UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
PALM HARBOR HOMES, INC., et al.,[1]	)	Case No. 10-_____ (___)
	)	
Debtors.	)	Joint Administration Requested
	)	

MOTION OF THE DEBTORS FOR ENTRY OF (I) AN ORDER (A) APPROVING BID PROCEDURES; (B) APPROVING A BREAK-UP FEE AND EXPENSE REIMBURSEMENT; (C) APPROVING THE STALKING HORSE PURCHASER'S RIGHT TO CREDIT BID; (D) APPROVING THE FORM AND MANNER OF NOTICES; (E) APPROVING THE PROCEDURES FOR THE ASSUMPTION AND ASSIGNMENT OF CONTRACTS AND LEASES; AND (F) SETTING A SALE HEARING; AND (II) AN ORDER PURSUANT TO 11 U.S.C. §§ 363 AND 365 (A) AUTHORIZING AND APPROVING ASSET PURCHASE AGREEMENT BY AND AMONG THE DEBTORS, AS SELLERS, AND PALM HARBOR HOMES, INC., A DELAWARE CORPORATION, AS PURCHASER, OR SUCH OTHER PURCHASE AGREEMENT(S) BETWEEN THE DEBTORS AND THE SUCCESSFUL BIDDER, FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES AND INTERESTS; (B) AUTHORIZING AND APPROVING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES IN CONNECTION THEREWITH; AND (C) GRANTING RELATED RELIEF

Palm Harbor Homes, Inc., a Florida corporation, and its related debtors (collectively, the "Debtors"), as debtors and debtors in possession in the above-captioned cases (the "Bankruptcy Cases"), hereby file their *Motion of the Debtors for Entry of (I) an Order (A) Approving Bid Procedures; (B) Approving a Break-Up Fee and Expense Reimbursement; (C) Approving the Stalking Horse Purchaser's Right to Credit Bid; (D) Approving the Form and Manner of Notices; (E) Approving the Procedures for the Assumption and Assignment of Contracts and Leases; and (F) Setting a Sale Hearing; and (II) an Order Pursuant to 11 U.S.C. 363 and 365*

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Palm Harbor Homes, Inc., a Florida corporation (6634); Palm Harbor Albemarle, LLC (1014); Nationwide Homes, Inc. (4881); Palm Harbor Real Estate, LLC (8234); Palm Harbor GenPar, LLC (0198); and Palm Harbor Manufacturing, LP (0199). The location of the Debtors' corporate headquarters and service address is: 15303 Dallas Parkway, Suite 800, Addison, Texas 75001.

(A) Authorizing and Approving Asset Purchase Agreement by and among the Debtors, as Sellers, and Palm Harbor Homes, Inc., a Delaware Corporation, as Purchaser, or Such Other Purchase Agreement(s) Between the Debtors and the Successful Bidder, Free and Clear of All Liens, Claims, Encumbrances and Interests; (B) Authorizing and Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection Therewith; and (C) Granting Related Relief (the "Bid Procedures and Sale Motion"). In support of this Bid Procedures and Sale Motion, the Debtors have filed the Declaration of Brian E. Cejka in Support of Chapter 11 Petitions and First Day Pleadings (the "Cejka Declaration"). In further support hereof, the Debtors respectfully state as follows:

I. Jurisdiction

1. This Court has jurisdiction to consider this Motion pursuant to 28 U.S.C. §§ 157 and 1334. This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue of the Bankruptcy Cases and this Motion is proper in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

2. The statutory predicates for the relief requested herein are sections 105(a), 363 and 365 of title 11 of the United States Code, 11 U.S.C. §§ 101, et seq. (the "Bankruptcy Code"), Rules 6003 and 6004 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules") and Rule 6004-1 of the Local Rules of Bankruptcy Practice and Procedure of the United States Bankruptcy Court for the District of Delaware (the "Local Rules").

II. Background

3. On the date hereof (the "Petition Date"), each of the Debtors filed a voluntary petition for relief under chapter 11 of the Bankruptcy Code with the United States Bankruptcy Court for the District of Delaware (the "Court") commencing the above-captioned Bankruptcy

Cases. The factual background regarding the Debtors, including their business operations, their capital and debt structure, and the events leading to the filing of these Bankruptcy Cases, is set forth in detail in the Cejka Declaration, filed concurrently herewith and fully incorporated by reference.[2]

4. The Debtors have continued in possession of their respective properties and have continued to operate and maintain their business as debtors in possession pursuant to sections 1107(a) and 1108 of the Bankruptcy Code

5. No trustee or examiner has been appointed in these Bankruptcy Cases, and no committees have yet been appointed or designated.

A. The Debtors' Efforts to Sell Substantially All of Their Assets and Raise New Financing

6. Throughout the course of 2010, the Debtors, with the assistance of their advisors, Raymond James & Associates, Inc. ("Raymond James") and Alvarez & Marsal North America, LLC ("Alvarez"), explored a number of strategic alternatives to address their worsening financial condition, including, without limitation, a restructuring of their existing indebtedness with their prepetition secured lender (the "Textron Lenders", and the administrative agent and arranger for the Textron Lenders, "Textron") and the holders of certain convertible senior notes (as described more fully, and defined in, the Cejka Declaration, the "Notes"), raising new debt and/or equity financing, and seeking a sale of all or some of the Debtors' assets and operations. The strategic alternative process included extensive marketing whereby the Debtors and Raymond James contacted third parties to determine the extent to which any of these parties were interested in providing new financing to the Debtors, purchasing the Debtors' assets, equity or operations, or exploring other strategic alternatives.

[2] Capitalized terms used but not defined in this Section II of the Bid Procedures and Sale Motion shall have the meaning ascribed to them in the Cejka Declaration.

7. During this time, the Debtors, through Raymond James, contacted over 120 parties (including both financial and strategic parties, and holders of the Notes) regarding potential strategic alternatives. Raymond James placed no conditions on potentially interested parties with regard to bid levels, structure, financing or management in connection with the solicitation of indications of interest. All of the interested parties were given an opportunity to execute a confidentiality agreement. Those parties that executed a confidentiality agreement were provided substantial due diligence information concerning, and access to, the Debtors, including, but not limited to, presentations by Debtors' management, access to the Debtors' financial advisors, and access to financial, operational, and other detailed information. Thirty-nine of these parties executed confidentiality agreements with the Debtors and performed due diligence. Nine of these parties participated in on-site or telephone meetings with the Debtors' management team.

8. As a result of the above marketing efforts, the Debtors received multiple term sheets from several parties relating to various strategic alternatives, including the possible sale of the Debtors' assets. Of these offers, the Debtors selected an offer made by Palm Harbor Homes, Inc., a Delaware corporation, which is an affiliate of Cavco Industries, Inc. (the "Stalking Horse Purchaser" or the "Purchaser"), to acquire the Debtors pursuant to section 363 of the Bankruptcy Code. The Purchaser accordingly executed an asset purchase agreement (the "Stalking Horse Agreement" or the "Agreement") to acquire substantially all of the Debtors' assets, including the Debtors' stock in (i) CountryPlace Acceptance Corp., and (ii) Standard Casualty Co. and Standard Ins. Agency, Inc. (collectively, "Standard Casualty"), conditioned on the Court's entry of an order authorizing the sale of the company to the Purchaser, and subject to the entry of an order approving certain bid procedures and bid protections to apply in an auction of the Debtors'

assets contemplated by the Stalking Horse Agreement. An affiliate of Cavco Industries, Inc. has also agreed to provide the Debtors with financing to enable the Debtors to commence these Bankruptcy Cases and to meet their obligations during these Bankruptcy Cases. The Debtors have thus entered into a debtor in possession revolving credit facility with Fleetwood Homes, Inc. (the "DIP Lender"), an affiliate of Cavco Industries, Inc., to provide this financing, subject to Court approval.

9. Ultimately, the DIP Lender was unwilling to lend without reasonable certainty of a successful sale process. Therefore, one of the conditions to the Debtors' continued use of DIP financing is the pursuit of an expedited sale process. Contemporaneously herewith, the Debtors have sought entry of orders approving a postpetition financing package offered by the DIP Lender (the "DIP Facility"). Among other things, the DIP Facility requires that (a) a motion for authority to sell substantially all of the Debtors' assets pursuant to section 363 of the Bankruptcy Code be filed no later than three business days after the date of the DIP Facility, (b) the Debtors obtain approval of such sale motion on terms acceptable to the DIP Lender, and (c) the sale contemplated in such sale motion close by the earlier of 60 days after the Court's entry of an order approving the bid procedures or 135 days after the Petition Date (the "Sale Deadlines"). The Debtors have accordingly negotiated the Bid Procedures (as defined below) with the DIP Lender and the Stalking Horse Purchaser in order to facilitate an auction process that meets these requirements.

10. The primary purpose of the sale process will be to provide for the sale (a "Transaction" or an "Asset Sale") involving substantially all of the Debtors' assets and operations (the "Transferred Assets") to the party that submits the highest and best offer in accordance with the Bid Procedures (as defined below).

III.
The Stalking Horse Agreement, Bid Procedures, Auction, and Sale

A. The Stalking Horse Agreement.

11. As described above, the Debtors have been in extensive negotiations with the Stalking Horse Purchaser regarding the terms of a possible acquisition of the Transferred Assets. These negotiations culminated in the execution the Stalking Horse Agreement, a copy of which is attached as **Exhibit A**. The Stalking Horse Agreement provides that the Stalking Horse Purchaser will pay at least $50 million plus the assumption of certain warranty and other liabilities and executory contracts (as set forth in more detail in the Agreement) for the Transferred Assets. The Debtors believe that, subject to the receipt of higher and better proposals through the Bid Procedures (as defined below), the Stalking Horse Agreement represents the best alternative currently available to the Debtors.

B. The Proposed Bid Procedures and Bid Protections.[3]

12. The bid procedures, substantially in the form attached hereto as **Exhibit B** (the "Bid Procedures"), were developed to permit an expedited sale process, to promote participation and active bidding, and to ensure that the Debtors receive the highest or otherwise best offer for the Transferred Assets. Given the Debtors' precarious cash position, the Debtors believe that the timeline for consummating the sale process established pursuant to the Bid Procedures is in the best interests of their estates and all parties in interest.

13. The Bid Procedures describe, among other things, the requirements for prospective purchasers to participate in the bidding process, the availability and conduct of due diligence, the deadline requirements for submitting a competing bid, the method and factors for

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[3] The summary of the Bid Procedures contained in this Bid Procedures and Sale Motion is qualified in its entirety by the Bid Procedures themselves. To the extent of any inconsistency, the Bid Procedures shall govern. Capitalized terms used but not otherwise defined in this Section III.B of the Bid Procedures and Sale Motion shall have the meanings set forth in the Bid Procedures.

determining qualifying bids, the criteria for selecting a successful bidder, and the payment of the Break-Up Fee and the Expense Reimbursement (each as defined below) for the benefit of the Stalking Horse Purchaser.

14. The Break-Up Fee and the Expense Reimbursement are material inducements for, and conditions of, the Stalking Horse Purchaser's agreement to enter into the Stalking Horse Agreement. As described in detail below, the Debtors believe that the Break-Up Fee and the Expense Reimbursement are fair and reasonable and will enhance the prospects for competitive bidding with respect to the Transferred Assets.

15. Pursuant to Local Rule 6004-1(c), a debtor filing a motion seeking approval of bidding procedures must highlight certain provisions. The following is a summary of the Debtors' proposed Bid Procedures in compliance with Local Rule 6004-1(c):

(i) Qualification of Bidders (Local Rule 6004-1(c)(i)(A)).

To be eligible to participate in the Auction, each offer, solicitation or proposal (each, a "Bid"), and each party submitting such a Bid (each, a "Bidder"), must be determined by the Debtors to satisfy each of the following conditions:

Corporate Authority. Written evidence reasonably acceptable to the Debtors demonstrating appropriate corporate authorization to consummate the proposed Competing Transaction; provided, however, that, if the Bidder is an entity specially formed for the purpose of effectuating the Competing Transaction, then the Bidder must furnish written evidence reasonably acceptable to the Debtors of the approval of the Competing Transaction by the equity holder(s) of such Bidder. See Bid Procedures at § III(C)(3).

Proof of Financial Ability to Perform. Written evidence that the Debtors reasonably conclude demonstrates that the Bidder has the necessary financial ability to close the Competing Transaction and provide adequate assurance of future performance under all Assumed Contracts. Such information should include, *inter alia*, the following:

- contact names, email addresses and telephone numbers for verification of financing sources;
- evidence of the Bidder's internal resources and proof of any debt or equity funding commitments that are needed to close the Competing Transaction;

- the Bidder's current financial statements (audited if they exist); and
- any such other form of financial disclosure or credit-quality support information or enhancement reasonably acceptable to the Debtors demonstrating that such Bidder has the ability to close the Competing Transaction; provided, however, that the Debtors shall determine, in their sole discretion, in consultation with the Debtors' advisors, whether the written evidence of such financial wherewithal is reasonably acceptable, and shall not unreasonably withhold acceptance of a Bidder's financial qualifications. See Bid Procedures at § III(C)(4).

(ii) Qualified Bids (Local Rule 6004-1(c)(i)(B)).

Each offer, solicitation or proposal (each, a "Bid") must be determined by the Debtors to satisfy each of the following conditions

Good Faith Deposit. Each Bid (other than the Bid from the Stalking Horse Purchaser) must be accompanied by a deposit to an interest bearing escrow account to be identified and established by the Debtors in an amount that is the lesser of (i) $5,000,000, or (ii) 10% of the proposed purchase price, (the "Good Faith Deposit"). See Bid Procedures at § III(C)(1).

Terms. Bids(s) must be on terms that, in the Debtors' business judgment, are higher or otherwise better than the terms of the Stalking Horse Agreement. A Bid must include executed transaction documents pursuant to which the Bidder proposes to effectuate the Competing Transaction (the "Competing Transaction Documents"). A Bid shall include a copy of the Stalking Horse Agreement marked to show all changes requested by the Bidder (including those related to purchase price). A Bid should propose a Competing Transaction involving substantially all of the Debtors' assets or operations. The Debtors shall evaluate all Bids to determine whether such Bid(s) maximizes the value of the Debtors' estates as a whole. A Bid to purchase substantially all of the Debtors' assets must propose a purchase price equal to the purchase price under the Stalking Horse Agreement, plus at least: (i) $300,000 (the "Initial Overbid"); (ii) $1,100,000, which represents the amount of the break-up fee to the Stalking Horse Purchaser (the "Break-Up Fee"); and (iii) $250,000, which represents the amount of the Expense Reimbursement (as defined below). The Competing Transaction Documents shall also identify any executory contracts and unexpired leases of the Debtors that the Bidder wishes to have assumed and assigned to it (collectively, the "Assumed Contracts"). See Bid Procedures at § III(C)(2).

Contingencies. A Bid may not be conditioned on obtaining financing or any internal approval, or on the outcome or review of due diligence, but

may be subject to the accuracy in all material respects at the closing of specified representations and warranties. See Bid Procedures at § III(C)(5).

Irrevocable. A Bid must be irrevocable until the closing of the Auction, provided, however, that if such Bid is accepted as the Successful Bid or the Backup Bid (as defined herein), such bid shall continue to remain irrevocable, subject to the terms and conditions of the Bid Procedures. See Bid Procedures at § III(C)(6).

Bid Deadline. The Debtors must receive a Bid in writing, on or before January 18, 2011, 2010 at 4:00 p.m. (prevailing Eastern time) or such later date as may be agreed to by the Debtors (the "Bid Deadline"). See Bid Procedures at § III(C)(7).

(iii) Bid Protections (Local Rule 6004-1(c)(i)(C)).

Expense Reimbursement and Break-Up Fee. If the Stalking Horse Purchaser attends the Auction with its Bid in place, and the Stalking Horse Purchaser is outbid, and the Successful Bidder is a party other than the Stalking Horse Purchaser, the Stalking Horse Purchaser shall, without further court order, be entitled to receive (i) reimbursement of the reasonable, actual, out-of-pocket costs and expenses paid or incurred by the Stalking Horse Purchaser directly incident to, under, or in connection with the negotiation and execution of, and performance under, the Stalking Horse Agreement and the transactions contemplated thereunder (including travel expenses and reasonable fees and disbursements of counsel, accountants and financial advisors, excluding any charges for the time or services of the Stalking Horse Purchaser's employees except the Stalking Horse Purchaser's in-house corporate counsel) in an amount not to exceed $250,000 in the aggregate ("Expense Reimbursement"); and (ii) the Break-Up Fee. The Debtors shall pay or cause to be paid the Expense Reimbursement and Break-Up Fee out of the proceeds of the sale within twenty-four (24) hours of receipt of such sale proceeds, both of which shall have priority as administrative expenses in the Debtors' cases under Sections 503(6) and 507(a) of the Bankruptcy Code. See Bid Procedures at ¶ IV(I)

Minimum Overbid Increment. Any Overbid after the Auction Baseline Bid shall be made in increments of at least $100,000 (the "Minimum Overbid Increment"); provided that the Debtors shall retain the right to modify the bid increment requirements at the Auction as they may deem appropriate. Additional consideration in excess of the amount set forth in the Auction Baseline Bid may include cash, the assumption of debt or marketable securities, a credit bid under section 363(k) of the Bankruptcy Code of an allowed secured claim of Fleetwood Homes, Inc. or its assignee, other consideration as the Debtors may value in their sole discretion, or any combination thereof. See Bid Procedures at ¶ IV(B)(1).

(iv) Modification of Bidding and Auction Procedures (Local Rule 6004-1(c)(i)(D))

Additional Procedural Rules. The Debtors may announce at the Auction modifications or amendments to the procedural rules that are reasonable under the circumstances (e.g., the amount of time to make subsequent Overbids, whether a non-conforming Bid constitutes a Qualified Bid) for conducting the Auction so long as such rules are not inconsistent with these Bid Procedures. See Bid Procedures at ¶ IV(D).

(v) Closing with Alternative Backup Bidders (Local Rule 6004-1(c)(i)(E))

Back-Up Bidder. Notwithstanding anything in the Bid Procedures to the contrary, if an Auction is conducted, the party with the next highest or otherwise best Qualified Bid(s) at the Auction, as determined by the Debtors, in the exercise of their business judgment, shall be required to serve as a backup bidder (the "Backup Bidder"). The Backup Bidder shall be required to keep its initial Bid (or if the Backup Bidder submitted one or more Overbids at the Auction, its final Overbid) (the "Backup Bid") open and irrevocable until the earlier of 5:00 p.m. (prevailing Eastern time) on the date that is twenty (20) days after entry of the Sale Order (the "Outside Backup Date") or the closing of the transaction with the Successful Bidder. Following entry of the Sale Order, if the Successful Bidder fails to consummate an approved transaction, because of a breach or failure to perform on the part of such Successful Bidder, the Debtors may designate the Backup Bidder to be the new Successful Bidder, and the Debtors will be authorized, but not required, to consummate the transaction, with the Backup Bidder without further order of the Bankruptcy Court. In such case, the defaulting Successful Bidder's deposit, if any, shall be forfeited to the Debtors' estates, and the Debtors specifically reserve the right to seek all available damages from the defaulting Successful Bidder. The closing date to consummate the transaction with the Backup Bidder shall be no later than ten (10) days after the date that the Debtors provide notice (the "Notice") to the Backup Bidder that the Successful Bidder failed to consummate an approved Transaction and that the Debtors desire to consummate the transaction with the Backup Bidder. The deposit, if any, of the Backup Bidder shall be held by the Debtors until the earlier of two (2) business days after (a) the closing of the Transaction with the Successful Bidder or (b) the Outside Backup Date, provided however, that in the event the Successful Bidder does not consummate the transaction as described above and the Debtors provide the Notice to the Backup Bidder, the Backup Bidder's deposit shall be held until the closing of the transaction with the Backup Bidder. In the event that the Debtors fail to consummate a transaction with the Backup Bidder as described above, the Backup Bidder's deposit shall be forfeited to the Debtors' estates, and the Debtors specifically reserve the right

to seek all available damages from the defaulting Backup Bidder. See Bid Procedures at ¶ IV(C).

C. The Auction and Sale.

16. If one or more Qualified Bid(s) is received by the Bid Deadline (other than the Stalking Horse Agreement), the Debtors will conduct an auction (the "Auction") to determine the highest and best Qualified Bid. This determination shall take into account any factors the Debtors reasonably deem relevant to the value of the Qualified Bid to the Debtors' estates, including, *inter alia*, the following: (i) the amount and nature of the consideration; (ii) the proposed assumption of any liabilities and/or executory contracts or unexpired leases, if any; (iii) the ability of the Qualified Bidder to close the proposed Transaction; (iv) the proposed closing date and the likelihood, extent and impact of any potential delays in closing, including owing to regulatory uncertainty; (v) any purchase price adjustments; (vi) the impact of the Transaction on any actual or potential litigation; and (vii) the net after-tax consideration to be received by the Debtors' estates (collectively, the "Bid Assessment Criteria"). If no Qualified Bid (other than the Stalking Horse Agreement) is received by the Bid Deadline, the Debtors may determine not to conduct the Auction. The Debtors seek authority from the Court to schedule the Auction on a date as further described in the Bid Procedures.

IV.
Relief Requested

17. The Debtors respectfully request the entry of (I) an Order (A) Approving Bid Procedures; (B) Approving a Break-Up Fee and Expense Reimbursement; (C) Approving the Stalking Horse Purchaser's Right to Credit Bid; (D) Approving the Form and Manner of Notices; (E) Approving the Procedures for the Assumption and Assignment of Contracts and Leases; and (F) Setting a Sale Hearing (the "Bid Procedures Order"); and (II) an Order Pursuant to 11 U.S.C. 363 and 365 (A) Authorizing and Approving Asset Purchase Agreement by and among the

Debtors, as Sellers, and Palm Harbor Homes, Inc., a Delaware Corporation, as Purchaser, or Such Other Purchase Agreement(s) Between the Debtors and the Successful Bidder, Free and Clear of All Liens, Claims, Encumbrances and Interests; (B) Authorizing and Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection Therewith; and (C) Granting Related Relief (the "Sale Order").

V.
Basis for Relief

A. The Bid Procedures Are Appropriate and in the Best Interests of the Debtors, Their Estates and Their Creditors

i. The Proposed Notice of the Bid Procedures and the Sale Process Is Appropriate

18. The Debtors seek to sell the Transferred Assets through an Auction and Asset Sale. The Debtors and Raymond James have already conducted an extensive prepetition marketing process. Moreover, the Debtors have developed a list of Contact Parties who will receive a copy of the Information Package (as defined in the Bid Procedures). The list of Contact Parties was specifically designed to encompass those parties whom the Debtors believe may be potentially interested in pursuing a Transaction and whom the Debtors reasonably believe may have the financial resources to consummate a Transaction. The Bid Procedures are designed to elicit bids from one or more parties and to encourage a robust auction of the Transferred Assets, thus maximizing the value for the Debtors' estates and their creditors.

19. Under Bankruptcy Rule 2002(a) and (c), the Debtors are required to notify creditors of the proposed sale of the Transferred Assets, including a disclosure of the time and place of any auction, the terms and conditions of a sale, and the deadline for filing any objections.

20. Therefore, the Debtors will serve this Bidding Procedures and Sale Motion on all Notice Parties (as defined herein). Within two business days of the entry of the Bid Procedures Order, the Debtors (or their agents) shall serve a notice substantially in the form attached hereto as Exhibit C (the "Sale Notice") that will provide notice of the terms, dates and deadlines relating to the Bidding Procedures, the Auction, the Sale Hearing and contract assignment procedures upon: (a) the United States Trustee for the District of Delaware; (b) the United States Attorney for the District of Delaware; (c) the Internal Revenue Service; (d) the Securities and Exchange Commission; (e) the Debtors' thirty largest unsecured creditors on a consolidated basis; (f) counsel to the Committee (if one is appointed); (g) counsel to the DIP Lender and the Stalking Horse Purchaser; (h) counsel to Textron, the Debtors' prepetition lender; (i) each of the Debtors' cash management banks; (j) all persons or entities known to be asserting a lien on any of the Transferred Assets; (k) all persons or entities known to have expressed an interest in acquiring any of the Transferred Assets; and (l) all persons or entities who have requested notice pursuant to Bankruptcy Rule 2002. Additionally, within two business days of the entry of the Bid Procedures Order, the Debtors (or their agents) shall serve a notice in substantially the form as that appearing in Exhibit D (the "Creditor Notice") upon all of the parties set forth on the Debtors' creditor matrix who were not served with a Sale Notice. Finally, the Debtors propose to publish the notice attached hereto as Exhibit E (the "Bid Procedures Notice") once in the *USA Today* within five business days after entry of the Bid Procedures Order.

21. The Debtors believe that the foregoing notice is sufficient to provide effective notice of the Bid Procedures, the Auction, the Asset Sale and the Sale Hearing to potentially interested parties in a manner designed to maximize the chance of obtaining the broadest possible participation in the Debtors' marketing process, while minimizing costs to the estates.

Accordingly, the Debtors respectfully request that the Court find that the proposed notice procedures set forth in this Motion are sufficient, and that no other or further notice of the Bid Procedures, Auction, Asset Sale or Sale Hearing is required.

ii. The Bid Procedures Are Appropriate and Will Maximize Value

22. Bid procedures should be approved when they provide a benefit to the debtor's estate by maximizing the value of the debtor's assets. See In re Edwards, 228 B.R. 552, 361 (Bankr. E.D. Pa. 1998) ("The purpose of procedural bidding orders is to facilitate an open and fair public sale designed to maximize value for the estate.").

23. The paramount goal in any proposed sale of property of the estate is to maximize the proceeds received by the estate. See In re Mushroom Transp. Co., Inc., 382 F.3d 325, 339 (3d Cir. 2004) (debtor in possession "had a fiduciary duty to protect and maximize the estate's assets"); Official Comm. of Unsecured Creditors of Cybergenics, Corp v. Chinery, 330 F.3d 548, 573 (3d Cir. 2003) (same); Four B. Corp. v. Food Barn Stores, Inc. (In re Barn Stores, Inc.), 107 F.3d 558, 564-65 (8th Cir. 1997) (in bankruptcy sales, "a primary objective of the Code [is] to enhance the value of the estate at hand").

24. To that end, courts uniformly recognize that procedures to enhance competitive bidding are consistent with the goal of maximizing the value received by the estate and therefore are appropriate in the context of bankruptcy transactions. See In re O'Brien Envtl. Energy, Inc., 181 F.3d 527, 537 (3d Cir. 1999); see also Official Comm. of Subordinated Bondholders v. Integrated Res. Inc. (In re Integrated Res. Inc.), 147 B.R. 650, 659 (S.D.N.Y. 1992) (bidding procedures "encourage bidding . . . maximize the value of the debtor's assets").

25. The Debtors believe that the Bid Procedures will establish the parameters under which the value of the Transaction may be tested at the Auction. The Bid Procedures will

increase the likelihood that the Debtors will receive the greatest possible consideration because they will ensure a competitive and fair bidding process.

26. The Debtors also believe that the Bid Procedures will promote active bidding from seriously interested parties and will dispel any doubt as to the best and highest offer reasonably available for the Transferred Assets. The Bid Procedures will allow the Debtors to conduct the Auction in a controlled, fair and open fashion that will encourage participation by financially capable bidders who demonstrate the ability to close a Transaction. The Debtors believe that the Bid Procedures will encourage bidding, that they are consistent with other procedures previously approved by courts in this and other districts and that the Bid Procedures are appropriate under the relevant standards governing auction proceedings and bidding incentives in bankruptcy proceedings. See, e.g., In re O'Brien Envtl. Energy, Inc., 181 F.3d at 537; see also In re Dura Auto. Sys., Inc., Case No. 06-11202 (KJC) (Bankr. D. Del. July 14, 2007); In re New Century TRS Holdings, Inc., Case No. 07-10416 (KJC) (Bankr D. Del. Apr. 20, 2007); In re Three A's Holdings, L.L.C., Case No. 06-10886 (BLS) (Bankr. D. Del. Sept. 7, 2006).

27. Thus, the Bid Procedures are reasonable, appropriate and within the Debtors' sound business judgment under the circumstances because the Bid Procedures are designed to maximize the value to be received by the Debtors' estates.

iii. The Initial and Subsequent Overbids Are Appropriate

28. One important component of the Bid Procedures is the "overbid" provision. Once the Debtors determine the Auction Baseline Bid and hold the Auction, all subsequent Overbids must be made in increments of at least $100,000 more than the Auction Baseline Bid (the "Initial Minimum Overbid") and then continue in minimum increments of at least $100,000; provided that the Debtors shall retain the right to modify the bid increment requirements at the Auction.

29. The Debtors believe that such Initial Minimum Overbid is reasonable under the circumstances, and will enable the Debtors to maximize the value for such the Transferred Assets while limiting any chilling effect in the marketing process. The overbid increment is also consistent with such increments previously approved by courts in this District. See In re Dura Auto. Sys., Inc., Case No. 06-11202 (KJC) (Bankr. D. Del. July 24, 2007) (approving $750,000 increment); In re New Century TRS Holdings, Inc., Case No. 07-10416 (KJC) (Bankr D. Del. Apr. 20, 2007) (approving $500,000 increment); In re Three A's Holdings, L.L.C., Case No. 06-10886 (BLS) (Bankr D. Del. Sept. 7, 2006) (approving $500,000 increment).

iv. The Expense Reimbursement and the Break-Up Fee Are Reasonable and Appropriate

30. The Expense Reimbursement and the Break-Up Fee are (i) reasonable and appropriate, including in light of the size and nature of the Transaction and the efforts that have been or will be expended by the Stalking Horse Purchaser notwithstanding that the proposed Transaction is subject to higher or otherwise better offers for the Transferred Assets; (ii) were negotiated by the parties at arm's length and in good faith; (iii) are necessary to ensure that the Stalking Horse Purchaser will continue to pursue its proposed acquisition of the Transferred Assets; and (iv) are commensurate to the real and substantial benefit conferred upon the Debtors' estates by the Stalking Horse Purchaser by increasing the likelihood that the Debtors will receive the best possible value for the Transferred Assets. The Expense Reimbursement and Break-Up Fee also induced the Staking Horse Purchaser to submit a bid that will serve as a minimum floor bid on which the Debtors, their creditors and other bidders may rely. The Debtors have determined that pursuing the Transaction is in the best interests of the Debtors, their creditors and their estates, and therefore submit that agreeing to the Expense Reimbursement and the Break-Up Fee represents an appropriate exercise of the Debtors' business judgment.

31. Bankruptcy courts have approved bidding incentives, including traditional expense reimbursement provisions, under the business judgment rule, which proscribes judicial second-guessing of the actions of a corporation's board of directors taken in good faith and in the exercise of honest judgment. See e.g., In re Integrated Res., 147 B.R. at 662 (approving termination fee plus reimbursement of expenses); In re 995 Fifth Ave. Assocs., L.P., 96 B.R. 24, 28 (Bankr. S.D.N.Y. 1989) (bidding incentives may be "legitimately necessary to convince a 'white knight' to enter the bidding by providing some form of compensation for the risks it is undertaking"). The Debtors submit that the Expense Reimbursement and the Break-Up Fee are reasonable, are legitimately necessary to convince the Stalking Horse Purchaser to go forward with the Transaction, and that agreeing to the Expense Reimbursement and the Break-Up Fee represents a valid exercise of the Debtors' business judgment.

v. The Proposed Notice Procedures for the Assumed Contracts and the Identification of Related Cure Amounts Are Appropriate

32. As part of the Motion, the Debtors also seek authority under sections 105(a) and 365 to assume and assign the Assumed Contracts to the Successful Bidder. The Bid Procedures specify the process by which the Debtors will serve Cure and Possible Assumption and Assignment Notices and the procedures and deadline for Contract Counterparties to Assumed Contracts to file and serve Cure or Assignment Objections.

33. Except as may otherwise be agreed to in the Successful Bid or by the parties to an Assumed Contract, at the closing of the Transaction, the Successful Bidder shall cure those defaults under the Assumed Contracts that need to be cured in accordance with section 365(b) of the Bankruptcy Code, by (a) payment of the undisputed cure amount (the "Cure Amount") and/or (b) reserving amounts with respect to any disputed cure amounts.

B. Approval of the Proposed Sale Transaction Is Appropriate and in the Best Interests of the Estates

i. The Sale of the Transferred Assets is Authorized by Section 363 of the Bankruptcy Code as a Sound Exercise of the Debtors' Business Judgment

34. Section 363 of the Bankruptcy Code provides that a debtor, "after notice and a hearing, may use, sell, or lease, other than in the ordinary course of business, property of the estate." 11 U.S.C. § 363(b). Although section 363 of the Bankruptcy Code does not specify a standard for determining when it is appropriate for a court to authorize the use, sale or lease of property of the estate, courts routinely authorize sales of a debtor's assets if such sale is based upon the sound business judgment of the debtor. See Meyers v. Martin (In re Martin), 91 F.3d 389, 395 (3d Cir. 1996); In re Montgomery Ward Holding Corp., 242 B.R. 147, 153 (D. Del. 1999); In re Delaware & Hudson Ry. Co., 124 B.R. 169, 174 (D. Del. 1991).

35. Courts typically consider the following factors in determining whether a proposed sale satisfies this standard: (a) whether a sound business justification exists for the sale; (b) whether adequate and reasonable notice of the sale was given to interested parties; (c) whether the sale will produce a fair and reasonable price for the property; and (d) whether the parties have acted in good faith. See In re Delaware & Hudson Ry. Co., 124 B.R. at 176; In re Phoenix Steel Corp., 82 B.R. 334, 335-36 (Bankr. D. Del. 1987).

36. A sound business purpose for the sale of a debtor's assets outside the ordinary course of business may be found where such a sale is necessary to preserve the value of assets for the estate, its creditors or interest holders. See, e.g., In re Abbotts Dairies of Pennsylvania, Inc., 788 F.2d 143 (3d Cir. 1986); In re Lionel Corp., 722 F.2d 1063 (2d Cir. 1983).

37. Furthermore, "[w]here the debtor articulates a reasonable basis for its business decisions (as distinct from a decision made arbitrarily or capriciously), courts will generally not entertain objections to the debtor's conduct." Comm. of Asbestos-Related Litigants and/or

Creditors v. Johns-Manville Corp. (In re Johns-Manville Corp.), 60 B.R. 612, 616 (Bankr. S.D.N.Y. 1986). There is a presumption that "in making a business decision the directors of a corporation acted on an informed basis, in good faith and in the honest belief that the action was in the best interests of the company." In re Integrated Res., 147 B.R. at 656 (quoting Smith v. Van Gorkom, 488 A.2d 858, 872 (Del. 1985)). Thus, if a debtor's actions satisfy the business judgment rule, then the transaction in question should be approved under section 363(b)(1) of the Bankruptcy Code. Indeed, when applying the business judgment standard, courts show great deference to a debtor's business decisions. See Pitt v. First Wellington Canyon Assocs. (In re First Wellington Canyon Assocs.), 1989 WL 106838, at *3 (N.D. Ill. 1989) ("Under this test, the debtor's business judgment . . . must be accorded deference unless shown that the bankrupt's decision was taken in bad faith or in gross abuse of the bankrupt's retained discretion.").

38. The value of the Transferred Assets will be tested through the Auction conducted pursuant to and according to the Bid Procedures. Consequently, the fairness and reasonableness of the consideration to be paid by the Successful Bidder ultimately will be demonstrated by adequate "market exposure" and an open and fair auction process — the best means for establishing whether a fair and reasonable price is being paid.

39. Thus, the Debtors submit that the Stalking Horse Agreement or, as the case may be, a sale agreement with the Successful Bidder(s), will constitute the highest or otherwise best offer for the Transferred Assets, and will provide a greater recovery for the Debtors' estates than would be provided by any other available alternative. As such, the Debtors' determination to sell the Transferred Assets through an Auction process and subsequently to enter into the Stalking Horse Agreement with the Stalking Horse Purchaser or, alternatively enter into a sale agreement with the Successful Bidder(s), will be a valid and sound exercise of the Debtors' business

judgment. The Debtors will submit evidence at the Sale Hearing to support these conclusions. Therefore, the Debtors request that the Court make a finding that the proposed sale of the Transferred Assets is a proper exercise of the Debtors' business judgment and is rightly authorized.

ii. Sale Provisions Highlighted Pursuant to Local Rule 6004-1(b)(iv).[4]

40. Pursuant to Local Rule 6004(b)(iv)(C), a sale motion must highlight any provisions pursuant to which an entity is being released or claims against any entity are being waived or otherwise satisfied. The Sale Order provides that certain claims against the Debtors and/or the Purchaser are barred or otherwise waived. See Sale Order, ¶¶ 21, 22 and 25.

41. Pursuant to Local Rule 6004(b)(iv)(E), a sale motion must highlight any deadlines for the closing of the proposed sale or deadlines that are conditions to closing the proposed transaction. As set forth above, the Debtors are subject to the Sale Deadlines under the DIP Facility, among which include the condition that the Transaction contemplated by this Bid Procedures and Sale Motion close by the earlier of 60 days after the Court's entry of the Sale Order or 135 days after the Petition Date.

42. Pursuant to Local Rule 6004(1)(b)(iv)(J), a sale motion must highlight whether, if the debtor proposes to sell substantially all of its assets, the debtor will retain or have reasonable access to its books and records to enable it to administer its bankruptcy case. The Stalking Horse Agreement provides that the Debtors shall have reasonable access to their books and records. Stalking Horse Agreement, § 5.8.

43. Pursuant to Local Rule 6004-1(b)(iv)(L), a sale motion should highlight any provision limiting the proposed purchaser's successor liability. Paragraph 22 of the proposed

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[4] If a provision of Local Rule 6004-1(b)(iv) is not discussed in this section, it means that the provisions governing the sale of the Transferred Assets do not contain a provision that triggers disclosure under that rule.

Sale Order provides that the Stalking Horse Purchaser shall not have any successor liability related to the Debtors or the Transferred Assets.

44. Pursuant to Local Rule 6004-1(b)(iv)(N), a sale motion must highlight any provision by which the debtor seeks to allow credit bidding pursuant to Bankruptcy Code section 363(k). The Bidding Procedures allow the Stalking Horse Purchaser to credit bid the full amount of the DIP Lender's claim pursuant to any Overbid in connection with each round of bidding at the Auction. See Bidding Procedures, § IV(b)(1).

45. Pursuant to Local Rule 6004-1(b)(iv)(O), a sale motion must highlight any provision whereby the debtor seeks relief from the ten-day stay imposed by Bankruptcy Rule 6004(h). As explained in further detail below, to maximize the value received for the Transferred Assets, the Debtors seek to close the Transaction as soon as possible after the Sale Hearing. Accordingly, the Debtors have requested that the Court waive the ten-day stay period under Bankruptcy Rules 6004(h) and 6006(d). See Sale Order, ¶ 29.

iii. The Sale of the Transferred Assets Free and Clear of Claims and Interests Is Authorized by Section 363(1) of the Bankruptcy Code

46. The Debtors further submit that it is appropriate to sell the Transferred Assets free and clear of all claims and interests (collectively, the "Claims and Interests") pursuant to section 363(f) of the Bankruptcy Code, with any such Claims and Interests attaching to the net sale proceeds of the Transferred Assets, as and to the extent applicable. Section 363(f) of the Bankruptcy Code authorizes a debtor to sell assets free and clear of liens, claims, interests and encumbrances if:

(a) applicable nonbankruptcy law permits sale of such property free and clear of such interests;

(b) such entity consents;

(c) such interest is a lien and the price at which such property is to be sold is greater than the value of all liens on such property;

(d) such interest is in bona fide dispute; or

(e) such entity could be compelled, in a legal or equitable proceeding, to accept a money satisfaction of such interest.

11 U.S.C. § 363(f).

47. This provision is supplemented by section 105(a) of the Bankruptcy Code, which provides that "[t]he Court may issue any order, process or judgment that is necessary or appropriate to carry out the provisions of [the Bankruptcy Code]." 11 U.S.C. § 105(a).

48. Because section 363(f) of the Bankruptcy Code is drafted in the disjunctive, satisfaction of any one of its five requirements will suffice to permit the sale of the Transferred Assets "free and clear" of all Claims and Interests. In re Dundee Equity Corp., 1992 Bankr. LEXIS 436, at *12 (Bankr. S.D.N.Y. March 6, 1992) ("[s]ection 363(f) is in the disjunctive, such that the sale free of the interest concerned may occur if any one of the conditions of § 363(f) have been met."); Citcorp Homeowners Servs., Inc. v. Eliot (In re Eliot), 94 B.R. 343, 345 (E.D. Pa. 1988) (same); Michigan Employment Sec. Comm'n v. Wolverine Radio Co. (In re Wolverine Radio Co.), 930 F.2d 1132, 1147 n.24 (6th Cir. 1991) (stating that section 363(f) of the Bankruptcy Code is written in the disjunctive; holding that the court may approve the sale "free and clear" provided at least one of the subsections of section 363(f) of the Bankruptcy Code is met).

49. The Debtors believe that one or more of the tests of section 363(f) of the Bankruptcy Code will be satisfied with respect to the transfer of the Transferred Assets pursuant to the Stalking Horse Agreement or, as the case may be, an agreement with the Successful Bidder. In particular, the Debtors believe that at least section 363(f)(2) of the Bankruptcy Code will be met in connection with the Transaction because each of the parties holding liens on the

Transferred Assets, if any, will consent, or absent any objection to this Bid Procedures and Sale Motion, will be deemed to have consented to, the sale and transfer of the Transferred Assets.

50. Any lienholder also will be adequately protected by having its liens, if any, attach to the sale proceeds received by the Debtors for the sale of the Transferred Assets to the Stalking Horse Purchaser or, as the case may be, to the Successful Bidder, in the same order of priority, with the same validity, force and effect that such creditor had prior to such sale, subject to any claims and defenses the Debtors and their estates may possess with respect thereto. Accordingly, section 363(f) of the Bankruptcy Code authorizes the sale and transfer of the Transferred Assets free and clear any such Claims and Interests.

iv. The Transferred Assets and Assigned Contracts Should Be Sold Free and Clear of Successor Liability

51. The Sale Order provides that the Purchaser shall not have any successor liability related to Seller or the Transferred Assets to the maximum extent permitted by law. See Sale Order, ¶ 22. Extensive case law exists providing that claims against a winning bidder are directed to the proceeds of a free and clear sale of property and may not subsequently be asserted against a buyer.

52. Although section 363(f) of the Bankruptcy Code provides for the sale of assets "free and clear of any interests," the term "any interest" is not defined anywhere in the Bankruptcy Code. Folger Adam Security v. DeMatteis/MacGregor JV, 209 F.3d 252, 257 (3d Cir. 2000). In the case of In re Trans World Airlines, Inc., 322 F.3d 283, 288-89 (3d Cir. 2003), the Third Circuit specifically addressed the scope of the term "any interest." The Third Circuit observed that while some courts have "narrowly interpreted that phrase to mean only *in rem* interests in property," the trend in modem cases is towards "a more expansive reading of 'interests in property' which 'encompasses other obligations that may flow from ownership of

the property.'" Id. at 289 (citing 3 Collier on Bankruptcy 363.06[1]). As determined by the Fourth Circuit in In re Leckie Smokeless Coal Co., 99 F.3d 573, 581-82 (4th Cir. 1996), a case cited approvingly and extensively by the Third Circuit in Folger, the scope of section 363(f) is not limited to *in rem* interests. Thus, the Third Circuit in Folger stated that Leckie held that the debtors "could sell their assets under § 363(f) free and clear of successor liability that otherwise would have arisen under federal statute." Folger, 209 F.3d at 258.

53. Courts have consistently held that a buyer of a debtor's assets pursuant to a section 363 sale takes free from successor liability resulting from pre-existing claims. See The Ninth Avenue Remedial Group v. Allis-Chalmers Corp., 195 B.R. 716, 732 (Bankr. N.D. Ind. 1996) (stating that a bankruptcy court has the power to sell assets free and clear of any interest that could be brought against the bankruptcy estate during the bankruptcy); MacArthur Co. v. Johns-Manville Corp. (In re Johns-Manville Corp.), 837 F.2d 89, 93-94 (2d Cir. 1988) (channeling of claims to proceeds consistent with intent of sale free and clear under section 363(f) of the Bankruptcy Code); In re New England Fish Co., 19 B.R. 323, 329 (Bankr. W.D. Wash. 1982) (transfer of property in free and clear sale included free and clear of Title VII employment discrimination and civil rights claims of debtor's employees); In re Hoffman, 53 B.R. 874, 876 (Bankr. D.R.I. 1985) (transfer of liquor license free and clear of any interest permissible even though the estate had unpaid taxes); American Living Systems v. Bonapfel (In re All Am. of Ashburn, Inc.), 56 B.R. 186, 190 (Bankr. N.D. Ga. 1986) (product liability claims precluded on successor doctrine in a sale of assets free and clear); WBQ P'ship v. Virginia Dept. of Medical Assistance Services (In re WBQ P'ship), 189 B.R. 97, 104-05 (Bankr E D. Va. 1995)

(Commonwealth of Virginia's right to recapture depreciation is an "interest" as used in section 363(f)).[5]

54. The purpose of an order purporting to authorize the transfer of the Transferred Assets would be frustrated if claimants thereafter could use the transfer as a basis to assert claims against the Purchaser or, as the case may be, the Successful Bidder. Under section 363(f) of the Bankruptcy Code, the Purchaser or, as the case may be, the Successful Bidder is entitled to know that the Transferred Assets are not infected with latent claims that will be asserted against the Purchaser or the Successful Bidder after the proposed transaction is completed.

55. Accordingly, consistent with the above-cited case law, the order approving the sale of the Transferred Assets should state that the Purchaser or, as the case may be, the Successful Bidder is not liable as a successor under any theory of successor liability, for Claims or Interests that encumber or relate to the Transferred Assets.

v. The Stalking Horse Purchaser or the Successful Bidder is a Good Faith Purchaser and is Entitled to the Full Protection of Section 363(m) of the Bankruptcy Code, and the Transfer and Sale of the Transferred Assets Does Not Violate Section 363(n) of the Bankruptcy Code

56. Section 363(m) of the Bankruptcy Code provides:

> The reversal or modification on appeal of an authorization under subsection (b) or (c) of this section of a sale or lease of property does not affect the validity of a sale or lease under such authorization to an entity that purchased or leased such property in good faith, whether or not such entity knew of the pendency of the appeal, unless such authorization and such sale or lease were stayed pending appeal.

[5] Even courts concluding that section 363(f) of the Bankruptcy Code does not empower them to convey assets free and clear of claims have nevertheless found that section 105(a) of the Bankruptcy Code provides such authority. See Volvo White Truck Corp. v. Chambersburg Beverage, Inc. (In re White Motor Credit Corp.), 75 B.R. 944, 948 (Bankr. N.D. Ohio 1987) (stating that the absence of specific authority to sell assets free and clear of liens poses no impediment to such a sale, as such authority is implicit in the court's equitable power when necessary to carry out the provisions of title 11).

11 U.S.C. § 363(m). While the Bankruptcy Code does not define "good faith," the Third Circuit in In re Abbotts Dairies of Pennsylvania, Inc. held that:

> [t]he requirement that a [buyer] act in . . . good faith speaks to the integrity of his conduct in the course of the sale proceedings. Typically, the misconduct that would destroy a [buyer's] good faith status at a judicial sale involves fraud, collusion between the [Proposed Buyer] and other bidders or the trustee, or an attempt to take grossly unfair advantage of other bidders.

788 F.2d at 147 (citation omitted).

57. As such, a party would have to show fraud or collusion between the Purchaser or, as the case may be, the Successful Bidder and the Debtors or other Bidders to demonstrate a lack of good faith. See Kabro Assocs. of West Islip, L.L.C. v. Colony Hill Assocs. (In re Colony Hill Assocs.), 111 F.3d 269, 276 (2d Cir. 1997) ("[t]ypically, the misconduct that would destroy a [buyer]'s good faith status at a judicial sale involves fraud, collusion between the [buyer] and other bidders or the trustee or an attempt to take grossly unfair advantage of other bidders"); see also In re Angelika Films, 57th, Inc., 1997 WL 283412, at *7 (S.D.N.Y. 1997); In re Bakalis, 220 B.R. 525, 537 (Bankr. E.D.N.Y. 1998).

58. The Purchaser and the Debtors have engaged in thorough arm's length negotiations over the terms of the Stalking Horse Agreement. Similarly, in the event someone other than the Purchaser is the Successful Bidder, by the time of execution of an agreement is executed by the Debtors and the Successful Bidder, the Debtors and the Successful Bidder will have engaged in thorough arm's length negotiations over the terms of such agreement. In addition, both the Purchaser and any Successful Bidder will have complied with the terms and conditions of the Bid Procedures Order.

59. Moreover, in this case, there will be absolutely no fraud or improper insider dealing of any kind. The Debtors will ensure that the Stalking Horse Agreement or, as the case

may be, an agreement with the Successful Bidder, does not constitute an avoidable transaction pursuant to section 363(n) of the Bankruptcy Code, and, as a result, the Purchaser or any Successful Bidder should receive the protections afforded good faith purchasers by section 363(m) of the Bankruptcy Code. Accordingly, the Debtors request that the Court make a finding at the Sale Hearing that the Stalking Horse Agreement or, as the case may be, an agreement with the Successful Bidder, reached with the Successful Bidder was at arm's length and is entitled to the full protections of section 363(m) of the Bankruptcy Code. The Debtors will submit evidence at the Sale Hearing to support these conclusions.

vi. Assumption and Assignment of the Assumed Contracts Is Authorized by Section 365 of the Bankruptcy Code

60. Sections 365(a) and (b) of the Bankruptcy Code authorize a debtor in possession to assume, subject to the court's approval, executory contracts or unexpired leases of the debtor. Under section 365(a) of the Bankruptcy Code, a debtor, "subject to the court's approval, may assume or reject any executory contract or unexpired lease of the debtor." 11 U.S.C. § 365(a). Section 365(b)(1) of the Bankruptcy Code, in turn, codifies the requirements for assuming an unexpired lease or executory contract of a debtor, providing that:

> (b)(1) If there has been a default in an executory contract or unexpired lease of the debtor, the trustee may not assume such contract or lease unless, at the time of assumption of such contract or lease, the trustee —
>
> > (A) cures or provides adequate assurance that the trustee will promptly cure, such default . . .;
> >
> > (B) compensates, or provides adequate assurance that the trustee will promptly compensate, a party other than the debtor to such contract or lease, for any actual pecuniary loss to such party resulting from such default; and
> >
> > (C) provide adequate assurance of future performance under such contract or lease.

11 U.S.C. § 365(b)(1).

61. The standard applied by the Third Circuit in determining whether an executory contract or unexpired lease should be assumed is the "business judgment" test, which requires a debtor to determine that the requested assumption or rejection would be beneficial to its estate. See Sharon Steel Corp. v. Nat'l Fuel Gas Distrib. Corp., 872 F.2d 36, 40 (3d Cir. 1989); see also NLRB v. Bildisco & Bildisco, 465 U.S. 513, 523 (1984) (describing business judgment test as "traditional") (superceded in part by 11 U.S.C. § 1113).

62. Courts generally will not second-guess a debtor's business judgment concerning the assumption of an executory contract. See In re Decora Indus., Inc., 2002 WL 32332749, at *8 (D. Del. 2002); Official Comm. for Unsecured Creditors v. Aust (In re Network Access Solutions, Corp., 330 B.R. 67, 75 (Bankr. D. Del. 2005) ("The standard for approving the assumption of an executory contract is the business judgment rule"); In re Exide Techs., 340 B.R. 222, 239 (Bankr. D. Del. 2006) ("The propriety of a decision to reject an executory contract is governed by the business judgment standard"); see also Phar Mor, Inc. v. Strouss Bldg. Assocs., 204 B.R. 948, 952 (N.D. Ohio 1997) ("Courts should generally defer to a debtor's decision whether to reject an executory contract.") (citation omitted).[6]

63. In the present case, the Debtors' assumption and assignment of the Assumed Contracts to the Successful Bidder will meet the business judgment standard and satisfies the requirements of section 365 of the Bankruptcy Code. As discussed above, the transactions contemplated by the Stalking Horse Agreement will provide significant benefits to the Debtors' estates. Because the Debtors may not be able to obtain the benefits of the Stalking Horse Agreement or, as the case may be, an agreement with the Successful Bidder, without the

[6] Further, "[n]othing in the Code suggests that the debtor may not modify its contracts when all parties to the contracts consent." In re Network Access Solutions, Corp., 330 B.R. at 74 (citations omitted). While "[s]ection 363 of the Bankruptcy Code allows a debtor to . .. modify contracts . [t]o the extent they are outside the ordinary course of business, court approval is necessary." Id. Regardless, "[t]here is ... no discernable difference in the notice requirements or standard for approval under section 363 or 365." Id.

assumption of the Assumed Contracts, the assumption of these Assumed Contracts is undoubtedly a sound exercise of the Debtors' business judgment.

