

IN THE COURT OF COMMON PLEAS  
FRANKLIN COUNTY, OHIO

FILED  
COMMON PLEAS COURT  
FRANKLIN CO. OHIO  
2007 SEP -5 AM 10:11  
CLERK OF COURTS-CV

MARY JO HUDSON,	)	CASE NO. 97CVH12-10867
SUPERINTENDENT OF INSURANCE,	)	
OHIO DEPARTMENT OF INSURANCE, IN	)	JUDGE JOHN F. BENDER
HER CAPACITY AS LIQUIDATOR OF THE	)	
PIE MUTUAL INSURANCE COMPANY,	)	
	)	
Plaintiff,	)	
	)	
v.	)	<b>MOTION AND ACCOMPANYING</b>
	)	<b>MEMORANDUM OF THE</b>
	)	<b>LIQUIDATOR FOR APPROVAL OF</b>
THE PIE MUTUAL INSURANCE	)	<b>PERIODIC ACCOUNTING (FIRST</b>
COMPANY,	)	<b>HALF OF 2007)</b>
	)	
Defendant.	)	

Plaintiff, the Liquidator of The P.I.E. Mutual Insurance Company, moves this Court for an order approving the Statement of Cash Receipts and Disbursements of the Liquidator for the period January 1, 2007 to June 30, 2007, which includes a) a listing of all cash receipts and disbursements for the first half of 2007, and b) a cumulative accounting from the date of entry of the liquidation order in this case, March 23, 1998, through June 30, 2007. The Statement of Cash Receipts and Disbursements, including accompanying notes, is attached as Exhibit A. The grounds in support of this Motion are set forth in the accompanying Memorandum and in the Affidavit of Douglas L. Hertlein, Chief Deputy Liquidator, attached hereto as Exhibit B.

**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 January 1, 2007 to June 30, 2007 (the "Statement"). These receipts and expenditures are described and set forth in the Statement,

which is attached hereto as Exhibit A, and the Affidavit of Douglas L. Hertlein, Chief Deputy Liquidator, attached hereto as Exhibit B.

On March 23, 1998, The P.I.E. Mutual Insurance Company ("PIE") was declared insolvent and placed into liquidation and the Ohio Superintendent of Insurance was appointed Liquidator, all pursuant to the Order of Liquidation and Appointment of Liquidator ("Liquidation Order") entered by this Court. Section 3903.21 of the Ohio Revised Code and paragraphs 3-7 of the Liquidation Order direct the Liquidator to take possession of and liquidate all property and assets of PIE, to collect all debts and monies due PIE, to pay reasonable compensation to persons employed to assist with the liquidation 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 property of the insurer.

The Liquidation Order and § 3903.18(E) of the Ohio Revised Code provide that the Liquidator submit periodic accountings to the Court. Such accountings assist the Court in monitoring the progress and status of the Liquidation, and in particular the receipts and disbursements of the Liquidation Proceedings. Prior to this motion, the Liquidator has filed seventeen periodic accountings with this Court; all of which have been approved by Order of this Court. The last periodic accounting, for the period July 1, 2006 to December 31, 2006, was approved by the Court on April 13, 2007. This is the eighteenth submission.

Wherefore, for the reasons outlined above, the Liquidator respectfully requests that the Court approve the attached Statement of Receipts and Disbursements of the Liquidator for the period January 1, 2007 to June 30, 2007.

Respectfully Submitted,

James M. Lawniczak

By  
Christy Bellu  
per consent

JAMES M. LAWNICZAK (0041836)  
NATHAN A. WHEATLEY (0072192)  
CALFEE, HALTER & GRISWOLD LLP  
McDonald Investment Center, Suite 1400  
800 Superior Avenue  
Cleveland, Ohio 44114-2688  
(216) 622-8200; (216-241-0816 (FAX)

**Outside Counsel to Marc Dann,  
Attorney General of the State of Ohio,  
Attorneys for the Plaintiff, in her capacity  
as Liquidator for the P.I.E. Mutual  
Insurance Company**

**EXHIBIT A**

THE PIE MUTUAL INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MARCH 23, 1998  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
CUMULATIVE FROM MARCH 23, 1998 THROUGH JUNE 30, 2007

