

**Heilig-Meyers Liquidating Trust
2009 Federal Income Tax Information and
2009 Trust Financial Statements
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Introduction

This booklet provides 2009 Federal income tax information which allows a Beneficiary (holder of allowed unsecured claims) to determine their pro rata share of taxable income and deductions attributable to their beneficial interest in the Heilig-Meyers Liquidating Trust (the “Trust”). Capitalized terms used in this booklet unless defined herein shall have the meaning set forth in the Heilig-Meyers., et. al. Debtors’ Third Amended and Restated Joint Liquidating Plan of Reorganization (the “Plan”), confirmed by the United States Bankruptcy Court, Eastern District of Virginia (the “Court”) on December 23, 2005.

For Federal income tax purposes, the Trust is treated as a "grantor" trust. As such, the Trust is not subject to Federal income tax. Instead, each Beneficiary is deemed to own his, her or its proportionate share of the underlying Trust assets and is required to report income and deductions associated with the Trust for the period ending concurrent with the Beneficiary’s taxable year end. The Trustee has prepared and enclosed the 2009 Grantor Letter applicable to your beneficial interest in the Trust’s taxable income and deduction. The information included in this booklet has been prepared to assist each Beneficiary in understanding the attached 2009 Grantor Letter. Beneficiaries are encouraged to read this booklet carefully and to retain the booklet as part of their Federal income tax records.

This booklet and other information regarding the Trust are also provided on the Trustee’s website at www.bridgeassociatesllc.com/clients/heilig-meyers .

IRS Circular 230 Notice Requirement. This communication is not given in the form of a covered opinion, within the meaning of Circular 230 issued by the United States Secretary of the Treasury. Thus, we are required to inform you that you cannot rely upon any tax advice contained in this communication for the purpose of avoiding United States federal tax penalties. In addition, any tax advice contained in this communication may not be used to promote, market or recommend a transaction to another party.

THE TRUSTEE CAN NOT AND DOES NOT PROVIDE INCOME TAX ADVICE OR GUIDANCE TO ANY BENEFICIARY AS EACH BENEFICIARY MAY HAVE INCOME TAX SITUATIONS THAT REQUIRE TAX REPORTING OTHER THAN WHAT HAS BEEN DESCRIBED IN THIS BOOKLET. THE TRUSTEE RECOMMENDS AND URGES EACH BENEFICIARY TO CONSULT HIS, HER OR ITS TAX ADVISOR ON ALL TAX COMPLIANCE MATTERS.

Heilig-Meyers Liquidating Trust

2009 Federal Income Tax Information

General Tax Information

Background Information

The Trust was established on February 17, 2006, pursuant to a Liquidating Trust Agreement (“Trust Agreement”) by and among Heilig Meyers Company and its related subsidiaries that were the subject of the bankruptcy proceeding (collectively, “HEILIG-MEYERS”) and Anthony H. N. Schnelling of Bridge Associates LLC, as Trustee (the “Trustee”), in accordance with the Plan confirmed by the Court on December 23, 2005. The Trust Agreement is governed by the laws of the State of New York. Mr. Schnelling died in 2009 and Mark Stickel, a Managing Director of Bridge Associates, was appointed Trustee by the Trust Advisory Committee.

Pursuant to the Plan, the Trust was established for the purpose of liquidating and distributing the assets of HEILIG-MEYERS in accordance with Treasury Regulation section 301.7701-4(d), with no objective for the Trust to continue or engage in the conduct of a trade or business. Pursuant to the Plan, on the Effective Date, HEILIG-MEYERS transferred all of its assets to the Trust. On the Effective Date, the common stock transfer books of HEILIG-MEYERS were permanently closed and all shares of its common stock were cancelled. Holders of allowed unsecured claims of HEILIG-MEYERS became Beneficiaries of the Trust.

There are two classes of unsecured creditors:

Class 5a consists of the holders of allowed unsecured claims of \$494,482,314 related to three series of MacSaver financial notes in the principal amount of \$475,000,000 plus accrued interest. Wells Fargo Bank acts as the Indentures Trustee for these notes. Pursuant to the terms of the Plan, the Class 5a unsecured creditors will receive 59.2% of the distributed assets from Trust provided that the Class 5b allowed claims do not exceed \$500,000,000. The Plan provides a formula for adjusting this percentage in the event that the Class 5b allowed claims exceed \$500,000,000.

