UPDATE REGARDING IMPLEMENTATION OF PLANS OF LIQUIDATION FOR THE HOW COMPANIES

This update covers events subsequent to those described in "Historical & Current Developments" (www.howcorp.com/Historical.htm) and in other documents previously posted on the receivership web site (www.howcorp.com/document.htm), through the update dated July 7, 2015, which are incorporated by reference herein.

NOTHING HEREIN SHALL CONSTITUTE A BINDING TIMETABLE BY THE RECEIVER, THE DEPUTY RECEIVER, OR THEIR REPRESENTATIVES.

As of March 5, 2015, HOW and HOWIC had been dissolved, the Deputy Receiver had caused them to distribute all of their remaining assets to HWC, and the Deputy Receiver had caused HWC to assume all of their remaining liabilities.

As of September 11, 2015, the Deputy Receiver had completed paying all approved claims filed before the Bar Date, plus interest. Consequently, pursuant to the Residual Assets Allocation Memorandum as modified and approved by the Commission,[1] the Residual Assets allocation will be *calculated* as of December 31, 2016 (the "Claims Resolution Date").[2] That calculation, which the Deputy Receiver plans to complete prior to May 22, 2018, will determine the percentage of Residual Assets allocated to each builder (the total of all builder percentage allocations will be 100%).

As of February 10, 2016, the Deputy Receiver had completed paying all approved claims for refund of vested capital contributions to Eligible Builders, plus interest.

Paragraph 11 of the Commission-approved HOW/HWC Plan of Liquidation establishes three preconditions for distributing Residual Assets. The only such condition not yet met is the satisfaction of all HWC liabilities. Specifically, in order to address the risk that the Internal Revenue Service ("I.R.S.") might assess additional tax liabilities against HWC after the distribution of Residual Assets, the Deputy Receiver must not only pay all known HWC federal income tax liabilities due for years prior to the distribution of Residual Assets, but must also make provision for estimated taxes for the year before the distribution of Residual Assets and for the year in which Residual Assets are distributed, as well as for potential additional I.R.S. assessments of federal income tax for all tax years that the I.R.S. does not yet consider closed.

In order to distribute all of HWC's assets in order to cease its existence as an entity subject to federal income tax, while making provision for payment of HWC's estimated federal income tax and

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[1] The Residual Assets Allocation Memorandum was attached as Exhibit A-1 to the Application filed by the Deputy Receiver in the Commission on November 29, 2004, in Case No. INS-1994-00218. The Commission's Order Approving Plans of Liquidation, entered in the same case on June 13, 2005, approved the Residual Assets Allocation Memorandum's proposed methodology, with the Commission modification that 25% of the Residual Assets be allocated on a per capita basis, or fixed component, and 75% of the Residual Assets be allocated based on the profitability contribution, or variable component.

[2] See Residual Assets Allocation Memorandum at 1.

potential additional assessments for open tax years through the year in which HWC distributes all of its assets, the Deputy Receiver: (1) has requested that the I.R.S., pursuant to Section 6501(d) of the Internal Revenue Code ("Section 6501(d)"), make a prompt assessment of HWC's federal income tax liabilities for 2013, 2014, and 2015; (2) will establish a liquidating trust ("Trust") with a liquidating trustee ("Liquidating Trustee"), to which the Deputy Receiver will distribute all of HWC's assets (thereby ceasing HWC's existence as a taxable entity) and all of HWC's remaining liabilities, including for unclaimed funds and a $10 million reserve for final costs, expenses, and contingencies (*including* HWC's estimated federal income tax liabilities for 2016, 2017, and 2018, and a contingency for potential additional assessments by the I.R.S. after the distribution of Residual Assets); (3) would contractually obligate the Liquidating Trustee, after the distribution of Residual Assets (subject to what remains of the $10 million reserve), to request the I.R.S. to make a prompt assessment of HWC's federal income tax liabilities for 2016, 2017, and 2018; and (4) would contractually obligate the Liquidating Trustee, after the I.R.S. prompt assessment for 2016, 2017 and 2018, to distribute any Trust estate remainder to Builder Distributees pursuant to the same allocation as the earlier distribution of Residual Assets, *net of final expenses and the costs of distribution* (or, in the event that final expenses and the costs of distribution would exceed the Trust estate remainder, the Trust agreement would direct the Liquidating Trustee to seek further instruction from the Commission regarding disposition of the Trust estate remainder).

