

## **UPDATE REGARDING IMPLEMENTATION OF PLANS OF LIQUIDATION FOR THE HOW COMPANIES**

This update covers events subsequent to those described in previous updates found under Historical Information/Historical Receivership Updates on the receivership web site at [www.howcorp.com](http://www.howcorp.com), which are incorporated by reference herein (to the extent that there are any differences between this update and prior updates, this update prevails).

The following is a summary description of some of the significant events regarding the liquidation of Home Warranty Company (“HWC”), the last of the HOW Companies that remains to be liquidated. **NOTHING HEREIN CONSTITUTES A BINDING LEGAL STATEMENT OR TIMETABLE BY THE RECEIVER, THE DEPUTY RECEIVER, OR THEIR REPRESENTATIVES. NOR ARE THE STATEMENTS CONTAINED HEREIN INTENDED AS COMPLETE LEGAL DESCRIPTIONS OF THE EVENTS OR MATTERS TO WHICH THEY RELATE. THE MATERIAL PROVIDED HEREIN IS OFFERED ONLY FOR THE PURPOSE OF GENERAL INFORMATION. FOR FULL LEGAL INFORMATION, INTERESTED PARTIES SHOULD REVIEW THE SOURCE DOCUMENTS AND APPLICABLE LEGAL AUTHORITIES.**

On August 11, 2017, the Internal Revenue Service (“I.R.S.”) issued a letter approving the Deputy Receiver’s request, dated November 22, 2016, for prompt assessment of HWC’s federal income tax liability for the tax years ending December 31, 2014 and December 31, 2015, and providing that those tax years will be closed as of June 12, 2018, if HWC does not receive before then a notice of additional tax due.

On September 3, 2017, HWC’s federal income tax year ending December 31, 2013, closed.

On October 10, 2017, the Deputy Receiver filed HWC’s federal income tax return for the year ending December 31, 2016.

On March 21, 2018, the Deputy Receiver signed HWC’s certificate of dissolution, which was filed with the Delaware Division of Corporations by mail on March 29, 2018.

On April 3, 2018, the Deputy Receiver filed, with the I.R.S., a request for prompt assessment of HWC’s federal income tax liability for the tax year ending December 31, 2016.

On May 10, 2018, the Deputy Receiver received a certified copy of HWC’s certificate of dissolution from the Delaware Division of Corporations.

During the second quarter of 2018, the Special Deputy Receiver intends to mail requests for W-9s to each of the thousands of Builder Distributees for whom HWC’s records has an address that is not known to be inaccurate. The Special Deputy Receiver anticipates that it will take substantial time to process the W-9s that will be received, as well as the W-9 requests that will be returned undeliverable as addressed.

**[NOTE: The order of events and timeline that follow differ somewhat from those anticipated in the June 20, 2017, update for the same events.]**

In order to distribute all of HWC's assets, thereby ceasing its existence as an entity subject to federal income tax, while making provision for the payment of HWC's estimated federal income taxes and potential additional assessments for open tax years through the year in which HWC distributes all of its assets, the Deputy Receiver will, after processing all W-9s received and all mail returned as undeliverable: (1) establish a \$10 million reserve for final expenses and contingencies of HWC's liquidation ("Reserve for Final Expenses and Contingencies"); and (2) allocate HWC's remaining assets, after the Reserve for Final Expenses and Contingencies, and begin distributing them to the Builder Distributees in accordance with the Receivership Order, the Order of Liquidation, the Plans of Liquidation, and the Residual Assets Allocation Memorandum (the "Main Distribution"). Because the Deputy Receiver selected the Claims Resolution Date as the calculation date for the Main Distribution, the Main Distribution will be the ultimate distribution, apart from the distribution of any unused portion of the Reserve for Final Expenses and Contingencies upon termination of the liquidating trust discussed below. The goal is to complete the Main Distribution by year-end 2019.

After the Main Distribution has been completed, the Deputy Receiver will establish a liquidating trust ("Trust") to which will be assigned and distributed the remaining HWC liabilities and the remaining HWC assets, the latter consisting of cash or cash equivalents in the amount of the Reserve for Final Expenses and Contingencies, as well as any unclaimed distributions due to Builder Distributees. The Trust would be subject to the Commission's supervision until the Trust is terminated according to the trust agreement's terms.

Pursuant to the trust agreement, the Trustee would administer the Reserve for Final Expenses and Contingencies to pay final costs, expenses, and contingencies, including for purposes of: (a) destroying HWC documents not already destroyed pursuant to the Commission-approved document retention schedule; (b) storing any HWC documents that the document retention schedule requires be retained for as long as they are required to be retained; (c) escheating, pursuant to the applicable states' unclaimed property laws, distributions that continue to be unclaimed as of the end of the period during which unclaimed distributions are required to be held before they are escheated; (d) preparing and filing HWC's federal income tax returns and requests for prompt assessment for all open tax years; (e) retaining the services of attorneys and certified public accountants as needed; (f) preparing final reports for the Commission; (g) paying HWC's federal income tax liabilities for 2017, 2018, and 2019, as well as any additional tax liability assessed by the I.R.S. for any HWC tax year until all HWC tax years are closed (anticipated to be sometime in 2021); (g) providing for the filing of the Trust's federal income tax returns and requests for prompt assessment, and paying the Trust's federal income tax liabilities for all years through the termination date of the Trust; and (h) thereafter distributing or escheating, pursuant to the same allocation as applicable to the Main Distribution, any remainder of the Reserve for Final Expenses and Contingencies, net of the Trust's liabilities and the costs of that distribution and escheatment.

In the event that the final expenses and the costs of distributing the remainder of the Reserve for Final Expenses and Contingencies to the Builder Distributees would exceed the remainder of the Reserve for Final Expenses and Contingencies, the trust agreement would direct the Liquidating Trustee to seek further instruction from the Commission regarding disposition of the remainder.

That would complete the dissolution and liquidation of HOW, HOWIC, and HWC pursuant to the Receivership Order, the Order of Liquidation, the Plans of Liquidation, and the Residual Assets Allocation

Memorandum. Accordingly, pursuant to paragraph (14) of the Order Approving Plans of Liquidation, the Deputy Receiver would then file a request that the Commission terminate and close the receivership.

Please note that to the extent that neither the Special Deputy Receiver (prior to establishment of the Trust) nor the Trustee (during the period of the Trust's existence) is able to mail a distribution to any Builder Distributee because HWC's records do not include an accurate address, that distribution will be remitted to the appropriate state's unclaimed property fund, after which the Builder Distributee or the Builder Distributee's legal successor will be able to find (and to claim) its distribution by periodically searching the national database of unclaimed property and following the designated instructions (see <https://www.unclaimed.org/>).

The Deputy Receiver will strive to complete the above-described steps as soon as possible, but no precise timetable can be provided. If your contact information should change prior to the completion of this process, please complete and submit the address correction form found at the Change of Address Form link under Address Correction Form at [www.howcorp.com](http://www.howcorp.com).

The Deputy Receiver appreciates the patience of Builder Distributees as this complex liquidation continues. As material developments warrant, the Deputy Receiver will cause additional updates to be posted periodically under Most Recent Receivership Update at [www.howcorp.com](http://www.howcorp.com).