

Palm Harbor, Inc.
Investor 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 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.

Investor Specific Information

1. Will the Company's stock continue to trade on the NASDAQ Stock Exchange?

As of close of trading on November 23rd, PHHM's stock price was \$0.14.

As is customary when a company first files for Chapter 11, NASDAQ will halt trading of Palm Harbor Homes's stock. It is at the sole discretion of NASDAQ as to when Palm Harbor Homes's stock will resume trading, if at all.

2. What happens if the stock is delisted?

If Palm Harbor Homes stock is delisted by NASDAQ, it no longer trades on the exchange. It is likely, however, that the stock will trade over the counter on what is known as the "pink sheets." This is not something over which the Company has any control. If you have questions, you can call your broker.

3. What are the "Pink Sheets"?

The "Pink Sheets" is an electronic quotation system that displays quotes from broker dealers for many over-the-counter (OTC) securities. "Market makers" and other brokers who buy and sell OTC securities can use the Pink Sheets to publish their bid and ask quotation prices. The name "Pink Sheets" comes from the color of paper they were historically printed on. They are published today by Pink Sheets LLC, a privately owned company. Pink Sheets LLC is not registered with the SEC in any way and it is not an NASD Broker-Dealer.

4. What is the difference between the OTC market and the NASDAQ?

Stock exchanges have specific quantitative and qualitative listing and maintenance standards that are stringently monitored and enforced. Companies listed on an exchange also have reporting obligations to the exchange and a direct business relationship exists between the exchange and its listed companies. There are no minimum required standards and no business relationship exists between the quotation services (e.g., "Pink Sheets", OTCBB) and the issuers.

5. How can I sell the stock?

Contact your stock broker just like you would with any other stock you were looking to sell.

6. What does the Plan of Reorganization provide for shareholders? What will happen to our stock?

The Plan of Reorganization has not yet been developed. It is not known how the stock will be treated. The Plan will speak to the treatment of current company shares. At this time, there is no assurance as to what values, if any, will be ascribed in the Chapter 11 case to Palm Harbor Homes' stock.

7. Will our shares be diluted?

It is too early in the process to know how the shares will be treated. The Plan of Reorganization, which has not yet been developed, will outline how the shares will be treated once the company emerges from Chapter 11. At this time, there is no assurance as to what values, if any, will be ascribed in the Chapter 11 case to Palm Harbor Homes' stock.

8. Will my existing stock be canceled?

It is too early in the process to know how the shares will be treated. The Plan of Reorganization, which has not yet been developed, will outline how the shares will be treated once the company emerges from Chapter 11. However, any time a company files for Chapter 11, the cancellation of shares is a possibility.

9. Do shareholders vote on the Plan of Reorganization?

In some instances, shareholders vote on the Plan; however, this has not yet been determined.

10. When will the Company emerge from Chapter 11?

It is too early in the process to know when the Company will emerge from Chapter 11. The Plan of Reorganization will also determine this timing.