Class 5b consists of holders of all other allowed unsecured claims. There are 5,882 creditors holding \$415,898,229 of allowed Class 5b unsecured claims as of 12/31/2009. There are no remaining disputed unsecured liquidated and unliquidated claims to be resolved by the Trust Pursuant to the terms of the Plan, the Class 5b unsecured creditors will receive 40.8% of the distribution of the Trust’s assets provided that the Class 5b allowed claims do not exceed \$500,000,000. The Plan provides a formula for adjusting this percentage in the event that the Class 5b allowed claims exceed \$500,000,000.

For the purposes of the 2009 Grantor Letter, 59.2% of the taxable income and deductions have been allocated to Class 5a and 40.8% of the taxable income and deductions have been allocated to Class 5b. Each Beneficiary in a Class is then allocated their respective share of the taxable income and deductions using their allowed claim as the numerator and the amount of the allowed claims for the applicable Class as the denominator.

Grantor Trust Status of the Heilig-Meyers Bankruptcy Liquidating Trust

The Trust is treated as a "grantor" trust under Section 671 of the Internal Revenue Code of 1986, as amended, and the regulations issued thereunder by the United States Department of the Treasury. A grantor trust is not subject to Federal income tax. Instead, each Beneficiary to the extent of their economic interests in the Trust is generally considered to own a pro rata share of the Trust's income and deductions as though no trust were in existence. A grantor trust files a Form 1041, but it completes only the entity portion of the return and does not report any items of income and deductions that should be included in the Federal income tax returns of the Beneficiary. The Trust must prepare an attachment to the return that shows (a) the name, identifying number and address of each Beneficiary; (b) the income of the Trust that is taxable to the Beneficiary; and (c) any deductions and credits that apply to the income. Accordingly, each Beneficiary is taxed on its pro rata share of the income, deductions or credit recognized or incurred by the Trust including, but not limited to, interest and dividend income earned from bank accounts or other investments. Furthermore, if a Trust asset is sold or otherwise disposed of by the Trust, the Beneficiary will be required to report gain or loss equal to the difference between its allocable share of any cash and/or the fair market value of any property received in exchange for the asset sold or otherwise disposed of less their adjusted basis in its allocable share of the asset sold or otherwise disposed of (which should be its allocable share of the fair market value of the asset on the date the Beneficiary acquired its interest in the Trust). The character of the gain or loss recognized by the Beneficiary is determined by reference to the asset sold or otherwise disposed of.

The Trustee will file the Form 1041 for the Trust as a grantor trust pursuant to Treasury Regulation section 1.671-4(a) and in accordance with Section 6.5(1) of the Plan. For the Beneficiaries, this booklet has been prepared to be used in the preparation of the information required for Federal income tax reporting. This booklet is also provided on the Trustee's website at www.bridgeassociatesllc.com/clients/Heilig-Meyers.

Allocation of Trust income or loss to each Beneficiary will be determined with reference to their respective economic interests in the underlying assets of the Trust and the income earned therefrom (as reasonably determined by the Trustee). In addition, tax accounting principles prescribed by the Internal Revenue Code of 1986, as amended (the "Tax Code"), the applicable Treasury Regulations, and other applicable administrative and judicial authorities and pronouncements will also apply to the allocation of any income or loss to the Beneficiary.

Classification of Investment

Based on the nature of the activity and involvement of each Beneficiary in the activity, Federal income tax law requires individuals, estates, trusts, closely held C corporations and personal service corporations to categorize income and expense into one of three classes, "active," "portfolio" or "passive". Since each Beneficiary is deemed to directly hold the Trust assets, the proper classification of the Trust income and deduction is dependent upon the relevant facts and circumstances of each Beneficiary. Generally, the income and loss resulting from a beneficial interest in the Trust is properly classified as portfolio and as such can be reported by a Beneficiary as indicated on the Grantor Letter. However, under certain limited circumstances a different classification may be appropriate; accordingly, each Beneficiary should consult their tax advisors concerning this matter.

