

IN THE COURT OF COMMON PLEAS  
FRANKLIN COUNTY, OHIO

MARY JO HUDSON,  
SUPERINTENDENT OF INSURANCE,  
OHIO DEPARTMENT OF INSURANCE, IN  
HER CAPACITY AS LIQUIDATOR OF THE  
PIE MUTUAL INSURANCE COMPANY,

Plaintiff,

v.

THE PIE MUTUAL INSURANCE  
COMPANY,

Defendant.

) CASE NO. 97CVH12-10867

)

) JUDGE JOHN F. BENDER

)

)

)

)

)

)

)

)

)

)

)

)

**MOTION AND ACCOMPANYING  
MEMORANDUM OF THE  
LIQUIDATOR FOR APPROVAL OF  
PERIODIC ACCOUNTING (SECOND  
HALF OF 2006)**

Plaintiff, the Liquidator of The P.I.E. Mutual Insurance Company, moves this Court for an order approving the Statement of Cash Receipts and Disbursements of the Liquidator for the period July 1, 2006 to December 31, 2006, which includes a) a listing of all cash receipts and disbursements for the second half of 2006, b) a cumulative accounting for the calendar year 2006, and c) a cumulative accounting from the date of entry of the liquidation order in this case, March 23, 1998, through December 31, 2006. The Statement of Cash Receipts and Disbursements, including accompanying notes, is attached as Exhibit A. The grounds in support of this Motion are set forth in the accompanying Memorandum and in the Affidavit of Douglas L. Hertlein, Chief Deputy Liquidator, attached hereto as Exhibit B.

**MEMORANDUM IN SUPPORT**

This motion is brought by the Liquidator requesting that this Court approve the Statement of Receipts and Disbursements of the Liquidator for the period July 1, 2006 to December 31,

FILED  
COMMON PLEAS COURT  
FRANKLIN CO. OHIO  
2007 APR 10 AM 11:00  
CLERK OF COURTS - CV

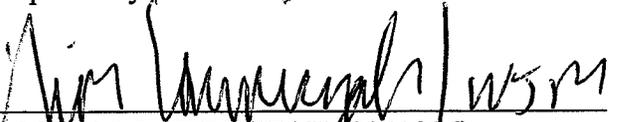
2006 (the "Statement"). These receipts and expenditures are described and set forth in the Statement, which is attached hereto as Exhibit A, and the Affidavit of Douglas L. Hertlein, Chief Deputy Liquidator, attached hereto as Exhibit B.

On March 23, 1998, The P.I.E. Mutual Insurance Company ("PIE") was declared insolvent and placed into liquidation and the Ohio Superintendent of Insurance was appointed Liquidator, all pursuant to the Order of Liquidation and Appointment of Liquidator ("Liquidation Order") entered by this Court. Section 3903.21 of the Ohio Revised Code and paragraphs 3-7 of the Liquidation Order direct the Liquidator to take possession of and liquidate all property and assets of PIE, to collect all debts and monies due PIE, to pay reasonable compensation to persons employed to assist with the liquidation and defray from the funds or assets of the insurer all expenses of taking possession of, conserving, conducting, liquidating, disposing of or otherwise dealing with the business property of the insurer.

The Liquidation Order and § 3903.18(E) of the Ohio Revised Code provide that the Liquidator submit periodic accountings to the Court. Such accountings assist the Court in monitoring the progress and status of the Liquidation, and in particular the receipts and disbursements of the Liquidation Proceedings. Prior to this motion, the Liquidator has filed sixteen periodic accountings with this Court; all of which have been approved by Order of this Court. The last periodic accounting, for the period January 1, 2006 to June 30, 2006, was approved by the Court on January 12, 2007. This is the seventeenth submission.

Wherefore, for the reasons outlined above, the Liquidator respectfully requests that the Court approve the attached Statement of Receipts and Disbursements of the Liquidator for the period July 1, 2006 to December 31, 2006.

