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IN THE UNITED STATES BANKRUPTCY COURT
FOR THE EASTERN DISTRICT OF VIRGINIA
RICHMOND DIVISION

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In re : Chapter 11
: :
LandAmerica 1031 Exchange Services, Inc., : Case No. 08-_____ ()
: :
Debtor. :
-----X
In re : Chapter 11
: :
LandAmerica Financial Group, Inc. : Case No. 08-_____ ()
: :
Debtor. :
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**AFFIDAVIT OF G. WILLIAM EVANS, CHIEF FINANCIAL OFFICER OF
LANDAMERICA FINANCIAL GROUP, INC. AND VICE PRESIDENT
OF LANDAMERICA 1031 EXCHANGE SERVICES, INC., IN
SUPPORT OF CHAPTER 11 PETITIONS AND FIRST DAY PLEADINGS**

STATE OF VIRGINIA)
) ss:
COUNTY OF RICHMOND)

I, G. William Evans, of full age, being duly sworn, state that the following is true and correct to the best of my knowledge, information and belief:

1. I am an Executive Vice President and the Chief Financial Officer of LandAmerica Financial Group, Inc. (“**LFG**”), the parent corporation of the LandAmerica enterprise. I have served as LFG’s CFO since 1999 and have been employed by LFG or its predecessor for approximately 32 years. In addition, I serve as an officer and director of various of LFG’s wholly-owned subsidiaries, including LandAmerica 1031 Exchange Services, Inc. (“**LES**” and, together with LFG, the “**Debtors**”), a corporation organized under the laws of Maryland. Given this experience and my current role, I am familiar with the day-to-day operations, business and financial affairs of the Debtors.¹

2. On the date hereof (the “**Petition Date**”), the Debtors filed a voluntary petition for relief under chapter 11 of title 11 of the United States Code (the “**Bankruptcy Code**”). As explained in more detail below, LFG has commenced this chapter 11 case in order to effectuate the sale of its principal assets – namely, the stock of its underwriter subsidiaries. In addition, both LFG and LES commenced these chapter 11 cases in order to conduct an orderly wind-down of their respective businesses and provide for a fair and equitable distribution of their value to their stakeholders.

¹ The last four digits of the taxpayer identification numbers for LES and LFG are 9044 and 9611, respectively.

3. I submit this affidavit: (a) to explain to the Court and other interested parties the circumstances that compelled the Debtors to seek relief under the Bankruptcy Code, and (b) in support of the relief requested in the limited “first day” motions filed by the Debtors (the “**First Day Motions**”). Except as otherwise indicated, all facts set forth in this affidavit are based upon my personal knowledge and/or the knowledge I have acquired from those who report to me, my review of relevant documents, or my opinion based upon experience, knowledge and information concerning the Debtors’ operations and financial condition. If called upon to testify, I could and would testify competently to the facts set forth herein. I am duly authorized to submit this affidavit.

4. Part I of this affidavit provides background with respect to the business and assets of the Debtors and the events leading to the commencement of these cases. Part II sets forth relevant facts in support of the Debtors’ First Day Motions.

I. BACKGROUND

A. Corporate Structure and Operations

5. LFG is a holding company that operates through its various regulated and unregulated subsidiaries (collectively, “**LandAmerica**” or the “**Company**”). LandAmerica’s products and services facilitate the purchase, sale, transfer and financing of residential and commercial real estate. LandAmerica has a broad-based customer group, which includes residential and commercial buyers and sellers, real estate agents and brokers, developers, attorneys, mortgage brokers and lenders, and title insurance agents. LandAmerica operates through hundreds of offices and a network of thousands of active agents throughout the United States and also conducts business in Mexico, Canada, the Caribbean, Latin America, Europe, and Asia.

(i) Regulated Underwriters and their Subsidiaries

6. LandAmerica is the third largest title insurance underwriter in the United States. LandAmerica issues title insurance policies primarily through two principal title underwriting subsidiaries: Commonwealth Land Title Insurance Company (“**Commonwealth NE**”); and Lawyers Title Insurance Corporation (“**Lawyers Title**”). LFG also owns two other title insurance underwriters: Commonwealth Land Title Insurance Company of New Jersey (“**Commonwealth NJ**”); and United Capital Title Insurance Company (“**United Capital**”). Together, these operations represent approximately 85% to 90% of LandAmerica’s annual revenue.