Foreign Persons

Nonresident alien individuals and foreign corporations ("Foreign Taxpayer(s)") who are Beneficiaries are subject to special tax rules with respect to their beneficial interest. Due to the complexity of these rules, it is recommended that such Foreign Taxpayers consult their tax advisors regarding their individual income tax circumstances with respect to their Beneficiary.

State and Local Income Tax

Each Beneficiary may be required to file state and local income tax returns and may be liable for state income tax as a result of its ownership of a beneficial interest in the Trust. Each Beneficiary will need this information to comply with the state income tax filing requirements in those states imposing a state income tax. The laws pertaining to income tax in any given state may vary from those of another state and from those applicable to Federal income tax. EACH BENEFICIARY IS URGED TO CONSULT ITS TAX ADVISORS CONCERNING THIS MATTER.

Backup Withholding

A payor is required under specified circumstances to withhold tax on "reportable interest or dividend payments" and "other reportable payments". Generally, this "backup withholding" is required on payments if the payee has failed to furnish the payor a Taxpayer Identification Number or if the payor is notified by the Secretary of the Treasury to withhold income taxes on such payments with respect to the payee.

Amounts withheld by payors pursuant to the backup withholding provisions are remitted to the Internal Revenue Service and are considered a credit against the payee's Federal income tax liability. If the payee does not incur a Federal income tax liability for the year in which the income taxes are withheld, the payee will be required to file the appropriate income tax return to claim a refund of some or all of the income taxes withheld.

Supplemental Tax Information for Class 5a Allowed Claims

The allowed claim of \$494,482,314 related to three series of MacSaver financial notes in the principal amount of \$475,000,000 plus accrued interest are registered in the name. Wells Fargo Bank acts as the Indentures Trustee. The Trustee believes that all of the MacSaver financial notes are held in street name by various investors. The tax information that is being provided to Wells Fargo Bank will be transmitted to the Depository Trust Company to be disseminated to the beneficial holders of the three series of MacSaver financial notes. To assist these beneficial holders in their tax reporting of their interests in the Trust, the Trustee is providing the table below which sets forth the allocation of interest income, professional and administrative expense to each of the 3 financial notes series in terms of a rate per \$1,000.00 of face value of the financial note. This table is for the entire period of January 1, 2009 to December 31, 2009:

MacSaver Financial Note	Total Principal Amount	Interest Income	Other Income	Professional and Administrative Expense
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Series Designation	CUSIP		Rate per \$1,000 of face value of principal	Rate per \$1,000 of face value of principal	Rate per \$1,000 of face value of principal
7.875% Note due 8/1/03	556109AA4	200,000,000	\$0.04440	\$0.16434	\$0.24343
7.600% Note due 8/1/07	556109AC0	175,000,000	\$0.04440	\$0.16434	\$0.24343
7.400% Note due 2/15/02	556109AB2	100,000,000	\$0.04440	\$0.16434	\$0.24343

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Heilig-Meyers Bankruptcy Liquidating Trust

Financial Information for the Periods ended
December 31, 2009 and December 31, 2008

Statement of Operations
For the Periods Ended
December 31, 2009 and December 31, 2008
(Unaudited)
(Amounts in thousands)

	January 1, 2009 through <u>December 31, 2009</u>	January 1, 2008 through <u>December 31, 2009</u>
Interest income	\$ 37	\$ 137
Other income	<u>137</u>	<u>74</u>
Total Income	174	211
Professional and Administrative Expenses	<u>201</u>	<u>2,084</u>
Total Expense	201	2,084
Net income / (loss)	\$ (27)	\$(1,873)

See accompanying notes to these financial statements.