	Current Period 01/01/07 TO 06/30/07	CUMULATIVE FROM 3/23/1998
Beginning Cash & Invested Assets (Note 1)	73,179,277.15	129,170,292.90
Receipts:		
Interest Income (Note 2)	1,859,488.74	53,636,394.97
Dividend Income	0.00	30,213.48
Gain on Sale of Securities	0.00	3,546,401.70
Premiums Collected	0.00	2,239,014.77
Recovery of Loss Paid Prior to Rehabilitation	0.00	425,000.00
Reinsurance Recoveries	0.00	148,288,317.69
LOC Draw Down - Kansa Insurance	0.00	51,137.80
Unearned Commissions Collected	0.00	408,406.33
Tax Refund	0.00	446,409.26
Refund From Bureau of Workers Compensation	0.00	50,477.55
Proceeds from Sale of Pledged Assets	0.00	8,000,000.00
Recovery of Cash Value Life Insurance	0.00	1,287,078.87
Proceeds from Sale of Assets	0.00	1,260.51
Proceeds from Liquidation of JUA Trust	0.00	6,381,210.07
Proceeds from Jacobson, Maynard, & Tuschman Co. L.P.A. Settlement Agree	0.00	4,000,000.00
Proceeds from Benesch, Friedlander, Coplan & Arnoff LLP Settlement Agree	0.00	8,750,000.00
Proceeds from KPMG Settlement Agreement	0.00	9,999,999.00
Recovery from Employees and Officers (Note 3)	1,127.00	7,020,151.04
Recovery of Loans & Other Receivables	0.00	598,074.35
Recovery from Fetal Developmental Evaluation, Ltd.	0.00	357,029.85
Recovery of Statutory Deposit - NV	0.00	500,000.00
Recovery of Statutory Deposit - WV	0.00	200,000.00
Recovery of Statutory Deposit - MS	0.00	100,000.00
Recovery of Statutory Deposit - MO	0.00	1,001,410.51
Proceeds from Sale of Furniture & Equipment	0.00	408,950.40
Recovery on Annuities	0.00	941,198.08
Recovery of Preference Payments	0.00	2,616,341.27
Recovery of Legal Fees	0.00	77,080.50
LAE Recovery - Ohio Hospital Insurance Co.	0.00	135,870.93
Commission Received-The Doctors Co Interim Agreement	0.00	721,705.00
Proceeds from Settlement with Directors and Officers	0.00	989,267.00
Proceeds from Settlement with R.K. Carvill & Co., LTD/Creech & Stafford	0.00	1,975,000.00
Proceeds from Settlement with Morgan Stanley Dean Witter	0.00	225,000.00
Recovery of Political Contributions	0.00	132,950.00
Uncashed \ Undelivered \ Voided or Returned Class 2 Interim Distribution	4,904.55	564,340.15
Other Income (Note 4)	14,668.76	360,690.98
<b>Total Receipts</b>	<b>1,880,189.05</b>	<b>266,466,382.06</b>
Disbursements:		
Noonian Settlement	0.00	400,000.00
Cologne Re Commutation Agreement - Letter of Credit Fees	0.00	580,582.00
Compensation:		
Salaries (Note 5)	141,493.02	4,445,972.72
Employee Benefits (Note 6)	60,662.12	723,380.86
Payroll and Other Taxes (Note 7)	13,750.32	396,990.76
Professional Fees:		
Legal Fees (Note 8)	7,112.66	10,157,829.42
Tax Preparation and Audit Fees	5,572.80	154,279.66
Consulting Fees and Other Outside Contracts (Note 9)	28,778.29	4,017,774.53
Directors & Officers Due Diligence	0.00	235,322.56
Ohio Department of Insurance - Examiner Fees	0.00	361,702.90
Other Expenses of Administration of Company and its Property:		
Direct Loss Adjustment Expenses	0.00	490,801.13
Rent and Rent Items (Note 10)	116,445.03	2,360,226.13
Equipment Expenses (Note 11)	999.86	114,626.80
Travel and Travel Items (Note 12)	3,455.58	162,648.54
Postage, Freight and Telephone (Note 13)	4,074.82	347,770.24
Office Supply Expense (Note 14)	1,997.19	70,397.80
Data Processing (Note 15)	7,316.18	73,571.50
Investment Expense	75.00	460,860.75
Other Expenses (Note 16)	4,951.10	1,182,176.71
All Other Disbursements:		
Settlement with A. Spath, L. Stephens; Thomas McManamon & Todd McMana	0.00	150,000.00
Premium Collection Payment to PA Cat Fund	0.00	149,461.75
JUA L.O.C. Drawdown and NCB Fees	0.00	6,307,116.77
Employee W/holdings - United Way/401K Loan Payment	0.00	935.51
L.O.C. Drawdown to Collateral Account	0.00	5,145.14
HKM Direct Market Communications - Return of Preference Payment	0.00	97,849.87
Interim Distribution to Insurance Guaranty Associations	0.00	298,062,458.66
Interim Distribution to Class 2 Claimants - Non IGA (Note 17)	490,000.00	15,232,795.36
Payment to JMT - Refund for Furniture & Fixtures	0.00	25,993.15
Settlement with J. Boedeker, B. Walsh, B. Pignotti, Kaufman & Cumberland C	0.00	85,000.00
<b>Total Disbursements</b>	<b>886,683.97</b>	<b>346,853,671.22</b>
Recovery from Affiliates	0.00	25,795,582.93
Recovery of Statutory Deposit (US Trea. Note) OH	0.00	2,499,266.00
Security Amortization for the Period	0.00	(2,905,070.44)
<b>Ending Cash &amp; Invested Assets (Note 1)</b>	<b>74,172,782.23</b>	<b>74,172,782.23</b>

