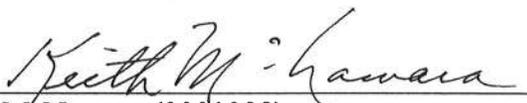




Respectfully submitted,

MIKE DEWINE  
Attorney General State of Ohio

By Special Counsel:  
MCNAMARA & MCNAMARA

By:   
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*Attorneys for Mary Taylor, in her capacity as  
Liquidator of Proliance Insurance Company*

## MEMORANDUM IN SUPPORT

On April 21, 2011, this Court entered an Order granting the Liquidator's Application for an Order Terminating Liquidation Proceedings, discharging the Liquidator, closing Proliance bank accounts and closing this liquidation estate effective April 28, 2011 (the "Closing Order"). Pursuant to R.C. 3903.46(A), the Closing Order requires the Liquidator to file for post-closure approval of a final accounting and a final auditor report. This Motion requests approval of the Liquidator's Final Statement of Receipts and Disbursements for the period January 1, 2011 to April 28, 2011, as set forth in the attached Exhibit A (the "Final Periodic Accounting") and the Final Report of Independent Auditors for the years ended April 28, 2011 and June 30, 2010, as set forth in the attached Exhibit B (the "Final Audit Report").

### **I. The Final Accounting**

On April 24, 2001, this Court entered a Liquidation Order declaring Proliance Insurance Company, ("Proliance") insolvent and appointing the Ohio Superintendent of Insurance as Liquidator. The Liquidation Order authorized and directed the Liquidator to liquidate the assets of Proliance in accordance with the laws of Ohio 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 collects, where reasonable, all debts and moneys due to Proliance, and makes payment of necessary expenses. The Liquidation Order and R.C. 3903.21(A)(4) further 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.

The Liquidation Order and Section 3903.18(E) of the Ohio Revised Code also require the Liquidator to submit periodic accountings to the Court throughout the pendency of the

liquidation proceeding. Such accountings may assist the Court in monitoring the progress and status of the liquidation, and in particular, the receipts and disbursements in the Proliance liquidation proceedings. Prior to this motion, the Liquidator filed periodic accountings with this Court throughout the course of the liquidation, all of which this Court approved.

On December 6, 2010 and April 21, 2011, this Court approved the Liquidator's final reports of claims filed in the Proliance liquidation and authorized the Liquidator to make final pro rata distributions of the remaining assets of Proliance in the total amount of Seven Hundred Ninety Four Thousand One Hundred Seventy Five and 67/100 Dollars (\$794,175.67) to Classes 2, 5, 7 and 9 on their allowed claims ("the Final Distribution Order"). The Court's Final Distribution Order approving the final distribution of Proliance's estate assets approved, as part of the Class 1 (administrative expense) final distribution, the Liquidator's reserve of \$35,000.00 to pay administrative expenses related to closing the Proliance estate. As set forth in the Final Distribution Order and subsequent Closing Order, there are three (3) general categories of closing-related administrative expenses for which the reserve was made:

- (1) Administrative expenses that were already incurred at the time the Final Distribution Order was entered, but were not yet paid at the time of the Final Distribution Order. These administrative expenses were paid prior to entry of the Closing Order entered on April 21, 2011 (which, among other things, closed the Proliance bank accounts, closed the Proliance estate and discharged the Liquidator from her prior authority). Thus, these administrative expenses were paid by the Proliance estate from Proliance bank accounts using the reserve. Consequently, they are included in the attached Final Periodic Accounting.
- (2) Other administrative expenses that were not yet incurred as of the time of the Final Distribution Order, but that the Liquidator knew would be both incurred and paid during the time the final distribution of Proliance assets was underway (while the distribution checks were clearing), and thus prior to entry of the Closing Order. Because this category of expenses was also paid prior to entry of a final Closing Order by the Proliance estate from Proliance bank accounts using the reserve, this category of expenses is also included in the attached Final Periodic Accounting.
- (3) Administrative expenses related to closing the Proliance estate that were not incurred or paid as of the time of the Final Distribution Order, but that the Liquidator knew would be both incurred and paid after entry of both the Final Distribution Order and the Closing Order. Expenses related to the preparation and filing of the Final Accounting and Final Audit Report

