

IN THE COMMON PLEAS COURT OF
FRANKLIN COUNTY, OHIO

MARY JO HUDSON, Ohio Superintendent of
Insurance, in her capacity as Liquidator of
The Oil & Gas Insurance Company,

Plaintiff,

v.

The Oil & Gas Insurance Company,

Defendant.

Case No. 90-CVH-05-3409

Judge Julie M. Lynch

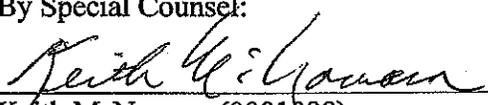
**MOTION FOR APPROVAL OF LIQUIDATOR'S REPORT
OF INDEPENDENT AUDITORS FOR THE YEARS ENDED
JUNE 30, 2009 AND 2008**

Mary Jo Hudson, Ohio Superintendent of Insurance, in her capacity as Liquidator of Oil & Gas Insurance Company ("OGICO"), moves this Court for an order approving her Report of Independent Auditors for the years ended June 30, 2009 and 2008, which is attached as Exhibit A and hereby incorporated by reference into this Motion. A Memorandum in Support is attached.

Respectfully submitted,

RICHARD CORDRAY
Attorney General State of Ohio

By Special Counsel:


Keith McNamara (0001098)

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Attorney for Mary Jo Hudson, in her capacity as
Liquidator of Oil & Gas Insurance Company

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COMMON PLEAS COURT
FRANKLIN CO. OHIO

MEMORANDUM IN SUPPORT OF MOTION

Pursuant to R.C. Section 3903.18(A), this Court's August 31, 1990 Order to liquidate the business of OGICO, appointed Plaintiff, Superintendent of Insurance and successors in office as Liquidator, and directed the Liquidator to take possession of the assets of OGICO and to administer those assets under the general supervision of this Court. As provided in R.C. Section 3903.18(E), the Order also requires the Liquidator to account to this Court at specified intervals. Accordingly, the Liquidator submits accountings to this Court on a semiannual basis for the periods ending June 30th and December 31st of the year (the "Periodic Accountings").

One of the Liquidator's primary responsibilities is the marshaling of assets of the OGICO 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 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. The Liquidator requested the auditing firm to render an opinion in its audit report as to the propriety of the information presented in the Periodic Accounting, as it was the Liquidator's

intention to file the report with this Court to demonstrate the integrity of the Periodic Accountings.

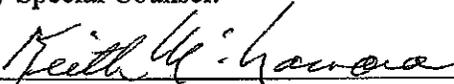
By this Motion, the Liquidator seeks this Court's approval of the Annual Report of Independent Auditors for the years ended June 30, 2009 and 2008 (the "Report"), attached hereto as Exhibit A.

Schneider Downs has completed its audit of the statements of cash and invested assets of OGICO as of June 30, 2009 and 2008 and the related statements of cash receipts and cash disbursements for the years ended June 30, 2009 and 2008. Schneider Downs issued the Report containing its audit findings which opine that the Liquidator's financial statements present fairly, in all material respects, both the cash and invested assets of OGICO at June 30, 2009 and 2008 and cash receipts and cash disbursements for the years ended June 30, 2009 and 2008.

Respectfully submitted,

RICHARD CORDRAY
Attorney General State of Ohio

By Special Counsel:



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OFFICE OF THE OHIO INSURANCE LIQUIDATOR
THE OIL & GAS INSURANCE COMPANY,
IN LIQUIDATION
Columbus, Ohio

Financial Statements
For the years ended June 30, 2009 and 2008
and Independent Auditors' Report Thereon

EXHIBIT

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SCHNEIDER DOWNS

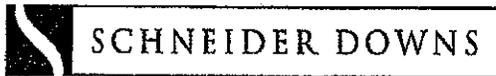
INSIGHT ■ INNOVATION ■ EXPERIENCE

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
THE OIL & GAS INSURANCE COMPANY,
IN LIQUIDATION

FINANCIAL STATEMENTS
FOR THE YEARS ENDED JUNE 30, 2009 AND 2008

CONTENTS

	<u>PAGE</u>
INDEPENDENT AUDITORS' REPORT	1
FINANCIAL STATEMENTS	
Statements of Cash and Invested Assets, June 30, 2009 and 2008	2
Statement of Cash Receipts and Cash Disbursements, June 30, 2009	3
Notes to Financial Statements	4



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INDEPENDENT AUDITORS' REPORT

Lynda G. Loomis
Chief Deputy Liquidator
Office of the Ohio Insurance Liquidator
The Oil & Gas Insurance Company, in Liquidation

We have audited the accompanying statements of cash and invested assets arising from cash transactions of The Oil & Gas Insurance Company, in Liquidation (Estate) as of June 30, 2009 and 2008 and the related statement of cash receipts and cash disbursements for the year ended June 30, 2009. These financial statements are the responsibility of the Estate. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audits 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 includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

The accompanying statements were prepared to present the financial statements of The Oil & Gas Insurance Company, in Liquidation pursuant to the accounting practices prescribed or permitted by the Ohio Department of Insurance and Franklin County Court of Common Pleas, described in Note 1, and is 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 The Oil & Gas Insurance Company, in Liquidation as of June 30, 2009 and 2008, and the related statement of cash receipts and cash disbursements for the year ended June 30, 2009, 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 Court of Common Pleas and is not intended to be and should not be used by anyone other than these specified parties.