Respectfully Submitted,



---

JAMES M. LAWNICZAK (0041836)

KAREN A. VISOCAN (0062378)

NATHAN A. WHEATLEY (0072192)

CALFEE, HALTER & GRISWOLD LLP

McDonald Investment Center, Suite 1400

800 Superior Avenue

Cleveland, Ohio 44114-2688

(216) 622-8200; (216-241-0816 (FAX)

**Special Counsel to Marc Dann,  
Attorney General of the State of Ohio,  
Attorneys for the Plaintiff, in her capacity  
as Liquidator for the P.I.E. Mutual  
Insurance Company**

**EXHIBIT A**

THE PIE MUTUAL INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MARCH 23, 1998  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
CUMULATIVE FROM MARCH 23, 1998 THROUGH DECEMBER 31, 2006

	Current Period 07/01/06 TO 12/31/06	Year to Date 01/01/06 TO 12/31/06	CUMULATIVE FROM 3/23/1998
Beginning Cash & Invested Assets (Note 1)	85,828,776.07	84,426,533.65	129,170,292.90
Receipts:			
Interest Income (Note 2)	2,046,937.51	4,172,389.81	51,776,906.23
Dividend Income	0.00	0.00	30,213.48
Gain on Sale of Securities	0.00	0.00	3,546,401.70
Premiums Collected	0.00	0.00	2,239,014.77
Recovery of Loss Paid Prior to Rehabilitation	0.00	0.00	425,000.00
Reinsurance Recoveries	0.00	0.00	148,288,317.69
LOC Draw Down - Kansa Insurance	0.00	0.00	51,137.80
Unearned Commissions Collected	0.00	0.00	408,406.33
Tax Refund	0.00	0.00	446,409.26
Refund From Bureau of Workers Compensation	0.00	0.00	50,477.55
Proceeds from Sale of Pledged Assets	0.00	0.00	8,000,000.00
Recovery of Cash Value Life Insurance	0.00	0.00	1,287,078.87
Proceeds from Sale of Assets	0.00	0.00	1,260.51
Proceeds from Liquidation of JUA Trust	0.00	0.00	6,381,210.07
Proceeds from Jacobson, Maynard, & Tuschman Co. L.P.A. Settlement Agreement	0.00	0.00	4,000,000.00
Proceeds from Benesch, Friedlander, Coplan & Arnoff LLP Settlement Agreement	0.00	0.00	8,750,000.00
Proceeds from KPMG Settlement Agreement	0.00	0.00	9,999,999.00
Recovery from Employees and Officers (Note 3)	2,878.00	10,101.00	7,019,024.04
Recovery of Loans & Other Receivables	0.00	0.00	598,074.35
Recovery from Fetal Developmental Evaluation, Ltd.	0.00	0.00	357,029.85
Recovery of Statutory Deposit - NV	0.00	0.00	500,000.00
Recovery of Statutory Deposit - WV	0.00	0.00	200,000.00
Recovery of Statutory Deposit - MS	0.00	0.00	100,000.00
Recovery of Statutory Deposit - MO	0.00	0.00	1,001,410.51
Proceeds from Sale of Furniture & Equipment	0.00	0.00	408,950.40
Recovery on Annuities	0.00	0.00	941,198.08
Recovery of Preference Payments	0.00	0.00	2,616,341.27
Recovery of Legal Fees	0.00	0.00	77,080.50
LAE Recovery - Ohio Hospital Insurance Co.	0.00	0.00	135,870.93
Commission Received-The Doctors Co Interim Agreement	0.00	0.00	721,705.00
Proceeds from Settlement with Directors and Officers	0.00	0.00	989,267.00
Proceeds from Settlement with R.K. Carvill & Co., LTD/Creech & Stafford	0.00	0.00	1,975,000.00