attached to this Motion are classic examples of this third category of closing-related “future” administrative expenses for which a reserve must be made prior to or as part of making a final distribution to claimants below Class 1. The Proliance estate does not pay this category of expense from Proliance bank accounts because this category of administrative expenses is not incurred or paid until after the Liquidator is discharged and the Proliance bank accounts are closed pursuant to the final Closing Order. Instead, upon entry of the Closing Order and a part of the closing of the bank accounts, Proliance pre-pays the remaining reserve to another estate, LMI Insurance Company (“LMI”), for its administration and payment of these remaining Proliance expenses<sup>1</sup>. Consistent with long standing administrative operating procedures approved in the LMI Liquidation Case and in this case, the post-liquidation closing obligations of Proliance were transferred through a prepayment of the remaining Proliance court-authorized reserve, to LMI. Therefore, this category of expenses is not included in the attached Final Periodic Accounting.

On April 21, 2011, the Liquidator filed an application requesting that this Court enter the Closing Order pursuant to R.C. 3903.46 and related sections. As noted above, on April 21, 2011, this Court entered the Closing Order granting the Liquidator’s Application, discharging the Liquidator, closing this liquidation estate effective on or about April 28, 2011 and terminating this case. The Liquidator’s Final Periodic Accounting for Proliance for the period January 1, 2011 to April 28, 2011, as set forth in the attached Exhibit A, is hereby submitted for approval as the final submission pursuant to the Closing Order.

## **II. The Final Audit Report**

One of the Liquidator’s primary responsibilities is the marshaling of assets of the Proliance liquidation estate, for ultimate distribution to the liquidation estate’s policyholders and creditors pursuant to R.C. Chapter 3903, under the supervision of this Court. In the process of marshaling assets, the Liquidator routinely receives and deposits cash and purchases and sells various investment securities. In order to record this activity, the Liquidator built an internal accounting department capable of tracking costs and recoveries and generating basic financial

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<sup>1</sup> The Liquidator administers and accounts for the administrative holdback pursuant to the long standing Administrative Operating Procedure updated and approved most recently on December 21, 2010 in the LMI Liquidation Case, Case No. 00CVH03-2431 (the “updated AOP”). The updated AOP was filed beginning on December 16, 2010 in all active cases that were not in the process of closing, and in this case on April 21, 2011. The process set forth in the updated AOP for Closed Estates has been in place since the early 1990s.

reports. The cash and investment security balances are reported by the Liquidator to this Court in the periodic accountings mentioned above.

In July of 1991, the Liquidator determined that it was in the best interests of all of the Ohio liquidation estates to hire an independent auditing firm to perform an annual audit of the Liquidator's internal controls relating to cash receipts and disbursements and the purchase and sale of investment securities in order to ensure the integrity of the Liquidator's accounting system. Pursuant to the Administrative Operating Procedure Updated Effective January 1, 2011 (*see* footnote 1, *supra*), the retention of independent auditors is reassessed no less frequently than every five years, and modified based on upon responses to requests for proposals (RFPs). The last RFP was issued in 2011. As a result of the responses received from several public accounting firms, the Liquidator modified her previous retention and engaged Maloney + Novotny LLC to perform the audit. The Liquidator requested the auditing firm to render an opinion in its audit report as to the propriety of the information presented in the Final Periodic Accounting, as it was the Liquidator's intention to file the report with this Court to demonstrate the integrity of the Final Periodic Accounting.

Maloney + Novotny LLC has completed its audit of the statements of cash and invested assets of Proliance as of April 28, 2011 and June 30, 2010 and the related statements of cash receipts and cash disbursements for the years ended April 28, 2011 and June 30, 2010. Maloney + Novotny LLC issued the Final Audit Report containing its audit findings which opines that the Liquidator's financial statements present fairly, in all material respects, both the cash and invested assets of Proliance at April 28, 2011 and June 30, 2010 and cash receipts and cash disbursements for the years ended April 28, 2011 and June 30, 2010. By this Motion, the Liquidator also seeks this Court's approval of the Final Audit Report, which is filed pursuant to the Closing Order.

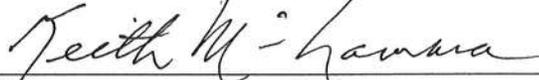
**III. Conclusion**

For the reasons set forth above, the Liquidator respectfully requests that this Court enter an Order approving the attached Final periodic Accounting and Final Audit Report.

