

IN THE COURT OF COMMON PLEAS, FRANKLIN COUNTY, OHIO

MARY JO HUDSON, Ohio Superintendent of  
Insurance, in her capacity as Liquidator of  
LMI Insurance Company,

Plaintiff,

v.

LMI Insurance Company,

Defendant.

Case No. 00CVH03-2431

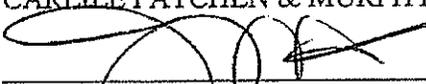
Judge Charles A. Schneider

**MOTION FOR THE APPROVAL OF LIQUIDATOR'S PERIODIC ACCOUNTING  
FOR THE PERIOD OF JULY 1, 2009 TO DECEMBER 31, 2009**

Plaintiff, Mary Jo Hudson, in her capacity as Liquidator of LMI Insurance Company ("LMI"), moves this Court for an Order approving the Statement of Receipts and Disbursements of the Liquidator for the period July 1, 2009 to December 31, 2009, as set forth in the attached Exhibit A. The grounds in support of this Motion are set forth in the accompanying Memorandum in Support.

Respectfully submitted,  
RICHARD CORDRAY  
Attorney General of Ohio

By Special Counsel:  
CARLILE PATCHEN & MURPHY LLP

  
Dennis J. Concilla (0012254)  
djcc@cpmlaw.com  
Carl A. Aveni, II (0070664)  
caa@cpmlaw.com  
Scott R. Mergenthaler (00122869)  
srm@cpmlaw.com  
366 East Broad Street  
Columbus, Ohio 43215  
Telephone: (614) 228-6135  
Facsimile: (614) 221-0216

COPIES FILED  
2/11/09 PM 5:07  
CLERK OF COURTS

*Attorneys for Mary Jo Hudson, in her capacity as Liquidator  
of LMI Insurance Company*

## 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, 2009 to December 31, 2009 (the "Statement"). The Statement is described and set forth in the attached Exhibit A.

By Order of this Court entered on May 23, 2000, the Ohio Superintendent of Insurance was appointed Liquidator of LMI Insurance Company, and was empowered, authorized and directed to liquidate all of the property and assets of LMI in accordance with the laws of Ohio and under the continuing jurisdiction of this Court. As part of the liquidation and pursuant to the Order of Liquidation and Ohio Revised Code Chapter 3903, the Liquidator undertakes to collect all debts and moneys due to LMI, and makes payment of necessary expenses. The Liquidation Order and O.R.C. 3903.21(A)(4) provide, in pertinent part, that the Liquidator may:

Pay reasonable compensation to persons appointed 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 and property of the insurer.

Section 3903.42(A) of the Ohio Revised Code provides that the expenses of administration be given first priority in the distribution of assets.

The Liquidator is also required by R.C. 3903.18(E) to periodically account to the Court, throughout the pendency of LMI's liquidation proceedings, to be submitted in the form attached hereto as Exhibit A. Such accountings may assist the Court in monitoring the progress and status of the liquidation, and in particular, the receipts and disbursements in LMI's liquidation proceedings.

Since 2008, the Liquidator has made required changes in many areas aimed at preserving and utilizing estate assets for the benefit of the estate's creditors and substantially reducing and controlling costs. In particular, the Liquidator has taken steps to increase efficiencies in, and reduce costs associated with, the use of outside counsel and consultants. In 2009, the Liquidator reduced outside

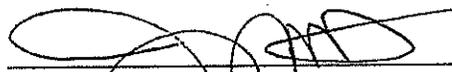
counsel legal expenses in this estate by nearly 90% of the total expenditure for legal expenses in 2008, and reduced outside consultant expenses by nearly 90% of the 2008 consultant expenditure.

The Liquidator will continue to take steps to reduce and control costs and continue to investigate ways to improve efficiencies in the liquidation process and implement other procedures that are aimed at conserving estate assets for timely distributions to policyholders and creditors.

WHEREFORE, for the reasons outlined above, the Liquidator respectfully requests the Court to approve LMI's Statement of Receipts and Disbursements of the Liquidator for the period July 1, 2009 to December 31, 2009, as set forth in the attached Exhibit A.

