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Superintendent of Insurance, in her Capacity as
Liquidator of American Druggists' Insurance
Company

MEMORANDUM IN SUPPORT OF MOTION

On April 30, 1986, this Court issued an order placing ADIC in liquidation pursuant to Ohio Revised Code ("R.C.") Chapter 3903 and appointing the Ohio Superintendent of Insurance as Liquidator (the "Liquidation Order"). Since the date the Liquidation Order was entered, the Liquidator has thoroughly reviewed the books and records of ADIC, has identified and collected, where reasonable, all known assets of ADIC, and has reviewed, valued, classified and paid all known claims of ADIC.

On September 18, 2006, this Court approved the Liquidator's recommendation for disbursement of Cash Collateral Balance pursuant to R.C. Chapter 169. In addition to this Cash Collateral, the Liquidator is also holding interest in certain real and personal property, including deeds, deeds of trust, mortgages, titles or similar instruments which were posted as collateral. Prior to being placed in Liquidation, as a part of its insurance business, ADIC would, when requested by a Principal, issue a surety bond for the benefit of a creditor/obligee, and in many instances, the Principal or a Third Party would post collateral to secure the Principal's obligations to the surety relative to such bonds(s). In most instances the collateral has been used to reimburse the ADIC estate for all claims against ADIC on or related to these bonds, including pre-liquidation loss payments, pre- and post-liquidation loss adjustment expense payments, and claims by various state insurance guaranty associations made on the bonds. Sometimes, the collateral delivered to ADIC or its agents consisted of interest in real or personal property delivered to ADIC by means of deeds, assignments, titles, mortgages, deeds of trust, security agreements, or similar instruments of conveyance or encumbrance (the "Non-Cash Collateral"). A list of the Non-Cash Collateral is set forth in detail in Exhibit A, attached hereto. In those cases where the Non-Cash Collateral is actually held by the Liquidator, the Liquidator undertook

an investigation and review of the Non-Cash Collateral to determine if there are any outstanding claims or losses arising out of the surety bonds that are required to be paid from this Non-Cash Collateral. The Liquidator has determined that all outstanding claims or losses arising out of the surety bonds for which Non-Cash Collateral was posted have been paid and is confident that no future claims or losses will arise related to these surety bonds. Due to these circumstances, the Liquidator has determined that the Non-Cash Collateral is of no value to the Liquidator as it is no longer needed to secure the Principal's obligations to ADIC and thus, the Non-Cash Collateral should be abandoned, and the Liquidator should release any remaining interest it may have in this Non-Cash Collateral. The Liquidator has undertaken extensive efforts to release this Non-Cash Collateral to the appropriate Principals and or Third Parties but have been unable to find the appropriate Principals and or Third Parties who posted this remaining Non-Cash Collateral.

R.C. Section 3903.21, provides for the general powers of the Liquidator. R.C., Section 3903.21(A)(9) thereof authorizes the Liquidator to abandon and release property.¹ Further, R.C. Section 3903.21(B) states that the enumeration of powers and authority set forth in subdivision (A) of Section 3903.21 is not be construed as a limitation upon the Liquidator, nor is it to exclude in any manner her right to do such acts not therein specifically enumerated, or otherwise provided for, as may be necessary or appropriate for the accomplishment of or in aid of the purpose of liquidation. Therefore, based upon the specific and general authority granted to the Liquidator under the insurance liquidation statutes, the Liquidator, having determined that the Non-Cash Collateral is of no value to the Liquidator as it is no longer needed to secure the Principal's obligations to ADIC, requests this Court to authorize the Liquidator to abandon the

¹R.C., Section 3903.21(A)(9). Acquire, hypothecate, encumber, lease, improve, sell, transfer, abandon, or otherwise dispose of or deal with, any property of the insurer at its market value or upon such terms and conditions as are fair and reasonable. The liquidator may execute, acknowledge, and deliver any and all deeds, assignments, releases, and other instruments necessary or proper to effectuate any sale of property or other transaction in connection with the liquidation.

