

**LandAmerica 1031 Exchange Services, Inc.  
Analysis of Creditor Recoveries**



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PREPARED AT THE DIRECTION OF COUNSEL**

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The information contained in this document was prepared as a result of the inter-company (LFG/LES) and inter-creditor (Segregated/Commingled) mediations and is to be used for settlement purposes only. This document and all supporting analyses have been prepared at the direction of legal counsel for the LES Committee of Unsecured Creditors. The information contained herein is not to be disseminated, distributed or reviewed without the written consent of Protiviti Inc. If the recipient of this document is not the intended recipient, you are hereby notified that any dissemination, distribution or copy of this document is strictly prohibited.

The recipient is further notified that this summary of sources and uses (creditor recoveries) is draft and subject to material change. All sources and uses of cash, as well as claims amounts, listed herein are estimates and are subject to material change. The claims review process is ongoing and no final determination has been made in regard to either the classification or amount of claims. The amounts listed herein were extracted from a variety of sources, including, but not limited to, bank statements, financial statements, operating reports, bankruptcy schedules, pleadings, and filed claims. The range of values set forth herein are estimates, and may materially change between the date of this analysis and the ultimate distribution of funds. Protiviti makes no assurance as to the funds that will be available for distribution, nor of the total amount of claims, at the time the funds are ripe for distribution. Protiviti does not retain any obligation to update or revise the recovery amounts listed herein. The scope of Protiviti's work did not include an examination in accordance with the American Institute of Certified Public Accountants ("AICPA") standards.

This analysis is meant to be used in conjunction with an oral presentation. We do not recommend drawing conclusions regarding anticipated recoveries without understanding the substance of the oral presentation.

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Statement of Significant Assumptions

**I. General Assumptions**

- A) This analysis was prepared as a result of the inter-estate and inter-creditor mediations held July 1-2 and July 13-14, respectively.
- B) This analysis assumes an effective date of the Joint Chapter 11 Plan of LandAmerica Financial Group, Inc. (the "Plan") on November 15, 2009.
- C) The June 30, 2009 Monthly Operating Report ("MOR"), the LandAmerica 1031 Exchange Services, Inc. ("LES") schedules, and the filed proofs of claim provide a basis for the assets and principal claims asserted.
- D) Cash and Cash Equivalents:
  - i) The commingled and segregated cash amounts listed herein are taken from the LES June MOR. The remaining escrowed funds are projected to settle in accordance with the Plan and, therefore, only 3% of the total escrowed proceeds are included in available cash.
- E) Administrative Expenses:
  - i) Includes the maximum amount allowed under the Plan for lead test case attorneys. These claims may ultimately be lower.
  - ii) Includes unpaid and projected net professional fees (\$4.72M) and an outstanding post-petition intercompany payable (\$180K).
- F) Other Obligations:
  - i) The Plan provides that LES will contribute a maximum of \$500K for allowed claims of the IRS against the Consolidated Tax Group, and the lesser of \$5M or 25% of any amount paid to the PBGC. This analysis includes the maximum amount for these claims. These claims may be ultimately lower.
  - ii) Assumes \$3.0 million in cash will be carved out from LES' estate to fund the activities of the LES Trust.
- G) Claims:
  - i) Commingled and Segregated Exchangers include all principal claim amounts scheduled and included in LES' books and records. The principal amounts exclude escrowed customers and settled customer claims.
  - ii) Operating Intercompany Claim: The Operating I/C claim is the Allowed Class LES 6 Claim of LFG against LES. This claim relates to prepetition ordinary course business operating and other expenses that LFG paid on behalf of LES in the year preceding the bankruptcy.
  - iii) Vendor Claims: The non-exchanger (vendor) claims filed in the LES Estate consist of several litigation matters, employee claims, and goods/services claims. While likely significantly less, these claims were conservatively included at \$1 million. Please note that this claim does not include the Operating Intercompany Claim referenced above.

