

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS  
COUNTY DEPARTMENT, CHANCERY DIVISION

2012 DEC 12 AM 10:43

IN THE MATTER OF THE REHABILITATION OF  
ILLINOIS STATE BOWLING PROPRIETORS'  
& RECREATIONAL INDUSTRY WORKERS'  
COMPENSATION TRUST

CIRCUIT COURT OF COOK  
COUNTY, ILLINOIS  
CHANCERY DIV.

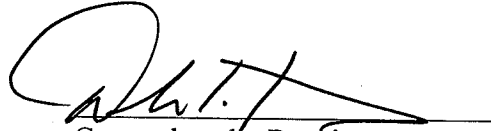
No. 11 CH 36870

DOROTHY BROWN

NOTICE OF FILING

TO: See Attached Service List

PLEASE TAKE NOTICE that on December 12, 2012, Andrew Boron, Director of Insurance of the State of Illinois, as the statutory and court affirmed Rehabilitator of Illinois State Bowling Proprietors' & Recreational Industry Workers' Compensation Trust, filed with the Clerk of the Circuit Court of Cook County, Illinois, the attached Progress Report, a copy of which is hereby served upon you.



Counsel to the Receiver

Dale A. Coonrod, Esq.  
Counsel to the Receiver  
Office of the Special Deputy Receiver  
222 Merchandise Mart Plaza, Suite 960  
Chicago, Illinois 60654  
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Attorney Code #16819

**SERVICE LIST**

**ILLINOIS STATE BOWLING PROPRIETORS' & RECREATIONL  
INDUSTRY WORKERS' COMPENSATION TRUST**

**(Case No. 11 CH 36870)**

**COURTESY COPY TO:**

THE HONORABLE JUDGE MICHAEL B. HYMAN  
ROOM 2405  
THE RICHARD J. DALEY CENTER  
50 WEST WASHINGTON STREET  
CHICAGO, ILLINOIS 60602

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS  
COUNTY DEPARTMENT, CHANCERY DIVISION

IN THE MATTER OF THE REHABILITATION  
OF ILLINOIS STATE BOWLING PROPRIETORS'  
& RECREATIONAL INDUSTRY WORKERS'  
COMPENSATION TRUST

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CIRCUIT COURT OF COOK  
COUNTY, ILLINOIS  
CHANCERY DIVISION

NO. 11 CH 36870

DOROTHY DROWN CLERK

**Progress Report**  
**December 12, 2012**

NOW COMES Andrew Boron, Director of Insurance of the State of Illinois, in his capacity as the statutory and court affirmed Rehabilitator ("Rehabilitator") of Illinois State Bowling Proprietors' & Recreational Industry Workers' Compensation Trust ("Illinois Bowling Trust" or the "Trust"), by and through one of his attorneys, and for his report on the status of the rehabilitation proceedings in regards to Illinois Bowling Trust, states as follows:

**BACKGROUND**

1. Illinois Bowling Trust is a qualified group workers' compensation pool organized under and existing by virtue of Article V3/4 of the Illinois Insurance Code, 215 ILCS 5/107a.01, *et seq.* On October 24, 2011, the Court entered an Order of Conservation of Assets as to and against the Illinois Bowling Trust. The Court's Conservation Order established a moratorium enjoining and prohibiting the Trust from paying any claims, loss adjustment expenses or other contractual obligations incurred by the Trust, without the prior written approval by the Director.

2. On January 26, 2012, the Court entered an Order of Rehabilitation With Finding of Insolvency ("Order of Rehabilitation") respecting Illinois Bowling Trust, pursuant to Article XIII of the Illinois Insurance Code, 215 ILCS 5/187, *et seq.* A copy of the Order of Rehabilitation is attached hereto as Exhibit A for reference. The Court's Order of Rehabilitation

appointed the Director of Insurance of the State of Illinois and his successors in office as Rehabilitator of Illinois Bowling Trust, and authorized the Director to take such actions as the nature of the cause and the interests of Illinois Bowling Trust's policyholders, beneficiaries, members, creditors, and the public, may require. The Order of Rehabilitation continued the moratorium on the payment of claims, established by the preceding Order of Conservation, with certain hardship exceptions and payment limitations, until such time that a Plan of Rehabilitation approved by the Court might provide otherwise.<sup>1</sup>

3. On October 9, 2012, the Court entered an order approving the Rehabilitator's Illinois State Bowling Proprietors' & Recreational Industry Workers' Compensation Trust Plan of Rehabilitation (the "Plan") pursuant to 215 ILCS 5/192(4).<sup>2</sup> A copy of the Plan of Rehabilitation is attached hereto as Exhibit B for reference. Among other provisions, the Plan lifted the moratorium on the payment of Illinois Bowling Trust's policy obligations and directed the Illinois Bowling Trust and its Rehabilitator to handle and pay claims in the normal course as if the Trust were not in receivership (Section 3.03). This includes the payment of disability claims of injured workers and claims of medical providers treating those workers. The Plan also provides for the payment of attorneys' fees and other loss adjustment expenses incurred in defending member policyholders from claims or action brought against them.

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<sup>1</sup> The hardship exemption authorizes temporary total disability payments, temporary partial disability payments and prospective emergency medical treatments. All payments are limited to seventy percent (70%) of the actual (billed) amounts.

<sup>2</sup> Objections to the Rehabilitator's proposed Plan of Rehabilitation had previously been filed by the Illinois Bowling Trust Board of Directors and certain former Illinois Bowling Trust Members. By its October 9, 2012 Order, the Court overruled those objections without prejudice.

4. In order for the Rehabilitator's Plan to be successful, however, certain concessions are being required of the Illinois Bowling Trust policyholders, members, beneficiaries and creditors. In these regards, Section 3.05 of the Plan provides:

Section (3.05). Notwithstanding Illinois Bowling Trust's policy obligations under liability policies issued by Illinois Bowling Trust or under any obligations contemplated by this Plan, Illinois Bowling Trust shall initially be obligated to pay only seventy percent (70%) of the amount of claims properly made and authorized for payment by Illinois Bowling Trust; which such policy obligations include, but are not limited to, claims by members, or their assignees, for return of unearned premium. Subject to the approval of the Supervising Court, additional payments may thereafter be made on those obligations if the Rehabilitator determines that Illinois Bowling Trust has funds sufficient to make such additional payments.

#### CLAIM INFORMATION

5. Since the inception of these receivership proceedings the Rehabilitator has paid loss and loss adjustment expense claims to injured Illinois Bowling Trust Members' employees, Members' defense attorneys and healthcare providers in the approximate amount of \$390,000. In accordance with the Court's Order of Rehabilitation (Paragraph E) and the Plan of Rehabilitation (Sec. 3.05) the workers' compensation disability payments and necessary medical expenses have been paid at seventy percent (70%) of the actual incurred (billed) amounts. The attorneys representing the Illinois Bowling Trust Members have been paid one hundred percent (100%) of fees billed as a cost of administration. There remain twenty (20) open workers compensation claims. Gallagher Bassett Services, Inc. ("Gallagher Bassett"), a Third Party Administrator engaged by the Illinois Bowling Trust prior to the Trust being placed into receivership, has been handling the claims on behalf of the Illinois Bowling Trust and now the Rehabilitator. Gallagher Bassett investigates, adjusts, settles, resists or otherwise handles the

claims reported by Trust Members. Gallagher Bassett monitors counsel assigned to defend injured workers' claims before the Illinois Workers Compensation Commission, approves and makes indemnity payments, approves and pays necessary medical expenses and pays judgments rendered by the Commission. Pursuant to its claim service agreement with the Trust, Gallagher Bassett performs these services for the life of a claim. Payments are made from a claim account ("Trust Claim Account") maintained by Gallagher Bassett which was funded by the Illinois Bowling Trust, and now by the Rehabilitator. The following chart shows the payments the Rehabilitator has made to Gallagher Bassett reimbursing/replenishing from time to time the Trust Claim Account. In addition to the payments listed on the chart below, an additional \$19,658 has been paid by Gallagher Bassett out of the Trust Claim Account but has yet to be billed to the Rehabilitator for reimbursement. Further, there are three claim settlements totaling \$150,227 which have been approved by the Rehabilitator, but have not yet been paid by Gallagher Bassett.