7. LFG’s title insurance subsidiaries are subject to regulation by the insurance authorities and enforcement of laws by other governmental authorities of the states in which they do business. State regulatory authorities impose underwriting limits on title insurers based primarily on levels of available reserves, capital and surplus.

8. The title insurance business is closely related to the overall level of residential and commercial real estate activity, which generally is affected by the relative strength or weakness of the United States economy. In addition, title insurance volumes fluctuate based on changes in interest rates and the availability of mortgage financing. Periods of increasing interest rates and reduced mortgage financing availability usually have an adverse effect on residential real estate activity. Commercial real estate volumes are less sensitive to changes in interest rates, but fluctuate based on local supply and demand conditions for space and mortgage financing availability.

(ii) Unregulated Operations²

9. In addition to underwriting title insurance, LFG subsidiaries provide, among other things, appraisals, home inspections, and warranties for residential real estate transactions and perform specialized services primarily to its national and regional mortgage lending customers, such as real estate tax processing, flood zone determinations, consumer mortgage credit reporting, default management services, and mortgage loan subservicing.

10. LES, one of the Debtors, is one of these subsidiaries. Prior to the Petition Date, LES operated as a “qualified intermediary” under section 1031 of the Internal Revenue Code (the “**Tax Code**”). Generally, the Tax Code imposes taxes when property is sold or transferred and a gain is realized. Pursuant to section 1031 of the Tax Code, if a taxpayer adheres to certain guidelines, then all or a portion of the gains from the disposition of business or investment property can be deferred or reinvested into a new replacement property. These deferred gains, as well as the gains from the new property, are not taxed unless and until the new property is transferred and fails to qualify for tax deferral. To qualify for such tax deferral, the taxpayer must structure the transaction as an exchange of one property for another of “like kind.” 1031 exchanges typically are facilitated by a qualified intermediary, like LES.

11. During the course of its operations, LES entered into agreements (“**Exchange Agreements**”) with its customers whereby it would acquire the net proceeds of the sales of relinquished properties (the “**Exchange Funds**”) in accordance with requirements of the Tax Code in order to facilitate a like-kind exchange. Pursuant to the Exchange Agreement, LES takes sole and exclusive possession, dominion, control and use of all Exchange Funds, including

² Although not regulated by a State Department of Insurance, many of LandAmerica’s “unregulated” subsidiaries are in fact regulated by different types of State or Federal agencies.

interest, if any, earned on the Exchange Funds until the earlier of the consummation of a like-kind exchange or such other date or event as provided in the Exchange Agreement (as applicable, the “**Termination Date**”). The Exchange Agreements further provide that a Customer shall have no right, title, or interest in or to the Exchange Funds or any earnings thereon and that a Customer shall have no right, power or option to demand, call for, receive, pledge, borrow or otherwise obtain the benefits of any Exchange Funds, including interest, if any, earned on the Exchange Funds except that the balance of Exchange Funds, if any, held by LES after applying such Exchange Funds in accordance with the Exchange Agreement shall be paid to the Customer on the applicable Termination Date. As of the Petition Date, the Exchange Funds maintained by LES included funds acquired from approximately 450 customers pursuant to separate Exchange Agreements. While not the norm, approximately 50 of the Exchange Agreements (each, a “**Segregated Exchange Agreement**”) required LES to segregate the applicable Exchange Funds (the “**Segregated Exchange Funds**”). The remaining approximately 400 Exchange Agreements have no segregation requirement.

B. Capital Structure

(i) LFG

12. As of the Petition Date, LFG had liabilities in excess of \$650 million.

Certain of the liabilities arise under long term debt instruments including (a) a revolving credit facility with \$100 million in unsecured obligations outstanding (as amended, the “**Credit Facility**”), (b) two series of senior unsecured notes with a face amount of approximately \$150 million (the “**Senior Notes**”), and (c) convertible notes with a face amount of approximately \$225 million (the “**Convertible Notes**”). All of this long term debt is unsecured and, other than LFG, no LandAmerica entity is obligated to satisfy these obligations.

a. *The Credit Facility*

13. The Credit Facility, dated July 28, 2006, is by and among a syndicate of lenders led by SunTrust Bank, as Administrative Agent and LFG. Whereas the Credit Agreement originally provided for a revolving credit facility in the aggregate principal amount of up to \$200 million, the Credit Agreement was subsequently amended on November 30, 2007 and June 30, 2008. Among other things, the second amendment to the Credit Agreement reduced the principal amount available under the Credit Agreement from \$200 million to \$150 million. As of September 30, 2008, the amount outstanding under the Credit Agreement was \$100 million. As LFG is in default of certain covenants under the Credit Facility, LFG is not entitled to draw any additional funds under the Credit Facility.

