

IN THE COMMONWEALTH COURT OF PENNSYLVANIA

**M. DIANE KOKEN,** :  
**Insurance Commissioner of the** :  
**Commonwealth of Pennsylvania,** :  
 :  
**Plaintiff,** :  
 :  
 :  
**v.** :  
 :  
**RELIANCE INSURANCE COMPANY,** :  
**Defendant.** :

No. 269 M.D. 2001

RECEIVED AND FILED  
PHILADELPHIA  
COMMONWEALTH COURT  
OF PENNSYLVANIA  
SEP 31 3 49 PM '01

**AFFIDAVIT OF ARTHUR W. MULLIN IN SUPPORT OF  
ANSWER OF REHABILITATOR AND HER COUNSEL  
DAVID F. SIMON, ESQ., TO RULE TO SHOW CAUSE**

I, **ARTHUR W. MULLIN**, being duly sworn according to law, do hereby depose and state that:

1. I am the Executive Vice President of KMR Management, Inc., in Willow Grove, Pennsylvania.
2. I have been retained by M. Diane Koken (the "Rehabilitator"), Insurance Commissioner of the Commonwealth of Pennsylvania and Rehabilitator of Reliance Insurance Company ("Reliance"), to provide consulting services in the areas of asset management, business disposition, and investment management to Reliance in the Rehabilitation, and serve as a member of the Reliance Rehabilitation Team. I am therefore fully familiar with the facts and circumstances set forth herein.
3. I make this affidavit in support of the Response of the Rehabilitator and her counsel, David F. Simon, Esq., to the September 28, 2001 Rule to Show Cause of this Court (the "Rule to Show Cause").

A. Reliance's Petition For Secured Credit Facility

4. On August 8, 2001, the Rehabilitator petitioned this Court to approve the negotiation, execution and performance of a one-year secured credit facility in an amount of up to USD \$75,000,000 between Reliance and Bear Stearns on terms substantially similar to those detailed in the Petition. A true and accurate copy of the Petition and my affidavit in support of the Petition, sworn to August 13, 2001, are attached as Exhibit A. I testified in support of the Petition on August 13, 2001, at a hearing before this Court.

5. Bear Stearns stipulated that we obtain court approval prior to further negotiations in order to allay its concerns about the treatment of any potential claims it may have against Reliance if Reliance went into liquidation.

B. August 13, 2001 Court Order

6. By order dated August 13 (the "August 13 Order"), this Court granted the Petition and specifically provided that "the Rehabilitator is authorized to negotiate, execute and perform a secured credit facility . . . on terms substantially similar to those set forth in paragraph 15 of the Petition." A true and accurate copy of the August 13 Order is attached as Exhibit B.

7. Paragraph 15 of the Petition had proposed certain material terms for the secured credit facility. The August 13 Order clearly specified that the secured credit facility should be created on terms "substantially similar" to those material terms.

8. Material Term D provided that:

The borrowings would be secured by a pledge to Bear Stearns of shares of Symbol stock owned by Reliance. Inasmuch as Reliance owns approximately 11.3 million shares of Symbol stock, the maximum number of shares of Symbol stock that could be pledged under the Proposed Facility is approximately 11.3 million shares.

9. Material Term F provided that:

Under the Proposed Facility, for a term of one year, Reliance would be permitted to make draw downs as frequently as daily, in minimum increments of \$1,000,000, with repayments due one year from the date of each draw down.

10. Additionally, the August 13 Order provided the assurances Bear Stearns required in order to proceed with its transaction with Reliance.

C. Rehabilitator's Negotiation of Secured Credit Facility on Terms Substantially Similar to Those in Paragraph 15 of the Petition

11. Since the issuance of the August 13 Order, we have engaged in negotiations with Bear Stearns. We have sought to formulate an acceptable credit facility that complies with the August 13 Order. Weekly meetings have occurred between members of the Rehabilitator's team including myself, William Taylor, and counsel to the Rehabilitator. Drafts of the proposed terms of the credit facility agreements have been reviewed, circulated, discussed and revised. Those agreements include a Secured Loan Facility letter agreement and Institutional Account Agreement.