<b>REASON FOR PAYMENT</b>	<b>AMOUNT</b>	<b>DATE PAID</b>	<b>PAYMENT METHOD</b>
Due @ Conservation	\$23,227.07	11/04/2011	Check
Fund Claim Account	\$60,000.00	11/21/2011	Check
October Claims	\$20,340.85	12/01/2011	Check
November Claims	\$35,415.81	12/06/2011	Check
Prefund Claim 257	30,266.64	12/09/2011	Check
Oct/Nov/Dec Claims	\$46,113.36	01/05/2012	Wire
January Claims	\$39,544.33	02/06/2012	Wire
February Claims	\$22,131.18	03/07/2012	Wire
Contract Service Fee	\$1,229.00	04/06/2012	Check
March Claims	\$13,492.83	04/13/2012	Wire
Per Claim Invoicing	\$1,689.00	04/20/2012	Check
Per Claim Invoicing	\$135.00	04/20/2012	Check
April Claims	\$23,531.72	05/15/2012	Wire
May Claims	\$18,717.78	06/08/2012	Wire
June Claims	\$12,435.52	07/05/12	Wire
July Claims	\$11,625.22	09/10/2012	Wire
August Claims	\$ 9,748.53	09/14/12	Wire
<b>TOTAL</b>	<b>\$369,693.84</b>		

6. At the time of the commencement of these receivership proceedings, Gallagher Bassett had set reserves on the then open claims in the amount of \$847,906. The Rehabilitator's claim staff has periodically conducted audits of the open claims and determined that the Gallagher Bassett reserves were understated by the amount of \$296,338.<sup>3</sup> When brought to the attention of Gallagher Bassett, they concurred with the Rehabilitator's reserve numbers and, in most instances, have adopted the revised reserves as their own.<sup>4</sup> Currently, the outstanding potential liability (Claim Reserves) of the Illinois Bowling Trust to the 20 injured workers and their respective health care providers is \$1,107,520. This amount also includes the projected expense of attorneys defending Illinois Bowling Trust Members in cases brought before the Illinois Workers' Compensation Commission by injured workers.

7. The Trust has an excess of loss insurance policy in place which assumes a portion of certain loss and loss adjustment expenses. To date, the Rehabilitator has received \$38,201 from the excess carrier. Based upon the Rehabilitator's calculations, agreed to by Gallagher Bassett, the potential recovery from the excess carrier on the open claim reserves is \$451,915, which leaves a net claim exposure of \$655,605.

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<sup>3</sup> An independent actuarial study commissioned by the Rehabilitator supports the conclusions of the Rehabilitator's claim staff.

<sup>4</sup> The Rehabilitator and Gallagher Bassett remain \$27,749 apart on their respective reserve calculations; the Rehabilitator's reserves being slightly higher than Gallagher Bassett's reserves.

8. There is also a liability on the Illinois Bowling Trust's books for unearned premium due to those Illinois Bowling Trust Members whose policies were terminated prior to the contracted for expiration date of such policies. The subject policies were cancelled either voluntarily by the Member policyholders at points of time after the entry of the Court's Order of Conservation or by the Court's January 26, 2012 Order of Rehabilitation (Exhibit A – Paragraph I). All of the subject policies incepted on October 1, 2011. The Rehabilitator's staff has calculated the total return premium due the Member policyholders to be \$436,537. The amount of return premium is subject to adjustment pending the outcome of a retrospective premium audit which the Rehabilitator has commissioned from the Illinois Bowling Trust's prior trust administrator, Assurance Agency, Inc. The results of that audit should be available before the end of the year (2012).

#### FINANCIAL INFORMATION

9. As of December 6, 2012, the Rehabilitator holds Illinois Bowling Trust assets having a base market value of approximately \$571,271. The assets held are in the form of cash, cash equivalents and U.S. government obligations. In accordance with 215 ILCS 5/202(d)(1), the Rehabilitator recently filed his *Statement of Changes in Cash and Invested Assets* for the period July 1, 2012 through September 30, 2012, a copy of which is attached hereto as Exhibit C for reference.

CLAIM PAYMENTS UNDER  
PROPOSED PLAN OF REHABILITATION

10. As stated above, the Illinois Bowling Trust has \$571,271 in cash and invested assets (at 12/06/2012). As of that date, there was also \$39,090 in the Gallagher Bassett Trust Claim Account. The total assets available to pay the workers' compensation claims, related healthcare provider claims, loss adjustment expenses and the Rehabilitator's administrative expenses are \$664,405. The reserves on the open claims, net of the excess insurance recoverable, are \$655,605. This amount includes the unpaid thirty percent (30%) of the disability and healthcare providers' claims which have been paid at seventy percent (70%) since the inception of these receivership proceedings. The following is a simplified snapshot of the Illinois Bowling Trust's assets and liabilities.

ASSETS

Cash & Invested Assets	\$571,271
GB Trust Claim Account	39,090
<u>Excess Ins. Recoverable</u>	<u>451,915</u>
Total	\$1,062,276

LIABILITIES

Loss & LAE	\$1,107,520
<u>Unearned Premium Due</u>	<u>436,537</u>
Total	\$1,544,057

## ASSESSMENTS

11. As the numbers above indicate, it is clear that the Trust's current liabilities exceed available assets. The only way to pay the claims of injured workers, their healthcare providers, Members' attorneys and the Members themselves, in full, is to levy an assessment upon the Trust Members. Such an assessment is contemplated and authorized by the Amended and Restated Illinois Bowling Trust Pooling Agreement ("Pooling Agreement") which is the document governing the operations of the Trust and a document which each Trust Member agreed to abide by, and be bound by, when it joined the Illinois Bowling Trust. A copy of the Pooling Agreement is attached hereto as Exhibit D.

12. In accordance with Section 2.04 of the Rehabilitator's Plan of Rehabilitation and Paragraph (G) of the Pooling Agreement, the Rehabilitator is poised to levy an assessment on certain former Illinois Bowling Trust Members. The assessment has been delayed until the results of the retroactive premium audit mentioned above are made available since the adjustments to the amount of premium due to/from members is part of the calculation of each member's assessment.

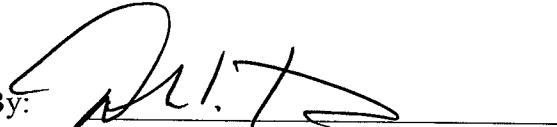
CONCLUSION

The Rehabilitator continues to conduct the business and affairs of Illinois Bowling Trust in accordance with the provisions of Article XIII of the Illinois Insurance Code, 215 ILCS 5/187, *et seq.* and the Plan of Rehabilitation, subject to the supervision and orders of the Court. The Rehabilitator shall continue his diligent efforts to resolve Illinois Bowling Trust's remaining policy obligations and claim liabilities. The Rehabilitator shall continue to marshal all available assets for the benefit of the Illinois Bowling Trust estate, and Illinois Bowling Trust's policyholders, beneficiaries, members and creditors.

Respectfully submitted,

Andrew Boron,  
Director of Insurance of the State of Illinois,  
as Rehabilitator of Illinois State Bowling Proprietors'  
Recreational Industry Workers' Compensation Trust

By:

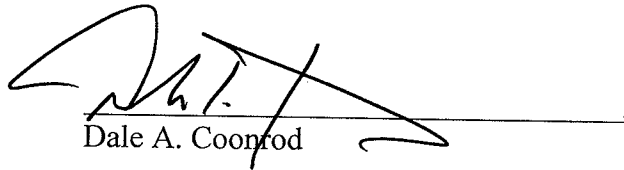
  
One of His Attorneys

J. Kevin Baldwin  
Dale A. Coonrod  
Counsel to the Liquidator  
Office of the Special Deputy Receiver  
222 Merchandise Mart Plaza, Suite 960  
Chicago, Illinois 60654  
(312) 836-9500  
Attorney Code #16819

CERTIFICATE OF SERVICE

I, Dale A. Coonrod, an attorney, hereby certify that I caused a true and correct copy of the foregoing Progress Report to be served upon counsel listed below, by depositing the same in the U.S. Mail depository located at 222 Merchandise Mart Plaza, Chicago, Illinois 60654, on December 12, 2012, at or before 4:30 p.m., with proper postage prepaid.

Mitchell A. Orpett, Esq.  
Tribler Orpett & Meyer, PC  
225 West Washington Street  
Suite 1300  
Chicago, Illinois 60606

  
Dale A. Coonrod

# EXHIBIT A

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS  
COUNTY DEPARTMENT, CHANCERY DIVISION

PEOPLE OF THE STATE OF ILLINOIS, *ex rel.*,  
ROBERT E. WAGNER, ACTING DIRECTOR OF  
INSURANCE OF THE STATE OF ILLINOIS,

Plaintiffs,

v.

