

IN THE COURT OF COMMON PLEAS
FRANKLIN COUNTY, OHIO

MARY JO HUDSON,
Superintendent of Insurance
in her Capacity as Liquidator of
The Guarantee Title and Trust Company,

Plaintiff,

vs.

The Guarantee Title and Trust Company,

Defendant.

CASE NO. 08CVH07-10725

JUDGE GUY L. REECE, II

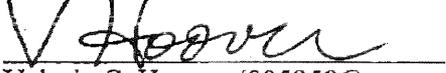
PLAINTIFF'S MOTION FOR APPROVAL
OF LIQUIDATOR'S INVESTMENT GUIDELINES

Plaintiff Mary Jo Hudson, Superintendent of Insurance, in her capacity as
Liquidator (the "Liquidator") of The Guarantee Title and Trust Company ("GIT"),
respectfully requests approval of the attached Investment Guidelines for the Liquidator's
investment of liquidation estate assets. This Motion is supported by the attached
Memorandum in Support.

Respectfully submitted,

RICHARD CORDRAY
Attorney General State of Ohio

By Outside Counsel:
KOHRMAN, JACKSON & KRANTZ, LLP



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*Attorneys for Mary Jo Hudson, Superintendent
of Insurance, in her Capacity as Liquidator of
The Guarantee Title and Trust Company*

FILED
COMMON PLEAS COURT
FRANKLIN COUNTY, OHIO
2009 MAR 27 PM 4:15
CLERK OF COURT

MEMORANDUM IN SUPPORT

I. Introduction

On October 27, 2008, this Court ordered GTT liquidated. The Liquidation Order and statutes direct the Liquidator to take possession of the assets of GTT and to administer those assets under the general supervision of this Court.

One of the Liquidator's primary responsibilities is the marshaling of assets of the GTT liquidation estate for ultimate distribution to the liquidation estate's policyholders and creditors pursuant to Revised Code Chapter 3903. In the process of marshaling assets, the Liquidator routinely receives and deposits cash and purchases and sells various investment securities. The cash and investment security balances are reported by the Liquidator to this Court in the semi-annual Periodic Accountings provided for in Revised Code 3903.18(E) and the Liquidation Order.

The Liquidator also retains 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. The Liquidator files the independent audit report with this Court annually to demonstrate the integrity of the Periodic Accountings and the Liquidator's internal controls.

II. Liquidation Estate Funds

Revised Code 3903.21(A)(15) authorizes the Liquidator to "[d]eposit in one or more banks in this state such sums as are required for meeting current administration expenses and dividend distributions." With regard to the sums in excess of the amounts needed for current administration expenses and dividend distributions, Revised Code

3903.21(A)(16) authorizes the Liquidator to “[i]nvest all sums not currently needed, unless the court orders otherwise.”

The Liquidator may not commingle funds of the various insurance companies in liquidation or rehabilitation. Accordingly, the funds of each insolvent insurance company are held separately in the name of individual liquidation or rehabilitation estate, with each estate having its own operating and brokerage accounts. Since the inception of the GTT liquidation, the Liquidator has reinvested cash proceeds of this liquidation, as well as the money from other liquidations and/or rehabilitations, handled by the Office of the Ohio Insurance Liquidator, in segregated accounts consistent with the Liquidator’s Investment Guidelines.

III. Transfer of Banking and Investment Relationship

In the month of October, 2008, the Liquidator transferred the banking and investment accounts of the various insurance companies in liquidation and rehabilitation to JPMorgan Chase, N.A., and JPMorgan Securities, Inc. Consequently, the funds of the GTT liquidation estate required for current administration expenses are deposited in an operating account with JPMorgan Chase, and the funds in excess of those requirements are invested with JPMorgan Securities.

In conjunction with the transfer of the banking and investment accounts to JPMorgan, the Liquidator undertook a review of the investment objectives and guidelines that govern the management of assets of the various insolvent insurance companies handled by the Office of the Ohio Insurance Liquidator. The Liquidator’s Investment Guidelines were last updated in 1990. After consultation with investment experts, the Liquidator adopted updated Investment Guidelines, which are described in Section IV, below.