64. Further, a debtor in possession may assign an executory contract or an unexpired lease of the debtor if it assumes the agreement in accordance with section 365(a) of the Bankruptcy Code, and provides adequate assurance of future performance by the assignee, whether or not there has been a default under the agreement. See 11 U.S.C. § 365(f)(2). Significantly, among other things, adequate assurance may be provided by demonstrating the assignee's financial health and experience in managing the type of enterprise or property assigned. See, e.g., In re Bygaph, Inc., 56 B.R. 596, 605-06 (Bankr. S.D.N.Y. 1986) (stating that adequate assurance of future performance is present when the prospective assignee of a lease from the debtor has financial resources and has expressed willingness to devote sufficient funding to the business in order to give it a strong likelihood of succeeding).

65. The meaning of "adequate assurance of future performance" depends on the facts and circumstances of each case, but should be given "practical, pragmatic construction." EBG Midtown South Corp. v. McLaren/Hart Envtl. Eng' g Corp. (In re Sanshoe Worldwide Corp.), 139 B.R. 585, 592 (S.D.N.Y. 1992) (citations omitted), aff'd, 993 F.2d 300 (2d Cir. 1993); Carlisle Homes, Inc. v. Azzari (In re Carlisle Homes, Inc.), 103 B.R. 524, 538 (Bankr. D.N.J. 1988).

66. Counterparties to Assumed Contracts will have the opportunity to object to adequate assurance of future performance by any of the Bidders. Accordingly, the Debtors submit that the assumption and assignment of the Assumed Contracts as set forth herein should be approved.

67. To assist in the assumption, assignment and sale of the Assumed Contracts, the Debtors also request that the Sale Order approving the sale of the Transferred Assets provide that anti-assignment provisions in the Assumed Contracts shall not restrict, limit or prohibit the assumption, assignment and sale of the Assumed Contracts and are deemed and found to be unenforceable anti-assignment provisions within the meaning of section 365(f) of the Bankruptcy Code.

68. Section 365(f)(1) of the Bankruptcy Code permits a debtor to assign unexpired leases and contracts free from such anti-assignment restrictions, providing, in pertinent part, that:

> [N]otwithstanding a provision in an executory contract or unexpired lease of the debtor, or in applicable law, that prohibits, restricts, or conditions the assignment of such contract or lease, the trustee may assign such contract or lease under paragraph (2) of this subsection . . . .

11 U.S.C. § 365(f)(1).

69. Section 365(f)(1) of the Bankruptcy Code, by operation of law, invalidates provisions that prohibit, restrict, or condition assignment of an executory contract or unexpired lease. See, e.g., Coleman Oil Co., Inc. v. The Circle K Corp. (In re The Circle K Corp.), 127 F. 3d 904, 910-11 (9th Cir. 1997) ("no principle of bankruptcy or contract law precludes us from permitting the Debtors here to extend their leases in a manner contrary to the leases' terms, when to do so will effectuate the purposes of section 365") cert. denied, 522 U.S. 1148 (1998). Section 365(f)(3) of the Bankruptcy Code goes beyond the scope of section 365(f)(1) of the Bankruptcy Code by prohibiting enforcement of any clause creating a right to modify or terminate the contract or lease upon a proposed assumption or assignment thereof. See, e.g., In re Jamesway Corp., 201 B.R. 73 (Bankr. S.D.N.Y. 1996) (section 365(f)(3) of the Bankruptcy Code prohibits enforcement of any lease clause creating right to terminate lease because it is being assumed or

assigned, thereby indirectly barring assignment by debtor; all lease provisions, not merely those entitled anti-assignment clauses, are subject to court's scrutiny regarding anti-assignment effect).

70. Other courts have recognized that provisions that have the effect of restricting assignments cannot be enforced. See In re Rickel Home Ctrs., Inc., 240 B.R. 826, 831 (D. Del. 1998) ("In interpreting Section 365(f) [sic], courts and commentators alike have construed the terms to not only render unenforceable lease provisions which prohibit assignment outright, but also lease provisions that are so restrictive that they constitute de facto anti-assignment provisions."). Similarly, in In re Mr. Grocer., Inc., the court noted that:

> [the] case law interpreting § 365(f)(1) of the Bankruptcy Code establishes that the court does retain some discretion in determining that lease provisions, which are not themselves ipso facto anti-assignment clauses, may still be refused enforcement in a bankruptcy context in which there is no substantial economic detriment to the landlord shown, and in which enforcement would preclude the bankruptcy estate from realizing the intrinsic value of its assets.

77 B.R. 349, 354 (Bankr. D.N.H. 1987). Thus, the Debtors request that any anti-assignment provisions be deemed not to restrict, limit or prohibit the assumption, assignment and sale of the Assigned Contracts and be deemed and found to be unenforceable anti-assignment provisions within the meaning of section 365(f) of the Bankruptcy Code.

vii. Relief Under Bankruptcy Rules 6004(h) and 6006(d) Is Appropriate

71. Bankruptcy Rule 6004(h) provides that an "order authorizing the use, sale, or lease of property . . . is stayed until the expiration of 14 days after the entry of the order, unless the court orders otherwise." Additionally, Bankruptcy Rule 6006(d) provides that an "order authorizing the trustee to assign and executory contract or unexpired lease . . . is stayed until the expiration of 14 days after the entry of the order, unless the court orders otherwise." The Debtors request that any order approving the Stalking Horse Agreement or, as the case may be, a

sale agreement with the Successful Bidder, and assumption and assignment of the Assumed Contracts be effective immediately by providing that the ten-day stays under Bankruptcy Rules 6004(h) and 6006(d) are waived.

72. The purpose of Bankruptcy Rules 6004(h) and 6006(d) is to provide sufficient time for an objecting party to appeal before an order can be implemented. See Advisory Committee Notes to Fed. R. Bankr. P. 6004(h) and 6006(d). Although Bankruptcy Rules 6004(h) and 6006(d) and the Advisory Committee Notes are silent as to when a court should "order otherwise" and eliminate or reduce the ten-day stay period, the leading treatise on bankruptcy suggests that the ten-day stay should be eliminated to allow a sale or other transaction to close immediately "where there has been no objection to procedure." 10 Collier on Bankruptcy ¶ 6004.10 (15th rev. ed. 2006). Furthermore, Collier suggests that if an objection is filed and overruled, and the objecting party informs the court of its intent to appeal, the stay may be reduced to the amount of time actually necessary to file such appeal. Id.

73. To maximize the value received for the Transferred Assets, the Debtors seek to close the Transaction as soon as possible after the Sale Hearing. Accordingly, the Debtors respectfully request that the Court waive the ten-day stay period under Bankruptcy Rules 6004(h) and 6006(d).

VI.
No Prior Request

74. No prior motion for the relief requested herein has been made to this or any other court.

VII.
Notice

75. The Debtors have provided this Bid Procedures and Sale Motion and notice hereof to: (i) the United States Trustee for the District of Delaware; (ii) the United States

Attorney for the District of Delaware; (iii) the Internal Revenue Service; (iv) the Securities and Exchange Commission; (v) the Debtors' thirty largest unsecured creditors on a consolidated basis; (vi) counsel to the Committee (if one is appointed); (vii) counsel to the DIP Lender and the Stalking Horse Purchaser; and (viii) counsel to Textron (collectively, the "Notice Parties"). The Debtors will provide notice of this Bid Procedures and Sale Motion and the hearing hereon to (in addition to the Notice Parties): (a) each of the Debtors' cash management banks; (b) all persons or entities known to be asserting a lien on any of the Transferred Assets; (c) all persons or entities known to have expressed an interest in acquiring any of the Transferred Assets; (d) all persons or entities who have requested notice pursuant to Bankruptcy Rule 2002. In light of the nature of the relief requested, the Debtors respectfully submit that no further notice is necessary.

WHEREFORE, the Debtors respectfully request that the Court: (a) enter the Bid Procedures Order, the form of which is attached as **Exhibit F**; (b) enter the Sale Order, the form of which is attached as **Exhibit G**; and (c) grant such other and further relief as is just and proper.

Dated: Wilmington, Delaware
November 29, 2010

Respectfully submitted,

LOCKE LORD BISSELL & LIDDELL LLP
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Aaron C. Smith (Pro Hac Vice Motion Pending)
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-and-

POLSINELLI SHUGHART PC

/s/ *Christopher A. Ward*
Christopher A. Ward (Del. Bar No. 3877)
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Wilmington, Delaware 19801
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Fax: (302) 252-0921

PROPOSED COUNSEL FOR THE DEBTORS

<u>EXHIBIT A</u>

Stalking Horse Agreement

ASSET PURCHASE AGREEMENT

by and among

Palm Harbor Homes, Inc., a Florida Corporation

and

The Other Sellers Listed on the Signature Pages Hereto

and

Palm Harbor Homes, Inc., a Delaware Corporation

Dated as of November 29, 2010

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ASSET PURCHASE AGREEMENT

THIS ASSET PURCHASE AGREEMENT (this "Agreement") is made and entered into as of November 29, 2010, by and among Palm Harbor Homes, Inc., a Florida corporation ("ParentCo"), and each of its direct or indirect subsidiaries listed on the signature page(s) hereto (together with ParentCo, each a "Seller" and collectively the "Sellers"), and Palm Harbor Homes, Inc., a Delaware corporation (the "Purchaser"). Initially capitalized terms used in this Agreement are defined or cross-referenced in Section 9.1.

RECITALS

WHEREAS, Sellers are engaged in the business of the design, production, marketing, sale and servicing of manufactured and modular homes (the "Home Business"), the Insurance Subsidiaries are engaged in the business of underwriting, selling and servicing property and casualty insurance for manufactured and modular homes (the "Insurance Business"), and the Finance Subsidiaries are engaged in the business of providing financing to retail customers for the purchase of site built, manufactured and modular homes (the "Finance Business", and collectively with the Home Business and the Insurance Business, the "Business"); and

WHEREAS, ParentCo and certain of its Affiliates intend to file voluntary petitions for relief under chapter 11 of title 11 of the United States Code (the "Bankruptcy Code") with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), with ParentCo's bankruptcy case to be jointly administered with those of its Affiliates filing chapter 11 bankruptcy cases (ParentCo's chapter 11 case, together with all cases so jointly administered, being collectively referred to herein as the "Bankruptcy Case"); and

WHEREAS, in connection with the Bankruptcy Case, Sellers and Purchaser's sole stockholder, Fleetwood Homes, Inc., ("Fleetwood"), have entered into that certain Debtor In Possession Revolving Credit Agreement dated concurrently herewith (the "DIP Facility") for the provision by Fleetwood to Sellers of up to $50,000,000 of debtor-in-possession debt financing, which amount may be increased to $55,000,000 with Fleetwood's consent.

WHEREAS, Purchaser desires to purchase substantially all of the assets of Sellers and to assume certain specified Liabilities of Sellers, and Sellers desire to sell such assets to Purchaser and to have Purchaser assume such specified Liabilities, all on the terms and conditions set forth in this Agreement and in accordance with sections 105, 363, 365 and other applicable provisions of the Bankruptcy Code; and

WHEREAS, the Transferred Assets shall be sold to Purchaser pursuant to an order of the Bankruptcy Court approving and authorizing Sellers to enter into and consummate such sale under section 363 of the Bankruptcy Code, and such sale shall include the assumption by Seller and concurrent assignment to Purchaser of the Assumed Contracts under section 365 of the Bankruptcy Code and the terms and conditions of this Agreement;

WHEREAS, Sellers desire to sell the Transferred Assets, including assuming and assigning the Assumed Contracts to Purchaser, to further their reorganization efforts and to enable them to consummate a plan of reorganization in the Bankruptcy Case; and

NOW, THEREFORE, in consideration of the foregoing and the representations, warranties and covenants herein contained, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

ARTICLE I

PURCHASE AND SALE

1.1 Assets to Be Transferred. On the terms and subject to the conditions set forth in this Agreement, at the Closing, Sellers shall sell, assign, transfer, convey and deliver (or cause to be sold, assigned, transferred, conveyed and delivered) to Purchaser (or its specified designee(s)), and Purchaser (or its specified designee(s)) shall purchase, assume and accept from Sellers, free and clear of any Encumbrance, other than Permitted Encumbrances, all right, title and interest in and to all of Sellers' properties, assets and rights, other than the Excluded Assets (such rights, title and interests in and to such assets, properties and rights being collectively referred to herein as the "Transferred Assets"), in accordance with, and with all of the protections afforded by, sections 363 and 365 of the Bankruptcy Code, including the following:

(a) all outstanding shares of capital stock of Standard Casualty Co., a Texas corporation (the "Standard Casualty Shares"), and Standard Insurance Agency, Inc., a Texas corporation (the "Standard Insurance Shares");

(b) all outstanding shares of capital stock of CountryPlace Acceptance Corp., a Nevada corporation (the "CountryPlace Shares");

(c) all machinery, tools, tooling, computer hardware and peripherals, telephony, office and other equipment, parts, spare parts, vehicles, leasehold improvements, trade fixtures, signage, furniture, furnishings, appliances, supplies and other tangible personal property, together with any express or implied warranty (to the extent transferable) given by any manufacturer or seller of any item or component part thereof and all maintenance records and other documents relating thereto), wherever located, including those items listed on Schedule 1.1(c), except for any such items on Schedule 1.1(c) disposed of in the ordinary course of business prior to the Closing Date (collectively, the "Tangible Personal Property");

(d) all raw materials, work-in-progress, finished goods and semi-finished goods, supplies, packaging materials and other inventories, wherever located, used or produced by any Seller, except for any such items disposed of in the ordinary course of business prior to the Closing Date (the "Inventory");

(e) all Owned Real Properties, together in each case with the applicable Sellers' right, title and interest in and to all structures, facilities, fixtures and improvements located thereon and all easements, licenses, rights and appurtenances relating to the foregoing;

(f) all of the applicable Sellers' rights under the Contracts listed on Schedule 1.1(f), to the extent assumed and assigned in accordance with Section 1.10 (collectively, the "Assumed Contracts");

(g) subject to Section 5.14, the licensed Computer Software listed or described on Schedule 1.1(g), solely to the extent assignable;

(h) all Purchase Orders existing and outstanding on the Closing Date and any additional Contracts entered into by any Seller in the Ordinary Course of Business after the date hereof, as contemplated by clause (iii) of Section 5.1(a);

(i) all Intellectual Property, including those items listed on Schedule 1.1(i), together with all income, royalties, damages and payments due or payable to any Seller or Affiliate thereof as of the Closing Date or thereafter (including damages and payments for past, present or future infringements or misappropriations thereof, the right to sue and recover for past infringements or misappropriations thereof, and any and all corresponding rights that, now or hereafter, may be secured throughout the world) and all copies and tangible embodiments of any such Intellectual Property in Sellers' possession or control (collectively, the "Transferred IP");

(j) all Permits and all pending applications therefor or renewals thereof, including those listed on Schedule 1.1(j), in each case to the extent assignable or otherwise transferable to Purchaser in accordance with their respective terms or under applicable Law (the "Transferred Permits");

(k) originals or copies of all data, databases and records (whether in print, electronic or other format) related to the operation of the Business or the ownership or use of the Transferred Assets, including all books of account, general, financial, accounting, engineering and legal records, unit and house files, invoices, customers' and suppliers' lists and records (including account histories), mailing lists, e-mail address lists, other distribution lists, inventory and supply managements records, engineering designs and related approvals of Governmental Bodies, self-regulatory organizations, and trade associations, billing records, sales and promotional literature, creative materials, research and development reports and records, production reports and records, employee health and safety records, reports and logs for the Real Properties (including OSHA reports and logs), service and warranty records, product recall or withdrawal records, equipment logs, operating guides and manuals, correspondence files (including correspondence with customers, suppliers, landlords, tenants, licensors, licensees, Governmental Bodies and legal, accounting and other professional advisors (except, in the case of legal correspondence, any correspondence constituting privileged communication between any Seller and its legal counsel)), Transferred Permits, Purchase Orders (both those included in the Transferred Assets and, to the extent retained by any Seller, historic Purchase Orders) and Assumed Contracts, but excluding any records of Sellers described in Section 1.2(f) (the "Books and Records");

(l) the telephone (landline and mobile) and facsimile numbers and email accounts listed on Schedule 1.1(l);

(m) all credits, rights to deposits paid by any Seller (including security or other deposits under any Real Property Lease included in the Assumed Contracts), deposits paid by any customer or other Person to any Seller, prepaid expenses, claims for refunds, investments and other similar financial assets;

(n) all Accounts Receivable of Sellers, and all proceeds of the foregoing;

(o) going concern value and goodwill with respect to the Transferred Assets and the Home Business;

(p) all insurance policies of Sellers, and all Claims, proceeds and benefits due thereunder;

(q) all interests in and rights to any refund of Taxes and surviving federal and state loss carrybacks and carryforwards; and

(r) all Claims of Sellers (or any of them) against any Person relating to the Transferred Assets, the Assumed Liabilities or the Business;

1.2 Excluded Assets. Sellers are not selling, and Purchaser is not purchasing, any assets other than those specifically set forth in Section 1.1, and without limiting the generality of the foregoing, the term "Transferred Assets" shall expressly exclude the following assets of Sellers (including all of Sellers' right, title and interest therein and thereto), all of which shall be retained by the applicable Sellers (collectively, the "Excluded Assets"):

(a) except as provided in Section 1.1(m), all cash, bank deposits and cash equivalents;

(b) all of Sellers' bank accounts;

(c) all of the Contracts of any Seller, except the Assumed Contracts;

(d) except as provided in Section 1.1(r), all Pre-Closing Claims;

(e) all rights of Sellers under this Agreement and any other Closing document entered into or executed by Sellers (or any of them) in connection with the transactions contemplated hereby;

(f) all corporate books and records, Tax Returns, board minutes and organizational documents of Sellers, and any other records that any Seller is required to retain by Law (except that copies of such retained records shall be provided to Purchaser at Closing if such records would otherwise constitute a Transferred Asset pursuant to Section 1.1(k)), all information held by any Seller prohibited from being transferred or disclosed pursuant to applicable Law, all non-public information primarily related to or prepared in connection with the Bankruptcy Case, and Sellers' books and records relating to any Excluded Assets;

(g) all of the rights and claims of Sellers to avoidance actions available to any Seller under chapter 5 of the Bankruptcy Code, of whatever kind or nature, including avoidance actions under sections 544, 545, 547, 548, 549 and 553 of the Bankruptcy Code, and any related claims and actions arising under such sections by operation of Law or otherwise, including any and all proceeds of the foregoing;

(h) legal correspondence constituting privileged communication between any Seller and its legal counsel; and

(i) the outstanding stock of, or other outstanding equity interests in, any Seller.

1.3 Assumed Liabilities. At the Closing, Purchaser shall assume and in due course pay, discharge, perform or otherwise fully satisfy in accordance with their respective terms only the following Liabilities of Sellers (the "Assumed Liabilities"):

(a) all Liabilities of Sellers under the Assumed Contracts, the other Contracts referred to in Section 1.1(h) and the Transferred Permits (to the extent assigned hereunder) to be performed on or after, or in respect of periods following, the Closing Date; provided, however, that such Liabilities shall not include any Liability based on or relating to any Seller's breach or violation of any Assumed Contract, any Contract referred to in Section 1.1(h) or any Transferred Permit arising, occurring or existing before the Closing Date, other than the Cure Costs that Purchaser agrees to pay pursuant to Section 1.4;

(b) the Assumed Warranty Liabilities; and

(c) the COBRA obligations that Purchaser agrees to assume pursuant to Section 5.12(f).

1.4 Cure Costs. At Closing and pursuant to section 365 of the Bankruptcy Code, Sellers shall assume and assign to Purchaser the Assumed Contracts. The amounts, as determined by the Bankruptcy Court, if any (the "Cure Costs"), necessary to cure all defaults of any Seller, if any, and to pay all actual or pecuniary losses that have resulted from such defaults under the Assumed Contracts, shall be paid by Purchaser, on or before Closing, and not by Sellers and Sellers shall have no Liability therefor.

1.5 Excluded Liabilities. Notwithstanding anything in this Agreement to the contrary, the parties expressly acknowledge and agree that Purchaser shall not assume or be liable or responsible for any Liability of any Seller other than the Assumed Liabilities, except as required by applicable Law and not discharged in the Bankruptcy Case (such Liabilities being collectively referred to herein as the "Excluded Liabilities"). Without limiting the generality of the foregoing, the Excluded Liabilities shall include:

(a) any Liability under any Assumed Contract or any Contract referred to in Section 1.1(h) that arises from or relates to (i) any breach or violation of any Seller that occurred on or before the Closing Date, or (ii) any outstanding obligation of any Seller that was required to have been satisfied or performed by such Seller on or before the Closing Date, except in either such case for Purchaser's obligation to pay Cure Costs;

(b) any Liability under any Contract that is not an Assumed Contract or Contract referred to in Section 1.1(h);

(c) any account payable or other amount payable of any Seller;

(d) any Liability of any Seller under any note, loan, borrowing arrangement, debt financing, credit facility, capital lease (except as included in the Assumed Contracts), financial or performance guaranty, surety, indemnity or bond, or any security interest related to any of the foregoing;

(e) except as expressly contemplated by this Agreement, any Liability for Taxes payable by or assessed against any Seller under applicable Law;

(f) any Environmental, Health and Safety Liability, including arising out of or relating to Sellers' ownership and operation of the Home Business on or prior to the Closing Date or the leasing, ownership or operation of any asset (including any Real Property) by any Seller, whether or not included in the Transferred Assets, including any Release (existing as of the Closing Date) of any Hazardous Material;

(g) any Liability arising out of or relating to (i) the employment or performance of services, or termination of employment or services by any Seller of any current or former employee or director on or before the Closing Date (including, without limitation, wages or other compensation, and plans, agreements or arrangements providing for bonus, incentive compensation, vacation, sick days, personal days, severance benefits or other employee benefits), or (ii) workers' compensation Claims against any Seller, irrespective of whether such Claims are made prior to, on or after the Closing Date, regardless, in either of the foregoing clauses (i) or (ii), of whether such employee involved with such grievance is a Transferred Seller Employee;

(h) any Liability of any Seller with respect to any of its employees or directors or any former employees or directors, including any Liability arising under any Benefit Plan or any other employee program or arrangement at any time maintained, sponsored or contributed to by any of Sellers or any predecessor or Affiliate thereof or any ERISA Affiliate, or with respect to which any of Sellers or any predecessor or Affiliate thereof or any ERISA Affiliate has any Liability;

(i) except for the Liabilities specifically referred to in Section 1.3(b), any Liability relating to or arising from any Seller's manufacture or sale of any product or performance of any service, including any Liability for death or injury to any Person or damage to property;

(j) any Liability of any Seller to defend, indemnify, hold harmless or reimburse any Person, including any present or former employee, director, customer, vendor, contractor or agent of any Seller, except to the extent such Liability is expressly included in an Assumed Contract, and then only to the extent that such Liability arises in connection with acts, omissions, facts, events or circumstances first existing, accruing or arising on or after the Closing Date and not based on any breach or violation by any Seller prior to the Closing Date;

(k) any Liability of any Seller arising out of or relating to (i) any past Claim or any Claim underway or pending as of the Closing Date by or against any Seller, or (ii) any Claim commenced on or after the Closing Date that relates to any act, omission, occurrence or event happening, or any fact or circumstance existing, before the Closing Date, in each case to

the extent that the Liability for such act, omission, occurrence, event, fact or circumstance is not expressly included in the Assumed Liabilities;

(l) any Liability relating to any amount required to be paid or any action required to be performed by any Seller hereunder; and

(m) any Liability of any Seller arising out of or resulting from non-compliance of such Seller with any applicable Law (including, for the avoidance of doubt, any requirements and provisions of any "bulk-transfer" Laws of any jurisdiction that may otherwise be applicable with respect to the sale of any or all of the Transferred Assets to Purchaser; provided, however, that pursuant to section 363(f) of the Bankruptcy Code, the transfer of the Transferred Assets shall be free and clear of any Encumbrance arising under any bulk transfer laws, and the parties shall take such steps as may be necessary or appropriate to so provide in the Sale Approval Order).

1.6 Purchase Price. Subject to the terms and conditions hereof, in full consideration of the sale and purchase of the Transferred Assets and Sellers' other covenants and obligations hereunder, at the Closing, Purchaser shall (i) assume the Assumed Warranty Liabilities, which the parties agree will be assigned an aggregate value of $6,500,000, the COBRA Liabilities referred to in Section 5.12(f), which the parties agree will be assigned an aggregate value of $1,000,000, and the other Assumed Liabilities, and (ii) pay to ParentCo, on behalf of and for the account of Sellers, the greater of (A) $50,000,000 or (B) an amount equal to the outstanding balance (including accrued and unpaid interest) under the DIP Facility as of the time of Closing (the "Base Price"), minus the Accounts Receivable and Inventory Value Shortfall (if any), and minus the amount of any Unauthorized Indebtedness, in each case as determined pursuant to Section 1.11 (collectively, the "Purchase Price"). At the Closing, Purchaser shall pay the Base Price, as adjusted downwards (as applicable) by the Initial Price Adjustment referred to in Section 1.11(a) and by the Closing Apportionment payable to or by Sellers (as determined in accordance with Section 2.10) (the "Closing Payment") as follows:

(a) first, to the extent of Purchaser's interest as assignee of Fleetwood under the DIP Facility, by way of credit and set-off against the outstanding balance of the DIP Facility as of the time of Closing (provided, that if the Closing Payment is less than the total outstanding balance of the DIP Facility as of the time of Closing, such outstanding balance and any subsequent interest accruals thereon shall remain payable by Sellers in accordance with the provisions of the DIP Facility); and

(b) second, to the extent the Closing Payment exceeds the outstanding balance of the DIP Facility as of the time of Closing, by wire transfer of immediately available funds to a bank account designated by written notice from ParentCo to Purchaser, such notice to be given at least two (2) Business Days prior to the Closing Date.

1.7 Closing. Subject to the terms and conditions of this Agreement and the Sale Approval Order, the sale and purchase of the Transferred Assets and the assignment and assumption of the Assumed Liabilities contemplated by this Agreement shall take place at a closing (the "Closing") to be held at the offices of ParentCo, 15303 Dallas Parkway, Suite 800, Addison, Texas 75001 at 9:00 a.m., Central Standard Time, on the first (1st) Business Day

following the satisfaction or waiver of all conditions to the obligations of the parties set forth in Article VI and Article VII (other than those conditions which by their nature can only be satisfied at the Closing), or at such other place or at such other time or on such other date as ParentCo and Purchaser may mutually agree upon in writing (the day on which the Closing takes place being the "Closing Date").

1.8 Closing Deliveries by Sellers. At the Closing, unless otherwise waived in writing by Purchaser, Sellers shall deliver or cause to be delivered to Purchaser:

(a) a duly executed Sellers' Certificate pursuant to Section 6.1;

(b) a duly executed Bill of Sale substantially in the form of Exhibit A hereto;

(c) a duly executed counterpart to the Assignment and Assumption Agreement substantially in the form of Exhibit B hereto;

(d) duly executed assignments of Sellers' Marks and other Intellectual Property in form and substance reasonably acceptable to Purchaser;

(e) the stock certificates representing the Standard Casualty Shares and the Standard Insurance Shares, each with a duly executed stock power, in form and substance reasonably satisfactory to Purchaser, for the assignment and transfer of same to Purchaser;

(f) the stock certificate(s) representing all of the outstanding shares of Palm Harbor Ins. Agency of Texas;

(g) a receipt, in form and substance reasonably satisfactory to Purchaser, for the payment of the Purchase Price;

(h) a Tax clearance certificate (or equivalent document) from each state in respect of which any Transferred Subsidiary is liable for the payment of Taxes;

(i) the corporate minute books or equivalent record books (including all contents thereof) for each Transferred Subsidiary; and

(j) such other duly executed bills of sale, assignments and other instruments of assignment, transfer or conveyance, in form and substance reasonably satisfactory to Purchaser, as Purchaser may reasonably request or as may be otherwise necessary or desirable to evidence and effect the sale, assignment, transfer, conveyance and delivery of the Transferred Assets to Purchaser and to put Purchaser in actual possession or control of the Transferred Assets.

1.9 Closing Deliveries by Purchaser. At the Closing, unless otherwise waived in writing by ParentCo, in addition to the Closing Payment to be made in accordance with Section 1.6, Purchaser shall deliver or cause to be delivered to ParentCo or the other applicable Persons specified herein:

(a) a duly executed Purchaser's Certificate pursuant to Section 7.1;

(b) a duly executed counterpart to the Bill of Sale substantially in the form of Exhibit A hereto;

(c) a duly executed counterpart to the Assignment and Assumption Agreement substantially in the form of Exhibit B hereto; and

(d) such other duly executed documents and instruments, in form and substance reasonably satisfactory to ParentCo, as ParentCo may reasonably request or as may be otherwise necessary or desirable to evidence and effect the assumption by Purchaser of the Assumed Liabilities.

1.10 Assignment and Assumption of the Assumed Contracts. Without limiting Sections 1.1(a) and 1.3(a), (i) at the Closing, but effective as of the Effective Time, the applicable Seller(s) shall assume pursuant to section 365(a) of the Bankruptcy Code and concurrently assign to Purchaser pursuant to sections 363(b), (f) and (m) and section 365(f) of the Bankruptcy Code each of the Assumed Contracts that may be assumed pursuant to the Sale Approval Order, and (ii) to the extent contemplated in Section 1.3(a) (and subject to Section 1.5(a)), Purchaser shall assume and thereafter in due course pay, discharge, perform and satisfy in accordance with their respective terms all of the obligations under such Assumed Contracts pursuant to section 365 of the Bankruptcy Code from and after the Closing, and shall pay the Cure Costs so that all applicable Assumed Contracts may be assigned to Purchaser pursuant to section 365 of the Bankruptcy Code.

1.11 Base Price Adjustment. The adjustment to the Base Price with respect to the valuation of the Inventory and the Accounts Receivable of Sellers and any Unauthorized Indebtedness shall be determined in accordance with the following provisions:

(a) At least five (5) Business Days prior to the Closing Date, ParentCo shall deliver to Purchaser a report setting forth (i) a good faith estimate as of the Effective Time of the Inventory and the Accounts Receivable of Sellers and any Unauthorized Indebtedness, based on current information then reasonably available to Sellers and broken down on a line-item basis, together with reasonable documentation in support of such estimate (including at a minimum a complete aging report of all Accounts Receivable of Sellers and a report of all Inventory, with such Accounts Receivable and Inventory reports being the most recently available accounts receivable report and inventory report before such date of delivery by ParentCo) and, based thereon, any downwards adjustment to be made to the Base Price for purposes of determining the Closing Payment as contemplated by Section 1.6 (the "Initial Price Adjustment"). The Initial Price Adjustment (or ParentCo's determination that no Initial Price Adjustment is required) shall be subject to the review and approval of Purchaser upon receipt, acting reasonably and in good faith (which approval shall be for Closing purposes only and shall not constitute Purchaser's acceptance of the Initial Price Adjustment (or ParentCo's determination that no Initial Price Adjustment is required) as definitive), and Purchaser shall have two (2) Business Days to submit to ParentCo any objection to the Initial Price Adjustment (or ParentCo's determination that no Initial Price Adjustment is required), provided that such objection must be submitted in writing setting forth in reasonable detail Purchaser's objection; and provided further that such objection may only be based on (i) the failure of ParentCo to provide adequate back-up information or documentation for the Initial Price Adjustment, (ii) a deviation from available financial

information on which the Initial Price Adjustment is to be based, (iii) the failure of the Initial Price Adjustment to be calculated in accordance with the requirements of this Agreement, (iv) the failure of the Initial Price Adjustment to be calculated in accordance with GAAP (except as such failure is expressly permitted or required pursuant to this Agreement), or (v) calculation error. During such two (2)-day period, ParentCo shall provide Purchaser and its Representatives with access to the relevant books, records and personnel of Sellers and the Transferred Subsidiaries reasonably requested by Purchaser to assist Purchaser in its review of the Initial Price Adjustment.

(b) Within ninety (90) days after the Closing Date, Purchaser shall deliver to ParentCo a report showing (i) Purchaser's determination, as of the Effective Time, of the Inventory and Accounts Receivable of Sellers and any Unauthorized Indebtedness existing as of the Effective Time, which report shall be in reasonable detail and broken down on a line-item basis, together with reasonable documentation in support of such determination (including at a minimum a complete aging report of all Accounts Receivable of Sellers and a report of all Inventory, with such Accounts Receivable and Inventory reports having been prepared as of the Effective Time) and, based thereon, any downwards adjustment to be made to the Base Price for purposes of determining the Purchase Price (the "Post-Closing Price Adjustment"). ParentCo shall have ten (10) days after its receipt of the Post-Closing Price Adjustment to give written notice (an "Objection Notice") to Purchaser of any objection to the Post-Closing Price Adjustment. Any Objection Notice must specify in reasonable detail the objections of ParentCo and may only be based on (i) the failure of Purchaser to provide adequate back-up information or documentation for the Post-Closing Price Adjustment, (ii) a deviation from available financial information on which the Post-Closing Price Adjustment is to be based, (iii) the failure of the Post-Closing Price Adjustment to be calculated in accordance with the requirements of this Agreement, (iv) the failure of the Post-Closing Price Adjustment to be calculated in accordance with GAAP (except as such failure is expressly permitted or required pursuant to this Agreement), or (v) calculation error. During such ten (10)-day period, Purchaser shall provide ParentCo and its Representatives with access to the relevant books, records and personnel of Purchaser reasonably requested by ParentCo to assist ParentCo in its review of the Post-Closing Price Adjustment.

(c) If, within the ten (10)-day period referred to in Section 1.11(b), an Objection Notice that meets the requirements of Section 1.11(b) is delivered by ParentCo to Purchaser, Representatives of ParentCo and Purchaser shall confer in good faith for up to ten (10) days after the date of Purchaser's receipt of the Objection Notice to resolve the objections raised by ParentCo. If such Representatives are unable to resolve all such objections within such period, then at any time thereafter, ParentCo or Purchaser may require that the objection raised by ParentCo be immediately submitted to the Bankruptcy Court for resolution, whereupon the parties shall cooperate reasonably and in good faith to establish fast-track procedures for presenting their respective positions to the Bankruptcy Court. Any determination of the Bankruptcy Court with respect to the matters that are the subject of ParentCo's objection shall be final, binding and conclusive on the parties hereto.

(d) Upon the first to occur of, (i) the written agreement between ParentCo and Purchaser as to the Post-Closing Price Adjustment, including any amendment to be made thereto, (ii) the passage of the thirty (30)-day (or more, if mutually agreed upon by ParentCo and

Purchaser) period after ParentCo has received the Post-Closing Price Adjustment without ParentCo's delivery of an Objection Notice (in which case ParentCo shall be deemed to have accepted and agreed to the Post-Closing Price Adjustment), or (iii) the determination of the Bankruptcy Court of all matters that are the subject of an Objection Notice, the final adjustment to be made to the Base Price based on the value, as of the Effective Time, of the Inventory and Accounts Receivable of Sellers and any Unauthorized Indebtedness, as finally determined pursuant to one or more of the foregoing (the "Final Price Adjustment") shall be final, binding and conclusive on the parties hereto.

(e) If the amount of the Final Price Adjustment is less than the amount of the Initial Price Adjustment, then, within five (5) Business Days after the determination of the Final Price Adjustment Amount, Purchaser shall pay to ParentCo, on behalf of Sellers, the amount of such excess by wire transfer of immediately available funds to the bank account referred to in Section 1.6(b); provided, however, that in no event shall Purchaser be required to pay more than the Base Price as the total Purchase Price due to Sellers. If the amount of the Final Price Adjustment Amount exceeds the amount of the Initial Price Adjustment, then, within five (5) Business Days after the determination of the Final Price Adjustment, ParentCo, on behalf of Sellers, shall refund to Purchaser the amount of such shortfall by wire transfer of immediately available funds to a bank account specified by Purchaser in writing to ParentCo.

1.12 Valuation and Treatment of Uncollectable Accounts Receivable.

(a) For purposes of calculating the Initial Price Adjustment, the Post-Closing Price Adjustment and the Final Price Adjustment, and any adjustment to the Base Price as contemplated in Section 1.11, the Accounts Receivable of Sellers shall be valued by the parties in the following manner:

(i) subject to Section 1.12(a)(ii), one hundred percent (100%) of the amount of any Account Receivable shall be counted if, as of the Effective Time, such Account Receivable is aged ninety (90) or less days from the earlier of (A) the date of issuance of the statement or invoice therefor or (B) the date on which such Account Receivable first became payable; and

(ii) no value shall be given to any Account Receivable that, as of the Effective Time, is aged more than ninety (90) days from the earlier of (A) the date of issuance of the statement or invoice therefor or (B) the date on which such Account Receivable first became payable, or any Account Receivable that is owing by an account debtor that is bankrupt, in receivership or insolvent or has ceased to conduct business or is disputing such Account Receivable.

(b) If, within thirty (30) days after the Closing Date, Purchaser has been unable to collect any Seller Account Receivable (or portion thereof) referred to in Section 1.12(a)(i), Purchaser may, prior to or concurrently with its delivery to ParentCo of the Post-Closing Price Adjustment, assign such uncollected Account Receivable (or portion thereof) back to the applicable Seller. The stated amount of any such uncollectible Account Receivable, to the extent included in the calculation of the Initial Price Adjustment, shall not be counted in the

current assets included in the calculation of the Post-Closing Price Adjustment and the Final Price Adjustment.

1.13 Allocation of Proceeds. Purchaser shall within one hundred twenty (120) days after the Closing Date prepare and deliver to ParentCo a schedule reasonably allocating the Purchase Price among the Transferred Assets in accordance with Section 1060 of the Tax Code (such schedule, the "Allocation"). Purchaser shall permit ParentCo to review and provide comments on the Allocation and shall consult with ParentCo with respect to any such comments. However, the Allocation shall be finally determined in Purchaser's sole discretion. Purchaser and Sellers shall report and file all Tax Returns (including amended Tax Returns and claims for refund) in all respects and for all purposes in a manner consistent with the Allocation. Neither Purchaser nor Sellers shall take any position contrary thereto or inconsistent therewith (including in any audits or examinations by any Governmental Body or any other proceeding) unless otherwise required by applicable law; provided, however, that (i) each party to this Agreement shall notify the other parties in the event that any Governmental Body takes or proposes to take a position for Tax purposes that is inconsistent with such Allocation and (ii) ParentCo and its Affiliates shall not be bound by the Allocation for purposes of allocating the Purchase Price in connection with proceeds of the sale of the Transferred Assets and any claims related thereto under the Bankruptcy Case. Purchaser and Sellers shall cooperate in the filing of any forms (including Form 8594 under Section 1060 of the Tax Code) with respect to the Allocation.

ARTICLE II

CONVEYANCE OF OWNED REAL PROPERTY

In addition to the Closing procedures and documentation referred to in Sections 1.7 through 1.10, the following procedures and requirements set forth in this Section 2 shall apply to Sellers' conveyance of the Owned Real Properties to Purchaser on the Closing Date.

2.1 Real Property Escrow. Immediately after the Bankruptcy Court's entry of the Sale Approval Order as a Final Order, or at such earlier time as ParentCo and Purchaser may agree, Sellers and Purchaser shall establish an escrow (the "Real Property Escrow") for the sale and purchase of the Owned Real Properties pursuant to this Agreement with the Title Company. The provisions of this Article II shall constitute escrow instructions to the Title Company, and a copy of this Agreement shall be deposited with the Title Company for such purpose.

2.2 Real Property Escrow Opening and Closing Dates. The Real Property Escrow shall be deemed open on the date on which a fully executed original copy of this Agreement shall have been delivered to the Title Company. The Closing of the sale and purchase of the Owned Real Properties and the Real Property Escrow shall occur on the Closing Date and following the delivery to the Title Company of a copy of the Sale Approval Order as a Final Order. At the Closing, the applicable Sellers shall transfer fee title to, and possession and control of, the Owned Real Properties to Purchaser, or its specified designee(s), free and clear of all Encumbrances, other than Permitted Encumbrances.

2.3 Seller's Real Property Transfer Documents. Subject to the Sale Approval Order becoming a Final Order, on or before the Closing Date, Sellers shall deposit into the Real

Property Escrow for delivery to Purchaser at the Closing the following documents and instruments, each of which shall have been duly executed and, where appropriate, acknowledged:

(a) an individual closing statement for each Owned Real Property, prepared by the Title Company and approved by the parties hereto (collectively, the "Closing Statements");

(b) a bargain and sale deed for Owned Real Property in Oregon, and special warranty deeds (or state law equivalent) for each other Owned Real Property (collectively, the "Deeds") in form and substance satisfactory to Purchaser (acting reasonably) for conveyance by the applicable Seller to Purchaser of such Owned Real Property;

(c) to the extent reasonably necessary or required by the Title Company to effectuate the conveyance of the Owned Real Property to Purchaser, a Tax certificate with respect to each Owned Real Property obtained by the Title Company;

(d) to the extent reasonably necessary or required by the Title Company to effectuate the conveyance of any Owned Real Property to Purchaser, change of ownership certificates for such Owned Real Property, as required by applicable Law;

(e) a non-foreign certification or affidavit from each applicable Seller, if and as required by applicable Law, in form and substance satisfactory to Purchaser (acting reasonably); and

(f) such other documents and instruments as may be necessary or appropriate for the applicable Sellers to transfer and convey the Owned Real Properties to Purchaser in accordance with the terms of this Agreement.

2.4 Purchaser's Real Property Transfer Documents. Subject to the Sale Approval Order becoming a Final Order, on or before the Closing Date, Purchaser shall deposit into the Real Property Escrow for delivery to the applicable Sellers at Closing the following documents and instruments, each of which shall have been duly executed and, where appropriate, acknowledged:

(a) the Closing Statements;

(b) an affidavit of value for each Owned Real Property, as required by applicable Law; and

(c) such other documents and instruments as may be necessary or appropriate for the applicable Sellers to transfer and convey the Owned Real Properties to Purchaser in accordance with the terms of this Agreement.

2.5 Recording of Title. At the Closing, the Title Company shall, and Sellers shall cause the Title Company to, record or file, as applicable, the Special Warranty Deeds in the office of the County Clerk or other applicable Governmental Body for each Owned Real Property.

2.6 Title Commitments and Surveys. At least ten (10) days prior to the scheduled Closing Date, ParentCo shall, at Sellers' sole cost and expense, for each individual Owned Real Property listed on Schedule 2.6, cause to be delivered to Purchaser a commitment for a policy of title insurance (each a "Title Commitment" and collectively, the "Title Commitments"), together with copies of all documents identified in such Title Commitment, issued by the Title Company. Purchaser shall also have the option of ordering a survey (each a "Survey" and collectively, the "Surveys") to be performed at each Owned Real Property listed on Schedule 2.6. If any such Title Commitment or Survey shows any Encumbrances on any such Owned Real Property, other than Permitted Encumbrances, Sellers shall be obligated to cure and or remove of record such Encumbrances at or prior to the Closing so that Purchaser shall be able to obtain a policy of title insurance from the Title Company at the Closing insuring title to such Owned Real Property in the condition required hereunder. In the event that the Title Commitment or Survey for any such Owned Real Property reveals any Encumbrance that is not a Permitted Encumbrance, and it becomes apparent that Sellers cannot or shall not cure or remove of record such Encumbrance at or prior to Closing, Purchaser shall have the option to elect to consummate the transactions contemplated hereby with a downward adjustment to the Purchase Price in an amount necessary to cure or remove such Encumbrance at the Closing.

2.7 Title Policies. At the Closing, Sellers shall deliver to Purchaser an owner's ALTA policy (or applicable state required form) of extended title insurance issued by the Title Company (or the unconditional commitment of the Title Company to issue such policy) for each Owned Real Property listed on Schedule 2.6 (i.e., one such policy for each such Owned Real Property) effective as of the Closing Date (collectively, the "Title Policies"), with each Title Policy being in the amount specified on Schedule 2.7. The Title Policies shall insure Purchaser that fee simple interest in and to such Owned Real Properties is vested in Purchaser, subject only to the printed terms and provisions of such Title Policies (as such terms and provisions may be modified by endorsements purchased by Purchaser), the Permitted Encumbrances expressly set forth on the final commitments for issuance of the Title Policies and any other matters approved in writing by Purchaser. Sellers shall pay the portion of the premium for each Title Policy that would be equal to a standard owner's policy of title insurance on each such Owned Real Property covered by such Title Policy in the same face amount, and Purchaser shall pay any additional premium for the extended coverage and for any endorsement on such Title Policy requested by Purchaser. Purchaser shall be solely responsible for satisfying, at its cost, any requirement of the Title Company for any Title Policy endorsement requested by Purchaser.

2.8 Real Property Escrow Cancellation Charges. If the Closing does not occur because of the termination of this Agreement by Sellers (or any of them) pursuant to Section 8.1(c) or (e), Purchaser shall be liable for all customary Real Property Escrow cancellation charges. If the Closing does not occur because of the termination of this Agreement by Purchaser pursuant to Section 8.1(c) or (e), ParentCo shall be liable for all customary Real Property Escrow cancellation charges. If the Close of Escrow does not occur for any other reason, ParentCo and Purchaser shall each be liable for one-half (1/2) of all customary Real Property Escrow cancellation charges.

2.9 Closing Costs and Recording Fees. Upon the Closing, each of ParentCo and Purchaser agrees to pay one-half (1/2) of all Real Property Escrow charges and recording fees, other than with respect to the Title Policies, which shall be paid for as described in Section 2.7.

On or before the Closing Date, each of ParentCo and Purchaser shall deposit with the Title Company cash in an amount sufficient to pay each such party's share of Title Policy premiums and other Real Property Escrow-related costs; provided, however that ParentCo may instruct Purchaser to pay ParentCo's share of such costs and deduct the same amount from the Closing Payment.

2.10 Apportionments for Real Properties. The following apportionments shall be made between Sellers and Purchaser as of the Effective Time (the "Closing Apportionments") based on the latest available information, and the amounts derived therefrom shall be (as applicable) added to or deducted from the Closing Payment in accordance with Section 1.6:

(a) Taxes and Assessments. Real estate Taxes, ad valorem Taxes, personal property Taxes, transaction privilege Taxes, and other similar Taxes related to the ownership and/or operation of each Owned Real Property shall be prorated between the applicable Seller or Transferred Subsidiary and Purchaser and set forth on (i) the Closing Statement applicable to such Owned Real Property, if owned by a Seller or (ii) for any Owned Real Property owned by a Transferred Subsidiary or any Leased Real Property in respect of which the Real Property Lease is included in the Assumed Contracts (each, an "Acquired Leased Real Property"), a written statement agreed to by ParentCo and Purchaser. Sellers shall be responsible for all Taxes attributable to the Owned Real Properties and Acquired Leased Real Properties through and including the Closing Date and Purchaser shall be responsible for such Taxes attributable to the Owned Real Properties and Acquired Leased Real Properties beginning the first day after the Closing Date. If any current assessments, statements or other necessary information on any such amounts are not available before the Closing Date, Sellers and Purchaser shall agree upon reasonable estimates of such amounts based on prior amounts assessed against or paid by the applicable Sellers.

(b) Utilities. Purchaser and Sellers agree to use their respective reasonable efforts to arrange, before the Closing Date, for separate billing to the applicable Sellers of all charges attributable to the period up to and including the Closing Date for electricity, water, gas and any other utilities servicing the Owned Real Properties and Acquired Leased Real Properties, and for separate billing to Purchaser for all such charges attributable to the period beginning on the day after the Closing Date. If any such separate billing cannot be arranged by the Closing Date, such charges shall be equitably prorated on the basis of the most recent ascertainable invoices or statements for such services. With respect to any utilities in place and servicing the Owned Real Properties and Acquired Leased Real Properties as of the Closing Date, Sellers shall endeavor to have the respective utility providers read the meters for the utilities such that the prorations can be made based on such final meter readings. If such meter readings cannot be obtained in such manner, charges for utilities shall be prorated by good faith estimation as of the Closing Date based on the per diem rate obtained by using the last available billing period and associated bills for such utilities. Once all applicable utility billings have been delivered after the Closing Date and an accurate proration of utility charges can be determined therefrom, the net amount payable to Sellers or Purchaser (as applicable) after combining such prorations shall be paid concurrently with the payment due under Section 1.11(e) after determining the Final Price Adjustment.

(c) Form 1099-B. If applicable to the sale and purchase of the Owned Real Properties as contemplated herein, the Title Company is hereby authorized and instructed to file as the "Reporting Person" Internal Revenue Service Form 1099-B, Proceeds from Real Estate, Broker, and Barter Exchange Transactions, as required by § 6045(d) of the Tax Code.

ARTICLE III

REPRESENTATIONS AND WARRANTIES OF SELLERS

In order to induce Purchaser to enter into this Agreement and consummate the transactions contemplated hereby, Sellers hereby jointly and severally represent and warrant to Purchaser as follows:

3.1 Due Incorporation and Authority. Each Seller is a corporation, limited liability company or limited partnership duly organized, validly existing and in good standing under the laws of the state of its organization and has all necessary corporate, limited liability company or limited partnership power and authority to own, lease and operate its assets and to carry on the Home Business, the Insurance Business or the Finance Business (as applicable), as it is now being conducted. Subject to the entry of the Sale Approval Order, (i) each Seller has all requisite corporate, limited liability company or limited partnership power and authority to enter into this Agreement, carry out its obligations hereunder and consummate the transactions contemplated hereby and (ii) the execution and delivery by such Seller of this Agreement, the performance by such Seller of its respective obligations hereunder and the consummation by such Seller of the transactions contemplated hereby have been duly authorized by all requisite corporate, limited liability company or limited partnership action on the part of such Seller. This Agreement has been duly executed and delivered by each Seller, and, upon entry of the Sale Approval Order and the Sale Approval Order becoming a Final Order (assuming the due authorization, execution and delivery hereof by Purchaser and satisfaction of all conditions to the Closing), this Agreement shall constitute the legal, valid and binding obligation of each Seller, enforceable against each Seller in accordance with its terms, except to the extent enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting creditors rights generally or by general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

3.2 No Conflicts. Except as a result of the Bankruptcy Case, and subject to the entry of the Sale Approval Order and the Sale Approval Order becoming a Final Order, the execution and delivery by Sellers of this Agreement, the consummation of the transactions contemplated hereby, and the performance by Sellers of this Agreement in accordance with its terms shall not:

(a) violate the certificate of incorporation or by-laws or comparable organizational instruments of any Seller or Transferred Subsidiary or contravene any resolution adopted by the directors, managers, shareholders, members or partners of any Seller or Transferred Subsidiary;

(b) to the Knowledge of Sellers, violate any Law to which any Seller, any Transferred Subsidiary, any part of the Business, any of the Transferred Assets, or any of the Transferred Subsidiaries' assets is bound or subject;

(c) result in the imposition or creation of any Encumbrance (other than a Permitted Encumbrance) on any of the Transferred Assets or any of the assets of any Transferred Subsidiary; or

(d) violate, result in any breach of, constitute a default (or an event that, with notice or lapse of time or both, would become a default) under, or require any consent of any Person (including any Governmental Body) pursuant to, any Assumed Contract, Contract referred to in Section 1.1(h), Purchase Order included in the Transferred Assets, Transferred Permit, any Contract to which any Transferred Subsidiary is a party or by which it is bound, or any Permit held by a Transferred Subsidiary, except for (i) consents, approvals or authorizations of, or declarations or filings with, the Bankruptcy Court, (ii) required approvals from insurance regulatory authorities, and (iii) required approvals from finance regulatory authorities.

