

JOB RETENTION AND JOB SAVING MEASURES

Dear Valued Employees,

As we write this, our government(s) may be putting us on a lock down. If that should occur, this plan may change. Please regularly monitor your email for the latest Company announcements concerning the crisis.

What a difference a few weeks can make! Four weeks ago, we were preparing for the biggest mobile home show in the country and looking forward to showing off our new products. Then *SLAM-BAM*, the whole country started shutting down, school by school, church by church, city by city. And then, after we had already taken our new homes to the show, they cancelled it too.

During this turmoil, Kenny and I have not slept hardly at all. Our concern is for our families, our own health, your health, and for the health of our company. We have always been *world class* "shuckers-and-jivers," and we intend to shuck and jive right through this unprecedented crisis.

Considering the recent economic turmoil, we have already initiated the following sales and austerity moves.

1. Production in Fort Worth has been reduced approximately 15%.
2. Production in Commerce has been reduced approximately 25%.
3. We laid off approximately 52 production workers.
4. All overtime has been suspended.
5. We implemented company-wide restrictions to mitigate the risk of COVID-19 exposure amongst our workforce, which has increased absences.
6. Wages for new hires have been reduced at all levels by \$1 per hour.
7. Deals are being offered to our retailers for ordering new stock units. We are financing our dealers' freight for the first time in our company's history.
8. We are accepting "short pays" of between \$1400 and \$5100 per home on over half of our display inventory.
9. We are financing units for mobile home parks without requiring a down payment, which increases our risk.
10. All 13 of our retail stores have been authorized to heavily discount their inventory.
11. We are developing monthly "specials" at drastically reduced prices.

COMPENSATION ROLLBACK

We are confident that these bold moves will be enough to continue to operate (except in the event of a total government shutdown). We expect a steep decline in revenue, an increase in repossessions, and that profits will suffer, especially in the third and fourth quarters.

Accordingly, and to avoid massive layoffs, we are announcing an eight percent rollback of all compensation, company-wide, effective with the pay-period that begins on March 26th. This rollback applies to every employee, officer, and director and to all forms of compensation (hitch pay, commission, pay by the mile, bonuses, etc.).

The regular hourly wage for production workers is exempt from this rollback.

How long will the rollback last?

There is one key number we are looking at in our financials that will tell the story. Our SG&A expense, as a percentage of sales, must be within an acceptable range. SG&A is an abbreviation for sales, general, and administrative expenses.

In 2018 our ratio was 15.1%. By late 2019 this ratio grew to 18.1%. With reduced sales, we expect the ratio would go over 20% in the coming quarters if not for this rollback and other cuts in expenses. To put this in perspective, Skyline-Champion and Cavco have SGA-to-sales ratios of 13.2% and 13.4% respectively. We cannot be competitive unless our SG&A expenses are below 17.5%. At our size, we do not expect to get our SG&A ratio down to the levels of our larger competitors, but we simply cannot let SG&A expenses continue to climb. Department heads of SG&A functions must reduce their expenses. With a little attrition and increased sales in the fourth quarter, we are expecting to "rollback the rollback" sometime this year.

We expect merit bonuses and merit raises will happen, as usual, between Thanksgiving and Christmas.

If any one of you absolutely can't make ends meet due to this rollback, please feel free to *privately* contact one of us. We value you, and we will use our personal resources if need be.

WORK-FROM-HOME OPTION

We understand that many of you are facing childcare challenges due to school and/or daycare closures. Some of you are concerned about the potential complications of COVID-19 due to your age or underlying health conditions. Those who work in our Accounting, Finance, and/or Legal Department(s) can work remotely with little to no extraordinary effort. In response, we have developed the following work-from-home option:

With permission from your supervisor and the executive team (Kenny, Neal, Cork or Curt), you may work from home. You must have a computer that can access our network and be accessible by phone. You must also be available to occasionally come to the

office if your supervisor needs you in person (up to 8 hours per week). Compensation for hourly employees will be based on 40 hours per week. Paid holidays and vacation accruals will be kept the same. Work-from-home employees will see an additional 12% reduction in pay for a total compensation rollback of 20%.

- Work-from-home status may not be optional for some employees. If that applies to you, your immediate supervisor will notify you.
- Sales Coordinators, General Managers, purchasing employees, production, and sales staff with less than one year of service are not eligible to work from home.
- The work-from-home option shall terminate when schools resume or whenever professional sports open back up, whichever occurs first.

To elect this option, first obtain your supervisor's approval and then submit your request to the HR Department (hr@legacyhousingcorp.com) no later than the end of business on Tuesday, March 24th or Tuesday, March 31st. The HR Department will notify you of your change in status once your request has been approved by the appropriate executive.

PAID SICK LEAVE FOR COVID-19 DIAGNOSIS

Any active employee who tests positive for COVID-19 will receive up to three weeks of paid sick leave during a medically required absence and/or quarantine. In the unfortunate event this applies to you, please contact the HR Department.

LAYOFFS & NEW HIRES & SPECIAL CASES

Even though we expect to be able to continue to operate with this plan and do not envision a mass lay off, it may become necessary for us to selectively eliminate some positions and consolidate others. As our staffing needs change, we may selectively hire some folks, too. If your position is selected for elimination, you may be eligible for state unemployment and other disaster-related benefits. Please contact the HR Department for assistance.

This turmoil will pass, we will survive, and there will good that comes out of these difficult times.

Thank you and please be safe,

Kenny & Curt