Heilig-Meyers Bankruptcy Liquidating Trust

Financial Information for the Periods ended
December 31, 2009 and December 31, 2008

Balance Sheet December 31, 2009 and December 31, 2008 (Unaudited) (Amounts in thousands)

	December 31, <u>2009</u>	December 31, <u>2008</u>
Assets		
Cash and Cash Equivalents	\$ 603	\$ 4,877
Other Receivables	0	0
Other Assets	<u>0</u>	<u>30,599</u>
Total Assets	\$ 603	\$ 35,476
Administrative, Secured and Priority Claim Liabilities	<u>0</u>	<u>0</u>
Total Liabilities	0	0
Trust equity	<u>603</u>	<u>35,476</u>
Total Liability and Trust Equity	\$ 603	\$ 35,476

See accompanying notes to these financial statements.

Heilig-Meyers Bankruptcy Liquidating Trust

Financial Information for the Periods ended
December 31, 2009 and December 31, 2008

Statement of Cash Flows

For the Periods
January 1, 2009 through December 31, 2009 and
January 1, 2008 through December 31, 2008

(Unaudited)

(Amounts in thousands)

	January 1, 2009 Through <u>December 31, 2009</u>	January 1, 2008 through <u>December 31, 2008</u>
Net income / (loss)	\$(27)	\$(1,873)
Cash Generated from Non-Cash Assets Transferred to Trust from Debtor	0	37
Payments to Administrative, Secured, and Priority claim holders pursuant to Plan	(10)	0)
Payments to Unsecured Creditors	<u>(4,237)</u>	<u>(16,340)</u>
Net increase / (decrease) in cash and cash equivalents	\$ (4,274)	\$(18,176)
Beginning Cash and cash equivalents at January 1, 2009 and February 17, 2008, respectively	\$ 4,877	\$ 23,053
Ending Cash and cash equivalents at December 31, 2009 and December 31, 2008, respectively	\$ 603	\$ 4,877

See accompanying notes to these financial statements.

Heilig-Meyers Bankruptcy Liquidating Trust

Financial Information for the Periods ended
December 31, 2009 and December 31, 2008

Statement of Changes in Trust Equity

For the Periods
January 1, 2009 through December 31, 2009 and
January 1, 2008 through December 31, 2008
(Unaudited)

(Amounts in thousands)

	January 1, 2009 through <u>December 31, 2009</u>	January 1, 2008 through <u>December 31, 2008</u>
Beginning Balance at January 1, 2009 and January 1, 2008, respectively	\$35,476	\$ 53,501
Net income / (loss)	(27)	(1,873)
Administrative Claim Payment	(10)	0
Cash Distribution to Unsecured Creditors	(4,237)	(16,340)
RoomStore Common Stock Distribution to Unsecured Creditors	(30,599)	0
Forfeiture of Uncashed Distributions for Administrative Claims	<u>0</u>	<u>188</u>
Ending Balance at December 31, 2009 and December 31, 2008, respectively	\$603	\$ 35,476

See accompanying notes to these financial statements.

Heilig-Meyers Bankruptcy Liquidating Trust
Financial Information for the Period ended December 31, 2009
Notes to Financial Statements
For the Periods ended December 31, 2009 and December 31, 2008

Note 1 – Organization

The Trust was established on February 17, 2006, pursuant to a Liquidating Trust Agreement (“Trust Agreement”) by and among Heilig Meyers Company and its related subsidiaries that were the subject of the bankruptcy proceeding (collectively, “HEILIG-MEYERS”) and Anthony H. N. Schnelling of Bridge Associates LLC, as Trustee (the “Trustee”), in accordance with the Plan confirmed by the Court on December 23, 2005. The Trust Agreement is governed by the laws of the State of New York. Mr. Schnelling died in 2009 and Mark Stickel, a Managing Director of Bridge Associates, was appointed Trustee.

Except with respect to the terms defined herein, all capitalized terms contained herein shall have the meaning ascribed to them in the Plan.

Pursuant to the Plan, the Trust was established for the purpose of liquidating and distributing the assets of HEILIG-MEYERS in accordance with Treasury Regulation section 301.7701-4(d), with no objective for the Trust to continue or engage in the conduct of a trade or business. Pursuant to the Plan, on the Effective Date, HEILIG-MEYERS transferred all of its assets to the Trust. On the Effective Date, the common stock transfer books of HEILIG-MEYERS were permanently closed and all shares of its common stock were cancelled. Holders of allowed unsecured claims of HEILIG-MEYERS became Beneficiaries of the Trust.