Respectfully submitted,  
RICHARD CORDRAY  
Attorney General of Ohio

By Special Counsel:  
CARLILE PATCHEN & MURPHY LLP



---

Dennis J. Concilia (0012254)  
djc@cpmlaw.com  
Carl A. Aveni, II (0070664)  
caa@cpmlaw.com  
Scott R. Mergenthaler (00122869)  
srm@cpmlaw.com  
366 East Broad Street  
Columbus, Ohio 43215  
Telephone: (614) 228-6135  
Facsimile: (614) 221-0216

*Attorneys for Mary Jo Hudson, in her capacity as Liquidator  
of LMI Insurance Company*

**EXHIBIT A**

*July 1, 2009 to December 31, 2009*

LMI INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MAY 23, 2000  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
CUMULATIVE FROM MAY 23, 2000 THROUGH DECEMBER 31, 2009

	Current Period 7/1/2009 TO 12/31/2009	Year to Date 1/1/2009 TO 12/31/2009	CUMULATIVE FROM 5/23/2000
Beginning Cash & Invested Assets (Note 1)	16,811,302.02	16,891,519.59	6,286,534.64
Receipts:			
Recovery from Affiliates	0.00	0.00	397,753.45
Interest Income (Note 2)	2,136.02	41,377.77	4,811,544.43
Premiums Collected	0.00	0.00	48,031.16
Salvage & Subrogation	0.00	29.00	3,486,540.93
Reinsurance Recoveries (Note 3)	27,738.83	200,571.92	6,717,618.66
Proceeds from ADIC Class 5 Distribution	0.00	0.00	1,086,849.69
Refund of General Operating Expenses (Note 4)	37.43	37.43	37.43
Proceeds from Sale of Prudential Stock	0.00	0.00	245,760.65
Refund of Premium Tax Overpayment	0.00	0.00	37,778.62
Return of Statutory Deposits	0.00	0.00	1,692,435.50
Reimbursement of Losses Paid	0.00	0.00	70,263.63
Loc Draw Down-(REAC)	0.00	0.00	2,141.00
Insurance Recovery - Theft of Computer/Equipment	0.00	0.00	5,128.26
Recovery of Loss Adjustment Expenses	0.00	0.00	8,847.79
Recovery from NY Property Ins Underwriting Association (Note 5)	159,631.98	159,631.98	159,631.98
Miscellaneous Interest Income	0.00	0.00	15.24
Dividend Income	0.00	0.00	4,217.63
Other Income (Note 6)	10,120.33	23,125.99	387,741.65
Proceeds from Settlement with Directors & Officers	0.00	0.00	3,100,000.00
Reimbursement of Prior Period Intercompany Expenses	0.00	0.00	696.93
Recovery from NC Ins. Underwriting Assoc.	0.00	0.00	44,373.34
Return of Collateral	0.00	0.00	35,000.00
Refund of Corporate Franchise Tax	0.00	0.00	52,658.24
First Union National Bank - Reimbursement of 1995 Fraudulent Check	0.00	0.00	15,011.11
Recovery from Compensation Rating and Inspection Bureau	0.00	0.00	33,333.78
Recovery from California Fair Plan Association	0.00	0.00	204,503.00
Recovery from New Jersey Comm. Auto Insurance	0.00	0.00	49,931.00
Recovery from NJ Dept of Treasury-Proceeds From Unsatisfied Claims	0.00	0.00	358,623.96
Prudential PruPac Arbitration	0.00	0.00	13,276.22
RPNY-American Home Buyout-LAD/CLAD Buyout Files	0.00	0.00	5,153.00
Cash Transfers:			
Proceeds from ADIC Estate Closure - Operating Funds	0.00	0.00	237,969.40
Proceeds from ADIC Estate Closure - Collateral Funds	0.00	0.00	121,862.10
Proceeds - HealthFirst Estate Closure - Operating Funds	0.00	0.00	17,166.80
Proceeds - PIC Estate Closure - Operating Funds	0.00	0.00	20,233.22
Receipts - Funds Held - Closed Estates:			
Proceeds Misc. Receipts - ADIC Operating	0.00	0.00	80,364.76
Proceeds Misc. Receipts - ADIC Collateral	0.00	0.00	4,446.56
Proceeds Misc. Receipts - HealthFirst	0.00	0.00	3,104.20
Total Receipts	199,664.59	424,774.09	23,560,057.32

LMI INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MAY 23, 2000  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
CUMULATIVE FROM MAY 23, 2000 THROUGH DECEMBER 31, 2009