12. Several difficulties have impeded our efforts to proceed expeditiously. Over the course of the negotiations Bear Stearns proposed a number of terms for the credit facility agreements that are unacceptable and that violate the August 13 Order. It has taken some time and discussion to resolve these conflicts.

13. For example, in an initial draft of the Institutional Account Agreement, Bear Stearns proposed terms providing that:

- the loan would be payable as demand instead of for a term of one year as required by Material Term F; and

- draws would be in \$5,000,000 increments rather than \$1,000,000 increments as required by Material Term F.

14. Several other proposed terms in the Institutional Account Agreement were confusing, inconsistent with the proposed facility letter agreement and would be unacceptable in their entirety or in the manner presented by Bear Stearns, including that:

- Bear Stearns would decline to accept collateral on margin
- Bear Stearns could unilaterally modify the terms of the credit facility agreement at anytime; and
- the Symbol common stock collateral would secure all other obligations of Reliance to Bear Stearns beyond the amount borrowed under the credit facility (if any exist).

15. In addition, such Institutional Account Agreement provided that Reliance, despite being in rehabilitation, must submit to arbitration and to the jurisdiction of the New York courts.

16. Given the magnitude and complexity of the transaction, it has taken some time to negotiate. We are proceeding expeditiously, and intend to complete the transaction as soon as possible. I am informed and believe that the use of the form of Institutional Account Agreement by Bear Stearns was not appropriate for the proposed transaction and has been a primary factor in not completing the transaction. Counsel to the Rehabilitator has been working with the Rehabilitator's representatives to have counsel for Bear Stearns modify the form agreement to meet our objectives, bearing in mind the protections required for both Bear Stearns and Reliance in light of the rehabilitation.

17. Within the last two weeks, we have worked out most of the difficulties regarding the credit facility agreements. While we have not yet executed and performed the secured credit facility, we fully expect to do so once we have finalized the agreements.

D. Intervening Cash Crisis Requiring Sale of Symbol Stock.

18. Reliance weekly cash requirements to fund routine claims payments (workers compensation and claims for personal injury protection under automobile policies (pip) claims, and other claims generally less than \$300,000 per claim, but not including large or complex exposure cases in litigation) and operating expenses range from \$35-40 million. In the Rehabilitator's prior status reports, this figure was stated as \$30-35 million. The increase results from increased claims payments as the stays of litigation have expired and the summer slowing of litigation has ended. Delays in reinsurance receipts, which comprise 60-65% of Reliance's cash receipts, have intensified the weekly cash shortages in recent weeks. Specifically, as anticipated, the destruction of the World Trade Center on September 11 caused reinsurance proceeds to precipitously decline between September 11 and September 26. Indeed, Reliance only received approximately \$28 million in reinsurance during that period, compared with the approximately \$36 million that was projected. The timing of receipts of Reinsurance Receivables is always uncertain as well as the timing of when checks issued by our TPA's will clear and daily negative cash flows can run in the \$8 to \$10 million range for a number of days in a row. Thus, during the week of September 24, Reliance required cash urgently to fund its operations, including payroll for that week, and claims payments.

19. At the weekly morning cash management meeting held on Wednesday September 26, prior to receipt of this Court's September 26 Order requiring Court approval for all asset sales, Reliance and rehabilitation personnel decided to sell less than 10% of Reliance's holdings in Symbol Technology common stock to cover immediate cash requirements.

20. As of September 26, 2001, Reliance was in a desperate short-term cash crisis, and faced the possibility that it would not have sufficient cash to fund its payroll on September 28, its lease

payments on October 1, essential TPA administrative expenses due to Bristol West and Cambridge the week of October 1, and its daily claims payments. The only available asset that could be converted to cash was the Symbol Technologies stock.

