

IN THE COMMON PLEAS COURT OF  
FRANKLIN COUNTY, OHIO

MARY JO HUDSON, Ohio Superintendent of  
Insurance, in her capacity as Liquidator of  
Proliance Insurance Company,

Plaintiff,

v.

Proliance Insurance Company,

Defendant.

Case No. 00CVH12-11391

Judge Julie M. Lynch

**NOTICE OF FILING OF CASH REPORTS AND MOTION FOR APPROVAL OF  
ACCOUNTING FOR THE PERIOD OF JULY 1, 2009 TO DECEMBER 31, 2009**

Plaintiff, Mary Jo Hudson, Ohio Superintendent of Insurance, in her capacity as Liquidator of Proliance Insurance Company (the "Liquidator") hereby notifies the Court of her filing of the Statement of Cash Receipts and Disbursements for the period July 1, 2009 through December 31, 2009, as set forth in the attached Exhibit A, and moves this Court for an Order approving the same. The grounds in support of this Motion are set forth in the accompanying Memorandum in Support.

Respectfully submitted,

RICHARD CORDRAY  
Attorney General of Ohio

By Special Counsel:  
MAGUIRE & SCHNEIDER, LLP

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*Attorneys for Mary Jo Hudson, in her capacity as  
Liquidator of Proliance Insurance Company*

FILED  
COMMON PLEAS COURT  
FRANKLIN CO., OHIO  
2010 MAY -3 PM 3:43  
CLERK OF COURTS

## MEMORANDUM IN SUPPORT

This motion is brought by the Liquidator requesting that this Court approve the Statement of Cash Receipts and Disbursements for the period July 1, 2009 through December 31, 2009. These receipts and expenditures are described and set forth in the attached Exhibit A.

By Order of this Court entered on April 24, 2001 (the "Liquidation Order"), Proliance Insurance Company ("Proliance") was declared insolvent and placed into liquidation and the Ohio Superintendent of Insurance was appointed as its Liquidator. The Liquidator Order empowered, authorized and directed the Liquidator to take possession of and liquidate all of the property and assets of Proliance in accordance with the laws of Ohio, and under the continuing jurisdiction of this Court. As part of the liquidation and pursuant to the Orders of Liquidation and Ohio Revised Code Chapter 3903, the Liquidator undertakes to collect all debts and moneys due to Proliance, and makes payment of necessary expenses. The Liquidation Order and O.R.C. 3903.21(A)(4) provide, in pertinent part, that the Liquidator may:

Pay reasonable compensation to persons appointed 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 and property of the insurer.

Section 3903.42(A) of the Ohio Revised Code provides that the expenses of administration be given first priority in the distribution of assets.

The Liquidator is also required by Ohio Revised Code § 3903.18(E) to periodically account to the Court at such intervals as approved by the Court. This Court approved a schedule for semi-annual accounting in this case on December 2, 2002, and also ordered that its review and approval of such semi-annual accountings filed by the Liquidator would also serve as the Court's approval of all personnel compensation reflected in such accountings.

Since 2008, the Liquidator has made required changes in many areas aimed at preserving and utilizing estate assets for the benefit of the estate's creditors and substantially reducing and controlling costs. In particular, the Liquidator has taken steps to increase efficiencies in, and reduce costs associated with, the use of outside counsel and consultants. In 2009, the Liquidator reduced outside counsel legal expenses in this estate by approximately 75% of the total expenditure for legal expenses in 2008.

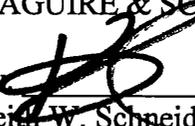
The Liquidator will continue to take steps to reduce and control costs and continue to investigate ways to improve efficiencies in the liquidation process and implement other procedures that are aimed at conserving estate assets for timely distributions to policyholders and creditors.

WHEREFORE, for the reasons outlined above, the Liquidator respectfully requests that the Court approve the attached Statement of Cash Receipts and Disbursements of the Liquidator for the period July 1, 2009 through December 31, 2009. For the convenience of the Court, a prepared Journal Entry has been submitted with this Motion.

