

Commission advising that the Deputy Receiver had received: (i) a “tax free liquidation” private letter ruling from the Internal Revenue Service, establishing that the liquidation of a solvent HOWIC, and transfer of its assets and any remaining liabilities into Home Warranty Corporation (“HWC”), would qualify as a liquidation for which no gain or loss need be recognized by HOWIC or HWC; and (ii) an actuarial projection that HOWIC had sufficient assets to satisfy its liabilities and to declare a dividend to HWC, sufficient in turn, for HWC to satisfy its liabilities, including the refund of all vested capital contributions as authorized by the Liquidation Order. The Deputy Receiver issued such a directive and filed such a report with the Commission on June 12, 2008.

4. The Deputy Receiver completed the liquidating distributions from HOWIC to HWC and filed HOWIC’s articles of termination with the Commission which, on February 11, 2015, issued a Certificate of Termination for HOWIC.

THEREFORE, THE DEPUTY RECEIVER HEREBY DIRECTS:

- a. That the HOW/HWC Plan of Liquidation, as described in the Application, is hereby implemented.
- b. Pursuant to the HOW/HWC Plan of Liquidation, the Deputy Receiver will:
 - i. Continue managing the affairs of the HOW Companies until such time as they are liquidated and dissolved;
 - ii. Pay the costs and expenses of the HOW Companies’ administration, pursuant to Va. Code Ann. §§ 38.2-1509(B)(1) and 38.2-1510;
 - iii. Adjudicate, and pay in full, the claims of policyholders arising out of the HOW Companies’ insurance contracts, pursuant to Va. Code Ann. § 38.2-1509(B)(1)(ii);

- iv. Pay the HOW Companies' taxes owed to the United States and other debts owed to any person, including the United States, which by the laws of the United States are entitled to priority, pursuant to Va. Code Ann. § 38.2-1509(B)(1)(iii);
- v. Pay wages of the HOW Companies' employees entitled to priority, pursuant to Va. Code Ann. § 38.2-1509(B)(1)(iv);
- vi. Adjudicate, and pay in full, general creditor claims against the HOW Companies, including the refund of all vested capital contributions to Eligible Builders, pursuant to Va. Code Ann. § 38.2-1509(B)(1)(v);
- vii. Pay interest on claims in the same order of priority as the payment of the underlying claims;
- viii. Take all steps necessary and appropriate to dissolve and liquidate HOW as soon as reasonably practicable;
- ix. Cause any third party or contractor of the HOW Companies to assume remaining obligations and contingencies of the HOW Companies in exchange for reasonable consideration, and obtain an independent opinion from an actuarial or accounting firm regarding the reasonableness of consideration paid for any assumption of the HOW Companies' obligations or contingencies;
- x. Establish and maintain a reserve of not more than \$10 million for claims, costs, expenses, unknown claims, and contingencies, over and

above any existing reserves for insurance/warranty claims, until final liquidation of IIWC;

- xi. Return to the Commission for further instruction if she determines that the amount of residual assets is so small as to make a distribution to builder distributees impracticable;
- xii. After the final wind down of HOWIC is completed, cause HWC to distribute any residual assets to those builders who were HOWIC insureds as of the date of the Receivership Order, in the manner prescribed by the Liquidation Order, provided that HWC has first satisfied its own liabilities and those of HOW and HOWIC;
- xiii. In the event that she cannot find any person owed funds by the HOW Companies, including any builder distributee owed a distribution of residual assets, deliver such unclaimed funds to the custody of the state of that person's last known address, as shown by the HOW Companies' books and records, pursuant to the procedures established by that state's unclaimed property laws (or, if permitted by reciprocity arrangements, to the Virginia State Treasurer on behalf of such other state);
- xiv. Create a trust to hold any unclaimed funds if the applicable state unclaimed property laws do not permit her to deliver any such unclaimed funds to the relevant states prior to the date that HWC would cease to exist and the receivership would terminate (and if no

reciprocity arrangement allows her to deliver the unclaimed funds to the Virginia State Treasurer on such other states' behalf);

- xv. Dissolve HWC upon: (i) payment of its liabilities with all available assets, or (ii) distribution of all residual assets in the manner prescribed by the Liquidation Order; and
- xvi. Upon completion of the dissolution and liquidation of HOWIC, HOW, and HWC pursuant to the Plans of Liquidation as modified and approved by the Liquidation Order, file a request with the Commission for approval to terminate and close this receivership proceeding.

SIGNED this 2nd day of March 2015.

Jacqueline K. Cunningham, Deputy Receiver of Home Warranty Corporation, Home Owners Warranty Corporation, and HOW Insurance Company, a Risk Retention Group, in Receivership