21. Reliance placed an order for the sale of Symbol stock through Bear Stearns, which it cancelled upon receipt of this Court's Order later in the day. Neither M. Diane Koken, the Insurance Commissioner of the Commonwealth of Pennsylvania, nor David Simon, Chief Counsel to the Insurance Department of the Commonwealth of Pennsylvania, were aware of the decision to sell the stock or the Order placed, until September 27, 2001, after it had been cancelled.

22. The exigent circumstances requiring the immediate sale of the Symbol Technologies stock were such that the Rehabilitator and her counsel were not notified of the decision to sell the stock or the order to sell the stock until after the sales had commenced and, in fact, additional sales had been halted.

23. It was the intention of the Reliance Rehabilitation Team to continue to pursue the borrowing facility and pledge the Symbol Technologies stock as authorized by the August 13 Order. However, due to the complexity of this transaction, it was impossible to finalize it quickly enough to obtain the cash required to operate Reliance in the very short term.

24. We believed that in selling Reliance's stock we were acting in the best interests of Reliance's policyholders, employees, creditors and the public, and that the sale would cause no prejudice.

25. No one involved in the decision to sell the stock believed that the sale of the Symbol common stock would violate the Court's August 13 Order.

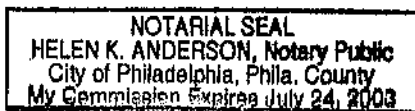
26. Although in the Petition we had sought to pledge "up to 11.3 million shares" of Symbol stock owned by Reliance as collateral, we neither intended to nor represented to the Court that we would necessarily pledge Reliance's entire holding of Symbol stock. Indeed, Material Term D expressly stated that "the maximum number of shares of Symbols stock that could (not would) be pledged" under the secured credit facility agreement was approximately 11.3 million shares. (Emphasis added.)

*Arthur W. Mullin*

ARTHUR W. MULLIN

Sworn to and subscribed  
before me this 1<sup>st</sup> day  
of October, 2001.

*Helen K. Anderson*  
Notary Public



**Exhibit A**



IN THE COMMONWEALTH COURT OF PENNSYLVANIA

M. DIANE KOKEN  
Insurance Commissioner of the  
Commonwealth of Pennsylvania,

Plaintiff

v.

RELIANCE INSURANCE COMPANY,

Defendant

No. 269 M.D. 2001

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OF PENNSYLVANIA  
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**REHABILITATOR'S PETITION  
TO APPROVE A SECURED CREDIT FACILITY**

Plaintiff M. Diane Koken ("the Rehabilitator"), Insurance Commissioner of the Commonwealth of Pennsylvania, and Rehabilitator of Reliance Insurance Company ("Reliance"), by her undersigned counsel, respectfully petitions this Court to approve the negotiation, execution and performance of a one-year secured credit facility between Reliance and Bear Stearns Securities Corp. ("Bear Stearns") on terms substantially similar to those described below. In support of this petition, the Rehabilitator avers as follows:

1. By Order of this Court dated May 29, 2001, this Court granted the Insurance Commissioner's Petition for Rehabilitation of Reliance and appointed her Rehabilitator.
2. Under the Insurance Department Act, 40 P.S. §221.1 - 231 (the "Act"), the Rehabilitator has the "full power...to deal with the property and business of the insurer" 40 P.S. §221.16(b).

3. Pursuant to paragraph 3 of the Court's May 29 Order, the Rehabilitator was directed to take immediate possession of the property, business and affairs of Reliance, and to take such action as the nature of this case and the interests of the policyholders, certificateholders, creditors, or the public may require.

4. Under Paragraph 18 of the Court's May 29 Order, the Rehabilitator was expressly authorized, in her discretion, to pay claims for losses under policies and contracts of insurance and loss adjustment expenses as identified in Section 544(b) of the Act, 40 P.S. §221.44(b).