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- iv) Note Claims: Exchanger claims involving promissory notes issued to LES as part of the exchange are excluded from this analysis. In total, there are eight Note Claims totaling approximately \$11 million. Under the terms of the inter-creditor mediation settlement, any proceeds received from these notes will be treated the same as segregated exchanges and will be distributed to the holders of the Note Claims in the same manner as proceeds distributed to the Segregated Exchangers.

## II. Initial Distribution

- A) As part of the inter-creditor mediation, the Segregated Exchangers will receive the greater of 51% or \$50M of the Net LES Cash. Under this analysis, assuming \$100 million of available Net Cash, the Segregated Exchangers will receive approximately 71% and the Commingled Exchangers will receive approximately 25% of their principal claims.

## III. Waterfall

- A) The proceeds, net of costs of collection and distribution, from the disposition of the ARS and the prosecution of the ARS Litigation and the Other Litigation will be distributed to the LES Trust and the LFG Trust in the following manner (the "Waterfall"): (a) the initial \$8 million to the LFG Trust; (b) the next \$65 million to the LES Trust; (c) the next \$3 million to the LFG Trust; (d) 65% of the next \$159 million to the LES Trust and 35% to the LFG Trust; and (e) any excess over a \$235 million recovery will be split evenly (50% each) between the LES and LFG Trusts. See Exhibit A.
- B) From the Waterfall proceeds received by the LES Trust (after the Initial Distribution), the Segregated Exchangers will receive 25% and the Commingled Exchangers will receive 75% until the Segregated Exchangers principal claims have been satisfied in full. Thereafter, the Commingled Exchangers will receive 100% of the LES Trust Waterfall proceeds until their principal claims have been satisfied in full. If both the Segregated and Commingled Exchangers principal claims are fully satisfied, any remaining LES Trust Waterfall proceeds will be divided pro-rata based on exchanger damage claims.

## IV. Summary of Scenarios

- A) Scenario I assumes \$40M of Waterfall Proceeds, the amount assuming a recovery of 20% of the face value of the ARS and nothing else.
- B) Scenario II assumes \$101.5M of Waterfall Proceeds, the amount of proceeds required to return 100% of principal to Segregated Exchangers and approximately 56% to Commingled Exchangers.
- C) Scenario III assumes \$233M of Waterfall Proceeds, the amount of proceeds required to return 100% of principal to both Segregated and Commingled Exchangers.
- D) Exhibit B includes an analysis of Waterfall Proceeds in \$10M increments and the expected distribution to exchangers.



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 (\$ in 000's)

**II. LITIGATION AND OTHER RECOVERIES**

	Scenario I	Scenario II	Scenario III
A) Waterfall Proceeds	\$ 40,000	\$ 100,500	\$ 233,000
B) Less: LFG Group Distribution (See Exhibit A)	8,000	19,575	65,950
	<u>32,000</u>	<u>80,925</u>	<u>167,050</u>

**III. DISTRIBUTION TO GENERAL UNSECURED CREDITORS**

A) Segregated Customers Recovery of Principal			
i) Initial Distribution	51,001	51,001	51,001
ii) Additional Recovery	8,000	20,231	20,233
	<u>59,001</u>	<u>71,233</u>	<u>71,234</u>
			71.6%
			28.4%
			100.0%
B) Commingled Customers Recovery of Principal			
i) Initial Distribution	47,950	47,950	47,950
ii) Additional Recovery	23,485	59,391	143,571
	<u>71,435</u>	<u>107,341</u>	<u>191,521</u>
			25.0%
			31.0%
			56.0%
C) Operating I/C Claim Recovery			
i) Initial Distribution	801	801	801
ii) Additional Recovery	392	992	2,399
	<u>1,194</u>	<u>1,793</u>	<u>3,200</u>
			25.0%
			31.0%
			56.0%
D) Vendor Claims Recovery			
i) Initial Distribution	250	250	250
ii) Additional Recovery	123	310	750
	<u>373</u>	<u>560</u>	<u>1,000</u>
			25.0%
			31.0%
			56.0%
E) Total Recovery to LES' General Unsecured Creditors			
i) Initial Distribution	100,003	100,003	100,003
ii) Additional Recovery	32,000	80,925	166,952
	<u>132,003</u>	<u>180,928</u>	<u>266,955</u>
			37.5%
			30.3%
			67.8%
			100.0%