Non-Cash Collateral, which includes a release of any interest which remains in any known or unknown Non-Cash Collateral, whether consisting of real or personal property, including any deeds, assignments, titles, mortgages, deeds of trust, security agreements, or similar instruments of conveyance or encumbrance with respect thereto, and to discharge and fully release the Liquidator, her predecessors, assigns and any and all deputy liquidators, agents or employees of the Office of the Ohio Insurance Liquidator from any and all responsibility and liability related thereto.

THEREFORE, in consideration of the foregoing, the Liquidator respectfully seeks from this honorable Court an Order approving and authorizing the Liquidator's abandonment of the Non-Cash Collateral and authorizing the Liquidator to release any remaining interest the Liquidator may have in the Non-Cash Collateral identified and set forth in Exhibit A, attached hereto, and discharging and fully releasing the Liquidator, her predecessors, assigns and any and all deputy liquidators, agents or employees of the Liquidator from any and all responsibility and liability related thereto.

Respectfully submitted,

JIM PETRO

Attorney General State of Ohio

By Special Counsel:

KEGLER, BROWN, HILL & RITTER

A Legal Professional Association

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Superintendent of Insurance, in her Capacity as

Liquidator of American Druggists' Insurance Company

EXHIBIT A

AMERICAN DRUGGISTS INSURANCE CO IN LIQUIDATION
 AZ SURETY COLLATERAL
 AS OF SEPTEMBER 30, 2006

<u>PRINCIPAL</u>	<u>BOND NUMBER</u>	<u>RELEASED</u>	<u>COLLATERAL</u>	<u>AMOUNT</u>	<u>STATUS</u>
ALTAMIRANO CONSTRUCTION	8143119	\$0.00	DEED OF TRUST	\$5,000.00 \$5,000.00 **	
AMERICAN TOWERS SERVICES, INC.	8144039	5,000.00	DEED OF TRUST	\$0.00 \$0.00 **	RELEASED 4/11/94
ARIZONA SHOT CRETE, INC.	8146148	0.00	DEED OF TRUST	\$14,400.00 \$14,400.00 **	
ARIZONA WRECKING & CEMENT, INC.	8144007	26,990.00	DEED OF TRUST	\$0.00	RELEASED 6/04/02
ARIZONA WRECKING & CEMENT, INC.	8149104	16,900.00	DEED OF TRUST	0.00	RELEASED 6/04/02
ARIZONA WRECKING & CEMENT, INC.	8149174	26,999.99	DEED OF TRUST	0.00 \$0.00 **	RELEASED 6/04/02
BRANCHING OUT LANDSCAPE	8149170	0.00	DEED OF TRUST	\$1,000.00 \$1,000.00 **	
C & C CONSTRUCTION CO., INC.	8144024	0.00	DEED OF TRUST	\$9,000.00 \$9,000.00 **	
CONTRACTORS EXCAVATING	8135276	0.00	DEED OF TRUST	\$352,906.00 \$352,906.00 **	
D. W. EQUIPMENT DBA DITCH WITCH	8138647	0.00	DEED OF TRUST	\$1,000.00	
D. W. EQUIPMENT DBA DITCH WITCH	8138648	0.00	DEED OF TRUST	1,000.00	
D. W. EQUIPMENT DBA DITCH WITCH	8159443	0.00	DEED OF TRUST	1,400.00 \$3,400.00 **	
ELLIS CARPENTRY & REMODELING	8138632	0.00	DEED OF TRUST	\$1,000.00	