3.3 Organizational Documents; Meeting Minutes. Sellers have delivered to Purchaser prior to the date hereof true, accurate and complete copies of the certificate of incorporation and bylaws, or comparable organizational instruments, of Sellers and the Transferred Subsidiaries as in effect on the date hereof. Sellers have made available to Purchaser prior to the date hereof copies of all minutes of meetings of directors, shareholders, members, managers and partners (as applicable) of the Transferred Subsidiaries, including any actions undertaken or approved by written consent in lieu of any meeting of such Persons.

3.4 Capitalization of Transferred Subsidiaries.

(a) Schedule 3.4(a) sets forth for each Transferred Subsidiary (i) its authorized capital, (ii) the number of its shares of capital stock, limited liability company interests, general partner interests and/or limited partner interests, as applicable, that are issued and outstanding, and (iii) the record and beneficial owner(s) of such outstanding shares of capital stock, limited liability company interests, general partner interests and/or limited partner interests. All of such issued and outstanding shares of capital stock, limited liability company interests, general partner interests and limited partner interests (i) have been issued in compliance with all applicable Laws and the organizational instruments of the Transferred Subsidiaries, (ii) are fully-paid and non-assessable, (iii) are of amounts equal to or exceeding the minimum amounts required under applicable Laws, and (iv) except as disclosed on Schedule 3.4(a), are held by their record owners free and clear of any Encumbrance, other than Permitted Encumbrances.

(b) There are no options, rights, warrants, notes, calls or other outstanding securities convertible into or exercisable or exchangeable for shares of capital stock, limited liability company interests, general partner interests, limited partner interests or any other equity interest in any Transferred Subsidiary, nor any outstanding subscriptions, options, rights, warrants, calls, rights of first refusal or offer, or other agreements or commitments (contingent or otherwise) obligating any Transferred Subsidiary to issue or transfer from treasury any shares of its capital stock, limited liability company interests, general partner interests, limited partner interests or other equity interests, or to issue, grant or sell other securities convertible into or exchangeable for shares of capital stock, limited liability company interests, general partner interests, limited partner interests or any other equity interests. There are no subscriptions, options, warrants, calls, rights, commitments or agreements of any character to which any Seller

or Transferred Subsidiary is a party or by which it is bound obligating or permitting any Transferred Subsidiary to purchase or otherwise acquire the securities of any other Person.

(c) Except for Purchaser's rights as provided in this Agreement, and except for the Virgo Security Interest and the security interest granted under the Textron Facility, no Person has any right (including any preemptive right, right of first offer or right of first refusal) to acquire any interest in any of the outstanding shares of capital stock, limited liability company interests, general partner interests or limited partner interests in any Transferred Subsidiary. The transactions contemplated hereby shall vest in Purchaser at the Closing all legal and beneficial right, title and interest in and to the Standard Casualty Shares, the Standard Insurance Shares and the CountryPlace Shares free and clear of any Encumbrance other than the Virgo Security Interest, and other than any security interest granted or agreed to in writing by Purchaser or an Affiliate thereof.

(d) All certificates or other documents evidencing ownership of the CountryPlace Shares and the other stock or equity interests in the other Finance Subsidiaries have been delivered by ParentCo to, and to the Knowledge of Sellers, are in the possession of, Virgo Service Company LLC for purposes of perfection of the Virgo Security Interest in the CountryPlace Shares and such other stock and equity interests.

3.5 Transferred Subsidiary Financial Statements. To the extent prepared and maintained by ParentCo or any of the Transferred Subsidiaries (separate from ParentCo's consolidated financial statements), Sellers have provided to Purchaser the following financial statements with respect to the Transferred Subsidiaries: (i) annual statements filed with insurance regulatory authorities for the fiscal years ended March 31, 2008, 2009 and 2010, annual reports filed with finance regulatory authorities for the fiscal years ended March 31, 2008, 2009 and 2010, and audited balance sheets and related statements of operations, stockholders' equity, and cash flows as of and for the fiscal years ended March 31, 2008, 2009 and 2010; (ii) unaudited balance sheets and related statements of operations, stockholders' equity, and cash flow as of and for the three (3) and six (6)-month periods ended September 30, 2010, and (iii) unaudited balance sheets and related statements of operations, stockholders' equity, and cash flow as of and for the month ended October 31, 2010 (the "Most Recent Financial Statements"). All of such financial statements (including the notes thereto) have been prepared in accordance with statutory accounting requirements or GAAP, as applicable, throughout the periods covered thereby and present fairly, in all material respects, the respective financial positions of the Transferred Subsidiaries as of such dates and the respective results of operations of the Transferred Subsidiaries for such periods; provided, however, that the financial statements referred to in clauses (ii) and (iii) above are subject to normal year-end adjustments, required schedules and lack footnotes and other presentation items required by statutory accounting requirements or GAAP, as applicable.

3.6 Transferred Subsidiary Undisclosed Liabilities; Guaranties. No Transferred Subsidiary has any Liabilities other than those that (i) are reflected or reserved against in the Most Recent Financial Statements or otherwise set forth in this Agreement (including any Schedule hereto); (ii) have been incurred in the Ordinary Course of Business; (iii) are permitted or contemplated by this Agreement; or (iv) shall have been discharged or paid off as of the date immediately preceding the Closing Date. Except as disclosed on Schedule 3.6, no Transferred

Subsidiary is a guarantor or otherwise responsible, whether as a co-obligor or contingently, for any Liability (including Indebtedness) of any other Person (including any Seller or other Transferred Subsidiary).

3.7 Accounts Receivable. All Accounts Receivable of Sellers and the Transferred Subsidiaries are valid receivables arising in the Ordinary Course of Business. Except as set forth on Schedule 3.7, there is no contest, claim, defense or right of setoff with respect to such Accounts Receivable with any account debtor of an account or note receivable relating to the amount or validity of such account or note receivable, other than with respect to returns in the Ordinary Course of Business of Sellers or cancellations of insurance policies issued or sold by any of the Insurance Subsidiaries.

3.8 Compliance with Laws.

(a) The Business is and has been within the past five (5) years conducted in all material respects in compliance with all applicable Laws. Except for the Bankruptcy Case and other matters contained in the docket related thereto, within the past five (5) years, no Claim has been made in writing by any Governmental Body to any Seller or Transferred Subsidiary to the effect that the Business, any Transferred Asset or any Transferred Subsidiary has failed to comply in any material respect with any Law, except as has been resolved to the satisfaction of such Governmental Body.

(b) Sellers have made available for inspection by Purchaser (i) true, complete and correct copies of all annual reports, other periodic filings, material examination reports, correspondence, reports of investigations, inquiries and other similar materials relating to the Transferred Subsidiaries dating back to January 1, 2005 received by or submitted to any Governmental Body, including any insurance or finance regulatory authority. Except as described on Schedule 3.8, there are no examinations, audits, formal inquiries or, to the Knowledge of Sellers, investigations by any state insurance department examiner or any federal or state financial services regulatory examiner in progress with respect to any Transferred Subsidiary, nor, to the Knowledge of Sellers, is any such examination, audit, formal inquiry or investigation pending or scheduled, except as may result from Sellers' commencement of the Bankruptcy Case.

(c) Except as described on Schedule 3.8, there are no Contracts (including settlement agreements), memoranda of understanding, commitment letters, commissioner's orders, consent orders or similar undertakings in effect between any Insurance Subsidiary and any Governmental Body, other than any such agreement, understandings, commitments, undertakings or orders of general application to insurers engaged in the property and casualty insurance business, that (i) specifically limit in any material respect the ability of any Insurance Subsidiary to issue insurance policies under its existing Permits, (ii) impose any specific requirements on any Insurance Subsidiary in respect of risk-based capital requirements that materially increase or modify the risk-based capital requirements imposed under applicable insurance Laws, or (iii) specifically relate to the ability of any Insurance Subsidiary to pay dividends.

(d) To the Knowledge of Sellers, since January 1, 2005, each agent, broker or other representative of any Insurance Subsidiary that wrote or sold an insurance product for any Insurance Subsidiary (any of which, an "Insurance Representative") was at the time such Insurance Representative wrote or sold such insurance product duly licensed and appointed as required by applicable insurance Law, in the particular jurisdiction in which such Insurance Representative wrote or sold insurance products. To the Knowledge of Sellers, no Insurance Representative has been since January 1, 2005, or is currently, in violation (or with or without notice or lapse of time or both, would be in violation) of any insurance Law applicable to the writing, sale or production of insurance products for any Insurance Subsidiary, except where such violations have not had and would not reasonably be expected to have a Material Adverse Effect. As of the date of this Agreement, no Insurance Representative individually accounting for five percent (5%) or more of the total gross premiums of the insurance business of the Insurance Subsidiaries for their last completed fiscal year has indicated in writing to any Insurance Subsidiary that such Insurance Representative shall be unable or unwilling to continue its relationship as a Producer with such Insurance Subsidiary within twelve (12) months after the date hereof.

3.9 Permits.

(a) Schedule 3.9(a) sets forth a list of all of Sellers' and the Transferred Subsidiaries' material licenses, franchises, permits, variances, exemptions, orders, approvals and authorizations of Governmental Bodies, including any applications therefor, that are used for the conduct of the Business (or any part thereof) as currently conducted (collectively, the "Permits"). Each Seller and Transferred Subsidiary is in compliance, in all material respects, with the terms of all material Permits held by it, and all such material Permits are valid and in full force and effect. For any Permit that would expire within ninety (90) days of the Closing Date, a renewal application has been prepared and filed with the applicable Governmental Body.

(b) No Transferred Subsidiary has transacted business in any jurisdiction requiring it to have a Permit to transact such business while it did not possess such Permit, except where the failure to have such Permit would not interfere with the ability of such Transferred Subsidiary to conduct its business as presently conducted. No Seller or Transferred Subsidiary is the subject of any pending or, to the Knowledge of Sellers, threatened action or proceeding for or contemplating the suspension, termination, modification, limitation, cancellation, revocation, nonrenewal or impairment of any of its Permits. Except for the filing of the Bankruptcy Case, Sellers have no Knowledge of any existing fact or circumstance that, individually or in the aggregate would be reasonably likely to result in the suspension, termination, modification, limitation, cancellation, revocation, nonrenewal or impairment of any Permit held by any of the Transferred Subsidiaries, and provided that all consents described on Schedule 3.9(b) have been obtained, no Permit held by any Transferred Subsidiary shall be suspended, terminated, modified, limited, cancelled, revoked, not renewed or impaired or become suspended, terminated, modified, limited, cancelled, revoked, not renewed or impaired, in whole or in part, as a result of the execution and delivery of this Agreement, the commencement of the Bankruptcy Case or the consummation of the transactions contemplated hereby.

3.10 Contracts.

(a) Schedule 3.10(a) contains an accurate and complete list, and Sellers have delivered or made available to Purchaser accurate and complete copies, of the following outstanding Contracts (including all amendments and supplements thereto) to which any Seller or Transferred Subsidiary is a party or by which any Seller or Transferred Subsidiary is bound:

(i) each Contract for the sale of goods or performance of services by any Seller or Transferred Subsidiary having (or expected to have) an actual or anticipated value to such Seller of at least $25,000 in any twelve (12)-month period, but excluding any Contract for the sale of individual manufactured or modular homes to non-commercial and non-Governmental Body end-use purchasers;

(ii) each Contract for the purchase of goods or services by any Seller or Transferred Subsidiary from any vendor or supplier of the Business having (or expected to have) an actual or anticipated cost to Sellers or the Transferred Subsidiaries (or any of them) of at least $25,000 in any twelve (12)-month period;

(iii) each real property lease, sublease, license or other agreement pursuant to which any Seller or Transferred Subsidiary grants to any other Person any right of possession or use of, or access to, any Real Property;

(iv) each equipment lease, lease-purchase agreement, installment sale contract or other similar contract or agreement relating to any Tangible Personal Property or any tangible personal property used by any Transferred Subsidiary;

(v) each Contract relating to capital expenditures on any Real Property or with respect to any other Transferred Asset or any asset of any Transferred Subsidiary under which any Seller or Transferred Subsidiary has warranty, service or other similar rights;

(vi) each Hedging Contract; and

(vii) each management, consulting, advertising, marketing, promotion, technical services, advisory or other Contract relating to the design, marketing, promotion, management or operation of the Business, or any part thereof, having (or expected to have) an actual or anticipated cost to any Seller or Transferred Subsidiary of at least $25,000 in any twelve (12)-month period.

(b) Schedule 3.10(b) contains an accurate and complete list, and Sellers have delivered or made available to Purchaser accurate and complete copies, of the following outstanding Contracts (including all amendments and supplements thereto) to which any Transferred Subsidiary is a party or by which any Transferred Subsidiary is bound:

(i) each Contract restricting in any manner any Transferred Subsidiary's (i) right to compete with any other Person, (ii) right to sell or purchase from any other Person or otherwise limiting the right of any Transferred Subsidiary to engage in any line of business in any jurisdiction, (iii) right to solicit any business, customer, or employee of another Person, other than non-disclosure or confidentiality agreements entered into in the

ordinary course of business or (iv) restricting the right of any other Person to compete with any Transferred Subsidiary or to solicit any business, customer or employee of any Transferred Subsidiary, other than non-disclosure or confidentiality agreements entered into in the ordinary course of business.

(ii) each Contract containing any support, maintenance, service or other material obligation on the part of any Transferred Subsidiary involving annual revenues or cost to such Transferred Subsidiary in excess of $25,000 in any twelve (12)-month period;

(iii) each loan or credit agreement, pledge agreement, promissory note, security agreement, mortgage, debenture, indenture, letter of credit, line of credit whether revolving or otherwise, and guaranty;

(iv) each Contract containing guaranty, surety or indemnification obligations of any Transferred Subsidiary, including those related to any undertaking of financial support or contractual performance extended by any Transferred Subsidiary on behalf of or in support of any other Person (including any Affiliate);

(v) each Contract providing for the indemnification of any past or present employee, director, consultant or agent of any Transferred Subsidiary;

(vi) each Contract with any employee or director of any Transferred Subsidiary, other than offer letters specifying that employment is on an "at will" basis or otherwise at such Transferred Subsidiary's discretion;

(vii) each partnership agreement, joint venture agreement, co-development agreement or other similar agreement involving a sharing of profits, losses, costs (excluding recovery of costs in the ordinary course of business) or Liabilities with any other Person;

(viii) each Contract to which any Governmental Body is a party or under which any Governmental Body has any rights or obligations;

(ix) each Contract providing for the servicing of loans, including any such Contract with the Federal National Mortgage Association (i.e., Fannie Mae), the Government National Mortgage Association (i.e., Ginnie Mae) or any other similar government sponsored entity;

(x) each Contract providing for reinsurance either by any Insurance Subsidiary or by any third party with respect to insurance policies issued or sold by any Insurance Subsidiary or for which any Insurance Subsidiary is liable for the payment of benefits (any of which, a "Reinsurance Contract");

(xi) each brokerage, agency, managing general agent or other similar Contract for the marketing and sale of any Transferred Subsidiary's products or services;

(xii) each other Contract that involves a payment to or from any Transferred Subsidiary in excess of $50,000 on its face in any individual case.

(c) Each Assumed Contract is valid and binding on, and enforceable against, the applicable Seller and, to the Knowledge of Sellers, the counterparties thereto, and is in full force and effect, other than exceptions that shall be remedied or otherwise accounted for pursuant to the Sale Approval Order. Each Contract to which any Transferred Subsidiary is a party or by which it is bound is valid and binding on, and enforceable against, the applicable Transferred Subsidiary and, to the Knowledge of Sellers, the counterparties thereto, and is in full force and effect. No Seller that is party to or bound by an Assumed Contract and no Transferred Subsidiary that is a party to any Contract is in material breach of, or default under, any such Assumed Contract or other Contract and, to the Knowledge of Sellers, there is no valid basis for any claim of material breach or default by any Seller under any such Assumed Contract or by any Transferred Subsidiary under any other Contract, except in the case of any Assumed Contract to the extent that any such breach, default or claim of breach or default is cured, remedied or otherwise accounted for pursuant to the Sale Approval Order.

3.11 Insurance Business.

(a) Since January 1, 2005, and except for benefits relating to claims incurred but not yet reported and reported claims being processed by the Insurance Subsidiaries as of the date hereof, all benefits due and payable under the insurance Contracts issued by any of the Insurance Subsidiaries have been paid in accordance, in all material respects, with the terms of the insurance Contracts under which they arose, except for such benefits for which an Insurance Subsidiary has reasonably determined, in the Ordinary Course of Business, that there is or was a reasonable basis to deny or contest payment.

(b) All policies, binders, slips, certificates and Contracts of insurance, in effect as of the date hereof (including all applications, supplements, endorsements, riders and ancillary Contracts in connection therewith) that have been issued by any Insurance Subsidiary or for which any Insurance Subsidiary is liable for the payment of benefits, and any and all marketing materials, agent Contracts, broker Contracts or managing general agent Contracts are, to the extent required under applicable insurance Law, on forms approved by applicable insurance-related Governmental Bodies or which have been filed and not objected to by such insurance-related Governmental Bodies within the period provided for objection, and such forms comply in all material respects with the insurance Laws applicable thereto and, as to premium rates established by any Insurance Subsidiary which are required to be filed with or approved by insurance-related Governmental Bodies, such rates have been so filed or approved, the premiums charged conform thereto in all respects, and such premiums comply in all material respects with the insurance Laws applicable thereto. Sellers have provided or made available to Purchaser copies of all specimens (including specimen schedule pages) of all insurance policies and Contracts issued by any Insurance Subsidiary since January 1, 2005.

(c) The reserves carried by the Insurance Subsidiaries are in compliance in all material respects with the requirements for reserves established by the applicable Governmental Bodies in the jurisdictions in which the Insurance Subsidiaries conduct business, have been determined in all material respects in accordance with GAAP and statutory accounting standards (to the extent applicable) as in effect at applicable times, consistently applied, and have been computed on the basis of methodologies consistent in all material respects with those used in prior periods.

(d) Since January 1, 2005, none of the Insurance Subsidiaries has violated in any material respect its underwriting guidelines in effect from time to time in connection with its issuance of any insurance Contracts in any way that would adversely affect any Insurance Subsidiary's rights under any Reinsurance Contract.

(e) Except as set forth on Schedule 3.11(e), there are no material accrued and unpaid or unreported Liabilities with respect to claims or assessments made against any Insurance Subsidiary by any insurance guaranty association or similar organization in connection with such association's or organization's insurance guaranty fund or similar program.

(f) There is no Contract or other arrangement in effect between any Insurance Subsidiary and any third party reinsurer under a Reinsurance Contract that would under any circumstances reduce, limit, mitigate or otherwise affect any actual or potential loss to any party under any such Reinsurance Contract, other than as may be expressly provided in such Reinsurance Contract. Neither Parent nor any Insurance Subsidiary has received any written notice to the effect that (i) the financial condition of any third party to any Reinsurance Contract is materially impaired with the result that a default thereunder may reasonably be anticipated or (ii) there is no dispute with respect to any material amount recoverable or payable by any Insurance Subsidiary pursuant to any Reinsurance Contract.

3.12 Real Property.

(a) Schedule 3.12(a) lists the street address (and references the legal description in the Title Commitments) of each parcel of real property owned by any Seller or Transferred Subsidiary (each, an "Owned Real Property" and collectively, the "Owned Real Properties"), but excluding any REO real property purchased by any Seller or Transferred Subsidiary from the Department of Housing and Urban Development or any lender and held for resale. Subject to the entry of the Sale Approval Order and the Sale Approval Order becoming a Final Order, at the Closing, the applicable Sellers shall have fee simple title to each Owned Real Property, which shall be transferred to Purchaser at the Closing free and clear of all Encumbrances, other than Permitted Encumbrances. The Owned Real Property owned by any Transferred Subsidiary is owned by such Transferred Subsidiary in fee simple, free and clear of any Encumbrance, other than Permitted Encumbrances.

(b) Schedule 3.12(b) lists (i) the street address of each parcel of real property or portion thereof leased (as lessee) by any Seller or any Transferred Subsidiary (each, a "Leased Real Property" and collectively, the "Leased Real Properties", and together with the Owned Real Properties, the "Real Properties"), and (ii) a description (including document name, date, parties and any amendments) of each lease (each a "Real Property Lease") in effect with respect to each Leased Real Property.

(c) Sellers have delivered to Purchaser complete and accurate copies of all Real Property Leases, including all addenda, amendments, extensions and supplements thereto and assignments thereof. No Seller or Transferred Subsidiary has entered into any written Contract, arrangement or understanding with any third party landlord that in any way alters or affects the express terms and conditions of any Real Property Lease. Each Real Property Lease is valid and binding on the applicable Seller or Transferred Subsidiary and, to the Knowledge of

Sellers, the counterparties thereto, and is in full force and effect. No Seller or Transferred Subsidiary is in default under any Real Property Lease, other than a default that shall be remedied or otherwise accounted for pursuant to the Sale Approval Order, and to the Knowledge of Sellers, no other counterparty to any Real Property Lease is in default thereof.

(d) Sellers' use of the Real Properties for the various purposes for which they are presently being used are permitted as of right under all applicable Laws (including zoning laws), except where any non-permitted use by any Seller would not interfere with such Seller's conduct of its business on such Real Property as presently conducted.

(e) To the Knowledge of Sellers, (i) all of the Real Properties, including buildings, fixtures and other improvements thereon, are in good operating condition and repair, ordinary wear and tear excepted, and no Owned Real Property is in need of repair other than as part of routine maintenance in the ordinary course of business, and (ii) all buildings, structures, improvements and fixtures on each of the Real Properties are in compliance in all material respects with all applicable Laws, including Occupational Safety and Health Laws.

(f) Except as expressly provided in any Real Property Lease, in any public record or as set forth on Schedule 3.12(f), no Seller or Transferred Subsidiary has (i) leased, subleased, licensed or otherwise granted to any Person the current or future right to use or occupy any of the Real Properties or any portion thereof, (ii) granted to any Person any option, right of first refusal, offer, or other Contract or right to purchase, acquire, lease, sublease, assign or dispose of any interest in any of the Real Properties, or (iii) collaterally assigned or granted any other Encumbrance in or over any Real Property Lease or any interest therein.

(g) The Real Properties constitute all of the real property currently used by Seller and the Transferred Subsidiaries in the conduct of the Business.

(h) There does not exist any actual or, to the Knowledge of Sellers, overtly threatened or contemplated condemnation or eminent domain proceeding that affects or could be reasonably expected to affect any Real Property or any part thereof, and no Seller or Transferred Subsidiary has received any written notice of the intention of any Governmental Body to undertake any such proceeding with respect to any of the Real Properties, or any part thereof.

(i) Except as may arise as a result of the Bankruptcy Case, no Transferred Subsidiary has any ongoing dispute or disagreement with any landlord in respect of any obligation of such Transferred Subsidiary or such landlord under the terms of any Real Property Lease or under applicable Law with respect to any Leased Real Property.

(j) Except for the Real Properties of which the Transferred Subsidiaries are identified as owners or tenants on Schedule 3.12(a), no Transferred Subsidiary has owned, leased (as tenant), subleased (as subtenant) or occupied any other real property within the past five (5) years.

3.13 Environmental Matters. Except as disclosed on Schedule 3.13:

(a) Sellers and the Transferred Subsidiaries are currently, and since January 1, 2005 have been, in compliance in all material respects with all applicable

Environmental Laws applicable to the Business, the Transferred Assets and the assets of the Transferred Subsidiaries. There are no Claims pursuant to any Environmental Law pending or, to the Knowledge of Sellers, threatened in writing against any Seller or Transferred Subsidiary in connection with the conduct or operation of the Business or the ownership or use of any of the Transferred Assets or any of the assets of the Transferred Subsidiaries. Within the past five (5) years, no Seller or Transferred Subsidiary has received any actual or threatened order, notice or other written communication from any Governmental Body or other Person of any actual or potential violation or failure of any Seller or Transferred Subsidiary to comply with any Environmental Law or of any actual or threatened obligation on the part of any Seller or Transferred Subsidiary to undertake or bear the cost of any Environmental, Health and Safety Liabilities with respect to any of the Real Properties, any other Transferred Asset or any asset of any of the Transferred Subsidiaries, except has been adequately resolved to the satisfaction of such Governmental Body or other Person.

(b) No Seller or Transferred Subsidiary is currently required to undertake any corrective or remedial obligation under any Environmental Law with respect to the Business, any of the Real Properties, any other Transferred Asset or any asset of any of the Transferred Subsidiaries.

(c) Sellers have made available to Purchaser all Phase I and Phase II, if any, environmental reports, other engineering reports and any other material documents in Sellers' possession relating to any environmental or health or safety matters, relating to the Real Properties, any of the other Transferred Assets or any of the assets of the Transferred Subsidiaries. Except to the extent disclosed in such environmental and engineering reports, to the Knowledge of Sellers, there are no Hazardous Materials present on or in the Environment at any of the Real Properties, including any Hazardous Materials contained in barrels, aboveground or underground storage tanks, landfills, land deposits, dumps, equipment (whether movable or fixed) or other containers, either temporary or permanent, and deposited or located in land, water, sumps, or any other part of any of the Real Properties, or incorporated into any structure therein or thereon, except in material compliance with all applicable Environmental Laws.

(d) No Seller or Transferred Subsidiary has conducted or knowingly permitted any Hazardous Activity on or with respect to any of the Real Properties.

3.14 Intellectual Property.

(a) Schedule 3.14(a) contains a complete and accurate list of the following items of intellectual property of each Seller and Transferred Subsidiary: (i) all Patents; (ii) all Marks; (iii) all registered Copyrights; and (iv) all licenses and sublicenses held by any Seller or Transferred Subsidiary as licensee pertaining to Computer Software (excluding mass produced shrink wrap license agreements) or other Intellectual Property of any other Person, including in the case of such Patents, Marks and Registered Copyrights, details of registration and/or application filings with the United States Patent and Trademark Office or similar Governmental Bodies in other jurisdictions. No Seller or Transferred Subsidiary owns any proprietary Computer Software.

(b) Schedule 3.14(b) contains a complete and accurate list of all licenses, sublicenses or other arrangements (written or oral, formal or informal) pursuant to which any Seller or Transferred Subsidiary is currently granting any right of use of any Computer Software or other Intellectual Property to any Person, including any other Seller or Transferred Subsidiary, including in the case of any arrangement that is not documented under a written agreement, the specific terms of such arrangement.

(c) Except as disclosed on Schedule 3.14(c), to the Knowledge of Sellers, (i) no item of Intellectual Property used by any Seller or Transferred Subsidiary is currently being infringed or overtly challenged or threatened in any way, (ii) none of the products or services sold or trade secrets used by any Seller or Transferred Subsidiary infringes or has been alleged in any written notice to any Seller or Transferred Subsidiary to infringe any intellectual property right of any other Person, (iii) no Mark included in the Intellectual Property used by any Seller or Transferred Subsidiary has been or is now involved in any opposition, invalidation or cancellation Claim, and no such action is threatened with respect to any such Mark; and (iv) there is no potentially interfering trademark or trademark application of any other Person in use or pending.

(d) Each license, sublicense or other arrangement referred to in Sections 3.14(a) and (b) is valid and binding on, and enforceable against, the applicable Seller or Transferred Subsidiary and, to the Knowledge of Sellers, the counterparties thereto, and is in full force and effect. Except as disclosed on Schedule 3.14(d), no Seller or Transferred Subsidiary is in default of its obligations under any license, sublicense or other arrangement referred to in Section 3.14(a) or (b), except where such default is cured, remedied or otherwise accounted for pursuant to the Sale Approval Order.

3.15 Litigation and Other Claims. Except for the Bankruptcy Case and other matters on the docket related thereto (including information included in Sellers' Schedules of Assets and Liabilities and Statements of Financial Affairs filed with the Bankruptcy Court), and except as otherwise disclosed on Schedule 3.15, (i) there are no material Claims (including with respect to product liability Claims) pending or, to the Knowledge of Sellers, threatened against any Seller or Transferred Subsidiary with respect to the Business (or any part thereof), any of the Real Properties, any of the other Transferred Assets or any of the Assumed Liabilities, and (ii) there are no Claims pending or, to the Knowledge of Sellers, threatened by or against any Seller or Transferred Subsidiary that challenge the validity of this Agreement or any of the transactions contemplated hereby or that, either individually or in the aggregate, would reasonably be expected to prevent or delay the consummation by Sellers of the transactions contemplated by this Agreement.

3.16 Condition of Tangible Personal Property. The Tangible Personal Property and the machinery, equipment, and other tangible assets owned or leased by the Transferred Subsidiaries and necessary to conduct the Business as it is being conducted on the date hereof are in good operating condition and repair, ordinary wear and tear excepted.

3.17 Title to Assets; Possession. Upon (i) the entry of the Sale Approval Order and the Sale Approval Order becoming a Final Order, and (ii) the receipt by Purchaser of all required approvals from insurance-related Governmental Bodies and finance-related Governmental

Bodies applicable to the Transferred Subsidiaries, at the Closing, Sellers shall have good and marketable title to the Transferred Assets, which shall be transferred to Purchaser free and clear of all Encumbrances, other than Permitted Encumbrances. The Transferred Subsidiaries now have, and as of the time of Closing shall have, good and marketable title to all of their assets, free and clear of all Encumbrances, other than Permitted Encumbrances. Except for equipment leased (as lessee) by any Seller or Transferred Subsidiary under a Contract disclosed in this Agreement, no Seller or Transferred Subsidiary is in possession of any equipment or other tangible asset that is owned by another Person. Except as disclosed on Schedule 3.17, no asset of any Seller or Transferred Subsidiary having a value of more than $25,000 is in the possession or under the control of any other Person.

3.18 Sufficiency of Assets. Except for the Excluded Assets, the Transferred Assets constitute all of the assets, tangible and intangible, of any nature whatsoever, used by Seller to operate the Home Business in the manner presently operated by Sellers.

3.19 Inventory. The Inventory substantially consists of, and as of the close of business on the day immediately preceding the Closing Date the Inventory shall substantially consist of, items which are, subject to inventory reserves set forth in Sellers' (or their Affiliate's consolidated) financial statements, of a quality and quantity usable and salable in the Ordinary Course of Business.

3.20 Employees.

(a) Sellers have provided to Purchaser a detailed list of all of their and the Transferred Subsidiaries' employees, segregated by each Seller and Transferred Subsidiary, including the following information for each such employee: (i) name; (ii) part-time or full-time status; (iii) title and/or job description; (iv) employment commencement date; (v) annual base salary or hourly wage; (vi) available bonus or other contingent compensation; (vii) accrued and unused vacation days; (viii) accrued and unused sick days; and (ix) if on leave, the status of such leave (including reason for leave and expected return date).

(b) Except as set forth on Schedule 3.20(b), since January 1, 2008, with respect to the employees of Seller and the Transferred Subsidiaries, there has not been, there is not presently pending or existing, and, to the Knowledge of Sellers, there is not threatened in writing any material charge, grievance proceeding or other claim against or affecting any Seller (or any director, officer, manager or employee thereof) relating to the actual or alleged violation of any applicable Law pertaining to labor relations or employment matters, including any charge or complaint filed by an employee or union with the National Labor Relations Board, the Equal Employment Opportunity Commission or any comparable Governmental Body.

(c) To the Knowledge of Sellers, all employees of Seller and the Transferred Subsidiaries are legally qualified to work in the United States by virtue of being United States citizens, documented resident aliens (i.e., "green card" holders) or holders of validly issued employment visas or other applicable Permits. Except as set forth on Schedule 3.20(c), all employees of the Transferred Subsidiaries are employed on an "at-will" (or equivalent) basis such that their employment may be terminated at any time and for any reason (including no reason) without notice or compensation paid in lieu thereof.

(d) Schedule 3.20(d) sets forth, on a Person-by-Person basis, all severance compensation and benefits, retention bonus and similar payment obligations of any Transferred Subsidiary to any of its directors, employees, managers or other equivalent Persons whether under written Contract or otherwise.

(e) All salaries, wages, commissions and other compensation and benefits payable to the employees of each Transferred Subsidiary have been accrued and paid by the applicable Transferred Subsidiary when due for all periods through the date hereof, and shall have been accrued and paid by the applicable Transferred Subsidiary when due for all periods through the Closing Date, except for stub period payroll obligations resulting from the Closing Date occurring between normal paydays, which payroll obligations are or shall have been as of the Closing Date properly accounted for in the financial records of the Transferred Subsidiaries.

(f) No Seller or Transferred Subsidiary has been, nor is it now, a party to any collective bargaining agreement or other labor contract. Since January 1, 2008, there has not been, there is not presently pending or existing, and to the Knowledge of Sellers, there is not threatened, any strike, slowdown, picketing, work stoppage or employee grievance process involving any Seller or Transferred Subsidiary. To the Knowledge of Sellers, there is no organizational activity or other labor dispute against or affecting any Seller or Transferred Subsidiary, and no application or petition for an election of or for certification of a collective bargaining agent is pending. There is not currently in effect any lock-out, relating to a labor dispute, by any Seller or Transferred Subsidiary of any employee (or group thereof), and no such action is contemplated by any Seller or Transferred Subsidiary.

3.21 Employee Benefits.

(a) Schedule 3.21(a) lists each Employee Benefit Plan that any Transferred Subsidiary maintains, to which it contributes, in which it participates or with respect to which it has any Liability. No Transferred Subsidiary nor any ERISA Affiliate has any commitment to establish or amend any new or existing Employee Benefit Plan or similar agreement for the benefit of employees of any Transferred Subsidiary or any ERISA Affiliate except as otherwise required by applicable Law or to conform with any such Employee Benefit Plan or similar agreement to any applicable Law. No Transferred Subsidiary nor any ERISA Affiliate has ever maintained, sponsored, participated in, or contributed to any Employee Pension Benefit Plan that is a "defined benefit plan" as defined in ERISA §3(35).

(b) Each Employee Benefit Plan of any Transferred Subsidiary (and each related trust, insurance contract, or fund) now and always has been maintained, funded and administered in accordance with the terms of such Employee Benefit Plan and complies in form and in operation in all material respects with the applicable requirements of ERISA and the Tax Code. There are no pending or, to the Knowledge of Sellers, threatened audits, investigations or claims involving any Employee Benefit Plan by any Governmental Body or other Person, other than routine claims for benefits.

(c) All premiums or other payments that are due have been timely paid with respect to each Employee Benefit Plan of any Transferred Subsidiary that is an Employee Welfare Benefit Plan.

(d) Each Employee Benefit Plan of any Transferred Subsidiary that is intended to meet the requirements of a "qualified plan" under Tax Code §401(a) and each trust intended to meet the qualification requirements under Tax Code §501(a) has timely received a determination letter (or opinion letter in the case of a prototype plan) from the IRS to the effect that it meets the requirements of Tax Code §401(a), and no fact exists, including any amendment or failure to amend any Employee Benefit Plan, that could reasonably be expected to cause the IRS to revoke such favorable determination letter (or opinion letter).

(e) With respect to each Employee Benefit Plan of any Transferred Subsidiary, such Transferred Subsidiary has made available to Purchaser (i) a copy of each Employee Benefit Plan (including all amendments thereto), (ii) a copy of the annual report and actuarial report, if required under ERISA or the Tax Code, with respect to each Employee Benefit Plan for the last two (2) plan years ending prior to the date hereof, (iii) if the Employee Benefit Plan is funded through a trust or any third-party funding vehicle, a copy of the trust or other funding agreement (including all amendments thereto) and the latest financial statements with respect to the last reporting period ended immediately prior to the date thereof, (iv) a copy of the most recent "summary plan description", together with each "summary of material modifications", if required under ERISA, and (v) the most recent determination letter received from the IRS with respect to each Benefit Plan that is intended to be qualified under §401(a).

(f) No Transferred Subsidiary nor any ERISA Affiliate has ever maintained, established, sponsored, participated in, or contributed to any (i) Employee Benefit Plan which is subject to Title IV of ERISA or Tax Code §412; (ii) "multiemployer plan" as defined in ERISA or the Tax Code; (iii) "multiple employer plan" as defined in ERISA or the Tax Code; or (iv) a "funded welfare plan" within the meaning of Tax Code §419.

(g) Except as may be provided in any written employment Contract currently in effect between any Transferred Subsidiary and any employee or former employee, all of which agreements are set forth on Schedule 3.21(g), the consummation of the transactions contemplated hereby shall not (i) result in any payment becoming due, or increase the amount of compensation due, to any current or former employee or current or former director of any Transferred Subsidiary, (ii) increase any benefits payable under any Employee Benefit Plan, or (iii) accelerate the time of payment or vesting, or increase the amount of, or otherwise enhance, any benefit due to any current or former employee or current or former director of any Transferred Subsidiary. No such payment shall result in the loss by reason of Tax Code §280G, of any federal Income Tax deduction by any Transferred Subsidiary or Purchaser.

(h) No Employee Benefit Plan of any Transferred Subsidiary provides benefits, including death, medical or retiree welfare benefits (whether or not insured), with respect to current or former employees or current or former directors of any Transferred Subsidiary after retirement or other termination of service other than (i) coverage mandated by ERISA §§ 601-608 and Tax Code §4980B(f) or applicable state Laws, (ii) death benefits or retirement benefits under any Plan, (iii) benefits the full cost of which is borne by the current or former employee or current or former director (or his or her personal representatives or beneficiary), or (iv) severance or deferred compensation benefits properly accrued as Liabilities on the books of such Transferred Subsidiary or an ERISA Affiliate.

(i) No Transferred Subsidiary, and no Seller on behalf of any Transferred Subsidiary, has made any representation or communication, oral or written, with respect to the participation, eligibility for benefits, vesting, benefit accrual or coverage under any Employee Benefit Plan to any of its current or former employees or directors (or any of their respective personal representatives or beneficiaries) which is not in accordance with the terms and conditions of such Transferred Subsidiary's Employee Benefit Plans.

(j) Each Transferred Subsidiary and ERISA Affiliate has complied in all material respects with the notice and continuation coverage requirements of Tax Code §4980B and the regulations thereunder with respect to each Employee Benefit Plan of any Transferred Subsidiary or any ERISA Affiliate that is, or was during any taxable year of any Transferred Subsidiary or any ERISA Affiliate for which the statute of limitations on the assessment of federal income Taxes remains open, by consent or otherwise, a group health plan within the meaning of Tax Code §5000(b)(1).

(k) None of the Employee Benefit Plans of any Transferred Subsidiary or any ERISA Affiliate, any trust created thereunder, any Transferred Subsidiary or any ERISA Affiliate, or any employee or director of any of the foregoing, nor, to the Knowledge of Sellers, any trustee, administrator or other fiduciary thereof, has engaged in a "prohibited transaction" (as such term is defined in Tax Code §4975 or §406 of ERISA). To the Knowledge of Sellers, no sponsor, trustee or administrator of any Employee Benefit Plan of any Transferred Subsidiary has engaged in a transaction or has taken or failed to take any action with respect to such Employee Benefit Plan that would be reasonably expected to subject any Transferred Subsidiary or an ERISA Affiliate to a civil penalty assessed pursuant to §502(i) of ERISA or a Tax imposed pursuant to Tax Code §4975 or 4980B.

(l) No severance agreement or arrangement currently in effect between any Transferred Subsidiary and any current or former employee or director (including the severance amounts payable thereunder) has been amended since the date of its execution by such Transferred Subsidiary and the applicable employee or director.

3.22 Tax Matters.

(a) Each Transferred Subsidiary has timely filed all Income Tax Returns and all other material Tax Returns that it was required to file. All such Tax Returns are true, correct and complete in all material respects, were prepared in substantial compliance with all applicable Laws and, as so filed, disclose all Taxes required to be paid for the periods covered thereby. All Taxes due and owing by any Transferred Subsidiary (whether or not shown on any Tax Return) have been paid when due, other than Taxes being contested in good faith and for which adequate reserves have been established in the Most Recent Financial Statements, and if not yet due, have been properly accrued or otherwise adequately reserved in such Transferred Subsidiary's financial records (all of which have been made available to Purchaser) and shall be accrued on the books and records of such Transferred Subsidiary in accordance with past custom and practice through the Closing Date. Each Transferred Subsidiary has disclosed on each Tax Return filed by it all positions taken thereon that could give rise to a substantial understatement penalty of federal Income Taxes within the meaning of Tax Code §6662 or §6662A or any similar provision of any other Tax Law. No Transferred Subsidiary is currently the beneficiary

of any extension of time within which to file any Tax Return. There are no Encumbrances for Taxes (other than Permitted Encumbrances) upon any of the assets of any Transferred Subsidiary. Each Transferred Subsidiary has complied in all material respects with all Laws relating to the payment and withholding of Taxes (including Taxes required to be withheld, collected, deposited and paid in connection with amounts paid or owing to any employee, independent contractor, creditor, shareholder, member, partner or other third party), and all Forms W-2, 941 and 1099 and any other applicable forms required with respect thereto have been properly completed and timely filed.

(b) There is no pending or threatened material dispute or claim concerning any Tax Liability of any Transferred Subsidiary either (i) claimed or raised by any Governmental Body in writing or (ii) as to which Sellers have Knowledge; and no adjustment relating to any Tax Return of any Transferred Subsidiary or of any Seller with respect to matters pertaining to any Transferred Subsidiary has been proposed in writing which has not been paid, settled or otherwise resolved to the satisfaction of the applicable Governmental Body. No Transferred Subsidiary, and no Seller with respect to any Transferred Subsidiary, has received from any Governmental Body, informally or in writing, any (x) notice indicating an intent to open an audit or other review with respect to any Transferred Subsidiary, (y) request for information relating to Taxes of any Transferred Subsidiary, or (z) notice of deficiency or proposed adjustment for any amount of Tax proposed, asserted, or assessed against any Transferred Subsidiary which in any such case is still outstanding or otherwise unresolved.

(c) Sellers have made available to Purchaser all federal, state, local, and foreign Tax Returns filed with respect to each Transferred Subsidiary for taxable periods ended on or after December 31 2005, indicates those Tax Returns that have been audited or otherwise subject to an action or proceeding, and indicates those Tax Returns that currently are the subject of audit, action or proceeding. No Seller or Transferred Subsidiary has waived any statute of limitations in respect of Taxes of any Transferred Subsidiary or agreed to any extension of time with respect to a Tax assessment or deficiency that remains outstanding.

(d) No Transferred Subsidiary is a party to any Contract, arrangement or plan that has resulted or would result, separately or in the aggregate, in the actual or deemed payment by such Transferred Subsidiary or Purchaser of any "excess parachute payment" within the meaning of Tax Code §280G (or any corresponding provision of state, local, or foreign Tax Law) or of any other payment that shall not be deductible under Tax Code §162(a), §162(m) or §404, or that could give rise to any amounts subject to excise Tax under Tax Code §4999, as those provisions are currently written. No Transferred Subsidiary has any obligation to pay compensation subject to Tax Code § 409A pursuant to a deferred compensation plan that does not comply with the requirements of Tax Code §409A. No Transferred Subsidiary has been a United States real property holding corporation within the meaning of Tax Code §897(c)(2) during the applicable period specified in Tax Code §897(c)(1)(A)(ii). No Transferred Subsidiary is a party to or bound by any Tax allocation or Tax sharing agreement that will remain in effect with respect to such Transferred Subsidiary after the Closing Date. No Transferred Subsidiary (i) has been a member of an affiliated group filing a consolidated federal Income Tax Return, other than the consolidated group the common parent of which was ParentCo, nor (ii) has any Liability for the Taxes of any Person (other than such Transferred Subsidiary) under Treasury Regulations §1.1502-6 (or any similar provision of state, local, or non-U.S. Law), as a transferee

or successor, by contract, or otherwise, except with respect to the consolidated group the common parent of which is ParentCo.

(e) No Transferred Subsidiary shall be required to include any item of income in, or exclude any item of deduction from, taxable income for any taxable period (or portion thereof) ending after the Closing Date as a result of any (i) change in method of accounting for a taxable period ending on or prior to the Closing Date, (ii) "closing agreement" as described in Tax Code §7121 (or any corresponding or similar provision or agreement of state, local, or foreign income Tax Law or with any Governmental Body) executed on or prior to the Closing Date, (iii) intercompany transactions or any excess loss account described in the Treasury Regulations under Tax Code §1502 (or any corresponding or similar provision of state, local, or foreign income Tax Law), (iv) installment sale or open transaction disposition made on or prior to the Closing Date, (v) prepaid amount received on or prior to the Closing Date, or (vi) deferral of income pursuant to Tax Code §108(i).

(f) No income under any arrangement or understanding to which any Transferred Subsidiary is a party or by which it is bound shall be attributed to such Transferred Subsidiary which is not represented by income to which such Transferred Subsidiary is legally entitled.

(g) No Transferred Subsidiary has distributed stock or other equity ownership interests of another Person, or had its stock or other equity ownership interests distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Tax Code §355 or Tax Code §361.

(h) No Transferred Subsidiary is, nor has it been, a party to any "listed transaction", as defined in Tax Code §6707A(c)(2) and Treasury Regulations §1.6011-4(b)(2), and no Transferred Subsidiary is, nor has it been, a party to any "reportable transaction" as defined in Tax Code §6707A(c)(1) and Treasury Regulations §1.6011-4(b).

(i) No Transferred Subsidiary has any election in effect under Tax Code §§ 108, 441, 472, 1017, 1033 or 4797 (or any similar provision of state, local or foreign Tax Law).

(j) Schedule 3.22(j) lists each jurisdiction in which any Transferred Subsidiary files any Tax Returns (with each such jurisdiction identified by the applicable Transferred Subsidiary). No written notice or inquiry has been received by any Transferred Subsidiary from any jurisdiction in which Tax Returns have not been filed by any Transferred Subsidiary to the effect that the filing of Tax Returns may be required. The Transferred Subsidiaries have no operations or permanent establishments outside the United States.

3.23 Affiliated Transactions. To the Knowledge of Sellers, except as set forth on Schedule 3.23, no Insider has any interest in the Transferred Assets or any of the assets or properties of any of the Transferred Subsidiaries or is a party to any Contract used in or related to the Business, or any part thereof. To the Knowledge of Sellers, no Insider has (i) any economic interest in any Person which engages in competition with any Seller or Transferred Subsidiary,

or (ii) any economic interest in any Person that purchases from or sells or furnishes to any Seller or Transferred Subsidiary any services or products.

3.24 Product Liability; Product Warranties. Except as set forth on Schedule 3.24, to the Knowledge of Sellers, the products sold or manufactured by Sellers and the services provided by Sellers have complied with and are in compliance with, in all material respects, all applicable (i) Laws, (ii) industry and self-regulatory organization standards, (iii) contractual commitments, and (iv) express or implied warranties. Except as set forth on Schedule 3.24, Since January 1, 2005, no Seller has initiated or otherwise participated in any product recall or withdrawal with respect to any product produced, manufactured, marketed, distributed or sold in connection with the Business, whether voluntary or required by Law. To the Knowledge of Sellers, there are not, and there have not been, any defects or deficiencies in any of their products or services (including in the Inventory) that could reasonably be expected to give rise to or serve as a basis for any product recall or withdrawal by any Seller.

3.25 Insurance. Schedule 3.25 lists all insurance policies (including policies providing property, casualty, general liability, products liability, errors and omissions, workers' compensation, key man or other life insurance, bond and surety arrangements and directors and officers' liability) with respect to which any Seller or Transferred Subsidiary is covered as a named or additional insured, or for which it is responsible for paying all or any portion of the premiums thereof. With respect to each such insurance policy: (i) the policy is valid, enforceable, and in full force and effect in all material respects, and (ii) no Seller or Transferred Subsidiary is in material breach or default thereof (including with respect to the payment of premiums or the giving of notices). Schedule 3.25 describes any material self-insurance arrangements affecting Seller or any Transferred Subsidiary. Since January 1, 2005, no Seller or Transferred Subsidiary has received (i) any notice of refusal of insurance coverage that was applied for by or on behalf of any Transferred Subsidiary relating (in whole or in part) to any Transferred Subsidiary, its business or assets, (ii) any notice of rejection of a claim submitted by or on behalf of any Seller or Transferred Subsidiary to any of its insurers, or (iii) any notice of cancellation of any policy of insurance previously issued to or for the benefit of any Seller or Transferred Subsidiary. Schedule 3.25 also sets forth a complete summary description for all applicable periods dating back to January 1, 2005 of (a) the loss experience with respect to any Seller or Transferred Subsidiary under each such policy of insurance or any prior existing policy of insurance, including a statement describing each claim having a value in excess of $50,000, and (b) the loss experience with respect to any Seller or Transferred Subsidiary for all claims during such period that were self-insured by any Seller or Transferred Subsidiary, including the number and aggregate cost of such claims.

3.26 Absence of Certain Developments. Except as set forth on Schedule 3.26 and except as expressly contemplated by this Agreement, since March 31, 2010:

(a) no Seller or Transferred Subsidiary has suffered any theft, damage, destruction or casualty loss in excess of $100,000 to any property or asset, whether or not covered by insurance, or suffered any material damage to or destruction of its Books and Records;

(b) no Seller or Transferred Subsidiary has sold, leased, licensed, assigned or transferred to any Person any property or asset, except for sales of Inventory in the Ordinary Course of Business, or canceled without fair consideration any material debts or claims owing to or held by it, and no Seller or Transferred Subsidiary has committed to do any of the foregoing;

(c) there has been no change in reserve, underwriting or claims handling policies or procedures with respect to any of the Insurance Subsidiaries;

(d) no Insurance Subsidiary has effected or consented to a recapture under any Reinsurance Contract;

(e) no Transferred Subsidiary has implemented any employee layoff requiring notice under the Worker Adjustment and Retraining Notification Act of 1988, as amended (the "WARN Act"), or any similar state or local Law;

(f) no Seller or Transferred Subsidiary has declared, set aside or paid any dividend or other distribution of cash or other assets;

(g) no Seller or Transferred Subsidiary has repurchased, redeemed or otherwise acquired any of its outstanding stock or other equity interests;

(h) except to the extent necessary to comply with GAAP, no Seller or Transferred Subsidiary has made any material change in (i) any method of accounting or any of its accounting policies or practices, or (ii) any Tax reporting policies, principles, methods or periods;

(i) no Seller or Transferred Subsidiary has waived, compromised or cancelled any account, debt, right or claim having a value to any Seller or Transferred Subsidiary of more than $50,000, other than in the Ordinary Course of Business consistent with past practice;

(j) no Seller or Transferred Subsidiary has instituted, been named as a defendant in, or settled any material litigation;

(k) no Seller or Transferred Subsidiary has issued, created, incurred, assumed or guaranteed any Indebtedness, other than (i) the Virgo Indebtedness, (ii) Indebtedness arising under the Textron Facility, (iii) construction lending facilities entered into in the Ordinary Course of Business by CountryPlace Mortgage, Ltd. with third party lenders, and (iv) Indebtedness arising under the DIP Facility;

(l) the Transferred Subsidiaries have not made or undertaken any capital expenditure in excess of $100,000 individually or $300,000 in the aggregate; and

(m) no Seller or Transferred Subsidiary has entered into any Contract or made any binding commitment for any of the above-noted events to occur after the date of this Agreement.

3.27 Prohibited Payments. To the Knowledge of Sellers, no Transferred Subsidiary nor any of its directors, employees or agents, in each case, acting on behalf, for or associated

with such Transferred Subsidiary, has directly or indirectly (i) made any contribution gift, bribe, rebate, payoff, influence payment, kickback or other payment to any Person, private or public, regardless of form, whether in money, property, or services (A) to obtain favorable treatment in securing business, (B) to pay for favorable treatment for business secured, (C) to obtain special concessions or for special concessions already obtained, for or in respect of such Transferred Subsidiary, or (D) in violation of any Law, or (ii) established or maintained any fund or asset that has not been recorded in the books and records of such Transferred Subsidiary.

3.28 Bank Accounts; Lock Boxes; Powers of Attorney. Sellers have delivered to Purchaser a complete and accurate list of all bank and other financial institution accounts and lock boxes maintained by any Transferred Subsidiary, each identified by name and address of the applicable bank or financial institution and account number, a list of Persons authorized to sign or transact business on behalf of each Transferred Subsidiary with respect to each such account or lock box and a list of Persons with authorized access to each such lock box. Schedule 3.28 sets forth a complete and accurate list of each Person who is currently the holder of a power of attorney given by any Transferred Subsidiary.