	Current Period 7/1/2009 TO 12/31/2009	Year to Date 1/1/2009 TO 12/31/2009	CUMULATIVE FROM 5/23/2000
<b>Disbursements:</b>			
<b>Compensation:</b>			
Salaries (Note 7)	138,896.29	278,853.46	2,765,315.79
Employee Benefits (Note 8)	17,954.80	40,487.59	319,950.55
Payroll and Other Taxes (Note 9)	9,000.50	20,107.67	207,912.67
<b>Professional Fees:</b>			
Legal Fees (Note 10)	534.05	6,762.13	2,031,846.11
Tax Preparation and Audit Fees (Note 11)	7,385.15	7,689.15	66,871.59
Consulting Fees and Other Outside Contracts (Note 12)	936.85	3,634.11	3,083,563.61
Ohio Department of Insurance - Examiner Fees	0.00	0.00	46,528.76
<b>Other Expenses of Administration of Company and its Property:</b>			
Rent and Rent Items (Note 13)	26,921.19	52,867.76	456,329.84
Maintenance / Repair - Facility and FF & E (Note 14)	300.40	673.78	17,489.26
Travel and Travel Items (Note 15)	738.52	1,681.39	55,092.57
Postage, Freight, Telephone and Internet (Note 16)	1,208.16	26,302.00	124,243.99
Office Supply Expense (Note 17)	286.18	1,047.94	27,998.36
Data Processing (Note 18)	286.48	1,203.66	260,314.44
Banking and Investment Expense	1,942.90	3,031.12	10,825.09
Paid Losses Direct	0.00	0.00	81,257.31
Furniture, Fixtures & Equipment Cost	0.00	0.00	108,761.17
Moving and Relocation Costs	0.00	0.00	13,151.11
Warehouse Consolidation Project Expenses (Note 19)	7,787.07	15,206.67	15,206.67
Other Expenses (Note 20)	6,618.54	16,121.61	406,367.28
<b>All Other Disbursements:</b>			
Return of Funds to NJ Comm. Auto Insurance	0.00	0.00	49,931.00
Return of Funds - Reinsurance Overpayments	0.00	0.00	40,988.29
Additional Cost - Replacement of Ancillary Deposits	0.00	0.00	2,409.99
Interim Distribution to Insurance Guaranty Associations	0.00	0.00	2,782,377.00
Federal Income Tax (Note 21)	(50,000.00)	0.00	0.00
<b>Disbursements from Funds Held For Closed Estates:</b>			
ADIC Estate Closure - Operating Expenses	0.00	0.00	170,756.34
ADIC Estate Closure - Reissued Distribution Checks	0.00	0.00	71,717.76
ADIC Estate Closure - Return of Collateral	0.00	0.00	21,129.51
ADIC Estate Closure - Remaining Funds to Div. of Unclaimed Funds	0.00	0.00	181,039.21
HealthFirst Estate Closure - Operating Expenses	0.00	0.42	12,463.25
HealthFirst Estate Closure - Warehouse Consolidation Project Expenses (Note 22)	102.48	340.13	340.13
PIC Estate Closure - Operating Expenses	0.00	218.04	447.19
PIC Estate Closure-Funds Released to Other Insurance Companies-Admin Exp (Note 23)	27,255.65	27,255.65	27,255.65
<b>Total Disbursements</b>	<b>198,157.21</b>	<b>503,484.28</b>	<b>13,459,881.49</b>
Recovery of Statutory Deposit (US Trea. Note) OH	0.00	0.00	504,876.89
Security Amortization for the Period	84.46	84.46	(78,693.50)
<b>Ending Cash &amp; Invested Assets (Note 1)</b>	<b>16,812,893.86</b>	<b>16,812,893.86</b>	<b>16,812,893.86</b>

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

LMI INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MAY 23, 2000  
ANALYSIS OF INCREASE IN CASH AND INVESTED ASSETS (UNENCUMBERED)  
FOR THE PERIOD JULY 1, 2009 THROUGH DECEMBER 31, 2009

SCHEDULE A

Beginning Cash (Unencumbered & Encumbered) and Non Cash (Encumbered) Assets as of 7/01/09	17,021,302.02
Increase in Cash and Invested Assets (Unencumbered)	28,949.97
	<hr/>
	28,949.97
Decrease in Cash ( Encumbered )	(27,358.13)
Non Cash Asset (Encumbered)	0.00
	<hr/>
Actual Net Increase in Cash ( Unencumbered & Encumbered ) and Invested Assets (Encumbered)	1,591.84
Non Cash Assets (Encumbered) Amortization of Premium/Discount	0.00
	<hr/>
Ending Cash ( Unencumbered & Encumbered ) and Non Cash (Encumbered) Assets as of 12/31/09	<u>17,022,893.86</u>