Respectfully submitted,

RICHARD CORDRAY  
Attorney General of Ohio

By Special Counsel:  
MAGUIRE & SCHNEIDER, LLP

By   
\_\_\_\_\_  
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*Attorneys for Mary Jo Hudson, in her capacity as  
Liquidator of Proliance Insurance Company*

PROLIANCE INSURANCE COMPANY, IN LIQUIDATION  
LIQUIDATION DATE APRIL 24, 2001  
STATEMENT OF CASH RECEIPTS AND DISBURSEMENTS  
CUMULATIVE FROM APRIL 24, 2001 THROUGH DECEMBER 31, 2009

	Current Period 7/1/2009 TO 12/31/2009	YTD 1/1/2009 TO 12/31/2009	CUMULATIVE FROM 4/24/2001
<b>Beginning Cash &amp; Invested Assets (Note 1)</b>	<b>895,859.34</b>	<b>909,377.85</b>	<b>735,773.36</b>
<b>Receipts:</b>			
Interest Income - net of interest paid on bonds (Note 2)	(247.80)	1,751.28	133,105.22
Unearned Commissions Collected	0.00	0.00	1,122.96
Salvage & Subrogation (Note 3)	1,125.00	1,830.00	113,135.75
Rinsurance Recoveries	0.00	0.00	819,870.80
Intercompany Reimbursement of Expenses from Prior Period	0.00	0.00	32.80
Recovery from Unclaimed Funds	0.00	0.00	389.50
Proceeds from Allenbrook Settlement	0.00	0.00	200,000.00
Recovery of Preference Payments	0.00	0.00	238,816.88
Return of Payroll Taxes from Paychex Processing Co	0.00	0.00	1,753.95
Refund from 2000 Ohio Fire Marshall Tax	0.00	0.00	3,234.90
Refund of General Operating Expenses (Note 4)	1.74	1.74	1.74
Recovery from Officers and Employees	0.00	0.00	360.53
Uncashed Preliquidation Checks	0.00	0.00	36,139.68
Proceeds from the Sale of Assets	0.00	0.40	20,082.28
Refund Bureau of Workers Comp	0.00	0.00	192.01
Proceeds from Settlement Agreement-Gluck Ins. Company and The Cincinnati Insurance Companies	0.00	0.00	40,000.00
Other Income (Note 5)	0.08	2.08	87.08
<b>Total Receipts</b>	<b>879.02</b>	<b>3,585.48</b>	<b>1,608,326.08</b>
<b>Disbursements:</b>			
Celina Reinsurance Payment	0.00	0.00	53,936.86
GMAC Rein Pmt on Ceded Post-Liq Salvage & Subrogation	0.00	0.00	1,021.44
<b>Compensation</b>			
Salaries (Note 6)	5,653.53	13,407.51	359,955.38
Employee Benefits (Note 7)	805.05	2,062.63	32,226.58
Payroll and Other Taxes (Note 8)	375.18	996.51	28,701.83
<b>Professional Fees:</b>			
Tax Preparation and Audit Fees (Note 9)	5,092.34	5,396.34	37,036.32
Legal Fees (Note 10)	322.25	322.25	113,598.33
Consulting Fees and Other Outside Contracts (Note 11)	47.14	2,877.99	104,836.75
Ohio Department of Insurance - Examiner Hours	0.00	0.00	13,606.15
<b>Other Expenses of Administration of Company and its Property:</b>			
Rent and Rent Items (Note 12)	1,679.95	4,173.36	49,709.36
Maintenance/Repair: Facility & FF&E (Note 13)	14.04	63.41	1,488.33
Travel and Travel Items (Note 14)	45.95	113.40	3,551.68
Postage, Freight and Telephone (Note 15)	38.83	82.92	5,907.46
Office Supply and IT Expenses (Note 16)	26.23	119.29	4,509.68
Moving and Relocation Costs	0.00	0.00	551.60
Warehouse Consolidation Project Expenses (Note 17)	667.77	816.55	816.55
Banking and Investment Expense (Note 18)	1,189.68	1,443.09	1,443.09
Other Expenses (Note 19)	676.45	984.11	41,124.27
<b>All Other Disbursements:</b>			
Interim Distribution to Insurance Guaranty Associations	0.00	0.00	603,897.00
<b>Total Disbursements</b>	<b>16,634.39</b>	<b>32,859.36</b>	<b>1,457,918.66</b>
<b>Security Amortization for the Period</b>	<b>(3,873.07)</b>	<b>(3,873.07)</b>	<b>(9,949.88)</b>
<b>Ending Cash &amp; Invested Assets (Note 1)</b>	<b>876,230.90</b>	<b>876,230.90</b>	<b>876,230.90</b>