The Trust Agreement sets forth a time limit of five years for the disposition of the Trust’s assets and distribution to the unit holders unless the Court, upon motion, determines that a fixed period extension is necessary to facilitate or complete the recovery and liquidation of the Trust assets and winding up of its affairs.

The accompanying financial statements for the Trust are unaudited. In the opinion of the Trustee, the financial statements reflect all adjustments necessary for a fair presentation of the financial position and income and expenses of the Trust as prepared on a Federal income tax basis.

Note 2 – Basis of Accounting

Basis of presentation: The accompanying financial statements have been prepared in accordance with Federal Income Tax Reporting Principles (“FITR”). Accordingly, certain revenue and the related assets are recognized when received rather than when earned; certain expenses are recognized when paid rather than when the obligation is incurred; and assets are reflected at their tax basis. For information concerning the financial statements prepared based on accounting principles generally accepted in the United States of America, reflecting an entity in liquidation, and a reconciliation of the Trust’s FITR to accounting principles generally accepted in the United State of America, reflecting an entity in liquidation, see Note 5.

Valuation of Assets and Liability: The Trust Equity balance on February 17, 2006 was equal to approximately \$54.1 million. The Trust Equity balance included cash, receivables, estimated recoveries of cash collateral from outstanding Letters of Credits by certain insurance companies, and the estimated value of the Trust's interest in the yet-to-be distributed Reorganized RoomStore common stock ("RoomStore Stock").

The value of RoomStore Stock at the Effective Date was \$4.36723. The Trust received approximately 7.0 million shares of RoomStore stock in November 2006. The value of the RoomStore Stock that may be realized by the Beneficiaries may be greater than or less than the amount reflected on the balance sheet of the Trust.

Income taxes: The Trust is treated as a grantor trust and not a corporation. Accordingly, any income or loss of the Trust will not be taxable to the Trust but will be taxable to the holders of beneficial interests in the Trust, as if such holders had themselves realized the income or loss from their pro rata interest in the Trust assets.

Cash and cash equivalents: All investments in money market funds are included as cash equivalents.

Note 3 - Contingent Assets and Liabilities

The Trust had resolved all of the timely filed material administrative, secured, and priority claims.

While the Trust is not aware of any other material administrative, secured or priority contingent liabilities, the Trust cannot provide any assurances that additional claims may not be asserted against the Trust.

Note 4– Future Distribution of Trust Assets

The Trust has made two distributions to holders of allowed claims. The first distribution was made effective January 2008 and the second distribution was made effective December 2009.

Holders of allowed Class 5(a) claims who as a Class in the aggregate are entitled to receive 59.2% of the net assets of the Trust. The holders of allowed Class 5(a) claims have received two distributions equal to approximately 6.128% of the allowed claim amount. The first distribution made effective January 2008 was a cash distribution of approximately \$9.9 million equal to 2.0% (two percent) of the Class 5(a) allowed claim amount. The second distribution made effective December 2009 consisted of cash and RoomStore Common Stock equal to approximately 4.128% of the Class 5(a) allowed claim amount. The distribution included approximately \$2.3 million in cash and approximately 4.1 million shares of RoomStore Common Stock.

Holders of Class 5(b) claims, as a Class in the aggregate are entitled to receive 40.8% of the net assets of the Trust. The holders of allowed Class 5(b) have received two distributions equal to approximately 5.022% of the allowed claim amount. The first distribution made January 2008 was a cash distribution of approximately \$6.2 million equal to 1.5% (one and one half percent) of the Class 5(b) allowed claim amount. The actual Class 5(b) distribution amount was \$6.2 million to those beneficiaries whose (i) individual distribution amount was \$50 or more and (ii) had

provided an IRS Form W-9 to the Trust. No distribution was made to beneficiaries whose (i) individual distribution amount was \$50 or more and (ii) had not provided an IRS Form W-9 to the Trust. Holders of Class 5(b) claims whose individual distribution amount equaled less than \$50.00 did not receive any amounts in the first distribution in accordance with Plan provisions regarding minimum distribution amounts. The second distribution made effective December 2009 consisted of cash and RoomStore Common Stock equal to approximately 3.522% of the Class 5(b) allowed claim amount. The distribution included approximately \$2.2 million in cash and approximately 2.9 million shares of RoomStore Common Stock.