ILLINOIS STATE BOWLING PROPRIETORS'  
& RECREATIONAL INDUSTRY WORKERS'  
COMPENSATION TRUST, an Illinois Domestic  
Group Workers' Compensation Pool,

Defendant.

NO. 11 CH 36870

**ORDER OF REHABILITATION  
WITH FINDING OF INSOLVENCY**

THIS CAUSE COMING TO BE HEARD upon the Complaint for Rehabilitation With a Finding of Insolvency filed herein by THE PEOPLE OF THE STATE OF ILLINOIS, upon the relation of ROBERT E. WAGNER, Acting Director of Insurance of the State of Illinois (the "Director), seeking an Order of Rehabilitation with a Finding of Insolvency as to and against ILLINOIS STATE BOWLING PROPRIETORS' & RECREATIONAL INDUSTRY WORKERS' COMPENSATION TRUST (hereafter "ILLINOIS BOWLING TRUST") pursuant to the provisions of Article XIII of the Illinois Insurance Code (the "Code"), 215 ILCS 5/187, *et seq.*; the Court having jurisdiction over the parties hereto and the subject matter hereof; the Court having reviewed the pleadings filed herein and having considered arguments of counsel thereon, and the Court then being otherwise advised in the premises, and for good cause appearing therefore;

**THE COURT FINDS:**

1. That sufficient cause exists pursuant to 215 ILCS 5/188 for the entry of an order of rehabilitation of the Defendant, ILLINOIS BOWLING TRUST, including the fact that ILLINOIS BOWLING TRUST is currently insolvent and has, by a majority of its trustees, agreed and consented to the entry of an order of rehabilitation. The Court notes that ILLINOIS BOWLING TRUST disputes and does not agree that it is currently or has ever been insolvent and, any terms or language in this Order suggesting to the contrary notwithstanding, expressly does not agree to or consent to that part of this Order so finding; and

2. That pursuant to Section 191 of the Code, 215 ILCS 5/191, the entry of this Order creates an estate comprising of all of the liabilities and assets of ILLINOIS BOWLING TRUST; and

3. That upon the entry of this Order, the Rehabilitator's statutory authority includes, without limitation, the following:

(a) Pursuant to Section 191 of the Code, 215 ILCS 5/191, the Rehabilitator is vested by operation of law with the title to all property, contracts, and rights of action of ILLINOIS BOWLING TRUST; and

(b) Pursuant to Section 191 of the Code, 215 ILCS 5/191, the Rehabilitator is entitled to immediate possession and control of all property, contracts, and rights of action of ILLINOIS BOWLING TRUST; and

(c) Pursuant to Section 191 of the Code, 215 ILCS 5/191, the Rehabilitator is authorized to remove any and all records and property of ILLINOIS BOWLING TRUST to his possession and control or to such other place as may be convenient for purposes of the efficient and orderly administration of ILLINOIS BOWLING TRUST's rehabilitation; and

(d) Pursuant to Section 192(2) of the Code, 215 ILCS 5/192(2), the Rehabilitator is authorized to deal with the property, business and affairs of ILLINOIS BOWLING TRUST in his name, as Director, and that the Rehabilitator is authorized to deal with the property, business and affairs

of ILLINOIS BOWLING TRUST in the name of ILLINOIS BOWLING TRUST; and

(e) Pursuant to Section 192(2) of the Code, 215 ILCS 5/192(2), the Rehabilitator, without the prior approval of the Court, is authorized to sell or otherwise dispose of any real or personal property of ILLINOIS BOWLING TRUST, or any part thereof, and to sell or compromise all debts or claims owing to ILLINOIS BOWLING TRUST having a value in the amount of Twenty-Five Thousand (\$25,000.00) Dollars, or less. Any such sale by the Rehabilitator of the real or personal property of ILLINOIS BOWLING TRUST having a value in excess of Twenty-Five Thousand (\$25,000.00) Dollars, and sale or compromise of debts owing to ILLINOIS BOWLING TRUST by the Rehabilitator where the debt owing to ILLINOIS BOWLING TRUST exceeds Twenty-Five Thousand (\$25,000.00) Dollars shall be made subject to the approval of this Court; and

(f) Pursuant to Section 192(2) of the Code, 215 ILCS 5/192(2) the Rehabilitator may solicit contracts whereby a solvent company agrees to assume, in whole or in part, or upon a modified basis, the liabilities of a company in rehabilitation in a manner consistent with subsection (4) of Section 193 of the Code, 215 ILCS 5/193(4); and

(g) Pursuant to Section 192(3) of the Code, 215 ILCS 5/192(3), the Rehabilitator is authorized to bring any action, claim, suit or proceeding against any person with respect to that person's dealings with ILLINOIS BOWLING TRUST including, but not limited to, prosecuting any action, claim, suit, or proceeding on behalf of the policyholders, members, beneficiaries or creditors of ILLINOIS BOWLING TRUST; and

(h) Pursuant to Section 192(4) of the Code, 215 ILCS 5/192(4), if at any time the Rehabilitator finds that it is in the best interests of the policyholders, members, beneficiaries, creditors, and the trust to effect a plan of mutualization or rehabilitation, the Rehabilitator may submit such a plan to this Court for its approval; and

(i) Pursuant to Section 194(b) of the Code, 215 ILCS 5/194(b), the Rehabilitator may, within two (2) years after the entry of this rehabilitation order or within such further time as applicable law permits, institute an action, claim, suit, or proceeding upon any cause of action against which the period of limitation fixed by applicable law had not expired as of the filing of the complaint upon which this order was entered; and

(j) Subject to the provisions of Section 202 of the Code, 215 ILCS 5/202, the Rehabilitator is authorized to appoint and retain those persons specified in Section 202(a) of the Code, 215 ILCS 5/202(a), and to pay, without the further order of this Court, from the assets of ILLINOIS BOWLING TRUST, all administrative expenses incurred during the course of the rehabilitation of ILLINOIS BOWLING TRUST; and

(k) Pursuant to Section 203 of the Code, 215 ILCS 5/203, the Rehabilitator shall not be required to pay any fee to any public officer for filing, recording or in any manner authenticating any paper or instrument relating to any proceeding under Article XIII of the Illinois Insurance Code, 215 ILCS 5/187, *et seq.*, nor for services rendered by any public officer for serving any process; and

(l) Pursuant to the provisions of Section 204 of the Code, 215 ILCS 5/204, the Rehabilitator may seek to avoid preferential transfers of ILLINOIS BOWLING TRUST's property and to recover such property or its value, if it has been converted; and

4. That pursuant to Section 194 of the Code, 215 ILCS 5/194, the rights and liabilities of ILLINOIS BOWLING TRUST, and of its policyholders, beneficiaries, members, creditors and all other persons interested in ILLINOIS BOWLING TRUST's assets, except for those persons entitled to file contingent claims or to have their claims estimated, are fixed as of the date of the entry of this Order of Rehabilitation. The rights of persons entitled to file contingent claims or to have their claims estimated shall be determined as provided in Sections 209(4)(b), (6) and (7) of the Code, 215 ILCS 5/209(4)(b), (6) and (7).

**IT IS HEREBY ORDERED:**

A. That Robert E. Wagner, Acting Director of Insurance of the State of Illinois, and his successors in office, is affirmed as the statutory Rehabilitator (the "Rehabilitator") of ILLINOIS BOWLING TRUST, with all of the powers appurtenant thereto.

B. That, subject to the further orders of this Court, the Rehabilitator is authorized to take such actions as the nature of the cause and the interests of ILLINOIS BOWLING TRUST, its policyholders, beneficiaries, members, creditors, or the public may require including, but not limited to, the following:

- (i) ILLINOIS BOWLING TRUST having represented that, to the best of its knowledge, its property, books, records, accounts, business and affairs, and all other of its assets have been transferred and turned over to the possession and control of the Director, the Rehabilitator is hereby directed and authorized to take immediate possession and control of any further property, books, records, accounts, business and affairs, and all other assets of ILLINOIS BOWLING TRUST, and shall take such action as the nature of this cause and the interests of ILLINOIS BOWLING TRUST's policyholders, beneficiaries, members, creditors or the public may require, subject to further orders of this Court, pursuant to the provisions of Article XIII of the Code, *supra*; and the Rehabilitator is further directed and authorized to rehabilitate, wind down, or terminate ILLINOIS BOWLING TRUST's business and affairs, and to make the continued expenditure of such wages, rents and expenses as he may deem necessary and proper for the administration of the rehabilitation of ILLINOIS BOWLING TRUST; and
- (ii) The Rehabilitator is authorized to sue and defend on behalf of ILLINOIS BOWLING TRUST or for the benefit of ILLINOIS BOWLING TRUST's policyholders, beneficiaries, members and creditors, in the courts either in his name as the Rehabilitator of ILLINOIS BOWLING TRUST, or in the name of ILLINOIS BOWLING TRUST.