IV. Investment Objectives and Guidelines

The Liquidator's investment objectives are: (1) to maximize safety of principal; (2) to maintain a high degree of liquidity; (3) to ensure proper matching of asset maturities to anticipated disbursement needs of the individual estates; and (4) to optimize the current return on invested assets. The Liquidator invests all funds in excess of operating needs in the types of investments outlined in the Liquidator's Investment Guidelines attached hereto as Exhibit A. The Liquidator diversifies investments into the classifications of obligations outlined in the Liquidator's Investment Guidelines based upon the relative rates of return of the investments and the short-term cash flow needs of the individual estates. The Liquidator holds all U.S. Treasury Obligations for their term in order to avoid risk to the estates due to interest rate fluctuations. The remaining funds are invested in shorter-term obligations to maximize the rate of return.

The Investment Guidelines adopted by the Liquidator outline the classification of obligations in which the Liquidator may invest the funds of the various estates, consistent with her fiduciary obligations and her goal of effectively and prudently investing the funds of this and the other estates. The authorized investment vehicles maximize the safety of principal. The filing of these updated Investment Guidelines is to disclose to the GTT liquidation estate's policyholders and creditors the conservative and prudent investment guidelines adhered to by the Liquidator.

V. GTT Liquidation Estate Assets

The Liquidator has liquidated most of the funds of the GTT Liquidation Estate that do not meet the Investment Guidelines, including funds deposited in a bank branch in Kansas (and not in a bank in this state as required by Revised Code 3903.21(A)(15)). The Liquidator will complete that transition for remaining accounts. The Liquidator may

acquire similarly non-conforming GTT invested assets in the future. The Liquidator therefore requests authority to continue to liquidate any and all GTT assets that are now in the Liquidator's possession or that she secures in the future and that are invested in securities or portfolios that do not comply with the Liquidator's Investment Guidelines so that she may reinvest those assets in compliance with the Liquidator's Investment Guidelines.

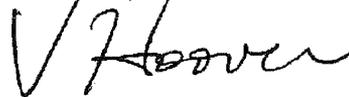
V. Conclusion

For the reasons set forth above, the Liquidator respectfully requests the Court's approval of the attached Liquidator's Investment Guidelines for the Liquidator's investment of liquidation estate assets and for approval to liquidate non-conforming GTT invested assets.

Respectfully submitted,

RICHARD CORDRAY
Attorney General State of Ohio

By Outside Counsel:
KOHRMAN, JACKSON & KRANTZ, LLP



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*Attorneys for Mary Jo
Hudson, Superintendent of
Insurance, in her Capacity as
Liquidator of The Guarantee
Title and Trust Company*

CERTIFICATE OF SERVICE

I hereby certify that in accordance with paragraph 41 of the Liquidation Order, a true and accurate copy of the *Motion for Approval of Liquidator's Investment Guidelines* was posted on the Liquidator's website (www.ohliq.com) substantially contemporaneous with the filing of this Agenda.



VALORIA C. HOOVER (0059596)
*Outside Counsel for Mary Jo Hudson,
Superintendent, Ohio Department of
Insurance, in her Capacity as Liquidator
of The Guarantee Title and Trust
Company*

**IN THE COURT OF COMMON PLEAS
FRANKLIN COUNTY, OHIO**

MARY JO HUDSON,	:	
Superintendent of Insurance	:	CASE NO. 08CVH07-10725
in her Capacity as Liquidator of	:	
The Guarantee Title and Trust Company,	:	
	:	JUDGE GUY L. REECE, II
Plaintiff,	:	
	:	
vs.	:	
	:	
The Guarantee Title and Trust Company,	:	
	:	
Defendant.	:	

**JOURNAL ENTRY AND ORDER APPROVING
LIQUIDATOR'S INVESTMENT GUIDELINES**

This matter came before the Court upon the Motion of Mary Jo Hudson, Superintendent of Insurance, in her capacity as the Liquidator (the "Liquidator") of The Guarantee Title and Trust Company ("GTT"), for Approval of the Liquidator's Investment Guidelines, as set forth in the attachment to the Liquidator's Motion.