5. In accordance with the Act and with the authority granted by the Court's May 29 Order, the Rehabilitator has taken possession of the property, business and affairs of Reliance, and has continued to pay policyholder claims during the rehabilitation.

6. The two most significant funds from which Reliance can pay claims are the funds received from reinsurers and the sale of its invested assets.

7. One of Reliance's largest invested assets is its holding of common stock of Symbol Technologies, Inc. ("Symbol"), whose shares are traded on the New York Stock Exchange.

8. Symbol is engaged in the design, manufacture, marketing, and servicing of scanner integrated mobile and wireless information management systems. Symbol is a leader in the field of hand-held computers with barcode scanning capability, a market that is expected to grow by 20% per year over the next few years. Revenue for the second quarter is expected to be \$340 million, level with last year but down from the \$450 million realized during the first quarter of 2001.

9. As of July 24, 2001, Symbol had approximately 234 million shares outstanding (as reported by Salomon Smith Barney). Reliance currently owns approximately 11.3 million of these shares.

10. Over the past year, Symbol's common stock has traded between \$11.60 and \$37.33 per share, and the common stock closed at \$14.40 per share on August 7, 2001. As recently as the first quarter of 2000, the common stock traded as high as \$45 per share.

11. Of the twelve (12) analysts that follow the stock, two (2) rate the stock as a strong buy, five (5) as a moderate buy, and the remaining five (5) recommend that the stock be held.

12. Reliance may seek to sell a portion of its holdings in Symbol Technologies, Inc. to provide liquidity through intermittent sales of modest amounts over a period of time. Prevailing market conditions reflect a relatively depressed valuation for many technology stocks. Reliance is reviewing certain strategies in connection with this stock.

13. It is believed, and therefore averred, that it is in the best interests of Reliance's policyholders, certificateholders, creditors, and the public to borrow against the shares rather than to sell them at this time.

14. By this Petition, to provide liquidity to Reliance, the Rehabilitator is seeking the Court's approval of a secured credit facility (the "Proposed Facility"), in an amount of up to USD \$75,000,000. As of August 7, 2001, the market value of Reliance's holdings in Symbol was approximately \$162.7 million. The terms of the Proposed Facility are as described below and in the termsheet attached hereto as Exhibit A.

15. The material terms of the Proposed Facility are as follows:

A. The Proposed Facility would be provided by Bear Stearns.

B. Under the Proposed Facility, Reliance would be permitted to borrow up to USD \$75,000,000 (the "Commitment Amount").

C. Interest on drawn amounts would accrue at the Federal Funds rate plus 100 basis points, compounded daily.

D. The borrowings would be secured by a pledge to Bear Stearns of shares of Symbol stock owned by Reliance. Inasmuch as Reliance owns approximately 11.3 million shares of Symbol stock, the maximum number of shares of Symbol stock that could be pledged under the Proposed Facility is approximately 11.3 million shares.

E. The maximum Loan-to-Value Ratio permitted by the Proposed Facility is 50%. If the Loan-to-Value Ratio increases above 50%, then the loan must be paid down to return the Loan-to-Value Ratio to not greater than 50%. No draw downs can be made when the Loan-to-Value Ratio is, or would be, above 50%. If the Loan-to-Value ratio would otherwise cause required repayment of the loan and the parties can agree on alternate collateral, then the agreed-upon form of collateral can be posted in the amount and on the terms agreed and the pay down of the loan obviated in whole or in part.

F. Under the Proposed Facility, for a term of one year, Reliance would be permitted to make draw downs as frequently as daily, in minimum increments of \$1,000,000, with repayments due one year from the date of each draw down.

G. The fee to be paid to Bear Stearns for the Proposed Facility is \$25,000 plus 25 basis points per annum (on a 360 day calendar period), payable monthly, on the average unused commitment amount for that month.