3.29 Brokers. Except for the fees payable by Sellers to Raymond James & Associates, Inc. (whose fees shall be payable solely by Sellers), Sellers have not paid or agreed to pay, or received any Claim with respect to, any brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated hereby.

3.30 Disclaimer. THE REPRESENTATIONS AND WARRANTIES MADE BY SELLERS IN THIS AGREEMENT (INCLUDING THE DISCLOSURE SCHEDULES) AND IN ANY AGREEMENT, DOCUMENT OR INSTRUMENT TO BE EXECUTED AND DELIVERED BY SELLERS (OR ANY OF THEM) AT THE CLOSING ARE THE EXCLUSIVE REPRESENTATIONS AND WARRANTIES MADE BY SELLERS. SELLERS HEREBY DISCLAIM ANY OTHER EXPRESS OR IMPLIED REPRESENTATIONS AND WARRANTIES. SELLERS DO NOT MAKE, AND HEREBY DISCLAIM, ANY REPRESENTATIONS OR WARRANTIES REGARDING PRO-FORMA FINANCIAL INFORMATION, FINANCIAL PROJECTIONS OR OTHER FORWARD-LOOKING STATEMENTS OF THE BUSINESS, EXCEPT FOR ANY PRO-FORMA FINANCIAL STATEMENTS FILED WITH INSURANCE-RELATED GOVERNMENTAL BODIES OR FINANCE-RELATED GOVERNMENTAL BODIES. EXCEPT AS EXPRESSLY SET FORTH IN THIS AGREEMENT (INCLUDING THE DISCLOSURE SCHEDULES) OR IN ANY AGREEMENT, DOCUMENT OR INSTRUMENT TO BE EXECUTED AND DELIVERED BY THE SELLERS (OR ANY OF THEM) AT THE CLOSING, (A) SELLERS ARE SELLING THE TRANSFERRED ASSETS HEREUNDER ON AN "AS IS, WHERE IS, WITH ALL FAULTS" BASIS, AND (B) THE SELLERS MAKE NO REPRESENTATIONS OR EXPRESS OR IMPLIED WARRANTIES AS TO THE BUSINESS, THE TRANSFERRED ASSETS OR THE ASSUMED LIABILITIES, INCLUDING AS TO THEIR PHYSICAL CONDITION, USABILITY, MERCHANTABILITY, PROFITABILITY OR FITNESS FOR ANY PURPOSE.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES OF PURCHASER

In order to induce Sellers to enter into this Agreement and consummate the transactions contemplated hereby, Purchaser hereby represents and warrants to Sellers as follows:

4.1 Due Incorporation and Authority. Purchaser is a corporation duly organized, validly existing and in good standing under the laws of the State of Delaware and has all necessary corporate power and authority to own, lease and operate its properties and to carry on its business as now being conducted. Purchaser has all requisite corporate power and authority to enter into this Agreement, carry out its obligations hereunder and consummate the transactions contemplated hereby. The execution and delivery by Purchaser of this Agreement, the performance by Purchaser of its obligations hereunder and the consummation by Purchaser of the transactions contemplated hereby have been duly authorized by all requisite corporate action on the part of Purchaser. This Agreement has been duly executed and delivered by Purchaser, and, assuming the due authorization, execution and delivery hereof by Sellers, this Agreement constitutes the legal, valid and binding obligation of Purchaser, enforceable against Purchaser in accordance with its terms, except to the extent enforceability may be limited by bankruptcy, insolvency, moratorium or other similar laws affecting creditors rights generally or by general principles of equity (regardless of whether enforcement is considered in a proceeding in equity or at law).

4.2 No Conflicts. The execution and delivery by Purchaser of this Agreement, the consummation of the transactions contemplated hereby, and the performance by Purchaser of this Agreement in accordance with its terms shall not:

(a) violate the certificate of incorporation or by-laws of Purchaser or contravene any resolution adopted by the directors or shareholders of Purchaser;

(b) violate any Law to which Purchaser or its assets are bound or subject; or

(c) violate, result in any breach of, constitute a default under, or require any consent of any Person (including any Governmental Body) pursuant to any contract.

4.3 Litigation. There are no Claims pending or, to the knowledge of Purchaser, threatened by or against Purchaser before any Governmental Body that, either individually or in the aggregate, would reasonably be expected to prevent or delay the consummation by Purchaser of the transactions contemplated by this Agreement.

4.4 Purchaser's Financial Capability. Purchaser has, or as of the Closing Date shall have, available funds necessary to consummate the transactions contemplated by this Agreement, including payment of the Purchase Price and assumption of the Assumed Liabilities. Without limiting the foregoing, Purchaser is (or, upon the Closing, shall be) capable of satisfying the conditions contained in sections 365(b)(1)(C) and 365(f)(2)(B) of the Bankruptcy Code with respect to each of the Assumed Contracts.

4.5 Brokers. Purchaser has not paid or agreed to pay, or received any Claim with respect to, any brokerage commissions, finders' fees or similar compensation in connection with the transactions contemplated hereby.

4.6 Acknowledgement of Sellers' Disclaimer. PURCHASER REPRESENTS, WARRANTS AND ACKNOWLEDGES THAT, EXCEPT AS SET FORTH IN THIS AGREEMENT (INCLUDING THE DISCLOSURE SCHEDULES) AND IN ANY AGREEMENT, DOCUMENT OR INSTRUMENT TO BE EXECUTED AND DELIVERED BY SELLERS (OR ANY OF THEM) AT THE CLOSING: (A) PURCHASER IS PURCHASING THE TRANSFERRED ASSETS ON AN "AS IS, WHERE IS, WITH ALL FAULTS" BASIS BASED SOLELY ON PURCHASER'S OWN INVESTIGATION OF THE TRANSFERRED ASSETS AND (B) NEITHER SELLERS NOR ANY OF THEIR REPRESENTATIVES HAVE MADE ANY REPRESENTATIONS, WARRANTIES OR GUARANTEES, EXPRESS, IMPLIED OR STATUTORY, WRITTEN OR ORAL, WITH RESPECT TO THE TRANSFERRED ASSETS (OR ANY PART THEREOF), THE FINANCIAL PERFORMANCE OF THE BUSINESS OR THE TRANSFERRED ASSETS, OR THE PHYSICAL CONDITION OF THE TRANSFERRED ASSETS.

4.7 Purchaser Disclaimer. THE REPRESENTATIONS AND WARRANTIES MADE BY PURCHASER IN THIS AGREEMENT AND IN ANY AGREEMENT, DOCUMENT OR INSTRUMENT TO BE EXECUTED AND DELIVERED BY PURCHASER AT THE CLOSING ARE THE EXCLUSIVE REPRESENTATIONS AND WARRANTIES MADE BY PURCHASER. PURCHASER HEREBY DISCLAIMS ANY OTHER EXPRESS OR IMPLIED REPRESENTATIONS AND WARRANTIES.

ARTICLE V

COVENANTS AND AGREEMENTS

5.1 Operation of the Business. Subject to any restrictions and obligations imposed by the Bankruptcy Court, Sellers shall not, nor shall they cause or permit any Transferred Subsidiary to, engage in any practice, take any action or enter into any transaction outside the Ordinary Course of Business between the date hereof and the Closing Date. In particular (but without limitation), between the date hereof and the earlier of the Closing Date or the date of termination of this Agreement pursuant to Section 8.1, without the prior written consent of Purchaser:

(a) Sellers shall not, nor shall they cause or permit any Transferred Subsidiary to, (i) sell, transfer, lease (as lessor), sublease (as sublessor), license (as licensor), encumber or otherwise dispose of any property or asset or any interest therein, other than Inventory sold or disposed of in the Ordinary Course of Business in the Home Business, insurance products sold in the Ordinary Course of Business in the Insurance Business and mortgage finance products sold in the Ordinary Course of Business in the Finance Business, and other than dispositions of Excluded Assets, (ii) terminate or modify any Assumed Contract or any Contract to which any Transferred Subsidiary is a party or by which it is bound, (iii) enter into any Contract that would cause the representation and warranty contained in Section 3.10(a) or 3.10(b) to be untrue had such Contract been entered into prior to the date hereof, other than any such Contract entered

into in the Ordinary Course of Business having a value or cost to any Seller or Transferred Subsidiary of less than $50,000, (iv) except as approved by the Bankruptcy Court as part of a key employee retention plan, make any change in the compensation payable or to become payable to any director or employee of any Seller or Transferred Subsidiary, (v) make, declare or agree to any dividend, distribution, loan or other disposition of cash or any other asset from any Transferred Subsidiary to any Seller, or (vi) issue, sell, assign, transfer or grant any equity interest in any Transferred Subsidiary or any option, warrant, right or other instrument providing for the right, directly or indirectly, to purchase or otherwise acquire any equity interest in any Transferred Subsidiary; and

(b) Sellers shall and, as applicable, shall cause the Transferred Subsidiaries to, (i) use commercially reasonable efforts to preserve intact the goodwill of the Business and the relationships of Sellers and the Transferred Subsidiaries with their customers, vendors, suppliers, creditors, agents, equipment lessors, service providers, employees and others having business relations with Sellers, the Transferred Subsidiaries and the Business, (ii) continue to maintain, service and protect the Transferred Assets and the assets of the Transferred Subsidiaries in the same manner as maintained, serviced and protected on the date hereof, and in any event in a commercially reasonable and prudent manner, (iii) continue to maintain the books and records related to the Business, the Transferred Assets, the Assumed Liabilities and the assets and Liabilities of the Transferred Subsidiaries on a basis consistent with Sellers' and the Transferred Subsidiaries' past practice, and in any event in a commercially reasonable and prudent manner; (iv) report periodically to Purchaser, as Purchaser may reasonably request, concerning the status of the Business, the Transferred Assets, the Assumed Liabilities and the assets and Liabilities of the Transferred Subsidiaries, (v) maintain compliance, in all material respects, with all Laws that relate to the Business, the Transferred Assets, the Assumed Liabilities and the assets and Liabilities of the Transferred Subsidiaries (other than the reporting requirements of the Securities and Exchange Commission), and (vi) pay all debts and obligations (including all trade payables) incurred by it in the Ordinary Course of the Business.

5.2 Confidentiality.

(a) Until the Closing Date, each party hereto shall hold in confidence, and shall cause its respective Affiliates and Representatives to hold in confidence, all Confidential Information obtained by any of them from any other party or its Affiliates or Representatives relating to such other party or the transactions contemplated hereby. Notwithstanding the foregoing, the party receiving Confidential Information from the party disclosing such Confidential Information may disclose such Confidential Information: (i) to the extent that such disclosure was previously authorized in writing by the disclosing party; (ii) to any Governmental Body, with valid and competent jurisdiction thereof, if the receiving party is directed to disclose such Confidential Information to and by such Governmental Body, provided that the receiving party shall provide written notice of such disclosure to the disclosing party; (iii) to the receiving party's Affiliates and Representatives who have a need to know such information solely for purposes of assisting in regard to this Agreement and the transactions contemplated hereby, and who are subject to confidentiality obligations to the receiving party; (iv) to the extent that disclosure is required under any applicable Law; or (v) to the Bankruptcy Court or to any Person in connection with the Bankruptcy Case (such instances described in clauses (i)-(iv) above being referred to herein as "Permitted Disclosures"). Except as otherwise set forth herein, no party

shall disclose or make use of, and each party shall cause its respective Affiliates and Representatives not to disclose or make use of, the other party's Confidential Information without the prior written consent of such other party. In the event that this Agreement is terminated, each party shall, and shall cause its respective Affiliates and Representatives to, promptly return to the other party or destroy all documents (including all copies thereof) containing Confidential Information obtained from such other party or its Affiliates or Representatives.

(b) After the Closing, each Seller shall maintain as confidential and shall not use or disclose (except as required by Law or as authorized in writing by Purchaser in its sole discretion) any Confidential Information of Purchaser or any Confidential Information in any way related to the Business, the Transferred Assets, the Assumed Liabilities or the assets and Liabilities of the Transferred Subsidiaries, except for Permitted Disclosures.

(c) Each party hereto further agrees to take all appropriate steps (and to cause each of its Affiliates to take all appropriate steps) to safeguard the Confidential Information of each other party and to protect it against disclosure, misuse, espionage, loss and theft. Each party agrees to be responsible for enforcing the terms of this Section 5.2 as to its Representatives and to take such action, legal or otherwise, to the extent necessary to cause them to comply with the terms and conditions of this Section 5.2 and thereby prevent any disclosure of the Confidential Information by any of its Representatives (including all actions that such party would take to protect its own trade secrets and confidential information); provided, however, that the actual expenses of such action, legal or otherwise, shall be paid by the party whose Confidential Information is being safeguarded in such action, unless such action is precipitated by the failure of the party undertaking to protect such Confidential Information to comply with its obligations under this Section 5.2(c). In the event any party is required by Law to disclose any Confidential Information, such party shall promptly notify the other party in writing, which notification shall include the nature of the legal requirement and the extent of the required disclosure, and shall cooperate reasonably with such party to preserve the confidentiality of such information consistent with applicable Law.

5.3 Expenses. Except as otherwise specifically provided herein (including the Exhibits hereto), Purchaser and Sellers shall bear their respective expenses incurred in connection with the preparation, execution and performance of this Agreement and the transactions contemplated hereby, including all fees and expenses of their Representatives.

5.4 Access to Information; Preservation of Records; Litigation Support.

(a) From the date hereof until the earlier of the Closing or the termination of this Agreement pursuant to Section 8.1, upon reasonable notice, Sellers shall, subject to ParentCo approval, not to be unreasonably withheld, (i) afford the Representatives of Purchaser reasonable access, during normal business hours, to the offices, plants, warehouses, properties, books and records and employees of Sellers and the Transferred Subsidiaries, subject to applicable Law and arrangements being made by and through one or more executive officers of ParentCo, and (ii) furnish to the Representatives of Purchaser such additional financial and operating data and other information regarding the operations of the Business as Purchaser may from time to time reasonably request.

(b) Following the Closing, Purchaser shall, and shall cause its Affiliates to, preserve and keep the records (including the Books and Records) held by them relating to the Business prior to the Closing for a period of four (4) years from the Closing Date (or longer if required by applicable Law) and shall make such records and personnel available to Sellers as may be reasonably requested by any Seller in connection with, among other things, the preparation of any Tax Returns, the Bankruptcy Case, any insurance claims by, Claims or Tax audits against or governmental investigations of, any Seller or any of their Affiliates.

(c) After the Closing, Purchaser shall have the right (but not the obligation) to have any Claim made by or against or otherwise involving Purchaser related to any Warranty Liability purported assumed by Purchaser pursuant to Section 1.3(b) to be adjudicated before the Bankruptcy Court, notwithstanding any venue or other dispute resolution provision to the contrary in the applicable warranty documents.

5.5 Regulatory and Other Authorizations; Consents.

(a) Each of the parties hereto shall use its commercially reasonable efforts to (i) take, or cause to be taken, all appropriate action, and do, or cause to be done, all things necessary, proper or advisable under any Law or otherwise to consummate and make effective the transactions contemplated by this Agreement, (ii) obtain any consents, approvals or orders required to be obtained or made in connection with the authorization, execution and delivery of this Agreement and the consummation of the transactions contemplated hereby, and (iii) make all filings and give any notice, and thereafter make any other submissions either required or reasonably deemed appropriate by each of the parties, with respect to this Agreement and the transactions contemplated hereby required under any applicable Law.

(b) The parties hereto shall work closely and cooperatively and consult with each other in connection with the making of all such filings and notices, including by providing copies of all such documents to the non-filing party and its advisors a reasonable period of time prior to filing or the giving of notice. Each party hereto shall pay for its own filing fees and other charges arising out of the actions taken under this Section 5.5.

5.6 Further Actions. Each of the parties hereto shall execute such documents and take such further actions as may be reasonably required or desirable to carry out the provisions hereof and give effect to the transactions contemplated hereby.

5.7 Bankruptcy Court Approval.

(a) Within five (5) days following the parties' execution and delivery of this Agreement, Sellers shall:

(i) make all applicable filings with the Bankruptcy Court and take all other applicable actions to commence the Bankruptcy Case in the Bankruptcy Court;

(ii) file with the Bankruptcy Court a motion (in form and substance reasonably satisfactory to Purchaser) seeking entry of an order of the Bankruptcy Court for interim approval of the DIP Facility (the "Interim DIP Facility Order") and a motion (in form

and substance reasonably satisfactory to Purchaser) seeking entry of an order of the Bankruptcy Court for final approval of the DIP Facility;

(iii) file with the Bankruptcy Court a motion or motions (in form and substance reasonably satisfactory to Purchaser) (the "Bidding Procedures Motion") seeking entry of an order of the Bankruptcy Court (the "Bidding Procedures Order") approving, among other things, (A) Purchaser as the stalking horse bidder for the Transferred Assets, (B) notice and service requirements to creditors and parties in interest with respect to the transactions contemplated hereby, (C) the Break-Up Fee and the Expense Reimbursement (and deeming the Break-Up Fee an administrative priority expense entitled to first priority under sections 503(b) and 507(a)(1) of the Bankruptcy Code and which shall be a super-priority first priority Lien on the Transferred Assets pursuant to section 364 of the Bankruptcy Code), and (D) the bidding procedures related to the sale of the Transferred Assets pursuant to this Agreement (the "Bidding Procedures"), including the ability of Purchaser, to the extent of its interest as assignee of Fleetwood under the DIP Facility, to credit bid all outstanding amounts owing by Sellers under the DIP Facility, which Bidding Procedures Order shall be substantially in the form of Exhibit C hereto (with such changes thereto as Sellers and Purchaser may mutually approve, which approval shall not be unreasonably withheld, conditioned or delayed); and

(iv) file with the Bankruptcy Court a motion or motions (in form and substance reasonably satisfactory to Purchaser) seeking entry of an order of the Bankruptcy Court approving the sale of the Transferred Assets pursuant to this Agreement (the "Sale Approval Order"), which Sale Approval Order shall be substantially in the form of Exhibit D hereto (with such changes thereto as Sellers and Purchaser may mutually approve, which approval shall not be unreasonably withheld, conditioned or delayed).

(b) Sellers shall promptly take such actions as are reasonably requested by Purchaser, including assisting with the filing of affidavits or other documents or information with the Bankruptcy Court for purposes, among others, of (i) demonstrating that Purchaser is a "good faith" purchaser under section 363(m) of the Bankruptcy Code, and (ii) establishing adequate assurance of future performance within the meaning of section 365 of the Bankruptcy Code.

(c) Sellers shall cooperate with Purchaser and its representatives in connection with the Sale Approval Order, the Bidding Procedures Order and the Bankruptcy Case proceedings in connection therewith, which cooperation shall include consulting with Purchaser at its reasonable request concerning the status of such proceedings and providing Purchaser with copies of requested pleadings, notices, proposed orders and other documents relating to such proceedings as soon as reasonably practicable prior to any submission thereof to the Bankruptcy Court.

(d) Sellers shall not submit any plan to the Bankruptcy Court for confirmation that shall conflict with, supersede, abrogate, nullify or restrict the terms of this Agreement, or in any way prevent or interfere with the consummation or performance of the transactions contemplated by this Agreement, including any transaction contemplated by or approved pursuant to the Sale Approval Order or the Bidding Procedures Order.

5.8 Books and Records. If, in order to properly prepare documents required to be filed with Governmental Bodies or its financial statements, it is necessary that any party hereto or any successors thereto be furnished with additional information relating to the Business, the Transferred Assets, the Assumed Liabilities or any of the assets or Liabilities of any Transferred Subsidiary, and such information is in the possession of any other party hereto or any successor thereto or any of their respective Affiliates, such party agrees to use commercially reasonable efforts to furnish or cause to be furnished such information to such other party, at the reasonable cost and expense of the party being furnished such information.

5.9 Tax Matters.

(a) Filing of Tax Returns; Payment of Taxes.

(i) The parties acknowledge and agree that the taxable year for all Transferred Subsidiaries shall end on the Closing Date, and Sellers and Purchaser shall take all applicable actions and make all applicable filings to reflect such taxable year end. Following the Closing Date (to the extent not filed as of the Closing Date), ParentCo shall timely prepare or cause to be prepared all Tax Returns that are required to be filed with respect to the Transferred Subsidiaries for all taxable periods ending on the Closing Date. All such Tax Returns shall be prepared on a basis consistent with past practice, procedures and accounting methods, expect to the extent otherwise required by Law and except for the aforementioned taxable year end being the Closing Date. At least fifteen (15) Business Days prior to filing any such Tax Return, ParentCo shall provide Purchaser with a copy of such Tax Return (or applicable portion thereof) for Purchaser's review and comment. ParentCo shall cooperate reasonably with Purchaser to incorporate any change to any such Tax Return (or applicable portion thereof) that Purchaser proposes in writing to ParentCo at least five (5) Business Days before the filing date for such Tax Return and that is intended to correct or more accurately reflect the Tax position or Liabilities of the Transferred Subsidiary with respect to which such Tax Return applies. All Taxes payable by or with respect to any Transferred Subsidiary for any taxable period ending on or before the Closing Date shall be payable by Sellers. Sellers shall be entitled to all Tax refunds with respect to Taxes paid by any Transferred Subsidiary (or by any Seller on behalf of or with respect to any Transferred Subsidiary) with respect to any taxable period ending on or before the Closing Date.

(ii) Following the Closing Date, Purchaser shall timely prepare or cause to be prepared all Tax Returns that are required to be filed with respect to the Transferred Subsidiaries for all taxable periods (A) that begin on or before the Closing Date and end after the Closing Date, or (B) that begin after the Closing Date. Subject to the provisions of Section 5.9(a)(i), all Taxes payable by or with respect to any Transferred Subsidiary for any taxable period beginning on or before the Closing Date and ending after the Closing Date shall be payable by Purchaser or the applicable Transferred Subsidiary (it being understood and agreed by the parties hereto that, based on the agreed upon Closing Date taxable year end referred to in Section 5.9(a)(i), such Taxes shall not include any income Tax applicable to any Transferred Subsidiary for any period of time up to and including the Closing Date). Purchaser shall be entitled to all Tax refunds with respect to Taxes paid by Purchaser or any Transferred Subsidiary with respect to any taxable period beginning on or before the Closing Date and ending after the Closing Date or with respect to any taxable period that begins after the Closing Date.

(b) Sales, Use and Other Transfer Taxes. Any sales, use, purchase, transfer, deed, stamp, documentary stamp, use or other similar Taxes and recording charges due and which may be payable by reason of the sale of the Transferred Assets or the assumption of the Assumed Liabilities under this Agreement or the transactions contemplated herein shall be borne and timely paid by Sellers. Sellers shall be responsible for all income, profit and similar Taxes incurred or imposed with respect to the sale of the Transferred Assets by Sellers. Purchaser shall provide Sellers with resale exemption certificates as are appropriate and available to Purchaser under applicable Law. The parties hereto agree to cooperate in the filing of all necessary documentation and all Tax Returns with respect to all such Taxes, including any available pre-sale filing procedure.

(c) Cooperation. The parties hereto shall cooperate reasonably with each other and with each other's respective Representatives, including accounting firms and legal counsel, in connection with the preparation or audit of any Tax Return(s) and any Tax claim or litigation in respect of the Transferred Assets, the Assumed Liabilities or any of the assets or Liabilities of any Transferred Subsidiary that include whole or partial taxable periods, activities, operations or events on or prior to the Closing Date, which cooperation shall include making available employees, if any, for the purpose of providing testimony and advice, or original documents, or either of them; provided, however, that such cooperation shall be conditioned on the party requesting such cooperation either directly paying or reimbursing the cooperating party or its Affiliate for (i) reasonable compensation costs of employees who provide such cooperation, (ii) travel costs of such employees incurred in connection with providing such cooperation, (iii) reasonable costs of document retrieval, review and/or delivery incurred in providing such cooperation, and (iv) any other reasonable costs incurred in providing such cooperation.

5.10 Notification of Certain Matters. Until the earlier of the Closing or the termination of this Agreement pursuant to Section 8.1, each party hereto shall promptly notify the other party in writing of any fact, change, condition, circumstance or occurrence or nonoccurrence of any event of which it is aware that shall or is reasonably likely to result in any of the conditions set forth in Article VI or Article VII becoming incapable of being satisfied. In furtherance of the foregoing, ParentCo (on behalf of Sellers) shall give prompt notice to Purchaser of (i) the occurrence or nonoccurrence of any event that would cause either (A) any representation or warranty of Sellers contained in this Agreement to be untrue or inaccurate in any material respect at any time after the date hereof, or (B) directly or indirectly, any Material Adverse Effect, (ii) any material failure of Sellers to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by them hereunder, or (iii) the termination of employment of any senior manager or the termination of employment or furlough of any material number of employees of any Seller or Transferred Subsidiary. Notwithstanding the foregoing, the delivery of any notice pursuant to this Section 5.10 shall not (x) be deemed to amend or supplement any Schedule to this Agreement, (y) be deemed to cure any breach of any representation, warranty covenant or agreement or to satisfy any condition, or (z) limit or otherwise affect the remedies available hereunder to the party receiving such notice.

5.11 Knowledge of Breach. If prior to the Closing Purchaser shall have reason to believe that any breach of a representation or warranty of Sellers has occurred (other than through notice from ParentCo), Purchaser shall promptly so notify ParentCo, in reasonable

detail. Nothing in this Agreement, including this Section 5.11, shall imply that Sellers are making any representation or warranty as of any date other than the date of this Agreement and the Closing Date.

5.12 Employment Arrangements.

(a) Future Employment. On the Closing Date, Purchaser may offer employment to those of Sellers' current employees as Purchaser shall determine in its sole discretion. All such offers of employment shall be subject to such compensation and other terms of employment as Purchaser shall determine in its sole discretion. Each such Seller employee who accepts Purchaser's offer of employment and is hired by Purchaser is referred to herein as a "Transferred Seller Employee". On the Closing Date, the applicable Sellers shall terminate the employment of each Transferred Seller Employee and Purchaser shall commence its employment of such Transferred Seller Employee. If Purchaser does not wish to offer employment to any employee of a Seller or if Purchaser offers such employment but any employee of a Seller refuses to be employed by Purchaser, the applicable Seller may elect to retain or terminate such employee, but such Seller shall be solely liable for all costs of any retention or termination of such employee's employment.

(b) No Right to Employment. Notwithstanding Section 5.12(a), nothing herein expressed or implied shall confer upon any of the employees of any Seller or Transferred Subsidiary or any Transferred Seller Employees any right to employment or continued employment for any specified period, of any nature or kind whatsoever under or by reason of this Agreement.

(c) No Obligation. Neither Purchaser nor any of its Affiliates shall have any Liability whatsoever for (i) any compensation or other obligations actually or purported to be owing to any Transferred Seller Employee by any Seller, including any severance, separation pay, change of control payments or benefits, retention payments or any other payments or benefits arising in connection with such employee's employment by, or termination of employment with, any Seller before, on or after the Closing Date, or (ii) any Claim under the WARN Act or any similar state or local Law by any past or present employee of any Seller (whether or not a Transferred Seller Employee) in connection with Seller's pre-Closing conduct of the Business or any other business, including any plant closing or mass layoff.

(d) Sellers' Cooperation in Review and Hiring of Employees. Subject to applicable Law and prior approval and arrangements in advance by and through one or more executive officers of ParentCo, not to be unreasonably withheld or delayed, Sellers shall cooperate with Purchaser and shall permit Purchaser a reasonable period during normal business hours prior to the Closing Date, (i) to meet with employees of Sellers and the Transferred Subsidiaries (including managers and supervisors) at such times as Purchaser shall reasonably request, (ii) to speak with such employees' managers and supervisors (in each case with appropriate authorizations and releases from such employees) who are being considered for employment (or in the case of the Transferred Subsidiaries, continued employment) by Purchaser, (iii) to distribute to such employees such forms and other documents relating to potential employment (or continued employment) after the Closing; and (iv) subject to any

restrictions imposed under applicable Law, to permit Purchaser, upon request, to review personnel files and other relevant employment information regarding such employees.

(e) Post-Closing Cooperation on Employee Compensation and Benefits. Following the Closing, Sellers and Purchaser shall cooperate reasonably with each other to provide an orderly administrative transition to Purchaser of the Transferred Seller Employees and the employees of the Transferred Subsidiaries, including (i) the provision by Sellers to Purchaser of all necessary or appropriate documents, records, materials, accounting files and Tax information with respect to the Transferred Seller Employees and the employees of the Transferred Subsidiaries, and (ii) Sellers' causing their Employee Benefit Plan providers to assist in the conversion and rollover of employee benefits for Transferred Seller Employees and the employees of the Transferred Subsidiaries to Purchaser's applicable Employee Benefit Plans, including medical, dental, short-term disability, long-term disability, life insurance and 401(k) plans. ParentCo shall provide Purchaser with Certificates of Credible Coverage for all health plan participants under any applicable Employee Benefit Plan of Sellers and/or the Transferred Subsidiaries within thirty (30) days following the Closing Date. Sellers and Purchaser agree to utilize the standard procedure set forth in IRS Revenue Procedure 2004-53 with respect to wage reporting for Transferred Seller Employees, such that Sellers shall be responsible for all reporting of wages and other compensation paid by it to Transferred Seller Employees before the Closing Date (including furnishing and filing of Forms W-2 and W-3).

(f) Sellers to Retain COBRA Liability. At the Closing, to the extent required by applicable Law, Purchaser shall assume Sellers' obligations to provide health care continuation coverage under Tax Code §4980B and ERISA §601 for all M&A Qualified Beneficiaries (as that term is defined in Treasury Regulations Section 54.4980B-9, Q&A-4) of Sellers; provided, however, that such assumption of Sellers' obligations shall apply only to M&A Qualified Beneficiaries who timely elect to receive COBRA coverage through Purchaser and only with respect to claims incurred by such M&A Qualified Beneficiaries after the Closing Date (it being understood and agreed by the parties hereto that any claim incurred (whether or not reported) by an M&A Qualified Beneficiary on or before the Closing Date shall constitute an Excluded Liability).

5.13 Insurance. Between the date hereof and the earlier of the Closing Date or the date of termination of this Agreement pursuant to Section 8.1, Sellers shall, and shall cause the Transferred Subsidiaries to, at their cost, keep in effect and in good standing all policies of insurance maintained by any of them to insure the Business, the Transferred Assets and the assets of the Transferred Subsidiaries (collectively, the "Existing Insurance Policies"). To the extent that any Existing Insurance Policy insures against any loss, Liability, Claim, damage or expense resulting from, arising out of, based on or relating to occurrences arising on or after the date hereof and prior to the Closing with respect to the Business, the Transferred Assets or the assets of the Transferred Subsidiaries and permit claims to be made thereunder with respect to such losses, Liabilities, claims, damages or expenses after the Closing, Sellers shall use their commercially reasonable efforts to obtain an insurance certificate naming Purchaser as an additional insured under the Existing Insurance Policies.

5.14 Licensed Computer Software; Consents. Prior to and (if necessary) following the Closing, to the extent requested by Purchaser, Sellers shall cooperate reasonably and in good

faith to assist Purchaser with obtaining any required third-party consent, waiver or approval for (i) Sellers' assignment and transfer to Purchaser of the licensed Computer Software to be included in the Transferred Assets, and (ii) if applicable, the change of control of any Transferred Subsidiary that is a party to any Computer Software license where such license provides that a change of control constitutes a deemed assignment of such license requiring the consent of the licensor or otherwise requires such licensor's consent or would permit such licensor to terminate such license; provided, however, that no Seller shall be required to pay any transfer fee or similar payment to obtain any such consent, waiver or approval. If any such consent, approval or waiver which is required in order to assign any licensed Computer Software to be included in the Transferred Assets is not obtained prior to the Closing Date, or if an attempted assignment would be ineffective or would adversely affect the ability of any Seller to convey its interest in question to Purchaser, Sellers shall cooperate with Purchaser in good faith and in a reasonable manner in any lawful arrangement to provide that Purchaser shall receive the interests of any Seller in the benefits of such licensed Computer Software; provided, however, that if such consent, waiver or approval is not obtained before the Closing Date, it shall not be an impediment or condition to any party's obligation to consummate the Closing under this Agreement. For the avoidance of doubt, Purchaser shall be solely responsible for obtaining any approvals, waivers or consents (and paying any fees or costs) related to the assignment to (or permitted use by) Purchaser of any licensed Computer Software to be included in the Transferred Assets.

5.15 Seller Release of Claims Against Transferred Subsidiaries. Effective as of the time of Closing, Sellers hereby unconditionally waive, release and discharge each Transferred Subsidiary from and against any and all Claims and Liabilities, whether or not known to Sellers (or any of them) as of the Closing Date, including any Claim or Liability arising under the Bankruptcy Code or any other applicable Law.

5.16 Change of Purchaser's Name; Dissolution. Within two (2) Business Days following the earlier of (i) the date on which Purchaser is not selected as the winning bidder in the sale auction for the Transferred Assets contemplated by the Bidding Procedures and is not selected by the Bankruptcy Court as the back-up purchaser for the Transferred Assets in the event that the successful bidder in the sale auction fails to close its purchase of the Transferred Assets that it agrees to purchase, or (ii) the date on which ParentCo notifies Purchaser in writing of the completion of closing of the sale of Transferred Assets to either the third-party winning bidder in the sale auction or another Person designated by the Bankruptcy Court as the back-up bidder, Purchaser shall either change its name to a name that does not include the words "Palm Harbor Homes" or any confusingly similar words or cause itself to be wound up and dissolved.

ARTICLE VI

PURCHASER'S CLOSING CONDITIONS

The obligation of Purchaser to consummate the transactions contemplated by this Agreement is subject to the fulfillment on or prior to the Closing Date of each of the following conditions, any one or more of which (to the extent permitted by applicable Law) may be waived by Purchaser:

6.1 Representations and Warranties; Covenants. The representations and warranties of Sellers contained in this Agreement that are qualified by materiality shall be true and correct and the representations and warranties of Sellers contained in this Agreement that are not so qualified shall be true and correct in all material respects, in each case on and as of the Closing Date with the same effect as though made on the Closing Date, except for changes expressly contemplated by this Agreement and except for any particular representation or warranty that specifically addresses matters only as of a particular date (which shall remain true as of such date, to the extent required above), except where such failure to be true and correct has been or shall be cured, remedied or otherwise accounted for pursuant to the Sale Approval Order. The covenants and agreements contained in this Agreement to be complied with by Sellers at or before the Closing shall have been complied with in all material respects. At Closing, Purchaser shall have received a certificate of Sellers (the "Sellers' Certificate") with respect to such truth and correctness of Sellers' representations and warranties and such compliance by Sellers with their covenants and agreements hereunder signed by a duly authorized officer thereof.

6.2 No Intervening Law. No Governmental Body shall have enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent) which is in effect and has the effect of making the transactions contemplated by this Agreement illegal or otherwise restraining or prohibiting consummation of such transactions and which is not satisfied or resolved or preempted by the Sale Approval Order.

6.3 No Legal Proceedings. No Claim by or before a Governmental Body (including any proceeding over which the Bankruptcy Court has jurisdiction under 28 U.S.C. § 157(b) and (c)), shall have been made, instituted or threatened against any Seller, Transferred Subsidiary or Purchaser seeking to restrain or prohibit or to obtain substantial damages with respect to the consummation of the transactions contemplated hereby.

6.4 Bankruptcy Filing. The Bankruptcy Case shall not have been dismissed or converted to one or more proceedings under chapter 7 of the Bankruptcy Code, and no trustee or examiner shall have been appointed for Sellers (or any of them), and the automatic stay under section 362 of the Bankruptcy Code shall not have been lifted, modified or annulled as to any Transferred Assets having a value, either individually or in the aggregate, of at least $1,000,000.

6.5 Final Orders. The Bankruptcy Court shall have entered the Sale Approval Order and a final order approving the DIP Facility, and the Sale Approval Order and such order approving the DIP Facility shall have become Final Orders.

6.6 Regulatory Approvals. All required approvals of Governmental Bodies for Purchaser's purchase of the Transferred Subsidiaries shall have been obtained by ParentCo, the applicable Transferred Subsidiaries or Purchaser.

6.7 Closing Documents. Seller shall have delivered to Purchaser on the Closing Date the documents required to be delivered pursuant to Sections 1.8 and 2.3.

6.8 No Purchaser Objection to Initial Price Adjustment. If Purchaser shall have timely delivered to ParentCo a good faith objection to the Initial Price Adjustment, as

contemplated in Section 1.11(a), such objection shall have been resolved or waived by Purchaser in writing.

6.9 No Material Adverse Effect. No event, occurrence, fact, condition, change, development or circumstance shall have arisen or occurred since the date of this Agreement which has had or could reasonably be expected to have a Material Adverse Effect.

ARTICLE VII

SELLERS' CLOSING CONDITIONS

The obligation of Sellers to consummate the transactions contemplated by this Agreement is subject to the fulfillment on or prior to the Closing Date of each of the following conditions, any one or more of which (to the extent permitted by applicable Law) may be waived by ParentCo (on behalf of Sellers):

7.1 Representations and Warranties; Covenants. The representations and warranties of Purchaser contained in this Agreement that are qualified by materiality shall be true and correct, and the representations and warranties of Purchaser contained in this Agreement that are not so qualified shall be true and correct in all material respects, in each case at and as of the Closing Date with the same effect as though made on the Closing Date, except for changes expressly contemplated by this Agreement and except for any particular representation or warranty that specifically addresses matters only as of a particular date (which shall remain true as of such date, to the extent required above), except where such failure to be true and correct has been or shall be cured, remedied or otherwise accounted for pursuant to the Sale Approval Order. The covenants and agreements contained in this Agreement to be complied with by Purchaser at or before the Closing shall have been complied with in all material respects. At Closing, ParentCo shall have received a certificate of Purchaser (the "Purchaser's Certificate") with respect to such truth and correctness of Purchaser's representations and warranties and such compliance by Purchaser with its covenants and agreements hereunder signed by a duly authorized officer thereof.

7.2 No Intervening Law. No Governmental Body shall have enacted, issued, promulgated, enforced or entered any Law (whether temporary, preliminary or permanent) which is in effect and has the effect of making the transactions contemplated by this Agreement illegal or otherwise restraining or prohibiting consummation of such transactions and which is not satisfied or resolved or preempted by the Sale Approval Order.

7.3 Sale Approval Order. The Bankruptcy Court shall have entered the Sale Approval Order, and the Sale Approval Order shall have become a Final Order.

7.4 No Legal Proceedings. No Claim by or before a Governmental Body (including any proceeding over which the Bankruptcy Court has jurisdiction under 28 U.S.C. § 157(b) and (c)), shall have been made, instituted or threatened against any Seller, Transferred Subsidiary or Purchaser seeking to restrain or prohibit or to obtain substantial damages with respect to the consummation of the transactions contemplated hereby.

7.5 Bankruptcy Filing. The Bankruptcy Case shall not have been dismissed or converted to a proceeding under chapter 7 of the Bankruptcy Code and no trustee or examiner shall have been appointed.

7.6 Final Orders. The Bankruptcy Court shall have entered the Sale Approval Order and a final order approval the DIP Facility, and the Sale Approval Order and such order approval the DIP Facility shall have become Final Orders.

7.7 Regulatory Approvals. All required approvals of Governmental Bodies for Purchaser's purchase of the Transferred Subsidiaries shall have been obtained by ParentCo, the applicable Transferred Subsidiaries or Purchaser.

7.8 Closing Documents. Purchaser shall have delivered to ParentCo on the Closing Date the documents and payments required to be delivered by it pursuant to Sections 1.9 and 2.4.

ARTICLE VIII

TERMINATION OF AGREEMENT

8.1 Termination Prior to Closing. Notwithstanding anything in this Agreement to the contrary, this Agreement may be terminated, and the transactions contemplated by this Agreement abandoned, at any time prior to the Closing, upon notice by the terminating party to the other party as follows:

(a) by the mutual written consent of ParentCo (on behalf of Sellers) and Purchaser;

(b) by either ParentCo (on behalf of Sellers) or Purchaser if the Closing shall not have occurred prior to the date that is one hundred fifty (150) days after the date hereof (the "Termination Date"); provided, however, that the right to terminate this Agreement under this Section 8.1(b) shall not be available to any party whose failure to fulfill any obligation under this Agreement shall have been the cause of, or shall have resulted in, the failure of the Closing to occur prior to such date;

(c) (i) by ParentCo (on behalf of Sellers), if Purchaser breaches or fails to perform in any respect any of its representations, warranties or covenants contained in this Agreement and such breach or failure to perform (A) would give rise to the failure of a condition set forth in Article VII, (B) cannot be or has not been cured within ten (10) Business Days following delivery of written notice of such breach or failure to perform, and (C) has not been waived by ParentCo (on behalf of Sellers); or (ii) by Purchaser, if any Seller breaches or fails to perform in any respect any of its representations, warranties or covenants contained in this Agreement and such breach or failure to perform (X) would give rise to the failure of a condition set forth in Article VI, (Y) cannot be or has not been cured within ten (10) Business Days following delivery of written notice of such breach or failure to perform, and (Z) has not been waived by Purchaser.

(d) (i) by ParentCo (on behalf of Sellers), if any of the conditions set forth in Article VII shall have become incapable of fulfillment prior to the Termination Date, or (ii) by

Purchaser, if any of the conditions set forth in Article VI shall have become incapable of fulfillment prior to the Termination Date; provided, however, that the right to terminate this Agreement pursuant to this Section 8.1(d) shall not be available if the failure of the party so requesting termination to fulfill any obligation under this Agreement shall have been the cause of the failure of such condition to be satisfied on or prior to the Termination Date.

(e) by either ParentCo (on behalf of Sellers) or Purchaser, if the Bankruptcy Court approves a sale, transfer or other disposition by Sellers to a Person (or group of Persons) other than Purchaser of (i) all or substantially all of the Transferred Assets, (ii) the Standard Casualty Shares and/or the Standard Insurance Shares or substantially all of the assets of the Insurance Subsidiaries, or (iii) the CountryPlace Shares or substantially all of the assets of the Finance Subsidiaries (any of which, a "Competing Transaction"); or

(f) by Purchaser (provided that Purchaser is not then in material breach of any provision of this Agreement), if any of the following shall occur:

(i) the Bankruptcy Case is dismissed or converted to one or more proceedings under chapter 7 of the Bankruptcy Code, a trustee or examiner is appointed for Sellers (or any of them), or the automatic stay under section 362 of the Bankruptcy Code is lifted, modified or annulled as to Transferred Assets having a value, either individually or in the aggregate, of at least $1,000,000;

(ii) the Bankruptcy Court denies any portion of the Bidding Procedures Motion with respect to any of (A) the Break-Up Fee, (B) the Expense Reimbursement, or (C) the ability of Purchaser, to the extent of its interest as assignee of Fleetwood under the DIP Facility, to credit bid all outstanding amounts owing by Sellers under the DIP Facility; or

(iii) the Bidding Procedures Order or the Sale Approval Order is modified in any material respect without the consent of the Purchaser; or

(iv) the Sale Approval Order has not been entered by the Bankruptcy Court and become a Final Order within ninety (90) days after the date hereof; provided, however, that Purchaser shall not be entitled to exercise its rights under this clause (iv) later than five (5) Business Days after such ninety (90) day period has expired or if the Sale Approval Order has been entered by the Bankruptcy Court prior to Purchaser exercising such rights.

8.2 Break-up Fee; Expense Reimbursement.

(a) In the event that this Agreement is terminated under Section 8.1(e), and provided that (i) Purchaser is not in material breach of any provision of this Agreement prior to such termination and (ii) a Competing Transaction has been consummated, Seller shall pay to Purchaser, in cash, the sum of $1,100,000 (the "Break-Up Fee") at the time of the consummation of the Competing Transaction.

(b) In the event that this Agreement is terminated under Section 8.1(e), and provided that (i) Purchaser is not in material breach of any provision of this Agreement prior to such termination and (ii) a Competing Transaction has been consummated, Seller shall reimburse

Purchaser for reasonable, documented out-of-pocket expenses actually incurred by Purchaser in connection with this Agreement and the transactions contemplated hereby, the amount of which shall not in the aggregate exceed $250,000 (the "Expense Reimbursement"), at the time of the consummation of the Competing Transaction.

(c) In the event that this Agreement is terminated under Section 8.1(e), the Break-Up Fee and the Expense Reimbursement shall be Purchaser's sole and exclusive remedy against Sellers (and such remedies shall be available only if in accordance with this Section 8.2 and the Bidding Procedures Order), in full satisfaction of all of Sellers' obligations hereunder. For the avoidance of doubt, in the event of a breach or violation of any representation and warranty or covenant or agreement of any Seller under this Agreement, if this Agreement is terminated under Section 8.1(e), Purchaser's sole and exclusive remedy against Sellers or any Seller (whether in contract or tort, under statute, rule, Law or otherwise) shall be to terminate this Agreement in accordance with Section 8.1(e) and receive the Break-Up Fee and Expense Reimbursement in accordance with this Section 8.2 and the Bidding Procedures Order.

8.3 Survival After Termination. If this Agreement is terminated pursuant to Section 8.1 and the transactions contemplated hereby are not consummated, or if the Bankruptcy Court does not approve this Agreement or the transactions contemplated hereby, this Agreement shall become null and void and have no further force or effect, except that any such termination shall be without prejudice to the rights of any party on account of the non-satisfaction of the conditions set forth in Article VI and Article VII resulting from fraud or intentional misconduct of another party under this Agreement. Notwithstanding anything in this Agreement to the contrary, the provisions of Sections 5.2 (Confidentiality), 5.3 (Expenses), 8.2, this Section 8.3 and Article IX shall survive any termination of this Agreement.

ARTICLE IX

MISCELLANEOUS

9.1 Certain Definitions.

(a) As used in this Agreement, the following terms have the following meanings:

"Accounts Receivable" means, with respect to any Person, all trade and other accounts receivable and other rights to payment from past or present customers and other account debtors of such Person (including any such account receivable or other right to payment due from any Affiliate of such Person), and the full benefit of all security for such accounts or rights to payment, including all trade, vendor and other accounts receivable representing amounts receivable in respect of goods sold or services rendered to customers of such Person or in respect of amounts refundable or otherwise due to such Person from vendors, suppliers or other Persons.

"Accounts Receivable and Inventory Value Shortfall" means the amount, if any, by which the aggregate value of the Accounts Receivable and Inventory of Sellers as of the Effective Time is less than 75% of Sellers' reported aggregate Accounts Receivable and Inventory value as of October 29, 2010 (which, for added certainty, shall exclude any Account

Receivable of any Transferred Subsidiary), as such aggregate value is determined in accordance with Section 1.12.

"Affiliate" means, with respect to any specified Person, any other Person that directly, or indirectly through one or more intermediaries, controls, is controlled by or is under common control with such specified Person; with the term "control" (and its derivatives) meaning the possession, directly or indirectly, of the power to direct or cause the direction of the management and policies of such Person whether through the ownership of voting securities, contract or otherwise.

"Assignment and Assumption Agreement" means the Assignment and Assumption Agreement substantially in the form of Exhibit B hereto to be executed by Purchaser and the applicable Sellers on the Closing Date.

"Assumed Warranty Liabilities" means Liabilities arising under express written warranties issued by any Seller in connection with the sale of a Seller's products produced in the Ordinary Course of Business at any of the Seller plants listed on Schedule 9.1(a)(i), but only to the extent of the warranty terms set forth in Exhibit E attached hereto. Assumed Warranty Liabilities shall not include any Liability arising under any other written or oral warranty given by any Seller or representative thereof or any other actual or purported warranty obligation, including implied warranties (such as, but not limited to, implied warranties of merchantability or fitness for particular purpose).

"Bill of Sale" means the Bill of Sale substantially in the form of Exhibit A hereto to be executed by the applicable Sellers on the Closing Date.

"Business Day" means any day that is not a Saturday, Sunday or other day on which banks located in Dallas, Texas or Phoenix, Arizona are authorized or obligated to close.

"Claim" means a suit, claim, action, proceeding, inquiry, investigation, litigation, legal proceeding, written demand, charge, complaint, arbitration, indictment, information, or grand jury subpoena, whether civil, criminal, administrative, judicial or investigative and whether public or private, in each case, filed with, made by or conducted or heard before a Governmental Body.

"COBRA" means the Consolidated Omnibus Reconciliation Act of 1985.

"Computer Software" means all computer software (including source code, executable code, data, databases and documentation) owned by or licensed to any Sellers which is used in or necessary for the conduct of the Business as it is conducted on the date hereof.

"Confidential Information" means all information regarding a party's business or affairs, including business concepts, processes, methods, trade secrets, systems, know-how, devices, formulas, product specifications, marketing methods, prices, customer lists, supplier lists, methods of operation or other information, whether in oral, written or electronic form, that is either: (i) designated in writing (including by electronic mail) as confidential; (ii) is of a nature such that a reasonable Person would know that it is confidential; or (iii) is disclosed under circumstances such that a reasonable Person would know it is confidential. Notwithstanding the

foregoing, the following information shall not be considered Confidential Information: (A) information that is or becomes publicly available through no fault of the party obligated to keep it confidential (or such party's Affiliates or Representatives); (B) information with regard to the other party that was rightfully known by a party prior to commencement of discussions regarding the subject matter of this Agreement, as evidenced by documentation; (C) information that was independently developed by a party without use of the Confidential Information, as evidenced by documentation; and (D) information rightfully disclosed to a party by a third party without continuing restrictions on its use or disclosure.

"Contract" means any written or oral contract, agreement, arrangement, understanding, lease, license, deed or instrument or other contractual or similar arrangement or commitment, but excluding Purchase Orders.

"Effective Time" means 11:59 p.m. (Central Standard Time) on the Closing Date.

"Employee Benefit Plan" means any "employee benefit plan" as such term is defined in ERISA §3(3)) and any other material employee benefit plan, program or arrangement.

"Employee Pension Benefit Plan" has the meaning set forth in ERISA §3(2).

"Employee Welfare Benefit Plan" has the meaning set forth in ERISA §3(1).

"Encumbrances" means all interests, Liens, Claims, conditional sales agreements, rights of first refusal or options.

"Environmental, Health and Safety Liabilities" means any and all Claims, costs, damages, expenses, Liabilities and/or other responsibility or potential responsibility arising from or under any Environmental Law or Occupational Safety and Health Law (including compliance therewith).

"Environmental Laws" means all applicable federal, state, local, and foreign Laws, all judicial and administrative orders and determinations, and all common law concerning public health and safety, worker health and safety, pollution, or protection of the environment, including all those relating to the presence, use, production, generation, handling, transportation, treatment, storage, disposal, distribution, labeling, testing, processing, discharge, release, threatened release, control, exposure to, or cleanup of any hazardous materials, substances, wastes, chemical substances, pesticides, pollutants, contaminants, toxic chemicals, petroleum products or byproducts, asbestos, polychlorinated biphenyls, noise, odor, mold, or radiation, including the Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended; the Resource Conservation and Recovery Act, 42 U.S.C. §§ 6901 et seq.; the Hazardous Materials Transportation Act, 49 U.S.C. §§ 5101 et seq.; the Clean Water Act, 33 U.S.C. §§ 1251 et seq.; the Toxic Substances Control Act, 15 U.S.C. §§ 2601 et seq.; the Clean Air Act, 42 U.S.C. §§ 7401 et seq.; the Safe Drinking Water Act, 42 U.S.C. §§ 300f et seq.; the Atomic Energy Act, 42 U.S.C. §§ 2011 et seq.; the Federal Insecticide, Fungicide and Rodenticide Act, 7 U.S.C. §§ 136 et seq.; and the Federal Food, Drug and Cosmetic Act, 21 U.S.C. §§ 301 et seq.

"ERISA" means the U.S. Employee Retirement Income Security Act of 1974, as amended, together with the rules and regulations promulgated thereunder.

"ERISA Affiliate" means, with respect to any Person, any trade or business (whether or not incorporated) (i) under common control within the meaning of section 4001(b)(1) of ERISA with such Person, or (ii) which together with such Person is treated as a single employer under sections 414(b), (c), (m), (n) or (o) of the Tax Code.

