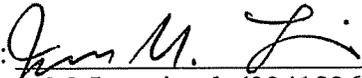




Respectfully submitted,

RICHARD CORDRAY  
Attorney General of Ohio

By Special Counsel:  
CALFEE HALTER & GRISWOLD LLP

By: 

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*Attorneys for Mary Jo Hudson, in her capacity as  
Liquidator of The P.I.E. Mutual Insurance Company*

## MEMORANDUM IN SUPPORT OF MOTION

Pursuant to R.C. Section 3903.18(A), this Court's March 23, 1998 Order to liquidate the business of P.I.E. appointed Plaintiff, Superintendent of Insurance and successors in office as Liquidator, and directed the Liquidator to take possession of the assets of P.I.E. 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 submitted accountings to this Court on a semiannual basis (the "Periodic Accountings").

One of the Liquidator's primary responsibilities is the marshaling of assets of the P.I.E. 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 P.I.E. 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 P.I.E. at June 30, 2009 and 2008 and cash receipts and cash disbursements for the years ended June 30, 2009 and 2008.

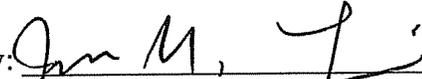
This Court has approved each of the prior yearly audits for the periods July 1, 1999 through June 30, 2007. By this Motion, the Liquidator now seeks this Court's approval for the Audit Report, for the fiscal years ended June 30, 2009 and 2008.

WHEREFORE, the Liquidator prays that the Court enter an order approving the Audit Report attached hereto as Exhibit A, and for such other and further relief as the Court deems proper and just.

Respectfully submitted,

RICHARD CORDRAY  
Attorney General of Ohio

By Special Counsel:  
CALFEE HALTER & GRISWOLD LLP

By:  \_\_\_\_\_

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*Attorneys for Mary Jo Hudson, in her capacity as  
Liquidator of The P.I.E. Mutual Insurance Company*

**EXHIBIT A**

OFFICE OF THE OHIO INSURANCE LIQUIDATOR  
P.I.E. MUTUAL INSURANCE COMPANY,  
IN LIQUIDATION  
Columbus, Ohio

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



INSIGHT ■ INNOVATION ■ EXPERIENCE

OFFICE OF THE OHIO INSURANCE LIQUIDATOR  
P.I.E. MUTUAL INSURANCE COMPANY,  
IN LIQUIDATION

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

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Statement of Cash Receipts and Cash Disbursements, June 30, 2009	3
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INDEPENDENT AUDITORS' REPORT

Lynda G. Loomis  
Chief Deputy Liquidator  
Office of the Ohio Insurance Liquidator  
P.I.E. Mutual Insurance Company, in Liquidation

We have audited the accompanying statements of cash and invested assets arising from cash transactions of P.I.E. Mutual 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 P.I.E. Mutual 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 P.I.E. Mutual 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

Schneider Downs & Co., Inc.  
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OFFICE OF THE OHIO INSURANCE LIQUIDATOR  
P.I.E. MUTUAL INSURANCE COMPANY,  
IN LIQUIDATION

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

	June 30,	
	<u>2009</u>	<u>2008</u>
Cash	\$ 151,018	\$ 50,909
Invested Assets	<u>74,882,950</u>	<u>75,586,000</u>
	<u>\$ 75,033,968</u>	<u>\$ 75,636,909</u>

See notes to financial statements.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR  
P.I.E. MUTUAL INSURANCE COMPANY,  
IN LIQUIDATION

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

Cash at July 1, 2008	\$ 50,909
Cash Receipts:	
Investment proceeds from repurchase agreements	75,586,000
Investment proceeds from money market funds	553,392
Interest and dividend income	1,116,502
Returned Class 2 interim distribution checks	3,735
Other income	7,096
Reimbursement of rent and rent related items	40,968
Intercompany reimbursement of expenses from prior period	1,541
Proceeds from sale of assets	654
Total Cash Receipts	77,309,888
Cash Disbursements:	
Investment purchases	432,452
Investment purchases in money market funds	75,436,342
Professional fees	147,409
Salaries, wages and employee benefits	778,210
Moving and relocation costs	569
General and administrative expenses	348,199
Warehouse consolidation project expenses	15,591
Directors and officers due diligence	14,612
Transfer non estate escrow funds	23,616
Interim distributions:	
Class 2 interim distribution - replacement checks	12,779
Total Cash Disbursements	77,209,779
Cash at June 30, 2009	\$ 151,018

See notes to financial statements.

OFFICE OF THE OHIO INSURANCE LIQUIDATOR  
P.I.E. MUTUAL 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.

P.I.E. Mutual Insurance Company (Company) was placed in liquidation on March 23, 1998 by the Court and it became P.I.E. Mutual 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	\$ 74,882,950	-
Repurchase agreements	-	\$ 75,586,000
	\$ 74,882,950	\$ 75,586,000

OFFICE OF THE OHIO INSURANCE LIQUIDATOR  
P.I.E. MUTUAL 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 - DISTRIBUTION

The estate made distribution payments totaling \$12,779 in 2009 for replacement checks related to the Class 2 claimants' original interim distribution.

NOTE 5 - 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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