H. The effectiveness of the Proposed Facility is conditioned, among other things, upon: (1) approval of the Proposed Facility by this Court; (2) Bear Stearns being granted a security interest in the shares that is perfected and enforceable in this rehabilitation and, if at any time this rehabilitation is converted to a liquidation, in such a liquidation; (3) the amounts payable being accorded priority as a cost and expense of administration during the pendency of the rehabilitation and in the event of liquidation; and (4) assurance that no plan of liquidation or rehabilitation hereafter adopted in these proceedings shall impair, diminish or compromise any of the rights or remedies held by

Bear Stearns under the Proposed Facility or provide for less than payment in full of all amounts due Bear Stearns under the Proposed Facility.

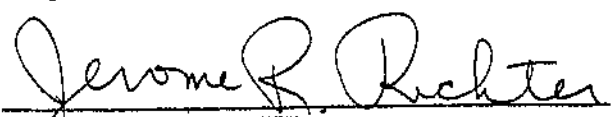
16. The Rehabilitator believes, and therefore avers, that the terms of the Proposed Facility are commercially reasonable.

17. For the reasons set forth above, the Rehabilitator believes, and therefore avers, that the negotiation, execution and performance of the Proposed Facility will enhance Reliance's ability to facilitate the rehabilitation and Reliance's ability to meet its policyholder obligations, and increase the potential recovery for other creditors of Reliance. The Rehabilitator believes, and therefore avers, that the Proposed Facility is in the best interests of Reliance's policyholders, certificateholders, creditors, and the public.

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WHEREFORE, the Rehabilitator respectfully requests the entry of an order authorizing her to negotiate, execute and perform, on behalf of Reliance, a secured credit facility on terms substantially similar to those set forth above.

Respectfully submitted,



JEROME R. RICHTER  
CHRISTOPHER A. LEWIS  
ANN B. LAUPHEIMER  
DANIEL H. WHEELER  
BLANK ROME COMISKY & McCAULEY LLP  
One Logan Square  
Philadelphia, PA 19103  
(215) 569-5500  
Counsel for Petitioner

M. DIANE KOKEN, Insurance Commissioner of the  
Commonwealth of Pennsylvania and Rehabilitator of  
RELIANCE INSURANCE COMPANY

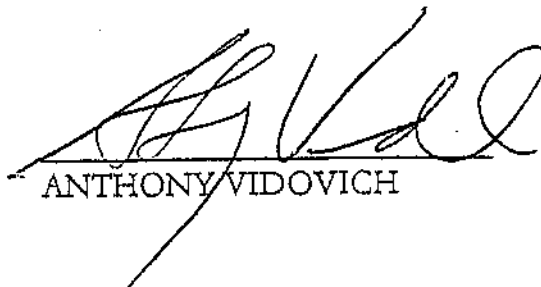
Of Counsel:

DAVID F. SIMON  
Chief Counsel  
INSURANCE DEPARTMENT OF  
THE COMMONWEALTH OF PENNSYLVANIA  
1321 Strawberry Square  
Harrisburg, PA 17120  
(717) 783-1975

Dated: August 8, 2001

**CERTIFICATE OF SERVICE**

I, Anthony Vidovich, hereby certify that on August 8, 2001, the foregoing was served via first class United States mail, postage prepaid on the persons listed in the attached Master Service List.

  
ANTHONY VIDOVICH

## Master Service List

M. Diane Koken, Insurance Commissioner of the Commonwealth of Pennsylvania

v.

