

COMMONWEALTH OF VIRGINIA
STATE CORPORATION COMMISSION

COMMONWEALTH OF VIRGINIA
at the Relation of the
STATE CORPORATION COMMISSION,

Applicant,

v.

HOW INSURANCE COMPANY, A
RISK RETENTION GROUP,
HOME WARRANTY CORPORATION,
and HOME OWNERS WARRANTY
CORPORATION,

Respondents.

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CASE NO. INS-1994-00218

SEVENTH DIRECTIVE OF DEPUTY RECEIVER
(IMPLEMENTING THE HOWIC PLAN OF LIQUIDATION)

1. On November 30, 2004, the Deputy Receiver filed with the Commission his Application for Orders Setting Hearing on Plans of Liquidation of HOW Insurance Company, a Risk Retention Group, Home Owners Warranty Corporation, and Home Warranty Corporation, Establishing Response Date, Approving Plans of Liquidation, Approving Claims Bar Date, and Related Matters (the “Application”).

2. On June 13, 2005, the Commission entered an Order Approving Plans of Liquidation (the “Liquidation Order”), in which among other things it authorized the Deputy Receiver to issue a directive implementing the HOWIC Plan of Liquidation.

3. Pursuant to paragraphs (3) and (4) of the Liquidation Order, and Exhibit A of the Application incorporated by reference therein, the Deputy Receiver is authorized to issue a directive implementing the HOWIC Plan of Liquidation if and when, within three years of the date of entry of the Liquidation Order, he files a written report with the Commission advising that: (i) he has

obtained 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 HWC would qualify as a liquidation for which no gain or loss need be recognized by HOWIC or HWC , and (ii) he has received an actuarial projection that HOWIC has 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 filed such a report with the Commission concurrently with the issuance of this directive.

THEREFORE, THE DEPUTY RECEIVER HEREBY DIRECTS:

- a. That the HOWIC Plan of Liquidation, as described in the Application, is hereby implemented.
- b. Pursuant to the HOWIC Plan of Liquidation, the Deputy Receiver will:
 - i. Liquidate HOWIC and transfer its assets, along with any remaining liabilities, to HWC;
 - ii. Issue a directive establishing a period for the filing of proofs of claims against the HOW Companies, beginning on the date of issuance of the directive and ending on a specified deadline (the “Bar

¹ As described in the Application, the Deputy Receiver has throughout the receivership been disbursing HOWIC’s assets as they become available, pursuant to VA. CODE ANN. § 38.2-1509 and the Circuit Court of the City of Richmond’s October 14, 1994 Final Order Appointing Receiver for Rehabilitation or Liquidation. That process will continue pursuant to parts iii through xiii of the HOWIC Plan of Liquidation, as well as under the HOW/HWC Plan of Liquidation described in Exhibit A to the Application, which is incorporated by reference in the Liquidation Order.

Date”), and mail and publish notices of such Bar Date to all interested parties;

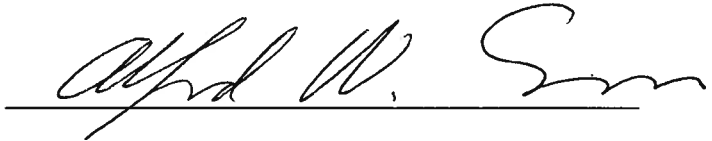
- iii. Pay the costs and expenses of the HOW Companies’ administration, pursuant to VA. CODE ANN. §§ 38.2-1509(B)(1) and 38.2-1510;
- iv. Pay the claims of the HOW Companies’ secured creditors, pursuant to VA. CODE ANN. § 38.2-1509.B.1(i);
- v. Adjudicate, and pay in full, the claims of policyholders arising out of the HOW Companies’ insurance contracts, pursuant to VA. CODE ANN. § 38.2-1509.B.1(ii);
- vi. Pay the HOW Companies’ taxes, pursuant to VA. CODE ANN. § 38.2-1509.B.1(iii);
- vii. Pay wages of the HOW Companies’ employees entitled to priority, pursuant to VA. CODE ANN. § 38.2-1509.B.1(iv);
- viii. Adjudicate, and pay in full, general creditor claims against the HOW Companies, pursuant to VA. CODE ANN. § 38.2-1509.B.1(v); and
- ix. Begin the liquidation of HOWIC in the year in which HOWIC makes its first distribution of assets to HWC (the “Distribution Year”) and, under applicable tax rules, complete the liquidation of HOWIC by the end of the calendar year following the Distribution Year (the “Liquidation Period”).

c. Pursuant to item 2 of the HOWIC Plan of Liquidation, a period for the filing of proofs of claims against the HOW Companies is hereby established, beginning thirty (30) days

after the date of issuance of this directive and ending on a deadline six (6) months after such period begins (the "Bar Date"), and mail and published notice of such Bar Date will be provided to all interested parties prior to the commencement of such period.

SIGNED this 12 day of June, 2008.

Alfred W. Gross, Deputy Receiver of Home Warranty Corporation, Home Owners Warranty Corporation, and HOW Insurance Company, a Risk Retention Group, in Receivership

A handwritten signature in cursive script, appearing to read "Alfred W. Gross", is written over a horizontal line.