C. That the Director is hereby vested with the right, title and interest in all funds recoverable under treaties and agreements of excess insurance or reinsurance heretofore entered into by or on behalf of ILLINOIS BOWLING TRUST.

D. That a claim payment moratorium is hereby established, subject to the hardship exception set forth in paragraph (E) below, enjoining and prohibiting the Defendant, ILLINOIS BOWLING TRUST and its trustees, directors, members, officers, agents, servants, employees, and all other persons and entities, from paying any claims incurred as a result of ILLINOIS BOWLING TRUST having issued contracts, policies or certificates of insurance, and any other contractual obligations, which are, or hereafter may become due during the rehabilitation proceedings unless and until a Plan of Rehabilitation which provides otherwise is presented by the Rehabilitator and approved by this Court.

E. That a hardship exception to the claim payment moratorium established in paragraph (D) above is hereby established, authorizing payment of hardship claims by ILLINOIS BOWLING TRUST and the Rehabilitator at the Rehabilitator's discretion in the amount of seventy percent (70%) of the amount due or past due by ILLINOIS BOWLING TRUST for temporary total disability payments, temporary partial disability payments and prospective emergency medical treatment for an injured worker of a trust member, as a result of ILLINOIS BOWLING TRUST having issued contracts, policies or certificates of insurance which are, or may hereafter become due during the rehabilitation proceedings, until further order this Court.

F. That any acts or omissions of the Rehabilitator in connection with the rehabilitation, including review and administration of hardship claims set forth in Paragraph (E) above shall not be construed or considered to be a preference within the meaning of Section 204 of the Code, 215 ILCS 5/204, notwithstanding the fact that any such act or omission may cause a policyholder, beneficiary, member, third party or other creditor to receive a greater percentage of debt owed to or by ILLINOIS BOWLING TRUST than any other policyholder, beneficiary, member, third party or other creditor in the same class; provided, however, that any claims paid under the hardship exception shall be subject to "true up" with the actual percentage of any future claims paid to a hardship recipient under a Plan of Rehabilitation or any Amended Plan of Rehabilitation subsequently presented by the Rehabilitator and approved by the Court.

G. That the caption in this cause and all pleadings filed in this matter shall hereafter read:

**"IN THE MATTER OF THE REHABILITATION  
OF ILLINOIS STATE BOWLING PROPRIETORS' & RECREATIONAL  
INDUSTRY WORKERS' COMPENSATION TRUST"**

H. That all costs of these proceedings shall be taxed and assessed against the Defendant, ILLINOIS BOWLING TRUST.

I. That all direct policies and/or certificates of insurance heretofore issued by ILLINOIS BOWLING TRUST are hereby cancelled effective upon the date of the entry of this Order.

J. That, notwithstanding 215 ILCS 5/206(b) or any other provision of Article XIII of the Code, *supra*, to the contrary, any member of the ILLINOIS BOWLING TRUST that had paid, or has had paid on its behalf, premium for coverage beyond the date of the entry of this Order shall be and is hereby entitled to a credit on a dollar for dollar basis for any amount of any assessment that may hereafter be issued or levied against them by the Rehabilitator or this Court; further, that such credit shall reduce the amount of any claim that any such member may have for return of unearned premium that may exist after the credit has been applied to satisfy any such assessment. The Court finds that the parties have agreed and consented to this provision and have expressly waived any right to deny or contest the credit recognized and established herein.

K. That pursuant to its authority under Section 189 of the Code, 215 ILCS 5/189, the Court hereby issues the following mandatory and prohibitive injunctions:

- (i) All accountants, auditors and attorneys of the ILLINOIS BOWLING TRUST are hereby ordered to deliver to the Rehabilitator, at his request, copies of all documents in their possession or under their control concerning or related to ILLINOIS BOWLING TRUST, and to provide the Rehabilitator with such information as he may require concerning any and all business and/or professional relationships between them and ILLINOIS BOWLING TRUST, and concerning any and all activities, projects, jobs and the like undertaken and/or performed by them at the request of ILLINOIS BOWLING TRUST, or its respective agents, servants, officers, trustees, directors and/or employees, or which ILLINOIS BOWLING TRUST may be, or is, entitled to as the result of its relationship with such accountants, auditors and attorneys; and
- (ii) ILLINOIS BOWLING TRUST and its respective trustees, directors, officers, agents, third party administrators, servants, representatives, employees, and affiliated companies, and all other persons and entities, are hereby ordered to give immediate possession and control to the Rehabilitator of all property, business, books, records and accounts of ILLINOIS BOWLING TRUST not heretofore transferred and turned over to the possession and control of the Director; and
- (iii) ILLINOIS BOWLING TRUST and its respective trustees, directors, officers, agents, servants, representatives and employees, and all other persons and entities having knowledge of this Order are hereby enjoined and restrained from transacting any business of ILLINOIS BOWLING TRUST, or disposing of any company property or assets, without the

express written consent of the Rehabilitator, or doing or permitting to be done any action which might waste the property or assets of ILLINOIS BOWLING TRUST, until the further order of this Court; and

- (iv) The officers, trustees, directors, agents, third party administrators, servants, representatives and employees of ILLINOIS BOWLING TRUST, and all other persons and entities having knowledge of this Order are hereby enjoined and restrained from bringing or further prosecuting any claim, action or proceeding at law or in equity or otherwise, whether in this State or elsewhere, against ILLINOIS BOWLING TRUST, or its property or assets, or the Director as its Rehabilitator, except insofar as those claims, actions or proceedings arise in or are brought in these rehabilitation proceedings; or from obtaining, asserting or enforcing preferences, judgments, attachments or other like liens, including common law retaining liens, or encumbrances or the making of any levy against ILLINOIS BOWLING TRUST, or its property or assets while in the possession and control of the Rehabilitator, or from interfering in any way with the Rehabilitator in his possession or control of the property, business, books, records, accounts, premises and all other assets of ILLINOIS BOWLING TRUST, until the further order of this Court; and
- (v) Any and all banks, brokerage houses, financial institutions and any and all other companies, persons or entities having knowledge of this Order, having in its possession accounts and any other assets which are, or may be, the property of ILLINOIS BOWLING TRUST, are hereby enjoined and restrained from disbursing or disposing of said accounts and assets and are further enjoined and restrained from disposing of or destroying any records pertaining to any business transaction between ILLINOIS BOWLING TRUST, and such banks, brokerage houses, financial institutions, companies, persons or entities having done business, or doing business, with ILLINOIS BOWLING TRUST, or having in its possession assets which are, or may be, the property of ILLINOIS BOWLING TRUST, and further, that each such bank, brokerage house, financial institution, company, person or entity is hereby ordered to immediately deliver any and all such assets and/or records to the Rehabilitator; and
- (vi) All agents and brokers of ILLINOIS BOWLING TRUST, and their respective agents, servants, representatives and employees, and all other persons, are hereby enjoined and restrained from returning any unearned premiums or any money in their possession, or under their control, collected from premiums, contributions, or assessments upon policies, contracts or certificates of insurance or reinsurance previously issued by ILLINOIS BOWLING TRUST, to policyholders, beneficiaries, members or others, and all said agents and brokers of ILLINOIS BOWLING TRUST and their respective agents, servants, representatives and employees are hereby directed to turn over all such funds in their

possession or under their control, or to which they may hereafter acquire possession or control, to the Rehabilitator in gross and not net of any commissions which may be due thereon; and

- (vii) All policyholders, beneficiaries and members under policies and/or certificates of insurance issued by ILLINOIS BOWLING TRUST, and all persons asserting claims against such policyholders, beneficiaries and members of ILLINOIS BOWLING TRUST, and all other persons, companies and entities are hereby enjoined and restrained from instituting or pursuing any action or proceeding in any court or before any administrative agency, including boards and commissions administering worker's compensation or occupational diseases or similar laws of the State of Illinois, or any other state, or of the United States, which seek in any way, directly or indirectly, to contest or interfere with the Rehabilitator's exclusive right, title and interest to funds recoverable under treaties and agreements of reinsurance or excess insurance heretofore entered into by or on behalf of ILLINOIS BOWLING TRUST; and
- (viii) All excess insurance and reinsurance companies and entities that assumed liabilities from ILLINOIS BOWLING TRUST arising under contracts, policies of insurance, certificates of insurance, or contracts of reinsurance issued by ILLINOIS BOWLING TRUST, are hereby enjoined and restrained from making any settlements with any claimant or policyholder of ILLINOIS BOWLING TRUST, or any other person other than the Rehabilitator, except with the written consent of the Rehabilitator.