Schneider Downs & Co., Inc.

Columbus, Ohio
November 16, 2009

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OFFICE OF THE OHIO INSURANCE LIQUIDATOR
THE OIL & GAS INSURANCE COMPANY,
IN LIQUIDATION

STATEMENTS OF CASH AND INVESTED ASSETS
JUNE 30, 2009 AND 2008

	June 30,	
	<u>2009</u>	<u>2008</u>
Cash	\$ 134,467	\$ 138,328
Invested Assets	<u>13,529,722</u>	<u>13,575,000</u>
	<u>\$ 13,664,189</u>	<u>\$ 13,713,328</u>

See notes to financial statements.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
THE OIL & GAS INSURANCE COMPANY,
IN LIQUIDATION

STATEMENT OF CASH RECEIPTS AND CASH DISBURSEMENTS
FOR THE YEAR ENDED JUNE 30, 2009

Cash at July 1, 2008	\$ 138,328
Cash Receipts:	
Investment proceeds from repurchase agreements	13,575,000
Investment proceeds from money market funds	92,056
Interest and dividend income	307,232
Reinsurance recoveries	1,715
Intercompany reimbursement of expenses from the prior period	3,237
Proceeds from closure of ADIC - prepaid salary expense	28,162
Proceeds from closure of PPC - prepaid salary expense	12,158
PPC intercompany reimbursement of expenses from the prior period	264
Proceeds from sale of assets	20
Miscellaneous income	19
Total Cash Receipts	<u>14,019,863</u>
Cash Disbursements:	
Investment purchases (including interest)	183,617
Investment purchases in money market funds	13,621,778
Salaries, wages and employee benefits	112,538
Professional fees	33,434
Federal income tax estimate	17,000
General and administrative expenses	55,357
Total Cash Disbursements	<u>14,023,724</u>
Cash at June 30, 2009	<u>\$ 134,467</u>

See notes to financial statements.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
THE OIL & GAS INSURANCE COMPANY,
IN LIQUIDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 1 - BACKGROUND AND BASIS OF PRESENTATION

Pursuant to the Ohio Revised Code (Code), the Superintendent of the Ohio Department of Insurance is appointed as Liquidator of domestic insurance companies, which have been determined by the Franklin County Court of Common Pleas, State of Ohio (Court), to be insolvent as specified in the Code.

The Liquidator marshals the assets of the insurance company and liquidates such assets and administers the business affairs of the Company as approved by the Court. The Liquidator is empowered by the Code to employ employees and agents, actuaries, accountants, appraisers, consultants and such other personnel as considered necessary to assist in the liquidation.

The Oil & Gas Insurance Company (Company) was placed in liquidation on August 31, 1990 by the Court and it became The Oil & Gas Insurance Company, in Liquidation (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 statement of cash and invested assets includes only the cash and invested assets of the Estate, and the statement of cash receipts and cash disbursements reflects only cash transactions; consequently, all other assets and liabilities of the Estate are not included in the statement 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 market values and 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, and accordingly, the statements are not intended to present financial position and results of operations in conformity with accounting principles generally accepted in the United States.

NOTE 2 - 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.

During the fiscal year ending June 30, 2009, the repurchase agreements were transferred to a money market fund. The repurchase agreements were valued at cost, which approximated fair value. The money market funds are recorded at fair value.

At June 30, 2009 and 2008, invested assets and their approximate values consisted of the following:

	2009 Carrying Value	2008 Carrying Value
Money market funds	\$ 13,529,722	-
Repurchase agreements	-	\$ 13,575,000
	\$ 13,529,722	\$ 13,575,000

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
THE OIL & GAS INSURANCE COMPANY,
IN LIQUIDATION

NOTES TO FINANCIAL STATEMENTS
JUNE 30, 2009 AND 2008

NOTE 3 - LITIGATION

In liquidating the Estate, the Liquidator may initiate legal action to clarify claims, recover reinsurance proceeds and determine legal responsibilities of the Liquidation. The Liquidator believes that none of these actions will adversely affect the value of cash and invested assets. The determination and priority of claims, and any distribution thereof, is defined pursuant to Ohio Revised Code Section 3903, et seq.

NOTE 4 - SUBSEQUENT EVENTS

The Estate has adopted Statement of Financial Accounting Standard No. 165, *Subsequent Events* (SFAS 165). This guidance defines subsequent events as events or transactions that occur after the date of the financial statements, but before the financial statements are issued or are available to be issued. The Liquidator has evaluated subsequent events through November 16, 2009, which is the date that the financial statements were available to be issued.

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