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

EXHIBIT

tabbles

A

**PROLIANCE INSURANCE COMPANY, IN LIQUIDATION**  
**LIQUIDATION DATE APRIL 24, 2001**  
**ANALYSIS OF INCREASE IN CASH AND INVESTED ASSETS (UNENCUMBERED)**  
**For the Period July 1, 2009 through December 31, 2009**

**SCHEDULE A**

<b>Beginning Cash (Unencumbered) and Non Cash (Encumbered) Assets as of 7/01/09</b>	<b>895,859.34</b>
<b>Decrease in Cash and Invested Assets (Unencumbered)</b>	<u><b>(19,628.44)</b></u>
<b>Ending Cash (Unencumbered) and Non Cash (Encumbered) Assets as of 12/31/09</b>	<u><u><b>876,230.90</b></u></u>

**Proliance Insurance Company, In Liquidation**  
**Liquidation Date April 24, 2001**  
**Notes to Statement of Cash Receipts and Disbursements**  
**For the Period July 1, 2009 through December 31, 2009**

<b>Note 1    <u>Cash and Invested Assets</u></b>	<b>Beginning Balance 07/01/09</b>	<b>Ending Balance 12/31/09</b>
<b>Unencumbered Cash &amp; Invested Assets</b>		
Cash	43,641.75	28,304.61
Bonds at amortized value (U.S. Treasury Note)	0.00	585,160.68
Money Market	852,217.59	262,765.61
	<hr/>	<hr/>
Total Unencumbered Cash & Invested Assets	<b>895,859.34</b>	<b>876,230.90</b>
<b>Encumbered Non Cash Assets</b>		
Statutory Deposits (C)	0.00	0.00
	<hr/>	<hr/>
Total Encumbered Non Cash Assets	0.00	0.00
	<hr/>	<hr/>
<b>Total Cash and Invested Assets and Non Cash Assets</b>	<b>895,859.34</b>	<b>876,230.90</b>

**Statutory Deposits (C)**

These assets are held by various state insurance departments as statutory deposits for the benefit of creditors in their states. It is uncertain whether all or any portion of such assets will be returned to the Liquidator.

**Note 2    Interest Income - net of interest paid on bonds**

Interest Paid on Bonds	(795.82)
Interest - JPMC Money Market	548.02
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	<b>(247.80)</b>

**Note 3    Salvage & Subrogation**

Kreiner & Peters Co LPA	1,025.00
Nathaniel & Lisa A Pool	100.00
	<hr/>
	<b>1,125.00</b>

**Note 4    Refund of General Operating Expenses \***

American Electric Power	0.64
Columbia Gas	1.10
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	<b>1.74</b>

\* Refund of Utility Costs Due to Warehouse Consolidation

**Note 5    Other Income**

FUTA Tax Refund	0.08
	<hr/>
	<b>0.08</b>

**Proliance Insurance Company, In Liquidation**  
**Liquidation Date April 24, 2001**  
**Notes to Statement of Cash Receipts and Disbursements**  
**For the Period July 1, 2009 through December 31, 2009**

**Note 6     Salaries**

Chief Deputy Liquidator	481.87
Deputy Liquidators	621.24
Employee Salaries	4,550.42
	<u>5,653.53</u>

**Note 7     Employee Benefits**

Salaries 401K Employer Contribution	84.60
Employee Ins Benefits	616.39
Employee Related Expense- Other	104.06
	<u>805.05</u>

**Note 8     Payroll & Other Taxes**

Workers Comperisation Insurance	22.48
State Unemployment Tax	0.33
Federal Unemployment Tax	0.06
FICA	352.31
	<u>375.18</u>

**Note 9     Tax Preparation and Audit Fees**

Schneider Downs and Company, Inc. - Tax & Audit Fees	5,076.87
Schneider Downs and Company, Inc. - Tax & Audit Expenses	15.47
	<u>5,092.34</u>