LMI INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MAY 23, 2000  
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD JULY 1, 2009 THROUGH DECEMBER 31, 2009

Note 1	<u>Cash and Invested Assets</u>	Beginning Balance 7/1/2009	Ending Balance 12/31/2009
<b>Unencumbered Cash &amp; Invested Assets</b>			
	Cash	53,844.55	24,814.84
	U.S. Government Obligations	0.00	11,691,171.02
	JP Morgan Funds - Money Market	16,730,099.34	5,096,908.00
	<b>Total Unencumbered Cash &amp; Invested Assets</b>	<b>16,783,943.89</b>	<b>16,812,893.86</b>
	<b>Encumbered Cash (A)</b>	<b>27,358.13</b>	<b>0.00</b>
	<b>Total Cash &amp; Invested Assets</b>	<b>16,811,302.02</b>	<b>16,812,893.86</b>
	<b>Encumbered Non Cash Assets:</b>		
	Statutory Deposits (B)	210,000.00	210,000.00
	<b>Total Encumbered Non Cash Assets</b>	<b>210,000.00</b>	<b>210,000.00</b>
	<b>Total Cash and Invested Assets / Encumbered Cash and Non Cash Assets</b>	<b>17,021,302.02</b>	<b>17,022,893.86</b>
	<b>Encumbered Cash (A) Maintained in Separate Bank Accounts:</b>		
	HealthFirst Estate - Operating Funds	7,572.10	0.00
	PIC Estate - Operating Funds	19,786.03	0.00
		27,358.13	0.00

Statutory Deposit (B)

These assets are held by various state insurance departments as statutory deposits for the benefit of creditors in their states. It is uncertain whether all or any portion of such assets will be returned to the Liquidator.

State	Cusip # Description	Where Deposited	Interest Rate	PAR	Amorized Value
Delaware	912828-DJ-5 U S Treasury Note	Wilmington Trust Co	3.125%	100,000.00	100,000.00
Georgia	Evergreen Inst. Treasury M/M Fund	US Bank	0.010%	100,000.00	100,000.00
Virginia	Commonwealth of Virginia - Treasurer	Local Gov't Invest. Pool	2.470%	15,000.00	15,000.00
Virginia	Commonwealth of Virginia - Treasurer	Local Gov't Invest. Pool	2.470%	500,000.00	500,000.00
* New Jersey	State of New Jersey Cash Management Fund	Morgan Stanley Trust	1.200%	8,036,776.00	8,036,776.00
Arizona	Evergreen Inst. Treasury M/M Fund	US Bank	0.010%	110,000.00	110,000.00
Subtotal				8,861,776.00	8,861,776.00

Other Investment or Withheld Interest:

NJ - Interest Income withheld	620,228.31
VA - Interest Income withheld	189,199.32
GA - Interest Income withheld	29,686.92
AZ - Interest Income withheld	14,620.77
<b>Balance per General Ledger</b>	<b>8,715,511.32</b>

Statutory Deposit (C)

Please note the following deposits have now become the assets of either the various Insurance Departments or IGA's.  
\* Deposit Net of Early Access Offset.

* NJ - Liquidated to the IGA NJ - Interest Income withheld	State of New Jersey Cash Management Fund	Morgan Stanley Trust	1.200%	(8,036,776.00) (620,228.31)
VA - Liquidated Bureau of Ins. VA - Liquidated Bureau of Ins. VA - Interest Income withheld	Commonwealth of Virginia - Treasurer Commonwealth of Virginia - Treasurer	Local Gov't Invest. Pool Local Gov't Invest. Pool	2.470% 2.470%	(15,000.00) (500,000.00) (189,199.32)
DE - Liquidated to the IGA	Delaware Insurance Guaranty Association	Wilmington Trust	3.125%	(100,000.00)
GA - Interest Income withheld				(29,686.92)
<b>AZ - Interest Income withheld</b>				<b>(14,620.77)</b>
<b>Ending Balance As of December 31, 2009 - ( Georgia and Arizona )</b>				<b>210,000.00</b>

LMI INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MAY 23, 2000  
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD JULY 1, 2009 THROUGH DECEMBER 31, 2009