Proceeds from Settlement with Morgan Stanley Dean Witter	0.00	0.00	225,000.00
Recovery of Political Contributions	0.00	0.00	132,950.00
Uncashed \ Undelivered \ Voided Class 2 Interim Distribution	559,435.60	559,435.60	559,435.60
Other Income (Note 4)	5,913.13	15,111.52	346,022.22
<b>Total Receipts</b>	<b>2,615,164.24</b>	<b>4,757,037.93</b>	<b>264,586,193.01</b>
Disbursements:			
Noonian Settlement	0.00	0.00	400,000.00
Cologne Re Commutation Agreement - Letter of Credit Fees	0.00	0.00	580,582.00
Compensation:			
Salaries (Note 5)	178,979.10	371,310.82	4,304,479.70
Employee Benefits (Note 6)	47,489.26	106,425.77	662,718.74
Payroll and Other Taxes (Note 7)	13,011.75	31,567.74	383,240.44
Professional Fees:			
Legal Fees (Note 8)	35,074.36	63,301.38	10,150,716.76
Tax Preparation and Audit Fees	3,853.00	3,853.00	148,706.86
Consulting Fees and Other Outside Contracts (Note 9)	56,048.29	106,450.91	3,988,996.24
Directors & Officers Due Diligence	0.00	0.00	235,322.56
Ohio Department of Insurance - Examiner Fees	0.00	0.00	361,702.90
Other Expenses of Administration of Company and its Property:			
Direct Loss Adjustment Expenses	0.00	0.00	490,801.13
Rent and Rent Items (Note 10)	123,322.81	237,637.55	2,243,781.10
Equipment Expenses (Note 11)	2,073.87	6,467.88	113,626.94
Travel and Travel Items (Note 12)	6,044.80	10,337.74	159,192.96
Postage, Freight and Telephone (Note 13)	14,591.05	37,827.01	343,695.42
Office Supply Expense (Note 14)	2,098.80	4,894.93	68,400.61
Data Processing (Note 15)	3,824.99	12,063.68	66,255.32
Investment Expense	75.00	162.50	460,785.75
Other Expenses (Note 16)	30,185.67	41,638.55	1,177,225.61
All Other Disbursements:			
Settlement with A. Spath, L. Stephens, Thomas McManamon & Todd McManamon	0.00	0.00	150,000.00
Premium Collection Payment to PA Cat Fund	0.00	0.00	149,461.75
JUA L.O.C. Drawdown and NCB Fees	0.00	0.00	6,307,116.77
Employee W/holdings - United Way/401K Loan Payment	0.00	0.00	935.51
L.O.C. Drawdown to Collateral Account	0.00	0.00	5,145.14
HKM Direct Market Communications - Return of Preference Payment	0.00	0.00	97,849.87
Interim Distribution to Insurance Guaranty Associations	0.00	222,364.56	298,062,458.66
Interim Distribution to Class 2 Claimants - Non IGA (Note 17)	14,742,795.36	14,742,795.36	14,742,795.36
Payment to JMT - Refund for Furniture & Fixtures	0.00	0.00	25,993.15
Settlement with J. Boedeker, B. Walsh, B. Pignotti, Kaufman & Cumberland Co., L.P.A.	0.00	0.00	85,000.00
<b>Total Disbursements</b>	<b>15,259,468.11</b>	<b>15,999,099.38</b>	<b>345,966,987.25</b>
Encumbered Cash Accounts	(5,195.05)	(5,195.05)	0.00
Recovery from Affiliates	0.00	0.00	25,795,582.93
Recovery of Statutory Deposit (US Trea. Note) OH	0.00	0.00	2,499,266.00
Security Amortization for the Period	0.00	0.00	(2,905,070.44)
<b>Ending Cash &amp; Invested Assets (Note 1)</b>	<b>73,179,277.15</b>	<b>73,179,277.15</b>	<b>73,179,277.15</b>

