

Respectfully submitted,

MIKE DEWINE
Attorney General State of Ohio

By Special Counsel:
MCNAMARA & MCNAMARA



Keith M. McNamara, Of Counsel (0001098)
Jonathan M. Bryan (0065032)
88 East Broad Street, Suite 1250
Columbus, Ohio 43215
Telephone: (614) 228-6131/Facsimile:(614) 228-6126
*Attorneys for Mary Taylor in her capacity as Liquidator of
Proliance Insurance Company*

MEMORANDUM IN SUPPORT

On August 24, 2001, this Court issued an Order declaring Proliance Insurance Company (“Proliance”) insolvent, ordering Proliance liquidated and appointing the Ohio Superintendent of Insurance as Liquidator. During the course of this liquidation proceeding, the Liquidator thoroughly reviewed the books and records of Proliance, and identified and collected, where reasonable, all known assets of Proliance as reported on the Liquidator’s periodic accountings filed with this Court. The Liquidator also reviewed, classified, determined and paid all timely proofs of claim submitted in the Proliance liquidation in accordance with R.C. Chapter 3903, particularly R.C. 3903.39, 3903.42 and 3903.43.

I. Liquidator’s Report of Claims in Classes 7, 8 and 9

R.C. 3903.42 establishes the priority classification of claims in an insurance liquidation case. The statute establishes nine classes of claims. On December 6, 2010, this Court approved the Liquidator’s Reports of Claims in Classes 2 through 6 filed under R.C. 3903.43, as well as the final distributions of Proliance estate assets to those claimants. As a practical matter, this resulted in payment to allowed Class 2 and Class 5 Claimants because there are no Class 3, Class 4 or Class 6 claimants in this liquidation. In all classes, the policyholders, creditors and other debt-holders received 100% of the principal of their allowed claims.

A surplus remained. Therefore, the December 6, 2010 Order also established January 11, 2011 as the absolute final bar date by which late claimants (claimants filing after the April 24, 2002 bar date) could file a proof of claim. January 11, 2011 was set as the absolute final bar date after which no further claims, including late claims, would be permitted and was required in order to close this liquidation case.

In accordance with the December 6, 2010 Order, the Liquidator mailed, within one day of the Order, notice of Absolute Final Bar Date and a proof of claim form to the last known address, as indicated in Proliance's records or the records of the Liquidator (unless notices previously sent to such addresses were returned to the Liquidator), to the following groups of persons:

1. All known insurance producers or agents of Proliance who, although notified years ago, did not return a proof of claim form for filing against the Proliance estate;
2. All known former officers and directors of Proliance who, although notified years ago, did not return a proof of claim form for filing against the Proliance estate;
3. All known general creditors which Proliance's books and records reveal have, or may have, claims against Proliance, its property or assets that, although notified years ago, did not return a proof of claim form for filing against the Proliance estate;
4. Proliance Capital Corporation, which the records in the possession of the Liquidator show is the sole shareholder of Proliance, as well as known investors, many of whom are also above-referenced agents or officers/directors of Proliance.

The Liquidator also published notice in the *The Columbus Dispatch* and posted it on her website.

Based on these and prior notices, the Liquidator received eight (8) Class 7 proofs of claim. Class 7 claims are defined by statute as "claims filed late or any other claims other than those claims under [Class 8 or Class 9]." See R.C. 3903.42(G). The Liquidator denied five (5) of those claims without objection. One claim was withdrawn after it was filed. The two remaining allowed Class 7 claims are collectively valued at \$16,373.41, as evidenced by the attached Exhibit A-1.

Class 8 claims are defined by R.C. 3903.42(H) as, "surplus or contribution notes, or similar obligations, and premium refunds on assessable policies." There are no Class 8 claims in this liquidation, as evidenced by the attached Exhibit A-2.

Class 9 claims are defined by R.C. 3903.42(I) as, "the claims of shareholders or other owners." There is one (1) Class 9 claim filed by the sole shareholder of Proliance, Proliance

Capital Corporation, as evidenced by the attached Exhibit A-3. The agreed value of that claim is \$367,361.90, as reflected in a claim determination letter issued by the Liquidator on March 7, 2011, and the waiver of objections to the Liquidator's determination of that claim executed by Proliance Capital Corporation on April 12, 2011, both of which are incorporated herein by reference as Exhibit B.

In determining the value of the Class 9 claim and amount that would be distributed to the Class 9 claimant in this final distribution, the Liquidator in this case, as in all liquidations, was required to make an adjustment to the Current Asset Balance as of the time the claim was determined to pay for administrative expenses that the Liquidator would incur in conjunction with and following the completion of claims adjudication, the filing of this motion, completing the final distribution to claimants, closing the estate and completing various post-closure administrative tasks discussed more fully below (including, for example, preparation and filing of federal tax returns through 2012 and compliance with records retention and destruction schedules). The Liquidator conservatively estimated that the administrative expenses necessary to conclude the administration of this liquidation total as of February 18, 2011 would be \$35,000. The Liquidator thereafter communicated that sum to counsel for the Class 9 claimant as part of the process of seeking and obtaining an agreed determination of that final remaining claim. The agreed valuation of the Class 9 claim set forth in the March 7, 2011 determination letter and the Claimant's April 12, 2011 waiver of objections reflects the shareholder's agreement to the Liquidator's reserve of \$35,000 from the assets of the Proliance estate for the Liquidator's payment of administrative expenses incurred after on or around February 18, 2011.

There are no Undeliverable Claims in Classes 7 through 9 for the Liquidator to separately report or treat as unclaimed funds pursuant to R.C. 3903.39(A) and R.C. 3903.45(A). Therefore,

the Liquidator is prepared at this time, with the approval of this Court, to make a final 100% distribution from Proliance's remaining available assets to claimants holding allowed claims in Classes 7 through 9 as listed in the Liquidator's Report of Claims (Exhibit A), and then immediately thereafter close this estate. The amount to be distributed via a cashier's check to each claimant is reflected in Exhibit A-1 and Exhibit A-3.

Consistent with the Liquidator's practice in this case and other recent cases, the names and addresses of the claimants, other than the Class 9 claimant in this case, are redacted in the Liquidator's Report of Claims based on claimant complaints the Liquidator received in other cases wherein several claimants reported that they had been contacted and questioned by claims buyers, neighbors, and others in connection with distributions. The Liquidator is indeed attempting to respond to and protect all claimants by redacting their contact information in the Reports of Claims in this and other liquidation cases. The claimants' names and addresses will be disclosed *in camera* to the Court and filed under seal with the Court to comply with the requirements of R.C. 3903.43.

The Liquidator will also post on her website at www.ohliq.com under Open Liquidations – Proliance Insurance Co., this Motion and the Exhibits. The Exhibit A, the Liquidator's Report of Claims, will be posted in on the Liquidator's website in the form of a searchable PDF so that claimants can search for information about their claims using their Proof of Claim (Liquidator) Number. The website also explains that claimants may call the Liquidation Office if they have questions about the Report or their claim.

II. Discharge, Dissolution and Closure

The Liquidator hereby further applies to the Court for a Final Closing Order discharging the Liquidator, dissolving Proliance and making other provisions to close the Proliance liquidation estate and terminate this case. R.C. 3903.46(A) provides:

When all assets justifying the expense of collection and distribution have been collected and distributed under sections 3903.01 to 3903.59 of the Revised Code, the liquidator shall apply to the court for discharge. The court may grant the discharge and make any other orders, including an order to transfer any remaining funds that are uneconomic to distribute, as may be appropriate.

As set forth above, the Liquidator has reviewed the books and records of the Proliance estate and determined that all matters involving the estate have substantially been finalized, other than several ministerial functions set forth below which cannot be performed until after the closing of the liquidation takes place.

A. Final Accounting and Final Auditor's Report

Primary post-closure ministerial functions include the preparation of a final accounting and a final independent auditor's report of the estate, in the form of previous auditor's reports submitted to this Court. This accounting and auditor's report will be filed with the Court upon their completion.