**Note 10    Legal Fees**

**Attorney General Contracted Legal Fees**

Maguire & Schneider LLP	322.00
<b>Subtotal Attorney General Contracted Legal Fees</b>	<u>322.00</u>

**Attorney General Contracted Legal Expenses**

Maguire & Schneider LLP	0.25
<b>Subtotal Attorney General Contracted Legal Expenses</b>	<u>0.25</u>

<b>Total Attorney General Contracted Legal Fees and Expenses</b>	<u>322.25</u>
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**Proliance Insurance Company, In Liquidation**  
**Liquidation Date April 24, 2001**  
**Notes to Statement of Cash Receipts and Disbursements**  
**For the Period July 1, 2009 through December 31, 2009**

**Note 11 Consulting Fees and Other Outside Contracts**

Automatic Data Processing	16.39
Centracomm- IT Consultants	3.60
RASP Consulting- IT Consultants	27.15
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Total Consulting Fees and Contracts	47.14
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**Note 12 Rent & Rent Items**

Rent on Leased Properties	1,504.91
Rent Other	0.74
Utilities - Gas/Electric	2.83
Trash & Recycling	4.01
Janitorial Service	0.00
Furniture, Fixtures, & Equipment Rent	167.46
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	1,679.95
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**Note 13 Maintenance/Repair: Facility & FF&E**

Gordon Flesch Co	13.76
Electrolux	0.28
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	14.04
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**Note 14 Travel & Travel Items**

Travel-Accom. Transportation	41.31
Travel Expenses and Meals	4.64
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	45.95
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**Note 15 Postage, Freight and Telephone**

Postage	7.84
Express & Freight	0.14
Office Telephone and Fax	16.80
Internet	14.05
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	38.83
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**Note 16 Office Supply & IT Expenses**

Office Supplies	13.05
Computer Maintenance	7.38
Computer Supplies	5.80
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	26.23
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**Proliance Insurance Company, In Liquidation**  
**Liquidation Date April 24, 2001**  
**Notes to Statement of Cash Receipts and Disbursements**  
**For the Period July 1, 2009 through December 31, 2009**

**Note 17 Warehouse Consolidation Project Expenses \***

Liquidation Employees Travel Exp- Mileage Reimbursement (Various Employees)	10.69
Fireproof Records Center- Storage fees	170.80
Moving Expense (Gordon Flesch & Truck Rental)	1.25
Office Supplies - Boxes, Light bulbs, & Cleaning supplies	7.32
Maintenance/Repair-G. Williamson Painting/ Carpet Cleaning	117.68
Maintenance/Repair-G. Williamson Painting/ Carpet Cleaning refund	(50.60)
Prologis - Move & Repair of AC	27.13
Trash & Recycling Expenses	0.99
Fireproof Records Center- Pickup & Reinstallation of Shelving	382.51
	667.77

\* To reduce administrative expenses and conserve estate assets for the benefit of policyholders and claimants, the Liquidator elected not to renew at 6/30/2009 three (3) warehouse leases. Rather, the Liquidator repaired and re-shelved the one (1) remaining warehouse to hold records required for the ongoing administration of the the liquidation proceedings. Simultaneously, the Liquidator undertook a review of all records stored in the four (4) warehouses to determine which records of the insolvent companies should be retained for future reference, which should be placed in offsite storage, and which were no longer useful. Pursuant to R.C. 3903.48, the Liquidator sought court orders from the courts supervising the liquidation proceedings to destroy records that were determined to be no longer useful. The Liquidator also moved approximately 100,000 boxes of records to Fireproof Records Center to be held until such time as they may be destroyed pursuant to records destruction schedules approved by the courts. The Liquidator estimates that the results of this warehouse consolidation will reduce overhead expenses attributable to the closed warehouse by approx. \$169,000/year and achieve more expeditious closing of an estate.

**Note 18 Banking and Investment Expense**

Banking and Investment Expense	1,189.68
	1,189.68

**Note 19 Other Expenses**

Training & Seminars	0.18
Professional and D & O / EPLIC Liability Insurance	296.13
Registration and Dues	1.94
FF&E Non-Capitalized Item	6.19
Books & Periodicals	1.55
Contract Printing	2.80
Salvage & Subrogation Collection Fees	367.66
	676.45