b. *The Senior Notes*

14. On July 28, 2006, LFG entered into a Note Purchase and Master Shelf Agreement (the “**Note Purchase Agreement**”) with Prudential Investment Management, Inc. (“**Prudential**”) and the other purchasers thereunder. Under the Note Purchase Agreement, LFG issued two series of Senior Notes with a face amount of \$100 million and \$50 million, respectively. Prior to the Petition Date, LFG defaulted under the Senior Notes.

c. *The Convertible Notes*

15. On November 26, 2003, LFG issued \$115 million of 3.125% Convertible Senior Debentures due 2033 through a private placement. Subsequently, in October 2007, certain holders exercised their conversion rights for \$16.5 million of these debentures. As of the Petition Date, \$98.5 million of these debentures were outstanding. Later, on May 11, 2004, LFG issued \$125 million principal amount of 3.25% Convertible Senior Debentures due 2034 through a private placement. These amounts remained outstanding as of the Petition Date.

(ii) LES

16. As of the Petition Date, approximately \$138.6 million in Segregated Exchange Funds were maintained in segregated LES accounts. These funds equal or exceed the claims of customers that are a party to one or more Segregated Exchange Agreements. In addition, as of the Petition Date, LES maintained approximately \$46 million backed by investments in government treasury bonds and approximately \$201.7 million (par value) in auction rate securities. These assets, which represent Exchange Funds acquired from approximately 400 customers (the “**Commingled Customers**”), are commingled. In the aggregate, Commingled Customers hold claims equal to approximately \$191.7 million against LES.

II. EVENTS LEADING TO CHAPTER 11

17. There has been a significant decline in mortgage financing in 2007 and 2008, which has significantly and adversely affected the Company’s primary business activities and liquidity. Residential mortgage originations in the United States were over \$2.7 trillion for 2006, have declined steadily since then and are expected to be about \$1.8 trillion for 2008, with a further expected decline to about \$1.65 trillion for 2009. Housing values also have shown an unprecedented decline and the number of residential mortgages in foreclosure has reached record rates. These stresses in the real estate markets have reduced the Company’s revenues by over 40% from the fourth quarter of 2006 to the third quarter of 2008. In addition, the Company’s provision for policy losses increased from 5.2% of operating revenue for the fourth quarter 2006 to 21.1% of operating revenue for third quarter 2008.

18. In addition to the general adverse impact on the business resulting from the poor mortgage financing environment, LFG’s liquidity has been significantly constrained as a result of difficulties faced by LES. Since 2002, LES invested a portion of the Exchange Funds

transferred to it in investment grade securities rated A or stronger at the time of the investment, including auction rate securities (“**ARS’s**”) backed by federally guaranteed student loans. An ARS typically is a debt instrument with a long-term nominal maturity for which the interest rate is regularly reset through a dutch auction. Until earlier this year, banks pitched ARS’s to corporations and wealthy individuals as highly-liquid and safe alternatives to cash, and LES’s investment goals on the Exchange Funds were to maintain the full liquidity necessary to meet customer claims.

19. The ARS’s purchased by LES, which were sold to it by certain financial institutions, were highly liquid for many years. Unfortunately, as has been widely publicized, the ARS market froze earlier this year and LES has been unable to liquidate the ARS’s previously purchased at any price near their par value. Indeed, although the aggregate amount of the cash and par value of the ARS’s held by LES exceeds the value of all funds received from LES’s customers, LES’s inability to sell, or borrow against, these securities ultimately precipitated its decision to cease additional customer transactions and terminate operations.

20. Prior to making this determination, LES pursued numerous other liquidity options. Indeed, in the approximately two months preceding the Petition Date, LFG advanced \$65 million to LES to enable LES to honor customer claims notwithstanding the illiquidity of the ARS investments. However, given the severe liquidity constraints also confronting LFG, it was not in a position to make any further advancements to LES. Moreover, LES was unable to procure a viable liquidity alternative allowing it to continue operations in the ordinary course.