Respectfully submitted,

MIKE DEWINE  
Attorney General State of Ohio

By Special Counsel:  
MCNAMARA & MCNAMARA



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*Attorneys for Mary Taylor, in her capacity as  
Liquidator of Proliance Insurance Company*

**EXHIBIT A**  
**Final Periodic Accounting**  
**January 1, 2011 to April 28, 2011**

PROLIANCE INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE APRIL 24, 2001  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
CUMULATIVE FROM APRIL 24, 2001 THROUGH APRIL 28, 2011

	Current Period 1/1/2011 TO 4/28/2011	YTD 1/1/2011 TO 4/28/2011	CUMULATIVE FROM 4/24/2001
Beginning Cash & Invested Assets (Note 1)	427,920.26	427,920.26	736,773.36
Receipts:			
Interest Income - net of interest paid on bonds (Note 2)	26.82	26.82	167,553.41
Unearned Commissions Collected	0.00	0.00	1,122.96
Salvage & Subrogation (Note 3)	389.04	389.04	114,864.79
Reinsurance Recoveries	0.00	0.00	818,870.80
Intercompany Reimbursement of Expenses from Prior Period	0.00	0.00	32.80
Recovery from Unclaimed Funds	0.00	0.00	389.50
Proceeds from Allenbrook Settlement	0.00	0.00	200,000.00
Recovery of Preference Payments	0.00	0.00	238,816.88
Return of Payroll Taxes from Paychex Processing Co	0.00	0.00	1,763.95
Refund from 2000 Ohio Fire Marshall Tax	0.00	0.00	3,234.90
Refund of General Operating Expenses	0.00	0.00	1.74
Recovery from Officers and Employees	0.00	0.00	360.63
Uncashed Preliquidation Checks	0.00	0.00	36,139.68
Proceeds from the Sale of Assets (Note 4)	2.45	2.45	20,086.31
Refund Bureau of Workers Comp	0.00	0.00	192.01
Proceeds from Settlement Agreement-Gluck Ins. Company and The Cincinnati Insurance Companies	0.00	0.00	40,000.00
Other Income	0.00	0.00	87.08
<b>Total Receipts</b>	<b>418.31</b>	<b>418.31</b>	<b>1,634,507.34</b>
Disbursements:			
Celina Reinsurance Payment	0.00	0.00	53,936.86
GMAC Reim Pmt on Ceded Post-Liq Salvage & Subrogation	0.00	0.00	1,021.44
Compensation			
Salaries (Note 5)	13,980.87	13,980.87	393,319.17
Employee Benefits (Note 6)	1,124.15	1,124.15	35,087.03
Payroll and Other Taxes (Note 7)	1,161.92	1,161.92	30,808.33
Professional Fees:			
Tax Preparation and Audit Fees (Note 8)	6,617.69	6,617.69	49,327.76
Legal Fees (Note 9)	6,362.19	6,362.19	119,183.94
Consulting Fees and Other Outside Contracts (Note 10)	2,855.89	2,855.89	109,263.65
Ohio Department of Insurance - Examiner Hours	0.00	0.00	13,606.15
Other Expenses of Administration of Company and its Property:			
Rent and Rent Items (Note 11)	10,812.43	10,812.43	64,593.13
Maintenance/Repair: Facility & FF&E (Note 12)	87.83	87.83	1,677.07
Travel and Travel Items (Note 13)	34.52	34.52	3,681.86
Postage, Freight and Telephone (Note 14)	177.47	177.47	6,222.01
Office Supply and IT Expenses (Note 15)	360.07	360.07	6,058.26
Moving and Relocation Costs	0.00	0.00	561.80
Warehouse Consolidation Project Expenses	0.00	0.00	818.55
Banking and Investment Expense (Note 16)	676.25	676.25	3,771.78
Other Expenses (Note 17)	1,383.18	1,383.18	43,290.92
All Other Disbursements:			
Interim Distribution to Insurance Guaranty Associations	0.00	0.00	603,897.00
Final Class 2 Distribution to Insurance Guaranty Associations	0.00	0.00	55,718.64
Final Distribution to Class 2 Claimants-Non IGA	0.00	0.00	92,170.03
Final Distribution to Class 5 Claimants-Non IGA	0.00	0.00	272,551.89
Final Distribution to Class 7 Claimants-Late Filed Claims (Note 18)	16,373.41	16,373.41	16,373.41
Final Distribution to Class 9 Claimants-Shareholder Claims (Note 19)	367,361.90	367,361.90	367,361.90
<b>Total Disbursements</b>	<b>428,338.57</b>	<b>428,338.57</b>	<b>2,343,170.14</b>
Security Amortization for the Period	0.00	0.00	(27,110.56)
Ending Cash & Invested Assets (Note 1)	0.00	0.00	0.00

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

Note: For the period 1/1/2011 through 4/28/2011 there were 2 types of Prolliance expenditures. The 1<sup>st</sup> type pertains to the regular/routine general admin expenses disbursed throughout the associated period. The 2<sup>nd</sup> type pertains to the transfer of \$27,146.72, which is the remainder of the \$35,000 reserve for the Liquidator's administrative expenses on or after 2/18/2011 per the shareholder's agreement dated 4/12/2011 to LMI.