Note 2	<u>Interest Income</u>	
	Interest Paid on Bonds	(8,672.64)
	Interest on Money Market	10,808.66
		<u>2,135.02</u>
Note 3	<u>Reinsurance Recoveries</u>	
	American Agriculture Ins.	24.33
	Christiania General Ins.	182.50
	Continental Casualty Company	170.33
	Munich Re America	27,069.67
	North Star Reinsurance Co.	292.00
		<u>27,738.83</u>
Note 4	<u>Refund of General Operating Expenses</u>	
	American Electric Power	13.75 *
	Columbla Gas	23.68 *
		<u>37.43</u>
	* Refund of Utility Costs Due to Warehouse Consolidation	
Note 5	<u>Recovery from NY Property Ins Underwriting Association</u>	
	NY Property Ins Underwriting Association-Closeout of Policy Years 1993-1997	159,631.98
		<u>159,631.98</u>
Note 6	<u>Other Income</u>	
	Reimbursement for Copying Documents	274.97
	FUTA Tax Refund	1.76
	Equipment Income	9,843.60
		<u>10,120.33</u>
Note 7	<u>Salaries</u>	
	Chief Deputy Liquidator	7,111.01
	Deputy Liquidators	11,071.93
	Liquidation Office Employees	120,713.35
		<u>138,896.29</u>
Note 8	<u>Employee Benefits</u>	
	Salaries - 401K Contrib	2,995.07
	Employee Insurance Benefits	12,770.00
	Employee Related Expense - Other	2,188.73
		<u>17,954.80</u>
Note 9	<u>Payroll &amp; Other Taxes</u>	
	Workers Comp Insurance	482.22
	State Unemployment Tax	6.53
	Federal Unemployment Tax	1.14
	FICA Tax	8,510.51
		<u>9,000.50</u>

LMI INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MAY 23, 2000  
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD JULY 1, 2009 THROUGH DECEMBER 31, 2009

Note 10	<u>Legal Fees</u>	
	<u>Attorney General Contracted Legal Fees</u>	
	Carlile, Patchen & Murphy LLP	522.50
	Subtotal Legal Fees	<u>522.50</u>
	<u>Attorney General Contracted Legal Expenses</u>	
	Carlile, Patchen & Murphy LLP	11.55
	Subtotal Legal Expenses	<u>11.55</u>
	Total Attorney General Contracted Fees & Expenses	<u><u>534.05</u></u>
Note 11	<u>Tax Preparation and Audit Fees</u>	
	Schneider Downs and Company, Inc. - Tax & Audit Fees	7,361.03
	Schneider Downs and Company, Inc. - Tax & Audit Expenses	24.12
	Total Tax Preparation & Audit Fees/Expenses	<u><u>7,385.15</u></u>
Note 12	<u>Consulting Fees and Other Outside Contracts</u>	
	ADP-Process Liquidation Office Payroll	344.71
	Centracomm-IT Consultants	77.22
	RASP Consulting, Inc. - IT Consultant	514.92
		<u><u>936.85</u></u>
Note 13	<u>Rent and Rent Items</u>	
	Rent on Leased Properties	24,517.22
	Rent Other	16.02
	Furniture, Fixtures, & Equipment Rent	2,241.91
	Utilities - Gas & Electric	60.74
	Trash/Recycling	85.30
		<u><u>26,921.19</u></u>
Note 14	<u>Maintenance / Repair: Facility and FF &amp; E</u>	
	Electrolux	7.23
	Gordon Flesch Co	293.17
		<u><u>300.40</u></u>
Note 15	<u>Travel and Travel Items</u>	
	Travel/Accommodation-Transportation	659.35
	Travel Expenses and Meals	79.17
		<u><u>738.52</u></u>
Note 16	<u>Postage, Freight, Telephone and Internet</u>	
	Postage	449.11
	Express & Freight	114.38
	Telephone & Fax	352.14
	Internet Fees	292.53
		<u><u>1,208.16</u></u>

**LMI INSURANCE COMPANY, IN LIQUIDATION**  
**LIQUIDATION DATE MAY 23, 2000**  
**NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS**  
**FOR THE PERIOD JULY 1, 2009 THROUGH DECEMBER 31, 2009**

<b>Note 17</b>	<u>Office Supply Expense</u>	
	Office Supplies	286.18
		<u>286.18</u>

<b>Note 18</b>	<u>Data Processing</u>	
	Computer Maintenance	170.18
	Computer Supplies	118.30
		<u>288.48</u>