"Final Order" means an order entered by the Bankruptcy Court or other court of competent jurisdiction as to which: (i) no appeal, notice of appeal, motion for reconsideration, motion to amend or make additional findings of fact, motion to alter or amend judgment, motion for rehearing or motion for new trial has been timely filed; (ii) the time for instituting or filing an appeal, motion for rehearing or motion for new trial shall have expired; and (iii) if an appeal has been timely filed no stay pending an appeal is in effect and the time for requesting a stay pending appeal shall have expired; provided, however, that the filing or pendency of a motion under Federal Rule of Bankruptcy Procedure 9024 shall not cause an order not to be deemed a "Final Order" unless such motion shall be filed within ten (10) days of the entry of the order at issue.

"Finance Subsidiaries" means, collectively, CountryPlace Acceptance Corp., a Nevada corporation, CountryPlace Acceptance GP, LLC, a Texas limited liability company, CountryPlace Acceptance LP, LLC, a Delaware limited liability company, CountryPlace Mortgage, Ltd., a Texas limited partnership, CountryPlace Title, Ltd., a Texas limited partnership, CountryPlace Mortgage Holdings, LLC, a Delaware limited liability company, CountryPlace Funding, a Delaware corporation, CountryPlace Securitization, LLC, a Delaware limited liability company, and CountryPlace Holdings, LLC, a Delaware limited liability company.

"GAAP" means United States generally accepted accounting principles.

"Governmental Body" means a domestic or foreign national, federal, state, provincial, or local governmental, regulatory or administrative authority, department, agency, commission, court, tribunal, arbitral body or self-regulated entity.

"Hazardous Activity" means the distribution, generation, handling, importing, management, manufacturing, processing, production, refinement, release, storage, transfer, transportation, treatment or use (including any withdrawal or other use of groundwater) of any Hazardous Material in, on, under, about or from any Owned Real Property, whether or not in connection with the conduct of the Business, except to the extent in material compliance with applicable Environmental Law.

"Hazardous Material" means any substance, material or waste which is regulated by any Environmental Law, including any material, substance or waste which is defined as a "hazardous waste," "hazardous material," "hazardous substance," "extremely hazardous waste," "restricted hazardous waste," "contaminant," "pollutant," "toxic waste" or "toxic substance" under any provision of Environmental Law, and including petroleum, petroleum product, asbestos, presumed asbestos-containing material or asbestos-containing material, urea formaldehyde and polychlorinated biphenyls.

"Hedging Contract" means any interest rate, currency or commodity swap agreement, cap agreement or collar agreement, and any other agreement or arrangement designed to protect a Person against fluctuations in interest rates, currency exchange rates or commodity prices.

"Income Tax Return" means any return, declaration, report, claim for refund, or information return or statement relating to Income Taxes, including any schedule or attachment thereto, and including any amendment thereof.

"Indebtedness" means, with respect to any Person, without duplication: (a) any indebtedness for borrowed money or issued in substitution for or exchange of indebtedness for borrowed money, including principal, premium (if any), early or prepayment penalties, charges, premiums, break fees or other similar charges, and accrued interest; (b) any indebtedness or obligation evidenced by any bond, debenture, note, debt security, unfunded letter of credit or other similar instrument, including principal, premium (if any), early or prepayment penalties, charges, premiums, break fees or other similar charges, and accrued interest; (c) bank overdrafts (excluding undrawn lines) and outstanding checks to the extent treated as bank overdrafts or otherwise included as debt in the financial statements of such Person (without duplication) (it being understood that only the amount of such bank overdraft or the portion of the check that is treated as a bank overdraft or debt shall be treated as "Indebtedness"); (d) any Liability under any sale and leaseback transaction, any synthetic lease or Tax ownership operating lease transaction or under any lease recorded for accounting purposes by such Person as a capitalized lease or a financing lease with respect to which such Person is liable, contingently or otherwise, as obligor or otherwise; (e) any Liability of such Person under deferred compensation plans, stock appreciation rights plan, phantom stock plans, severance or bonus plans or similar arrangements made payable as a result of the consummation of the transactions contemplated by this Agreement or with respect to periods ending on or prior to the Closing Date; (f) any off-balance sheet financing of such Person (but excluding any leases recorded for accounting purposes by such Person as an operating lease); (g) any dividends or distributions payable, or accrued for, by such Person; (h) any Liability of such Person under any Hedging Contract; (i) all indebtedness of others referred to in clauses (a) through (h) above guaranteed directly or indirectly in any manner by such Person, or in effect guaranteed directly or indirectly by such Person through an agreement (i) to pay or purchase such indebtedness or to advance or supply funds for the payment or purchase of such indebtedness, (ii) to purchase, sell or lease (as lessee or lessor) property, or to purchase or sell services, primarily for the purpose of enabling the debtor to make payment of such indebtedness or to assure the holder of such indebtedness against loss, (iii) to supply funds to or in any other manner invest in the debtor (including any agreement to pay for property or services irrespective of whether such property is received or such services are rendered) or (iv) otherwise to assure a creditor against loss, (k) all indebtedness referred to in clauses (a) through (i) above secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Encumbrance on any property owned by such Person, even though such Person has not assumed or become liable for the payment of such indebtedness; and (k) any accrued and unpaid interest on, and any prepayment premiums, penalties or similar contractual charges in respect of, any of the foregoing Liabilities computed as though payment is being made in respect thereof on the Closing Date; provided, however, that "Indebtedness" shall not include (x) trade payables and accrued expenses to the extent such items are aged sixty (60) days or less; or (y) prepaid or deferred revenue to the extent such revenue is reflected as a current liability in the Most Recent Financial

Statements; or (z) purchase price holdbacks arising in the Ordinary Course of Business in respect of a portion of the purchase prices of an asset to satisfy unperformed obligations of the seller of such asset to the extent that holdbacks are reflected as a current liability in the Most Recent Financial Statements.

"Insider" means any executive officer, director, governing body member, majority (i.e., greater than 50%) equity holder, partner in a partnership or Affiliate, as applicable, of any Seller or Transferred Subsidiary or any predecessor or Affiliate of any Seller or Transferred Subsidiary or any individual related by blood, marriage or adoption to any such individual.

"Insurance Subsidiaries" means, collectively, Standard Casualty Co., a Texas corporation, Standard Insurance Agency, Inc., a Texas corporation, and Palm Harbor Ins. Agency of Texas, a Texas corporation.

"Intellectual Property" means all of the following in any jurisdiction throughout the world (i) trade names, trademarks and service marks, service names, brand names, logos, Internet domain names, trade dress and similar rights, logos, slogans, and corporate names (and all translations, adaptations, derivations and combinations of the foregoing), and general intangibles of a like nature, together with all goodwill associated with each of the foregoing and all registrations and applications to register any of the foregoing ("Marks"); (ii) patents, patent applications and patent disclosures, together with all reissuances, divisionals, continuations, continuations-in-part, revisions, reissues, extensions and reexaminations thereof ("Patents"); (iii) copyrights (whether registered or unregistered) and applications for registration and copyrightable works ("Copyrights"); (iv) confidential and proprietary information, including trade secrets and know-how (including ideas, research and development, engineering designs and related approvals of Governmental Bodies, self-regulatory organizations, and trade associations, inventions, formulas, compositions, manufacturing and production processes and techniques, designs, drawings and specifications; and (vi) all licenses and sublicenses held by any Seller as licensee pertaining to intellectual property of any other Person; and for the avoidance of doubt, "Intellectual Property" shall exclude Computer Software.

"Inventory" means all inventory of Seller, including raw and packing materials, work-in-progress, finished goods, supplies, parts and similar items related to, used or held for use in connection with the Business.

"IRS" means the United States Internal Revenue Service.

"Knowledge" means, when used to qualify any representation, warranty or other statement of Sellers contained herein, the actual current knowledge of any of Larry H. Keener, Kelly Tacke, Ron Powell (solely as to Palm Harbor Homes, Inc. and Nationwide Homes, Inc.), Gavin Ryan (solely as to Standard Casualty Co. and its subsidiaries), Joe Kesterson (solely as to Palm Harbor Homes, Inc.) or Greg Aplin (solely as to CountryPlace Acceptance Corporation and its subsidiaries) after reasonable investigation or inquiry into the subject matter of the representation, warranty or other statement to which such term is being applied.

"Law" means any federal, state, local or foreign statute, law, rule, regulation, order, writ, ordinance, judgment, governmental directive, injunction, decree or other requirement of any Governmental Body (including the Bankruptcy Code).

"Liabilities" means any direct or indirect, primary or secondary, liability, indebtedness, obligation, penalty, cost or expense (including costs of investigation, collection and defense), claim, deficiency, guaranty or endorsement of or by any Person of any type, whether known or unknown, accrued, absolute or contingent, liquidated or unliquidated, choate or inchoate, matured or unmatured, disputed or undisputed, secured or unsecured, joint or several, due or to become due, vested or unvested, executory, determined, determinable or otherwise. Without limiting the foregoing, the term "Liabilities" includes and refers to all liabilities and obligations for or with respect to Taxes, including liabilities for Taxes of any Person under Treasury Regulation Section 1.1502 6 (or any similar provision of any applicable Law), as a transferee or successor, by contract, or otherwise.

"Lien" means any security interest, mortgage, pledge, lien, encumbrance, charge or claim (as defined in section 101(5) of the Bankruptcy Code).

"Material Adverse Effect" means any circumstance, occurrence, event or change that has or could be reasonably expected to have a material adverse effect on (a) the Transferred Assets, the Assumed Liabilities, the Business or the assets and Liabilities of the Transferred Subsidiaries, in each case taken as a whole, or (b) the ability of Sellers to timely satisfy and perform their obligations under this Agreement and consummate the transactions contemplated hereby; provided, however, that in no event shall any of the following be deemed to constitute, nor shall any of the following be taken into account in determining whether there has been or shall be, a Material Adverse Effect: (i) general economic or business conditions or changes therein, including changes in interest or currency rates, or acts of war, civil unrest or terrorism; (ii) any change in Law; (iii) any occurrence or condition generally affecting the industries in which the Business operates, including any change in such conditions; (iv) any occurrence or condition arising out of the announcement of the transactions described in this Agreement or the performance of the transactions contemplated hereby (including any occurrence or condition arising out of the identity of or facts relating to Purchaser); and (v) any effect or result of a breach of this Agreement by Purchaser; provided, further, that the circumstances, changes, developments, events or states of facts set forth in clauses (i), (ii), (iii) above shall be taken into account in determining whether a Material Adverse Effect has occurred to the extent, and only to the extent, such circumstances, changes, developments, events or states of facts have a disproportionately adverse effect on the Transferred Assets, the Assumed Liabilities, the Business and the assets and Liabilities of the Transferred Subsidiaries, taken as a whole, as compared to other participants in the industries in which Sellers and the Transferred Subsidiaries operate.

"Occupational Safety and Health Law" means any applicable Law designed to provide safe and healthful working conditions and to reduce occupational safety and health hazards, including the Occupational Safety and Health Act, and any program, whether governmental or private (such as those promulgated or sponsored by industry associations and insurance companies), designed to provide safe and healthful working conditions.

"Ordinary Course of Business" means the operation of the Business by Sellers and the Transferred Subsidiaries in the usual and ordinary course in a manner substantially similar to the manner in which Sellers and the Transferred Subsidiaries operated, including after the commencement of the Bankruptcy Case and as permitted under the Bankruptcy Code and by the Bankruptcy Court.

"Permitted Encumbrance" means: (i) the Virgo Security Interest, (ii) the security interest granted under the Textron Facility, (iii) Encumbrances for Taxes and assessments not yet payable; (iv) Encumbrances that shall be released at or prior to the Closing; and (v) (A) easements, rights-of-way, servitudes, permits, licenses, surface leases, ground leases to utilities, municipal agreements, railway siding agreements and other similar rights, all as reflected in the official records of the jurisdictions where any real property is located, (B) conditions, covenants or other restrictions reflected in the official records of the jurisdictions where any real property is located, and (C) easements for streets, alleys, highways, telephone lines, gas pipelines, power lines, railways and other easements and rights-of-way on, over or in respect of any real property, all as reflected in the official records of the jurisdictions where any real property is located; in each case with respect to clauses (iii) through (v) above, individually or in the aggregate, that do not or would not reasonably be expected to materially and adversely affect the current use or value of the property subject thereto or the operations of the Business as it is currently conducted by Sellers and the Transferred Subsidiaries.

"Person" means any individual, corporation, partnership, limited liability company, limited liability partnership, firm, joint venture, association, joint-stock company, trust, unincorporated organization, Governmental Body or other entity.

"Pre-Closing Claims" means (i) Claims asserted by or against a Seller prior to the Closing Date, and (ii) counterclaims with respect to a Claim asserted by or against a Seller prior to the Closing Date.

"Purchase Order" means (i) any open purchase order (or equivalent document) received and accepted by any Seller from any customer of the Business in the Ordinary Course of Business for the production and sale of any finished goods Inventory capable of being produced at any Real Property (based on its current configuration), whether or not such purchase order or equivalent document was originally intended for fulfillment at a Real Property, or (ii) any open purchase order (or equivalent document) delivered by any Seller to any third party vendor or supplier for the purchase by such Seller from such vendor or supplier in the Ordinary Course of Business of raw materials, supplies or other similar Inventory intended for use in the production of finished goods Inventory from any Real Property or for any other conduct of operations at any Real Property.

"Release" means any release, spill, emission, leaking, pumping, injection, deposit, disposal, discharge, dispersal, or leaching into the indoor or outdoor environment, or into or out of any property.

"Representative" means, with respect to a particular Person, any director, officer, manager, partner, member, employee, agent, consultant, advisor or other representative of such Person, including legal counsel, accountants, and financial advisors.

"Tax" or "Taxes" means all taxes, charges, fees, imposts, levies or other assessments, including all net income, franchise, profits, gross receipts, capital, sales, use, ad valorem, value added, transfer, transfer gains, inventory, capital stock, license, withholding, payroll, employment, social security, unemployment, excise, severance, stamp, occupation, real or personal property, and estimated taxes, customs duties, fees, assessments and charges of any kind whatsoever, together with any interest and any penalties, fines, additions to tax or additional amounts thereon, imposed by any taxing authority (federal, state, local or foreign) and shall include any transferee Liability in respect of Taxes.

"Tax Code" means the Internal Revenue Tax Code of 1986, as amended.

"Tax Return" means any return, declaration, report, form, estimate, information return or statement required to be filed in respect of any Taxes or to be supplied to a taxing authority in connection with any Taxes.

"Textron Facility" means that certain Amended and Restated Agreement for Wholesale Financing (Finished Goods – Shared Credit Facility) dated May 25, 2004, as amended, by and among ParentCo, Palm Harbor Manufacturing, L.P., Palm Harbor Homes I, L.P., Palm Harbor Marketing, Inc., Textron Financial Corporation and the other "Lenders" named therein.

"Title Company" means First American Title Company, or such alternate title company as ParentCo and Purchaser shall agree.

"Transferred Subsidiaries" means, collectively, the Finance Subsidiaries and the Insurance Subsidiaries, and "Transferred Subsidiary" means any of them.

"Unauthorized Indebtedness" means, as of the Effective Time, any Indebtedness of any Transferred Subsidiary other than (i) the Virgo Indebtedness and (ii) Indebtedness incurred under construction lending facilities entered into in the Ordinary Course of Business by CountryPlace Mortgage, Ltd. with third party lenders prior to the date hereof.

"Virgo Indebtedness" means any Indebtedness owing by CountryPlace Acceptance Corporation, CountryPlace Mortgage, Ltd., CountryPlace Mortgage Holdings, LLC, ParentCo, CountryPlace Acceptance G.P., LLC and CountryPlace Acceptance L.P., LLC to the "Lender" parties (or their successors, assigns or nominees) under that certain Credit Agreement dated as of January 29, 2010 by and among CountryPlace Acceptance Corporation, CountryPlace Mortgage, Ltd., CountryPlace Mortgage Holdings, LLC, ParentCo, CountryPlace Acceptance G.P., LLC, CountryPlace Acceptance L.P., LLC, the "Lenders" who are party to such Credit Agreement and Virgo Service Company LLC.

"Virgo Security Interest" means the security interest in certain collateral granted to Virgo Service Company LLC as Administrative Agent and Collateral Agent under that certain Guaranty and Security Agreement dated as of January 29, 2010 by and among CountryPlace Acceptance Corporation, CountryPlace Mortgage, Ltd., CountryPlace Mortgage Holdings, LLC, ParentCo, CountryPlace Acceptance G.P., LLC, CountryPlace Acceptance L.P., LLC and Virgo Service Company LLC.

(b) The following capitalized terms are defined in the following Sections of this Agreement:

Definition	Location
Acquired Leased Real Property	2.10(a)
Agreement	Preamble
Allocation	1.13
Assumed Contracts	1.1(f)
Assumed Liabilities	1.3
Bankruptcy Case	Recitals
Bankruptcy Code	Recitals
Bankruptcy Court	Recitals
Bankruptcy Court Approval	5.7
Base Price	1.6
Bidding Procedures	5.7(a)(ii)
Bidding Procedures Motion	5.7(a)(ii)
Bidding Procedures Order	5.7(a)(ii)
Books and Records	1.1(k)
Break-Up Fee	8.2(a)
Business	Recitals
Closing	1.7
Closing Apportionments	2.10
Closing Date	1.7
Closing Payment	1.6
Closing Statements	2.3(a)
Competing Transaction	8.1(e)
Cure Costs	1.4
Deeds	2.3(b)
DIP Facility	Recitals
Excluded Assets	1.2
Excluded Liabilities	1.5
Existing Insurance Policies	5.13
Expense Reimbursement	8.2(b)
Final Price Adjustment	1.11(d)
Finance Business	Recitals
Fleetwood	Recitals
Home Business	Recitals
Insurance Business	Recitals
Insurance Representative	3.8(d)
Interim DIP Facility Owner	5.7(a)(i)
Inventory	1.1(d)
Leased Real Property / Leased Real Properties	3.12(b)
Most Recent Financial Statements	3.5
Objection Notice	1.11(b)
Owned Real Property / Owned Real Properties	3.12(a)
ParentCo	Preamble
Permits	3.9(a)

Permitted Disclosures	5.2(a)
Petition Date	Recitals
Post-Closing Price Adjustment	1.11(b)
Purchase Price	1.6
Purchaser	Preamble
Purchaser's Certificate	7.1
Real Properties	3.12(b)
Real Property Lease	3.12(b)
Real Property Escrow	2.1
Reinsurance Contract	3.10(b)(ix)
Sale Approval Order	5.7(a)(iii)
Sellers	Preamble
Sellers' Certificate	6.1
Standard Casualty Share	1.1(a)
Surveys	2.6
Tangible Personal Property	1.1(c)
Termination Date	8.1(b)
Title Commitment	2.6
Title Commitments	2.6
Title Policies	2.7
Transferred Assets	1.1
Transferred IP	1.1(i)
Transferred Permits	1.1(j)
Transferred Seller Employee	5.12(a)
WARN Act	3.26(e)

9.2 Consent to Jurisdiction; Service of Process; Waiver of Jury Trial.

(a) The parties hereto irrevocably and unconditionally consent to submit to the jurisdiction of the Bankruptcy Court for any litigation arising out of or relating to this Agreement and the transactions contemplated hereby (and agree not to commence any litigation relating hereto except in the Bankruptcy Court).

(b) Any and all service of process and any other notice in any such Claim shall be effective against any party if given personally or by registered or certified mail, return receipt requested, or by any other means of mail that requires a signed receipt, postage prepaid, mailed to such party as herein provided. Nothing herein contained shall be deemed to affect the right of any party to serve process in any manner permitted by Law or to commence legal proceedings or otherwise proceed against any other party in any other jurisdiction.

(c) If any Claim is brought by any party hereto to enforce its rights or another party's obligations under this Agreement or any other agreement, document or instrument to be delivered by such party at the Closing, the substantially prevailing party in such Claim shall be entitled to recover its reasonable attorneys' fees and expenses and other costs incurred in such Claim, in addition to any other relief to which it may be entitled.

(d) EACH OF THE PARTIES TO THIS AGREEMENT HEREBY IRREVOCABLY WAIVES ALL RIGHT TO A TRIAL BY JURY IN ANY ACTION, PROCEEDING OR COUNTERCLAIM ARISING OUT OF OR RELATING TO THIS AGREEMENT AND THE TRANSACTIONS CONTEMPLATED HEREBY.

9.3 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed to have been duly given (i) on the day of delivery if delivered in person, (ii) on the day of delivery if delivered by facsimile upon confirmation of receipt (provided that if delivery is completed after the close of business, then the next Business Day), (iii) on the first (1st) Business Day following the date of dispatch if delivered using a next-day service by a nationally recognized express courier service, or (iv) on the earlier of confirmed receipt or the fifth (5th) Business Day following the date of mailing if delivered by registered or certified mail, return receipt requested, postage prepaid. All notices hereunder shall be delivered as set forth below, or pursuant to such other instructions as may be designated by notice given in accordance with this Section 9.3 by the party to receive such notice:

(a) if to Purchaser, to:

Palm Harbor Homes, Inc.
c/o Cavco Industries, Inc.
1001 North Central Avenue, Suite 800
Phoenix, Arizona 85004-1935
Attention: James P. Glew, General Counsel
Facsimile: (602) 256-6189

and to:

Third Avenue Management
622 Third Avenue, 32nd Floor
New York, New York 10017
Attention: Robert Jordan, Sr. Managing Director, Corporate Counsel
Facsimile: (212) 735-0003

with a copy (which shall not constitute notice to Purchaser) to:

Snell & Wilmer L.L.P.
One Arizona Center
400 E. Van Buren
Phoenix, Arizona 85004
Attention: Garth D. Stevens
Facsimile: (602) 382-6070

(b) if to any of Sellers, to:

Palm Harbor Homes, Inc.
15303 Dallas Parkway, Suite 800
Addison, Texas 75001-4600
Attention: Larry H. Keener, Chairman, President & CEO
Facsimile: (972) 764-9020

with a copy (which shall not constitute notice to Sellers) to

Locke Lord Bissell & Liddell LLP
2200 Ross Avenue, Suite 2200
Dallas, Texas 75201
Attention: Gina E. Betts
Facsimile: (214) 756-8515

9.4 Entire Agreement. This Agreement (including the Exhibits and Schedules hereto), the DIP Facility and any other ancillary agreements executed by the parties hereto in connection with the consummation of the transactions contemplated by this Agreement and the DIP Facility contain the entire agreement among the parties with respect to the subject matter hereof and thereof and supersede all prior agreements, written or oral, with respect thereto.

9.5 Non-Survival of Representations, Warranties and Covenants. The respective representations, warranties and covenants of Sellers and Purchaser contained in this Agreement and any certificate delivered pursuant hereto shall terminate at, and not survive, the Closing; provided, that this Section shall not limit any covenant or agreement of the parties that by its terms requires performance after the Closing.

9.6 Amendments. This Agreement may be amended, superseded, canceled, renewed or extended only by a written instrument signed by Purchaser and ParentCo (on behalf of Sellers).

9.7 Waiver. Each party hereto may (a) extend the time for the performance of any of the obligations or other acts of the other party hereto, (b) waive any inaccuracies in the representations and warranties of the other party contained herein or in any document delivered pursuant hereto, (c) waive compliance with any of the agreements of the other party contained herein, or (d) waive satisfaction of any condition to its obligations hereunder. Any such extension or waiver shall be valid only if set forth in an instrument in writing signed by the party to be bound thereby. No delay on the part of any party in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any waiver on the part of any party of any such right, power or privilege, nor any single or partial exercise of any such right, power or privilege, preclude any further exercise thereof or the exercise of any other such right, power or privilege. All remedies, rights, undertakings, obligations, and agreements contained herein shall be cumulative and not mutually exclusive.

9.8 Governing Law. This Agreement and all Claims with respect thereto shall be governed by and construed in accordance with the federal bankruptcy law, to the extent applicable, and, where state law is implicated, the laws of the State of Delaware without regard

to any conflict of laws rules thereof that might indicate the application of the laws of any other jurisdiction.

9.9 Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties and their respective successors and assigns. This Agreement is not assignable by any party without the prior written consent of each other party.

9.10 Interpretation; Headings. All pronouns and any variations thereof refer to the masculine, feminine or neuter, singular or plural, as the context may require. All terms defined in this Agreement in their singular or plural forms have correlative meanings when used herein in their plural or singular forms, respectively. Unless otherwise expressly provided, the words "include," "includes" and "including" do not limit the preceding words or terms and shall be deemed to be followed by the words "without limitation." All references herein to "Sections" shall be deemed references to such parts of this Agreement, unless the context shall otherwise require. All references herein to "Schedules" and "Exhibits" shall mean the Schedules and Exhibits attached to this Agreement and forming a part hereof. The Section headings in this Agreement are for reference only and shall not affect the interpretation of this Agreement. The parties acknowledge and agree that (a) each party and its counsel reviewed and negotiated the terms and provisions of this Agreement and have contributed to its revision, (b) the rule of construction to the effect that any ambiguities are resolved against the drafting party shall not be employed in the interpretation of this Agreement, and (c) the terms and provisions of this Agreement shall be construed fairly as to all parties, regardless of which party was generally responsible for the preparation of this Agreement. Dates and times set forth in this Agreement for the performance of the parties' respective obligations hereunder or for the exercise of their rights hereunder shall be strictly construed, time being of the essence of this Agreement. If the date specified or computed under this Agreement for the performance, delivery, completion or observance of a covenant, agreement, obligation or notice by any party, or for the occurrence of any event provided for herein, is a day other than a Business Day, then the date for such performance, delivery, completion, observance or occurrence shall automatically be extended to the next Business Day following such date.

9.11 Severability of Provisions. If any provision or any portion of any provision of this Agreement shall be held invalid or unenforceable, the remaining portion of such provision and the remaining provisions of this Agreement shall not be affected thereby. If the application of any provision or any portion of any provision of this Agreement to any Person or circumstance shall be held invalid or unenforceable, the application of such provision or portion of such provision to Persons or circumstances other than those as to which it is held invalid or unenforceable shall not be affected thereby.

9.12 Counterparts. This Agreement may be executed by the parties hereto in separate counterparts, each of which when so executed and delivered shall be an original, but all such counterparts together shall constitute one and the same instrument. Each counterpart may consist of a number of copies hereof each signed by less than all, but together signed by all, of the parties hereto.

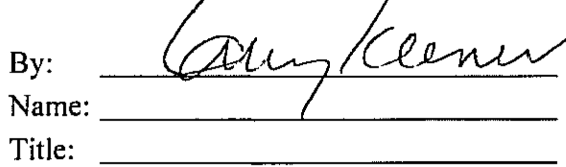
9.13 No Third Party Beneficiaries. Except as otherwise set forth in this Agreement, no provision of this Agreement is intended to, or shall, confer any third party beneficiary or other rights or remedies upon any Person other than the parties hereto.

Remainder of Page Intentionally Left Blank
Signature Page Follows

IN WITNESS WHEREOF, the parties have executed this Asset Purchase Agreement as of the date first above written.

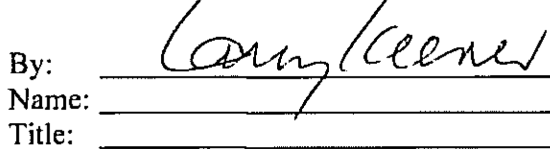
SELLERS:

Palm Harbor Homes, Inc., a Florida corporation



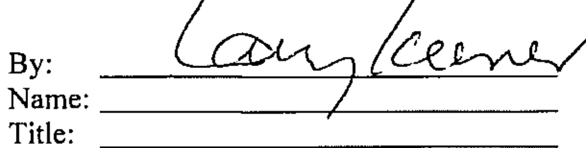
By: ______________________
Name: ______________________
Title: ______________________

Palm Harbor GenPar, LLC, a Nevada limited liability company



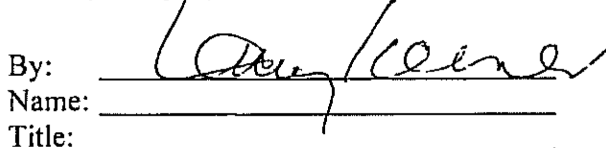
By: ______________________
Name: ______________________
Title: ______________________

Palm Harbor Mfg., L.P., a Texas limited partnership



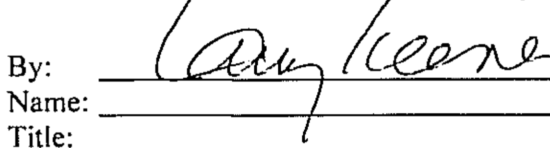
By: ______________________
Name: ______________________
Title: ______________________

Palm Harbor Real Estate, LLC, a Texas limited liability company



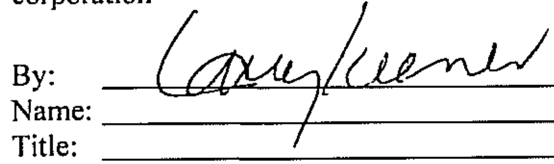
By: ______________________
Name: ______________________
Title: ______________________

Nationwide Homes, Inc., a Delaware corporation



By: ______________________
Name: ______________________
Title: ______________________

Palm Harbor Albemarie, LLC, a Delaware corporation



By: ______________________________
Name: ______________________________
Title: ______________________________

PURCHASER:

Palm Harbor Homes, Inc., a Delaware corporation

By: ______________________________
Name: ______________________________
Title: ______________________________

Palm Harbor Albemarie, LLC, a Delaware corporation

By: ____________________
Name: ____________________
Title: ____________________

PURCHASER:

Palm Harbor Homes, Inc., a Delaware corporation

By: Joseph H Stegmayer
Name: Joseph H. Stegmayer
Title: President

EXHIBIT A

Form of Bill of Sale

See Attached

BILL OF SALE

THIS BILL OF SALE ("Bill of Sale") is made as of __________ __, 2011, by and among Palm Harbor Homes, Inc., a Florida corporation ("ParentCo"), and each of its subsidiaries listed on the signature pages hereto (together with ParentCo, collectively, "Sellers"), and Palm Harbor Homes, Inc., a Delaware corporation ("Purchaser").

WHEREAS, Sellers and Purchaser have entered into that certain Asset Purchase Agreement, dated as of __________ __, 2010 ("Purchase Agreement"), providing for the sale to Purchaser of the Transferred Assets; and

WHEREAS, the execution and delivery of this Bill of Sale by Sellers is a condition to the obligation of Purchaser to consummate the transactions contemplated by the Purchase Agreement.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Sale and Transfer of Assets. Sellers hereby sell, transfer, assign, convey and deliver to Purchaser, effective as of the Effective Time, all right, title and interest in and to all of the Transferred Assets that constitute tangible personal property ("Tangible Transferred Assets"), which, for the avoidance of doubt, excludes the Excluded Assets, free and clear of any Encumbrance, other than Permitted Encumbrances. Sellers shall execute and deliver all such further instruments and further assurances, and shall take all such further acts as may be reasonably requested by Purchaser in order to sell, transfer, assign, convey and deliver the Tangible Transferred Assets to Purchaser as contemplated herein and in the Purchase Agreement.

2. Construction. This Bill of Sale is subject to the terms and conditions of the Purchase Agreement, and shall not in any way modify, amend, rescind, waive, expand, reduce, replace or supersede any of the representations, warranties, covenants or agreements of Sellers and Purchaser contained in the Purchase Agreement. To the extent that any provision of this Bill of Sale is inconsistent with the provisions of the Purchase Agreement, the provisions of the Purchase Agreement shall govern.

4. Binding Effect; Assignment. This Bill of Sale shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns.

5. Governing Law. This Bill of Sale shall be governed by and construed in accordance with the federal bankruptcy law, to the extent applicable, and, where state law is implicated, the laws of the State of Delaware without regard to any conflict of laws rules thereof that might indicate the application of the laws of any other jurisdiction.

6. Defined Terms; Conflicts. Initial capitalized terms used but not defined herein shall have the meanings ascribed to them in the Purchase Agreement.

7. Counterparts. This Bill of Sale may be executed in original form or by electronic means (including via facsimile or PDF) in any number of counterparts, which together shall constitute one and the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have executed and delivered, or have caused to be executed and delivered by its duly authorized officer, this Bill of Sale as of the day and year first written above.

SELLERS:

Palm Harbor Homes, Inc., a Florida corporation

By: ______________________________
Name: ______________________________
Title: ______________________________

Palm Harbor GenPar, LLC, a Nevada limited liability company

By: ______________________________
Name: ______________________________
Title: ______________________________

Palm Harbor Mfg., L.P., a Texas limited partnership

By: Palm Harbor GenPar, LLC, General Partner

By:______________________________
Name:____________________________
Title:_____________________________

Palm Harbor Real Estate, LLC, a Texas limited liability company

By: ______________________________
Name: ______________________________
Title: ______________________________

Nationwide Homes, Inc., a Delaware corporation

By: ______________________________
Name: ______________________________
Title: ______________________________

Palm Harbor Albemarie, LLC, a Delaware corporation

By: ______________________________
Name: ______________________________
Title: ______________________________

PURCHASER:

Palm Harbor Homes, Inc., a Delaware corporation

By: ______________________________
Name: ______________________________
Title: ______________________________

EXHIBIT B

Form of Assignment and Assumption Agreement

See Attached

ASSIGNMENT AND ASSUMPTION AGREEMENT

This Assignment and Assumption Agreement, dated as of ___________ __, 2011 ("Agreement"), is entered into by and among Palm Harbor Homes, Inc., a Florida corporation ("ParentCo"), and each of its subsidiaries listed on the signature pages hereto (together with ParentCo, collectively, "Sellers"), and Palm Harbor Homes, Inc., a Delaware corporation ("Purchaser").

WHEREAS, Purchaser and Sellers are parties to that certain Asset Purchase Agreement dated as of __________ __, 2010 (the "Purchase Agreement"), which provides, as a closing condition, that Purchaser and Sellers execute and deliver this Agreement; and

WHEREAS, pursuant to the Purchase Agreement, Sellers desire to transfer to Purchaser all right, title and interest in and to the intangible personal property included in the Transferred Assets, including all of Sellers' right, title and interest in, to and under the Assumed Contracts, subject to the terms and conditions set forth in the Purchase Agreement.

NOW, THEREFORE, in consideration of the mutual promises made herein and other good and valuable consideration, the receipt and sufficiency of which are hereby mutually acknowledged, the parties hereto agree as follows:

1. Assignment. Sellers hereby sell, assign, convey, transfer and deliver unto Purchaser, effective as of the Effective Time, all right, title and interest in and to the intangible personal property included in the Transferred Assets (the "Intangible Transferred Assets"), including all of Sellers' right, title and interest in, to and under the Assumed Contracts, free and clear of any Encumbrance, other than Permitted Encumbrances. Sellers shall execute and deliver all such further instruments and further assurances, and shall take all such further acts as may be reasonably requested by Purchaser in order to sell, assign, convey, transfer and deliver the Intangible Transferred Assets to the Purchaser as contemplated herein and in the Purchase Agreement.

2. Assumption. Purchaser hereby assumes and agrees to pay, perform, satisfy and discharge when due all Assumed Liabilities. Purchaser shall not assume the Excluded Liabilities, which shall remain the obligation of Sellers and their respective successors and assigns. Purchaser shall execute and deliver all such further instruments and further assurances, and shall take all such further acts as may be reasonably requested by Sellers in order to assume the Assumed Liabilities.

3. Construction. This Agreement is subject to the terms and conditions of the Purchase Agreement, and shall not in any way modify, amend, rescind, waive, expand, reduce, replace or supersede any of the representations, warranties, covenants or agreements of Sellers and Purchaser contained in the Purchase Agreement. To the extent that any provision of this Agreement is inconsistent with the provisions of the Purchase Agreement, the provisions of the Purchase Agreement shall govern.

4. Binding Effect; Assignment. This Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors, assigns, heirs and legal representatives.

5. Governing Law. This Agreement shall be governed by and construed in accordance with the federal bankruptcy law, to the extent applicable, and, where state law is implicated, the laws of the State of Delaware without regard to any conflict of laws rules thereof that might indicate the application of the laws of any other jurisdiction.

6. Defined Terms; Conflicts. Initial capitalized terms used but not defined herein shall have the meanings ascribed to them in the Purchase Agreement. The agreements, covenants and terms contained herein are subject to the terms and provisions of, and the rights and obligations of the parties under, the Purchase Agreement.

7. Counterparts. This Agreement may be executed in original form or by electronic means (including via facsimile or PDF) in any number of counterparts, which together shall constitute one and the same instrument.

[Remainder of Page Intentionally Left Blank]

IN WITNESS WHEREOF, the parties have each executed and delivered, or have caused to be executed and delivered by its duly authorized officer, this Assignment and Assumption Agreement as of the day and year first written above.

SELLERS:

Palm Harbor Homes, Inc., a Florida corporation

By: ________________________
Name: ________________________
Title: ________________________

Palm Harbor GenPar, LLC, a Nevada limited liability company

By: ________________________
Name: ________________________
Title: ________________________

Palm Harbor Mfg., L.P., a Texas limited partnership

By: Palm Harbor GenPar, LLC, General Partner

By:________________________
Name:________________________
Title:________________________

Palm Harbor Real Estate, LLC, a Texas limited liability company

By: ________________________
Name: ________________________
Title: ________________________

Nationwide Homes, Inc., a Delaware corporation

By: ________________________
Name: ________________________
Title: ________________________

Palm Harbor Albemarie, LLC, a Delaware corporation

By: ______________________________
Name: ______________________________
Title: ______________________________

PURCHASER:

Palm Harbor Homes, Inc., a Delaware corporation

By: ______________________________
Name: ______________________________
Title: ______________________________

EXHIBIT C

Bidding Procedures Order

See Attached

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
PALM HARBOR HOMES, INC., et al.,[1]	)	Case No. 10-_____ (___)
	)	
Debtors.	)	Jointly Administered
	)	

ORDER (A) APPROVING BID PROCEDURES; (B) APPROVING A BREAK-UP FEE AND EXPENSE REIMBURSEMENT; (C) APPROVING THE STALKING HORSE PURCHASER'S RIGHT TO CREDIT BID; (D) APPROVING THE FORM AND MANNER OF NOTICES; (E) APPROVING THE PROCEDURES FOR THE ASSUMPTION AND ASSIGNMENT OF CONTRACTS AND LEASES; AND (F) SETTING A SALE HEARING

Upon the motion (the "Motion")[2] of the above-captioned debtors (collectively, the "Debtors") for the entry of an order (the "Order") (a) approving Bid Procedures; (b) approving a Break-Up Fee and Expense Reimbursement; (c) approving the Stalking Horse Purchaser's right to Credit Bid; (d) approving the form and manner of notices; (e) approving the procedures for the assumption and assignment of contracts and leases, and (f) setting a Sale Hearing; it appearing that the relief requested is in the best interests of the Debtors' estates, their creditors and other parties in interest; the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; notice of the Motion having been adequate and

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Palm Harbor Homes, Inc., a Florida corporation (6634); Palm Harbor Albemarle, LLC (1014); Nationwide Homes, Inc. (4881); Palm Harbor Real Estate, LLC (8234); Palm Harbor GenPar, LLC (0198); and Palm Harbor Manufacturing, LP (0199). The location of the Debtors' corporate headquarters and service address is: 15303 Dallas Parkway, Suite 800, Addison, Texas 75001.

[2] Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Motion. In the event there is a conflict between this Order and the Motion or the Stalking Horse Agreement, this Order shall control and govern.

appropriate under the circumstances; and after due deliberation and sufficient cause appearing therefor:

THE COURT HEREBY FINDS THAT:[3]

A. This Court has jurisdiction over the Motion pursuant to 28 U.S.C. § 1334. This proceeding is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper in this District and in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

B. The statutory bases for the relief requested in the Motion are (i) sections 105, 363, 503 and 507 of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code"), (ii) Rules 2002(a)(2), 6004, 6006, 9007 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and (iii) Rules 6004-1 and 9013-1(m) of the Local Rules for the United States Bankruptcy Court for the District of Delaware (the "Local Bankruptcy Rules").

C. Notice of the Motion has been given to: (i) the United States Trustee for the District of Delaware; (ii) the United States Attorney for the District of Delaware; (iii) the Internal Revenue Service; (iv) the Securities and Exchange Commission; (v) the Debtors' thirty largest unsecured creditors on a consolidated basis; (vi) counsel to the Committee (if one is appointed); (vii) counsel to the DIP Lender and the Stalking Horse Purchaser; (viii) counsel to Textron, the Debtors' prepetition lender; (ix) each of the Debtors' cash management banks; (x) all persons or entities known to be asserting a lien on any of the Transferred Assets; (xi) all persons or entities known to have expressed an interest in acquiring any of the Transferred Assets; (xii) all persons or entities who have requested notice pursuant to Bankruptcy Rule 2002.

---

[3] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

D. The Debtors have articulated good and sufficient reasons for this Court to: (i) approve the Bid Procedures; (ii) set the Sale Hearing and approve the manner of notice of the Motion and the Sale Hearing; (iii) approve the Stalking Horse Purchaser's right to credit bid; (iv) approve the procedures for the assumption and assignment of Assumed Contracts, including notice of proposed cure amounts; and (v) grant certain bid protections as provided in the Stalking Horse Agreement and in this Order.

E. The Expense Reimbursement and the Break-Up Fee shall be paid in accordance with the Stalking Horse Agreement, and (i) if triggered, shall be deemed actual and necessary costs and expenses of preserving the Debtors' estates within the meaning of sections 503 and 507(b) of the Bankruptcy Code; (ii) are commensurate to the real and substantial benefit conferred upon the Debtors' estates by the Stalking Horse Purchaser; (iii) are reasonable and appropriate, including in light of the size and nature of the Asset Sale and the efforts that have been or will be expended by the Stalking Horse Purchaser notwithstanding that the proposed Asset Sale is subject to higher or otherwise better offers for the Transferred Assets; (iv) were negotiated by the parties at arm's length and in good faith; and (v) are necessary to ensure that the Stalking Horse Purchaser will continue to pursue its proposed acquisition of the Transferred Assets. The Expense Reimbursement and Break-Up Fee also induced the Staking Horse Purchaser to submit a bid that will serve as a minimum floor bid on which the Debtors, their creditors and other bidders may rely. The Stalking Horse Bidder has provided a material benefit to the Debtors and their creditors by increasing the likelihood that the Debtors will receive the best possible value for the Acquired Assets.

F. The Bid Procedures are reasonable and appropriate and represent the best method for maximizing value for the benefit of the Debtors' estates.

THE COURT HEREBY ORDERS THAT:

1. The Motion is granted as provided herein.

2. The Bid Procedures, in the form attached to this Order as Exhibit A, are hereby approved in their entirety and incorporated herein by reference.

3. The bid protections provided in the Motion are approved. Specifically, the Court approves the Expense Reimbursement and the Break-Up Fee provided for the Stalking Horse Purchaser pursuant to the Stalking Horse Agreement.

4. The Debtors are authorized to enter into and execute the Stalking Horse Agreement and to perform such obligations under the Stalking Horse Agreement as expressly authorized under this Order. The Debtors are further authorized to take any and all actions necessary to implement the Bid Procedures and to conduct an Asset Sale by Auction of the Transferred Assets pursuant to the Bidding Procedures and the terms of this Order. The proposed sale of the Transferred Assets, the proposed assumption and assignment of the Assumed Contracts, the Auction and the Sale Hearing shall be conducted in accordance with the provisions of this Order and the Bidding Procedures.

5. The Stalking Horse Purchaser shall, subject to the terms of the Stalking Horse Agreement, be deemed a Qualified Bidder pursuant to the Bidding Procedures, and shall be authorized to include in its bid a credit equal to the amount of the outstanding balance of the DIP Facility at the time of Closing, as more fully set forth in Section 1.6(a) of the Stalking Horse Agreement (the "Credit Bid").

Break-Up Fee and Expense Reimbursement

6. The Debtors' obligation to pay the Break-Up Fee and the Expense Reimbursement shall survive termination of the Stalking Horse Agreement. A Break-Up

Fee of $1,100,000, and an Expense Reimbursement of up to $250,000 in the aggregate, shall (i) only be payable by the Debtors to the Stalking Horse Purchaser immediately upon the closing of an Asset Sale with a Successful Bidder that is not the Stalking Horse Purchaser; (ii) be paid out of the proceeds of the Asset Sale; and (iii) have priority as an administrative expense in the Debtors' cases under sections 503(b) and 507(a) of the Bankruptcy Code.

The Auction

7. As further described in the Bid Procedures, if more than one Qualified Bid is received by the Bid Deadline (other than the Stalking Horse Agreement), the Debtors will conduct the Auction at 10:00 a.m. (prevailing Eastern time) on January 25, 2011, at the offices of the Debtors' Delaware counsel, Polsinelli Shughart PC, 222 Delaware Avenue, Suite 1101, Wilmington DE 19801 or such later time on such day or other place as the Debtors shall notify all Qualified Bidders who have submitted Qualified Bids, if a Qualified Bid is timely received. The Auction shall be transcribed or videotaped.

8. If the Debtors do not receive any Qualified Bids other than the Stalking Horse Bidder's bid pursuant to the Stalking Horse Agreement, an Auction will not be held and the Stalking Horse Bidder will be named the Successful Bidder.

9. All bidders submitting a Qualified Bid are deemed to have consented to the core jurisdiction of the Bankruptcy Court and waived any right to a jury trial in connection with any disputes relating to the Stalking Horse Agreement, the Auction, or the construction and enforcement of any Competing Transaction Documents.

10. The Debtors will be deemed to have accepted the Successful Bid only when such bid has been approved by the Court at the Sale Hearing.

Assumption and Assignment Notices & Procedures

11. By December 22, 2010, the Debtors shall send a notice to each counterparty to an Assumed Contract ("Contract Counterparty") setting forth the Debtors' calculation of the cure amount, if any, that would be owing to such Contract Counterparty if the Debtors assume or assume and assign such executory contract or unexpired lease, and alerting such Contract Counterparty that their contract may be assumed and assigned to the Successful Bidder (the "Cure and Possible Assumption and Assignment Notice"). Any Contract Counterparty that objects to the cure amount set forth in the Cure and Possible Assumption and Assignment Notice or the possible assignment of their executory contract or unexpired lease must file an objection (a "Cure or Assignment Objection") on or before 4:00 p.m. prevailing Eastern Time on January 11, 2011 (the "Cure or Assignment Objection Deadline"). All Cure or Assignment Objections shall: (a) be in writing; (b) state with specificity the cure amount that the counterparty believes is required; (c) comply with the Bankruptcy Rules and Local Rules; (d) be filed with the Clerk of the United States Bankruptcy Court for the District of Delaware, 824 Market Street, 3rd Floor, Wilmington, DE 19801, by the Cure or Assignment Objection Deadline; and (e) be served on: (i) counsel for the Debtors, Locke Lord Bissell & Liddell, LLP, 111 S. Wacker Drive, Chicago, IL 60606, Attn.: David W. Wirt and Aaron C. Smith, and Polsinelli Shughart PC, 222 Delaware Avenue, Suite 1101, Wilmington, Delaware 19801, Attn Christopher A. Ward; (ii) counsel for the Stalking Horse Purchaser, Snell & Wilmer, LLP, One Arizona Center, Phoenix, AZ 85004-2202, Attn: Christopher H. Bayley and Donald F. Ennis, and Ashby Geddes, 500 Delaware Avenue, P.O. Box 1150, Wilmington, DE 19899, Attn: William P. Bowden; and (iii)

counsel for the Committee (if appointed), so that it is actually received no later than the Cure or Assignment Objection Deadline.

12. Unless a Contract Counterparty timely files and serves a Cure or Assignment Objection, that Contract Counterparty shall: (a) be forever barred from objecting to the Debtors' proposed Cure Amount and from asserting any additional cure, damages, or other amounts with respect to the Assumed Contract, and the Debtors and Stalking Horse Purchaser (or the Successful Bidder) shall be entitled to rely solely upon the proposed Cure Amounts set forth in the Cure and Possible Assumption and Assignment Notice; (b) be deemed to have consented to the proposed assumption and assignment of the Assumed Contract; and (c) be forever barred and estopped from asserting or claiming against the Debtors or Stalking Horse Purchaser (or the Successful Bidder) that any other defaults exist, that conditions to assignment must be satisfied under such Assumed Contract or that there is any objection or defense to the assumption and assignment of such Assumed Contract.

13. Where a Contract Counterparty to an Assumed Contract files a timely Cure or Assignment Objection asserting a higher cure amount than the amount listed in the Cure and Possible Assumption and Assignment Notice, or objecting to the possible assignment of that counterparty's Assumed Contract, and the parties are unable to consensually resolve the dispute, the amount to be paid under section 365 of the Bankruptcy Code (if any) or, as the case may be, the Debtors' ability to assign the Assumed Contract to the Successful Bidder, will be determined at the Sale Hearing. Pending a ruling on such objection, if not made at the Sale Hearing, an amount necessary to pay the Cure Amount will be reserved and paid upon entry of an order determining the correct Cure Amount (if any) and approving the assignment of the Assumed Contract to the Successful Bidder.

Notice of the Sale Process

14. The notices, in substantially the same forms as annexed to the Motion as Exhibit [ ] (the "Sale Notice"), Exhibit [__] (the "Creditor Notice"), and Exhibit [__] (the "Bid Procedures Notice") and to the Bid Procedures as Exhibit 2 (the Cure and Possible Assumption and Assignment Notice), are sufficient to provide effective notice to all interested parties of the Bidding Procedures, the Auction, the Sale Hearing and the Assignment Procedures, pursuant to Bankruptcy Rules 2002(a)(2), 6004 and 6006, and are hereby approved.

15. Within two (2) business days after entry of this Order, the Debtors (or their agents) shall serve the Sale Notice by first-class mail upon: (a) the United States Trustee for the District of Delaware; (b) the United States Attorney for the District of Delaware; (c) the Internal Revenue Service; (d) the Securities and Exchange Commission; (e) the Debtors' thirty largest unsecured creditors on a consolidated basis; (f) counsel to the Committee (if one is appointed); (g) counsel to the DIP Lender and the Stalking Horse Purchaser; (h) counsel to Textron, the Debtors' prepetition lender; (i) each of the Debtors' cash management banks; (j) all persons or entities known to be asserting a lien on any of the Transferred Assets; (k) all persons or entities known to have expressed an interest in acquiring any of the Transferred Assets; and (l) all persons or entities who have requested notice pursuant to Bankruptcy Rule 2002.

16. The Debtors shall publish the Bid Procedures Notice once in the *USA Today* within five (5) business days after entry of this Order.

17. Within two (2) business days after entry of this Order, the Debtors (or their agents) shall serve the Creditor Notice on all of the parties set forth on the Debtors' creditor matrix who were not served with a Sale Notice.

The Sale Hearing

18. The Sale Hearing will be conducted on February 2, 2011 at 10:00 a.m. (prevailing Eastern time). The Debtors will seek entry of an order of the Court at the Sale Hearing approving and authorizing the sale of the Transferred Assets to the Stalking Horse Purchaser or, as the case may be, the Successful Bidder. The Sale Hearing may be continued from time to time without further notice other than such announcement being made in open court or a notice of adjournment filed with the Court and served on the Notice Parties.

Objections to the Sale

19. Objections, if any, to the relief requested in the Motion relating to the Asset Sale (except for any objection that arises at the Auction) must: (a) be in writing and filed with the Court no later than 4:00 p.m. (prevailing Eastern time) on January 31, 2011; and (b) be served so that it is actually received no later than 4:00 p.m. (prevailing Eastern time) on January 31, 2011 by (i) counsel for the Debtors, Locke Lord Bissell & Liddell, LLP, 111 S. Wacker Drive, Chicago, IL 60606, Attn.: David W. Wirt and Aaron C. Smith, and Polsinelli Shughart PC, 222 Delaware Avenue, Suite 1101, Wilmington, Delaware 19801, Attn Christopher A. Ward; (ii) counsel for the Stalking Horse Purchaser, Snell & Wilmer, LLP, One Arizona Center, Phoenix, AZ 85004-2202, Attn: Christopher H. Bayley and Donald F. Ennis, and Ashby Geddes, 500 Delaware Avenue, P.O. Box 1150, Wilmington, DE 19899, Attn: William P. Bowden; and (iii) counsel for the Committee (if appointed).

20. The Stalking Horse Purchaser shall have standing to appear and be heard before this Court in connection with all matters relating to the selection of a Successful

Bidder or Qualified Bidder, the Bid Procedures, the Expense Reimbursement and Break-Up Fee, and the Auction.