The Court finds that the Motion was properly noticed in accordance with the Liquidation Order and the statutes.

For good cause shown, the Motion is GRANTED and:

1. The Liquidator's Investment Guidelines, attached hereto as Exhibit A, are hereby approved and fully incorporated into this Order.
2. The Liquidator is authorized to continue to manage the assets of the GTT liquidation estate pursuant to the attached Liquidator's Investment Guidelines.
3. The Liquidator is authorized to continue to liquidate any and all assets of the GTT Liquidation Estate that are now in the Liquidator's possession or that she secures

in the future and that are in invested in securities or portfolios that do not comply with the Liquidator's Investment Guidelines and reinvest those assets in accordance with the attached Liquidator's Investment Guidelines.

IT IS SO ORDERED.

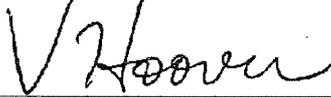
Dated: _____

JUDGE GUY L. REECE, II

APPROVED:

RICHARD CORDRAY
Attorney General State of Ohio

By Outside Counsel:
KOHRMAN, JACKSON & KRANTZ, LLP



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*Attorneys for Mary Jo Hudson,
Superintendent of Insurance,
in her Capacity as Liquidator
of The Guarantee Title and Trust Company*

LIQUIDATOR'S INVESTMENT GUIDELINES

I. POLICY

The following investment objectives and guidelines govern the management of assets of the various insurance companies in liquidation, or in rehabilitation, for the Office of the Ohio Insurance Liquidator ("OIL"). The Liquidator may not commingle funds of the various insurance companies in liquidation or in rehabilitation. Accordingly, the funds of each company are held separately in the name of individual estate. Each estate has its own operating and brokerage accounts.

II. OBJECTIVES

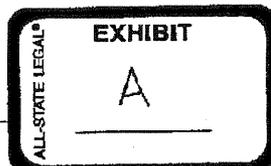
The following objectives apply to all investments executed by or on behalf of OIL: (1) to maximize safety of principal; (2) to maintenance of a high degree of liquidity; (3) to ensure proper matching of asset maturities to anticipated disbursement needs of the individual estates; and (4) to optimize the current return on invested assets.

The Liquidator invests all funds in excess of operating needs in the types of investments outlined below. The Liquidator diversifies investments into the classifications of obligations outlined in the Guidelines section below based upon the relative rates of return of the investments and the short-term cash flow needs of the individual estates. The Liquidator holds all U.S. Treasury Obligations for their term in order to avoid risk to the estates due to interest rate fluctuations. The remaining funds are invested in shorter-term obligations to maximize the rate of return.

III. GUIDELINES

The Liquidator may invest or execute transactions for any part or all of the funds of the various estates in the following classifications of obligations only:

- A. **U.S. Treasury Obligations.** United States treasury bills, notes, bonds, or any other obligations or securities issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States.
- B. **Federal Agency Obligations.** Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality.
- C. **No-Load Money Market Mutual Funds.** No-load money market mutual funds consisting exclusively of the following classifications of obligations: (1) United States treasury bills, notes, bonds, or any other obligations or securities issued by the United States treasury or any other obligation guaranteed as to principal and interest by the United States; or (2) Bonds, notes, debentures, or any other obligations or securities issued by any federal government agency or instrumentality.



D. Certificates of Deposit. Certificates of deposit in an eligible Ohio financial institution that is a member of the federal reserve system or federal home loan bank.

E. Repurchase Agreements. Investments in written repurchase agreements that set forth the terms and conditions of the agreement between the parties, under the terms of which agreement the participating institution agrees unconditionally to repurchase any of the securities listed in section (A) or (B) above. The agreement shall contain the requirement that for each transaction pursuant to the agreement, the participating institution shall provide all of the following information:

1. the face amount of the securities;
2. the type, rate, and maturity date of the securities; and
3. a numerical identifier generally accepted in the securities industry that designates the securities.