<b>Note 19</b>	<u>Warehouse Consolidation Project Expenses*</u>	
	Liquidation Employees Travel Expense - Mileage Reimbursement ( Various Employees )	47.23
	Office Supplies - Boxes & Labels and Cleaning	167.34
	Storage- FRC Storage Fees	836.92
	Maintenance & Repair- G. Williamson-Refund for Painting/Carpet-Cleaning Ser	(1,085.37)
	Maintenance & Repair- G. Williamson-Painting/Carpet-Cleaning Service	2,524.31
	Moving Expense (Gordon Flesch & Truck Rental)	27.00
	FRC Pack & Pickup/Shelving Removal & Reinstall	4,320.89
	Destruction - FRC Destruction Fees (Court Approved Motion)	355.44
	Prologis - Move & Repair of AC	581.70
	Trash & Recycling Expenses	21.61
		<u>7,787.07</u>

\* To reduce administrative expenses and conserve estate assets for the benefit of policyholders and claimants, the Liquidator elected not to renew at 6/30/2009 three (3) warehouse leases. Rather, the Liquidator repaired and re-shelved the one (1) remaining warehouse to hold records required for the ongoing administration of the liquidation proceedings. Simultaneously, the Liquidator undertook a review of all records stored in the four (4) warehouses to determine which records of the insolvent companies should be retained for future reference, which should be placed in offsite storage, and which were no longer useful. Pursuant to R.C. 3903.48, the Liquidator sought court orders from the courts supervising the liquidation proceedings to destroy records that were determined to be no longer useful. The Liquidator also moved approximately 100,000 boxes of records to Fireproof Records Center to be held until such time as they may be destroyed pursuant to records destruction schedules approved by the courts. The Liquidator estimates that the results of this warehouse consolidation will reduce overhead expenses attributable to the closed warehouse by approx. \$169,000/year and achieve more expeditious closing of an estate.

<b>Note 20</b>	<u>Other Expenses</u>	
	Training & Seminars	3.86
	Professional and D & O / EPLIC Liability Insurance	6,352.03
	Registration & Dues	37.42
	Storage Retrieval	14.00
	FF & E and IT - Non Capitalized Purchases	126.17
	Books & Periodicals	30.83
	Contract Printing and Copying ( Projects )	54.23
		<u>6,618.54</u>

<b>Note 21</b>	<u>Federal Income Tax</u>	
	Refund of 2008 Federal Income Tax Estimate paid on 3/2009	(50,000.00)
		<u>(50,000.00)</u>

LMI INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MAY 23, 2000  
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD JULY 1, 2009 THROUGH DECEMBER 31, 2009

Note 22

HealthFirst Estate Closure - Warehouse Consolidation Project Expenses \*

FRC Storage Fees - HealthFirst

102.48

102.48

\* To reduce administrative expenses and conserve estate assets for the benefit of policyholders and claimants, the Liquidator elected not to renew at 6/30/2009 three (3) warehouse leases. Rather, the Liquidator repaired and re-shelved the one (1) remaining warehouse to hold records required for the ongoing administration of the the liquidation proceedings. Simultaneously, the Liquidator undertook a review of all records stored in the four (4) warehouses to determine which records of the insolvent companies should be retained for future reference, which should be placed in offsite storage, and which were no longer useful. Pursuant to R.C. 3903.48, the Liquidator sought court orders from the courts supervising the liquidation proceedings to destroy records that were determined to be no longer useful. The Liquidator also moved approximately 100,000 boxes of records to Fireproof Records Center to be held until such time as they may be destroyed pursuant to records destruction schedules approved by the courts. The Liquidator estimates that the results of this warehouse consolidation will reduce overhead expenses attributable to the closed warehouse by approx. \$169,000/year and achieve more expeditious closing of an estate.

Note 23

PIC and HealthFirst Account Closure - Funds Released to Other Insurance Companies \*

27,255.65

27,255.65

\*PIC payment of \$19,786.03 was made pursuant to Court Order dated August 6, 2009. The Liquidator determined that the PIC funds were insufficient and that it was economically unfeasible to fund an additional distribution. Therefore, the Liquidator determined that the PIC funds should go toward offsetting the administrative expenses incurred by the newest estate in consolidating the Liquidator's warehouse operations and records management, not because the estate cannot pay its administrative expenses, but because it is equitable. As a result of HealthFirst court-ordered final dissolution on 2/27/2008, the Liquidator determined that the \$7,469.62 balance should also go toward offsetting the administrative expenses incurred by the newest estate in consolidating the Liquidator's warehouse operations and records management, not because the estate cannot pay its administrative expenses, but because it is equitable.