Reliance Insurance Company

No. 269 M.D. 2001 (Commonwealth Court of Pennsylvania)

Jerome R. Richter  
Ann B. Laupheimer  
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One Logan Square  
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David F. Simon  
Chief Counsel  
Insurance Department of the  
Commonwealth of Pennsylvania  
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Obermayer Rebmann Maxwell Hipple  
1 Penn Center, 19<sup>th</sup> Floor  
Philadelphia, PA 19103-1895

James Michael Matour  
Hangley Aronchick Segal & Pudlin  
27<sup>th</sup> Floor One Logan Square  
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(215) 496-7001

Edward A. Perell  
Debevoise & Plimpton  
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New York, NY 10005

William Charles Bensley  
George Whittaker Howard  
Edward M. Nass  
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1608 Walnut Street Suite 1700  
Philadelphia, PA 19103  
(215) 546-8200

Brad S. Karp  
Paul, Weiss, Rifkind, Wharton & Garrison  
1285 Avenue of the Americas  
New York, NY 10019  
(212) 373-3000

Robert H. Levin  
Adelman Lavine Gold & Levin, P. C.  
1900 Two Penn Center Plaza  
Philadelphia, PA 19102  
(215) 568-7515

Richard E. Poole  
Potter Anderson & Corroon LLP  
1313 North Market Street  
P.O. Box 951  
Wilmington, DE 19899-0951  
(302) 984-6006

Richard P. Coe  
Weir & Partners, LLP  
1339 Chestnut Street Suite 500  
Philadelphia, PA 19107  
(215) 665-8181

Theodore E. Huenke  
Huenke & Rodriguez  
One Huntington Quadrangle, Suite 2S02  
Melville, NY 11747  
(631) 756-2024



**Transaction Summary:**

Bear Stearns will make available to the Company a one-year secured credit facility in an amount expected to be up to USD 75,000,000. The maximum tenor of any draw under the facility will be one year. Draws may be made and repaid as frequently as daily, in minimum amounts of USD 1,000,000.

Interest on drawn amounts under the facility will accrue at Fed Funds plus 100 basis points, compounded daily.

Borrowings under the Facility will be secured by shares of Symbol Technologies. The maximum Loan-to-Value Ratio is 50%. If the Loan-to-Value Ratio increases to 50% or above, then either the loan must be paid down or additional collateral must be posted as necessary to return the Loan-to-Value Ratio to below 50%. No drawings can be made when the Loan-to-Value Ratio is, or would be, at 50% or above.

**Bear Stearns:**

Bear, Stearns Securities Corp.

**Company:**

Rellance Insurance Company, an insurance company currently under rehabilitation under Commonwealth of Pennsylvania Law

**Loan:**

Bear Stearns will agree to lend to the Company during the Committed Period an amount of up to the Committed Amount.

**Committed Amount:**

USD 75,000,000

**Committed Period:**

One year from execution of the Loan Agreement

**Conditions to Commitment:**

Conditions to the commitment will include:

- Approval of transaction by the Commonwealth court having jurisdiction
- Bear Stearns' security interest in shares perfected and amounts payable under loan having administrative priority (see "Priority")
- No litigation underway or threatened opposing the transaction
- Opinion of counsel to the Borrower regarding all of the foregoing addressed to Bear Stearns

**Facility Fee:**

USD 25,000

**Unused Commitment Fee:**

25 basis points *per annum* on an Actual/360 basis, payable monthly on the average unused Commitment Amount for that month

**Draws Under Commitment:**

Draws under the Commitment can be made at any time during the Committed Period in an aggregate amount of up to the Committed Amount. This may occur daily, in increments of at least USD 1,000,000.

The Borrower will have the right to re-borrow amounts repaid (subject to the other terms hereof).

**Maximum Tenor of Draws:**

One year from date of draw. Thus, the last possible date of payment of any draw is two years from the date of the Loan Agreement (assuming a draw on the last day of the Committed Period not repaid until its maximum one-year tenor).