B. 2010 and 2011 Tax Returns

A Proliance 2010 tax return will be prepared and filed with the Internal Revenue Service ("IRS") in 2011. Because the final distribution will take place in 2011 and the Proliance estate will be finally closed in 2011, a final Proliance tax return must be prepared and filed with the IRS in 2012.

C. Subrogation Claims

Proliance has ten (10) subrogation files that technically remain open because they are not fully collected. Some of these files have been in collection since 1999. Others have been in collection since 2002 or 2003. The Liquidation Estate has not realized meaningful collections on these claims in recent years.¹ The total amount of these outstanding claims is approximately \$62,995.69. Since 1999, only \$10,662.25 has been collected on these claims, with only \$330.00 of that sum received since June 2010. Given the cost of keeping the Estate open to administer, attempt to collect and possibly receive minimal, if any, additional funds on these largely uncollectible remaining claims, and given the fact that the estate is paying 100% distribution to all creditors and after discussion with counsel for the Class 9 claimant, it is the Liquidator's judgment that no further attempts at asset collection or recovery are either warranted or likely to produce any positive impact on the assets of the Estate. Prompt closure of the estate is the best strategy for maximizing the value of the assets available for timely distribution to claimants and closure of the liquidation. Therefore, the Liquidator requests authority to abandon the subrogation claims.

D. Disposition of Insurer's Records and Report on Court's Preservation Order

R.C. 3903.48 provides:

Whenever it shall appear to the superintendent of insurance that the records of any insurer in process of liquidation or completely liquidated are no longer useful, he may recommend to the court and the court shall direct what records should be retained for future reference and what should be destroyed.

The Liquidator requests that this Court relieve her of any obligation she may have to retain and authorize her to immediately destroy: (1) all remaining pre-liquidation books and records in any

¹ The Liquidator has received meaningful subrogation recoveries on other files that are now closed. The estate's total subrogation recoveries are reflected in the periodic accountings filed in this case.

medium; and (2) all post-liquidation books and records in any medium that the Liquidator determines are no longer essential, or that are not required to be maintained pursuant to applicable federal and state records retention requirements. The Liquidator further requests an order directing that all other books and records in any medium shall be destroyed on or after the date three (3) years following the date the order granting this application is entered. Finally, the Liquidator requests an order finding that the Liquidator has no duty or obligation to preserve books, records or documents in any medium or anything else related to Proliance as possible discovery or evidence in any litigation or contested matter.

E. Dissolution of Proliance

Pursuant to R.C. 3903.20, the corporate entity of Proliance is dissolved by operation of law once the Liquidator is discharged under R.C. 3903.46(A).

F. Closing Proliance Bank Accounts and Future Administrative Expenses

Once an estate is closed and the corporate entity dissolved, there is no entity to hold the Proliance bank accounts. The Liquidator therefore closes the bank accounts upon closure of the estate. In this case, unlike many others, the Liquidator is prepared to close the Proliance Estate and its bank accounts immediately following the final distribution via cashier's checks to the few remaining claimants in Classes 7 through 9.

The only funds remaining in Proliance bank account at the time the Estate is closed will be the remainder of the agreed upon \$35,000 reserve for administrative expenses.² This sum will be administered and accounted for pursuant to paragraph 3 on page 8 of the Administrative

² As a result of the shareholder's agreement to the Liquidator's determination of the value of the Class 9 claim (including the estimated \$35,000 needed for administrative expenses incurred after February 18, 2011) and waiver of all objections thereto, the Liquidator to move the Court for approval of the Liquidator's reserves ("holdback") needed to pay the closing estate's administrative expenses as provided for in paragraph 1 on pages 7 and 8 of the Administrative Expense Operating Procedure applicable to Closed and Closing Estates that was updated and approved most recently beginning on December 21, 2010 in the LMI Liquidation Case, Case No. 00CVH03-2431 ("AOP").

Expense Operating Procedure applicable to Closed and Closing Estates that was updated and approved most recently beginning on December 21, 2010 in the LMI Liquidation Case, Case No. 00CVH03-2431 (“AOP”). The AOP is attached and incorporated herein by reference as Exhibit C. Accordingly, \$27,146.73 of Proliance funds³ will be prepaid to LMI Insurance Company, in Liquidation (“LMI”) upon closure of this case in exchange for the LMI Estate’s assumption, administration and payment of the remaining administrative expense obligations of the Proliance Estate. The payment and receipt of these funds will be reported respectively in the Proliance final accounting and the LMI periodic accountings, but the expenditure of it is not separately tracked, accounted for or reported pursuant to the provisions of paragraph 3 on page 8 of the AOP. *Id.*

III. Conclusion

For the reasons set forth above, the Liquidator respectfully requests that this Court enter an Order:

1. Pursuant to R.C. 3903.43(A) and 3903.44, approving the Liquidator’s Report of Claims in Classes 7 through 9 attached to this Motion and Application as Exhibit A, including the determinations of the amounts and classes of each claim as set forth therein, and ordering the Liquidator to make a final distribution of Proliance’s remaining assets via cashier’s check in the amounts set forth in Exhibit A issued and mailed or hand delivered to each of those claimants or their designees.
2. Pursuant to R.C. 3903.42 and R.C. 3903.46(A), approving the reserve of \$35,000 from the assets of the Proliance estate for the Liquidator’s payment of administrative expenses after February 18, 2011. As of the time of closing, \$27,146.73 of this sum remains due to the payment of some closing related administrative expenses since February 18, 2011 and prior to closure of the estate. The Liquidator requests an order pursuant to R.C. 3903.42 and R.C. 3903.46(A) approving the Liquidator’s pre-payment of \$27,146.73 of the Proliance estate’s unpaid administrative expenses related to the closure of the Proliance estate. The payment and receipt of these funds shall be reported respectively in the Proliance final accounting and the LMI periodic accountings, but the expenditure of it is not separately tracked, accounted for or reported pursuant to the provisions of paragraph 3 on page 8 of the AOP that apply to Closed and Closing Estates.

³ Some administrative expenses have been incurred and paid by the Proliance Estate since February, 18, 2011 and prior to closing the estate from the \$35,000 reserve. Other administrative expenses will not be incurred until after the Proliance Estate is closed at the end of April 2011, as explained above.

3. Pursuant to R.C. 3903.46(A), authorizing the Liquidator or her designee to retain limited authority for the following purposes: (a) filing a final accounting with the Court; (b) filing a final audit report with the Court; (c) executing the Proliance 2010 and 2011 tax returns and filing the returns with the Internal Revenue Service in the manner provided by law; and (d) and taking all related actions as authorized or as deemed necessary and appropriate by the Liquidator to close the Proliance liquidation estate and carry out various sections of R.C. Chapter 3903 and the orders of this Court.
4. Pursuant to R.C. 3903.46(A) and related sections, authorizing the Liquidator to immediately close Proliance's bank accounts.
5. Pursuant to 3903.20, that the corporate entity of Proliance Insurance Company is hereby dissolved.
6. Pursuant to R.C. 3903.46(A) and 3903.48, approving and authorizing the destruction of the Proliance and Liquidator books and records in any medium as follows: (a) all remaining pre-liquidation books and records in any medium, shall be immediately destroyed; (b) all remaining post-liquidation books and records in any medium that the Liquidator determines are no longer essential, or that are not required to be maintained shall be immediately destroyed; (c) all other books, records and documents in any medium shall be destroyed on or after the date three (3) years following the date of the order granting this application; and (d) finding that the Liquidator has no duty or obligation to preserve books, records or documents in any medium or anything else related to Proliance as possible discovery or evidence in any litigation or contested matter.
7. Pursuant to R.C. 3903.46(A), finding that Proliance's remaining physical assets are uneconomic to distribute, and approving and authorizing the Liquidator to abandon such physical assets.
8. Pursuant to R.C. 3903.46(A), ordering the abandonment of uncollected subrogation claims.
9. Pursuant to R.C. 3903.46(A) and R.C. 3903.07, discharging the Liquidator and providing protections afforded under R.C. 9.86, 9.87, 109.36 to 109.366 [109.36.6] to the Liquidator, her predecessors and successors, any and all former and current deputy liquidators, any former and current employee of the Ohio Department of Insurance, any former or current employee appointed by the Superintendent as Liquidator, and any former or current employee who serves under the Liquidator.
10. Pursuant to R.C. 3903.46(A) and R.C. 3903.07, releasing the Liquidator her predecessors, successors and any and all deputy rehabilitators, deputy liquidators, agents or employees of the Liquidator and employees of the Ohio Department of Insurance, of all claims and liability of any nature whatsoever and whenever

incurred (including but not limited to costs, expenses and attorneys' fees) relating to, involving or arising out of any and all actions, decisions, conduct, transactions, or events that were alleged or that could have been alleged in the Proliance rehabilitation and liquidation proceedings or in any other litigation that in any way relates to or involves Proliance, the Proliance rehabilitation and liquidation proceedings, or any proceedings related to Proliance or the Proliance rehabilitation and liquidation proceedings.

