

What is Chapter 11?

Chapter 11 does not mean that Vanguard Homes is going out of business. Chapter 11 is a legal mechanism for Court-supervised reorganization or restructuring of a Company's obligations. Chapter 11 provides a way for companies to address their financial challenges in order to become a viable entity, while continuing day-to-day operations.

Why did you file for Chapter 11?

Like other large builders, Vanguard Homes has been negatively affected by the recent decline in the real estate environment. This downturn has affected Vanguard's ability to satisfy its debt responsibilities. Under Chapter 11, Vanguard will be able to operate in a manner which will work towards satisfying its creditors.

Does the filing mean Vanguard Homes is going out of business?

Absolutely not. We filed for Chapter 11 to preserve and strengthen our business. The filing will give us valuable breathing space to address our financial situation while keeping our main focus on our core business and future opportunities.

What happens during Chapter 11?

The Chapter 11 filing triggers an automatic stay which prevents anyone from collecting debts owed by the Company prior to the filing of the Chapter 11 petition, such as payments to creditors and bondholders, unless those creditors are deemed to be secured.

Chapter 11 permits, and even encourages, daily operations to continue as usual. We will continue to serve our homebuyers. Employees will continue to be paid. And materials delivered and services performed after the filing date will be paid for in the ordinary course of business.

While business continues, management will work with the Company's creditors on finalizing a plan to restructure the Company's obligations. The restructuring plan is called a Plan of Reorganization. When the creditors and the Court accept the plan, it is said to be confirmed and at that time Vanguard emerges from Chapter 11 as a reorganized company.

How long will the Company be in Chapter 11?

The restructuring process can be deliberate and time consuming, but management's goal is to emerge from the process as soon as possible.

Do companies ever emerge from Chapter 11?

Many companies, including Ryan Homes, Delta Airlines, Continental Airlines, Texaco, Macy's, U-Haul, and 7-Eleven have successfully reorganized under Chapter 11. We expect the same success.