As a result, LES determined to commence this case in order to conduct an orderly wind-down of its business and equitable distribution of its property.³

A. Exploration of Strategic Alternatives

21. In light of the Company's declining performance, in mid-September 2008, LFG's board of directors (the "**Board**") elected to pursue various strategic alternatives, including a sale of the Company. In connection with this effort, LFG retained JP Morgan as financial advisor and investment banker, and Wachtell Lipton Rosen & Katz as mergers & acquisitions counsel, to assist LFG in its analysis, consideration and pursuit of potential strategic alternatives. To focus these efforts, LFG's also established a special committee (the "**Special Committee**") to review, evaluate and negotiate potential strategic transactions. Since that time, the Special Committee met on approximately 21 occasions and the Board met on approximately 13 occasions to review and discuss the LFG's strategic alternatives.

22. With JP Morgan, LFG reviewed and considered a large number of potential strategic and financial suitors that it believed might be interested and capable of pursuing a transaction, and executed non-disclosure agreements with approximately 5 potential strategic partners. LFG also provided and/or made available extensive due diligence materials to these parties, established a comprehensive electronic data room containing over 2,700 documents and tens of thousands of pages of due diligence materials, made available on-site or at specified locations hundreds of additional documents, and conducted numerous management presentations. Initially, the Debtor approached one of their largest shareholders to determine if it

³ LES expects that there may be competing claims made against and disputes regarding the Exchange Funds (especially those that have been commingled), including whether such funds constitute property of the estate. LES intends to seek a determination from the Court as to the appropriate characterization of such funds.

was interested in acquiring the Company or making a substantial cash infusion in LFG. These discussions lasted approximately two weeks, but failed when the shareholder could not get comfortable with the potential liquidity needs of the Company, especially with respect to the illiquidity of the ARS's. LFG then contacted and worked with one of their primary competitors to determine if it would be interested in pursuing acquiring the Company. Shortly thereafter, LFG determined this was not a viable course of action.

23. As a result, in mid-October 2008, the Special Committee determined it should pursue several potential avenues and engaged in simultaneous discussions with numerous potential strategic partners, including competitors, private equity funds and insurance companies. Ultimately, Fidelity National Financial, the parent company of Fidelity National Title Insurance Company and Chicago Title Insurance Company (collectively, the "**Buyers**"), emerged as the only suitor with the ability to engage in a strategic transaction with LFG and provide the necessary liquidity to LFG and its subsidiaries, given the Buyers' financial wherewithal to consummate a transaction, their knowledge of the business and their ability to move quickly. After approximately two weeks of negotiation, on November 7, 2008, LFG executed and announced a merger agreement (the "**Prior Merger Agreement**") with the Buyers. LFG believed that consummation of the Prior Merger Agreement would allow it to de-lever its balance sheet, maintain all of its businesses as going concerns and provide value for all of its stakeholders.

24. The Prior Merger Agreement provided that it could be terminated by the Buyers on or before November 21, 2008, if the Buyers were not satisfied with the results of its due diligence, which right the Buyers exercised on that date. Since that time, LFG has actively negotiated with the Buyers to determine if an alternative agreement could be reached that would

be satisfactory to both parties. Although these negotiations were fragile and complicated (given the overlay of regulatory oversight, described below), the parties ultimately were successful in reaching an agreement on the terms and condition of a stock purchase agreement, (the “**SPA**”), which was executed earlier today.

B. Regulatory Overlay

25. In light of these macro-economic factors, including the illiquidity of certain of the Debtors’ investments, on November 18, 2008, the Nebraska Department of Insurance (“**NEDOI**”) informed CLTIC and LTIC that NEDOI believed their third quarter 2008 statutory financial filings with NEDOI evidenced that the insurers had reductions in statutory surplus that placed them in “hazardous financial condition” as that term is defined under Nebraska law. On November 18, 2008, NEDOI also advised LandAmerica that it would proceed to either Administrative Supervision or Rehabilitation if LandAmerica’s financial condition worsened or the Prior Merger Agreement were terminated. On Friday, November 21, 2008, when the Buyers terminated the Prior Merger Agreement, LandAmerica found itself in an increasingly precarious position. First, NEDOI informed CLTIC and LTIC that they would be placed in Rehabilitation the following week. Then, on Monday, November 24, 2008, NEDOI filed a petition with the Court of Lancaster County, Nebraska to place CLTIC and LTIC in Rehabilitation. Absent a viable alternative, LFG consented to this action.