11. Finding that all other matters regarding the liquidation of Proliance have been finalized in accordance with the Orders of this Court, and effective immediately following the distribution authorized herein, which will occur on April 28, 2011, the Proliance liquidation estate is closed and this case is terminated.

Respectfully submitted,

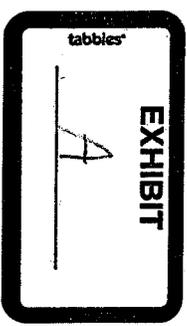
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Telephone: (614) 228-6131/Facsimile:(614) 228-6126
*Attorneys for Mary Taylor in her capacity as Liquidator of
Proliance Insurance Company*

Liqr/Seg#	Claim#	Payee/Address	Determined Value	Distribution %	Total Distribution Payment	Less: Prev Payments/Allow	Check Amount
3400329 01	6621		.00	100.0000%	.00	.00	.00
34007560 01	7630		552.01	100.0000%	552.01	.00	552.01
34007571 01	3240		.00	100.0000%	.00	.00	.00
34007578 01	PRC0016		.00	100.0000%	.00	.00	.00
34007588 01	6947PROL		.00	100.0000%	.00	.00	.00
99007545 01			.00	100.0000%	.00	.00	.00
99007589 01			15,821.40	100.0000%	15,821.40	.00	15,821.40
99007590 02			.00	100.0000%	.00	.00	.00
99007616 01			.00	100.0000%	.00	.00	.00
Count: 9			Grand Totals:		\$16,373.41	\$16,373.41	\$16,373.41



4/21/11 DSDERVA0P1
9:33:56

Proliance Class 9 Final Distribution
Proof of Claim - Class 09
Determined Value Distribution Report
Distribution Percentage 100.0000%

Liq#	Seq#	Claim#	Paye/Address	Determined Value	Distribution %	Total Distribution Payment	Less: Prev Payments/Allow	Check Amount
99007615	01			367,361.90	100.0000%	367,361.90	.00	367,361.90
Grand Totals:				\$367,361.90		\$367,361.90	\$.00	\$367,361.90

Office of the Ohio Insurance Liquidator

50 W. Town Street
Third Floor, Suite 350
Columbus, Ohio 43215-4197

Mary Taylor
Liquidator

Telephone: 614/487-9200
Fax: 614/487-9418

Date: March 7, 2011

Proliance Capital Corporation
Attn: Robert L. Chapman, President
971 Remington Rd.
Columbus, Ohio 43209
Claimant

James C. Carpenter, Esq.
Steptoe & Johnson PLCC
Huntington Center
41 South High Street, Suite 2200
Columbus, OH 43215
Attorney Representing Claimant

**IN THE MATTER OF THE LIQUIDATION OF
PROLIANCE INSURANCE COMPANY**

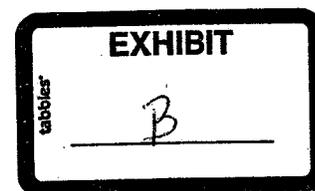
Liquidator No.: 99007615
Claim No.: 99007615
Claimant Name: Proliance Capital Corporation
Payee Name: Steptoe & Johnson PLLC
Payee Address: Huntington Center
41 South High Street, Suite 2200
Columbus, OH 43215

DETERMINATION OF CLAIM

This claim has come up for Determination before the Liquidator on this date. Upon consideration of the Proof of Claim and supporting documentation filed with the Liquidator in this matter, the Liquidator has determined that, pursuant to Ohio Revised Code ("ORC") Section 3903.42, as Amended, this claim is classified as a Class 9 (ninth level) priority claim, and further that it is recognized and valued in the amount of \$367,361.90.

Please find enclosed a copy of the Proof of Claim you filed in this liquidation proceeding on December 30, 2010, as well as a copy of ORC §3903.42, as amended.

Our records currently list the owner of this claim as Proliance Capital Corporation, Attn: Robert L. Chapman, President, 971 Remington Rd., Columbus, Ohio 43209. At your request, the Payee for any distribution that might be made on this claim will be to the Payee at the Payee Addressee shown above. Any distribution check will be a cashier's check that will be mailed to the above referenced Payee



Determination of Claim

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Address or hand delivered to the above referenced Payee pursuant to written instructions provided by the Payee. Changes or additions to the named Payee and/or the Payee Address for distribution will only be accepted if made in writing, and must include the signatures of the above referenced Claimant and Payee.

In the event you object to the Liquidator's Determination of this claim, pursuant to ORC §3903.39, you must file a written statement detailing your specific objection and provide all documentation which supports the basis of your objection. The written objection must be received in our office no later than sixty (60) days from the date of this letter.

The sixty (60) day objection period is statutorily established and cannot be extended. If you do not file a written statement that indicates the specific basis for your objection to the determination of this claim within this prescribed time period, then your right to further object will be waived and forever barred.

Written objections must include the following:

1. Claimant's name (and address if different from above)
2. Liquidator number (see above)
3. Claim number (see above)
4. The specific basis of your objection
5. All documentation in support of your objection/position

Should you decide to timely file a written objection, and if the Liquidator does not alter her Determination of this claim, then pursuant to ORC §3903.39, the Liquidator will request that the Liquidation Court hold a Hearing on your objection at some future time. In that event, you will be informed of the Hearing date and will have an opportunity to appear personally, or through Counsel, before the Liquidation Court in Franklin County, Ohio, to be heard on your objection to the Liquidator's Determination of this claim.

The issuance of Determination letters is a part of the on-going claims process required for classifying and valuing all claims made in this liquidation. Although your claim may have been valued at the amount in this letter, it does not necessarily mean that you will receive this amount from the liquidation estate. ORC §3903.39 established the priority for distribution of the assets of a liquidation estate. All creditors in a higher priority class than your claim must first be paid in full for their claims. Additionally, all creditors in the same priority class as your claim must share equally in any distribution of assets remaining after payment of all claims having a higher priority class to your claim. If a distribution is made upon all claims in your priority class, the pro-rata percentage to be paid on your claim will be arrived at by dividing all assets available for distribution by all liabilities for your priority class. Consequently, at this time, we are unable to advise you of the estimated pro-rata percentage distribution, which might be made on the determined value of your claim, if any, or project a future date when such a distribution might occur, if one is to be made.

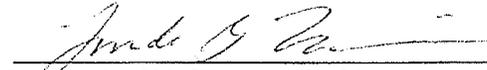
PLEASE BE ADVISED THAT IT IS YOUR RESPONSIBILITY TO KEEP THIS OFFICE INFORMED OF ANY CHANGE IN YOUR CURRENT ADDRESS OR IN THE PAYEE NAME AND PAYEE ADDRESS IN ORDER TO PARTICIPATE IN ANY FUTURE DISTRIBUTION OF ASSETS SHOULD ONE BE MADE. FAILURE TO KEEP THIS OFFICE INFORMED OF ANY CHANGE IN YOUR CURRENT ADDRESS WOULD PRECLUDE US FROM MAKING ANY FUTURE DISTRIBUTION TO YOU ON YOUR CLAIM.

