



## Heritage Home Group

1925 Eastchester Drive, High Point, North Carolina 27265  
Phone 336-888-4900 Fax 314.863.5306  
[www.heritagehomegroup.com](http://www.heritagehomegroup.com)

Dear HHG Colleagues,

Today Heritage Home Group made a significant announcement about our company's future, and I'd like to describe what it means for all of us.

With the creation of our more focused Broyhill, Thomasville & Co and Luxury business units in late 2017, our Lane and Lane Venture businesses were designated for divestiture and we were fortunate to find excellent trade buyers for each in United Furniture and Bassett Furniture, respectively. Those businesses are thriving today under their new owners, and the proceeds of the sales were used to repay considerable debt obligations of the Company and provide meaningful liquidity to support our operations for the remaining business units.

Despite these efforts, our current capital structure limits our ability to continue to re-position our brands for growth and to respond to the ever-changing market dynamics. Accordingly, we have been pursuing the sale of our remaining three business units and have identified buyers for each of them. We believe that these sales will provide our brands with an opportunity to secure their growth strategies under new ownership.

Specifically, HHG has entered into an agreement with RHF Investments Inc (RHF), owner of well-known furniture brands such as Century, Hancock & Moore and Highland House, to acquire our Luxury business, including the Hickory Chair, Maitland-Smith, and Pearson brands. We believe that our Luxury business is a great fit with RHF's portfolio of brands. This transaction provides an opportunity for our Luxury business to join a well-established and successful strategic player in the high-end furniture industry.

In addition, we have signed a Letter of Intent and are in final negotiations with a buyer for the acquisition of both our Thomasville & Co and Broyhill business units. We expect to be able to provide more information on this transaction over the next few days.

We have determined that the best way to facilitate these sales is to execute the transactions through a Chapter 11 bankruptcy process. On July 29, 2018, HHG and certain of its affiliates filed petitions with the U.S. Bankruptcy Court for the District of Delaware (the Bankruptcy Court) to commence a restructuring that will allow the company to seek the sale of its businesses through a court-supervised sale and auction process.

Although, as noted above, buyers have been identified for all three business units and related sale agreements have been signed or are soon to be signed, the auction process enables us to identify additional potential buyers that may assign even greater value to our brands and their infrastructure. We are seeking approval from the Bankruptcy Court to conduct the auction in approximately 60 days. Once the Bankruptcy Court has approved the sales, the closing of transactions with the winning bidders is expected to occur a few weeks after court approval.



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As part of the filing, HHG has obtained a commitment from one of its existing lenders to provide a \$98 million debtor-in-possession financing facility, which will provide additional liquidity and enable us to continue our operations without interruption while we finalize the sale of our three business units.

**I want to emphasize that we expect no material change to our operations while we complete this process. Employees will be paid as usual and benefits will continue.** With this additional liquidity, it is important that we continue to operate as usual and that our customers and partners see no interruptions. Therefore, we are seeking the Bankruptcy Court's approval of various motions which are designed to ensure a smooth transition into Chapter 11 for the benefit of all our stakeholders, including our dedicated employees.

While the process we are going through creates uncertainty and may raise some concerns, we have a well-designed path in front of us to develop the best outcome for all involved. I will continue to keep you updated of any major developments.

In the event you are asked questions regarding the Chapter 11 filing, please direct those parties to our dedicated hotline at: 888-251-2954 (USA/Canada) of +1-310-751-2614 (International).

I want to thank all of you for your continued support and dedication. Our efforts and focus over the coming months will be critical to the successful outcome of the sale process.

Sincerely,

A handwritten signature in black ink, appearing to read 'P. de Villeméjane', written in a cursive style.

Pierre de Villeméjane  
President and Chief Executive Officer

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## 1. What did HHG announce today?

Following the successful divestiture of the Lane and Lane Venture brands last year, HHG is now looking to sell the rest of its portfolio, including its Luxury, Thomasville & Co. and Broyhill business lines. To facilitate the sales process, HHG and certain of its affiliates will complete a restructuring process under Chapter 11 of the U.S. Bankruptcy Code. This process presents the best path to preserving the value of HHG's brands and pursuing buyers for the benefit of all stakeholders while we continue to operate without interruption.

Recognizing the value of the Luxury business, RHF Investments, the owner of well-known furniture brands such as Century, Hancock & Moore and Highland House, has entered into an agreement to acquire the entirety of this business, including the Hickory Chair, Maitland-Smith and Pearson Brands.

In addition, we have signed a Letter of Intent and are in final negotiations with a buyer for the purchase of both our Thomasville & Co and Broyhill business units. We expect to be able to provide more information on this transaction over the next few days.

Although buyers have been identified for all three business units and related sale agreements have been signed, these agreements are subject to higher or better offers from other potential purchasers through a court-supervised sale and auction process under the Bankruptcy procedures.

As part of our filing, HHG has obtained a commitment from one of its existing lenders to provide a \$98 million debtor-in-possession financing facility, which will provide additional liquidity and enable us to continue our operations without material interruption while we finalize the sale of our three business units. This additional financing will allow us to continue to provide our iconic products to our customers and to meet our financial obligations related to day-to-day business for all goods and services received post filing.

## 2. Why did HHG file for bankruptcy?

With the creation of our more focused Broyhill, Thomasville & Co and Luxury business units in late 2017, our Lane and Lane Venture businesses were designated for divestiture and we were fortunate to find excellent trade buyers for each in United Furniture and Bassett Furniture, respectively. The proceeds of the sales were used to repay considerable debt obligations of the Company and provide meaningful liquidity to support our operations for the remaining business units.

Despite these efforts, our current capital structure limits our ability to continue to re-position our brands for growth and to respond to the ever-changing market dynamics. HHG continues to recover from the housing downturn and address its ongoing financial performance. However,



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given their history and unique foundation, we believe that each of our businesses can develop a strong and promising future under new ownership. The filing enables us to get access to additional liquidity to fund our operations while we complete the sale process.

### **3. How many employees will lose their jobs?**

We are not planning any material changes in HHG's operations during the sales process. Our plan is to continue to run our business as we have been, leading up to this point. In addition, our compensation and benefits plans will remain the same.

### **4. Should I continue to come into work?**

Yes. Our plan is to continue to run our business as we have been, leading up to this point. The success of our businesses into the future requires that all employees continue to perform their jobs as in the past.

### **5. Will I receive a paycheck? Will my health insurance remain active? What about my 401(k)?**

Employees should see no changes to their compensation or benefits.

### **6. How can I continue to work without knowing if I will have a job in the future?**

By no means does this filing signal the end of our businesses. Rather, it provides the opportunity to secure the next chapter of our brands' long histories by seeking new owners to carry on their legacies.

Your support is essential to the future of these businesses, and we are committed to doing everything we can to ensure their success.

We are committed to keeping all stakeholders apprised of relevant updates as this process moves forward.

### **7. Why are we not sure who the ultimate buyer(s) will be?**

The auction process enables HHG to identify additional potential buyers that may assign even greater value to our brands and their infrastructure. Current bids will be subject to higher and better offers from other potential purchasers. The auction will ultimately identify the winning buyers.