In determining how long a draw has been outstanding, a FIFO

	method will be used; any repayment will be applied in reduction of that draw which has been longest outstanding.
<b>Repayment of Draws:</b>	The Company may repay any draw at any time. This may occur daily, in increments of at least USD 1,000,000.
<b>Condition to Draw:</b>	<p>Conditions to any draw will include:</p> <ul style="list-style-type: none"> <li>▪ Certification of the borrower regarding continued effectiveness of approval of transaction by the Commonwealth court having jurisdiction, together with such supporting documentation as Bear Stearns may reasonably request from time to time</li> <li>▪ Bear Stearns' security interest in shares perfected and amounts payable under loan having administrative priority</li> <li>▪ No litigation underway or threatened opposing the transaction</li> </ul>
<b>Interest:</b>	Fed Funds plus the Spread (Actual/360), compounded daily and charged monthly.
<b>Spread:</b>	100 basis points
<b>Security:</b>	The loan will be secured by 7,840,880 shares of Symbol Technologies. In the event that, due to declines in value of the Symbol shares, the Company would otherwise be required to repay the loan, it may instead post additional collateral in form and amount acceptable to Bear Stearns
<b>Loan-to-Value Ratio:</b>	The ratio of the total amount outstanding in respect of the loan (principal balance, accrued interest, accrued fees) to the current market value of the shares of Symbol Technologies (and, is applicable, any other collateral) posted as collateral for the loan.
<b>Maintenance of Loan-to-Value Ratio:</b>	If the Loan-to-Value ratio increases to 50% or above, the Company will be required to either post additional shares of Symbol Technologies as collateral (up to the maximum specified above) and/or to pay down the loan such that the Loan-to-Value Ratio is less than 50%.
<b>Priority:</b>	<p>For purposes of any Insolvency proceeding involving the Borrower (whether a liquidation or rehabilitation), Bear Stearns shall be deemed a secured creditor, to the extent of the collateral held by it under the secured credit facility, and shall have the right to liquidate the collateral, without further order of the Commonwealth Court, and apply the proceeds to the payment of any amounts owed and not timely repaid by the Borrower under the facility."</p> <p>For purposes of any rehabilitation or liquidation proceeding involving the Borrower, the secured credit facility shall be treated as a post-petition transaction, all amounts owed to Bear Stearns thereunder shall be classified as costs and expenses of administration pursuant to 40 P.S. § 221.44 (a), and the Rehabilitator (or Liquidator, as applicable) shall not propose, agree to or otherwise support any plan or arrangement that would provide for less than payment in full of all amounts due Bear Stearns under the secured credit facility.</p>
<b>Documentation:</b>	Bear Stearns Customer Agreement with a supplemental letter

agreement

**Additional Terms:**

This termsheet only provides a summary of the principal economic terms of the proposed structure. Full agreements containing appropriate representations, warranties, covenants and conditions would be negotiated between the parties.



5. Symbol is engaged in the design, manufacture, marketing, and servicing of scanner integrated mobile and wireless information management systems. Symbol is a leader in the field of hand-held computers with barcode scanning capability, a market that is expected to grow by 20% per year over the next few years. Revenue for the second quarter is expected to be \$340 million, level with last year but down from the \$450 million realized during the first quarter of 2001.

6. As of July 24, 2001, Symbol had approximately 234 million shares outstanding (as reported by Salomon Smith Barney). Reliance currently owns approximately 11.3 million of these shares.

7. Over the past year, Symbol's common stock has traded between \$11.60 and \$37.33 per share, and the common stock closed at \$14.40 per share on August 7, 2001. As recently as the first quarter of 2000, the common stock traded as high as \$45 per share.

8. Of the twelve analysts that follow the stock, two rate the stock as a strong buy, five as a moderate buy, and the remaining five recommend that the stock be held.

9. Reliance may seek to sell a portion of its holdings in Symbol to provide liquidity through intermittent sales of modest amounts over a period of time. Prevailing market conditions reflect a relatively depressed valuation for many technology stocks. Reliance is reviewing certain strategies in connection with this stock.

10. To provide liquidity to Reliance, the Rehabilitator is seeking the Court's approval of a secured credit facility (the "Proposed Facility"), in an amount of up to USD \$75,000,000. As of August 7, 2001, the market value of Reliance's holdings in Symbol was approximately \$162.7 million.