If you are in agreement with the Liquidator's Determination of the classification and value of this claim please sign the waiver below and return that signed copy to us by hand delivery at the address on the letterhead or by email to jcarraher@ohliq.com followed by mail. By doing this we will be able to finalize

Determination of Claim
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this claim on our records without waiting for the 60 day objection period to run.

PROLIANCE INSURANCE COMPANY IN LIQUIDATION

By: 
Lynda G. Loomis, Chief Deputy Liquidator

Enclosures: Proof of Claim(s)
ORC §3903.42

WAIVER OF 60-DAY OBJECTION PERIOD

Re: Proliance Insurance Company, In Liquidation
Proof of Claim Liquidator No. 99007615

I, Robert L. Chapman, authorized to represent Proliance Capital Corporation hereby forever waive the right to the 60 day objection period for this and every other claim and accept the Liquidator's Determination of the classification and value of this claim as stated on this letter dated February 25, 2011 and consent to the Liquidator's closure of the Proliance Insurance Company Liquidation Case and discharge of the Liquidator.



Signature

4/12/2011

Date

PROOF OF CLAIM
 IN THE MATTER OF
PROLIANCE INSURANCE COMPANY, (in liquidation)
 DEADLINE FOR RECEIPT OF PROOF OF CLAIM BY THE LIQUIDATOR IS January 7, 2002
 SEE INSTRUCTION SHEET ON THE REVERSE SIDE.

Liquidator's No. 99007615 (you must reference this number in all future correspondence).
 CLAIMANT'S NAME AND ADDRESS (PLEASE INDICATE CORRECTIONS TO INFORMATION IN THIS BOX)

PROLIANCE CAPITAL CORPORATION * *Importantly any Claims Holder of Subordinated Convertible Debentures and Commission Loans are debts of Proliance Capital Corporation AND NOT Proliance Insurance Company.*
 ATTN: ROBERT CHAPMAN
 971 REMINGTON RD
 COLUMBUS OH 43209

ALL DOCUMENTATION TO SUPPORT YOUR CLAIM MUST BE ATTACHED TO THE PROOF OF CLAIM IN ORDER FOR IT TO BE CONSIDERED

(CHECK APPROPRIATE BOX)

INSUREDS / POLICYHOLDERS of Proliance Insurance Company ("PROLIANCE"):

- Claim is made for specific loss(es) or occurrence(s) arising under the coverage of the policy.
 (Attach a statement with any supporting documentation for each such loss or occurrence)
- Claim is made for return of unearned premium due to early cancellation of PROLIANCE insurance coverage.
 Amount of Premium paid _____ Paid to what date? _____
 (Attach copies of canceled checks or other evidence of payment and evidence of replacement coverage.)

THIRD PARTY CLAIMANTS UNDER A PROLIANCE INSURANCE POLICY

-
-
-
-

Amount of Claim

--

ALL OTHER CLAIMANTS. (including agents, trade vendors, shareholders, attorneys, adjusters, employees, etc.)

All Other Claimants. (Describe nature of claim and the consideration given for it). *Proliance Capital Corporation is the sole shareholder of Proliance Insurance Company and is entitled to all remaining assets of the Proliance Insurance Company following payment of claims by the Ohio Insurance Liquidator * See above*

Do Not submit a proof of claim unless you have a valid, substantiated claim. Only documented Proofs of Claim for specific amounts will be considered in the PROLIANCE liquidation. Deadline for filing claims is January 7, 2002.

TOTAL AMOUNT OF CLAIM \$ All Remaining Assets

ALL CLAIMANTS MUST COMPLETE: (Enter "None" on each line if question does not apply to your claim)

No part of this debt has been paid, except: _____
 There are no setoffs or counterclaims to this debt, except: _____
 There is no security for the debt, except: _____
 There is no other insurance coverage that will pay this claim, except: _____

The undersigned subscribes and affirms as true under the penalties of perjury as follows: that he/she has read the foregoing Proof of Claim and knows the contents thereof; that this claim is justly owing to the claimant; that there is no setoff, counterclaim or defense to the claim thereto except as above stated; that the matters set forth above and in any accompanying documents are true to the best of his/her knowledge and belief; that no payment of or on account of the aforesaid claim has been made to you except as above stated.

Name and Address of Attorney Representing You, (if any):

James C. Carpenter
Stephens & Johnson
41 S. High St., Suite 2200
Columbus, OH 43215
614-458-9824

Robert L. Chapman President 12/29/10
 Required: Signature of Claimant, Partner, Officer, or Legal Representative / Date

Robert L. Chapman, President Proliance Capital Corp.
 Print or Type Name of Claimant, Partner, Officer, or Legal Representative
 Home Telephone 614-795-1453
 Work Telephone 614-795-1453
 Social Security Number or FEIN of Claimant 31-1205048

MAKE A COPY OF THIS FORM AND KEEP THE COPY FOR YOUR RECORDS

RETURN ORIGINAL TO: PROLIANCE INSURANCE COMPANY In Liquidation

50 West Town Street, Third Floor - Suite 350, Columbus, OH 43215
 614-487-9200

IMPORTANT-READ CAREFULLY
INSTRUCTIONS FOR COMPLETING AND FILING PROOF OF CLAIM
LIQUIDATION OF PROLIANCE INSURANCE COMPANY

On April 24, 2001, Proliance Insurance Company was determined to be insolvent and ordered liquidated by Judge Patrick McGrath of the Franklin County Court of Common Pleas of Ohio, 369 S. High Street, Columbus, Ohio, 43215.

1. To have a claim considered in the liquidation, the Proof of Claim must be completed in detail. You should file a separate Proof of Claim for each claim that is known to you. Contact the Liquidator's office if additional forms are required. Do not file a Proof of Claim unless you are aware of a specific claim and can factually support it. If you do not have a claim at this time, you should keep the Proof of Claim form and submit it, together with supporting documentation, should you become aware of a claim made or to be made, against you. **IF YOU FAIL TO ADEQUATELY DESCRIBE AND DOCUMENT YOUR CLAIM, YOUR PROOF OF CLAIM MAY BE REJECTED OR DENIED.**
2. **ALL POLICYHOLDERS/INSUREDS:**
 - a. If your claim is for a specific loss claim, you must provide an explanation of the loss being asserted.
 - b. If your claim is for the return of unearned premium, you must submit all documentation evidencing proof of premium payment. If the premium was financed, you must provide the name of the premium finance company.
3. **ALL OTHER CLAIMANTS** should check the appropriate box, enter the amount claimed, and provide full documentation to support the claim.
4. **THE PERSON FILING THIS CLAIM** (the "claimant") must fill in their Social Security or FEIN number, phone number, and must sign and date the Proof of Claim. Claims filed by corporations must be signed by an authorized representative of the company. If you are represented by an attorney in this matter, you should also provide your attorney's name and address in the space provided.
5. All written documents supporting your claim, including but not limited to, letters of intent to sue, Summons and Complaints, written or other notices by claimants, or claimant's representatives, and your description or explanation of the claim must be filed with your Proof of Claim. If such documents are lost or destroyed, you must provide a statement of that fact and the circumstances of such loss or destruction.
6. **THE DEADLINE FOR FILING CLAIMS IS April 24, 2002.** If additional Proofs of Claim are needed, please make your request in writing with sufficient information to locate our file at least twenty (20) days prior to the deadline.
7. **CHANGE OF ADDRESS:** If you move after sending in your claim form, please provide us with your new address. Failure to do so may result in your claim being barred from participating in any distribution of assets. Be sure to include both the Liquidator Number and the Claim Number with your correspondence.
8. **GENERAL INFORMATION:** Your claim will be reviewed once it is returned to us. If your claim is for unearned premium or for a loss claim for which protection is provided by an Insurance Guaranty Fund/Association, your inquiries should be directed to the applicable Insurance Guaranty Fund/Association on such claims. The Fund/Association should contact you if any payment is due from them. Amounts not covered by an Insurance Guaranty Fund/Association (excluding Guaranty Fund/Association statutory deductibles) remain claims against the assets of Proliance Insurance Company. Such amounts will be independently evaluated by the Liquidator during the normal course of the Liquidation proceeding. After all claims have been evaluated and approved by the Liquidation Court, allowed claims will be paid by priority levels established under Ohio law and to the extent the estate has available funds. We will not know the distribution percentage that can be paid on any individual claim until all claims are evaluated and all assets converted to cash. This process may take a number of years after the deadline for filing Proofs of Claim has passed and we cannot state at this time whether or when any distribution of assets will be made on allowed claims.