**PROLIANCE INSURANCE COMPANY, IN LIQUIDATION**  
**LIQUIDATION DATE APRIL 24, 2001**  
**ANALYSIS OF DECREASE IN CASH AND INVESTED ASSETS (UNENCUMBERED)**  
**For the Period January 1, 2011 through April 28, 2011**

**SCHEDULE A**

<b>Beginning Cash (Unencumbered) and Non Cash (Encumbered) Assets as of 1/1/11</b>	<b>427,920.26</b>
<b>Decrease in Cash and Invested Assets (Unencumbered)</b>	<u><b>(427,920.26)</b></u>
<b>Ending Cash (Unencumbered) and Non Cash (Encumbered) Assets as of 4/28/11</b>	<u><u><b>0.00</b></u></u>

Prolance Insurance Company, In Liquidation  
 Liquidation Date April 24, 2001  
 Notes to Statement of Cash Receipts and Disbursements  
 For the Period January 1, 2011 through April 28, 2011

	Beginning Balance 01/01/11	Ending Balance 4/28/2011
<b>Note 1    <u>Cash and Invested Assets</u></b>		
<b>Unencumbered Cash &amp; Invested Assets</b>		
Cash	93,873.28	0.00
Bonds at amortized value (U.S. Treasury Note)	0.00	0.00
Money Market	334,046.98	0.00
Short Term Investments	0.00	0.00
	<u>427,920.26</u>	<u>0.00</u>
Total Unencumbered Cash & Invested Assets		
<b>Encumbered Non Cash Assets</b>		
Statutory Deposits (A)	0.00	0.00
	<u>0.00</u>	<u>0.00</u>
Total Encumbered Non Cash Assets		
Total Cash and Invested Assets and Non Cash Assets	<u>427,920.26</u>	<u>0.00</u>

Statutory Deposits (A)  
 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.

<b>Note 2    <u>Interest Income - net of interest paid on bonds</u></b>	
Interest - JPMC Money Market	<u>26.82</u>
	<u>26.82</u>
<b>Note 3    <u>Salvage &amp; Subrogation</u></b>	
Kreiner & Peters Co LPA	349.04
Nathaniel & Lisa A Pool	40.00
	<u>389.04</u>
<b>Note 4    <u>Proceeds from the Sale of Assets</u></b>	
Proceeds from the Sale of Assets	<u>2.45</u>
	<u>2.45</u>

**Prollance Insurance Company, In Liquidation**  
**Liquidation Date April 24, 2001**  
**Notes to Statement of Cash Receipts and Disbursements**  
**For the Period January 1, 2011 through April 28, 2011**

<b>Note 5</b>	<b><u>Salaries</u></b>	
	Chief Deputy Liquidator	1,165.29
	Deputy Liquidators	2,211.37
	Employee Salaries	10,604.21
		<u>13,980.87</u>
<b>Note 5</b>	<b><u>Employee Benefits</u></b>	
	Salaries 401K Employer Contribution	350.71
	Employee Ins Benefits	687.50
	Employee Related Expense- Other	85.94
		<u>1,124.15</u>
<b>Note 7</b>	<b><u>Payroll &amp; Other Taxes</u></b>	
	Workers Compensation Insurance	34.55
	State Unemployment Tax	90.92
	Federal Unemployment Tax	21.03
	FICA	1,005.42
		<u>1,151.92</u>
<b>Note 8</b>	<b><u>Tax Preparation and Audit Fees</u></b>	
	Schneider Downs and Company, Inc. - Tax & Audit Fees	6,617.69
		<u>6,617.69</u>
<b>Note 9</b>	<b><u>Legal Fees</u></b>	
	<b><u>Attorney General Contracted Legal Fees</u></b>	
	Keith McNamara	5,322.73
	Carlile, Patchen & Murphy LLP	11.66
	Subtotal Attorney General Contracted Legal Fees	<u>5,334.39</u>
	<b><u>Attorney General Contracted Legal Expenses</u></b>	
	Keith McNamara	27.80
	Subtotal Attorney General Contracted Legal Expenses	<u>27.80</u>
	<b>Total Attorney General Contracted Legal Fees and Expenses</b>	<u><u>5,362.19</u></u>