L. That this Agreed Order of Rehabilitation with a Finding of Insolvency is hereby entered as to and against ILLINOIS BOWLING TRUST, and that this Court's October 24, 2011, Order of Conservation of Assets, and the conservation proceedings arising therefrom, are hereby terminated.

M. That, there being no just reason for delaying enforcement or appeal of this Order, this Agreed Order of Rehabilitation With a Finding of Insolvency is a final order within the meaning of Illinois Supreme Court Rule 307(a)(5).

N. That this Court retains jurisdiction in this cause for the purpose of granting such other and further relief as the nature of the cause and the interests of ILLINOIS BOWLING TRUST, its policyholders, beneficiaries, members and creditors, or of the public, may require and/or as this Court may deem proper in the premises.

ENTERED:

*Judge Michael B. Hyman*

*JAN 26 2012*

*Circuit Court-1921*

JUDGE PRESIDING

LISA M. MADIGAN  
Attorney General of the  
State of Illinois  
Attorney for the PEOPLE OF  
THE STATE OF ILLINOIS  
Michael Arnold  
Assistant Attorney General  
James R. Thompson Center  
100 West Randolph Street, 12th Floor  
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Attorney Code #99000

Of Counsel:  
J. Kevin Baldwin  
Dale A. Coonrod  
Counsel to the Director as Receiver  
222 Merchandise Mart Plaza  
Suite 1450  
Chicago, IL 60654  
(312) 836-9500  
Attorney Code #16819

# EXHIBIT B

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS  
COUNTY DEPARTMENT, CHANCERY DIVISION

IN THE MATTER OF THE REHABILITATION )  
OF ILLINOIS STATE BOWLING PROPRIETORS' )  
& RECREATIONAL INDUSTRY WORKERS' ) NO. 11 CH 36870  
COMPENSATION TRUST )

**ORDER**

THIS CAUSE COMING ON TO BE HEARD upon the Petition of Matthew Boron, Director of Insurance of the State of Illinois, acting in his capacity as the statutory and court-affirmed Rehabilitator (the "Rehabilitator") of Illinois State Bowling Proprietors' & Recreational Industry Workers' Compensation Trust ("Illinois Bowling Trust"), for approval pursuant to Section 192(4) of the Illinois Insurance Code, 215 ILCS 5/192(4), of the Rehabilitator's proposed Plan of Rehabilitation; the Court having jurisdiction over the parties hereto and the subject matter hereof; the Court having considered the objection(s) filed by the Illinois Bowling Trust Board of Directors and certain former Illinois Bowling Trust Members (the "Objectors"); the Court having reviewed the pleadings filed herein and having heard from counsel for the Rehabilitator and the Objectors thereon; and the Court then being otherwise advised in the premises;

**IT IS ORDERED:**

1. That the objections of the Illinois Bowling Trust Board of Directors and certain former Illinois Bowling Trust Members to the Rehabilitator's proposed Plan of Rehabilitation are hereby overruled without prejudice.

2. That the Rehabilitator's Illinois State Bowling Proprietors' & Recreational Industry Workers' Compensation Trust Plan of Rehabilitation, attached hereto and made a part hereof, is hereby entered and approved pursuant to Section 192(4) of the Illinois Insurance Code, 215 ILCS 5/192(4).

3. That the Rehabilitator is hereby authorized and directed to take any and all actions consistent with the Illinois State Bowling Proprietors' & Recreational Industry Workers' Compensation Trust Plan of Rehabilitation to implement and effectuate that Plan.

ENTERED *Judge Michael B. Hyman*

OCT 09 2012

Circuit Court - 1921  
Judge Presiding

J. Kevin Baldwin  
Dale A. Coonrod  
Counsel to the Receiver  
222 Merchandise Mart Plaza, Suite 960  
Chicago, Illinois 60654  
(312) 836-9500  
Attorney Code #16819

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS  
COUNTY DEPARTMENT, CHANCERY DIVISION

IN THE MATTER OF THE REHABILITATION )  
OF ILLINOIS STATE BOWLING PROPRIETORS' )  
& RECREATIONAL INDUSTRY WORKERS' )  
COMPENSATION TRUST )

NO. 11 CH 36870

ILLINOIS STATE BOWLING PROPRIETORS' & RECREATIONAL  
INDUSTRY WORKERS' COMPENSATION TRUST  
PLAN OF REHABILITATION

In accordance with the applicable provisions of Article XIII of the Illinois Insurance Code, 215 ILCS 5/187, *et seq.*, the following Plan of Rehabilitation ("Plan") shall govern the rehabilitation of Illinois State Bowling Proprietors' & Recreational Industry Workers' Compensation Trust ("Illinois Bowling Trust" or the "Trust"), until further order of the Court directing otherwise.

PART I  
DEFINITIONS

1.01 The following definitions apply in this Plan:

- a) "Rehabilitator" shall mean Andrew Boron, Director of Insurance of the State of Illinois, and his successors in office, acting solely in his capacity as the statutory and court affirmed Rehabilitator of Illinois Bowling Trust.
- b) "Supervising Court" shall mean the Circuit Court of Cook County, Illinois County Department, Chancery Division, Calendar 7, the Honorable Michael B. Hyman, and his successors, presiding.
- c) "Order of Rehabilitation" shall mean the Supervising Court's Order of Rehabilitation With a Finding of Insolvency dated January 26, 2012.

PART II  
ADMINISTRATION

2.01 All costs and expenses of the administration of the rehabilitation of Illinois Bowling Trust shall be paid from the assets of Illinois Bowling Trust and thereafter reported to the Supervising Court by the Rehabilitator in his *Statements of Changes in Cash and Invested Assets* filed with the Clerk of the Circuit Court on a quarterly basis. These administrative expenses shall include, but not be limited to, fees and expenses of any attorneys, actuaries, accountants, consultants and other persons or entities which may have been, or may in the future be, retained by the Rehabilitator to assist in the administration of the rehabilitation of Illinois Bowling Trust in accordance with and pursuant to Section 202 of the Illinois Insurance Code, 215 ILCS 5/202.

2.02 The Rehabilitator shall marshal the assets of Illinois Bowling Trust during the pendency of this Plan to provide a maximum distribution or distributions of estate assets to the policyholders, beneficiaries, members and creditors of Illinois Bowling Trust. The Rehabilitator shall be empowered, within the parameters of 215 ILCS 5/192, to compromise and settle all doubtful, disputed or uncollectible debts or claims owing to Illinois Bowling Trust upon such terms and conditions as he may consider prudent. All such debts and claims so compromised and settled by the Rehabilitator shall be reported to the Supervising Court in the Rehabilitator's *Statements of Changes in Cash and Invested Assets*. The Rehabilitator shall have all power and authority conferred upon rehabilitators in accordance with the Illinois Insurance Code, including but not limited to all powers and authority conferred pursuant to 215 ILCS 5/192 and 215 ILCS 5/202.

2.03 In accordance with the Amended and Restated Illinois State Bowling Proprietors' & Recreational Industry Workers' Compensation Trust Pooling Agreement, the Rehabilitator may levy an assessment or assessments against Illinois Bowling Trust members to correct any deficiency in claim reserves and/or other unpaid liabilities of the Trust.

2.04 The Rehabilitator shall collect assessments which have been imposed, or in the future may be imposed, upon Illinois Bowling Trust members. The Rehabilitator may utilize the services of consultants, as contemplated in Section 2.01 above, to assist him in these regards if deemed proper and necessary. In accordance with the Supervising Court's Order of Rehabilitation (Paragraph J), any member of Illinois Bowling Trust that had paid, or had paid on its behalf, premium for coverage beyond the date of the entry of the Court's Order of Rehabilitation shall be entitled to credit on a dollar for dollar basis for any amount of any assessment; further that such credit shall reduce the amount of any claim that any such member, or its assignee(s), may have for return of unearned premium that may exist after the credit has been applied to satisfy any such assessment.