**FILING A PROOF OF CLAIM DOES NOT BY ITSELF GUARANTEE COVERAGE OR ANY
REFUND OF PREMIUM TO POLICYHOLDERS**

Return your Proof of Claim & Supporting Documentation To:

OFFICE OF THE OHIO INSURANCE LIQUIDATOR
50 West Town Street, Third Floor -Suite 350
Columbus, OH 43215
614-487-9200

PROLIANCE CAPITAL CORPORATION

c/o ROBERT L. CHAPMAN

971 South Remington Road

Bexley, Ohio 43209

614-795-1453

Email RobtLChapman@aol.com

RECEIVED

10 DEC 30 AM 9: 54

OH INSURANCE LIQUIDATOR

December 29, 2010

Proliance Insurance Company in Liquidation
50 West Town Street, Third Floor – Suite 350
Columbus, OH 43215

RE: Proof of Claim
In the Matter of
Proliance Insurance Company, (in liquidation)

Since the Proliance Insurance Company was placed in Liquidation, I have continued to serve as President of Proliance Capital Corporation the sole shareholder of the Proliance Insurance Company. (I had previously served as President of the Proliance Insurance Company and resigned upon the commencement of the Liquidation.)

In my capacity, as president of Proliance Capital Corporation, I am filing the enclosed Proof of Claim.

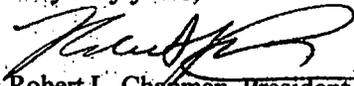
As the sole shareholder of the Proliance Insurance Company, Proliance Capital Corporation should be entitled to all remaining assets of the Proliance Insurance Company following the payment of appropriate claims by the Ohio Insurance Liquidator.

Any claims that have been filed by holders of Subordinated Convertible Debentures or Commission Loans are not entitled to share in the assets of the Proliance Insurance Company as they are creditors of the Proliance Capital Corporation.

Please direct payment of any assets to Proliance Capital Corporation at the address on the Proof of Claim.

Feel free to contact me if you have any questions or if you feel I can be of further assistance.

Very truly yours,


Robert L. Chapman, President
Proliance Capital Corporation

Copy to: James C. Carpenter, Esq.

3903.42 Priority of distribution of claims.

The priority of distribution of claims from the insurer's estate shall be in accordance with the order in which each class of claims is set forth in this section. Every claim in each class shall be paid in full or adequate funds retained for such payment before the members of the next class receive any payment. No subclasses shall be established within any class. The order of distribution of claims shall be:

(A) Class 1. The costs and expenses of administration, including but not limited to the following:

- (1) The actual and necessary costs of preserving or recovering the assets of the insurer;
- (2) Compensation for all services rendered in the liquidation;
- (3) Any necessary filing fees;
- (4) The fees and mileage payable to witnesses;
- (5) Reasonable attorney's fees;
- (6) The reasonable expenses of a guaranty association or foreign guaranty association in handling claims.

(B) Class 2. All claims under policies for losses incurred, including third party claims, all claims of contracted providers against a medicaid health insuring corporation for covered health care services provided to medicaid recipients, all claims against the insurer for liability for bodily injury or for injury to or destruction of tangible property that are not under policies, and all claims of a guaranty association or foreign guaranty association. All claims under life insurance and annuity policies, whether for death proceeds, annuity proceeds, or investment values, shall be treated as loss claims. That portion of any loss, indemnification for which is provided by other benefits or advantages recovered by the claimant, shall not be included in this class, other than benefits or advantages recovered or recoverable in discharge of familial obligations of support or by way of succession at death or as proceeds of life insurance, or as gratuities. No payment by an employer to an employee shall be treated as a gratuity. Claims under nonassessable policies for unearned premium or other premium refunds.

(C) Class 3. Claims of the federal government.

(D) Class 4. Debts due to employees for services performed to the extent that they do not exceed one thousand dollars and represent payment for services performed within one year before the filing of the complaint for liquidation. Officers and directors shall not be entitled to the benefit of this priority. Such priority shall be in lieu of any other similar priority that may be authorized by law as to wages or compensation of employees.

(E) Class 5. Claims of general creditors.

(F) Class 6. Claims of any state or local government. Claims, including those of any state or local governmental body for a penalty or forfeiture, shall be allowed in this class only to the extent of the pecuniary loss sustained from the act, transaction, or proceeding out of which the penalty or forfeiture arose, with reasonable and actual costs occasioned thereby. The remainder of such claims shall be postponed to the class of claims under division (I) of this section.

(G) Class 7. Claims filed late or any other claims other than claims under divisions (H) and (I) of this section.

(H) Class 8. Surplus or contribution notes, or similar obligations, and premium refunds on assessable policies. Payments to members of domestic mutual insurance companies shall be limited in accordance with law.

(I) Class 9. The claims of shareholders or other owners.

If any provision of this section or the application of any provision of this section to any person or circumstance is held invalid, the invalidity does not affect other provisions or applications of this section, and to this end the provisions are severable.

(J) As used in sections 3903.42 and 3903.421 of the Revised Code, "contracted provider" and "medicaid recipient" have the same meanings as in section 3903.14 of the Revised Code.

Effective Date: 12-04-1995; 09-29-2005

IN THE COURT OF COMMON PLEAS, FRANKLIN COUNTY, OHIO

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

Plaintiff,

v.

LMI Insurance Company,

Defendant.

Case No. 00CVH03-2431

Judge Charles A. Schneider

JOURNAL ENTRY AND ORDER APPROVING ADMINISTRATIVE EXPENSE OPERATING PROCEDURES UPDATED EFFECTIVE JANUARY 1, 2011

This matter came before the Court upon the Motion of Mary Jo Hudson, Superintendent of Insurance, in her capacity as the Liquidator of LMI Insurance Company for Approval of Administrative Expense Operating Procedures updated effective January 1, 2011, as set forth in the attachment to the Liquidator's Motion.

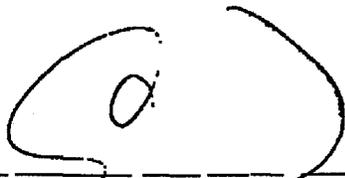
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COMMON PLEAS COURT
FRANKLIN CO. OHIO
2011 DEC 21 PM 4:11
CLERK OF COURTS-CV

For good cause shown, the Motion is GRANTED and:

1. The updated Administrative Costs and Expenses Procedures updated effective January 1, 2011, attached hereto, are hereby approved and fully incorporated into this Order.
2. The Liquidator is authorized to pay all past, present and future administrative expenses and/or costs pursuant to the attached updated Administrative Costs and Expenses Procedure updated effective January 1, 2011.

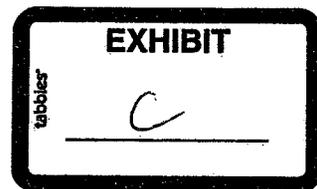
IT IS SO ORDERED.