**Proliance Insurance Company, in Liquidation**  
**Liquidation Date April 24, 2001**  
**Notes to Statement of Cash Receipts and Disbursements**  
**For the Period January 1, 2011 through April 28, 2011**

<b>Note 10</b>	<b><u>Consulting Fees and Other Outside Contracts</u></b>	
	ADP - Payroll Processing	51.53
	Advanced Technology-IT Consultants	49.00
	1099 Connection- Governmental Reporting	18.30
	Thinsolutions- IT Consultants	6.97
	RASP Consulting- IT Consultants	2,730.09
		<u>2,855.89</u>
<b>Note 11</b>	<b><u>Rent &amp; Rent Items</u></b>	
	Rent on Leased Properties - Columbus Office Space	2,253.42
	Rent on Leased Properties - Columbus Warehouse	428.71
	Rent on Leased Properties - Fireproof Records Center	683.20
	Rent on Leased Properties - FRC Storage & Destruction	7,197.00
	Trash & Recycling	8.01
	Furniture & Equipment Rent - Pitney Bowes	7.88
	Usage of Computer & Equipment (Inter Co Billing)	234.21
		<u>10,812.43</u>
<b>Note 12</b>	<b><u>Maintenance/Repair: Facility &amp; FF&amp;E</u></b>	
	Gordon Flesch Co	35.29
	Shortell	20.31
	CDW Direct LLC	12.03
		<u>67.63</u>
<b>Note 13</b>	<b><u>Travel &amp; Travel Items</u></b>	
	Travel-Accom. Transportation	29.46
	Travel Expenses and Meals	5.06
		<u>34.52</u>
<b>Note 14</b>	<b><u>Postage, Freight and Telephone</u></b>	
	Postage	43.12
	Express & Freight	23.97
	Office Telephone and Fax	42.18
	Internet	68.20
		<u>177.47</u>
<b>Note 15</b>	<b><u>Office Supply &amp; IT Expenses</u></b>	
	Office Supplies	27.90
	Computer Supplies	5.54
	Software Expense - Purchase/Maintenance	326.63
		<u>360.07</u>

**Prollance Insurance Company, In Liquidation**  
**Liquidation Date April 24, 2001**  
**Notes to Statement of Cash Receipts and Disbursements**  
**For the Period January 1, 2011 through April 28, 2011**

<b>Note 16</b>	<b><u>Banking and Investment Expense</u></b>	
	Banking and Investment Expense	675.25
		<u>675.25</u>
<b>Note 17</b>	<b><u>Other Expenses</u></b>	
	Advertising/Publications	1,063.44
	Insurance - Building Liability	4.35
	Registration and Dues	3.14
	Storage Retrieval	60.00
	FF&E Non-Capitalized Item	113.85
	Books & Periodicals	0.34
	Contract Printing	21.71
	Salvage & Subrogation Collection Fees	116.35
		<u>1,383.18</u>
<b>Note 18</b>	<b><u>Final Class 7 Distribution - Late Filed Claims</u></b>	
	Final Distribution to Class 7 - Late Filed Claimants	16,373.41
		<u>16,373.41</u>
<b>Note 19</b>	<b><u>Final Class 9 Distribution - Shareholder Claims</u></b>	
	Final Distribution to Class 9 Claimant	367,361.90
		<u>367,361.90</u>

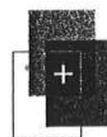
**EXHIBIT B**

**Final Audit Report for the  
Years Ended April 28, 2011 and June 30, 2010**

**OFFICE OF THE OHIO  
INSURANCE LIQUIDATOR  
PROLIANCE INSURANCE COMPANY,  
IN LIQUIDATION**

**FINANCIAL REPORT**

**APRIL 28, 2011 and JUNE 30, 2010**



maloney+novotny<sup>llc</sup>

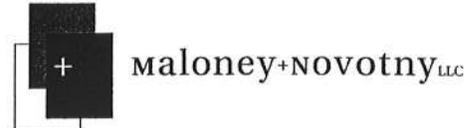
OFFICE OF THE OHIO INSURANCE LIQUIDATOR  
PROLIANCE INSURANCE COMPANY,  
IN LIQUIDATION

