

Palm Harbor Homes
Builder / Developer / Retailer Information

General Questions

1. Why did Palm Harbor Homes file for Chapter 11 protection?

Under its current structure, the prolonged economic downturn and depressed housing industry conditions have made it extremely difficult for Palm Harbor Homes to generate sufficient profits to meet our financial obligations as they become due, including our ability to service our debt with Textron, our floor plan lender. By filing for Chapter 11 protection, we will eliminate our debt and provide our company with a stronger financial foothold while we continue as an on-going enterprise.

Specifically, the Company has partnered with Fleetwood Homes to facilitate an investment through a Court approved process by providing \$50 million in financing to pay off our existing debt with Textron and provide capital for ongoing operations.

This \$50 million in financing will also initiate an auction process through the Court led by Fleetwood Homes, a subsidiary of Cavco Industries, to seek the highest possible investment in our company and provide stability going forward. This will be a public process and we will keep you informed as it progresses.

2. When did the filing occur? Where will the Chapter 11 petitions filed?

The Company filed its voluntary petition for reorganization on Monday, November 29th. The filing was made in the U.S. Bankruptcy Court for the District of Delaware in Wilmington.

3. Who is included in the filing?

Palm Harbor Homes, Inc. and five of its domestic operating subsidiaries, including Nationwide Custom Homes, were part of the filing.

Operations at Standard Casualty, Standard Insurance Agency, Palm Harbor Insurance Agency and CountryPlace Mortgage were not included and will not be impacted by the U.S. Court proceedings. All financial services subsidiaries will continue with business as usual while Palm Harbor Homes and its home building subsidiaries work through the restructuring.

4. What is Chapter 11?

First and foremost, Palm Harbor Homes will continue business as usual, without interruption. Chapter 11 means “financial restructuring,” not “liquidation.” By

filing for Chapter 11, Palm Harbor Homes will obtain a legal mechanism for court-supervised and orderly reorganization or restructuring of our financial obligations. Chapter 11 provides a tool for companies to be permitted time to restructure and reduce their debts while continuing to run and manage their day-to-day operations.

In fact, we are completing the same process that many companies you know have completed successfully and, by doing so, are now stronger. These companies include Chrysler, Delta Airlines, the Texas Rangers and even some names in our industry including Champion Enterprises, Monsanto, American Home Star and Fleetwood Homes.

5. 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 declared by the court to be secured.

Because Chapter 11 permits and even encourages ongoing daily operations, business will continue as usual throughout the filing process for Palm Harbor Homes. We will continue to serve our customers, retailers and developers as we have historically. Employees and retailers will continue to be paid throughout the process. Materials delivered and services performed after the filing date will be paid in the ordinary course of business.

6. How does the Chapter 11 filing help anything?

Chapter 11 gives Palm Harbor the resources and time we need to restructure our financial obligations and position the Company to continue as a viable business operation.

7. Is Palm Harbor for sale?

The Company has secured \$50 million in financing from Fleetwood Homes, to pay off our debt with Textron, our floor plan lending source, and to provide cash for ongoing operations. As part of this financing, Fleetwood Homes, a subsidiary of Cavco Industries, will lead a court approved auction process to seek an investment in the Company. The Board of Directors will determine the best partner for an investment that will best position the Company for the future.

8. How long will Palm Harbor be in Chapter 11?

Our plan is to move through the process as quickly as possible with the hope of emerging in no more than six months, if not sooner.

9. Does the Company have enough money to stay in business?

Yes. The Company secured a new \$50 million credit facility from Fleetwood Homes to ensure that we can continue to fund operating costs including payments to suppliers and employee wages and benefits. This funding is available immediately.

General Customer Questions

1. Will there be any changes in the current range of products and services offered by Palm Harbor?

None at all. We remain committed to maintaining our rigorous quality standards in the wide variety of factory built construction solutions we offer. Our single-family and multi-family homes as well as commercial and government buildings will continue to be professionally designed and engineered using only quality building materials and components.

2. Will Palm Harbor continue to pursue new business?

Yes. We intend to operate as normal and capitalize on our widely respected brands and our decades' long reputation for building affordable, high-quality manufactured and modular homes. We will have a stronger financial footing as a result of this process and intend to capitalize on the opportunity created through this merger with a strong partner.

3. What about the future? Is Palm Harbor going to be cutting quality to save money?

During the reorganization and beyond, Palm Harbor will continue to provide homeowners, retailers, developers and builders with high quality products, high levels of service and competitive pricing.

4. How will the Chapter 11 filing affect your relationship with suppliers?

We expect that our vendors will be supportive during the process. The credit facility financing we have in place during the filing, combined with the protections provided under the Bankruptcy Code for post-petition purchases, assures that our vendors will continue to provide products and services to us during the restructuring process. This will allow us to keep production in line with demand.

Builder & Retailer-Specific Questions

5. How does the filing impact retail customers and builders?

The filing will have no material impact on our retail customers and builders. Palm Harbor will continue to deliver the high quality products its customers rely on for their families. We fully expect to complete this restructuring swiftly and continue designing, manufacturing and selling high quality products for our retail centers, builders and developers for many years to come.

6. What should I tell my customers if they ask about the Palm Harbor Chapter 11 filing?

Tell them that Palm Harbor will continue to operate normally throughout the restructuring. Our homes are professionally designed and engineered and built by craftsmen in a controlled factory environment using only the highest quality building materials and components. We have worked hard over the past 30 years to build our reputation for building affordable, quality-built manufactured homes, and we will not do anything to jeopardize that.

7. I gave the Company a deposit. What happens now?

We are seeking and expect to promptly receive Court authority to continue to maintain deposits under existing practices. Your deposit is safe and we will provide the home or building that you expected when you made the deposit.

8. Will warranties be honored?

We are seeking and expect to promptly receive Court authority to continue to honor our warranty obligations.

9. Does that include the extended warranty some of our customers purchased?

Yes. All extended warranties, even those purchased from other insurance providers, will be honored.

For Project Developers and Other Commercial Project Customers

10. Will you continue to honor our contract?

We intend to comply with our customer contracts as we always have.

11. Will there be delays to the project as a result of the Chapter 11?

We anticipate that our manufactured and modular buildings will be completed on schedule per your construction schedule. The restructuring is not expected to result in delays to the manufacturing process.

Standard Casualty and CountryPlace Mortgage Customers

1. Will your products and services be delivered as promised?

Yes. It will be business as usual for Standard Casualty, Standard Insurance Agency, Palm Harbor Insurance Agency and CountryPlace Mortgage as these entities did not file for Chapter 11 restructuring. These entities will continue to serve their customers with superior service and competitive rates.