2.05 As to past due and unpaid assessments by any Illinois Bowling Trust member, the Rehabilitator shall have the authority to retain attorneys, in accordance with 215 ILCS 5/202, to pursue collection of such unpaid assessments. The Rehabilitator shall compensate any such attorneys as may be approved by order of the Supervising Court. Payment to such attorneys for services rendered shall be deemed a cost of administration and reported to the Supervising Court by the Rehabilitator in his *Statements of Changes in Cash and Invested Assets* filed with the Clerk of the Circuit Court on a quarterly basis.

2.06 The Order of Rehabilitation With a Finding of Insolvency entered by the Supervising Court on January 26, 2012, and the injunctive provisions therein shall continue in full force and effect, unless otherwise specifically addressed in this Plan.

2.07 During the pendency of this Plan, the Rehabilitator shall continue to review the condition of Illinois Bowling Trust and shall report the same to the Supervising Court from time to time, along with the report of his activities under the Plan.

PART III  
POLICY OBLIGATIONS

3.01 During the pendency of this Plan, Illinois Bowling Trust shall not issue or renew direct policies of insurance.

3.02 The moratorium on the payment of claims established by the Supervising Court's Order of Rehabilitation (Paragraph D) and the exceptions to such moratorium (Paragraph E) are hereby superseded by the provisions of this Plan as set forth herein below.

3.03 With respect to claims of policyholders or insureds of Illinois Bowling Trust properly made under, or contemplated by, any liability policy issued by Illinois Bowling Trust, including any workers' compensation policies, the Rehabilitator shall handle such claims in the normal course as if Illinois Bowling Trust were not in receivership; as follows:

a) Illinois Bowling Trust shall pay such claims, including temporary partial disability and temporary disability claims, during the pendency of this Plan, subject to Paragraphs 3.05 and 3.06 hereof.

b) Illinois Bowling Trust shall defend or continue the defense of any such claim or action during the pendency of this Plan and shall pay all loss adjustment expenses, including defense attorneys' fees related thereto and actually incurred during the pendency of this Plan. Illinois Bowling Trust shall also pay, subject to Paragraphs 3.05 and 3.06 hereof, all settlements of any such claim or action authorized by Illinois Bowling Trust and all final judgments issued upon the merits of such claims or actions made by a court or Workers' Compensation Commission Board of competent jurisdiction, from which no appeal has been taken and from which no further appeal may be taken, provided, however that Illinois Bowling Trust shall have no obligation to pay those authorized settlements and/or judgments:

- (i) procured by fraud or misrepresentation;
- (ii) procured by collusion involving the insured and/or his representatives and a third person;
- (iii) taken by default against the insured;
- (iv) not incurred and/or finalized during the pendency of this Plan; and/or
- (v) upon which such claim or action Illinois Bowling Trust has a meritorious policy defense.

3.04 In order to fulfill its obligation to provide a defense to policyholders or insureds of Illinois Bowling Trust as contemplated in Section 3.03 above, the Rehabilitator shall have the authority to retain attorneys, in accordance with 215 ILCS 5/202. The Rehabilitator shall compensate any such attorneys at hourly rates as may be approved by order of the Supervising Court. Payment to such attorneys for services rendered shall be deemed a cost of administration and reported to the Supervising Court by the Rehabilitator in his *Statements of Changes in Cash and Invested Assets* filed with the Clerk of the Circuit Court on a quarterly basis.

3.05 Notwithstanding Illinois Bowling Trust's policy obligations under liability policies issued by Illinois Bowling Trust or under any obligations contemplated by this Plan, Illinois Bowling Trust shall initially be obligated to pay only seventy percent (70%) of the amount of claims properly made and authorized for payment by Illinois Bowling Trust; which such policy obligations include, but are not limited to, claims by members, or their assignees, for return of unearned premium. Subject to the approval of the Supervising Court, additional payments may thereafter be made on those obligations if the Rehabilitator determines that Illinois Bowling Trust has funds sufficient to make such additional payments.

3.06 Any payments made on behalf of the Illinois Bowling Trust by the Illinois Group Workers' Compensation Pool Insolvency Fund in accordance with 215 5/107a.13 shall be repaid by the Trust to the extent that assets remain after satisfaction of the Illinois Bowling Trust's policy obligations.

3.07 The Rehabilitator may utilize the services of third party claim administrators, as contemplated in Section 2.01 above, to assist him in the fulfillment of Illinois Bowling Trust's policy obligations if deemed proper and necessary.

PART IV  
CLAIM PAYMENT AND CREDITOR OBLIGATIONS  
INCURRED PRIOR TO ILLINOIS BOWLING TRUST'S RECEIVERSHIP

4.01 All outstanding claim obligations and unpaid fees and expenses owing to policyholders, insureds, third persons with claims against policyholders and/or insureds, service providers, attorneys and any and all other creditors, incurred by Illinois Bowling Trust and resulting from or arising out of the provision of benefits and services contemplated by the policies issued by Illinois Bowling Trust prior to the commencement of Illinois Bowling Trust's receivership proceedings shall be paid by Illinois Bowling Trust immediately following the entry of an order approving this Plan of Rehabilitation.<sup>1</sup> However, Illinois Bowling Trust shall initially be obligated to pay only seventy percent (70%) of the amount of the pre-receivership claim and creditor obligations authorized for payment by Illinois Bowling Trust. Subject to the approval of the Supervising Court, additional payments may thereafter be made on those obligations if the Rehabilitator determines that Illinois Bowling Trust has funds sufficient to make such additional payments.

PART V  
PREFERENCES UNDER THIS PLAN

5.01 Any acts or omissions of the Rehabilitator in connection with this Plan of Rehabilitation shall not be construed or considered to be a preference within the meaning of Section 204 of the Code, 215 ILCS 5/204, notwithstanding the fact that any such act or omission may cause a policyholder, beneficiary, member, third party or other creditor to receive a greater percentage of debt owed to or by Illinois Bowling Trust than any other policyholder, beneficiary, member, third party or other creditor in the same class.

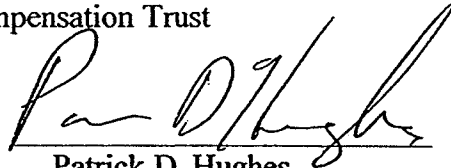
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<sup>1</sup> The Illinois Bowling Trust was initially placed into receivership by way of the Supervising Court's Order of Conservation of Assets entered as to and against Illinois Bowling Trust on October 24, 2011. On January 26, 2012, the Supervising Court entered an Order of Rehabilitation With a Finding of Insolvency respecting Illinois Bowling Trust.

Respectfully submitted,

Andrew Boron  
Director of Insurance of the  
State of Illinois, as Rehabilitator of  
Illinois State Bowling Proprietors'  
& Recreational Industry Workers'  
Compensation Trust

By:



Patrick D. Hughes  
Special Deputy Receiver

J. Kevin Baldwin  
Dale A. Coonrod  
Counsel to the Receiver  
222 Merchandise Mart Plaza, Suite 1450  
Chicago, Illinois 60654  
(312) 836-9500  
Attorney Code #16819

# EXHIBIT C

IN THE CIRCUIT COURT OF COOK COUNTY, ILLINOIS  
COUNTY DEPARTMENT, CHANCERY DIVISION

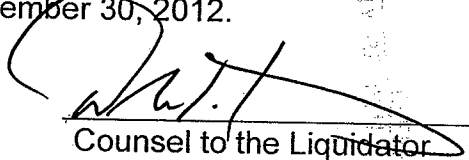
IN THE MATTER OF THE REHABILITATION OF )  
ILLINOIS STATE BOWLING PROPRIETORS & )  
RECREATIONAL INDUSTRY WORKERS' )  
COMPENSATION TRUST )

NO. 11 CH 36870

NOTICE OF FILING

To: See Attached Service List

**YOU ARE HEREBY NOTIFIED** that on December 3, 2012, the Liquidator filed, pursuant to 215 ILCS 5/202(D)(1) (1998), with the Clerk of the Circuit Court of Cook County, Illinois, the attached Liquidator's Statement of Changes in Cash and Invested Assets for the period of July 1, 2012 through September 30, 2012.

