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May 21, 1997

Wisconsin Insurance Security Fund
c/o Robert McCartney, Claims Manager
2445 Darwin Road
Suite 101
Madison, WI 53704

Dear Sir:

Our firm represents the Village of Grafton. The Village of Grafton has received a copy of the enclosed letter from the Wisconsin Department of Natural Resources ("WDNR") to Ken Theisen of the United States Environmental Protection Agency ("EPA"). The WDNR and residents who have contamination in their drinking water are requesting that the EPA conduct a removal action plan to address an alternative drinking water supply for certain residents in the vicinity of the Lime Kiln Park in Grafton, Wisconsin.

Lime Kiln Park was operated as a solid waste landfill from approximately 1940 through 1970. Village and Town residents utilized the landfill during these years along with other companies throughout the area. In addition, WDNR has requested access for drilling monitoring wells at Lime Kiln Park. The evidence from these monitoring wells may indicate that Lime Kiln Park is a source of ground water contamination. If the investigation indicates that Lime Kiln Park is a source of ground water contamination, WDNR will name the Village of Grafton as a responsible party and seek costs recovery for investigation costs from the Village. Enclosed is an April 11, 1997, letter concerning the access agreement.

A number of the residents owning property down gradient of Lime Kiln Park have hired Attorney Art Harrington of the law firm of Godfrey & Kahn. Mr. Harrington has threatened to file suit unless an alternative water supply system is provided to his clients.

As you are aware, the Wisconsin Supreme Court has recently decided the two enclosed cases. These cases make it clear that insurance companies owe their insured a duty to fend for any suit seeking damages. While we concede that a lawsuit has not officially been filed, it may be in all parties interest to work together to facilitate a cost effective resolution of this matter. We respectfully request that you accept your duty to defend and to indemnify the Village of Grafton on this matter at this stage in order to

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save all parties considerable costs at a later date. We are available to discuss this issue with you at your earliest convenience.

Very truly yours,

HOUSEMAN, FEIND, GALLO & MALLOY

Paul V. Malloy

PVM:rj

cc: Mr. Darrell Hofland
Mr. Charles V. Sweeney