Dated: 12/21/2010



Judge Charles A. Schneider

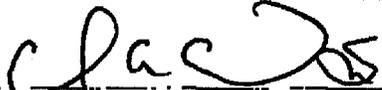
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APPROVED:

RICHARD CORDRAY
Attorney General State of Ohio

By Special Counsel:
CARLILE PATCHEN & MURPHY LLP



Dennis J. Concilla (0012254)

Carl A. Aveni (0070664)

Scott R. Mergenthaler (0012869)

366 East Broad Street

Columbus, OH 43215

Tel: (614) 228-6135

Fax: (614) 221-0216

caa@cpmlaw.com

*Counsel for Mary Jo Hudson, Superintendent of Insurance
in her capacity as Liquidator of LMI Insurance Company*

ADMINISTRATIVE COSTS AND EXPENSES PROCEDURE Updated Effective January 1, 2011

The Liquidator's Administrative Costs and Expense Operating Procedure (AOP) is updated to reflect the change in the Estate through which employee compensation, payroll taxes and benefits are administered effective January 1, 2011. It is further updated to reflect that, effective January 1, 2011, the inter-company billing and reimbursement accounting methods used for Joint Administrative Services and Expenses (other than payroll/wages, employer payroll taxes, and withholding and remittance of employees' taxes, employer 401K and HSA contributions) under the Administrative Costs and Expenses Procedure approved by the Liquidation Court beginning in 2008 are suspended and discontinued. Instead, under this updated Procedure, each Estate will write a check equal to its percentage share of the invoice amount which is calculated pursuant to the GOF formula set forth below. These improvements are the result of the closure of a number of liquidation estates and other improvements in accounting procedures and the efficiency and economies of scale for open estates. Last, this update documents the Liquidator's administrative costs and expenses procedures for closing and closed Estates after a final distribution of assets to creditors.

Purpose

This Administrative Operating Procedure documents the practices and procedures of the Office of the Ohio Insurance Liquidator with respect to incurring, paying for and accounting for Administrative Services and Expenses, including the sharing, advancement, allocation and reimbursement of Joint Administrative Services and Expenses among the various open Rehabilitation and Liquidation Estates that have not made a final distribution of assets. This Administrative Operating Procedure also documents beginning on page 7 the separate practices and procedures with respect to a closing or closed Estate incurring and paying for Administrative Services and Expenses.

OPEN ESTATES

Introduction

1. The Superintendent of Insurance in her capacity as Liquidator (the "*Liquidator*") is vested by operation of law with the title to all of the property, contracts, and rights of action of each Liquidation Estate pursuant to Section 3903.18(A) of the Ohio Revised Code (the "*ORC*") and the Liquidation Orders issued by the Franklin County Court of Common Pleas in each Liquidation case (the "*Supervising Court*"). The Liquidator is generally charged under ORC §3903.18 with the duty to secure, marshal, administer and distribute the assets of all liquidated insurers under the supervision of the Supervising Court.

2. The Superintendent of Insurance in her capacity as Rehabilitator (the "*Rehabilitator*") is vested by operation of law with the title to all of the property, contracts, and rights of action of each Rehabilitation Estate pursuant to ORC §3903.13(A) and the Rehabilitation Orders issued by the Supervising Court for each Rehabilitation Estate. The



Rehabilitator is generally charged under ORC §3903.13 with the duties to take possession of the assets of rehabilitated companies, and to administer them under the supervision of the Supervising Court.

3. To assist in the economic and efficient performance of her statutory and fiduciary duties to administer and resolve the affairs of an insurer in rehabilitation or liquidation for the benefit of the creditors, policyholders and the general public, the Liquidator and Rehabilitator (collectively, the "Receiver") is required to incur Administrative Services and Expenses on behalf of insurance companies in court-ordered rehabilitation or liquidation (collectively, the "Estates"). The Receiver has, among other things, (1) employed a Chief Deputy Liquidator and various other Deputy Rehabilitators/Liquidators and employees; (2) incurred attorneys' fees; (3) retained consultants; (4) leased office space at 50 West Town Street, Suite 350, Columbus, Ohio 43215 and one warehouse necessary and appropriate for the operation of the Office of the Ohio Insurance Liquidator separate and apart from the State of Ohio Department of Insurance and for the Receiver's deputies, employees, attorneys and consultants to perform administrative services; and (5) entered into service and supply contracts with vendors and suppliers for office supplies, goods, equipment or services that support the deputies, employees and consultants in carrying out their administrative duties with respect to the efficient and economical liquidation or rehabilitation of all insurance companies in rehabilitation or liquidation. Estates retain administrative services and incur administrative expenses alone (individually) or in limited circumstances jointly with other Estates, as explained further below. Even when Administrative Services and Expenses are incurred jointly, each incurring Estate separately pays its share of the expense pursuant to the GOE formula set forth below. There is no commingling of assets and no Estate funds or pays for the administration of another Estate.

4. Generally, Estates individually and directly incur and pay out of the individual estates' bank accounts their own Administrative Services and Expenses for administrative and professional goods or services from employees, attorneys, actuaries, accountants, appraisers, consultants and other vendors on a matter-specific/estate-specific basis, as necessary to assist the Receiver in taking possession of the particular insurer, to separately administer each Estate's assets and liabilities and to conduct the rehabilitation or liquidation proceeding in the best interests of each Estate's creditors, policyholders and the general public. Under this updated AOP, Individual Estate Administrative Services and Expenses include rent equal to the actual leased cost on a square foot basis of the square footage that each open estate utilizes within the Liquidator's office and warehouse facilities. These Administrative Services and Expenses are referred to herein as, the "*Individual Estate Administrative Services and Expenses*."

5. Estates jointly incur Administrative Services and Expenses only when such expenses and services benefit all or more than one of the Estates and improve efficiency and economics of scale in the best interests of one or more of the Estates, and each Estate's creditors, policyholders and the general public, including but not limited to the following:

- (A) general administrative services (*i.e.*, time and services that are not provided and cannot be charged only to an individual estate) by such executive, management, professional, technical, clerical and other employees of the Office of the Ohio Insurance Liquidator as may be assigned for such purposes by the Receiver,

including but not limited to general administrative services of the Chief Deputy Liquidator and various other Deputy Rehabilitators/Liquidators and employees, financial and accounting services, legal services, audit services, information and technology services, treasury services, human resources services, communications services, payroll processing services, employee benefits participation, procurement services, tax and related services, contract negotiation and administration services, insurance and risk management services, and clerical services;

- (B) the purchase or rental and use of common areas within the Liquidator's office and storage facilities, including, but not limited to, office space that is a common area, utilities, equipment, machinery, supplies, computers and computer software, communications equipment, insurance policies, and other personal property that is utilized by all estates;
- (C) all other necessary expenses incurred by the Receiver in resolving the affairs of multiple insurers in rehabilitation or liquidation.

These Administrative Services and Expenses are collectively referred to herein as the "*Joint Administrative Services and Expenses*."

6. ORC § 3903.21(A)(4) authorizes the Liquidator to defray from the funds or assets of the insurer all expenses of taking possession of, conserving, conducting, liquidating, disposing of, or otherwise administering the business and property of a liquidated insurer. ORC § 3903.14(A) similarly authorizes the Rehabilitator to pay out of the funds or assets of the rehabilitated insurer all expenses of taking possession of the insurer and of conducting the rehabilitation proceedings.

7. The Receiver accounts for and fairly allocates the costs of the "*Joint Administrative Services and Expenses*" as they are incurred, *pro rata* among the Liquidation and Rehabilitation Estates pursuant to a GOE Allocation Formula, in use since at least 1993, that weighs the salaries/wages relative to the number of hours liquidation office personnel charge to each Estate and the amount of assets held by each Estate.

8. This Procedure documents the Receiver's practices and procedures with respect to incurring Individual and Joint Administrative Services and Expenses, including the sharing, advancement, allocation and reimbursement of Joint Administrative Services and Expenses among the Estates.

Incurring Administrative Expenses

1. Estates shall incur Joint Administrative Services and Expenses only when they benefit more than one Estate (and specifically each Estate that is incurring the Joint Administrative Services and Expenses) and when incurring such expenses and services jointly improves efficiency and economies of scale of each incurring Estate. Otherwise, each Estate shall directly incur Individual Administrative Services and Expenses based on the needs of that particular Estate.