  
Counsel to the Liquidator

2012 DEC 3 PM 10:54

2012 DEC 3 PM 10:54

J. Kevin Baldwin  
Dale A. Coonrod  
Counsel to the Liquidator  
222 Merchandise Mart Plaza, Suite 960  
Chicago, Illinois 60654  
(312) 836-9500  
Attorney Code #16819

**SERVICE LIST**

**ILLINOIS STATE BOWLING PROPRIETORS' & RECREATIONL  
INDUSTRY WORKERS' COMPENSATION TRUST**

**(Case No. 11 CH 36870)**

**COURTESY COPY TO:**

THE HONORABLE JUDGE MICHAEL B. HYMAN  
ROOM 2405  
THE RICHARD J. DALEY CENTER  
50 WEST WASHINGTON STREET  
CHICAGO, ILLINOIS 60602

ILLINOIS STATE BOWLING PROPRIETORS & RECREATIONAL INDUSTRY WORKERS'  
COMPENSATION TRUST

REHABILITATION DATE JANUARY 26, 2012  
STATEMENT OF CHANGES IN CASH AND INVESTED ASSETS  
JULY 1 THROUGH SEPTEMBER 30, 2012

	CURRENT PERIOD	YEAR TO DATE
<b>Beginning Cash &amp; Invested Assets</b>	\$ 706,154	\$ 910,037
<b>Cash Receipts:</b>		
Investment Income (Note 1)	\$ (132)	\$ 899
Excess Loss Recoveries	6,292	18,257
Claim Recoveries	-	2,691
<b>Total Cash Receipts</b>	<b>\$ 6,160</b>	<b>\$ 21,847</b>
<b>Cash Disbursements:</b>		
Salaries	\$ 23,511	\$ 58,604
Professional Fees:		
Legal Fees & Expenses (Note 2)	76	22,428
Audit Fees (Note 3)	162	501
Consulting Fees (Note 4)	2,750	7,750
Compensation:		
Employee Benefits	6,384	15,475
Payroll and Other Taxes	1,617	4,438
Other Expenses of Administration of Company and its Property:		
Loss and Loss Adjustment Expense	21,374	120,722
Rent and Rent Items	4,077	9,449
Equipment Expenses	235	235
Travel and Travel Items	86	214
Postage and Freight	239	515
Office Expenses	1,030	1,894
Data Processing	5,512	11,649
Banking and Investment Fees	106	2,611
Interest Expenses	-	27,274
Other Expenses	27	1,714
Federal Income Tax	-	1,283
<b>Total Cash Disbursements</b>	<b>\$ 67,186</b>	<b>\$ 286,756</b>
<b>Ending Cash &amp; Invested Assets</b>	<b>\$ 645,128</b>	<b>\$ 645,128</b>

ILLINOIS STATE BOWLING PROPRIETORS & RECREATIONAL INDUSTRY WORKERS'  
COMPENSATION TRUST  
REHABILITATION DATE JANUARY 26, 2012  
NOTES TO STATEMENT OF CHANGES IN CASH AND INVESTED ASSETS  
JULY 1 THROUGH SEPTEMBER 30, 2012

**1. Investment Income**

Investment Income includes \$0 in interest and dividend income and an amortization adjustment of (\$132) for a net of (\$132). The line item does not include \$501 accrued interest earned but not paid as of September 30, 2012.

**2. Legal Fees & Expenses**

Thompson Coburn LLP	\$	46
Holland & Knight		28
Neal Gerber & Eisenberg LLP		2
<b>Total Legal Fees &amp; Expenses</b>	<b>\$</b>	<b><u>76</u></b>

**3. Audit Fees**

Kerber, Eck & Braeckel LLP	\$	162
<b>Total Audit Fees</b>	<b>\$</b>	<b><u>162</u></b>

**4. Consulting Fees**

Assurance Agency LTD	\$	2,750
<b>Total Consulting Fees</b>	<b>\$</b>	<b><u>2,750</u></b>

ILLINOIS STATE BOWLING PROPRIETORS & RECREATIONAL INDUSTRY WORKERS'  
COMPENSATION TRUST  
REHABILITATION DATE JANUARY 26, 2012  
STATEMENT OF CASH AND INVESTED ASSETS  
SEPTEMBER 30, 2012

	Market Value	Book Value
<b>Unencumbered Cash and Invested Assets</b>		
Cash	\$ 67,934	\$ 67,934
Money Market	475,524	475,524
U.S. Government Obligations	103,541	101,670
<b>Total Unencumbered Cash and Invested Assets</b>	<u>\$ 646,999</u>	<u>\$ 645,128</u>

# EXHIBIT D



**AMENDED AND RESTATED  
ILLINOIS STATE BOWLING PROPRIETORS'  
& RECREATION INDUSTRY  
WORKERS' COMPENSATION TRUST  
POOLING AGREEMENT**

This Agreement is entered into pursuant to the provisions of Section 4a of the Illinois Worker's Compensation Act (ILL. Rev. Stat. 1981, ch. 48, par. 138.4a) Illinois Insurance Code 215 ILCS 5/Article V 3 / 4 (Group Workers' Compensation Pools; Pooling; Insolvency Fund), and any applicable provisions of the National Council of Compensation Insurance. This Agreement is made and entered into by and among the participants (herein referred to as "Participants") in the Illinois State Bowling Proprietors' & Recreation Industry Workers Compensation Trust (herein referred to as the "Trust"). This Agreement governs and supersedes any previous agreements issued by the Trust to the Participant(s).

**Whereas**, the Participants have established a group self-insurance program to provide for the payment of workers' compensation, occupational diseases and other employers' liability benefits due as a result of injuries to their employees which arise out of and occur during the course of their employment, and

**Whereas**, any employer, who has complied with the prerequisites set forth in the Agreement and Declaration of Trust, dated June 26, 1991, as amended from time to time, which established the Trust (the "Declaration of Trust") and this Agreement and who has applied for and been accepted for participation in the Trust, shall upon execution of this Agreement and the payment of any required contribution, fees or other monies be considered a Participant in the Trust, and

**Whereas**, participation in the Trust will be limited to employers who are members in good standing of the Illinois State Bowling Proprietors' Association, Inc. Membership in the I.S.B.P.A. shall not automatically assure approval for participation in the Trust.

**Now therefore**, in consideration of the premises, covenants, agreements and undertaking herein contained it is hereby agreed among the parties hereto as follows:

**A. PARTICIPATION IN THE TRUST.**

An employer may participate in the Trust only if it meets all of the terms and conditions set forth in Section 1.5 of the Declaration of Trust.

**B. HOW COSTS ARE TO BE PROPORTIONED.**

Each Participant shall be responsible for its proportionate share of the Trusts' costs as reflected in Exhibit 1 to this Agreement. After the Participant's initial year, modifications to Exhibit 1 may be adopted upon forty five (45) days written notice. No such modification shall affect the Participants' obligations under Paragraph F of this Agreement.



**C. INITIAL DEPOSIT.**

At the effective date of this Agreement, the Participants will pay to the Trust, any contribution required as computed in accordance with Exhibit 1.

**D. ASSESSMENT PROVISIONS.**

Any assessments shall be determined by the Trust and equitably apportioned among all Participants subject to assessment.

**E. INSPECTION & AUDIT.**

The Trust, and its authorized representatives, shall be permitted at all reasonable times to inspect the premises, offices and equipment used by participants while an employer is a Participant and for three (3) years after its termination as a Participant. The Trust shall be permitted to examine the Participants' books, vouchers, contracts and records of any and every kind. The Trust shall maintain the confidentiality of any information obtained during such inspections or examinations, except as required to enforce the terms of the Agreement or as may otherwise be required by law.

1. The Trust and any of their agents, servants, employees or attorneys shall be permitted at all reasonable times to inspect the Participant's workplace, plants, works, machinery and appliances covered by this Agreement, and shall be permitted at all times and within three years following termination of participation to examine Participant's books, vouchers, contracts, documents, and records of any and every kind which show or attempt to show or verify the amount of contribution paid or owed to the Trust.
2. The Trust or its representative may audit payroll and other records to determine the accuracy of estimates and appropriate classification of employees in accordance with the rules and regulations of the National Council on Compensation Insurance (NCCI). The Participant agrees to cooperate with such audits. The trust or its representative shall have the right to adjust estimates for the purpose of compliance with NCCI regulations. The Trust or its representative may also apply estimates in the event of non-compliance or cooperation of the member.