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

PIE MUTUAL INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MARCH 23, 1998  
ANALYSIS OF INCREASE IN CASH AND INVESTED ASSETS (UNENCUMBERED)  
FOR THE PERIOD JANUARY 1, 2007 THROUGH JUNE 30, 2007

SCHEDULE A

Beginning Cash (Unencumbered) and Non Cash (Encumbered) Assets as of 12/31/06	<u>73,179,277.15</u>
Increase in Cash and Invested Assets (Unencumbered)	993,505.08
Cash Assets (Encumbered)	<u>0.00</u>
Ending Cash (Unencumbered) and Non Cash (Encumbered) Assets as of 06/30/07	<u><u>74,172,782.23</u></u>

THE PIE MUTUAL INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE MARCH 23, 1998  
NOTES TO STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
FOR THE PERIOD JANUARY 1, 2007 THROUGH JUNE 30, 2007

		Beginning Balance 12/31/06
<b>Note 1</b>	<b><u>Cash and Invested Assets</u></b>	
	<b>Unencumbered Cash &amp; Invested Assets</b>	
	Cash	6,277.15
	Repurchase Agreements	73,173,000.00
	U.S. Government Obligations	0.00
	<b>Total Unencumbered Cash &amp; Invested Assets</b>	<u>73,179,277.15</u>
	<b>Encumbered Cash Accounts</b>	<u>0.00</u>
	<b>Total Cash &amp; Invested Assets ( Note 1 )</b>	<b>73,179,277.15</b>
	<b>Encumbered Non Cash Assets</b>	
	Funds Held/ Deposited with Reinsurers	0.00
	<b>Total Encumbered Non Cash Assets</b>	<u>0.00</u>
	<b>Total Cash and Invested Assets and Non Cash Assets</b>	<u><u>73,179,277.15</u></u>
<b>Note 2</b>	<b><u>Interest Income</u></b>	
	Interest on Repurchase Agreements	1,859,488.74
		<u>1,859,488.74</u>
<b>Note 3</b>	<b><u>Recovery from Employees and Officers</u></b>	
	Larry Rogers - Criminal Restitution Per Court Order	1,127.00
		<u>1,127.00</u>
<b>Note 4</b>	<b><u>Other Income</u></b>	
	Proceeds from OADA - Lease Incentive for Building Improvements	10,000.00
	Equipment Income	4,668.76
		<u>14,668.76</u>
<b>Note 5</b>	<b><u>Salaries</u></b>	
	Chief Deputy Liquidator	9,979.94
	Deputy Liquidators	18,785.40
	Liquidation Employee Salaries	<u>112,727.68</u>

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141,493.02

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**Note 6**      Employee Benefits

Salaries 401K Employer Contribution	3,146.01
Employee Insurance Benefits	57,158.91
Employee Relations Other	357.20
	<hr/> <b>60,662.12</b> <hr/> <hr/>

**Note 7**      Payroll & Other Taxes

Workers Compensation Insurance	1,453.38
State Unemployment Tax	2,374.24
Federal Unemployment Tax	945.04
FICA Tax	8,977.66
	<hr/> <b>13,750.32</b> <hr/> <hr/>

**Note 8**      Legal Fees

	Rehabilitation Expenses <u>Paid after Liquidation</u>
<u>Special Counsel</u>	
Calfee, Halter and Griswold	0.00
Graydon Head & Ritchey	0.00
	<hr/> <b>0.00</b> <hr/>