Other Relief Granted

21. All objections to the relief requested in the Motion (and all reservations of rights included therein) that have not been withdrawn, waived, or settled as announced to the Court at the hearing on the Motion or by stipulation filed with the Court, are overruled.

22. To the extent that any chapter 11 plan confirmed in these cases or any order confirming any such plan or any other order in these cases (including any order entered after any conversion of these cases to one or more cases under chapter 7 of the Bankruptcy Code) alters, conflicts with or derogates from the provisions of this Order, the provisions of this Order shall control. The Debtors' obligations under this Order, including the obligation to pay the Break-Up Fee and the Expense Reimbursement, survive confirmation of any plan of reorganization or discharge of claims thereunder and shall be binding upon the Debtors, and the reorganized or reconstituted debtors, as the case may, after the effective date of a confirmed plan or plans in the Debtors' cases.

23. Nothing in this Order, the Stalking Horse Agreement or the Motion shall be deemed to or constitute the assumption or assignment of an executory contract or unexpired lease.

24. All time periods set forth in this Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

25. The Debtors are hereby authorized to conduct the Asset Sale without the necessity of complying with any state or local bulk transfer laws or requirements.

26. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

27. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry, notwithstanding any provision in the Bankruptcy Rules or the Local Rules to the contrary, and the Debtors may, in their discretion and without further delay, take any action and perform any act authorized under this Order.

28. The Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Date: ________________, 2010

____
United States Bankruptcy Judge

EXHIBIT A

BID PROCEDURES

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
PALM HARBOR HOMES, INC., et al.,[1]	)	Case No. 10-_____ (___)
	)	
Debtors.	)	Jointly Administered
	)	

BID PROCEDURES

Set forth below are the bid procedures (the "Bid Procedures")[2] to be employed with respect to the proposed sale of substantially all of the assets and operations (the "Transferred Assets") of the Debtors (the "Transaction"). It is contemplated that the Transaction will be implemented through an asset purchase agreement (the "Stalking Horse Agreement") entered into by and among the Debtors and Palm Harbor Homes, Inc., a Delaware corporation (the "Stalking Horse Purchaser"), subject to the receipt of higher or otherwise better bids and the corresponding entry into a sale agreement with a Successful Bidder (as defined below) according to these Bid Procedures.

I.
Important Dates

(All times are prevailing Eastern time)

- **December 22, 2010:** Debtors to send (i) Cure and Possible Assumption and Assignment Notices to All Lease and Contract Counterparties; and (ii) Notice of the Sale
- **January 11, 2011 at 4:00 p.m.:** Cure or Assignment Objection Deadline
- **January 18, 2011 at 4:00 p.m.:** Deadline to submit Bid to be considered for the Auction
- **January 25, 2011 at 10:00 a.m.:** Proposed date of Auction
- **January 27, 2011:** Debtors to file notice of Successful Bidder and Contract Assignment Notice
- **January 31, 2011 at 4:00 p.m.:** Deadline to file and serve objections to relief requested at Sale Hearing (except for any objection that arises at the Auction)
- **February 2, 2011 at 10:00 a.m.:** Proposed date of Sale Hearing

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[1] The Debtors in these jointly administered chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Palm Harbor Homes, Inc., a Florida corporation (6634); Palm Harbor Albemarle, LLC (1014); Nationwide Homes, Inc. (4881); Palm Harbor Real Estate, LLC (8234); Palm Harbor GenPar, LLC (0198); and Palm Harbor Manufacturing, LP (0199). The location of the Debtors' corporate headquarters and service address is: 15303 Dallas Parkway, Suite 800, Addison, Texas 75001.

[2] Capitalized terms used but not defined herein shall have the meanings set forth in the motion to approve these Bid Procedures (the "Bid Procedures Motion").

II.
Approval of Bid Procedures and Bid Protections

The Debtors shall request that the Court set a hearing (the "Bid Procedures Hearing") to occur on or before December 20, 2010 to approve, among other things, the Bid Procedures and the bid protections set forth below. Any party in interest that wishes to oppose the entry of an order (the "Bid Procedures Order") approving the Bid Procedures or the bid protections must file with the Court a written objection pursuant to applicable Bankruptcy Rules and Local Bankruptcy Rules on or before 4:00 p.m. (prevailing Eastern time) December 15, 2010 (the "Bid Procedures Objection Deadline").

III.
Marketing Process

A. Contact Parties

The Debtors, in consultation with Raymond James & Associates, Inc. ("Raymond James") have developed a list of parties who the Debtors believe may potentially be interested in, and who the Debtors reasonably believe would have the financial resources to, consummate a competing Transaction to that of the Stalking Horse Purchaser (a "Competing Transaction"), which list includes both potential strategic investors, private equity firms, hedge funds, other institutional investors, asset liquidation firms and holders of the Debtors' prepetition debt (each, individually, a "Contact Party", and collectively, the "Contact Parties"). The Debtors and Raymond James have been in the process of contacting the Contact Parties to explore their interest in pursuing a Competing Transaction. The Contact Parties may include parties whom the Debtors or their advisors have previously contacted regarding a Transaction, regardless of whether such parties expressed any interest, at such time, in pursuing a Transaction. The Debtors will continue to discuss and may, in their sole discretion, supplement the list of Contact Parties throughout the marketing process, as appropriate.

The Debtors may distribute to each Contact Party an "Information Package," which is comprised of:

(a) A cover letter;

(b) A copy of these Bid Procedures; and

(c) A copy of the confidentiality agreement attached hereto as Exhibit 1 (the "Confidentiality Agreement").

Parties interested in conducting due diligence regarding the Debtors and receiving an Information Package should contact the Debtors' investment bankers, Raymond James & Associates, Inc., 277 Park Avenue, 4th Floor, New York, NY 10172, Attn: Rob Schwarz or Raj Singh, rob.schwarz@raymondjames.com and raj.singh@raymondjames.com.

B. Access to Diligence Materials

To participate in the bidding process and to receive access to any materials relating to the Debtors (the "Diligence Materials"), a party must submit to the Debtors an executed Confidentiality Agreement or an executed Confidentiality Agreement as amended in form and substance satisfactory to the Debtors in their sole discretion. At the reasonable business judgment of the Debtors, those parties that have executed a confidentiality agreement prior to the approval of these Bid Procedures may not have to execute a Confidentiality Agreement.

A Contact Party that executes a Confidentiality Agreement or otherwise is deemed qualified by the Debtors in their sole discretion may qualify for access to the Diligence Materials and shall be a "Preliminarily Interested Investor."

All requests for Diligence Materials must be directed to Raymond James.

For any Preliminary Interested Investor who is a competitor of the Debtors or is affiliated with any competitor of the Debtors, the Debtors reserve the right to withhold any Diligence Materials that the Debtors determine are business-sensitive or otherwise not appropriate for disclosure to such Preliminary Interested Investor.

C. Auction Qualification Process

To be eligible to participate in the Auction, each offer, solicitation or proposal (each, a "Bid"), and each party submitting such a Bid (each, a "Bidder"), shall be determined by the Debtors to satisfy each of the following conditions:

(1) Good Faith Deposit: Each Bid (other than the Bid from the Stalking Horse Purchaser) must be accompanied by a deposit to an interest bearing escrow account to be identified and established by the Debtors in an amount that is the lesser of (i) $5,000,000, or (ii) 10% of the proposed purchase price, (the "Good Faith Deposit").

(2) Terms: Bids(s) must be on terms that, in the Debtors' business judgment, are higher or otherwise better than the terms of the Stalking Horse Agreement. A Bid must include executed transaction documents pursuant to which the Bidder proposes to effectuate the Competing Transaction (the "Competing Transaction Documents"). A Bid shall include a copy of the Stalking Horse Agreement marked to show all changes requested by the Bidder (including those related to purchase price). A Bid should propose a Competing Transaction involving substantially all of the Debtors' assets or operations. The Debtors shall evaluate all Bids to determine whether such Bid(s) maximizes the value of the Debtors' estates as a whole. A Bid to purchase substantially all of the Debtors' assets must propose a purchase price equal to the purchase price under the Stalking Horse Agreement, plus at least: (i) $300,000 (the "Initial Overbid"); (ii) $1,100,000, which represents the amount of the break-up fee to the Stalking Horse Purchaser (the "Break-Up Fee"); and (iii) $250,000, which represents the amount of the Expense Reimbursement (as defined below). The Competing Transaction Documents shall also identify any executory

contracts and unexpired leases of the Debtors that the Bidder wishes to have assumed and assigned to it (collectively, the "Assumed Contracts").

(3) Corporate Authority: Written evidence reasonably acceptable to the Debtors demonstrating appropriate corporate authorization to consummate the proposed Competing Transaction; provided, however, that, if the Bidder is an entity specially formed for the purpose of effectuating the Competing Transaction, then the Bidder must furnish written evidence reasonably acceptable to the Debtors of the approval of the Competing Transaction by the equity holder(s) of such Bidder.

(4) Proof of Financial Ability to Perform: Written evidence that the Debtors reasonably conclude demonstrates that the Bidder has the necessary financial ability to close the Competing Transaction and provide adequate assurance of future performance under all Assumed Contracts. Such information should include, *inter alia,* the following:

  (a) contact names, email addresses and telephone numbers for verification of financing sources,

  (b) evidence of the Bidder's internal resources and proof of any debt or equity funding commitments that are needed to close the Competing Transaction;

  (c) the Bidder's current financial statements (audited if they exist); and

  (d) any such other form of financial disclosure or credit-quality support information or enhancement reasonably acceptable to the Debtors demonstrating that such Bidder has the ability to close the Competing Transaction; provided, however, that the Debtors shall determine, in their sole discretion, in consultation with the Debtors' advisors, whether the written evidence of such financial wherewithal is reasonably acceptable, and shall not unreasonably withhold acceptance of a Bidder's financial qualifications.

(5) Contingencies: A Bid may not be conditioned on obtaining financing or any internal approval, or on the outcome or review of due diligence, but may be subject to the accuracy in all material respects at the closing of specified representations and warranties.

(6) Irrevocable: A Bid must be irrevocable until the closing of the Auction, provided, however, that if such Bid is accepted as the Successful Bid or the Backup Bid (as defined herein), such bid shall continue to remain irrevocable, subject to the terms and conditions of the Bid Procedures.

(7) Bid Deadline: The Debtors must receive a Bid in writing, on or before January 18, 2011 at 4:00 p.m. (prevailing Eastern time) or such later date as may be agreed to by the Debtors (the "Bid Deadline"). To be considered, Bids must be sent to the following at or before the Bid Deadline: (i) counsel for the Debtors, Locke Lord Bissell & Liddell, LLP, 111 S. Wacker Drive, Chicago, IL 60606, Attn: David W. Wirt and Aaron C. Smith, and Polsinelli Shughart PC, 222 Delaware

Avenue, Suite 1101, Wilmington, Delaware 19801, Attn: Christopher A. Ward; (ii) counsel to the Stalking Horse Purchaser, Snell & Wilmer L.L.P., One Arizona Center, Phoenix, AZ 85004-2202, Attn: Christopher H. Bayley and Donald F. Ennis, and Ashby & Geddes, P.A., 500 Delaware Avenue, 8th Floor, Wilmington, DE 19801, Attn: William P. Bowden; (iii) investment bankers for the Debtors, Raymond James & Associates, Inc., 277 Park Ave., Ste. 410, New York, NY 10172, Attn: Raj Singh and Rob Schwartz; (iv) restructuring advisors for the Debtors, Alvarez & Marsal North America, LLC, 2100 Ross Avenue, 21st Floor, Dallas, TX 75201, Attn: Brian Cejka; (v) counsel for the Committee, if one is appointed; and (vi) financial advisors to the Committee, if one is appointed.

A Bid received from a Bidder before the Bid Deadline that meets the above requirements shall constitute a "Qualified Bid," and such Bidder shall constitute a "Qualified Bidder." Notwithstanding the foregoing definitions, the Stalking Horse Agreement constitutes the Qualified Bid of the Stalking Horse Bidder, and the Stalking Horse Bidder is a Qualified Bidder.

IV.
Auction

If one or more Qualified Bid is received by the Bid Deadline (other than the Stalking Horse Agreement), the Debtors will conduct an auction (the "Auction") to determine the highest or otherwise best Qualified Bid. This determination shall take into account any factors the Debtors reasonably deem relevant to the value of the Qualified Bid to the Debtors' estates, including, *inter alia,* the following: (i) the amount and nature of the consideration; (ii) the proposed assumption of any liabilities and/or executory contracts or unexpired leases, if any; (iii) the ability of the Qualified Bidder to close the proposed Transaction; (iv) the proposed closing date and the likelihood, extent and impact of any potential delays in closing, including owing to regulatory uncertainty; (v) any purchase price adjustments; (vi) the impact of the Transaction on any actual or potential litigation; and (vii) the net after-tax consideration to be received by the Debtors' estates (collectively, the "Bid Assessment Criteria"). If no Qualified Bid (other than the Stalking Horse Agreement) is received by the Bid Deadline, the Debtors may determine not to conduct the Auction.

The Auction shall take place at 10:00 a.m. (prevailing Eastern time) on January 25, 2011 at the offices of Debtors' Delaware counsel, Polsinelli Shughart, 222 Delaware Avenue, Suite 1101, Wilmington, DE 19801 or such later time on such day or other place as the Debtors shall notify all Bidders who have submitted Qualified Bids. The Auction shall be transcribed and shall be conducted according to the following procedures:

A. The Debtors Shall Conduct the Auction.

The Debtors and their professionals shall direct and preside over the Auction. At the start of the Auction, the Debtors shall describe the terms of the Stalking Horse Agreement or, in the event a higher or otherwise better Bid is received, such Qualified Bid (the "Auction Baseline Bid"). All Qualified Bids made after the announcement of the Auction Baseline Bid shall be Overbids (as defined below), and shall be made and received on an open basis, and all material terms of each Overbid shall be fully disclosed to all Bidders who have submitted Qualified Bids.

The Debtors shall maintain a transcript of all Bids made and announced at the Auction, including the Auction Baseline Bid and all Overbids.

The Debtors intend to auction the Transferred Assets in bulk at the Auction in order to determine the highest or otherwise best Bid(s). However, in the event that an Overbid (as defined below) is submitted for less than substantially all of the Debtors' assets, or the Overbid consists of an aggregate of two or more Bids submitted for less than substantially all of the Debtors' assets, the Debtors reserve their right to review such Overbid(s) and determine, in their sole discretion, whether such Overbid(s) nevertheless constitutes a better offer than the Auction Baseline Bid or the then-prevailing Overbid.

B. Terms of Overbids.

An "Overbid" is any Bid made at the Auction subsequent to the Debtors' announcement of the Auction Baseline Bid. To submit an Overbid for purposes of this Auction, a Bidder must comply with the following conditions:

(1) **Minimum Overbid Increment.**

Any Overbid after the Auction Baseline Bid shall be made in increments of at least $100,000 (the "Minimum Overbid Increment"); provided that the Debtors shall retain the right to modify the bid increment requirements at the Auction as they may deem appropriate. Additional consideration in excess of the amount set forth in the Auction Baseline Bid may include cash, the assumption of debt or marketable securities, a credit bid under section 363(k) of the Bankruptcy Code of an allowed secured claim of Fleetwood Homes, Inc. or its assignee, other consideration as the Debtors may value in their sole discretion, or any combination thereof.

(2) **Remaining Terms are the Same as for Qualified Bids.**

Except as modified herein, an Overbid must comply with the conditions for a Qualified Bid set forth above, provided, however, that: (i) the Bid Deadline shall not apply; (ii) an Overbid may be submitted for less than substantially all of the Debtors' assets; and (iii) an Overbid may consist of an aggregate of two or more Bids submitted for less than substantially all of the Debtors' assets, provided that all such bidders remain subject to the anti-collusive bidding provisions of section 363(n) of the Bankruptcy Code. Any Overbid must remain open and binding on the Bidder(s) until and unless the Debtors accept a higher or otherwise better Overbid, subject to the requirements of the Backup Bid (as defined below).

To the extent not previously provided (which shall be determined by the Debtors), a Bidder submitting an Overbid must submit, as part of its Overbid, written evidence (in the form of financial disclosure or credit-quality support information or enhancement reasonably acceptable to the Debtors) demonstrating such Bidder's ability to close the Competing Transaction proposed by such Overbid.

(3) **Announcing Overbids.**

The Debtors shall announce at the Auction the material terms of each Overbid, the total consideration offered in each such Overbid and the resulting benefit to the Debtors' estates based on, *inter alia,* the Bid Assessment Criteria.

(4) **Consideration of Overbids.**

The Debtors reserve the right to make one or more adjournments in the Auction to, among other things: facilitate discussions between the Debtors and individual Bidders; allow individual Bidders to consider how they wish to proceed; and give Bidders the opportunity to provide the Debtors with such additional evidence as the Debtors may require that the Bidder has sufficient internal resources, or has received sufficient non-contingent debt and/or equity funding commitments, to consummate the proposed Competing Transaction at the prevailing Overbid amount.

C. Backup Bidder.

Notwithstanding anything in the Bid Procedures to the contrary, if an Auction is conducted, the party with the next highest or otherwise best Qualified Bid(s) at the Auction, as determined by the Debtors, in the exercise of their business judgment, shall be required to serve as a backup bidder (the "Backup Bidder"). The Backup Bidder shall be required to keep its initial Bid (or if the Backup Bidder submitted one or more Overbids at the Auction, its final Overbid) (the "Backup Bid") open and irrevocable until the earlier of 5:00 p.m. (prevailing Eastern time) on the date that is twenty (20) days after entry of the Sale Order (the "Outside Backup Date") or the closing of the transaction with the Successful Bidder. Following entry of the Sale Order, if the Successful Bidder fails to consummate an approved transaction, because of a breach or failure to perform on the part of such Successful Bidder, the Debtors may designate the Backup Bidder to be the new Successful Bidder, and the Debtors will be authorized, but not required, to consummate the transaction, with the Backup Bidder without further order of the Bankruptcy Court. In such case, the defaulting Successful Bidder's deposit, if any, shall be forfeited to the Debtors' estates, and the Debtors specifically reserve the right to seek all available damages from the defaulting Successful Bidder. The closing date to consummate the transaction with the Backup Bidder shall be no later than ten (10) days after the date that the Debtors provide notice (the "Notice") to the Backup Bidder that the Successful Bidder failed to consummate an approved Transaction and that the Debtors desire to consummate the transaction with the Backup Bidder. The deposit, if any, of the Backup Bidder shall be held by the Debtors until the earlier of two (2) business days after (a) the closing of the Transaction with the Successful Bidder or (b) the Outside Backup Date, provided however, that in the event the Successful Bidder does not consummate the Transaction as described above and the Debtors provide the Notice to the Backup Bidder, the Backup Bidder's deposit shall be held until the closing of the Transaction with the Backup Bidder. In the event that the Debtors fail to consummate a Transaction with the Backup Bidder as described above, the Backup Bidder's deposit shall be forfeited to the Debtors' estates, and the Debtors specifically reserve the right to seek all available damages from the defaulting Backup Bidder.

D. Additional Procedures.

The Debtors may announce at the Auction modifications or amendments to the procedural rules that are reasonable under the circumstances (e.g., the amount of time to make subsequent Overbids, whether a non-conforming Bid should nevertheless be deemed a Qualified Bid, etc.) for conducting the Auction so long as such rules are not inconsistent with these Bid Procedures.

E. Presence of Qualified Bidder.

Each Qualified Bidder shall appear in person at the Auction, or through a duly authorized representative or agent.

F. As Is, Where Is.

The sale of the Debtors' assets shall be on an "as is, where is" basis without representations or warranties of any kind, nature, or description by the Debtors or the Debtors' estates, except as specifically set forth in the Stalking Horse Agreement or the Competing Transaction Documents. All of the Debtors' right, title, and interest in and to the assets that are the subject of the sale shall be sold free and clear of all liens and encumbrances except as specifically set forth in the Stalking Horse Agreement or the Competing Transaction Documents.

G. Consent to Jurisdiction as Condition to Bidding.

The Stalking Horse Purchaser, all Qualified Bidders, and all other Bidders at the Auction shall be deemed to have consented to the core jurisdiction of the Bankruptcy Court and waived any right to a jury trial in connection with any disputes relating to the Stalking Horse Agreement, the Auction or the construction and enforcement of any Competing Transaction Documents.

H. Closing the Auction.

The Auction shall continue until there is only one Qualified Bid that the Debtors determine in their reasonable business judgment, after consultation with their financial and legal advisors, is the highest or otherwise best Qualified Bid at the Auction (the "Successful Bid" and the Bidder submitting such Successful Bid, the "Successful Bidder"). In making this decision, the Debtors, in consultation with their financial and legal advisors, shall consider the Bid Assessment Criteria. The Auction shall be adjourned at the time that all Bidders who have submitted Qualified Bids have been given a reasonable opportunity to submit an Overbid at the Auction to the then-existing Overbid and the Debtors have determined a Successful Bid. The Auction shall not close until: (i) the Successful Bidder has submitted executed Transaction Documents memorializing the terms of the Successful Bid(s) to the Debtors; and (ii) the Debtors have executed the Transaction Documents within one (1) business day after adjournment of the Auction (but in any event prior to the commencement of the Sale Hearing). Within two (2) business day after the closing of the Auction (but in any event prior to the commencement of the Sale Hearing), the Debtors will file with the Court a notice of Successful Bidder and a notice listing those Assumed Contracts that will be assigned to the Successful Bidder.

The Debtors shall not consider any Bids submitted after the closing of the Auction.

I. Expense Reimbursement and Break-Up Fee.

If the Stalking Horse Purchaser attends the Auction with its Bid in place, and the Stalking Horse Purchaser is outbid, and the Successful Bidder is a party other than the Stalking Horse Purchaser, the Stalking Horse Purchaser shall, without further court order, be entitled to receive (i) reimbursement of the reasonable, actual, out-of-pocket costs and expenses paid or incurred by the Stalking Horse Purchaser directly incident to, under, or in connection with the negotiation and execution of, and performance under, the Stalking Horse Agreement and the transactions contemplated thereunder (including travel expenses and reasonable fees and disbursements of counsel, accountants and financial advisors, excluding any charges for the time or services of the Stalking Horse Purchaser's employees except the Stalking Horse Purchaser's in-house corporate counsel) in an amount not to exceed $250,000 in the aggregate ("Expense Reimbursement"); and (ii) the Break-Up Fee. The Debtors shall pay or cause to be paid the Expense Reimbursement and Break-Up Fee out of the proceeds of the sale within twenty-four (24) hours of receipt of such sale proceeds, both of which shall have priority as administrative expenses in the Debtors' cases under Sections 503(6) and 507(a) of the Bankruptcy Code.

V.

Procedures for Determining Cure Amounts and Adequate Assurance for Counterparties to Assumed Contracts

By December 22, 2011, the Debtors shall send a notice to each counterparty to an executory contract or unexpired lease setting forth the Debtors' calculation of the cure amount, if any, that would be owing to such counterparty if the Debtors decided to assume or assume and assign such executory contract or unexpired lease, and alerting such nondebtor party that their contract may be assumed and assigned to the Successful Bidder (the "Cure and Possible Assumption and Assignment Notice"), a copy of which is attached as Exhibit 2. Any counterparty that objects to the cure amount set forth in the Cure and Possible Assumption and Assignment Notice or the possible assignment of their executory contract or unexpired lease must file an objection (a "Cure or Assignment Objection") on or before 4:00 p.m. prevailing Eastern time on January 11, 2011, which Cure or Assignment Objection must be served on (i) counsel for the Debtors, Locke Lord Bissell & Liddell, LLP, 111 S. Wacker Drive, Chicago, IL 60606, Attn: David W. Wirt and Aaron C. Smith, and Polsinelli Shughart PC, 222 Delaware Avenue, Suite 1101, Wilmington, Delaware 19801, Attn: Christopher A. Ward, (ii) counsel to the Stalking Horse Purchaser, Snell & Wilmer L.L.P., One Arizona Center, Phoenix, AZ 85004-2202, Attn: Christopher H. Bayley and Donald F. Ennis, and Ashby & Geddes, P.A., 500 Delaware Avenue, 8th Floor, Wilmington, DE 19801, Attn: William P. Bowden, and (iii) counsel for the Committee, if one is appointed, so that it is actually received no later than 4:00 p.m. prevailing Eastern time on January 11, 2011. Unless a counterparty timely files and serves a Cure or Assignment Objection, that counterparty shall: (a) be forever barred from objecting to the Debtors' proposed cure amount and from asserting any additional cure, damages, or other amounts with respect to the executory contract or unexpired lease, and the Debtors and Stalking Horse Purchaser (or any Successful Bidder) shall be entitled to rely solely upon the proposed cure amounts set forth in the Cure and Possible Assumption and Assignment Notice; (b) be deemed to have consented to the proposed assumption and assignment; and (c) be forever barred and estopped from asserting or claiming against the Debtors or Stalking Horse Purchaser (or any Successful Bidder) that any other defaults exist, that conditions to assignment must be satisfied under such executory contract or unexpired lease or

that there is any objection or defense to the assumption and assignment of such executory contract or unexpired lease. Where a counterparty to an Assumed Contract files a timely Cure or Assignment Objection asserting a higher cure amount than the amount listed in the Cure and Possible Assumption and Assignment Notice, or an objection to the possible assignment of that counterparty's executory contract or unexpired lease, and the parties are unable to consensually resolve the dispute, the amount to be paid under section 365 of the Bankruptcy Code (if any) or, as the case may be, the Debtors' ability to assign the executory contract or unexpired lease to the Successful Bidder will be determined at the Sale Hearing.

VI.
Sale Hearing

The Debtors will seek a hearing (the "Sale Hearing") on or before February 2, 2011, at which hearing the Debtors will seek approval of the Transaction with the Successful Bidder. Objections to the sale of the Transferred Assets to the Successful Bidder or Backup Bidder must be filed and served so that they are actually received by the Debtors no later than 4:00 p.m. (prevailing Eastern time) on January 31, 2011 (except for any objection that arises at the Auction) on the following: (i) counsel for the Debtors, Locke Lord Bissell & Liddell, LLP, 111 S. Wacker Drive, Chicago, IL 60606, Attn: David W. Wirt and Aaron C. Smith, and Polsinelli Shughart PC, 222 Delaware Avenue, Suite 1101, Wilmington, Delaware 19801, Attn: Christopher A. Ward; (ii) counsel for the Stalking Horse Purchaser, Snell & Wilmer, LLP, One Arizona Center, Phoenix, AZ 85004-2202, Attn: Christopher H. Bayley and Donald F. Ennis, and Ashby Geddes, 500 Delaware Avenue, P.O. Box 1150, Wilmington, DE 19899, Attn: William P. Bowden; and (iii) counsel for the Committee, if one is appointed.

VII.
Return of Good Faith Deposit

The Good Faith Deposits of all Qualified Bidders (other than the Stalking Horse Purchaser, which is not required to submit a Good Faith Deposit) shall be held in one or more interest-bearing escrow accounts by the Debtors, but shall not become property of the Debtors' estates unless explicitly set forth in these Bid Procedures or otherwise ordered by the Court. The Good Faith Deposits of any Qualified Bidder that is neither the Successful Bidder nor the Backup Bidder shall be returned to such Qualified Bidder not later than two (2) business days after the Sale Hearing. The Good Faith Deposit of the Backup Bidder shall be returned to the Backup Bidder on the date that is the earlier of (i) two (2) business days after the closing of the Transaction with the Successful Bidder or (ii) the Outside Backup Date. Upon the return of the Good Faith Deposits, their respective owners shall receive any and all interest that will have accrued thereon. If the Successful Bidder timely closes the winning transaction, its Good Faith Deposit shall be credited towards its purchase price.

EXHIBIT 1

CONFIDENTIALITY AGREEMENT

[Date]

[POTENTIAL PURCHASER]

To Whom It May Concern:

1. Possible Transaction. You have requested or may request certain information which is non-public, confidential or proprietary in nature from Palm Harbor Homes, Inc., *et al.*, having their principal offices at 15303 Dallas Parkway, Suite 800, Addison, Texas 75001 (together, the "Companies") in order to assist in your evaluation of a possible transaction with the Companies involving the purchase of certain assets of the Companies (a "Possible Transaction"). Subject to your delivery of a signed copy of this letter agreement (this "Confidentiality Agreement"), the Companies or their representatives will deliver or make available to you, upon the terms and subject to the conditions set forth in this Confidentiality Agreement, certain information about the assets.

2. Evaluation Material. All information about the Companies or the Possible Transaction furnished or made available by the Companies, their managing members, officers, employees, agents, consultants, financers, investors or advisers (legal, financial, accounting or otherwise) (such persons collectively referred to herein as "Representatives"), including, without limitation any third-party reports or materials that are subject to a confidentiality agreement between Companies or any of its affiliates and a third party, whether furnished before or after the date hereof, whether tangible or intangible and in whatever form or medium provided, whether written or orally furnished or made available, together with all notes, analysis, compilations, studies, summaries, data, interpretations, documents and other materials which contain, reflect or are generated or otherwise derived from such information, are referred to in this Confidentiality Agreement as "Evaluation Material". Evaluation Material does not include, however, information which: (a) is or becomes generally available to the public other than as a result of a disclosure by you or your Representatives; (b) is or becomes available to you on a nonconfidential basis from a source (other than the Companies or its Representatives) not known by you to be prohibited from disclosing such information to you by a legal, contractual or fiduciary obligation, provided that such latter information shall become Evaluation Material at such time as you or your Representatives become aware that the source of such Evaluation Material was prohibited from disclosing the same to you or your Representatives; or (c) you have the Companies' prior written consent to disclose to the identified recipient thereof. As used in this Confidentiality Agreement, the term "person" shall be broadly interpreted to include, without limitation, the media and any companies, partnership, group, limited liability companies, trust, other entity or individual.

3. Confidentiality Undertaking. You agree: (a) except as required by law (including legal or judicial process), the requirements or procedures of any regulatory or government authority or of any recognized securities exchange or listing authority and subject to the provisions of paragraph 5 below, to keep all Evaluation Material strictly confidential and not to disclose or reveal any Evaluation Material to any person other than to those of your Representatives with a need to know the information contained therein for the sole purpose of assisting you in the evaluation, analysis, negotiation, development or consummation of a Possible Transaction and to ensure that those persons are aware of the confidential nature of the Evaluation Material and of the terms of this Confidentiality Agreement; provided, that such Representatives shall have been provided with a copy of this Confidentiality Agreement; and provided, further, that you shall not use Evaluation Material

for any purpose other than solely in connection with the evaluation, analysis, negotiation, development or consummation of a Possible Transaction. You agree to take all reasonable measures to restrain your Representatives from prohibited or unauthorized disclosure or use of the Evaluation Material.

4. Use. You shall use the Evaluation Material only for the purpose of the Possible Transaction, or the evaluation thereof. No other rights or licenses to trademarks, inventions, copyrights, patents, or any other intellectual property are implied or granted under this Confidentiality Agreement or by the conveying or disclosure of the Evaluation Material. All Evaluation Material, unless otherwise specified in writing, shall be and remain the property of the Companies; provided however that in the event a Possible Transaction is consummated with you, all Evaluation Material shall become yours. The Evaluation Material supplied to you shall not be reproduced in any form except as required to accomplish the intent of this Confidentiality Agreement.

5. Notice of Required Disclosure. In the event that you or any of your Representatives are required (by deposition, interrogatories, requests for information or documents in legal or regulatory proceedings, by regulatory or governmental authorities, subpoena, civil investigative demand, regulatory process, compliance with listing or securities exchange laws or other similar process or applicable law) to disclose all or any part of the Evaluation Material or the information contained therein, you shall provide the Companies with prompt written notice of the existence, terms and circumstances surrounding any such request or requirement so that the Companies may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Confidentiality Agreement (and if the Companies seeks such an order, to provide such cooperation as the Companies shall reasonably request at the Companies' expense). If, in the absence of a protective order or other remedy or the receipt of a waiver by the Companies, you or any of your Representatives are nonetheless, in the reasonable opinion of your counsel, legally compelled to disclose Evaluation Material to any such tribunal, you or your Representatives may, without liability hereunder (unless such disclosure was caused by or resulted from a previous disclosure by you or any of your Representatives that was not permitted by this Confidentiality Agreement), disclose to such tribunal only that portion of the Evaluation Material which such counsel reasonably advises you is legally required to be disclosed, provided that you exercise your reasonable efforts to preserve the confidentiality of the Evaluation Material in making such disclosure, including without limitation, by using reasonable attempts to obtain assurance that confidential treatment will be accorded the Evaluation Material by such tribunal.

6. Return or Destruction of Evaluation Material. At any time upon the Companies' request, you will, at the election of the Companies, promptly (and in any case within 7 days of any such request) deliver to the Companies or destroy all of the Evaluation Material without retaining any copy thereof and cause any remaining notes, photocopies and other materials derived from the Evaluation material to be destroyed, and provide to the Companies a written certification of an authorized executive officer as to such return and/or destruction. Notwithstanding the foregoing, any Evaluation Material prepared by you and incorporated into your corporate governance documents may be kept for corporate archive purposes only, provided that all such information shall continue to be kept confidential pursuant to the terms of this Confidentiality Agreement. Your return, destruction or retention of any such Evaluation Material will not affect any of your other obligations

under this Confidentiality Agreement, including, but not limited to, your obligations under paragraph 3 above.

7. No Representations or Liability. Neither the Companies nor any of its Representatives makes any representation or warranty, express or implied, as to the accuracy or completeness of the Evaluation Material. Neither the Companies nor any of its Representatives shall have any liability to you or to any of your Representatives, affiliates or stockholders on any basis (including, without limitation, in contract, tort, under federal or state securities laws or otherwise), and neither you nor your Representatives will make any claims whatsoever against the Companies or its Representatives, with respect to or arising out of or relating to: (a) the Possible Transaction involving the parties, as a result of this Confidentiality Agreement; (b) the participation of such party and its Representatives in evaluating the Possible Transaction involving the parties; (c) the review of or use or content of the Evaluation Material or any errors therein or omissions therefrom; or (d) any action taken or any inaction occurring in reliance on the Evaluation Material. The Companies will have the exclusive authority to determine what (if any) Evaluation Material is to be made available to you and your Representatives.

8. No Solicitations for Employment. Except as may be contemplated or required in the consummation of a Possible Transaction, for a period of two years following the date hereof, you and your controlled affiliates will not, directly or indirectly, solicit for employment or hire any officer of the Companies or any of its subsidiaries or divisions with whom you have had contact or who became known to you in connection with your consideration of the Possible Transaction, except that you and your affiliates shall not be precluded from hiring any such employee who: (a) initiates discussions regarding such employment without any direct or indirect solicitation by you, any of your controlled affiliates or your Representatives; or (b) responds to any public advertisement or general solicitation placed or made by you; or (c) has been terminated by the Companies or their subsidiaries prior to commencement of employment discussions between you and such officer.

9. Remedies. You agree that money damages would not be a sufficient remedy for any breach of this Confidentiality Agreement by you or your Representatives, that in addition to all other remedies the Companies shall be entitled to specific performance and injunctive and other equitable relief as a remedy for any such breach, that such remedy shall not be deemed to be the exclusive remedy for breach of this Confidentiality Agreement but shall be in addition to all other remedies available at law or equity, and you further agree to waive, and to use your best efforts to cause your Representatives to waive, any requirement for the securing or posting of any bond in connection with such remedy. Notwithstanding anything appearing to the contrary in this Confidentiality Agreement, no direct or indirect partner, member or shareholder of either party hereto (or any officer, director, agent, member, manager, personal representative, trustee or employee of any such direct or indirect partner, member or shareholder) shall be personally liable for the performance of such party's obligations under this Confidentiality Agreement.

10. Miscellaneous. Except as may be provided in that certain Letter Agreement to which this Confidentiality Agreement is attached:

(a) neither the Companies nor you shall have any obligation to negotiate or enter into a definitive agreement in relation to the Possible Transaction as a result of this Confidentiality Agreement.

(b) The Companies reserve the right, in their sole and absolute discretion: (i) to conduct any process they deem appropriate with respect to any Possible Transaction or any other proposed transaction involving the Companies, and to modify any procedures relating to any such process without giving notice to you or any other person; (ii) to reject any proposal made by you or any of your affiliates or Representatives with respect to a transaction involving the Companies; and (iii) to terminate discussion and negotiations with respect to the Possible Transaction with you at any time.

(c) You recognize that, except as may be expressly provided in any definitive agreement between you or any of your affiliates and the Companies: (x) the Companies and their affiliates and Representatives will be free to negotiate with, and to enter into any agreement or transaction with, any other person; and (y) you will not have any rights or claims against the Companies or any of its Representatives arising out of or relating to any Possible Transaction or other transaction involving the Companies. Any decision to proceed with negotiations or to consummate an agreement pertaining to the Possible Transaction shall be in each party's sole discretion and this Confidentiality Agreement creates no obligation on any party with respect thereto. Each party shall bear its own costs and expenses in connection with the activities contemplated by this Confidentiality Agreement.

(d) No failure or delay by a party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof, or the exercise of any right, power or privilege hereunder.

(e) This Confidentiality Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to its principles or rules regarding conflicts of laws. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS CONFIDENTIALITY AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS LETTER AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

(f) Notwithstanding anything to the contrary contained herein, your obligations with respect to Evaluation Material disclosed pursuant to this Confidentiality Agreement shall (unless extended by mutual agreement) expire or terminate upon the earlier of: (i) three (3) years after the date of this Confidentiality Agreement or (ii) the consummation with of a Possible Transaction with you.

(g) The provisions of this Confidentiality Agreement are severable and, if any provisions are determined to be void or unenforceable in whole or in part, the remaining provisions shall be binding and enforceable.

(h) This Confidentiality Agreement may not be amended except in writing and signed by an authorized representative of each party, and this Confidentiality Agreement shall be

binding upon all employees, agents, subcontractors, subsidiaries, and affiliates of each party as provided herein.

(i) The provisions of this Confidentiality Agreement shall inure to the benefit of and be binding upon the parties and their respective successors and assigns. Without limiting the generality of the foregoing, the Companies' rights and your obligations under this Confidentiality Agreement shall inure to the benefit of, and may be enforced by, any purchaser of substantially all of the Companies' assets (whether or not this Confidentiality Agreement is expressly assigned to and assumed by such purchaser), and such purchaser shall be a third-party beneficiary of this Confidentiality Agreement. All modifications of, waivers of and amendments to this Confidentiality Agreement must be in writing and signed on behalf of you and the Companies.

(j) This Confidentiality Agreement expresses the entire agreement of the parties with respect to its subject matter. All prior or contemporaneous agreements or negotiations, written or oral, are hereby superseded.

Please confirm your agreement with the foregoing by signing where indicated below and returning a copy of this Confidentiality Agreement.

PALM HARBOR HOMES, INC., *et al.*

By: ______________________

Name: ______________________

Title: ______________________

Accepted and Agreed as of the date first written above:

[POTENTIAL PURCHASER]

By: ______________________

Name: ______________________

Title: ______________________

EXHIBIT 2

CURE AND POSSIBLE ASSUMPTION AND ASSIGNMENT NOTICE

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
PALM HARBOR HOMES, INC., et al.,[1]	)	Case No. 10-_____ (___)
	)	
Debtors.	)	Jointly Administered
	)	

NOTICE TO COUNTERPARTIES TO POTENTIALLY ASSUMED EXECUTORY CONTRACTS AND UNEXPIRED LEASES REGARDING CURE AMOUNTS AND POSSIBLE ASSIGNMENT TO SUCCESSFUL BIDDER AT AUCTION

PLEASE TAKE NOTICE that on November 29, 2010, the above-captioned debtors and debtors in possession (collectively, the "Debtors") filed a motion (the "Bid Procedures and Sale Motion") with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court").

PLEASE TAKE FURTHER NOTICE that on __________, 2010, the Bankruptcy Court entered an order [Docket No. _____] (the "Bid Procedures Order") approving Bid Procedures (the "Bid Procedures"), which set key dates, times and procedures related to the sale of substantially of the Debtors' assets (the "Transferred Assets"). To the extent that there are any inconsistencies between the Bid Procedures and the summary description of the terms and conditions contained in this Notice, the terms of the Bid Procedures shall control.

YOU ARE RECEIVING THIS NOTICE BECAUSE YOU OR ONE OF YOUR AFFILIATES IS A COUNTERPARTY TO AN EXECUTORY CONTRACT OR UNEXPIRED LEASE LISTED BELOW WITH ONE OR MORE OF THE DEBTORS:[2]

[Counterparty Name]	[Contract/Lease]	Cure Amount

Pursuant to the Bid Procedures, the Debtors may assume the Executory Contract(s) or Unexpired Lease(s) listed above to which you are a counterparty. Also pursuant to the Bid Procedures, the Debtors may assign such Executory Contract(s) or Unexpired Lease(s) to the successful bidder (the "Successful Bidder") at an auction of substantially all of the Debtors' assets currently scheduled for __________, 2011. The Debtors have conducted a review of their books and records and have determined that the cure amount for unpaid monetary obligations under such contract or lease is $**[AMOUNT]** (the "Cure Amount"). If you (a) object

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Palm Harbor Homes, Inc., a Florida corporation (6634); Palm Harbor Albemarle, LLC (1014); Nationwide Homes, Inc. (4881); Palm Harbor Real Estate, LLC (8234); Palm Harbor GenPar, LLC (0198); and Palm Harbor Manufacturing, LP (0199). The location of the Debtors' corporate headquarters and service address is: 15303 Dallas Parkway, Suite 800, Addison, Texas 75001.

[2] This Notice is being sent to counterparties to executory contracts and unexpired leases. This Notice is not an admission by the Debtors that such contract or lease is executory or unexpired. All capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Bid Procedures and Sale Motion.

to the proposed assumption or disagree with the proposed Cure Amount, or (b) object to the possible assignment of such Executory Contract(s) or Unexpired Lease(s) to the Successful Bidder, **you must file an objection with the Bankruptcy Court no later than __________ 2011,** (the "Objection Deadline") and serve such objection on the following parties:

LOCKE LORD BISSELL & LIDDELL LLP David W. Wirt Aaron C. Smith Courtney E. Barr 111 S. Wacker Drive Chicago, Illinois 60606-4410 Telephone: (312) 443-0700 Fax: (312) 443-0336	POLSINELLI SHUGHART PC Christopher A. Ward (Del. Bar No. 3877) Justin K. Edelson (Del. Bar No. 5002) 222 Delaware Avenue, Suite 1101 Wilmington, Delaware 19801 Telephone: (302) 252-0920 Fax: (302) 252-0921
Co-Counsel to the Debtors	
SNELL & WILMER L.L.P. Christopher H. Bayley Donald F. Ennis Snell & Wilmer L.L.P. One Arizona Center Phoenix, AZ 85004-2202 Tel: (602) 382-6214 Fax: (602) 382-6070	ASHBY & GEDDES, P.A. William P. Bowden Ashby & Geddes, P.A. 500 Delaware Avenue, 8th Floor Wilmington, DE 19801 Tel: (302) 654-1888 Fax: (302) 654-2067
Co-Counsel to the Stalking Horse Purchaser	
[IF ONE IS APPT]	
Counsel to the Committee	

CLERK OF THE BANKRUPTCY COURT United States Bankruptcy Court for the District of Delaware 824 North Market Street, 3rd Floor Wilmington, DE 19801	OFFICE OF THE UNITED STATES TRUSTEE FOR THE DISTRICT OF DELAWARE David Klauder J. Caleb Boggs Federal Building 844 King Street, Suite 2008 – Lockbox #35 Wilmington, DE 19801

If no objection to the Cure Amount or the assignment of your Executory Contract(s) or Unexpired Lease(s) to the Successful Bidder is filed by the Objection Deadline, **you shall: (a) be forever barred from objecting to the Debtors' proposed Cure Amount and from asserting any additional cure, damages, or other amounts with respect to the Executory Contract(s) or Unexpired Lease(s), and the Debtors and Successful Bidder shall be entitled to rely solely upon the proposed Cure Amounts set forth in this Cure and Possible Assumption**

and Assignment Notice; (b) be deemed to have consented to the proposed assumption and assignment of such Executory Contract(s) or Unexpired Lease(s); and (c) be forever barred and estopped from asserting or claiming against the Debtors or Successful Bidder that any other defaults exist, that any conditions to assignment must be satisfied under such Executory Contract(s) or Unexpired Lease(s) or that there is any objection or defense to the assumption and assignment of such Executory Contract(s) or Unexpired Lease(s).

EXHIBIT D

Form of Sale Approval Order

See Attached

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
PALM HARBOR HOMES, INC., et al.,[1]	)	Case No. 10-_____ (___)
	)	
Debtors.	)	Jointly Administered
	)	

ORDER PURSUANT TO 11 U.S.C. §§ 363 AND 365 (A) AUTHORIZING AND APPROVING ASSET PURCHASE AGREEMENT BY AND AMONG THE DEBTORS, AS SELLERS, AND PALM HARBOR HOMES, INC., A DELAWARE CORPORATION, AS PURCHASER, FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES AND INTERESTS; (B) AUTHORIZING AND APPROVING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES IN CONNECTION THEREWITH; AND (C) GRANTING RELATED RELIEF

Upon consideration of the *Motion of the Debtors for Entry of an Order Pursuant to 11 U.S.C. 363 and 365 (A) Authorizing and Approving Asset Purchase Agreement by and among the Debtors, as Sellers, and Palm Harbor Homes, Inc., a Delaware Corporation, as Purchaser, or Such Other Purchase Agreement(s) Between the Debtors and the Successful Bidder, Free and Clear of All Liens, Claims, Encumbrances and Interests; (B) Authorizing and Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection Therewith; and (C) Granting Related Relief* (the "Sale Motion") [Docket Entry No. __] of Palm Harbor Homes, Inc., a Florida corporation, and the other debtors and debtors-in-possession (the "Debtors") in the above-captioned cases which requests an order (the "Sale Order") that, among other things, (a) authorizes and approves that certain Asset Purchase Agreement dated November 29, 2010 (including all related exhibits and schedules) (the "Agreement")[2] (a copy of the Agreement is attached to the Motion as Exhibit "A"), among the

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[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Palm Harbor Homes, Inc., a Florida corporation (6634); Palm Harbor Albemarle, LLC (1014); Nationwide Homes, Inc. (4881); Palm Harbor Real Estate, LLC (8234); Palm Harbor GenPar, LLC (0198); and Palm Harbor Manufacturing, LP (0199). The location of the Debtors' corporate headquarters and service address is: 15303 Dallas Parkway, Suite 800, Addison, Texas 75001.

[2] Except as otherwise defined herein, or where reference is made to a definition in the Sale Motion, all capitalized terms shall have the meanings ascribed to them in the Agreement.

Debtors and Palm Harbor Homes, Inc., a Delaware corporation ("Purchaser"), which provides for, effective as of the Closing on the Closing Date, Debtors' sale, assignment, transfer, conveyance and delivery of the Transferred Assets identified therein to Purchaser or such entity that submits the highest or otherwise best bid at the Auction (as defined in the Sale Motion) to consider competing bids, free and clear of all Encumbrances (the "Asset Sale"), and (b) authorizes and approves the assumption and assignment of certain unexpired leases and executory contracts referenced in the Agreement (the "Assumed Contracts"), or in one or more subsequent filings authorized by an order of this Court; and it appearing that the relief requested in the Sale Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest; and it appearing that this Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157(b)(1) and 1334(a); and it appearing that the Sale Motion is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and adequate notice of the Sale Motion and opportunity for objection having been given; and adequate notice with respect to the assumption and assignment of the Assumed Contracts having been given; and this Court having reviewed and considered the Sale Motion and any objections thereto; and this Court having heard statements of counsel and the evidence presented in support of the relief requested by the Debtors in the Sale Motion at a hearing before this Court (the "Sale Hearing"); and upon the full record of the Bankruptcy Case; and it appearing that no other notice need be given; and it further appearing that the legal and factual bases set forth in the Sale Motion and the record made at the Sale Hearing establish just cause for the relief granted herein; and after due deliberation and sufficient cause therefor:

FINDINGS OF FACT:

THE COURT HEREBY FINDS THAT:[3]

Jurisdiction, Final Order and Statutory Predicates

A. The Court has jurisdiction to hear and determine the Sale Motion pursuant to 28 U.S.C. §§ 157(b)(1) and 1334(a). This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue of the Bankruptcy Case and the Sale Motion is proper in this District and in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

B. This Sale Order constitutes a final and appealable order within the meaning of 28 U.S.C. § 158(a). Notwithstanding Rules 6004(h) and 6006(d) of the Federal Rules of Bankruptcy Procedure ("Bankruptcy Rules"), and to any extent necessary under Bankruptcy Rule 9014 and Rule 54(b) of the Federal Rules of Civil Procedure, as made applicable by Bankruptcy Rule 7054, this Court expressly finds that there is no just reason for delay in the implementation of this Sale Order, and expressly directs entry of the Sale Order upon the terms set forth herein.

C. The statutory predicates for the relief requested in the Sale Motion include, without limitation, sections 105(a), 363, and 365 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, 6006, 9007, 9014 and 9036.

Retention of Jurisdiction

D. It is necessary and appropriate for the Court to retain jurisdiction as provided in the Agreement to, among other things, interpret, implement, and enforce the terms and provisions of this Sale Order and the Agreement, including its related documents, all amendments thereto and any waivers and consents thereunder and each of the agreements executed in connection therewith to which any of the Debtors is a party or which has been assigned by any of the Debtors to Purchaser, and to adjudicate, if necessary, any and all disputes

[3] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

involving the Debtors concerning or relating in any way to, or affecting, the Asset Sale or the transactions contemplated in the Agreement, and related documents.

Corporate Authority; Consents and Approvals

E. The Debtors have full corporate power and authority to execute and deliver the Agreement and all other documents contemplated thereby and to consummate the Asset Sale and all transactions contemplated in the Agreement. The Asset Sale and all transactions contemplated by the Agreement have been duly and validly authorized by all necessary corporate actions of the Debtors. No consents or approvals other than the authorization and approval of this Court are required for the Debtors to consummate the Asset Sale and the transactions contemplated by the Agreement.

Notice of the Sale, Auction, and Assumption and Assignment

F. Notice of the Sale Hearing, the Auction, the Sale Motion, the Asset Sale and the transactions contemplated by the Agreement, and the assumption and assignment of the Assumed Contracts, and a reasonable opportunity to object or be heard with respect to the Sale Motion and the relief requested therein has been afforded to all known interested Persons entitled to receive such notice, including, without limitation, the following:

(i) the Office of the United States Trustee for the District of Delaware;

(ii) the Debtors' thirty (30) largest unsecured creditors on a consolidated basis, as identified in their chapter 11 petitions;

(iii) counsel to any official committee of unsecured creditors appointed in the Bankruptcy Case;

(iv) the Office of the United States Attorney for the District of Delaware;

(v) counsel to the Debtors' prepetition secured lenders;

(vi) the Securities and Exchange Commission;

(vii) counsel to the DIP Lender and the Purchaser;

(viii) all taxing authorities and other governmental agencies having jurisdiction over any of the Transferred Assets, including the Internal Revenue Service;

(ix) all parties that have requested or that are required to receive special notice pursuant to Bankruptcy Rule 2002;

(x) all Persons known or reasonably believed to have asserted an Encumbrance on any of the Transferred Assets;

(xi) the non-Debtor counterparties to each of the Assumed Contracts (the "Contract Counterparties"); and

(xii) all persons or entities known to have expressed an interest in acquiring any of the Transferred Assets.

G. Debtors published notice of the Sale Motion, the time and place of the proposed Auction, the time and place of the Sale Hearing and the time for filing an objection to the Sale Motion in the national edition of *USA Today* on _______, 2010.[4]

H. The Debtors served notice upon the Contract Counterparties: (i) that the Debtors seek to assume and assign certain executory contracts and unexpired leases as provided for in the Agreement as of the Closing Date or in one or more subsequent filing authorized by order of this Court; and (ii) of the relevant proposed Cure Costs for each of the Assumed Contracts. The service of such notice was good, sufficient and appropriate under the circumstances and no further notice need be given in respect of establishing a Cure Cost for the Assumed Contracts. Each of the Contract Counterparties has had an opportunity to object to the Cure Costs set forth in the notice.