Consistent with the previous paragraph, the Deputy Receiver filed HWC's 2015 federal income tax return on September 15, 2016. That was followed on November 22, 2016, by the filing of a request to the I.R.S., pursuant to Section 6501(d), for prompt assessment of HWC's federal income tax liabilities for the years 2013, 2014 and 2015. Pursuant to Section 6501(d), the I.R.S. shall assess any tax for each of those years within 18 months of the filing of the request for prompt assessment (*i.e.*, on or before May 22, 2018), but not later than three years after the return at issue was filed.

By letter dated January 27, 2017, the I.R.S. advised that it: (a) had received HWC's request for prompt assessment for the years 2013, 2014, and 2015; and (b) would advise of its approval or denial of the request within 120 days. By letter dated February 13, 2017, the I.R.S. advised that: (a) it had received the request for prompt assessment dated November 22, 2016; (b) it accepted HWC's 2013 federal income tax return as filed; (c) the closing date for HWC's 2013 federal income tax return will be September 3, 2017; and (d) if HWC does not receive any tax due notices before that closing date, HWC will not need to take further action. The Deputy Receiver anticipates receiving a separate letter from the I.R.S. advising whether the I.R.S. has approved or denied the request for prompt assessment of HWC's federal income tax liability for 2014 and 2015, and providing a closing date for those returns approximately 18 months after the request for prompt assessment was filed.

Pursuant to Section 6501(d), the Deputy Receiver must begin the dissolution of HWC on or before May 22, 2018, which she will do by executing a written consent to HWC's dissolution. Subsequently, the Deputy Receiver will complete the dissolution of HWC by: (1) filing HWC's final Delaware franchise tax report; and (2) filing HWC's certificate of dissolution.

After dissolving HWC, the Deputy Receiver will execute a written trust agreement with the Liquidating Trustee to establish the aforementioned trust ("Trust Agreement"), and assign and distribute to the Liquidating Trustee, all remaining assets and liabilities of HWC, subject to the $10 million reserve. The Trust Agreement would make the Trust subject to the Commission's supervision until the Trust is terminated according to the Trust Agreement's terms. 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.[3]

The distribution of all of HWC's remaining assets and liabilities to the Builder Distributees and to the Liquidating Trustee will result in HWC ceasing to exist as a taxable entity for purposes of Section 6501(d).

Pursuant to the terms of the Liquidating Trust Agreement, the Liquidating Trustee would administer the Trust for purposes including paying final costs, expenses, and contingencies including for: (a) destroying HWC documents not already destroyed pursuant to the Commission-approved document retention schedule; (b) processing non-deliverable checks; (c) processing and escheating unclaimed property; (d) preparing HWC's federal income tax returns for 2016 (if not filed before the Liquidating Trust is established), 2017, and 2018; (e) services of attorneys and certified public accountants as needed; (f) preparing final reports for the Commission; (g) HWC's federal income tax liability for 2016 (if not paid before the Liquidating Trust is established), 2017, and 2018, as well as any additional tax liability assessed by the I.R.S. in response to the request for prompt assessment of HWC's taxes for 2016, 2017 and 2018;[4] and (h) distributing any remainder of the Trust's assets to the Builder Distributees (or their assignees), net of the Trust's liabilities and the costs of distribution.[5] This would complete the liquidation and dissolution of HOW, HOWIC, and HWC pursuant to the Plans of Liquidation. Accordingly, pursuant to paragraph (14) of the Order Approving Plans of Liquidation, the Deputy Receiver would then file a request with the Commission for approval to terminate and close this receivership proceeding.

If it should appear that the cost of distributing any remainder of the Trust's assets to the Builder Distributees or their assignees, net of the Trust's liabilities and the costs of distribution, would exceed the cash and cash equivalents remaining in the Trust, the Liquidating Trust Agreement would instruct the Liquidating Trustee to seek instructions from the Commission regarding the disposition of that remainder.

As material developments warrant, the Deputy Receiver will cause additional updates to be posted periodically on the receivership web site (www.howcorp.com/document.htm).

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[3] See Id.

[4] As noted above, the contemplated final tax year is 2018, which would not be closed pursuant to the second request for prompt assessment until perhaps as late as mid-2020. Therefore, it is anticipated that the Liquidating Trust would need to be maintained until at least 2020.

[5] The Liquidating Trust Agreement would require the Liquidating Trustee to distribute those funds to the Builder Distributees pursuant to the same allocation that the Deputy Receiver used to distribute the Residual Assets.