**F. TERMINATION PROVISIONS.**

Any employer seeking participation in the Trust shall be required to participate for a minimum of two (2) years following the next October 1 after such employer's participation is approved by the Trust. Once a Participant has satisfied the minimum participation requirements, they may withdraw from the Trust without penalty at the policy expiration date by mailing or delivering 30-days advance written notice to the trust manager. Cancellation will not alter the participants' responsibilities relative to



assessments for any period in which the participant was a pool member. Members canceling off expiration (mid term) may be subject to applicable short rate penalties.

The Trust may elect to non-renew the policy by giving 60 days advance written notice. Mailing the notice to the last known mailing address will be sufficient to prove notice. The trust may also cancel at any time for non-payment of premium, audit or assessment. Non pay cancellations will be governed by the rules adopted by the board of directors. We may also cancel for one of the following reasons:

1. The policy was issued based on a material misrepresentation.
2. You have violated any of the material terms and conditions of the policy.
3. There are unfavorable risk factors that were not present when the policy was written or have not been corrected after due notification.
4. Regulatory or reinsurance actions that could place the trust in violation of the laws of Illinois.

#### **G. DURATION OF LIABILITY FOR ADDITIONAL ASSESSMENTS.**

Each Participant in the Trust shall be assessable both during the period of its participation and for three years following termination of participation in the Trust. Any liability assessed pursuant to this Section G shall be made in a manner, which equitably apportions the facts, and circumstances under which the assessment are made.

#### **H. COVERAGE TO BE PROVIDED: DEDUCTIBLES.**

In consideration of the Participant's contribution the Trust agrees:

1. To pay, to the extent permissible by law and to the extent not paid by excess insurance carriers, worker's compensation, occupational diseases and other employers' liability benefits ("Claims") due as a result of injuries or death to a Participant's Illinois employees which arise out of and occur during the course of their employment.
2. To defend against any proceedings brought against the Participants seeking benefits, alleging injury or seeking damages on account of Claims even if such proceedings or suits are groundless, false or fraudulent, but the Trust may investigate, negotiate, settle any Claim or suit as it deems expedient.
3. To pay all expenses incurred or costs taxed against the Participants in any such proceeding or suit and all interest accruing after entry of judgment as does not exceed the limit of the Participant's liability thereon.

Benefits arising under this Agreement apply only to employment-related injuries or deaths occurring in a period in which the employer is a Participant in the Trust. Deductibles and dividends, if any, arising from insurance policies owned by the Trust shall be negotiated by the Trust, the General Manager and the insurer on a case by case basis.



## **I. PARTICIPANT OBLIGATIONS.**

Each Participant agrees to be bound by all the terms of this Agreement and of the Declaration of Trust and to abide by all the rules and regulations established by the trust for the administration of this group self-insurance program, which shall include, but not be limited to the following:

1. Each Participant agrees to initiate and maintain a safety program to give its employees safe and sanitary working conditions and agrees to follow the general recommendations of the Trust, or its agents to promote the general welfare of its employees. Each Participant, however, shall remain solely responsible for all decisions concerning its safety program and practices and may not rely upon evaluations or recommendations made by the Trust or its agents in making final decisions concerning its safety program and practices.
2. When an injury to an employee covered by this Agreement occurs, the Participant shall immediately complete any and all forms required by any regulatory body or agency and file the original and one copy with the Trust Claims Manager, and Trust Manager if requested.
3. If a Claim is made or suit or other proceedings is brought against a Participant, the Participant shall immediately forward to the Trust Claims Manager, and Trust Manager if requested, every demand, notice summons or other process received.
4. The Participant shall cooperate with the Trust Claims Manager and Trust Manager, and, upon the Trust Claims Manager's or Trust's Manager's request, shall attend hearings and trials and shall assist in effecting settlements, securing and giving evidence, obtaining the attendance of witnesses, and otherwise cooperate in the conduct of suits, hearings or proceedings.
5. The Participant shall not voluntarily make any payment, assume any obligation or incur any expense other than for such immediate medical and other services at the time of injury as are required by any workers' compensation or occupational diseases acts.
6. Each Participant does hereby appoint the Trust Claims Manager and Trust Manager as agent to act in the Participant's behalf to file reports and to make or arrange for payment of Claims, medical expenses and all other things required or necessary insofar as they would affect the Participant's liability.
7. Each Participant shall make prompt payment of all its contributions and assessments as required by the Trust.
8. Each Participant agrees that in the event of the payment of any loss under the terms of the Agreement, the Participant will subrogate all of its rights against any person or



other entity legally responsible for damages for said losses to the Trust and will render all reasonable assistance, other than pecuniary assistance, to effect recovery.

- 9. Each Participant shall maintain records of the information necessary for contribution computation and shall send copies of such records to the Trust upon request.

**J. EFFECTIVE TIME AND DATE.**

This Agreement will be effective from 12:01 a.m. on the date following its acceptance by the Trust and shall remain in full force and effect until terminated as herein provided.

**IN WITNESS WHEREOF**, the Participants and the Trust have caused this Agreement, which may be executed in one or more counterparts, to be duly executed and accepted.

Accepted:

ILLINOIS BOWLING PROPRIETORS AND RECREATION INDUSTRY WORKERS' COMPENSATION TRUST

By: Robert L. Barrese

Name: Robert L. Barrese

Title: Trust Manager

Date: \_\_\_\_\_

Accepted:

\_\_\_\_\_  
Participant Employer (Company Name)

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

Name: \_\_\_\_\_

Title: \_\_\_\_\_

Date: \_\_\_\_\_



## EXHIBIT I

### COST ALLOCATION SCHEDULE

Participant's contribution will be determined based on the following:

- (1) All contributions will be determined on an annual basis subject however, to the following initial adjustments: for the first year of participation, contributions will be determined from the date of execution of this Exhibit to the preceding day of the next year. During the next year, contributions will be determined only for the period between the day of execution of this Exhibit and the next October 1. This abbreviated year is designed to coordinate all Participants on an October 1 through September 30 Trust year. Thereafter all contributions will be determined annually for the period from October 1 through September 30 (the Trust Year).
- (2) The Collected Premium will be determined by multiplying a participant's actual gross payroll amount during the period this Exhibit is in effect (as classified and limited according to the National Council on Compensation Insurance rules) by the rate for workers compensation insurance approved by the Illinois Department of Insurance in effect at the effective date of this exhibit and in effect at each anniversary, multiplied by any applicable experience modification factor multiplied any rate deviation scheduled credit or debit, minus any applicable premium discount(s) plus any applicable expense constant(s). Payroll for purposes of computing the collected premium shall be subject to audit.

$$\begin{aligned} & \text{COLLECTED PREMIUM} = \\ & \text{PAYROLLS BY CLASSIFICATION} \\ & \quad \times \\ & \quad \text{STANDARD RATES} \\ & \quad \quad \times \\ & \quad \quad \text{EXPERIENCE MODIFICATION} \\ & \quad \quad \quad \times \\ & \quad \quad \quad \text{APPLICABLE CREDITS OR DEBITS} \\ & \quad \quad \quad \quad \text{MINUS} \\ & \quad \quad \quad \text{APPLICABLE PREMIUM DISCOUNT} \\ & \quad \quad \quad \quad \text{PLUS} \\ & \quad \quad \quad \text{APPLICABLE EXPENSE CONSTANT(S)} \end{aligned}$$

- (3) In accordance with Section 107a.14 of the revised workers' compensation pooling statutes, should the Illinois Director of Insurance determine that pool assets are insufficient to cover claim reserves and other liabilities, he may order the trustees to assess participants to correct the deficiency. No assessment of an individual participant shall exceed 25% of the average annual premium paid over the previous three year period. However, if the Illinois State Workers' Compensation Insolvency Fund is financially unable to assure prompt payment, assessments may be made to participants of all qualified pools and trusts on a pro-rata basis.



STANDARD WORKERS COMPENSATION  
AND EMPLOYERS LIABILITY POLICY

POLICY NUMBER

WC-ISBPRI-100106

RENEWAL

INSURED

AGENCY NAME AND ADDRESS  
ASSURANCE AGENCY, LTD  
ONE CENTURY CENTRE  
1750 EAST GOLF ROAD  
SCHAUMBURG, IL 60173  
(847) 797-5700 AGENCY NO. 1266042 00

FEIN #

NO ADDITIONAL LOCATIONS  
ENTITY OF INSURED - OTHER