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Lynda G. Loomis  
Chief Deputy Liquidator  
Office of the Ohio Insurance Liquidator  
Proliance Insurance Company, in Liquidation

Independent Auditors' Report

We have audited the accompanying statement of cash and invested assets arising from cash transactions of Proliance Insurance Company, in Liquidation ("Proliance Estate") as of April 28, 2011, and the related statement of cash receipts and cash disbursements for the period then ended. These financial statements are the responsibility of the Proliance Estate. Our responsibility is to express an opinion on these financial statements based on our audit. The Proliance Estate's 2010 statement of cash and invested assets was audited by other auditors whose report dated November 22, 2010 expressed an unqualified opinion.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

The accompanying statements were prepared to present the financial statements of Proliance Insurance Company, in Liquidation pursuant to the accounting practices prescribed or permitted by the Office of the Ohio Insurance Liquidator and the Franklin County, Ohio Common Pleas Court, described in Note 1, and are not intended to be a complete presentation of the Company's assets and liabilities.

In our opinion, the financial statements referred to above present fairly, in all material respects, the cash and invested assets arising from cash transactions of Proliance Insurance Company, in Liquidation as of April 28, 2011, and the related statement of cash receipts and cash disbursements for the period then ended, on the basis of accounting described in Note 1.

This report is intended solely for the information and use of the Office of the Ohio Insurance Liquidator and the Franklin County, Ohio Common Pleas Court and is not intended to be and should not be used by anyone other than these specified parties.

*Maloney + Novotny LLC*

Cleveland, Ohio  
October 7, 2011

OFFICE OF THE OHIO INSURANCE LIQUIDATOR  
PROLIANCE INSURANCE COMPANY,  
IN LIQUIDATION

STATEMENTS OF CASH AND INVESTED ASSETS

April 28, 2011 and June 30, 2010

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	<u>2011</u>	<u>2010</u>
Cash	\$ -	\$ 19,143
Invested assets	<u>-</u>	<u>849,229</u>
	<u>\$ -</u>	<u>\$868,372</u>

The accompanying notes are an integral part of these financial statements.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR  
PROLIANCE INSURANCE COMPANY,  
IN LIQUIDATION

STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS

Period Ended April 28, 2011

CASH AT JULY 1, 2010	\$ 19,143
CASH RECEIPTS	
Investment proceeds from money market funds	334,047
Investment proceeds from bonds	568,000
Interest and dividend income (including interest paid on bonds)	12,290
Salvage and subrogation recoveries	559
Proceeds from sale of assets	3
Total cash receipts	<u>914,899</u>
CASH DISBURSEMENTS	
Investment purchases in money market funds	59,193
Salaries, wages and employee benefits	31,608
Professional fees	21,656
General and administrative expenses	17,409
Final distribution - Class 2 claims - loss/loss adjustment expense - Insurance Guaranty Associations (IGA)	55,719
Final distribution - Class 2 claims - loss/loss adjustment expense - non IGA	92,170
Final distribution - Class 5 claims - general creditors - non IGA	272,552
Final distribution - Class 7 claims - late filed	16,373
Final distribution - Class 9 claims - shareholder	<u>367,362</u>
Total cash disbursements	<u>934,042</u>
CASH AT APRIL 28, 2011	<u>\$ -</u>

The accompanying notes are an integral part of these financial statements.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR  
PROLIANCE INSURANCE COMPANY,  
IN LIQUIDATION

NOTES TO FINANCIAL STATEMENTS

**Note 1. Background and Basis of Presentation**

Ohio Revised Code Chapter 3903 contains the Insurers' Supervision, Rehabilitation and Liquidation Act (the "Act"). The Act governs all aspects of an insurance company's rehabilitation or liquidation (sometimes referred to as receivership) resulting from insolvency.

When the Ohio Superintendent of Insurance, as regulator, determines that an Ohio-domiciled insurer is insolvent or is operating in a financially hazardous manner, the Superintendent files a Complaint in the Franklin County, Ohio Common Pleas Court ("Liquidation Court") for a court order placing the company into rehabilitation or liquidation. If the Court agrees with the Complaint, the Court enters a rehabilitation or liquidation order appointing the Superintendent of Insurance in the separate fiduciary capacity of Rehabilitator or Liquidator ("receiver") of the company, empowered to act on behalf of the creditors of the estate to secure, marshal and eventually rehabilitate or liquidate the company's assets.

