investigation for petroleum contamination**
 - who discovered it? **Envirogen, Inc.**
 - when? **WDNR issued Responsible Party Letter on December 8, 1994 (see Tab 20)**
 - what steps have been taken? **We have attached only reports that pertain to the Perchloroethylene release: Site Investigation Report dated July 11, 2001 performed by Envirogen (see Tab 4); Additional Site Investigation Activities dated January 14, 2004 performed by Envirogen (see Tab 5); Groundwater Laboratory Results dated April 6, 2004 performed by Shaw (formerly Envirogen) (see Tab 5A); and the Remedial Action Plan Proposal dated May 25, 2005 performed by Shaw Environmental (see Tab 6).**
 - what authority was notified? **Wisconsin Department of Natural Resources**
 - what was the source of the dry cleaning solvent leakage? **Area of former Perchloroethylene underground storage tank**
 - what dry cleaner solvent is used? **Perchloroethylene**
 - where was it purchased? **Several places**
 - in what quantity? **Purchased in 55-gallon drums after 1981**
 - how was the solvent delivered? **(in front or rear of cleaners)**
 - is Dorothy G listed as a RCRA generator? **Yes, as a very small generator (see Tab 21)**
 - provide a copy of the permit. **N/A per WDNR Waste database, printout enclosed, definition of Very Small Quantity Generator found in Wisconsin Administrative Code NR 610.07 (see Tab 22)**

- Was perc stored on site? **Yes** Where? **See figures for historical layouts (see Tab 19)** How? **In an underground storage tank, then in 55-gallon drums** What type of container?

- Ast/Ust? **Currently neither**

- From whom did you buy the business? When? Any contracts? **(See Tab 23)**

February 17, 2006

Page 6

- Are you still in business? **Yes**
- What correspondence have you received regarding pollution of the site? **All correspondence has been attached.**
- Is there any off-site contamination from the dry cleaners? If so who? Could there potentially be others? **The site investigation defining the chlorinated contamination in soil and groundwater has been approved by WDNR as complete (see letter dated September 17, 2004 (See Tab 7) The groundwater plume has been delineated and has only infringed on one other property at 1361 95th Street (i.e., Ms. Dauer's residence).**
- When was the underground storage tank (UST) installed? **There is no documentation available. It occurred between 1950 and before 1980 (refer to section 2.3 of Envirogen's Site Investigation report dated July 2001 – see Tab 4).**
- By whom? **Historical information that is not available**
- How long was it in use? **Historical information that is not available**
- Why did the insured discontinue its use? **It has never been in use by insured.**
- When did the insured discontinue its use? **Never used**
- Who decommissioned the tank? **Tank is empty and no longer in use, however is still buried on-site.**
- Provide supporting documentation to these questions.
- Copies of all correspondence from the WDNR, EPA, Department of Health, Fire Department, Landlord, any person and/or agency regarding the use and removal of the UST. **Not Applicable**

February 17, 2006
Page 7

Yours very truly,

A handwritten signature in cursive script, appearing to read "Pam Schaefer".

Pamela H. Schaefer

Waukesh\36325PHS:MLW:TMS

Encs.



March 8, 2006

Pamela H. Schaefer, Esq.
Direct Dial: 262-951-4598
pschaefer@reinhartlaw.com

Natalie Thompson
SCLC Senior Examiner
Safeco, Central Region
P.O. Box 66769
St. Louis, MO 63166-6769

Dear Ms. Thompson :

Re: Dorothy G. Inc. Redi Quick Dry
Cleaners 3327 1486 2009
02-UD-001046
9508 W. Greenfield Ave.
West Allis, WI

This letter provides the information that was omitted in our response letter of February 17, 2006 to your correspondence of December 23, 2005 and January 13, 2006 requesting further documentation to support the above-captioned insurance claim. Our responses are highlighted:

- List of all other insurers that provided General Liability Coverage for Dorothy G Inc. and the 9508 W. Greenfield Ave., West Allis, WI location .
Acuity/Heritage Insurance, Sentry and Zurich. Attached are copies of the other company's policies. Please see page two of this letter.

Return the answers to the list of factual questions regarding the claim:

- From whom did you buy the business? **George Wolf** When? **August 1, 1981**
- Who owns the building? **Ruth Barnekow Elgas, though Sam Gruichich is under land contract from her** How long? **Not available**
- When was the business Incorporated? **August 1, 1981**

March 8, 2006

Page 2

- Who operated the business? **Dorothy G., Inc.** Is the business still open? **Yes**
- When did the business begin operations? **August 1, 1981**
- Who owns the property? **Ruth (Barnekow) Elgas**
- What insurers provided General Liability Insurance over the course of ownership? **Heritage (now, Acuity), Zurich, Sentry, and Hawkeye Security(policies attached)**

Insurance Provider:	Policy Number:	Coverage Dates:
Zurich North America	PAS40022288	03/01/02 to 2/28/03
Zurich North America	PAS40022288	03/01/03 to 2/28/04
Zurich North America	PAS41935405	03/01/04 to 2/28/05
Hawkeye-Security Insurance	BOP8097208	11/01/05 to 11/01/06

- Physical layout:
 - how large was the building? **approximately 3000 sq. ft**
 - is this a one this a one story building? **yes** Are there parapet walls between stores **Not applicable** roof drains? **Yes**
 - to where does the roof drain? **To the pavement and ultimately to the sewer to the east of the building**
 - how were the odors from the cleaning fluids vented? **In a ceiling vent that expelled exhaust outside to the east**
 - floor drains? **Yes, one in the vicinity of the old machines**
 - sump? **None**
 - type sewer system, city or septic, dry well? **City**
 - volume of dry cleaning? **Approximately 900 lbs per week**
 - how much solvent was used? **Approximately 50 gallons per month**
 - how often was it replaced? **Solvent was not replaced, but replenished once a month**
 - how was that done? **Kenex was contracted for replenishment of solvent**
 - what was done with the old solvent? **There was none**

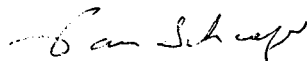
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- what about lint? **It was thrown away in the garbage.**

This completes our response to your inquiry. We look forward to your response and resolution of this matter.

Yours very truly,



Pamela H. Schaefer, Esq.

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Waukesha\37535MLW:MLW

Encs.

cc Sam and Linda Gruichich
Thomas M. Hruz, Esq., Meissner, Tierney, Fisher & Nichols SC