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, 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.

On March 1, 2019, in Case No. INS-2019-00036, the Deputy Receiver filed with the Virginia State Corporation Commission an Application for Final Order in Aid of Continuing Liquidation (“Application”), which requests the Commission for an order: (i) providing for a contingent hearing, to be held only in the event that written opposition to the Application is timely filed; (ii) establishing response procedures; and (iii) approving notice procedures. In addition, the Application seeks a subsequent Commission final order, after the contingent hearing or if no hearing is held: (i) ratifying the actions and conduct heretofore in this receivership of the Deputy Receiver, his predecessors, the Special Deputy Receiver, and their deputies,
counsel, and consultants in furtherance of the ongoing liquidation of the HOW Companies pursuant to the Commission’s June 13, 2005, Order Approving Plans of Liquidation (“Liquidation Order”); (ii) approving Exhibit I-4F to the Application as the final and exclusive list of “Builder Distributees” to whom to distribute the residual assets of the HOW Companies (“Residual Assets”), as well as any remainder of the reserve established pursuant to paragraph 9 of the HOW/HWC Plan of Liquidation (“Reserve for Final Expenses and Contingencies”), according to the percentages shown on Exhibit I-4F to the Application; (iii) authorizing the Deputy Receiver to complete the escheatment of unclaimed distributions of Residual Assets and any remainder of the Reserve for Final Expenses and Contingencies, or to do so through the use of a trustee of a liquidating trust (“Liquidating Trust” or “Trust”) established pursuant to paragraph 13 of the HOW/HWC Plan of Liquidation approved by the Liquidation Order, or through the use of an escrow arrangement, or by any combination of the foregoing as the Deputy Receiver deems necessary or appropriate, in the manner proposed in the Application (including providing that if the Deputy Receiver estimates that the costs of distributing any remainder of the Reserve for Final Expenses and Contingencies pro rata to Builder Distributees would exceed the amount of those remaining assets, those remaining funds shall instead be paid to the Treasurer of the Commonwealth of Virginia); and (iv) directing the Deputy Receiver, notwithstanding the reference to termination of a Trust in paragraph (14) of the Liquidation Order, to file a request in Case No. INS-1994-00218 for the Commission’s approval to terminate and close the receivership proceedings when, for reasons such request would explain, the Deputy Receiver believes that the purposes of the liquidation proceeding have been accomplished (whether or not the use of a Trust proves necessary). A copy of the Application is posted under Documents at www.howcorp.com. Sometime soon, the Commission should issue a Scheduling and Procedural Order on the Application, which will also be posted under Documents at www.howcorp.com. Mailed and publication notice of the Application and Scheduling and Procedural Order will be provided in the manner required by the latter.

If your contact information should change prior to the termination of this receivership, please complete and submit the address correction form found at the Change of Address Form link under Address Correction Form at 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.