The RoomStore Common Stock had been held by the Trust and became distributable to its beneficiaries when the RoomStore's Registration Statement on Form S-1 filed with the United States Securities and Commission ("SEC") became effective in December 2009. Prior to this time, the RoomStore Common Stock was an unregistered security and could not be distributed by the Trust in such form. Pursuant to the confirmed plan of reorganization of HMY RoomStore, Inc. (the "RoomStore Plan"), the Trust, as successor in interest to Heilig-Meyers, held an allowed general unsecured claim against RoomStore in the amount of \$57.9 million. Pursuant to the RoomStore Plan, the Trust received approximately 7,006,500 shares of Reorganized RoomStore's common stock in November 2006 which was carried at an aggregate value of approximately \$30.6 million or \$4.36723 per share.

The Gordian Group LLC was retained by the Trust in 2007, in consultation with the Trust Advisory Committee, to render advice with respect to the RoomStore common stock issued to the Trust and to assist the Trust in evaluating its strategic options with respect thereto. The RoomStore common stock is currently an unregistered security and is not publicly traded.

The Trust determined that it had two options with respect to the RoomStore common stock: One was to monetize the RoomStore common stock through a sale of the entire position (with the sale proceeds subsequently to be distributed to the Trust beneficiaries) and the other was to use the Trust's registration rights to make a distribution of the RoomStore common stock directly to the Trust beneficiaries. On behalf of the Trust, Gordian conducted a marketing process to solicit bids to purchase the RoomStore common stock. Although the Trust received offers to purchase the stock, the Trust does not believe the prices offered were reflective of the long-term value of the RoomStore common stock, due in part to current economic and market conditions.

Consequently, the Trust determined to exercise its registration rights with RoomStore to register with the Securities and Exchange Commission (the "SEC") the distribution of the RoomStore common stock to the Trust beneficiaries. In July 2008, the Trust served a demand registration request on RoomStore. Subsequently, RoomStore and the Trust worked cooperatively toward the preparation of a registration statement to be filed with the SEC. The Registration Statement became effective in December 2009, thereby enabling the Trust to make a full and complete distribution of the RoomStore Common Stock held by the Trust to the holders of allowed claims. The Trust does not anticipate any further distributions to the holders of allowed claims.

Note 5 – Differences between Federal Income Tax Reporting Principles and Accounting Principles Generally Accepted in the United States of America, Reflecting an Entity in Liquidation

These financial statements have been prepared in accordance with Federal Income Tax Reporting Principles (“FITR”) which differ in certain respects with those principles and practices that the Trust would have followed had its financial statements been prepared in accordance with accounting principles generally accepted in the United States of America, reflecting an entity in liquidation (“GAAPLIQ”).

The material differences between FITR and GAAPLIQ, which are relevant to the Trust’s Statement of Operation, Balance Sheet, Statement of Cash Flows and Statement of Changes in Trust Equity, are summarized as follows:

a. Accounting for Investment Securities

For FITR, Investment Securities are carried at original cost, net of premium/ (discount) amortization. This amortization is included in income when interest is collected. For GAAPLIQ, all of the Trust’s securities would be reflected at net realizable value: thus, changes in net realizable value are recognized through income and loss. For FITR, interest income is recorded when collected and for GAAPLIQ, a ratable portion of interest income is recognized at each period end.

b. Accounting for Accrued Liabilities

For FITR, accrued liabilities, other than premium/ (discount) amortization, discussed in subpart a. above, are recorded when paid while for GAAPLIQ, accrued liabilities are recognized as a liability in the period the assets are purchased or the services are incurred.

c. The effect of different treatments described above on the Trust’s financial statements would be as follows:

The Trust incurs legal and administrative costs each month. Under FITR, expenses for legal and administrative costs are recognized when paid. For the year ended December 31, 2009, there would have been approximately \$30 thousand in accrued legal and administrative expenses under GAAPLIQ.