AMERICAN DRUGGISTS INSURANCE CO IN LIQUIDATION
 AZ SURETY COLLATERAL
 AS OF SEPTEMBER 30, 2006

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ELLIS TACKE COMPANY	8133928	0.00	DEED OF TRUST	\$1,000.00 **	
				\$5,567.00	**
				\$5,567.00	**
GROUNDS CARE OF ARIZONA	8147705	0.00	DEED OF TRUST	\$1,000.00	**
				\$1,000.00	**
H & E POOLS	8147657	0.00	DEED OF TRUST	\$5,000.00	**
				\$5,000.00	**
J. J. McLINGUS & COMPANY	8149087	0.00	DEED OF TRUST	\$2,100.00	**
				\$2,100.00	**
JACK L. WILLIAMS MASONRY CONTRACTOR	8159468	0.00	DEED OF TRUST	\$1,000.00	**
				\$1,000.00	**
JAMES CORLEY CONSTRUCTION COMPANY	8149120	0.00	DEED OF TRUST	\$3,532.50	**
				\$3,532.50	**
JOHNSON, ALFRED E.	8159426	0.00	DEED OF TRUST	\$2,500.00	**
				\$2,500.00	**
KAYS, PAUL JR.	8138627	0.00	DEED OF TRUST	\$38,000.00	**
				\$38,000.00	**

AMERICAN DRUGGISTS INSURANCE CO IN LIQUIDATION
 AZ SURETY COLLATERAL
 AS OF SEPTEMBER 30, 2006

<u>PRINCIPAL</u>	<u>BOND NUMBER</u>	<u>RELEASED</u>	<u>COLLATERAL</u>	<u>AMOUNT</u>	<u>STATUS</u>
KEYSTONE MANAGEMENT COMPANY, INC.	8159404	0.00	DEED OF TRUST	\$24,483.00 \$24,483.00 **	
LANDSCAPE WEST DONALD GUY FISHER	8149146	0.00	DEED OF TRUST	\$1,000.00 \$1,000.00 **	
MARTIN & MARTIN ENTERPRISES	8149109	0.00	DEED OF TRUST	\$5,000.00 \$5,000.00 **	
MCBEE ELECTRIC	8143996	0.00	DEED OF TRUST	\$1,000.00 \$1,000.00 **	
MILANTA CONSTRUCTION	8146115	0.00	DEED OF TRUST	\$5,000.00 \$5,000.00 **	
MORALES ROOFING	8136553	78,500.00	DEED OF TRUST	\$0.00 \$0.00 **	RELEASED 9/02/94
MUSTANG CONTRACTING	8143977	0.00	DEED OF TRUST	\$10,500.00 \$10,500.00 **	
NEW ADOBE RESTAURANT & LOUNGE	8143085	0.00	DEED OF TRUST	\$10,000.00 \$10,000.00 **	
REGAN PLUMBING	8147671	0.00	DEED OF TRUST	\$1,000.00 \$1,000.00 **	
REIDHEAD LUMBER CO., INC.	8149173	0.00	DEED OF TRUST	\$45,000.00 \$45,000.00 **	

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REINDL, RAY JR.	8147642	0.00	DEED OF TRUST	\$1,000.00 \$1,000.00 **	
RUBENSTRUCK, JOHN MICHAEL	8159431	0.00	DEED OF TRUST	\$5,000.00 \$5,000.00 **	
TACO DELITE, INC. III	8147088	0.00	DEED OF TRUST	\$21,000.00 \$21,000.00 **	
WOODPECKERS	8149147	0.00	DEED OF TRUST	\$5,000.00 \$5,000.00 **	
TOTALS		\$154,389.99		\$580,388.50 **	