I. The Debtors have articulated good and sufficient reasons for this Court to grant the relief requested in the Sale Motion regarding the sales process, including, without limitation: (i) determination of final Cure Costs; and (ii) approval and authorization to serve notice of the Auction and Sale Hearing.

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[4] The final form of this Sale Order submitted to the Court for entry in the Bankruptcy Case shall be revised and supplemented to reflect the results of the Auction, if one is required and conducted.

J. The notice of the Auction and the Sale Hearing provided all interested parties with timely and proper notice of the Asset Sale, Auction and Sale Hearing.

K. As evidenced by the affidavits of service previously filed with this Court, proper, timely, adequate, and sufficient notice of the Sale Motion, Auction, Sale Hearing, Asset Sale and the transactions contemplated by the Agreement has been provided in accordance with sections 102(1), 363 and 365 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, 6006 and 9014. The notices described above were good, sufficient and appropriate under the circumstances, and no other or further notice of the Sale Motion, Auction, Sale Hearing, Asset Sale, or assumption and assignment of the Assumed Contracts is required.

L. The disclosures made by the Debtors concerning the Agreement, Auction, Asset Sale, Sale Hearing, and the assumption and assignment of the Assumed Contracts were good, complete and adequate.

Auction

M. The Debtors conducted an Auction on January 25, 2011 in connection with, and have otherwise complied in all respects with, the Bidding Procedures Order. The Auction process set forth in the Bidding Procedures Order afforded a full, fair and reasonable opportunity for any entity to make a higher or otherwise better offer to purchase the Transferred Assets. The Auction was duly noticed and conducted in a noncollusive, fair and good faith manner, and a reasonable opportunity has been given to any interested party to make a higher and better offer for the Transferred Assets. The Auction was transcribed and the transcript of the Auction was introduced into evidence at the Sale Hearing. At the conclusion of the Auction, the Debtors determined in the exercise of their good faith business judgment that Purchaser submitted the highest and best bid for the Transferred Assets and, accordingly, was determined to be the successful bidder for the Transferred Assets.

Good Faith of Purchaser

N. As demonstrated by the representations of counsel and other evidence proffered or adduced at the Sale Hearing, the Debtors and their investment bankers marketed the Debtors'

assets to secure the highest and best offer. The terms and conditions set forth in the Agreement are fair, adequate and reasonable, including the amount of the Purchase Price, which is found to constitute reasonably equivalent and fair value.

O. Purchaser is not an "insider" of the Debtors, as that term is defined in section 101(31) of the Bankruptcy Code. No officer or director or other insider of the Debtors holds any interest in or is otherwise related to Purchaser.

P. The Debtors and Purchaser extensively negotiated the terms and conditions of the Agreement in good faith and at arm's length. Purchaser is purchasing the Transferred Assets and has entered into the Agreement in good faith and is a good faith buyer within the meaning of section 363(m) of the Bankruptcy Code, and is therefore entitled to the full protection of that provision, and otherwise has proceeded in good faith in all respects in connection with this proceeding in that, *inter alia*: (i) Purchaser recognized that the Debtors were free to deal with any other party interested in purchasing the Transferred Assets; (ii) Purchaser agreed to subject its bid to competitive bidding at the Auction; (iii) all payments to be made by Purchaser and other agreements or arrangements entered into by Purchaser in connection with the Asset Sale have been disclosed; (iv) Purchaser has not violated section 363(n) of the Bankruptcy Code by any action or inaction; (v) no common identity of directors or controlling stockholders exists between Purchaser and the Debtors; and (vi) the negotiation and execution of the Agreement was at arm's length and in good faith.

Q. Neither the Debtors nor Purchaser have engaged in any conduct that would cause or permit the Agreement to be avoided under section 363(n) of the Bankruptcy Code. The Debtors and Purchaser were represented by their own respective counsel and other advisors during such arm's length negotiations in connection with the Agreement and the Asset Sale.

R. No party has objected to the Asset Sale, the Agreement or the Auction on the grounds of fraud or collusion.

Highest and Best Offer

S. The Debtors conducted a marketing process and the Auction in accordance with, and have otherwise complied in all respects with, the Bidding Procedures Order. The Auction process afforded a full, fair and reasonable opportunity for any Persons to make a higher or otherwise better offer to purchase the Transferred Asset than that proposed in the Agreement. The Auction was duly noticed and conducted in a noncollusive, fair and good faith manner and a reasonable opportunity has been given to any interested party to make a higher and better offer for the Transferred Assets.

T. The Agreement constitutes the highest and best offer for the Transferred Assets, and will provide a greater recovery for the Debtors' estates than would be provided by any other available alternative. The Debtors' determination that the Agreement constitutes the highest and best offer for the Transferred Assets constitutes a valid and sound exercise of the Debtors' good faith business judgment.

U. The Agreement represents a fair and reasonable offer to purchase the Transferred Assets under the circumstances of the Bankruptcy Case. No other Person or group of Persons has offered to purchase the Transferred Assets for greater economic value to the Debtors' estates than that offered by Purchaser.

V. Approval of the Sale Motion and the Agreement and the consummation of the transactions contemplated thereby are in the best interests of the Debtors, their creditors, their estates and other parties in interest.

W. The Debtors have demonstrated compelling circumstances and a good, sufficient, and sound business purpose and justification for the Asset Sale prior to, and outside of, a plan of reorganization.

No Fraudulent Transfer

X. The consideration provided by Purchaser pursuant to the Agreement is fair and adequate and constitutes no less than reasonably equivalent value and fair consideration under

the Bankruptcy Code and under the laws of the United States, any state, territory, possession, or the District of Columbia.

Y. Purchaser is not a mere continuation of the Debtors or their estates and there is no continuity between Purchaser and the Debtors, or their estates. Purchaser is not holding itself out to the public as a continuation of the Debtors. Purchaser is not a successor to the Debtors or their estates and the Asset Sale does not amount to a consolidation, merger or de facto merger of Purchaser and the Debtors.

Validity of Transfer

Z. The Debtors have full corporate power and authority to execute and deliver the Agreement and all other documents contemplated thereby, and no further consents or approvals are required for the Debtors to consummate the transactions contemplated by the Agreement, except as otherwise set forth in the Agreement.

AA. The transfer of each of the Transferred Assets to Purchaser will be as of the Closing Date a legal, valid, and effective transfer of good and marketable titled of the Transferred Assets, and vests or will vest Purchaser with all right, title, and interest of the Debtors to the Transferred Assets as of the Closing Date free and clear of all Encumbrances, and pursuant to section 363(f) of the Bankruptcy Code except as otherwise provided in the Agreement.

Section 363(f) Is Satisfied

BB. The Debtors may sell the Transferred Assets to Purchaser free and clear of all Encumbrances (except as expressly stated as obligations of Purchaser under the Agreement) because, in each case, one or more of the standards set forth in section 363(f)(1)-(5) of the Bankruptcy Code has been or will be satisfied. Those holders of such Encumbrances of each type against the Debtors or their estates or any of the Transferred Assets, and non-Debtor parties to any related agreements who did not object, or who withdrew their objections, to the Asset Sale or the Sale Motion are deemed to have consented thereto pursuant to section 363(f)(2) of the Bankruptcy Code. Those holders of Encumbrances who asserted an objection at the Sale

Hearing, if any, fall within one or more of the other subsections of 363(f) and are adequately protected by having their Encumbrances, if any, in each instance against the Debtors, their estates or any of the Transferred Assets, attach to the cash proceeds to be received by the Debtors under the Agreement, subject to the same priority and validity (and defenses and objections of the Debtors and other parties in interest, if any, with respect thereto) as are presently existing against the Transferred Assets in which they allege such an Encumbrance.

CC. Purchaser would not have entered into the Agreement and would not consummate the transactions contemplated thereby if the sale of the Transferred Assets to Purchaser, and the assumption and assignment of the Assumed Contracts to Purchaser, were not free and clear of all Encumbrances (except as expressly stated as obligations of Purchaser under the Agreement), or if Purchaser would, or in the future could, be liable for any of such liens, claims, encumbrances and interests.

Assumption and Assignment of the Assumed Contracts

DD. The assumption and assignment of the Assumed Contracts pursuant to the terms of this Sale Order are integral to the Agreement and are in the best interests of the Debtors and their estates, creditors and other parties in interest, and represent the reasonable exercise of sound and prudent business judgment by the Debtors.

EE. The respective amounts set forth in Exhibit 1 annexed hereto are the sole amounts necessary under sections 365(b)(1)(A) and (B) and 365(f)(2)(A) of the Bankruptcy Code to cure all monetary defaults and pay all actual pecuniary losses under the Assumed Contracts (the "Cure Costs").

FF. Pursuant to the terms of the Agreement, on or before the Closing Date, Purchaser shall have (i) cured and/or provided adequate assurance of cure of any monetary defaults existing prior to the Closing Date under any Assumed Contract, within the meaning of section 365(b)(1)(A) of the Bankruptcy Code; (ii) provided compensation or adequate assurance of compensation to any Contract Counterparty to such Assumed Contracts for its actual pecuniary losses resulting from a default prior to the Closing Date under any of the Assumed Contracts,

within the meaning of section 365(b)(1)(B) of the Bankruptcy Code; and (iii) provided adequate assurance of its future performance under the relevant Assumed Contract within the meaning of sections 365(b)(1)(C), 365(b)(3) (to the extent applicable) and 365(f)(2)(B) of the Bankruptcy Code.

GG. As of the Closing Date, subject only to the payment of the Cure Costs, as determined in accordance with the procedures identified in the Sale Motion and its accompanying and related documents, each of the Assigned Contracts will be in full force and effect and enforceable by Purchaser against any Contract Counterparty thereto in accordance with its terms.

HH. The Debtors have, to the extent necessary, satisfied the requirements of sections 365(b)(1) and 365(f) of the Bankruptcy Code in connection with the Asset Sale, the assumption and assignment of the Assumed Contracts, and shall upon assignment thereto on the Closing Date, be relieved from any liability for any breach thereof.

II. Purchaser has demonstrated that it has the financial wherewithal to fully perform and satisfy the obligations under the Assumed Contracts as required by sections 365(b)(1)(C) and 365(f)(2)(B) of the Bankruptcy Code. Pursuant to section 365(f)(2)(B) of the Bankruptcy Code, Purchaser has provided adequate assurance of future performance of the obligations under the Assumed Contracts.

Sound Business Purpose for the Sale

JJ. Good and sufficient reasons for approval of the Agreement and the Asset Sale have been articulated. The relief requested in the Sale Motion is within the reasonable business judgment of the Debtors, and is in the best interests of the Debtors, their estates, their creditors and other parties in interest.

KK. The Debtors have demonstrated both (i) good, sufficient, and sound business purpose and justification, and (ii) compelling circumstances for the entry into the Agreement and the consummation of the Asset Sale pursuant to section 363(b) of the Bankruptcy Code, in that, among other things, the immediate consummation of the Asset Sale, and the assumption and

assignment of the Assumed Contracts is necessary and appropriate to maximize the value to Debtors' estates and the Asset Sale.

Compelling Circumstances for an Immediate Sale

LL. To maximize the value of the Transferred Assets and preserve the viability of the Business to which the Transferred Assets relate, and to satisfy the postpetition debtor-in-possession financing borne by the Debtors, it is essential that the Asset Sale occur within the time constraints set forth in the Agreement. Time is of the essence in consummating the Asset Sale.

MM. Given all of the circumstances of the Bankruptcy Case and the adequacy and fair value of the Purchase Price under the Agreement, the proposed Asset Sale to Purchaser constitutes a reasonable and sound exercise of the Debtors' good faith business judgment and should be approved.

NN. The consummation of the Asset Sale and transactions contemplated by the Agreement is legal, valid and properly authorized under all applicable provisions of the Bankruptcy Code, including, without limitation, sections 105(a), 363(b), 363(f), 363(m), 365(b) and 365(f), and all of the applicable requirements of such sections have been complied with in respect of the transactions.

OO. The Asset Sale does not constitute a de facto plan of reorganization or liquidation or an element of such a plan for the Debtors, as it does not and does not propose to: (i) impair or restructure existing debt of, or equity interests in, the Debtors; (ii) impair or circumvent voting rights with respect to any future plan proposed by the Debtors; (iii) circumvent chapter 11 plan safeguards, such as those set forth in sections 1125 and 1129 of the Bankruptcy Code; or (iv) classify claims or equity interests, compromise controversies or extend debt maturities.

CONCLUSIONS OF LAW:

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

General Provisions

1. Relief Granted. The relief requested in the Sale Motion is granted and approved in its entirety and in all respects, and the Asset Sale and the transactions contemplated thereby and by the Agreement are approved as set forth in this Sale Order.

2. Objections Overruled. All objections to the Sale Motion or the relief requested therein, including all reservations of rights related thereto, that have not been withdrawn, waived, or settled as announced to this Court at the Sale Hearing or by stipulation filed with this Court or as otherwise provided in this Sale Order, are hereby overruled on the merits or the interests of such objections have been otherwise satisfied or adequately provided for.

3. Sale Order Binding on All Parties. The terms and provisions of this Sale Order shall be binding in all respect upon the Debtors, their estates, creditors, members, managers and shareholders of the Debtors, Purchaser and its officers, directors and members, all interested parties, and their respective successors and assigns, including, but not limited to, all Contract Counterparties and all other non-Debtor parties asserting any Encumbrances in the Transferred Assets.

Approval of the Agreement

4. Agreement Approved. The Agreement and all other ancillary documents, and all of the terms and conditions thereof, are hereby approved.

5. Authorization to Consummate Transactions. Pursuant to sections 363(b), (f) and (l) of the Bankruptcy Code, the Debtors are authorized and empowered to take any and all actions necessary or appropriate to (a) consummate the Asset Sale of the Transferred Assets to Purchaser pursuant to and in accordance with the terms and conditions of the Agreement, (b) close the Asset Sale as contemplated in the Agreement and this Sale Order, and (c) execute and deliver, perform under, consummate, implement and close fully the Agreement, together with all additional instruments and documents that may be reasonably necessary or desirable to

implement the Agreement and the Asset Sale, including any other ancillary documents, or as may be reasonably necessary or appropriate to the performance of the obligations as contemplated by the Agreement and such other ancillary documents.

Transfer of the Transferred Assets

6. Transfer of Transferred Assets Authorized. Pursuant to sections 105(a) and 363(f) of the Bankruptcy Code and on the terms set forth in the Agreement, upon the Closing provided in the Agreement, the Transferred Assets shall be and hereby are deemed transferred and assigned to Purchaser effective as of the Closing on the Closing Date, and upon the Debtors' receipt of the Purchaser Price, shall be free and clear of all Encumbrances arising or relating to the period immediately prior to the Closing, other than the Permitted Encumbrances, with such Encumbrances, if any, against the Debtors or their estates or the Transferred Assets, attaching to the cash proceeds to be received by the Debtors under the Agreement, subject to the same priority and validity (and defenses and objections of the Debtors and other parties in interest, if any, with respect thereto) as are presently existing against the Transferred Assets in which they allege such an Encumbrance. Such Transferred Assets shall be transferred to Purchaser "as is, where is" with all faults in accordance with the Agreement upon and as of the Closing Date.

7. Surrender of Transferred Assets by Third Parties. All entities that are in possession of some or all of the Transferred Assets on the Closing Date are directed to surrender possession of such Transferred Assets to Purchaser at the Closing. All Persons are hereby forever prohibited and enjoined from taking any action that would adversely affect or interfere with the ability of the Debtors to sell and transfer the Transferred Assets to Purchaser in accordance with the terms of the Agreement and this Sale Order.

8. Transfer Free and Clear of Encumbrances. Except as expressly permitted by the Agreement, (i) the transfer and sale of the Transferred Assets to Purchaser shall be free and clear of any and all Encumbrances of any and every kind and nature, and all Persons holding Encumbrances of any kind and nature accruing, arising or relating to a period prior to the Closing Date with respect to any Transferred Asset (other than the Permitted Encumbrance)

hereby are barred, estopped, and permanently enjoined from asserting such Encumbrances against Purchaser or any of its affiliates, stockholders, members, managers, partners, parent entities, successors, assigns, officers, directors or employees, agents, representatives, and attorneys, or the Transferred Assets, and (ii) Purchaser shall have no liability or responsibility for any Encumbrance arising, accruing, or relating to a period prior to the Closing Date, except as otherwise provided for in the Agreement and the Permitted Encumbrances.

9. Legal, Valid, and Marketable Transfer with Permanent Injunction. The transfer of the Transferred Assets to Purchaser pursuant to the Agreement constitutes a legal, valid, and effective transfer of good and marketable title of the Transferred Assets, and vests or will vest Purchaser with all right, title, and interest to the Transferred Assets, free and clear of all Encumbrances except as otherwise expressly stated as obligations of Purchaser under the Agreement and the Permitted Encumbrances. All Persons holding interests or claims of any kind or nature whatsoever against the Debtors or the Transferred Assets, the operation of the Transferred Assets prior to the Closing, the Auction or the Asset Sale are hereby and forever barred, estopped, and permanently enjoined from asserting against Purchaser, its successors or assigns, its property, or the Transferred Assets, any claim, interest or liability existing, accrued, or arising prior to the Closing.

10. Recording Offices. On the Closing Date, this Sale Order shall be construed and shall constitute for any and all purposes a full and complete assignment, conveyance and transfer of the Transferred Assets or a bill of sale transferring good and marketable title of the Transferred Assets to Purchaser. This Sale Order is and shall be binding upon and govern the acts of all Persons, including, without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, administrative agencies, governmental departments, secretaries of state, federal and local officials, and all other Persons who may be required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any lease; and each of the foregoing

Persons is hereby directed to accept for filing any and all of the documents and instruments necessary and appropriate to consummate the transactions contemplated by the Agreement.

11. Transfers Binding on Third Parties. This Sale Order and the Agreement shall be binding in all respects upon all creditors of and holders of equity interests in the Debtors (whether known or unknown), agents, trustee and collateral trustees, all Contract Counterparties and any other non-Debtor parties to any contracts with the Debtors (whether or not assigned), all successors and assigns of the Debtors, and any subsequent trustees appointed in the Bankruptcy Case or upon a conversion of the Bankruptcy Case to one or more cases under chapter 7 of the Bankruptcy Code and shall not be subject to rejection or unwinding. Nothing in any chapter 11 plan confirmed in the Bankruptcy Case, the confirmation order confirming any such chapter 11 plan, any order approving the wind down or dismissal of the Bankruptcy Case, or any order entered upon the conversion of the Bankruptcy Case to one or more cases under chapter 7 of the Bankruptcy Code or otherwise shall conflict with or derogate from the provisions of the Agreement or this Sale Order.

12. A certified copy of this Sale Order may be (i) filed with the appropriate clerk; (ii) recorded with the recorder; and/or (iii) filed or recorded with any other governmental agency to act to cancel any Encumbrances against the Transferred Assets, other than the Permitted Encumbrances.

13. If any Person which had filed statements or other documents or agreements evidencing Encumbrances on any or a portion of the Transferred Assets shall not have delivered to the Debtors prior to the Closing Date, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of liens and easements, and any other documents necessary or desirable to Purchaser for the purpose of documenting the release of all Encumbrances against the Transferred Assets, which Person has or may assert with respect to all or a portion of the Transferred Assets, Purchaser is hereby authorized to execute and file such statements, instruments, releases and other documents on behalf of such Person with respect to the Transferred Assets.

Assumed Contracts

14. Authorization to Assume and Assign. Upon the Closing, the Debtors are authorized and directed, in accordance with sections 105(a), 363 and 365 of the Bankruptcy Code, to assume and assign each of the Assumed Contracts to Purchaser free and clear of all Encumbrances as of the Closing Date. The payment of the applicable Cure Costs (if any) by Purchaser shall (a) effect a cure or adequate assurance of cure of all defaults existing thereunder as of the date on which the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code (the "Petition Date") and (b) compensate for any actual pecuniary loss to such Contract Counterparty resulting from such default. Purchaser shall then have assumed the Assumed Contracts and, pursuant to section 365(f) of the Bankruptcy Code, the assignment by the Debtors of such Assumed Contracts shall not be a default thereunder. After the payment of the relevant Cure Costs, neither the Debtors, nor Purchaser shall have any further liabilities to the Contract Counterparties other than Purchaser's obligations under the Assumed Contracts, that accrue and become due and payable on or after the Closing Date.

15. Assignment Requirements Satisfied. The Assumed Contracts shall be transferred to, and remain in full force and effect for the benefit of, Purchaser, in accordance with their respective terms, notwithstanding (i) any provision in any such Assigned Contract (including provisions of the type described in sections 365(b)(2), (e)(1) and (f)(1) of the Bankruptcy Code) which prohibits, restricts or conditions such assignment or transfer or (ii) any default by any Debtor prior to Closing under any such Assumed Contract or any disputes between any Debtor and a Contract Counterparty with respect to any such Assigned Contract arising prior to Closing. In particular, any provisions in any Assumed Contract that restrict, prohibit or condition the assignment of such Assumed Contract or allow the Contract Counterparty to such Assumed Contract to terminate, recapture, impose any penalty, condition on renewal or extension or modify any term or condition upon the assignment of such Assigned Contract, constitute unenforceable anti-assignment provisions that are void and of no force and effect. All other requirements and conditions under sections 363 and 365 of the Bankruptcy Code for the

assumption by the Debtors and assignment to Purchaser of the Assumed Contracts have been satisfied. Upon the Closing, in accordance with sections 363 and 365 of the Bankruptcy Code, Purchaser shall be fully and irrevocably vested with all right, title and interest of the Debtors under the Assumed Contracts.

16. Consent to Assign. The Contract Counterparties to each Assigned Contract shall be and hereby are deemed to have consented to such assumption and assignment under section 365(c)(1)(B) of the Bankruptcy Code or this Court has determined that no such consent is required, and Purchaser shall enjoy all of the rights and benefits under each such Assigned Contract as of the Closing Date without the necessity of obtaining the Contract Counterparty's written consent to the assumption and assignment thereof.

17. Section 365(k). Upon the Closing and (i) the payment of the applicable Cure Cost; or (ii) in the event of any dispute over the appropriate Cure Cost, the Debtors' reserve and escrow of the amount necessary to satisfy the Cure Cost asserted by the Contract Counterparty pending resolution of the dispute by the Bankruptcy Court, Purchaser shall be deemed to be substituted for the Debtors as a party to the applicable Assumed Contracts and the Debtors and their estates shall be relieved, pursuant to section 365(k) of the Bankruptcy Code, from any further liability under the Assumed Contracts.

18. No Default. Subject to the terms hereof with respect to the Cure Costs, all defaults or other obligations of the Debtors under the Assumed Contracts arising or accruing prior to the Closing Date have been cured or shall promptly be cured by the Debtors in accordance with the terms hereof such that Purchaser shall have no liability or obligation with respect to any default or obligation arising or accruing under any Assigned Contract prior to the Closing Date, except to the extent expressly provided in the Agreement, except for Purchaser's payment of the Cure Costs. Each party to an Assigned Contract is forever barred, estopped and permanently enjoined from asserting against Purchaser or its property or affiliates, or successors and assigns, any breach or default under any Assigned Contract, any claim of lack of consent relating to the assignment thereof, or any counterclaim, defense, setoff, right of recoupment or

any other matter arising prior to the Closing Date for such Assigned Contract or with regard to the assumption and assignment therefore pursuant to the Agreement or this Sale Order. Upon the payment of the applicable Cure Cost, if any, the Assumed Contracts will remain in full force and effect, and no default shall exist under the Assumed Contracts nor shall there exist any event or condition which, with the passage of time or giving of notice, or both, would constitute such a default.

19. Adequate Assurance Provided. The requirements of sections 365(b)(1) and 365(f)(2) of the Bankruptcy Code are hereby deemed satisfied with respect to the Assumed Contracts based on Purchaser's evidence of its financial condition and wherewithal and without any further action by Purchaser, including but not limited to any other or further deposit. Pursuant to section 365(f) of the Bankruptcy Code, Purchaser has provided adequate assurance of future performance of the obligations under the Assumed Contracts.

20. No Fees. There shall be no rent accelerations, assignment fees, increases or any other fees charged to Purchaser or the Debtors as a result of the assumption and assignment of the Assumed Contracts. The failure of the Debtors or Purchaser to enforce at any time one or more terms or conditions of any Assigned Contract shall not be a waiver of such terms or conditions, or of the Debtors' and Purchaser's rights to enforce every term and condition of the Assumed Contracts.

21. Injunction. Pursuant to sections 105(a), 363 and 365 of the Bankruptcy Code, other than the right to payment of the Cure Costs, if any, all Contract Counterparties are forever barred and permanently enjoined from raising or asserting against the Debtors or Purchaser any assignment fee, default, breach or claim or pecuniary loss arising under or related to the Assumed Contracts existing as of the Petition Date or any assignment fee or condition to assignment arising by reason of the Closing.

Other Provisions

22. No Purchaser Liability. Except for the liabilities defined explicitly in the Agreement and specifically assumed by Purchaser pursuant to the Agreement, including any

Permitted Encumbrances, Purchaser shall have no liability or responsibility whatsoever for any liability or other obligation of the Debtors arising under or related to the Debtors, their assets or the Transferred Assets. Purchaser is acquiring the Transferred Assets free and clear of the Excluded Assets and Excluded Liabilities, as defined in the Agreement. All Persons holding interests of any kind in any Excluded Liabilities or Excluded Assets are barred, estopped, and permanently enjoined from commencing, continuing or otherwise pursuing or enforcing any remedy, Claim (as defined in section 101(5) of the Bankruptcy Code), cause of action, interest or encumbrance against Purchaser, its successors, assigns or affiliates, or the Transferred Assets related to such Excluded Liability or Excluded Asset. Purchaser shall (i) not be liable for any Claims or causes of action against the Debtors or any of their agents, representatives or affiliates and (ii) have no successor or vicarious liabilities of any kind or character, whether known or unknown as of the Closing Date, now existing or hereafter arising, whether fixed or contingent, with respect to the Debtors or any obligations of the Debtors.

23. Sale Order Binding on Third Parties. This Sale Order is and shall be binding upon and shall govern the acts of all entities including, without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, administrative agencies, governmental units, secretaries of state, federal, state and local officials, and all other Persons who may be required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any of the Transferred Assets. All Encumbrances against the Transferred Assets as of the date of this Sale Order shall forthwith, upon the occurrence of the Closing on the Closing Date with respect to any Transferred Assets, be removed and stricken as against such Transferred Assets, without further order of the Court or act of any party, and such Encumbrances shall attach to the cash proceeds to be received by the Debtors under the Agreement, subject to the same priority and validity (and defenses and objections of the Debtors and other parties in interest, if any, with respect thereto) as are presently existing against the Transferred Assets in which they allege such an Encumbrance.

Upon the Closing Date, the entities listed above in this paragraph are authorized and specially directed to strike all such recorded liens or claims against the Transferred Assets as provided for herein from their records, official and otherwise (including those asserted by any secured lender). Each and every federal, state, and local governmental agency, unit or department is hereby directed to accept this Sale Order as sole and sufficient evidence of the transfer of title of the Transferred Assets and such agency or department may rely upon this Sale Order in connection with the Asset Sale.

24. No Liens or Collection Efforts. After the Closing Date, no Person, including without limitation, any federal, state or local taxing authority, may (a) attach or perfect a lien or security interest against any of the Transferred Assets on account of, or (b) collect or attempt to collect from Purchaser or any of its affiliates, any tax or other amount alleged to be owing by the Debtor (i) for any period commencing before and concluding prior to or after the Closing, or (ii) assessed prior to and payable after the Closing Date, except as otherwise specifically provided in the Agreement.

25. Injunction. Effective upon the Closing Date and except as otherwise provided by stipulations filed with or announced to this Court with respect to a specific matter, except as explicitly provided in the Agreement, all Persons are forever prohibited and permanently enjoined from commencing or continuing in any manner any action or other proceeding, whether in law or equity, in any judicial, administrative, arbitral or other proceeding against Purchaser, its successors and assigns, or the Transferred Assets, with respect to any (a) Encumbrance arising under, out of, in connection with or in any way relating to the Debtors, Purchaser, the Transferred Assets, or the operation of the Transferred Assets prior to the Closing, or (b) successor liability, including, without limitation, the following actions: (i) commencing or continuing in any manner any action or other proceeding against Purchaser and its successors or assigns, or the Transferred Assets; (ii) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against Purchaser and its successors or assigns, or the Transferred Assets; (iii) creating, perfecting or enforcing any Encumbrance against Purchaser

and its successors or assigns, or the Transferred Assets; (iv) asserting any setoff, right of subrogation or recoupment of any kind against any obligation due Purchaser or its successors or assigns; (v) commencing or continuing any action, in any manner or place, that does not comply or is inconsistent with the provisions of this Sale Order or other orders of this Court, or the agreements or actions contemplated or taken in respect thereof; or (vi) revoking, terminating or failing or refusing to issue or renew any license, permit or authorization to operate any of the Transferred Assets or conduct any of the businesses operated with the Transferred Assets.

26. Consideration Provided. The consideration provided by Purchaser for the Transferred Assets under the Agreement is fair and reasonable and may not be avoided under section 363(n) of the Bankruptcy Code. Each and every Person is hereby barred, estopped, and permanently enjoined from commencing or continuing any action against Purchaser seeking relief under section 363(n) of the Bankruptcy Code.

27. Good Faith. The Debtors have undertaken the Asset Sale in good faith, as that term is used in section 363(m) of the Bankruptcy Code. Additionally, the transactions contemplated by the Agreement are undertaken by Purchaser without collusion and in good faith, as that term is defined in section 363(m) of the Bankruptcy Code, and accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the Asset Sale shall not affect the validity of the Asset Sale (including the assumption and assignment of the Assumed Contracts), unless such authorization and consummation of such Asset Sale are duly stayed pending such appeal. Purchaser is a good faith buyer within the meaning of section 363(m) of the Bankruptcy Code and, as such, is entitled to, and granted, the full protections of section 363(m) of the Bankruptcy Code.

28. Plan Not to Conflict. Nothing contained in any plan of reorganization or liquidation, or order of any type or kind entered in (a) this Bankruptcy Case, (b) any subsequent chapter 7 case into which this Bankruptcy Case may be converted, or (c) any related proceeding subsequent to entry of this Sale Order, shall conflict with or derogate from the provisions of the Agreement or the terms of this Sale Order.

29. Effective Immediately. The provisions of Bankruptcy Rules 6004(h), 6006(d) and 7062 imposing any stay on the effectiveness of this Sale Order, to the extent applicable, are hereby waived. The Debtors and Purchaser may consummate the Agreement at any time after entry of this Sale Order by waiving any and all closing conditions set forth in the Agreement that have not been satisfied and by proceeding to close the Asset Sale without any notice to the Court, any pre-petition or post-petition creditor of the Debtors and/or any other party in interest. Pursuant to Bankruptcy Rules 6004(h) and 6006(d), this Sale Order shall be effective immediately upon entry and the Debtors and Purchaser are authorized to close the Asset Sale immediately upon entry of this Sale Order.

30. Bulk Sales Law. No bulk sales law or any similar law of any state or other jurisdiction applies in any way to the Asset Sale.

31. Agreement Approved in Entirety. The failure specifically to include any particular provision of the Agreement in this Sale Order shall not diminish or impair the effectiveness of such provision, it being the intent of this Court that the Agreement be authorized and approved in its entirety.

32. Modifications to Agreement. The Agreement and any related agreements, documents or other instruments may be modified, amended or supplemented by the parties thereto and in accordance with the terms thereof, in a writing signed by such parties, without further order of this Court, provided that any such modification, amendment or supplement does not have a material adverse effect on the Debtors' estates.

33. Standing. The transactions authorized herein shall be of full force and effect, regardless of any Debtor's lack of good standing in any jurisdiction in which such Debtor is formed or authorized to transact business.

34. Authorization to Effect Order. The Debtors are authorized to take all actions necessary to effect the relief granted pursuant to this Sale Order in accordance with the Sale Motion.

35. Automatic Stay. The automatic stay pursuant to section 362 of the Bankruptcy Code is hereby modified, lifted and annulled with respect to the Debtors and Purchaser to the extent necessary, without further order of this Court, to (i) allow Purchaser to deliver any notice provided for in the Agreement, and (ii) allow Purchaser to take any and all actions permitted under the Agreement in accordance with the terms and conditions thereof.

36. No Other Bids. No further bids or offers for the Transferred Assets shall be considered or accepted by the Debtors after the date hereof unless the sale to Purchaser is not consummated or otherwise does not occur in accordance with the Agreement or its related documents.

37. Retention of Jurisdiction. This Court shall retain jurisdiction to, among other things, interpret, implement and enforce the terms and provisions of this Sale Order and the Agreement, all amendments thereto and any waivers and consents thereunder and each of the agreements executed in connection therewith to which the Debtors are a party or which has been assigned by the Debtors to Purchaser, and to adjudicate, if necessary, any and all disputes concerning or relating in any way to the Asset Sale.

38. Order to Govern. To the extent that this Sale Order is inconsistent with any prior order entered or pleading filed in the Bankruptcy Case, the terms of this Sale Order shall govern. To the extent there are any inconsistencies between the terms of this Sale Order and the Agreement (including all ancillary documents executed in connection therewith), the terms of this Sale Order shall govern.

Dated: ___________________, 2011
Wilmington, Delaware

____
United States Bankruptcy Judge

EXHIBIT E

Product Warranties

See Attached

PALM HARBOR HOMES, INC. AND SUBSIDIARIES
NEW MODULAR HOME WARRANTY

WARRANTY COVERAGE PROVIDED

Your new factory-built modular home is constructed in accordance with all building codes, standards, requirements and regulations prescribed by (1) local jurisdiction where the home is to be permanently installed (2) any mandatory modular housing acts and associated regulations in effect in the state in which the home is first sold. This home when used for the purpose of a residence is warranted to be free from substantial defects in materials and workmanship. In the event that the home contains a defect in either material or workmanship, Palm Harbor's obligation under the warranty is to repair or replace defective material or workmanship after notification of the defect by the homeowner. This warranty extends to the first retail purchaser and any subsequent purchaser and begins on the date of the installation at the homesite by a licensed installer and extends for a period of twelve consecutive calendar months from that date or as regulated by state specific statutes.

LIMITATION OF WARRANTY

This warranty covers only those defects (1) which become evident within the applicable warranty period and (2) of which written notice is given to the manufacturer after discovery of the defect but not later than ten (10) days after the expiration of the warranty period.

THIS WARRANTY IS VOID IF THE HOME IS INSTALLED, REGISTERED OR PLACED OUTSIDE THE UNITED STATES.

THIS WARRANTY IS VOID IF THE HOME IS MOVED FROM ITS INITIAL INSTALLATION.

THIS WARRANTY DOES NOT COVER

1. Problems resulting from failure to comply with instructions contained in the approved installation plans and specifications for the home installed.
2. Items not previously noted as damaged, defective, or missing on the home inspection form.
3. Any part or component not specifically mentioned as being warranted.
4. Normal maintenance items such as light bulbs, faucet washers, furnace filters, etc.
5. Defects or damages caused by or related to:
   - A. Improper installation of the home. (SEE INSTALLATION CONTRACTOR S WARRANTY OR AGREEMENT FOR RESPONSIBILITIES)
   - B. Settling of the home due to soil conditions.
   - C. Abuse, misuse, negligence, accident or acts of God.
   - D. Alteration or modification of the home.
   - E. Transportation.
   - F. Normal deterioration due to wear and exposure.
   - G. Dampness or condensation due to the Homeowner's failure to maintain adequate ventilation and climate control in the home and/or underneath the home.
   - H. Dampness or condensation due to the Homeowner's failure to provide adequate drainage away from the home.
   - I. Loss or damage which occurs after a home is no longer used as a residence.
   - J. Insect, bird, rodent or other animal damage of any nature whatsoever.
   - K. Damage due to or caused by freezing.
   - L. Commercial activities or commercial use.
   - M. Operation of a non-vented heating appliance(s).
6. LOSS OF TIME, INCONVENIENCE, COMMERCIAL LOSS, LOSS OF USE OF THE HOME, INCIDENTIAL CHARGES SUCH AS TELEPHONE CALLS, HOTEL BILLS OR OTHER INCIDENTAL OR CONSEQUENTIAL CHARGES. THE SOLE REMEDY FOR BREACH OF THIS WARRANTY IS FOR THE REPAIR AND REPLACEMENT OF DEFECTIVE PART(S). NO OTHER EXPRESS OR IMPLIED WARRANTIES ARE GIVEN. TO THE EXTENT ALLOWED BY LAW, THE IMPLIED WARRANTY OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE ARE EXCLUDED.

Some states do not allow the excluding or limitation of incidental or consequential damages or certain warranties, so the above limitation or exclusion may not apply to you.

HOMEOWNER'S OBLIGATION

The homeowner is responsible for normal maintenance and care. Appliances, equipment and fixtures are covered under separate warranties by their respective manufacturers. The Homeowner must first apply to such manufacturers for relief from defects in such items.

Palm Harbor Homes and its subsidiaries as well as many states require that modular home retailers and/or installers provide separate installation warranties or agreements. The Homeowner MUST refer to such warranties for relief from installation related defects in materials and/or workmanship.

RETAILER/DEVELOPER/BUILDER OBLIGATION

The retailer will provide to the Homeowner a written warranty or agreement that the installation of the new home at the initial homesite will be completed in accordance with all local, state and federal standards, rules, regulations, administrative orders, and requirements for the installation of modular homes. Unless otherwise required by local or state standards, rules, regulations, administrative orders, and requirements, the installation warranty begins on the date of the initial installation at the consumer's homesite and extends for a period of twelve consecutive calendar months from that date.

MANUFACTURER'S OBLIGATION

Upon receipt by the manufacturer (at the address listed on the reverse side) of a written notice of a valid claim by the homeowner or the appropriate department regulating modular housing in the state of installation, the manufacturer will, at its option, repair or replace any parts necessary to correct defects in material or workmanship by taking appropriate corrective action. Actions taken by Palm Harbor Homes and its subsidiaries to correct defects shall not extend any warranty period.

This warranty gives you specific legal rights, and you may also have other rights which may vary from state to state. The manufacturer is not responsible for any undertaking, representation or warranty made by any retailer or other person beyond those expressly set forth in this warranty.

Palm Harbor Homes, Inc. and its subsidiaries reserve the right to make any changes at any time in the design, specifications and decors of its products without imposing on itself any liability to make corresponding changes to previously manu-factured products.

ARBITRATION

In the event of any dispute or claim, arising out of, or in connection with the design, construction, warranty or repair of any product or component supplied by the manufacturer, the condition of the product, the conformity of the product, the merchantability of the product, whether such product is or is not "new," any representations, promises, undertakings or covenants made or allegedly made by the manufacturer in connection with or arising out of any transaction or undertaking between the manufacturer and any direct or subsequent purchaser, the manufacturer and the purchaser of this product agree to submit any such dispute or claim to binding arbitration pursuant to the provisions of 9 USC 1, et. seq. and according to the applicable American Arbitration Association rules then in existence.

If any provision of this agreement is found to be unenforceable, such provisions shall be considered severed from the remaining provisions of this agreement and such remaining provisions shall remain in full force and effect.

Contract of Sale

NATIONWIDE HOMES 1100 Rives Road, Martinsville, VA 24115

Phone: 276-632-7100 FAX: 276-632-1181

PARAGRAPH 3 LIMITED WARRANTY

Contractor hereby warrants to Builder that the modular home unit (hereinafter referred to as "Modular Unit") described in the Contract shall be in substantial conformity with the specifications set forth in this Contract and shall be free from defects in materials and workmanship under normal use and service for a period of 12 months from the date Contractor tenders delivery of the Modular Unit. Contractor's sole obligation under the foregoing warranty shall be limited to the repair or replacement, at the option of the Contractor, of any part of such Modular Unit that is demonstrated, to the reasonable satisfaction of Contractor, to be defective and which is determined to be Contractor's responsibility as outlined in the "Bulletin", including all revisions thereof. Contractor shall have no liability whatsoever for any defects in the house resulting from Builder's failure to comply with the terms of the "Bulletin" or from any structural changes to the Modular Units made by the Builder.

CONTRACTOR HEREBY DISCLAIMS, AND BUILDER AGREES THAT BUILDER SHALL HAVE NO RIGHTS WITH RESPECT TO, ANY AND ALL OTHER WARRANTIES, EXPRESS OR IMPLIED, INCLUDING BUT NOT LIMITED TO ANY IMPLIED WARRANTIES (A) AS TO MERCHANTABILITY; (B) AS TO FITNESS FOR A PARTICULAR PURPOSE; (C) AS TO NEW DWELLINGS PROVIDED PURSUANT TO SECTION 55-70.1 OF THE CODE OF VIRGINIA OR ANY SUCCESSOR STATUTE; OR (D) ARISING FROM A COURSE OF DEALING OR USAGE OF TRADE. EXCEPT FOR THE EXPRESS WARRANTY SET FORTH IN THIS CONTRACT, THE MODULAR UNIT OR DWELLING REFERRED TO IN THIS CONTRACT IS SOLD "AS IS"

Notwithstanding anything in this Contract to the contrary, Contractor hereby disclaims any and all liability to Builder, any customer of Builder or any other party, whether arising out of contract, tort (including negligence), strict liability or any other cause or form of action whatsoever, for consequential, special or punitive damages or lost profits resulting from any defect in materials or workmanship of any modular unit or any part thereof covered by this Contract.

The statute of limitations for any action instituted against Contractor for breach of the express warranty set forth herein or under any other provision of this Contract shall be one year from the accrual of any such cause of action A cause of action for breach of any provision of this Contract other than for breach of the express warranty provided herein shall accrue when such breach occurs, regardless of the Builder's knowledge of such breach. A cause of action for breach of the express warranty hereunder shall accrue upon tender of delivery of the modular unit

PALM HARBOR HOMES, INC. AND SUBSIDIARIES
NEW HOME WARRANTY

WARRANTY COVERAGE PROVIDED

Your new manufactured home is constructed in accordance with all building codes, standards, requirements and regulations prescribed by (1) the United States Department of Housing and Urban Development pursuant to the provisions of the National Manufactured Home Construction and Safety Standards Act of 1974 and (2) any Mandatory Manufactured Housing Act and associated regulations in effect in the state in which the home is first sold. This home when used for the purpose of a residence including all appliances and equipment is warranted to be free from substantial defects in materials and workmanship. In the event that the home contains a defect in either material or workmanship, Palm Harbor's obligation under the warranty is to repair or replace defective material or workmanship within a reasonable time after notification of the defect by the customer. This warranty extends to the first retail purchaser and any subsequent purchaser at the original homesite and begins on the date of the initial installation at the consumer's homesite by a licensed installer and extends for a period of twelve consecutive calendar months from that date or as regulated by state specific statutes. The warranty shall remain valid, for the stated period, provided that the installation of the home conforms to applicable regulations.

LIMITATION OF WARRANTY

This warranty covers only those defects (1) which become evident within the applicable warranty period and (2) of which written notice is given to the manufacturer within a reasonable period of time after discovery of the defect but not later than ten (10) days after the expiration of the warranty period.

THIS WARRANTY IS VOID IF THE HOME IS INSTALLED, REGISTERED OR PLACED OUTSIDE THE UNITED STATES

THIS WARRANTY IS VOID IF THE HOME IS MOVED FROM ITS INITIAL INSTALLATION.

THIS WARRANTY DOES NOT COVER

1. Problems resulting from failure to comply with instructions contained in the Homeowner's Manual and/or the Installation Manual.
2. Items not previously noted as damaged, defective, or missing on the home inspection form.
3. Bedding, furniture, tires, wheels or axles.
4. Any part or component not specifically mentioned as being warranted.
5. Normal maintenance items such as light bulbs, faucet washers, furnace filters, etc.
6. Defects or damages caused by or related to
   - A. Installation of the home. (SEE SETUP CONTRACTOR'S WARRANTY OR AGREEMENT FOR RESPONSIBILITIES)
   - B. Settling of the home due to soil conditions.
   - C. Abuse, misuse, negligence, accident or acts of God
   - D. Alteration or modification of the home.
   - E. Transportation.
   - F. Normal deterioration due to wear and exposure
   - G. Dampness or condensation due to the Homeowner's failure to maintain adequate ventilation and climate control in the home and/or underneath the home.
   - H. Dampness or condensation due to the Homeowner's failure to provide adequate drainage away from the home.
   - I. Loss or damage which occurs after a home is no longer used as a residence.
   - J. Insect, bird, rodent or other animal damage of any nature whatsoever
   - K. Damage due to or caused by freezing
   - L. Commercial activities or commercial use.
   - M. Operation of a non-vented heating appliance(s).
7. LOSS OF TIME, INCONVENIENCE, COMMERCIAL LOSS, LOSS OF USE OF THE HOME, INCIDENTIAL CHARGES SUCH AS TELEPHONE CALLS, HOTEL BILLS OR OTHER INCIDENTIAL OR CONSEQUENTIAL CHARGES. THE SOLE REMEDY FOR BREACH OF THIS WARRANTY IS FOR THE REPAIR AND REPLACEMENT OF DEFECTIVE PART(S). NO OTHER EXPRESS OR IMPLIED WARRANTIES ARE GIVEN. TO THE EXTENT ALLOWED BY LAW, THE IMPLIED WARRANTY OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE ARE EXCLUDED.

Some states do not allow the excluding or limitation of incidental or consequential damages or certain warranties, so the above limitation or exclusion may not apply to you.

HOMEOWNER'S OBLIGATION

The homeowner is responsible for normal maintenance and care as described in the Homeowner's Manual. Appliances, equipment and [illegible] are covered under separate warranties by their respective manufacturers. The Homeowner must first apply to such manufacturers for relief from defects in such items.

Palm Harbor Homes and its subsidiaries as well as many states require that manufactured home retailers and/or installers provide separate installation warranties or agreements. The Homeowner MUST refer to such warranties for relief from installation related defects in materials and/or workmanship.

RETAILER'S OBLIGATION

The retailer will provide emergency service for the items noted in the EMERGENCY SERVICE section of this warranty.

The retailer will provide to the Homeowner a written warranty or agreement that the installation of the new home at the initial homesite will be completed in accordance with all local, state and federal standards, rules, regulations, administrative orders, and requirements for the installation of manufactured homes. Unless otherwise required by local or state standards, rules, regulations, administrative orders, and requirements, the installation warranty begins on the date of the initial installation at the consumer's homesite and extends for a period of twelve consecutive calendar months from that date.

MANUFACTURER'S OBLIGATION

Upon receipt by the manufacturer (at the address listed on the reverse side) of a written notice of a valid claim by the homeowner or the appropriate department regulating manufactured housing in the state of installation, the manufacturer will, at its option, repair or replace any parts necessary to correct defects in material or workmanship by taking appropriate corrective action within a reasonable time. Actions taken by Palm Harbor Homes and its subsidiaries to correct defects shall not extend any warranty period

This warranty gives you specific legal rights, and you may also have other rights which may vary from state to state. The manufacturer is not responsible for any undertaking, representation or warranty made by any retailer or other person beyond those expressly set forth in this warranty.

Palm Harbor Homes, Inc. and its subsidiaries reserve the right to make any changes at any time in the design, specifications and decors of its products without imposing on itself any liability to make corresponding changes to previously manufactured products.

ARBITRATION

In the event of any dispute or claim, arising out of, or in connection with the design, construction, warranty or repair of any product or component supplied by the manufacturer, the condition of the product, the conformity of the product, the merchantability of the product, whether such product is or is not "new," any representations, promises, undertakings or covenants made or allegedly made by the manufacturer in connection with or arising out of any transaction or undertaking between the manufacturer and any direct or subsequent purchaser, the manufacturer and the purchaser of this product agree to submit any such dispute or claim to binding arbitration pursuant to the provisions of 9 USC 1, et. seq. and according to the applicable American Arbitration Association rules then in existence.

If any provision of this agreement is found to be unenforceable, such provisions shall be considered severed from the remaining provisions of this agreement and such remaining provisions shall remain in full force and effect.

When you own a Palm Harbor home, you're covered with Gold Key Care.

5 YEAR PROTECTION PLAN

YEAR 1

Your new home is warranted by Palm Harbor Homes to be free from substantial defects in materials and workmanship. The warranty extends to the first retail purchaser and any subsequent purchaser and begins on the date of the initial installation at the homesite or the date the customer closes, whichever is later, and extends for a period of twelve (12) consecutive calendar months from that date.

Warranty service is available at no cost to the homeowner for defects reported within the warranty period as stated in the New Home Warranty.

Included in the coverage of your New Home Warranty are the following items:

All appliances that were installed by Palm Harbor Homes including (if applicable):

- Refrigerator and Dishwasher
- Oven, Range and Cooktop
- Garbage Disposal and Trash Compactor
- Built-in Microwave
- Furnace and Water Heater
- Washer and Dryer
- Smoke Detectors

Typically these appliances, equipment and fixtures are covered under separate warranties by their respective manufacturers.

In addition to appliances, the following are also covered under your first year New Home Warranty:

Plumbing Fixtures
- Showers Stalls and Bathtubs
- Sinks and Toilets
- Faucets

Light Fixtures
- Exterior Lights
- Ceiling Lights
- Wall Mounted Lights
- Switches and Receptacles
- Circuit Breakers

Roofing Materials
- Shingles and Underlayment
- Fireplace and Appliance Vent Stacks
- Flashing and Sealants

Floor Covering
- Carpet and Carpet Pad
- Wood and Ceramic Floor Tile
- Vinyl Floor Covering

Ceiling Fans
- Kitchen and Bathroom Exhaust Fans
- Decorative Paddle Fans

Refer to New Home Warranty for specific warranty information, limitations and exclusions.

YEARS 2-5

The 5-Year Protection Plan offered by Palm Harbor Homes lengthens the coverage of the following structural, electrical and plumbing system:

Sub-Floor Structure
- Wood Floor Joist supporting Floor Decking
- Oriented Strand Board and Plywood Decking
- Insulation and Support Lumber within Floor

Roof Structure
- Roof Trusses and Rafters
- Main Support Beams and Roof Decking
- All Support Lumber contained within the Roof
- Shingles, Insulation and Metal Roofing

Interior and Exterior Walls
- Exterior Siding and Insulation
- Studs and Support Lumber within Walls
- Column Members and Framing Members

Home Plumbing Systems
- Hot and Cold Water Distribution Piping
- Drain, Waste and Vent (DWV) Piping
- All Piping Fittings
- All Piping Connections
- All Fixture and Appliance Connections

Home Electrical Systems
- All Wiring, Fittings and Connections
- Fixture Boxes and Junction Boxes
- Main Panel and Sub-Panel Boxes

All repairs or replacements made under this 5-Year Protection Plan (in years 2 through 5) are subject to a $50 deductible charge per occurrence per system defect.

The replaced or repaired parts or components are covered only until the 5-Year Protection Plan expires. All parts or components repaired and/or replaced under this plan are the property of Palm Harbor Homes. Final determination whether to repair or replace parts or components will be made by Palm Harbor Homes.

EXHIBIT B

Bid Procedures

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
PALM HARBOR HOMES, INC., et al.,[1]	)	Case No. 10-_____ (___)
	)	
Debtors.	)	Jointly Administered
	)	

BID PROCEDURES

Set forth below are the bid procedures (the "Bid Procedures")[2] to be employed with respect to the proposed sale of substantially all of the assets and operations (the "Transferred Assets") of the Debtors (the "Transaction"). It is contemplated that the Transaction will be implemented through an asset purchase agreement (the "Stalking Horse Agreement") entered into by and among the Debtors and Palm Harbor Homes, Inc., a Delaware corporation (the "Stalking Horse Purchaser"), subject to the receipt of higher or otherwise better bids and the corresponding entry into a sale agreement with a Successful Bidder (as defined below) according to these Bid Procedures.