Legal Counsel

	Pre Liquidation Expenses <u>Paid after Liquidation</u>
Kegler Brown Hill & Ritter	0.00
	<hr/> <b>0.00</b> <hr/>
Total Legal Fees	<hr/> <b>0.00</b> <hr/> <hr/>

**Note 9**      Consulting Fees and Other Outside Contracts

	Pre Liquidation Expenses <u>Paid after Liquidation</u>
1099 Connection - Governmental Reporting	0.00
ADP-Process Liquidation Office Payroll	0.00
Diane Holewinski - Claims Consultant	0.00
KB Resolutions - Reinsurance Consultant	0.00
Kim Burnside - POC Admin. Consultant	0.00
Thomas Putinsky - Claims Consultant	0.00
	<hr/> <b>0.00</b> <hr/> <hr/>

**Note 10**

Rent & Rent Items

Rent on Leased Properties - Columbus Office Space	35,610.00
Rent on Leased Properties - Columbus PIE Warehouse	51,414.00
Utilities - Gas/Electric	12,209.83
Janitorial Service	2,800.41
Furniture & Equipment.Rent - Pitney Bowes	391.40
Furniture & Equipment Rent - Depreciation	14,019.39
	<u>116,445.03</u>

Note 11

**Equipment Expenses**

Furniture, Fixtures & Equip Maintenance & Repair - Columbus	999.86
	<u>999.86</u>

Note 12

**Travel & Travel Items**

Liquidation Office Employees	3,455.58
	<u>3,455.58</u>

Note 13

**Postage, Freight and Telephone**

Liquidation Office Postage	1,202.27
Liquidation Express & Freight	49.97
Liquidation Office Telephone and Fax	2,180.41
Liquidation Internet	642.17
	<u>4,074.82</u>

Note 14

**Office Supply Expense**

Liquidation Office - Office Supplies	1,997.19
	<u>1,997.19</u>

Note 15

**Data Processing**

Computer Maintenance	5,001.59
Computer Supplies	1,124.90
Computer Software Lease	1,189.69
	<u>7,316.18</u>

Note 16

**Other Expenses**

Furniture & Equipment - Non Capitalized Purchases	101.53
Books & Periodicals	712.41
Contract Printing	427.12
Registration & Dues	267.52
Training & Seminars	457.01
Temporary Help - Columbus	11.58
Miscellaneous Expense	2.74
Insurance Premium - Building	2,971.19
	<u>4,951.10</u>

Note 17

**Interim Distribution to Class 2 Claimants - Non IGA**

Partial (35%) Interim Distribution Class 2 Claims - Reissued Checks	490,000.00 (A)
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(A) Payments made pursuant to Court Order.

490,000.00

**Ending Balance**  
**06/30/07**

4,782.23  
74,168,000.00  
0.00

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**74,172,782.23**

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0.00

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**74,172,782.23**

0.00

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0.00

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**74,172,782.23**

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Post Liquidation Expenses	<u>Total</u>
6,842.08	6,842.08
0.00	0.00
<u>6,842.08</u>	<u>6,842.08</u>

Post Liquidation Expenses	<u>Total</u>
270.58	270.58
<u>270.58</u>	<u>270.58</u>
<u><u>7,112.66</u></u>	<u><u>7,112.66</u></u>

Post Liquidation Expenses	<u>Total</u>
57.33	57.33
1,092.36	1,092.36
3,262.92	3,262.92
1,468.75	1,468.75
2,727.78	2,727.78
20,169.15	20,169.15
<u>28,778.29</u>	<u>28,778.29</u>
<u><u>28,778.29</u></u>	<u><u>28,778.29</u></u>

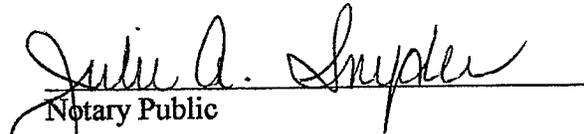
**EXHIBIT B**



3. To the best of my knowledge and belief, the Statement of Receipts and Disbursements for the period January 1, 2007 to June 30, 2007, attached to the Motion and Accompanying Memorandum of the Liquidator for Approval of Periodic Accounting (First Half of 2007) as Exhibit A, is a complete and accurate account of the funds received and disbursements made by the Liquidator from January 1, 2007 to June 30, 2007.

  
Douglas L. Hertlein  
Chief Deputy Liquidator

Sworn to and subscribed in my presence this 5<sup>th</sup> day of September, 2007.

  
Notary Public



JULIE A. SNYDER  
Notary Public, State of Ohio  
My Commission Expires  
August 19, 2008