AMERICAN DRUGGISTS INSURANCE CO IN LIQUIDATION
 DEEDS OF TRUST
 AS OF SEPTEMBER 30, 2006

<u>PRINCIPAL</u>	<u>TYPE</u>	<u>AMOUNT</u>	
200 SOUTH LOUNGE	J.R. BUTLER	DEED	\$2,500.00
ALVAREZ, ISRAEL SR.		DEED	0.00
ASHER COAL	COJOE ASHER	DEED	8,100.00
BARRY & DEB'S	LIQUOR STORE	DEED	5,000.00
BLANTON BROTHERS	MINING CO, INC	DEED	9,120.00
BO'S BOTTLE SHOP NO.1	JAMES BAILEY	DEED	2,500.00
BUILDERS GRADING	DONALD C. JOHNSON	DEED	130,000.00
C & H LIQUOR STORE	CHRISTINE HUNTER	DEED	2,500.00
COBO, ARTURO		DEED	100,000.00
C'EST LA VIE LOUNGE & REST	LUCIUS C	DEED	0.00
FONTAINE, BARBARA B.		DEED	0.00
GERONIMO, TREVINO		DEED	1,312.50
GINO'S LIQUOR STORE	WAYNE TENNANT HARE	DEED	0.00
GRESHAM BOTTLE SHOP	ANTONIO TAYLOR	DEED	5,000.00
HARTLEY PLUMBING		DEED	108,000.00
HIGDON, WM E & IDEAL DRIVE	INN, INC	DEED	2,500.00
HIGDON, WM E	WHEEL WILLIES WAGON	IRISH	2,500.00
JESSUP, T. K.		DEED	9,020.00
JESSUP, T. K.		DEED	13,860.00
LEWIS, DAVID OTIS		DEED	0.00
LUTHERSVILLE PACKAGE STORE		DEED	2,500.00
MASON, C N		DEED	65,000.00
MASON, C N		DEED	65,000.00
MIAMI CARGO SERVICES		DEED	30,000.00
MONTRE'S LOUNGE & RESTAURANT		DEED	2,500.00
OAK MANOR HOMES, INC.		DEED	0.00
PALMETTO PACKAGE STORE	JUDY JENKINS	DEED	2,500.00
PELAEZE, BERNARDO		DEED	0.00
PERIMETER WEST, INC.		DEED	20,000.00
PLANELL, LEOPOLD		DEED	2,500.00
RIVAS, JUAN CARLOS		DEED	500,000.00
RODRIGUEZ, OIBRUSH, LIBATISH, L		DEED	8,000.00
R. BERRY, INC.		DEED	19,957.64
SUNBELT BUILDING CORP		DEED	51,850.00
SUNBELT MINERALS INC		DEED	119,000.00
THE HOUSE	WILLIAM F. NOBLE	DEED	0.00
UNIQUE PACKAGE STORE	JEWELL FOSTER	DEED	2,500.00
WALNUT GROVE BOTTLE SHOP	S.H. THOMPSON	DEED	7,500.00
TOTAL DEED OF TRUSTS			\$1,300,720.14
'DEED' TOTAL COUNT		38	

**AMERICAN DRUGGISTS INSURANCE CO IN LIQUIDATION
NOT ON COLLATERAL REPORT
AS OF SEPTEMBER 30, 2006**

<u>PRINCIPAL</u>	<u>TYPE</u>	<u>AMOUNT</u>
CARROLL, ALAN	DEED	20,000
BEASLEY CONSTIEBERHART NIXON	LOC	200,000.00

AMERICAN DRUGGISTS INSURANCE CO IN LIQUIDATION
 INVENTORY EXCEPTIONS
 (These are located at the bottom of report)

<u>PRINCIPAL</u>	<u>TYPE</u>	<u>AMOUNT</u>
*** INVENTORY EXCEPTIONS 9/96 *** COLLATERAL IN SAFETY DEPOSIT BOX THAT IS NO LONGER "ACTIVE"		
THE EDWARD CORPORATION	LOC	15,000.00
MARIANO MOZO	MORTGAGE DEED	100,000.00
TONY'S PACKAGE	DEED	2,500.00
CONTEMPORARY COMMUNITY	ASSIGNMENT SAVINGS	0.00
CONCEPT	PASSBOOK	
JOHN & HELEN CARRELL	MORTGAGE DEED	20,000.00
PRONTO RISTORANTE	LOC	5,000.00
GARY PLAYER (MOT ASSOC)	CD	5,000.00