



Palm Harbor Homes First Day Motions Approved by Delaware Bankruptcy Court

DALLAS, Texas – Palm Harbor Homes, Inc. has announced that the First Day Motions presented to the U.S. Bankruptcy Court for the District of Delaware in Wilmington as part of its voluntary bankruptcy petition filing on November 29, 2010, have been approved.

Specifically, the cases for Palm Harbor Homes, Inc. and its five domestic subsidiaries, Palm Harbor Manufacturing L.P., Palm Harbor Albemarle L.L.C., Palm Harbor Real Estate L.L.C., Palm Harbor GenPar L.L.C. and Nationwide Homes, Inc. (collectively the “Company”) will be jointly administered. The Bankruptcy Case number is 10-13850.

As part of the filing, the Company received approval to authorize the funding of the Debtor in Possession (“DIP”) financing from Fleetwood Homes, a subsidiary of Cavco Industries, Inc. (NASDAQ: CVCO). This commitment of \$50 million, which may increase to \$55 million if certain conditions are met, will be used to extinguish all obligations due on the existing Textron Financial Corporation facility and fund post-petition operations, commitments to customers, and employee obligations.

In addition, the Company’s request to honor certain employee wages and benefits programs and all customer contracts and warranty programs was approved. Other approvals to maintain existing insurance coverage and cash management systems, provide adequate assurance for ongoing utility services and pay all tax obligations were included.

The Company again emphasized that daily operations are expected to continue uninterrupted throughout the restructuring. Pursuant to the relief approved in these first day motions, homes will be sold, manufactured and delivered as normal, employees will be paid and will continue to receive the same benefits as before the filing and all customer contracts and warranties will be honored.

Several prepetition vendor payment programs were approved as well, including payments pursuant to Section 503(b)(9) of the Bankruptcy code for goods received within the 20 day period prior to filing. In addition, limits for prepetition payment programs including critical vendor, shipper and warehousemen and warranty service were approved.

Finally, the Company received approval for pre-negotiated terms with Fleetwood Homes to initiate the Bid Procedures, Stalking Horse Purchases Rights to Credit Bid and the Asset Purchase Agreement to execute the planned sale pursuant to Section 363 of the Bankruptcy Code.

“We are pleased to have received approval on these first day motions so that we can provide assurance to our employees and customers that Palm Harbor Homes will stand by



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its promises to provide the best built products in the industry,” said Palm Harbor Homes Chairman, President and Chief Executive Officer Larry H. Keener.

Regarding the DIP facility agreement, Keener stated, “In addition, management, the Board and Fleetwood Homes worked diligently prior to the filing to present a fair and equitable DIP financing and sales process for approval. Completing this process quickly is in the best interests of all parties. We are pleased to have received these approvals today to meet our expectations for a successful restructuring.”

Fleetwood Homes, Inc., the DIP financing lender, is owned by Cavco Industries, Inc. and Third Avenue Value Fund (TAVFX). Third Avenue Management, the investment advisor to TAVFX, is a New York-based company with expertise in value and distressed investing. A subsidiary of Fleetwood Homes, Inc. will be the stalking horse bidder for the assets and certain warranty and other liabilities of the Company.

Palm Harbor Homes’ affiliates, Standard Casualty Company, Standard Insurance Agency, Palm Harbor Insurance Agency and CountryPlace Acceptance Corp., were not included in and their operations will not be impacted by the filing. These entities will, however, be included in the asset sale that results from the auction process.

The Company filed its voluntary petitions in the U.S. Bankruptcy Court for the District of Delaware in Wilmington. The Judge is the Honorable Christopher S. Sontchi.

For further information please visit the Company’s restructuring website at www.restructure.palmharbor.com.

The Company’s legal advisor is Locke Lord Bissell & Liddell; its financial advisor is Raymond James & Associates and its restructuring advisor is Alvarez & Marsal.

Brian Cejka of Alvarez & Marsal is the Company’s Chief Restructuring Officer. Mr. Cejka is reporting to the Company’s Chief Executive Officer.



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About Palm Harbor

Dallas, Texas-based Palm Harbor Homes is one of the nation's leading manufacturers and marketers of factory-built homes. The Company markets nationwide through vertically integrated operations, encompassing manufacturing, marketing, financing and insurance. For more information, please visit www.palmharbor.com.

Forward-looking Statements

This Press Release contains forward-looking statements that are subject to certain risks and uncertainties that could cause actual results to differ materially from those projected. The most significant among these risks and uncertainties are: (i) the ability of the Company to continue as a going concern; (ii) the Company's ability to obtain Bankruptcy Court approval with respect to motions in the chapter 11 cases; (iii) the ability of the Company and its subsidiaries to develop and consummate one or more plans of reorganization with respect to the chapter 11 cases; (iv) the effects of the Company's Bankruptcy Filing on the Company and the interests of various creditors, equity holders and other constituents; (v) Bankruptcy Court rulings in the chapter 11 cases and the outcome of the cases in general; (vi) the length of time the Company will operate under the chapter 11 cases; (vii) risks associated with third party motions in the chapter 11 cases, which may interfere with the Company's ability to develop and consummate one or more plans of reorganization once such plans are developed; (viii) the potential adverse effects of the chapter 11 proceedings on the Company's liquidity or results of operations; (ix) the ability to execute the Company's business and restructuring plan; (x) increased legal and professional costs related to the Bankruptcy Filing and other litigation; (xi) the Company's ability to maintain contracts that are critical to its operation, to obtain and maintain normal terms with customers, suppliers and service providers and to retain key executives, managers and employees. The cautionary statements provided above are being made pursuant to the provisions of the Private Securities Litigation Reform Act of 1995 (the "Act") and with the intention of obtaining the benefits of the "safe harbor" provisions of the Act for any such forward-looking information. Additional risks that may affect the Company's future performance are detailed in the Company's filings with the Securities and Exchange Commission, including its most recent Annual Report on Form 10-K and its Quarterly Reports on Form 10-Q.



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