See Schedule A for Analysis of Increase in Cash and Invested Assets (Unencumbered)

PIE MUTUAL INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MARCH 23, 1998  
ANALYSIS OF INCREASE IN CASH AND INVESTED ASSETS (UNENCUMBERED)  
FOR THE PERIOD JULY 1, 2006 THROUGH DECEMBER 31, 2006

SCHEDULE A

Beginning Cash (Unencumbered) and Non Cash (Encumbered) Assets as of 06/30/06	<u>85,828,776.07</u>
Decrease in Cash and Invested Assets (Unencumbered)	(12,644,303.87)
Cash Assets (Encumbered)	<u>(5,195.05)</u>
Ending Cash (Unencumbered) and Non Cash (Encumbered) Assets as of 12/31/06	<u><u>73,179,277.15</u></u>

THE PIE MUTUAL INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MARCH 23, 1998  
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD JULY 1, 2006 THROUGH DECEMBER 31, 2006

	Beginning Balance 06/30/06	Ending Balance 12/31/06
<b>Note 1 <u>Cash and Invested Assets</u></b>		
<b>Unencumbered Cash &amp; Invested Assets</b>		
Cash	6,581.02	6,277.15
Repurchase Agreements	85,817,000.00	73,173,000.00
	<hr/>	<hr/>
<b>Total Unencumbered Cash &amp; Invested Assets</b>	<b>85,823,581.02</b>	<b>73,179,277.15</b>
	<hr/>	<hr/>
<b>Encumbered Cash Accounts</b>	<b>5,195.05</b>	<b>0.00</b>
	<hr/>	<hr/>
<b>Total Cash &amp; Invested Assets ( Note 1 )</b>	<b>85,828,776.07</b>	<b>73,179,277.15</b>
	<hr/>	<hr/>
<b>Encumbered Non Cash Assets</b>		
Funds Held/ Deposited with Reinsurers	0.00	0.00
	<hr/>	<hr/>
<b>Total Encumbered Non Cash Assets</b>	<b>0.00</b>	<b>0.00</b>
	<hr/>	<hr/>
<b>Total Cash and Invested Assets and Non Cash Assets</b>	<b>85,828,776.07</b>	<b>73,179,277.15</b>
	<hr/> <hr/>	<hr/> <hr/>

<b>Note 2 <u>Interest Income</u></b>		
Interest on Repurchase Agreements	2,046,937.51	
	<hr/>	
	<b>2,046,937.51</b>	
	<hr/> <hr/>	

<b>Note 3 <u>Recovery from Employees and Officers</u></b>		
Larry Rogers - Criminal Restitution Per Court Order	2,878.00	
	<hr/>	
	<b>2,878.00</b>	
	<hr/> <hr/>	

<b>Note 4 <u>Other Income</u></b>		
Miscellaneous Income - PIE Hanseatica Interest Income	195.05	
Equipment Income	5,718.08	
	<hr/>	
	<b>5,913.13</b>	
	<hr/> <hr/>	

<b>Note 5 <u>Salaries</u></b>		
Chief Deputy Liquidator	13,330.16	
Deputy Liquidators	24,701.06	
Liquidation Employee Salaries	140,947.88	
	<hr/>	
	<b>178,979.10</b>	
	<hr/> <hr/>	

THE PIE MUTUAL INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MARCH 23, 1998  
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD JULY 1, 2006 THROUGH DECEMBER 31, 2006

Note 6 Employee Benefits

Salaries 401K Employer Contribution	3,852.85
Employee Insurance Benefits	43,056.35
Employee Relations Other	580.06
	<u>47,489.26</u>

Note 7 Payroll & Other Taxes

Workers Compensation Insurance	1,471.16
State Unemployment Tax	145.70
Federal Unemployment Tax	35.41
FICA Tax	11,359.48
	<u>13,011.75</u>

Note 8 Legal Fees

	Rehabilitation Expenses Paid after Liquidation	Post Liquidation Expenses	Total
<u>Special Counsel</u>			
Calfee, Halter and Griswold	0.00	29,460.38	29,460.38
Graydon Head & Ritchey	0.00	5,504.05	5,504.05
	<u>0.00</u>	<u>34,964.43</u>	<u>34,964.43</u>
<u>Legal Counsel</u>			
	Pre Liquidation Expenses Paid after Liquidation	Post Liquidation Expenses	Total
Kegler Brown Hill & Ritter	0.00	109.93	109.93
	<u>0.00</u>	<u>109.93</u>	<u>109.93</u>
Total Legal Fees	<u>0.00</u>	<u>35,074.36</u>	<u>35,074.36</u>