11. The material terms of the Proposed Facility are as follows:

A. The Proposed Facility would be provided by Bear Stearns Securities Corp. ("Bear Stearns").

B. Under the Proposed Facility, Reliance would be permitted to borrow up to USD \$75,000,000 (the "Commitment Amount").

C. Interest on drawn amounts would accrue at the Federal Funds rate plus 100 basis points, compounded daily.

D. The borrowings would be secured by a pledge to Bear Stearns of shares of Symbol stock owned by Reliance. Inasmuch as Reliance owns approximately 11.3 million shares of Symbol stock, the maximum number of shares of Symbol stock that could be pledged under the Proposed Facility is approximately 11.3 million shares.

E. The maximum Loan-to-Value Ratio permitted by the Proposed Facility is 50%. If the Loan-to-Value Ratio increases above 50%, then the loan must be paid down to return the Loan-to-Value Ratio to not greater than 50%. No draw downs can be made when the Loan-to-Value Ratio is, or would be, above 50%. If the Loan-to-Value ratio would otherwise cause required repayment of the loan and the parties can agree on alternate collateral, then the agreed-upon form of collateral can be posted in the amount and on the terms agreed and the pay down of the loan obviated in whole or in part.

F. Under the Proposed Facility, for a term of one year, Reliance would be permitted to make draw downs as frequently as daily, in minimum increments of \$1,000,000, with repayments due one year from the date of each draw down.

G. The fee to be paid to Bear Stearns for the Proposed Facility is \$25,000 plus 25 basis points per annum (on a 360 day calendar period), payable monthly, on the average unused commitment amount for that month.

H. The effectiveness of the Proposed Facility is conditioned, among other things, upon: (1) approval of the Proposed Facility by this Court; (2) Bear Stearns being granted a security interest in the shares that is perfected and enforceable in this rehabilitation and, if at any time this rehabilitation is converted to a liquidation, in such a liquidation; (3) the amounts payable being accorded priority as a cost and expense of administration during the pendency of the rehabilitation and in the event of liquidation; and (4) assurance that no plan of liquidation or rehabilitation hereafter adopted in these proceedings shall impair, diminish or compromise any of the rights or remedies held by Bear Stearns under the Proposed Facility or provide for less than payment in full of all amounts due Bear Stearns under the Proposed Facility.

12. The terms of the Proposed Facility are commercially reasonable.

13. The negotiation, execution and performance of the Proposed Facility will enhance Reliance's ability to facilitate the rehabilitation and Reliance's ability to meet its policyholder obligations, and increase the potential recovery for other creditors of Reliance. The Proposed Facility is in the best interests of Reliance's policyholders, certificateholders, creditors, and the public.

Arthur W. Mullin  
ARTHUR W. MULLIN

Sworn to and subscribed

before me this 13<sup>th</sup> day

of August, 2001.

Cheryl E. Rogers  
NOTARIAL SEAL  
CHERYL E. ROGERS, Notary Public  
City of Philadelphia, Phila. County  
My Commission Expires Dec. 18, 2004  
1-82-00000720768144v1

**Exhibit B**





5. For purposes of any plan of liquidation or rehabilitation that may hereafter be proposed or approved in these proceedings, the Facility is hereby recognized and confirmed a post-petition transaction and undertaking by the Rehabilitator that is required for the orderly, efficient and economic administration of the operations and affairs of Reliance Insurance Company. Accordingly, no plan of liquidation or rehabilitation hereafter adopted in these proceedings shall impair, diminish or compromise any of the rights or remedies held by Bear Stearns Securities Corp. under the Facility, or provide for less than payment in full of all amounts due Bear Stearns Securities Corp. under the Facility.
6. Stenographic costs for the hearing held on this date, August 13, 2001, including the Court's costs, shall be treated as administrative expenses, and shall be paid by the Rehabilitator.

  
JAMES GARDNER COLINS, Judge