

To All Vann's Employees, Sunday August 5, 2012,

This morning Vann's petitioned the Federal Bankruptcy Court for protection under Chapter 11 of the Federal Bankruptcy Code.

What does this mean?

For Employees: After initial motions are presented to the court for approval so we can run our business in the usual course, we will see from an operations perspective, very little changes. One exception is that if anything presents itself that is out of the ordinary course of our business we would have to get the approval of the court before taking any actions. Employee pay and benefits remain in place.

For Customers: Basically if customers didn't read or hear about it, they would see no difference. To them it's transparent. Products still arrive, they'll be sold, warranties in place are honored, new warranties can be sold and transactions will proceed as before.

For Suppliers/Vendors: Our company life is now divided into two different "Time Zones", Pre-Petition (Before filing) and Post-Petition (After Filing). Debts of Vann's incurred Pre-Petition are frozen and will be dealt with when the CH11 is converted back to an ongoing profitable business. Debts incurred Post-Petition will be paid in the normal course of business, but suppliers/vendors who have given us payment terms in the past, i.e. Net 30 days, will require the company to pay full cash with the order. After we are able to demonstrate that we can meet our obligations, say in a few months, many of the suppliers/vendors will revert to providing terms.

Throughout the process the Company must prepare and present to the court for approval a detailed weekly budget by line item, and a forward looking budget as well. Little latitude exists for deviating from that budget once it's approved, and we are allowed only a slight variance on each line item and the total budget line, but the key word here is "slight".

Once this becomes public news, you'll be besieged with questions from friends and customers. Generally it starts with "I hear Vann's is going out of business". Please tell them that is not the case, but the process we have chosen is to restructure the business. The Chapter 11 filing, "freezes" the debts to give the company time to "get its act" together and to take appropriate cost cutting and control actions to return to profitability. A plan to do that will be given to the creditors and the court. When it's approved debts are paid, and we emerge as probably a smaller, but more focused and profitable company.

Remind your colleagues and friends who ask you about Vann's closing of the following. If they have flown, driven, pumped fuel, bought groceries, invested money and/or bought clothing, it's almost a sure thing that they have done so with a company that has emerged from a Chapter 11 process. Here are the names of a few of the notable companies that sought protection and emerged as a result of it. Lehman Brothers Holdings, General Motors, Chrysler (twice), Texaco, United Airlines, Northwest Airlines, Sears, K Mart, Kodak, MGM, Borders, American Airlines, Hostess Brands, TWA....and many more.

Please be respectful when dealing with your customers, vendors and others who may initially be angry about this action. Our successful restructuring is the best way to properly respond to them, so remain focused on doing the best job possible to meet their needs. We can reward their trust in buying from us by being successful.

I'm proud to have been chosen to lead this effort, and together we will succeed.

Jerry McConnell, CEO