Payment of Administrative Expenses

1. *Individual Administrative Services and Expenses.* All Individual Administrative Services and Expenses except Employment Administrative Services and Expenses described below shall be billed to and paid for as they are incurred directly by the incurring Estate from that Estate's own, segregated bank account. Payment of Individual Administrative Services and Expenses shall not be advanced by, paid from, shared by or allocated to any other person or Estate, except the Ohio Department of Insurance and only to the extent provided in ORC §3903.14(A).

2. *Joint Administrative Services and Expenses.* With the exception of Employment Administrative Services and Expenses described below, Joint Administrative Services and Expenses are also paid directly as they are incurred by each incurring Estate from that Estate's own, segregated bank account. Payment of an Estate's share of Joint Administrative Services and Expenses (calculated pursuant to the GOF Allocation formula described below) shall not be paid from, shared by or allocated to any other person or Estate, except the Ohio Department of Insurance and only to the extent provided in ORC §3903.14(A). Effective January 1, 2011, the inter-company billing, payment through the Credit General Insurance Company Estate and reimbursement accounting methods used under the prior AOP for all Joint Administrative Services and Expenses except Employment Administrative Services are suspended. Instead, each Estate that incurs the Joint Employment Services and Expenses will write a check equal to its allocated share of the invoice amount.

3. *Employment Administrative Services and Expenses.* None of the employees in the Office of the Ohio Insurance Liquidator is a State employee. Effective January 1, 2011, the LMI Insurance Company In Liquidation employs at will and pays all compensation and related payroll taxes and employee benefits of employees in the Office of the Ohio Insurance Liquidator, regardless of whether the employment expenses are Individual (that portion of payroll/wages that is for time charged to one or more individual estates other than LMI) or Joint (e.g., employee benefit participation) Administrative Expenses. The LMI Insurance Company in Liquidation shall be responsible for the issuance of pay checks and payment of all employer payroll taxes, and withholding and remittance of employees' taxes, employer 401K and HSA contributions for services provided to one or more of the Estates. Funds to pay payroll/wages, employer payroll taxes and withholding and remittance of employees' taxes, employer 401K and HSA contributions and other payroll-related expenses for services provided to one or more of the Estates that are disbursed by LMI Insurance Company in Liquidation on payroll pay dates (generally scheduled the Friday after the pay period ending) are advanced to LMI by other estates as necessary on the payroll date.

The LMI Insurance Company in Liquidation shall maintain Workers' Compensation, unemployment compensation, Social Security, professional liability and similar coverages with respect to such employees and shall, in this regard, prepare and file all necessary reports and make all necessary remittances to the appropriate governmental agencies. The LMI Insurance Company in Liquidation Estate will maintain the Section 125 Benefits Plan that will enable participants to pay health and other insurance premiums from pre-tax dollars.

The funds to pay the costs of administering LMI Insurance Company in Liquidation as the "employer estate" are also paid by the other estates.

Charges and payments or set-offs between Estates for provision and payment of Employment Administrative Services and Expenses shall be supported by documentation sufficient to independent auditors, which may be maintained in electronic form.

4. Some Estates may not incur or receive any Joint Administrative Services and Expenses, such as when a company in rehabilitation or liquidation continues to maintain its own offices and/or where the Receiver has determined that it is more economic, efficient or practical for that company to continue to (i) employ and pay directly all compensation and employee benefits of that rehabilitated or liquidated company's employees and (ii) incur and pay directly for its own general and other Administrative Services and Expenses. In those cases, all Administrative Services and Expenses shall be treated as Individual Administrative Services and Expenses and paid for directly and exclusively by the Estate that incurred the expenses from that Estate's own, segregated bank account. In those cases, the Receiver shall not allocate the cost of the administrative services and expenses to any other Estate.

5. No Estate or the Receiver shall charge any other Estate a fee for allocating, accounting or payment of Joint Administrative Services and Expenses.

6. Each Estate does maintain, and shall continue to maintain, its own segregated bank accounts from which the Estate shall pay directly for its Individual Administrative Services and Expenses and for its *Joint Services and Expenses* and from which the Estate shall pay (directly or through same day advance to LMI or reconciliation) for its allocated share of Joint Administrative Services and Expenses.

Accounting and Allocation of Joint Administrative Services and Expenses

1. Each Estate shall continue to maintain clear and accurate records sufficient to independent auditors documenting and accounting for procurement and payment of all Individual and Joint Administrative Services and Expenses, which records are not public records under ORC §149.43, or any other state or federal statute, regulation, common law or law governing public records.

2. Joint Administrative Services and Expenses are allocated and charged to individual estates using the General Operating Expense Allocation Procedure and Formula (the "*GOE Allocation Percentage*") set forth below.

3. The GOE Allocation Percentage is a method of cost allocation that the Liquidation Office has used since approximately 1993. The GOE Allocation Percentage weighs assets and salaries of each Estate equally to calculate a percentage of Joint Administrative Services and Expenses and Joint Employment Administrative Service Expenses that are General Administration that will be allocated to and paid by each Estate. The GOE Allocation Percentage is calculated quarterly. The GOE Percentage is derived from the total salary obligation of the Liquidation Office for the previous quarter (that is, the salaries/wages relative to the amount of all hours all persons

have spent benefiting all Estates, including time charged as General Administration) and the amount of total assets each Estate held for the previous quarter.

(A) *Calculating the Quarterly GOE Allocation Percentage.* Every three (3) months, each Estate will total and average the par value of the invested assets of that Estate in order to calculate a quarterly average of the par value of invested assets for each Estate. Using this weighted average, a percentage will be calculated reflecting the total par value of invested assets that each Estate has in relation to the total par value of all investments held by all Estates. ("*Quarterly Asset Percentage Per Estate*").

Second, for the same three (3) month period, each Estate will total and average the amount of salaries directly charged to and paid (or reimbursed to the Ohio Department of Insurance) by that Estate for the previous quarter in order to calculate a quarterly average of the salary obligations of each Estate using this average, a percentage will be calculated reflecting the amount of salaries that each Estate incurred in relation to the amount of salaries paid by all Estates. ("*Quarterly Salary Percentage Per Estate*").

Third, the Quarterly Asset Percentage Per Estate and the Quarterly Salary Percentage Per Estate are then averaged on an Estate by Estate basis to arrive at the GOE Percentage to be used by each Estate for the following quarter.

	ASSET %	SALARY %	GOE %
Estate A	10.40	5.49	7.94
Estate B	14.23	4.75	9.49
Estate C	13.27	6.62	9.95
Estate D	43.52	57.52	50.52
Estate E	5.53	9.28	7.41
Estate F	9.87	9.82	9.84
Estate G	0.63	0.81	0.72
Estate H	0.84	3.44	2.14
Estate I	1.71	2.27	1.99
TOTALS	100.00	100.00	100.00

(B) *Allocating Individual and Joint Employment Administrative Services and Expenses.* The costs of employees in the Office of the Ohio Insurance Liquidator shall be allocated to each Estate in proportion to the time each employee actually spends administering such

Estate. Each employee is required to record as Individual Administrative Services and Expenses all actual hours worked to each Estate for which the employee is performing services. The GOE Allocation Formula is not used to calculate the sum that each estate pays for time charged by employees for services rendered to individual estates. Instead, each Estate pays the actual cost of these Individual Administrative Services and Expenses on the same payroll date LMI pays them.

When an employee is performing services that benefit all of the Estates, such employee time shall be designated and charged as "General Administrative Services" and then allocated and charged to all Estates as Joint Administrative Services and Expenses using the GOE Allocation Percentage. All employee time for Paid Time Off (PTO) is deemed Joint Administrative Services and Expenses and allocated to all Estates as a General Administrative Service using the GOE Allocation Percentage.

