

Palm Harbor Homes Vendor/ Supplier 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.

Vendor/Supplier Specific Questions

1. When will I get paid?

Palm Harbor is seeking to expedite the provision under Section 503(b)(9) of the Bankruptcy Code which allows payment to vendors who have delivered goods within the 20 days prior to filing.

Unfortunately, other than as stated otherwise, federal law prohibits payment for goods and services provided prior to the filing date without specific Court authorization. The Company has submitted several motions to the Court seeking approval to make payments due on pre-petition amounts due under one of several different payment programs.

If we are not permitted to make payment for goods or services delivered before the November 29th filing date, you will be provided in the next few months with a claim form to be completed and filed with the Court. Any distribution on the claim will be pursuant to a plan of reorganization that will be accepted by creditors and approved by the court or other court orders. We sincerely regret any hardship this may cause.

2. Why should I sell you goods and services now?

First of all, the Company has received a substantial new credit facility from Fleetwood Homes that will provide the immediate liquidity to pay for goods and services going forward. Secondly, going forward, you will be paid in full for goods and services provided after the filing date *as required* by the U.S. Bankruptcy Code.

If you are owed money for goods or services provided prior to the filing date, we sincerely regret the hardship or inconvenience this will cause. However, we are hoping to put any such issues behind us and focus on our mutually beneficial business relationship going forward. In fact, the best way to minimize your loss is to continue providing goods and services to us because not only will we continue to do business on a current basis, but our ability to reorganize with a strong capital provider will be enhanced by continuing our working relationship.

3. Given the uncertainties of the situation, I want to renegotiate my terms with you.

Our ability to purchase from you on favorable terms and at competitive prices is critical. We expect in the months and years ahead to remain a good customer to you.

4. What about for work started pre-petition that won't be completed until after the filing?

We will pay the portion relating to the post-petition work. Payment for the pre-petition portion of the work may not be paid unless Palm Harbor is authorized by court order to make the payment.

5. How can I determine which goods are considered pre-petition or post-petition under the Bankruptcy Code?

Any goods or services provided prior to the November 29, 2010, filing date are considered pre-petition obligations. If a good or service is provided after the filing date, it is considered post-petition.

6. How can I be sure this is not going to turn into a liquidation?

The purpose of Chapter 11 is to preserve the company, not liquidate it. By addressing our balance sheet and debt issues, we believe we will be positioned to capitalize on the anticipated recovery in the residential and commercial markets.

7. Can I take back my goods?

No. We understand your frustration, but it is against the law to take back goods without a Court order from a company that has filed Chapter 11. We recommend that you consult with your attorney before taking any such action.

8. Can I re-submit past invoices and get paid for them now?

No, the Bankruptcy Code prohibits that.

9. Where can I send a reclamation letter?

Reclamation demands should be mailed to:

Jill Pyland
Reclamations Letters
15305 Dallas Parkway, Suite 700
Addison, TX 75001

10. How do I file a proof of claim form?

Once the Court has confirmed the procedure and deadline for filing claims, you will be mailed a proof of claim form from the Court along with instructions on how to file. At that time, you may wish to consult with an attorney for advice regarding whether you need to file a proof of claim and how to do so.

11. How can I find out if my contract/invoice is with one of the entities involved in the Chapter 11 filing?

The entities that have filed are as follows:

- Palm Harbor Homes, Inc.
- Palm Harbor Manufacturing L.P.
- Palm Harbor Albemarle L.L.C.
- Palm Harbor Real Estate L.L.C.
- Palm Harbor GenPar L.L.C.
- Nationwide Homes, Inc.

If the name on your contract is not listed above, you can assume that you are working with an entity that has not filed for Chapter 11 protection, and that we will continue to operate in the normal course of business and not under the restrictions of the U.S. Bankruptcy Code.