**IV. TOTAL DISTRIBUTION TO LFG**  
 (Operating I/C and Waterfall Distribution)

	9,194	21,368	69,150
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Exhibit A

LandAmerica 1031 Exchange Services, Inc.  
 Analysis of Creditor Recoveries  
 Intercompany Mediation Settlement  
 (\$ in 000s)

	Scenario I	Scenario II	Scenario III
<b>I. Waterfall Proceeds:</b>			
i) Funds to LFG (\$8M)	\$ 40,000	\$ 100,500	\$ 233,000
Remaining Funds after First Tier	8,000	8,000	8,000
	32,000	92,500	225,000
ii) Funds to LES (\$65M)	32,000	65,000	65,000
Remaining Funds after Second Tier	-	27,500	160,000
iii) Funds to LFG (\$3M)	-	3,000	3,000
Remaining Funds after Third Tier	-	24,500	157,000
iv) Funds to LES/LFG (65/35 Split) upto \$235M	-	15,925	102,050
Funds to LES	-	8,575	54,950
Funds to LFG	-	24,500	157,000
v) Remaining Funds to be Split 50/50	-	-	-
Funds to LES	-	-	-
Funds to LFG	-	-	-
vi) Total	\$ 32,000	\$ 80,925	\$ 167,050
Funds to LES	8,000	19,575	65,950
Funds to LFG	\$ 40,000	\$ 100,500	\$ 233,000

Exhibit B

LandAmerica 1031 Exchange Company, Inc  
 Waterfall Sensitivity Analysis

Total Waterfall Proceeds	Segregated Recovery [a]		Commingled & Other [a]		Total Recovery [a]	
	Funds	%	Funds	%	Funds	%
\$ -	\$ 51,001	71.6%	\$ 49,001	25.0%	\$ 100,003	37.5%
10,000	51,501	72.3%	50,501	25.8%	102,003	38.2%
20,000	54,001	75.8%	58,001	29.6%	112,003	42.0%
30,000	56,501	79.3%	65,501	33.5%	122,003	45.7%
40,000	59,001	82.8%	73,001	37.3%	132,003	49.4%
50,000	61,501	86.3%	80,501	41.1%	142,003	53.2%
60,000	64,001	89.8%	88,001	45.0%	152,003	56.9%
70,000	66,501	93.4%	95,501	48.8%	162,003	60.7%
80,000	67,901	95.3%	99,701	50.9%	167,603	62.8%
90,000	69,526	97.6%	104,576	53.4%	174,103	65.2%
100,000	71,151	99.9%	109,451	55.9%	180,603	67.7%
110,000	71,234	100.0%	115,869	59.2%	187,103	70.1%
120,000	71,234	100.0%	122,369	62.5%	193,603	72.5%
130,000	71,234	100.0%	128,869	65.8%	200,103	75.0%
140,000	71,234	100.0%	135,369	69.2%	206,603	77.4%
150,000	71,234	100.0%	141,869	72.5%	213,103	79.8%
160,000	71,234	100.0%	148,369	75.8%	219,603	82.3%
170,000	71,234	100.0%	154,869	79.1%	226,103	84.7%
180,000	71,234	100.0%	161,369	82.4%	232,603	87.1%
190,000	71,234	100.0%	167,869	85.8%	239,103	89.6%
200,000	71,234	100.0%	174,369	89.1%	245,603	92.0%
210,000	71,234	100.0%	180,869	92.4%	252,103	94.4%
220,000	71,234	100.0%	187,369	95.7%	258,603	96.9%
230,000	71,234	100.0%	193,869	99.1%	265,103	99.3%
233,000	71,234	100.0%	195,721	100.0%	266,955	100.0%

[a] Includes \$100M initial distribution.