(C) *Allocating Other Joint General Services and Expenses.*

(i) *50 West Town Street:* Rent, utilities and all other expenses related to occupation of common areas within 50 West Town Street, Suite 350 for purposes of the operation of the Office of the Ohio Insurance Liquidator shall be allocated to all Estates using the GOE Allocation Percentage.

(ii) *Warehouse:* The records and other property of every insurance company in rehabilitation or liquidation are stored at either the warehouse leased by the Office of the Ohio Insurance Liquidator or at outside records storage facilities (e.g. Fireproof Records Center, Iron Mountain). Rent for common areas, utilities and all other expenses related to the occupation a warehouse is allocated only to the Estates whose records and other property is stored at that warehouse using the GOE Allocation Percentage.

(iii) *General Administrative Services:* All other Joint Administrative Services and Expenses shall be allocated to all Estates using the GOE Allocation Percentage.

4. The Receiver shall adjust charges and payments for Joint Administrative Services and Expenses based on reconciliation of amounts charged and costs incurred by each Estate.

CLOSING AND CLOSED ESTATES

Incurring and Payment of Administrative Services and Expenses after a Final Distribution of a Closing Estate's Assets

I. After the Liquidator has collected all of an Estate's assets that are reasonable to collect and the Liquidator and the Liquidation Court have adjudicated and approved all claims, the Liquidator prepares to make a final distribution of the Estate's assets to allowed claimants and shortly thereafter close the Estate and terminate the Liquidation Case. Toward this end, the Liquidator files in each Liquidation Case one or more motions seeking the Court's approval of

(a) the Liquidator's report(s) on allowed proofs of claims to be paid in the final distribution and (b) the Liquidator's detailed reserves ("holdback") from the final distribution of sums needed to pay the closing Estate's known future administrative expenses (*i.e.*, tax returns, final court cash, document retention and destruction, etc.) that will be incurred after the final distribution of the Estate's assets to allowed creditors. The reserved (held back) shares of the closing Estate's Joint Administrative Services and Expenses are calculated pursuant to the GOE Allocation Formula in place at the time the Liquidator files the Motion seeking approval of the holdback as part of the requested final distribution.

2. Generally, it takes approximately six months after the court approves the final distribution and holdback to close an Estate. In most cases, the majority of funds reserved and held back in the Estate for payment of that Estate's known future administrative expenses are in fact incurred and paid by the closing Estate after the final distribution and prior to the final closure of that Estate. For example, documents that can be destroyed immediately pursuant to the Court's approval orders set forth in paragraph 1 above are destroyed and the cost of destruction is paid for out of the reserve or "holdback" remaining in the closing Estate's bank account while the distribution checks are clearing and, thus, prior to final closure of the Estate. Administrative expenses that are incurred and paid from the holdback after the final distribution and prior to the closure of the Estate are allocated pursuant to the approved holdback and paid for out of the reserve or "holdback" remaining in the closing Estate's bank account and reported in the final court cash report.

3. Approximately six months after the final distribution, the Liquidator files an Application for a court order ("the Closing Order") closing the Estate, terminating the Liquidation Case, dissolving the company if it is not already dissolved, closing the Estate's bank accounts, discharging the Liquidator and providing for other matters necessary to end the liquidation. Once the Closing Order is entered and the Liquidator discharged, there is no Estate, no Liquidation Case and no authorized Liquidator for the closed insolvent company or its closed Estate except to the limited extent required to perform the remaining ministerial tasks outlined above (e.g., document retention and destruction, final tax return). Therefore, future administrative obligations and expenses that cannot be incurred and paid for prior to entry of the Closing Order (e.g., document retention of certain documents for 7 years under IRS regulations) and the holdback to pay for those authorized Administrative Services and Expenses of a closed Estate are administered by another entity. Under the prior practice of the Liquidator dating back to 1995 and most recently reviewed by the Liquidator's independent auditors and accounts in 2010, the few remaining administrative obligations of the closed Estate along with the remaining reserves/holdback are thereafter administered by an open estate, now LMI. The transfer of the holdback to LMI is deemed a prepayment to LMI for its administration of the closed Estate's few remaining court-authorized future Administrative Services and Expenses necessary to efficiently terminate a liquidation so that LMI's assets and liabilities are not commingled with those of the closing estate and so that LMI's assets are not used to pay the obligations of another Estate. Post-closing administrative expenses (including employee time spent on the closed Estate) are not separately charged to the closed Estate or tracked in relation to the holdback or separately reported on LMI's court cash reports. LMI's court cash reports, however, will show LMI's receipt of the remaining holdback from a closed Estate.

COURT APPROVAL

Court Approval of Administrative Services and Expenses

1. Beginning January 1, 2011, the Receiver shall submit the following matters to the Supervising Court that is overseeing any Estate that will incur the Administrative Services and Expenses for prior approval to incur Administrative Services and Expenses:

- (A) Any lease of real estate;
- (B) The hiring of consultants, if the cost of such services is expected to exceed, or in fact exceeds, \$10,000, except that the Receiver shall not seek court approval to retain experts, attorneys or consultants in anticipation or furtherance of litigation;
- (C) Banking relationships, which shall be reassessed no less frequently than every five (5) years, and modified based upon responses to requests for proposals issued by the Chief Deputy Liquidator to several banking institutions (for purposes of applying this procedure, the last reassessment of banking relationships occurred in October 2008);
- (D) Retention of independent auditors, which shall be reassessed no less frequently than every five (5) years, and modified based upon responses to requests for proposals issued by the Chief Deputy Liquidator to several public accounting firms (for purposes of applying this procedure, the last reassessment of the independent auditor relationship occurred in 2006, and an RFP for 2011 was issued);
- (E) Any court-ordered expense, i.e., expense to publish notices;
- (F) Any expense that is outside the ordinary course of business of the Office of the Ohio Insurance Liquidator, except for emergency expenditures;
- (G) Any expense in the ordinary course of business of the Office of the Ohio Insurance Liquidator that is expected to exceed, or in fact exceeds, \$25,000; and
- (H) The settlement and/or compromise of all litigation and disputes initiated by the Receiver under the authority of R.C. Chapter 3903; provided, however, that,
 - (i) proofs of claims are not claims initiated by the Receiver and shall be determined and approved by the Supervising Court exclusively pursuant to ORC §3903.39 and ORC §3903.43; and/or
 - (ii) if the gravamen of a case or claim initiated by the Receiver under the authority of R.C. Chapter 3903 is a claim for less than \$25,000

(examples of such claims include: claims against policyholders for the collection of premiums, certain subrogation claims and the collection of certain accounts receivable), then such claims may be settled by the Receiver, or by collection agencies or collection law firms retained by the Receiver, without approval of the Supervising Court, so long as each settlement is within the parameters of the Receiver's internal Collection Project Guidelines. The Collection Project Guidelines shall be reassessed no less frequently than every five (5) years (for purposes of applying this procedure, the last reassessment of the Collection Project Guidelines occurred in 2008).

2. In addition, the Receiver shall prepare and file with the Supervising Court for each Estate a periodic accounting showing the cash receipts and disbursements of each Estate. The Receiver shall prepare and file the periodic accounting no less than twice annually, or more frequently if ordered by the Supervising Court.

Independent Audit of Each Estate's Administrative Services and Expenses

1. The Chief Deputy Liquidator shall retain one independent auditor to conduct the annual audits of each Estate's finances and internal controls based upon responses to requests for proposals issued by the Chief Deputy Liquidator to several public accounting firms no less frequently than every five (5) years. For purposes of applying this procedure, the Chief Deputy Liquidator last retained an independent auditor in 2006. An RFP for 2011 was issued.

2. The independent auditor shall audit, on an individual Estate basis, the finances and internal controls of each Estate. The audit shall be conducted annually as of June 30 each year beginning on the date the Order of Rehabilitation or Liquidation is entered and ending on the Receiver closes the Estate using Generally Accepted Auditing Standards.

3. The Receiver shall promptly file the independent auditor's annual Report of Audit of Financial Statements and Internal Controls for each Estate in that Estate's Rehabilitation or Liquidation Case.