III. FIRST DAY MOTIONS AND ORDERS

26. Contemporaneously herewith, the Debtors have filed several first day pleadings and proposed orders, each as listed on the attached Exhibit A. I have reviewed each of these motions and forms of proposed orders and the facts set forth therein are true and correct to the best of my knowledge, information and belief, with appropriate reliance on corporate officers and advisors. Moreover, I believe that the relief sought in each of the motions is vital to enable

the Debtors to make the transition to chapter 11 with a minimum interruption or loss of value. In addition to certain administrative motions, (a) LES filed a motion for authority to continue to use its existing bank accounts and related relief, and (b) LFG filed motions for authority (i) to honor certain prepetition employee related claims and (ii) to continue to use its consolidated cash management system, existing bank accounts and granting related relief. Absent this relief, the Debtor may incur significant administrative difficulties and additional expense.

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In furtherance of their efforts to maximize the value of the estates, the Debtors respectfully request that orders granting the relief requested in the first day motions be entered.

Dated: November 26, 2008

/s/ G. William Evans
G. William Evans

/s/ Karen Bell Cain
Notary Public Commission No. 224024
Commission Expires 12/31/2011

EXHIBIT A

List of First Day Motions

**Joint Motions of LandAmerica Financial Group, Inc.
and LandAmerica 1031 Exchange Services, Inc.**

1. Motion for Order Authorizing Joint Administration Pursuant to Rule 1015 of the Federal Rules of Bankruptcy Procedure
2. Motion of the Debtors for an Order Pursuant to Bankruptcy Code Sections 102 and 105, Bankruptcy Rules 2002 and 9007, and Local Bankruptcy Rules 2002-1 and 9013-1 Establishing Certain Notice, Case Management, and Administrative Procedures
3. Motion of the Debtors, Pursuant to 11 U.S.C. § 105 and Local Bankruptcy Rule 9013-1(M), for an Order Setting an Expedited Hearing on “First Day Pleadings” and for Related Relief
4. Motion of the Debtors, Pursuant to 11 U.S.C. §§ 105(a), 342(a) and 521, Fed. R. Bankr. P. 1007 and Local Bankruptcy Rule 1007-1, for Authority to Prepare a List of Creditors in Lieu of Submitting a Formatted Mailing Matrix

LandAmerica Financial Group, Inc. Motions

1. Motion of Debtor for Order Pursuant to Bankruptcy Rule 1007(C) and Local Bankruptcy Rule 1007-1 Extending Time for Land America Financial Group, Inc. to File its Schedules and Statement of Financial Affairs and List of Equity Security Holders
2. Motion of Debtor for Order Under Bankruptcy Code Sections 105(a) and 366 (I) Approving Debtor’s Adequate Assurance of Payment, (II) Establishing Procedures for Resolving Requests by Utility Companies for Additional Assurance of Payment, and (III) Scheduling a Hearing with Respect to Contested Adequate Assurance of Payment Requests
3. Motion for Order Authorizing: (A) Continued Use of the Debtor’s Centralized Cash Management System; (B) Maintenance and Continued Use of the Debtor’s Existing Bank Accounts and Business Forms; (C) a Waiver of Certain Operating Guidelines Relating to Bank Accounts, and (D) an Extension of Time for the Debtor to Comply with Section 345 of the Bankruptcy Code
4. Motion for an Order: (A) Authorizing Payment of Prepetition (1) Wages, Salaries and Other Compensation; (2) Employee Medical and Similar

Benefits; (3) Reimbursable Employee Expenses; and (4) Other Miscellaneous Employee Expenses and Benefits and (B) Granting Related Relief

5. Debtor's Motion for Order: (A) Scheduling Expedited Sale Hearing to Consider Approval of Sale of Debtor's Stock in Certain Underwriting Subsidiaries; (B) Approving Related Stock Purchase Agreement; (C) Approving Form and Manner of Notice of Sale Hearing; and (D) Granting Related Relief

LandAmerica 1031 Exchange Services, Inc. Motions

1. Motion of the Debtor for Order Pursuant to Bankruptcy Rule 1007(C) and Local Bankruptcy Rule 1007-1 Extending Time for Debtor to File its Schedules and Statement of Financial Affairs and List of Equity Security Holders
2. Motion for Order Authorizing: (A) Maintenance and Continued Use of the Debtor's Existing Bank Accounts and Business Forms; (B) a Waiver of Certain Operating Guidelines Relating to Bank Accounts; and (C) a Limited Waiver of, and an Extension of Time for the Debtor to Comply with Section 345 of the Bankruptcy Code