Proliance Insurance Company was ordered into liquidation on April 24, 2001 by the Liquidation Court and the Ohio Superintendent of Insurance was appointed as its Liquidator, and it became Proliance Insurance Company, in Liquidation (the "Proliance Estate").

As is common with entities placed in fiduciary control, the Liquidator has prepared the accompanying financial statements on the cash-basis of accounting, whereby, the statements of cash and invested assets include only the cash and invested assets of the Proliance Estate, and the statement of cash receipts and cash disbursements reflects only cash transactions; consequently, all other assets and liabilities of the Proliance Estate are not included in the statements of cash and invested assets, and uncollected revenues and unpaid expenses are not included in the statement of cash receipts and cash disbursements. Changes in amortization of bond premiums and discounts are reflected in invested assets, however, these amounts are not reflected in the statement of cash receipts and disbursements as they are non-cash transactions. This is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America and, accordingly, the statements are not intended to present the financial position and results of operations in conformity with accounting principles generally accepted in the United States of America.

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 2. Order to Dissolve the Proliance Estate**

On April 21, 2011, the Liquidation Court ordered the Proliance Estate to make a final distribution of assets to Class 7 through Class 9 claimants and to immediately thereafter close the Proliance Estate and terminate the liquidation case (the "Closing Order"). On April 28, 2011, the Proliance Estate disbursed \$16,373 to Class 7 claimants and \$367,362 to Class 9 claimants. At the time of distribution, assets were reserved (held-back) to pay administrative expenses related to the closure of the Proliance Estate. The Closing Order approved the Liquidator's pre-payment of \$27,147 of the Proliance Estate's unpaid administrative expenses related to the closure of the Proliance Estate to LMI Insurance Company, in Liquidation ("LMI") upon closure of the Proliance case in exchange for the LMI Estate's assumption, administration and payment of the remaining administrative expense obligations of the Proliance Estate. The payment and receipt of these funds were reported respectively in the Proliance final accounting and the LMI periodic accountings, but the expenditure of them is not separately tracked, accounted for or reported pursuant to the provisions of paragraph 3 on page 8 of the Administrative Expense Operating Procedure applicable to Closed and Closing Estates that was updated and approved most recently beginning on December 21, 2010 in the LMI Liquidation Case, Case No. 00CVH03-2431 ("AOP"). The AOP is based upon the Liquidator's Accounting Department Internal Control for handling administrative costs and expenses for closing and closed Estates after a final distribution of assets to creditors, which dates back to 1995.

The Closing Order also ordered the Proliance Insurance Company to be dissolved pursuant to Ohio Revised Code Section 3903.20, which occurred on April 28, 2011 and all assets had been distributed.

**Note 3. Invested Assets**

Invested assets consist of those assets that are under the complete and direct control of the Liquidator and are being specifically held as investments.

Money market funds are recorded at cost, which approximates fair value, and bonds are recorded at amortized cost.

At April 28, 2011 and June 30, 2010, invested assets and their carrying values consisted of the following:

	<u>2011</u> Carrying Value	<u>2010</u> Carrying Value
Money market funds	\$ -	\$274,853
Bonds at amortized cost	-	<u>574,376</u>
	<u>\$ -</u>	<u>\$849,229</u>

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NOTES TO FINANCIAL STATEMENTS (CONTINUED)

**Note 4. Distributions**

Pursuant to the December 6, 2010 Order of the Court, the Proliance Estate made its distribution payment to Class 2 Insurance Guaranty Associations totaling \$55,719 on December 9, 2010. The Proliance Estate also made a distribution payment totaling \$92,170 to non-guaranty Class 2 claimants. The Proliance Estate also made a distribution payment totaling \$272,552 to non-guaranty Class 5 claimants. Pursuant to the April 21, 2011 Order of the Court, the Proliance Estate made its distribution payment to Class 7 claimants totaling \$16,373 on April 28, 2011. The Proliance Estate also made a distribution payment totaling \$367,262 to Class 9 claimants.

**Note 5. Subsequent Events**

Management evaluates events occurring subsequent to the date of the financial statements in determining the accounting for and the disclosure of transactions and events that affect the financial statements. Subsequent events have been evaluated through October 7, 2011, which is the date that the financial statements were available to be issued. No material subsequent events were noted.