Note 9 Consulting Fees and Other Outside Contracts

	Pre Liquidation Expenses Paid after Liquidation	Post Liquidation Expenses	Total
Automatic Data Processing	0.00	1,019.06	1,019.06
Diane Holewinski - Claims Consultant	0.00	15,646.24	15,646.24
KB Resolutions - Reinsurance Consultant	0.00	2,062.50	2,062.50
Kim Burnside - POC Admin. Consultant	0.00	5,115.19	5,115.19
Reinsurance Solutions Int'l - Reinsurance Outsourcing	0.00	97.50	97.50 (B)
Teksystems - IT Consultant	0.00	3,996.60	3,996.60
Thomas Putinsky - Claims Consultant	0.00	28,111.20	28,111.20
	<u>0.00</u>	<u>56,048.29</u>	<u>56,048.29</u>

(A) Payments made pursuant to Court Order

(B) Payments made pursuant to Court approved contract

THE PIE MUTUAL INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MARCH 23, 1998  
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD JULY 1, 2006 THROUGH DECEMBER 31, 2006

**Note 10 Rent & Rent Items**

Rent on Leased Properties - Columbus Office Space	38,602.06
Rent on Leased Properties - Columbus PIE Warehouse	53,828.20
Rent-Other - National City Bank Safety Deposit Box	49.56
Utilities - Gas/Electric	12,204.75
Janitorial Service	2,723.15
Furniture & Equipment Rent - Pitney Bowes	160.95
Furniture & Equipment Rent - Depreciation	15,754.14
	<u>123,322.81</u>

**Note 11 Equipment Expenses**

Furniture, Fixtures & Equip Maintenance & Repair - Columbus	2,073.87
	<u>2,073.87</u>

**Note 12 Travel & Travel Items**

Liquidation Office Employees	3,524.58
Claims Consultant Working at Liquidation Office - & Expenses for Commuting to and from Cleveland.)	2,520.22
	<u>6,044.80</u>

**Note 13 Postage, Freight and Telephone**

Liquidation Office Postage	11,361.67
Liquidation Express & Freight	50.06
Liquidation Office Telephone and Fax	2,488.30
Liquidation Internet	691.02
	<u>14,591.05</u>

**Note 14 Office Supply Expense**

Liquidation Office - Office Supplies	2,098.80
	<u>2,098.80</u>

**Note 15 Data Processing**

Computer Maintenance	2,163.18
Computer Supplies	1,580.25
Computer Software Lease	81.56
	<u>3,824.99</u>

**Note 16 Other Expenses**

Furniture & Equipment - Non Capitalized Purchases	309.22
Books & Periodicals	341.42
Contract Printing	128.94
Training & Seminars	274.38
Professional Liability Insurance	29,110.30
Miscellaneous Expense	14.01
Collection & Bank Charges	7.40
	<u>30,185.67</u>

**Note 17 Interim Distribution to Class 2 Claimants - Non IGA**

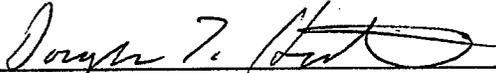
Partial (35%) Interim Distribution Class 2 Claims	14,742,795.36 (A)
	<u>14,742,795.36</u>

(A) Payments made pursuant to Court Order.

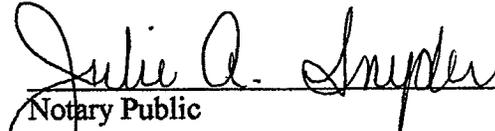
**EXHIBIT B**



3. To the best of my knowledge and belief, the Statement of Receipts and Disbursements for the period July 1, 2006 to December 31, 2006, attached to the Motion and Accompanying Memorandum of the Liquidator for Approval of Periodic Accounting (Second Half of 2006) as Exhibit A, is a complete and accurate account of the funds received and disbursements made by the Liquidator from July 1, 2006 to December 31, 2006.

  
\_\_\_\_\_  
Douglas L. Hertlein  
Chief Deputy Liquidator

Sworn to and subscribed in my presence this 9<sup>th</sup> day of April, 2007.

  
\_\_\_\_\_  
Notary Public



JULIE A. SNYDER  
Notary Public, State of Ohio  
My Commission Expires  
August 19, 2008