

DEPARTMENT OF INDUSTRIAL RELATIONS
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David Balter, Staff Counsel

October 21, 2009

TO: ALL FORMER CALIFORNIA EMPLOYEES OF MERCURY COMPANIES, INC.

Re: *State Labor Commissioner v. Alliance Title Co., Inc.; Mercury Companies, Inc.; et al.*
Alameda County Superior Court Case No. RG-08-369762

In Re Mercury Companies, Inc., et al., Debtors
U.S. Bankruptcy Court, Dist. of Colorado Jointly Administered
Under Case No. 08-23125 MER

Status of Litigation

Dear Claimants:

This brief note is to let you know that settlement discussions are proceeding with Mercury's Bankruptcy counsel, and we are more optimistic that a resolution will, in fact, be reached in the near future. Any settlement will need to be approved by the Bankruptcy Court to become final.

A settlement in the first instance will allow a distribution to former employees at the Financial Title and Lender's entities. This is because the Bankruptcy filings for them are consolidated with the Mercury Bankruptcy case in the Colorado Bankruptcy Court. It is possible that these distributions **might** occur as early as the end of this year. The operative word is "might." As always, you are reminded that there is no agreement until there is an agreement that has been signed, sealed, and delivered; and that has not yet occurred.

The prospective settlement will resolve claims between Mercury and Investors Title Co., which will make it more likely that the Bankruptcy trustee in the Alliance Title case will be able to sell that asset. Investors Title Co. continues to operate, and is believed to have significant value. Additionally, it is anticipated that additional assets may flow to the Alliance Bankruptcy Estate as a result of a settlement with Mercury. It is hoped that a distribution will be possible to Alliance employees. Unfortunately, because Alliance is a separate Bankruptcy proceeding with its unique asset liquidation issues, it is not anticipated that distributions will be made to former employees as quickly as for those who worked at Financial and the Lender's entities. Indeed, it is hard to predict with any accuracy when this might occur.

All Former California Employees of Mercury Company, Inc.

Re: *SLC v. Alliance; Mercury Cos., Inc.; et al.*

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We are well aware of the difficult economic position that many of you find yourselves in with the second anniversary of the Alliance shutdown just around the corner. Hopefully, there will be some accomplishments in resolving these cases which will provide a small measure of help to you and your families.

Thank you for your patience and understanding that I cannot possibly discuss this matter with each of you individually. As further progress is made we will continue to report to you all.

Very truly yours,

DIVISION OF LABOR STANDARDS ENFORCEMENT

/s/ David Balter

DAVID BALTER, Attorney for
State Labor Commissioner

DB/jd