I.
Important Dates
(All times are prevailing Eastern time)

- **December 22, 2010:** Debtors to send (i) Cure and Possible Assumption and Assignment Notices to All Lease and Contract Counterparties; and (ii) Notice of the Sale
- **January 11, 2011 at 4:00 p.m.:** Cure or Assignment Objection Deadline
- **January 18, 2011 at 4:00 p.m.:** Deadline to submit Bid to be considered for the Auction
- **January 25, 2011 at 10:00 a.m.:** Proposed date of Auction
- **January 27, 2011:** Debtors to file notice of Successful Bidder and Contract Assignment Notice
- **January 31, 2011 at 4:00 p.m.:** Deadline to file and serve objections to relief requested at Sale Hearing (except for any objection that arises at the Auction)
- **February 2, 2011 at 10:00 a.m.:** Proposed date of Sale Hearing

[1] The Debtors in these jointly administered chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Palm Harbor Homes, Inc., a Florida corporation (6634); Palm Harbor Albemarle, LLC (1014); Nationwide Homes, Inc. (4881); Palm Harbor Real Estate, LLC (8234); Palm Harbor GenPar, LLC (0198); and Palm Harbor Manufacturing, LP (0199). The location of the Debtors' corporate headquarters and service address is: 15303 Dallas Parkway, Suite 800, Addison, Texas 75001.

[2] Capitalized terms used but not defined herein shall have the meanings set forth in the motion to approve these Bid Procedures (the "Bid Procedures Motion").

II.
Approval of Bid Procedures and Bid Protections

The Debtors shall request that the Court set a hearing (the "Bid Procedures Hearing") to occur on or before December 20, 2010 to approve, among other things, the Bid Procedures and the bid protections set forth below. Any party in interest that wishes to oppose the entry of an order (the "Bid Procedures Order") approving the Bid Procedures or the bid protections must file with the Court a written objection pursuant to applicable Bankruptcy Rules and Local Bankruptcy Rules on or before 4:00 p.m. (prevailing Eastern time) December 15, 2010 (the "Bid Procedures Objection Deadline").

III.
Marketing Process

A. Contact Parties

The Debtors, in consultation with Raymond James & Associates, Inc. ("Raymond James") have developed a list of parties who the Debtors believe may potentially be interested in, and who the Debtors reasonably believe would have the financial resources to, consummate a competing Transaction to that of the Stalking Horse Purchaser (a "Competing Transaction"), which list includes both potential strategic investors, private equity firms, hedge funds, other institutional investors, asset liquidation firms and holders of the Debtors' prepetition debt (each, individually, a "Contact Party", and collectively, the "Contact Parties"). The Debtors and Raymond James have been in the process of contacting the Contact Parties to explore their interest in pursuing a Competing Transaction. The Contact Parties may include parties whom the Debtors or their advisors have previously contacted regarding a Transaction, regardless of whether such parties expressed any interest, at such time, in pursuing a Transaction. The Debtors will continue to discuss and may, in their sole discretion, supplement the list of Contact Parties throughout the marketing process, as appropriate.

The Debtors may distribute to each Contact Party an "Information Package," which is comprised of:

(a) A cover letter;

(b) A copy of these Bid Procedures; and

(c) A copy of the confidentiality agreement attached hereto as Exhibit 1 (the "Confidentiality Agreement").

Parties interested in conducting due diligence regarding the Debtors and receiving an Information Package should contact the Debtors' investment bankers, Raymond James & Associates, Inc., 277 Park Avenue, 4th Floor, New York, NY 10172, Attn: Rob Schwarz or Raj Singh, rob.schwarz@raymondjames.com and raj.singh@raymondjames.com.

B. Access to Diligence Materials

To participate in the bidding process and to receive access to any materials relating to the Debtors (the "Diligence Materials"), a party must submit to the Debtors an executed Confidentiality Agreement or an executed Confidentiality Agreement as amended in form and substance satisfactory to the Debtors in their sole discretion. At the reasonable business judgment of the Debtors, those parties that have executed a confidentiality agreement prior to the approval of these Bid Procedures may not have to execute a Confidentiality Agreement.

A Contact Party that executes a Confidentiality Agreement or otherwise is deemed qualified by the Debtors in their sole discretion may qualify for access to the Diligence Materials and shall be a "Preliminarily Interested Investor."

All requests for Diligence Materials must be directed to Raymond James.

For any Preliminary Interested Investor who is a competitor of the Debtors or is affiliated with any competitor of the Debtors, the Debtors reserve the right to withhold any Diligence Materials that the Debtors determine are business-sensitive or otherwise not appropriate for disclosure to such Preliminary Interested Investor.

C. Auction Qualification Process

To be eligible to participate in the Auction, each offer, solicitation or proposal (each, a "Bid"), and each party submitting such a Bid (each, a "Bidder"), shall be determined by the Debtors to satisfy each of the following conditions:

(1) Good Faith Deposit: Each Bid (other than the Bid from the Stalking Horse Purchaser) must be accompanied by a deposit to an interest bearing escrow account to be identified and established by the Debtors in an amount that is the lesser of (i) $5,000,000, or (ii) 10% of the proposed purchase price, (the "Good Faith Deposit").

(2) Terms: Bids(s) must be on terms that, in the Debtors' business judgment, are higher or otherwise better than the terms of the Stalking Horse Agreement. A Bid must include executed transaction documents pursuant to which the Bidder proposes to effectuate the Competing Transaction (the "Competing Transaction Documents"). A Bid shall include a copy of the Stalking Horse Agreement marked to show all changes requested by the Bidder (including those related to purchase price). A Bid should propose a Competing Transaction involving substantially all of the Debtors' assets or operations. The Debtors shall evaluate all Bids to determine whether such Bid(s) maximizes the value of the Debtors' estates as a whole. A Bid to purchase substantially all of the Debtors' assets must propose a purchase price equal to the purchase price under the Stalking Horse Agreement, plus at least: (i) $300,000 (the "Initial Overbid"); (ii) $1,100,000, which represents the amount of the break-up fee to the Stalking Horse Purchaser (the "Break-Up Fee"); and (iii) $250,000, which represents the amount of the Expense Reimbursement (as defined below). The Competing Transaction Documents shall also identify any executory

contracts and unexpired leases of the Debtors that the Bidder wishes to have assumed and assigned to it (collectively, the "Assumed Contracts").

(3) Corporate Authority: Written evidence reasonably acceptable to the Debtors demonstrating appropriate corporate authorization to consummate the proposed Competing Transaction; provided, however, that, if the Bidder is an entity specially formed for the purpose of effectuating the Competing Transaction, then the Bidder must furnish written evidence reasonably acceptable to the Debtors of the approval of the Competing Transaction by the equity holder(s) of such Bidder.

(4) Proof of Financial Ability to Perform: Written evidence that the Debtors reasonably conclude demonstrates that the Bidder has the necessary financial ability to close the Competing Transaction and provide adequate assurance of future performance under all Assumed Contracts. Such information should include, *inter alia,* the following:

(a) contact names, email addresses and telephone numbers for verification of financing sources,

(b) evidence of the Bidder's internal resources and proof of any debt or equity funding commitments that are needed to close the Competing Transaction;

(c) the Bidder's current financial statements (audited if they exist); and

(d) any such other form of financial disclosure or credit-quality support information or enhancement reasonably acceptable to the Debtors demonstrating that such Bidder has the ability to close the Competing Transaction; provided, however, that the Debtors shall determine, in their sole discretion, in consultation with the Debtors' advisors, whether the written evidence of such financial wherewithal is reasonably acceptable, and shall not unreasonably withhold acceptance of a Bidder's financial qualifications.

(5) Contingencies: A Bid may not be conditioned on obtaining financing or any internal approval, or on the outcome or review of due diligence, but may be subject to the accuracy in all material respects at the closing of specified representations and warranties.

(6) Irrevocable: A Bid must be irrevocable until the closing of the Auction, provided, however, that if such Bid is accepted as the Successful Bid or the Backup Bid (as defined herein), such bid shall continue to remain irrevocable, subject to the terms and conditions of the Bid Procedures.

(7) Bid Deadline: The Debtors must receive a Bid in writing, on or before January 18, 2011 at 4:00 p.m. (prevailing Eastern time) or such later date as may be agreed to by the Debtors (the "Bid Deadline"). To be considered, Bids must be sent to the following at or before the Bid Deadline: (i) counsel for the Debtors, Locke Lord Bissell & Liddell, LLP, 111 S. Wacker Drive, Chicago, IL 60606, Attn: David W. Wirt and Aaron C. Smith, and Polsinelli Shughart PC, 222 Delaware

Avenue, Suite 1101, Wilmington, Delaware 19801, Attn: Christopher A. Ward; (ii) counsel to the Stalking Horse Purchaser, Snell & Wilmer L.L.P., One Arizona Center, Phoenix, AZ 85004-2202, Attn: Christopher H. Bayley and Donald F. Ennis, and Ashby & Geddes, P.A., 500 Delaware Avenue, 8th Floor, Wilmington, DE 19801, Attn: William P. Bowden; (iii) investment bankers for the Debtors, Raymond James & Associates, Inc., 277 Park Ave., Ste. 410, New York, NY 10172, Attn: Raj Singh and Rob Schwartz; (iv) restructuring advisors for the Debtors, Alvarez & Marsal North America, LLC, 2100 Ross Avenue, 21st Floor, Dallas, TX 75201, Attn: Brian Cejka; (v) counsel for the Committee, if one is appointed; and (vi) financial advisors to the Committee, if one is appointed.

A Bid received from a Bidder before the Bid Deadline that meets the above requirements shall constitute a "Qualified Bid," and such Bidder shall constitute a "Qualified Bidder." Notwithstanding the foregoing definitions, the Stalking Horse Agreement constitutes the Qualified Bid of the Stalking Horse Bidder, and the Stalking Horse Bidder is a Qualified Bidder.

IV.
Auction

If one or more Qualified Bid is received by the Bid Deadline (other than the Stalking Horse Agreement), the Debtors will conduct an auction (the "Auction") to determine the highest or otherwise best Qualified Bid. This determination shall take into account any factors the Debtors reasonably deem relevant to the value of the Qualified Bid to the Debtors' estates, including, *inter alia,* the following: (i) the amount and nature of the consideration; (ii) the proposed assumption of any liabilities and/or executory contracts or unexpired leases, if any; (iii) the ability of the Qualified Bidder to close the proposed Transaction; (iv) the proposed closing date and the likelihood, extent and impact of any potential delays in closing, including owing to regulatory uncertainty; (v) any purchase price adjustments; (vi) the impact of the Transaction on any actual or potential litigation; and (vii) the net after-tax consideration to be received by the Debtors' estates (collectively, the "Bid Assessment Criteria"). If no Qualified Bid (other than the Stalking Horse Agreement) is received by the Bid Deadline, the Debtors may determine not to conduct the Auction.

The Auction shall take place at 10:00 a.m. (prevailing Eastern time) on January 25, 2011 at the offices of Debtors' Delaware counsel, Polsinelli Shughart, 222 Delaware Avenue, Suite 1101, Wilmington, DE 19801 or such later time on such day or other place as the Debtors shall notify all Bidders who have submitted Qualified Bids. The Auction shall be transcribed and shall be conducted according to the following procedures:

A. The Debtors Shall Conduct the Auction.

The Debtors and their professionals shall direct and preside over the Auction. At the start of the Auction, the Debtors shall describe the terms of the Stalking Horse Agreement or, in the event a higher or otherwise better Bid is received, such Qualified Bid (the "Auction Baseline Bid"). All Qualified Bids made after the announcement of the Auction Baseline Bid shall be Overbids (as defined below), and shall be made and received on an open basis, and all material terms of each Overbid shall be fully disclosed to all Bidders who have submitted Qualified Bids.

The Debtors shall maintain a transcript of all Bids made and announced at the Auction, including the Auction Baseline Bid and all Overbids.

The Debtors intend to auction the Transferred Assets in bulk at the Auction in order to determine the highest or otherwise best Bid(s). However, in the event that an Overbid (as defined below) is submitted for less than substantially all of the Debtors' assets, or the Overbid consists of an aggregate of two or more Bids submitted for less than substantially all of the Debtors' assets, the Debtors reserve their right to review such Overbid(s) and determine, in their sole discretion, whether such Overbid(s) nevertheless constitutes a better offer than the Auction Baseline Bid or the then-prevailing Overbid.

B. Terms of Overbids.

An "Overbid" is any Bid made at the Auction subsequent to the Debtors' announcement of the Auction Baseline Bid. To submit an Overbid for purposes of this Auction, a Bidder must comply with the following conditions:

(1) **Minimum Overbid Increment.**

Any Overbid after the Auction Baseline Bid shall be made in increments of at least $100,000 (the "Minimum Overbid Increment"); provided that the Debtors shall retain the right to modify the bid increment requirements at the Auction as they may deem appropriate. Additional consideration in excess of the amount set forth in the Auction Baseline Bid may include cash, the assumption of debt or marketable securities, a credit bid under section 363(k) of the Bankruptcy Code of an allowed secured claim of Fleetwood Homes, Inc. or its assignee, other consideration as the Debtors may value in their sole discretion, or any combination thereof.

(2) **Remaining Terms are the Same as for Qualified Bids.**

Except as modified herein, an Overbid must comply with the conditions for a Qualified Bid set forth above, provided, however, that: (i) the Bid Deadline shall not apply; (ii) an Overbid may be submitted for less than substantially all of the Debtors' assets; and (iii) an Overbid may consist of an aggregate of two or more Bids submitted for less than substantially all of the Debtors' assets, provided that all such bidders remain subject to the anti-collusive bidding provisions of section 363(n) of the Bankruptcy Code. Any Overbid must remain open and binding on the Bidder(s) until and unless the Debtors accept a higher or otherwise better Overbid, subject to the requirements of the Backup Bid (as defined below).

To the extent not previously provided (which shall be determined by the Debtors), a Bidder submitting an Overbid must submit, as part of its Overbid, written evidence (in the form of financial disclosure or credit-quality support information or enhancement reasonably acceptable to the Debtors) demonstrating such Bidder's ability to close the Competing Transaction proposed by such Overbid.

(3) **Announcing Overbids.**

The Debtors shall announce at the Auction the material terms of each Overbid, the total consideration offered in each such Overbid and the resulting benefit to the Debtors' estates based on, *inter alia,* the Bid Assessment Criteria.

(4) **Consideration of Overbids.**

The Debtors reserve the right to make one or more adjournments in the Auction to, among other things: facilitate discussions between the Debtors and individual Bidders; allow individual Bidders to consider how they wish to proceed; and give Bidders the opportunity to provide the Debtors with such additional evidence as the Debtors may require that the Bidder has sufficient internal resources, or has received sufficient non-contingent debt and/or equity funding commitments, to consummate the proposed Competing Transaction at the prevailing Overbid amount.

C. Backup Bidder.

Notwithstanding anything in the Bid Procedures to the contrary, if an Auction is conducted, the party with the next highest or otherwise best Qualified Bid(s) at the Auction, as determined by the Debtors, in the exercise of their business judgment, shall be required to serve as a backup bidder (the "Backup Bidder"). The Backup Bidder shall be required to keep its initial Bid (or if the Backup Bidder submitted one or more Overbids at the Auction, its final Overbid) (the "Backup Bid") open and irrevocable until the earlier of 5:00 p.m. (prevailing Eastern time) on the date that is twenty (20) days after entry of the Sale Order (the "Outside Backup Date") or the closing of the transaction with the Successful Bidder. Following entry of the Sale Order, if the Successful Bidder fails to consummate an approved transaction, because of a breach or failure to perform on the part of such Successful Bidder, the Debtors may designate the Backup Bidder to be the new Successful Bidder, and the Debtors will be authorized, but not required, to consummate the transaction, with the Backup Bidder without further order of the Bankruptcy Court. In such case, the defaulting Successful Bidder's deposit, if any, shall be forfeited to the Debtors' estates, and the Debtors specifically reserve the right to seek all available damages from the defaulting Successful Bidder. The closing date to consummate the transaction with the Backup Bidder shall be no later than ten (10) days after the date that the Debtors provide notice (the "Notice") to the Backup Bidder that the Successful Bidder failed to consummate an approved Transaction and that the Debtors desire to consummate the transaction with the Backup Bidder. The deposit, if any, of the Backup Bidder shall be held by the Debtors until the earlier of two (2) business days after (a) the closing of the Transaction with the Successful Bidder or (b) the Outside Backup Date, provided however, that in the event the Successful Bidder does not consummate the Transaction as described above and the Debtors provide the Notice to the Backup Bidder, the Backup Bidder's deposit shall be held until the closing of the Transaction with the Backup Bidder. In the event that the Debtors fail to consummate a Transaction with the Backup Bidder as described above, the Backup Bidder's deposit shall be forfeited to the Debtors' estates, and the Debtors specifically reserve the right to seek all available damages from the defaulting Backup Bidder.

D. Additional Procedures.

The Debtors may announce at the Auction modifications or amendments to the procedural rules that are reasonable under the circumstances (e.g., the amount of time to make subsequent Overbids, whether a non-conforming Bid should nevertheless be deemed a Qualified Bid, etc.) for conducting the Auction so long as such rules are not inconsistent with these Bid Procedures.

E. Presence of Qualified Bidder.

Each Qualified Bidder shall appear in person at the Auction, or through a duly authorized representative or agent.

F. As Is, Where Is.

The sale of the Debtors' assets shall be on an "as is, where is" basis without representations or warranties of any kind, nature, or description by the Debtors or the Debtors' estates, except as specifically set forth in the Stalking Horse Agreement or the Competing Transaction Documents. All of the Debtors' right, title, and interest in and to the assets that are the subject of the sale shall be sold free and clear of all liens and encumbrances except as specifically set forth in the Stalking Horse Agreement or the Competing Transaction Documents.

G. Consent to Jurisdiction as Condition to Bidding.

The Stalking Horse Purchaser, all Qualified Bidders, and all other Bidders at the Auction shall be deemed to have consented to the core jurisdiction of the Bankruptcy Court and waived any right to a jury trial in connection with any disputes relating to the Stalking Horse Agreement, the Auction or the construction and enforcement of any Competing Transaction Documents.

H. Closing the Auction.

The Auction shall continue until there is only one Qualified Bid that the Debtors determine in their reasonable business judgment, after consultation with their financial and legal advisors, is the highest or otherwise best Qualified Bid at the Auction (the "Successful Bid" and the Bidder submitting such Successful Bid, the "Successful Bidder"). In making this decision, the Debtors, in consultation with their financial and legal advisors, shall consider the Bid Assessment Criteria. The Auction shall be adjourned at the time that all Bidders who have submitted Qualified Bids have been given a reasonable opportunity to submit an Overbid at the Auction to the then-existing Overbid and the Debtors have determined a Successful Bid. The Auction shall not close until: (i) the Successful Bidder has submitted executed Transaction Documents memorializing the terms of the Successful Bid(s) to the Debtors; and (ii) the Debtors have executed the Transaction Documents within one (1) business day after adjournment of the Auction (but in any event prior to the commencement of the Sale Hearing). Within two (2) business day after the closing of the Auction (but in any event prior to the commencement of the Sale Hearing), the Debtors will file with the Court a notice of Successful Bidder and a notice listing those Assumed Contracts that will be assigned to the Successful Bidder.

The Debtors shall not consider any Bids submitted after the closing of the Auction.

I. Expense Reimbursement and Break-Up Fee.

If the Stalking Horse Purchaser attends the Auction with its Bid in place, and the Stalking Horse Purchaser is outbid, and the Successful Bidder is a party other than the Stalking Horse Purchaser, the Stalking Horse Purchaser shall, without further court order, be entitled to receive (i) reimbursement of the reasonable, actual, out-of-pocket costs and expenses paid or incurred by the Stalking Horse Purchaser directly incident to, under, or in connection with the negotiation and execution of, and performance under, the Stalking Horse Agreement and the transactions contemplated thereunder (including travel expenses and reasonable fees and disbursements of counsel, accountants and financial advisors, excluding any charges for the time or services of the Stalking Horse Purchaser's employees except the Stalking Horse Purchaser's in-house corporate counsel) in an amount not to exceed $250,000 in the aggregate ("Expense Reimbursement"); and (ii) the Break-Up Fee. The Debtors shall pay or cause to be paid the Expense Reimbursement and Break-Up Fee out of the proceeds of the sale within twenty-four (24) hours of receipt of such sale proceeds, both of which shall have priority as administrative expenses in the Debtors' cases under Sections 503(6) and 507(a) of the Bankruptcy Code.

V.
Procedures for Determining Cure Amounts and Adequate Assurance for Counterparties to Assumed Contracts

By December 22, 2011, the Debtors shall send a notice to each counterparty to an executory contract or unexpired lease setting forth the Debtors' calculation of the cure amount, if any, that would be owing to such counterparty if the Debtors decided to assume or assume and assign such executory contract or unexpired lease, and alerting such nondebtor party that their contract may be assumed and assigned to the Successful Bidder (the "Cure and Possible Assumption and Assignment Notice"), a copy of which is attached as Exhibit 2. Any counterparty that objects to the cure amount set forth in the Cure and Possible Assumption and Assignment Notice or the possible assignment of their executory contract or unexpired lease must file an objection (a "Cure or Assignment Objection") on or before 4:00 p.m. prevailing Eastern time on January 11, 2011, which Cure or Assignment Objection must be served on (i) counsel for the Debtors, Locke Lord Bissell & Liddell, LLP, 111 S. Wacker Drive, Chicago, IL 60606, Attn: David W. Wirt and Aaron C. Smith, and Polsinelli Shughart PC, 222 Delaware Avenue, Suite 1101, Wilmington, Delaware 19801, Attn: Christopher A. Ward, (ii) counsel to the Stalking Horse Purchaser, Snell & Wilmer L.L.P., One Arizona Center, Phoenix, AZ 85004-2202, Attn: Christopher H. Bayley and Donald F. Ennis, and Ashby & Geddes, P.A., 500 Delaware Avenue, 8th Floor, Wilmington, DE 19801, Attn: William P. Bowden, and (iii) counsel for the Committee, if one is appointed, so that it is actually received no later than 4:00 p.m. prevailing Eastern time on January 11, 2011. Unless a counterparty timely files and serves a Cure or Assignment Objection, that counterparty shall: (a) be forever barred from objecting to the Debtors' proposed cure amount and from asserting any additional cure, damages, or other amounts with respect to the executory contract or unexpired lease, and the Debtors and Stalking Horse Purchaser (or any Successful Bidder) shall be entitled to rely solely upon the proposed cure amounts set forth in the Cure and Possible Assumption and Assignment Notice; (b) be deemed to have consented to the proposed assumption and assignment; and (c) be forever barred and estopped from asserting or claiming against the Debtors or Stalking Horse Purchaser (or any Successful Bidder) that any other defaults exist, that conditions to assignment must be satisfied under such executory contract or unexpired lease or

that there is any objection or defense to the assumption and assignment of such executory contract or unexpired lease. Where a counterparty to an Assumed Contract files a timely Cure or Assignment Objection asserting a higher cure amount than the amount listed in the Cure and Possible Assumption and Assignment Notice, or an objection to the possible assignment of that counterparty's executory contract or unexpired lease, and the parties are unable to consensually resolve the dispute, the amount to be paid under section 365 of the Bankruptcy Code (if any) or, as the case may be, the Debtors' ability to assign the executory contract or unexpired lease to the Successful Bidder will be determined at the Sale Hearing.

VI.
Sale Hearing

The Debtors will seek a hearing (the "Sale Hearing") on or before February 2, 2011, at which hearing the Debtors will seek approval of the Transaction with the Successful Bidder. Objections to the sale of the Transferred Assets to the Successful Bidder or Backup Bidder must be filed and served so that they are actually received by the Debtors no later than 4:00 p.m. (prevailing Eastern time) on January 31, 2011 (except for any objection that arises at the Auction) on the following: (i) counsel for the Debtors, Locke Lord Bissell & Liddell, LLP, 111 S. Wacker Drive, Chicago, IL 60606, Attn: David W. Wirt and Aaron C. Smith, and Polsinelli Shughart PC, 222 Delaware Avenue, Suite 1101, Wilmington, Delaware 19801, Attn: Christopher A. Ward; (ii) counsel for the Stalking Horse Purchaser, Snell & Wilmer, LLP, One Arizona Center, Phoenix, AZ 85004-2202, Attn: Christopher H. Bayley and Donald F. Ennis, and Ashby Geddes, 500 Delaware Avenue, P.O. Box 1150, Wilmington, DE 19899, Attn: William P. Bowden; and (iii) counsel for the Committee, if one is appointed.

VII.
Return of Good Faith Deposit

The Good Faith Deposits of all Qualified Bidders (other than the Stalking Horse Purchaser, which is not required to submit a Good Faith Deposit) shall be held in one or more interest-bearing escrow accounts by the Debtors, but shall not become property of the Debtors' estates unless explicitly set forth in these Bid Procedures or otherwise ordered by the Court. The Good Faith Deposits of any Qualified Bidder that is neither the Successful Bidder nor the Backup Bidder shall be returned to such Qualified Bidder not later than two (2) business days after the Sale Hearing. The Good Faith Deposit of the Backup Bidder shall be returned to the Backup Bidder on the date that is the earlier of (i) two (2) business days after the closing of the Transaction with the Successful Bidder or (ii) the Outside Backup Date. Upon the return of the Good Faith Deposits, their respective owners shall receive any and all interest that will have accrued thereon. If the Successful Bidder timely closes the winning transaction, its Good Faith Deposit shall be credited towards its purchase price.

EXHIBIT 1

CONFIDENTIALITY AGREEMENT

[Date]

[POTENTIAL PURCHASER]

To Whom It May Concern:

1. Possible Transaction. You have requested or may request certain information which is non-public, confidential or proprietary in nature from Palm Harbor Homes, Inc., *et al.*, having their principal offices at 15303 Dallas Parkway, Suite 800, Addison, Texas 75001 (together, the "Companies") in order to assist in your evaluation of a possible transaction with the Companies involving the purchase of certain assets of the Companies (a "Possible Transaction"). Subject to your delivery of a signed copy of this letter agreement (this "Confidentiality Agreement"), the Companies or their representatives will deliver or make available to you, upon the terms and subject to the conditions set forth in this Confidentiality Agreement, certain information about the assets.

2. Evaluation Material. All information about the Companies or the Possible Transaction furnished or made available by the Companies, their managing members, officers, employees, agents, consultants, financers, investors or advisers (legal, financial, accounting or otherwise) (such persons collectively referred to herein as "Representatives"), including, without limitation any third-party reports or materials that are subject to a confidentiality agreement between Companies or any of its affiliates and a third party, whether furnished before or after the date hereof, whether tangible or intangible and in whatever form or medium provided, whether written or orally furnished or made available, together with all notes, analysis, compilations, studies, summaries, data, interpretations, documents and other materials which contain, reflect or are generated or otherwise derived from such information, are referred to in this Confidentiality Agreement as "Evaluation Material". Evaluation Material does not include, however, information which: (a) is or becomes generally available to the public other than as a result of a disclosure by you or your Representatives; (b) is or becomes available to you on a nonconfidential basis from a source (other than the Companies or its Representatives) not known by you to be prohibited from disclosing such information to you by a legal, contractual or fiduciary obligation, provided that such latter information shall become Evaluation Material at such time as you or your Representatives become aware that the source of such Evaluation Material was prohibited from disclosing the same to you or your Representatives; or (c) you have the Companies' prior written consent to disclose to the identified recipient thereof. As used in this Confidentiality Agreement, the term "person" shall be broadly interpreted to include, without limitation, the media and any companies, partnership, group, limited liability companies, trust, other entity or individual.

3. Confidentiality Undertaking. You agree: (a) except as required by law (including legal or judicial process), the requirements or procedures of any regulatory or government authority or of any recognized securities exchange or listing authority and subject to the provisions of paragraph 5 below, to keep all Evaluation Material strictly confidential and not to disclose or reveal any Evaluation Material to any person other than to those of your Representatives with a need to know the information contained therein for the sole purpose of assisting you in the evaluation, analysis, negotiation, development or consummation of a Possible Transaction and to ensure that those persons are aware of the confidential nature of the Evaluation Material and of the terms of this Confidentiality Agreement; provided, that such Representatives shall have been provided with a copy of this Confidentiality Agreement; and provided, further, that you shall not use Evaluation Material

for any purpose other than solely in connection with the evaluation, analysis, negotiation, development or consummation of a Possible Transaction. You agree to take all reasonable measures to restrain your Representatives from prohibited or unauthorized disclosure or use of the Evaluation Material.

4. Use. You shall use the Evaluation Material only for the purpose of the Possible Transaction, or the evaluation thereof. No other rights or licenses to trademarks, inventions, copyrights, patents, or any other intellectual property are implied or granted under this Confidentiality Agreement or by the conveying or disclosure of the Evaluation Material. All Evaluation Material, unless otherwise specified in writing, shall be and remain the property of the Companies; provided however that in the event a Possible Transaction is consummated with you, all Evaluation Material shall become yours. The Evaluation Material supplied to you shall not be reproduced in any form except as required to accomplish the intent of this Confidentiality Agreement.

5. Notice of Required Disclosure. In the event that you or any of your Representatives are required (by deposition, interrogatories, requests for information or documents in legal or regulatory proceedings, by regulatory or governmental authorities, subpoena, civil investigative demand, regulatory process, compliance with listing or securities exchange laws or other similar process or applicable law) to disclose all or any part of the Evaluation Material or the information contained therein, you shall provide the Companies with prompt written notice of the existence, terms and circumstances surrounding any such request or requirement so that the Companies may seek a protective order or other appropriate remedy and/or waive compliance with the provisions of this Confidentiality Agreement (and if the Companies seeks such an order, to provide such cooperation as the Companies shall reasonably request at the Companies' expense). If, in the absence of a protective order or other remedy or the receipt of a waiver by the Companies, you or any of your Representatives are nonetheless, in the reasonable opinion of your counsel, legally compelled to disclose Evaluation Material to any such tribunal, you or your Representatives may, without liability hereunder (unless such disclosure was caused by or resulted from a previous disclosure by you or any of your Representatives that was not permitted by this Confidentiality Agreement), disclose to such tribunal only that portion of the Evaluation Material which such counsel reasonably advises you is legally required to be disclosed, provided that you exercise your reasonable efforts to preserve the confidentiality of the Evaluation Material in making such disclosure, including without limitation, by using reasonable attempts to obtain assurance that confidential treatment will be accorded the Evaluation Material by such tribunal.

6. Return or Destruction of Evaluation Material. At any time upon the Companies' request, you will, at the election of the Companies, promptly (and in any case within 7 days of any such request) deliver to the Companies or destroy all of the Evaluation Material without retaining any copy thereof and cause any remaining notes, photocopies and other materials derived from the Evaluation material to be destroyed, and provide to the Companies a written certification of an authorized executive officer as to such return and/or destruction. Notwithstanding the foregoing, any Evaluation Material prepared by you and incorporated into your corporate governance documents may be kept for corporate archive purposes only, provided that all such information shall continue to be kept confidential pursuant to the terms of this Confidentiality Agreement. Your return, destruction or retention of any such Evaluation Material will not affect any of your other obligations

under this Confidentiality Agreement, including, but not limited to, your obligations under paragraph 3 above.

7. No Representations or Liability. Neither the Companies nor any of its Representatives makes any representation or warranty, express or implied, as to the accuracy or completeness of the Evaluation Material. Neither the Companies nor any of its Representatives shall have any liability to you or to any of your Representatives, affiliates or stockholders on any basis (including, without limitation, in contract, tort, under federal or state securities laws or otherwise), and neither you nor your Representatives will make any claims whatsoever against the Companies or its Representatives, with respect to or arising out of or relating to: (a) the Possible Transaction involving the parties, as a result of this Confidentiality Agreement; (b) the participation of such party and its Representatives in evaluating the Possible Transaction involving the parties; (c) the review of or use or content of the Evaluation Material or any errors therein or omissions therefrom; or (d) any action taken or any inaction occurring in reliance on the Evaluation Material. The Companies will have the exclusive authority to determine what (if any) Evaluation Material is to be made available to you and your Representatives.

8. No Solicitations for Employment. Except as may be contemplated or required in the consummation of a Possible Transaction, for a period of two years following the date hereof, you and your controlled affiliates will not, directly or indirectly, solicit for employment or hire any officer of the Companies or any of its subsidiaries or divisions with whom you have had contact or who became known to you in connection with your consideration of the Possible Transaction, except that you and your affiliates shall not be precluded from hiring any such employee who: (a) initiates discussions regarding such employment without any direct or indirect solicitation by you, any of your controlled affiliates or your Representatives; or (b) responds to any public advertisement or general solicitation placed or made by you; or (c) has been terminated by the Companies or their subsidiaries prior to commencement of employment discussions between you and such officer.

9. Remedies. You agree that money damages would not be a sufficient remedy for any breach of this Confidentiality Agreement by you or your Representatives, that in addition to all other remedies the Companies shall be entitled to specific performance and injunctive and other equitable relief as a remedy for any such breach, that such remedy shall not be deemed to be the exclusive remedy for breach of this Confidentiality Agreement but shall be in addition to all other remedies available at law or equity, and you further agree to waive, and to use your best efforts to cause your Representatives to waive, any requirement for the securing or posting of any bond in connection with such remedy. Notwithstanding anything appearing to the contrary in this Confidentiality Agreement, no direct or indirect partner, member or shareholder of either party hereto (or any officer, director, agent, member, manager, personal representative, trustee or employee of any such direct or indirect partner, member or shareholder) shall be personally liable for the performance of such party's obligations under this Confidentiality Agreement.

10. Miscellaneous. Except as may be provided in that certain Letter Agreement to which this Confidentiality Agreement is attached:

(a) neither the Companies nor you shall have any obligation to negotiate or enter into a definitive agreement in relation to the Possible Transaction as a result of this Confidentiality Agreement.

(b) The Companies reserve the right, in their sole and absolute discretion: (i) to conduct any process they deem appropriate with respect to any Possible Transaction or any other proposed transaction involving the Companies, and to modify any procedures relating to any such process without giving notice to you or any other person; (ii) to reject any proposal made by you or any of your affiliates or Representatives with respect to a transaction involving the Companies; and (iii) to terminate discussion and negotiations with respect to the Possible Transaction with you at any time.

(c) You recognize that, except as may be expressly provided in any definitive agreement between you or any of your affiliates and the Companies: (x) the Companies and their affiliates and Representatives will be free to negotiate with, and to enter into any agreement or transaction with, any other person; and (y) you will not have any rights or claims against the Companies or any of its Representatives arising out of or relating to any Possible Transaction or other transaction involving the Companies. Any decision to proceed with negotiations or to consummate an agreement pertaining to the Possible Transaction shall be in each party's sole discretion and this Confidentiality Agreement creates no obligation on any party with respect thereto. Each party shall bear its own costs and expenses in connection with the activities contemplated by this Confidentiality Agreement.

(d) No failure or delay by a party hereto in exercising any right, power or privilege hereunder shall operate as a waiver thereof, nor shall any single or partial exercise thereof preclude any other or further exercise thereof, or the exercise of any right, power or privilege hereunder.

(e) This Confidentiality Agreement shall be governed by and construed in accordance with the laws of the State of New York, without giving effect to its principles or rules regarding conflicts of laws. EACH PARTY ACKNOWLEDGES AND AGREES THAT ANY CONTROVERSY WHICH MAY ARISE UNDER THIS CONFIDENTIALITY AGREEMENT IS LIKELY TO INVOLVE COMPLICATED AND DIFFICULT ISSUES, AND THEREFORE EACH PARTY HEREBY IRREVOCABLY WAIVES ANY RIGHT SUCH PARTY MAY HAVE TO A TRIAL BY JURY IN RESPECT OF ANY LITIGATION DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS LETTER AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

(f) Notwithstanding anything to the contrary contained herein, your obligations with respect to Evaluation Material disclosed pursuant to this Confidentiality Agreement shall (unless extended by mutual agreement) expire or terminate upon the earlier of: (i) three (3) years after the date of this Confidentiality Agreement or (ii) the consummation with of a Possible Transaction with you.

(g) The provisions of this Confidentiality Agreement are severable and, if any provisions are determined to be void or unenforceable in whole or in part, the remaining provisions shall be binding and enforceable.

(h) This Confidentiality Agreement may not be amended except in writing and signed by an authorized representative of each party, and this Confidentiality Agreement shall be

binding upon all employees, agents, subcontractors, subsidiaries, and affiliates of each party as provided herein.

(i) The provisions of this Confidentiality Agreement shall inure to the benefit of and be binding upon the parties and their respective successors and assigns. Without limiting the generality of the foregoing, the Companies' rights and your obligations under this Confidentiality Agreement shall inure to the benefit of, and may be enforced by, any purchaser of substantially all of the Companies' assets (whether or not this Confidentiality Agreement is expressly assigned to and assumed by such purchaser), and such purchaser shall be a third-party beneficiary of this Confidentiality Agreement. All modifications of, waivers of and amendments to this Confidentiality Agreement must be in writing and signed on behalf of you and the Companies.

(j) This Confidentiality Agreement expresses the entire agreement of the parties with respect to its subject matter. All prior or contemporaneous agreements or negotiations, written or oral, are hereby superseded.

Please confirm your agreement with the foregoing by signing where indicated below and returning a copy of this Confidentiality Agreement.

PALM HARBOR HOMES, INC., *et al.*

By: ______________________

Name: ______________________

Title: ______________________

Accepted and Agreed as of the date first written above:

[POTENTIAL PURCHASER]

By: ______________________

Name: ______________________

Title: ______________________

EXHIBIT 2

CURE AND POSSIBLE ASSUMPTION AND ASSIGNMENT NOTICE

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
PALM HARBOR HOMES, INC., et al.,[1]	)	Case No. 10-_____ (___)
	)	
Debtors.	)	Jointly Administered
	)	

NOTICE TO COUNTERPARTIES TO POTENTIALLY ASSUMED EXECUTORY CONTRACTS AND UNEXPIRED LEASES REGARDING CURE AMOUNTS AND POSSIBLE ASSIGNMENT TO SUCCESSFUL BIDDER AT AUCTION

PLEASE TAKE NOTICE that on November 29, 2010, the above-captioned debtors and debtors in possession (collectively, the "Debtors") filed a motion (the "Bid Procedures and Sale Motion") with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court").

PLEASE TAKE FURTHER NOTICE that on __________, 2010, the Bankruptcy Court entered an order [Docket No. _____] (the "Bid Procedures Order") approving Bid Procedures (the "Bid Procedures"), which set key dates, times and procedures related to the sale of substantially of the Debtors' assets (the "Transferred Assets"). To the extent that there are any inconsistencies between the Bid Procedures and the summary description of the terms and conditions contained in this Notice, the terms of the Bid Procedures shall control.

YOU ARE RECEIVING THIS NOTICE BECAUSE YOU OR ONE OF YOUR AFFILIATES IS A COUNTERPARTY TO AN EXECUTORY CONTRACT OR UNEXPIRED LEASE LISTED BELOW WITH ONE OR MORE OF THE DEBTORS:[2]

[Counterparty Name]	[Contract/Lease]	Cure Amount

Pursuant to the Bid Procedures, the Debtors may assume the Executory Contract(s) or Unexpired Lease(s) listed above to which you are a counterparty. Also pursuant to the Bid Procedures, the Debtors may assign such Executory Contract(s) or Unexpired Lease(s) to the successful bidder (the "Successful Bidder") at an auction of substantially all of the Debtors' assets currently scheduled for __________, 2011. The Debtors have conducted a review of their books and records and have determined that the cure amount for unpaid monetary obligations under such contract or lease is $[**AMOUNT**] (the "Cure Amount"). If you (a) object

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Palm Harbor Homes, Inc., a Florida corporation (6634); Palm Harbor Albemarle, LLC (1014); Nationwide Homes, Inc. (4881); Palm Harbor Real Estate, LLC (8234); Palm Harbor GenPar, LLC (0198); and Palm Harbor Manufacturing, LP (0199). The location of the Debtors' corporate headquarters and service address is: 15303 Dallas Parkway, Suite 800, Addison, Texas 75001.

[2] This Notice is being sent to counterparties to executory contracts and unexpired leases. This Notice is not an admission by the Debtors that such contract or lease is executory or unexpired. All capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Bid Procedures and Sale Motion.

to the proposed assumption or disagree with the proposed Cure Amount, or (b) object to the possible assignment of such Executory Contract(s) or Unexpired Lease(s) to the Successful Bidder, **you must file an objection with the Bankruptcy Court no later than __________ 2011**, (the "Objection Deadline") and serve such objection on the following parties:

LOCKE LORD BISSELL & LIDDELL LLP David W. Wirt Aaron C. Smith Courtney E. Barr 111 S. Wacker Drive Chicago, Illinois 60606-4410 Telephone: (312) 443-0700 Fax: (312) 443-0336	POLSINELLI SHUGHART PC Christopher A. Ward (Del. Bar No. 3877) Justin K. Edelson (Del. Bar No. 5002) 222 Delaware Avenue, Suite 1101 Wilmington, Delaware 19801 Telephone: (302) 252-0920 Fax: (302) 252-0921
Co-Counsel to the Debtors	
SNELL & WILMER L.L.P. Christopher H. Bayley Donald F. Ennis Snell & Wilmer L.L.P. One Arizona Center Phoenix, AZ 85004-2202 Tel: (602) 382-6214 Fax: (602) 382-6070	ASHBY & GEDDES, P.A. William P. Bowden Ashby & Geddes, P.A. 500 Delaware Avenue, 8th Floor Wilmington, DE 19801 Tel: (302) 654-1888 Fax: (302) 654-2067
Co-Counsel to the Stalking Horse Purchaser	
[IF ONE IS APPT]	
Counsel to the Committee	

CLERK OF THE BANKRUPTCY COURT United States Bankruptcy Court for the District of Delaware 824 North Market Street, 3rd Floor Wilmington, DE 19801	OFFICE OF THE UNITED STATES TRUSTEE FOR THE DISTRICT OF DELAWARE David Klauder J. Caleb Boggs Federal Building 844 King Street, Suite 2008 – Lockbox #35 Wilmington, DE 19801

If no objection to the Cure Amount or the assignment of your Executory Contract(s) or Unexpired Lease(s) to the Successful Bidder is filed by the Objection Deadline, **you shall: (a) be forever barred from objecting to the Debtors' proposed Cure Amount and from asserting any additional cure, damages, or other amounts with respect to the Executory Contract(s) or Unexpired Lease(s), and the Debtors and Successful Bidder shall be entitled to rely solely upon the proposed Cure Amounts set forth in this Cure and Possible Assumption**

and Assignment Notice; (b) be deemed to have consented to the proposed assumption and assignment of such Executory Contract(s) or Unexpired Lease(s); and (c) be forever barred and estopped from asserting or claiming against the Debtors or Successful Bidder that any other defaults exist, that any conditions to assignment must be satisfied under such Executory Contract(s) or Unexpired Lease(s) or that there is any objection or defense to the assumption and assignment of such Executory Contract(s) or Unexpired Lease(s).

EXHIBIT C

Sale Notice

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
PALM HARBOR HOMES, INC., et al.,[1]	)	Case No. 10-_____ (___)
	)	
Debtors.	)	Jointly Administered
	)	

NOTICE OF BID PROCEDURES, AUCTION, HEARING AND DEADLINES RELATING TO THE SALE OF SUBSTANTIALLY ALL OF THE ASSETS OF THE DEBTORS

PLEASE TAKE NOTICE that on November 29, 2010, Palm Harbor Homes, Inc., a Florida corporation, and its related debtors (collectively, the "Debtors"), as debtors and debtors in possession in the above-captioned cases (the "Bankruptcy Cases"), filed a *Motion of the Debtors for Entry of (I) an Order (A) Approving Bid Procedures; (B) Approving a Break-Up Fee and Expense Reimbursement; (C) Approving the Stalking Horse Purchaser's Right to Credit Bid; (D) Approving the Form and Manner of Notices; (E) Approving the Procedures for the Assumption and Assignment of Contracts and Leases; and (F) Setting a Sale Hearing; and (II) an Order Pursuant to 11 U.S.C. 363 and 365 (A) Authorizing and Approving Asset Purchase Agreement by and among the Debtors, as Sellers, and Palm Harbor Homes, Inc., a Delaware Corporation, as Purchaser, or Such Other Purchase Agreement(s) Between the Debtors and the Successful Bidder, Free and Clear of All Liens, Claims, Encumbrances and Interests; (B) Authorizing and Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection Therewith; and (C) Granting Related Relief* (the "Bid

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Palm Harbor Homes, Inc., a Florida corporation (6634); Palm Harbor Albemarle, LLC (1014); Nationwide Homes, Inc. (4881); Palm Harbor Real Estate, LLC (8234); Palm Harbor GenPar, LLC (0198); and Palm Harbor Manufacturing, LP (0199). The location of the Debtors' corporate headquarters and service address is: 15303 Dallas Parkway, Suite 800, Addison, Texas 75001.

Procedures and Sale Motion").[2] The Debtors seek to complete a sale (the "Transaction") of substantially all their assets (the "Transferred Assets") to Palm Harbor Homes, Inc., a Delaware corporation (the "Stalking Horse Purchaser"), or alternatively to a prevailing bidder or bidders (the "Successful Bidder") at an auction free and clear of all liens, claims, encumbrances and other interests pursuant to section 363 of the Bankruptcy Code (the "Auction").

PLEASE TAKE FURTHER NOTICE that, on [____________], 2010 the Bankruptcy Court entered an order [Docket No. ____] (the "Bid Procedures Order") approving the bidding procedures set forth in the Bid Procedures and Sale Motion (the "Bid Procedures"), which set the key dates and times related to the sale of the Debtors' Transferred Assets under the asset purchase agreement with the Stalking Horse Purchaser or other asset purchase agreement with the Successful Bidder. **All interested bidders should carefully read the Bid Procedures**. To the extent that there are any inconsistencies between the Bid Procedures and the summary description of its terms and conditions contained in this notice, the terms of the Bid Procedures shall control.

PLEASE TAKE FURTHER NOTICE that, pursuant to the Bid Procedures, the Debtors must receive a Qualified Bid from interested bidders in writing, on or before **[________, 20__] at 4:00 p.m. (prevailing Eastern time)** or such later date as may be agreed to by the Debtors (the "Bid Deadline"). To be considered, Qualified Bids must be sent to the following at or before the Bid Deadline: (i) counsel for the Debtors, Locke Lord Bissell & Liddell, LLP, 111 S. Wacker Drive, Chicago, IL 60606, Attn: David W. Wirt and Aaron C. Smith, and Polsinelli Shughart PC, 222 Delaware Avenue, Suite 1101, Wilmington, Delaware 19801, Attn: Christopher A. Ward; (ii) counsel to the Stalking Horse Purchaser, Snell & Wilmer L.L.P., One Arizona

[2] Capitalized terms not otherwise defined herein shall have the meanings set forth in the Bid Procedures and Sale Motion.

Center, Phoenix, AZ 85004-2202, Attn: Christopher H. Bayley and Donald F. Ennis, and Ashby & Geddes, P.A., 500 Delaware Avenue, 8th Floor, Wilmington, DE 19801, Attn: William P. Bowden; (iii) investment bankers for the Debtors, Raymond James & Associates, Inc., 277 Park Ave., Ste. 410, New York, NY 10172, Attn: Raj Singh and Rob Schwartz; (iv) restructuring advisors for the Debtors, Alvarez & Marsal North America, LLC, 2100 Ross Avenue, 21st Floor, Dallas, TX 75201, Attn: Brian Cejka; (v) counsel for the Committee, if one is appointed; and (vi) financial advisors to the Committee, if one is appointed.

PLEASE TAKE FURTHER NOTICE that, pursuant to the terms of the Bid Procedures, if the Debtors receive one or more Qualified Bids by the Bid Deadline (other than the Stalking Horse Purchaser), the Auction will be conducted on **[______________] at [_____] a.m./p.m.** (prevailing Eastern Time) at POLSINELLI SHUGHART PC, 222 Delaware Avenue, Suite 1101, Wilmington, Delaware 19801, or at such other place, date and time as may be designated by the Debtors.

PLEASE TAKE FURTHER NOTICE that, pursuant to the terms of the Bid Procedures, the Debtors have designated certain Assumed Contracts that may be assumed or assumed and assigned to the Stalking Horse Purchaser or the Successful Bidder. By __________, 20__, the Debtors shall send a notice to each counterparty to an Assumed Contract setting forth the Debtors' calculation of the cure amount, if any, that would be owing to such counterparty if the Debtors decided to assume or assume and assign such Assumed Contract, and alerting such nondebtor party that their contract may be assumed and assigned to the Stalking Horse Purchaser or the Successful Bidder (the "Cure and Possible Assumption and Assignment Notice").

PLEASE TAKE FURTHER NOTICE that, pursuant to the terms of the Bid Procedures, any counterparty that objects to the cure amount set forth in the Cure and Possible Assumption

and Assignment Notice or the possible assignment of their Assumed Contract(s) must file with the Bankruptcy Court and serve an objection (a "Cure or Assignment Objection") so that it is actually received on or before **4:00 p.m. prevailing Eastern time on __________, 20__**, by (i) counsel for the Debtors, Locke Lord Bissell & Liddell, LLP, 111 S. Wacker Drive, Chicago, IL 60606, Attn: David W. Wirt and Aaron C. Smith, and Polsinelli Shughart PC, 222 Delaware Avenue, Suite 1101, Wilmington, Delaware 19801, Attn Christopher A. Ward, (ii) counsel for the Stalking Horse Purchaser, Snell & Wilmer L.L.P., One Arizona Center, Phoenix, AZ 85004, Attn: Christopher H. Bayley and Donald F. Ennis, and Ashby & Geddes, P.A., 500 Delaware Avenue, 8th Floor, Wilmington, DE 19801, Attn: William P. Bowden, (iii) counsel for the Committee (if appointed), (iv) the Office of the United States Trustee for the District of Delaware, J. Caleb Boggs Federal Building, 844 King Street, Ste. 2008 – Lockbox #35, Wilmington, DE 19801, Attn: David Klauder, and (v) the Clerk of the Bankruptcy Court for the District of Delaware, 824 North Market Street, 3rd Floor, Wilmington, DE 19801. Where a counterparty to an Assumed Contract files a timely Cure or Assignment Objection asserting a higher cure amount than the amount listed in the Cure and Possible Assumption and Assignment Notice, or an objection to the possible assignment of that counterparty's Assumed Contract, and the parties are unable to consensually resolve the dispute, the amount to be paid under section 365 of the Bankruptcy Code (if any) or, as the case may be, the Debtors' ability to assign the Assumed Contract to the Stalking Horse Purchaser or the Successful Bidder will be determined at the Sale Hearing (as defined below).

PLEASE TAKE FURTHER NOTICE that a hearing will be held to approve the sale of the Transferred Assets to the Stalking Horse Purchaser or the Successful Bidder (the "Sale Hearing") before the Honorable [____], U.S. Bankruptcy Court for the District of Delaware, 824

Market Street, Wilmington, Delaware 19801, 6th Floor, Courtroom [__], on [__________, **20__** **at [________] a.m./p.m.** (prevailing Eastern Time), or at such time thereafter as counsel may be heard or at such other time as the Bankruptcy Court may determine. The Sale Hearing may be adjourned from time-to-time without further notice to creditors or parties-in-interest other than by announcement of the adjournment in open court on the date scheduled for the Sale Hearing or on the agenda for such Sale Hearing. Objections to the sale of the Transferred Assets to the Stalking Horse Purchaser or the Successful Bidder must be filed and served so that they are received no later than 4:00 p.m. (prevailing Eastern Time) on [________, **20___**] by the following: (i) counsel for the Debtors, Locke Lord Bissell & Liddell, LLP, 111 S. Wacker Drive, Chicago, IL 60606, Attn: David W. Wirt and Aaron C. Smith, and Polsinelli Shughart PC, 222 Delaware Avenue, Suite 1101, Wilmington, Delaware 19801, Attn: Christopher A. Ward; (ii) counsel for the Stalking Horse Purchaser, Snell & Wilmer, LLP, One Arizona Center, Phoenix, AZ 85004-2202, Attn: Christopher H. Bayley and Donald F. Ennis, and Ashby Geddes, 500 Delaware Avenue, P.O. Box 1150, Wilmington, DE 19899, Attn: William P. Bowden; and (iii) counsel for the Committee, if one is appointed.

PLEASE TAKE FURTHER NOTICE that the Debtors are seeking to waive the fourteen-day stay period under Bankruptcy Rules 6004(h) and 6006(d) in order for the Sale to close immediately upon entry of the Sale Order by this Court.

PLEASE TAKE FURTHER NOTICE that this notice is subject to the full terms and conditions of the Bid Procedures and Sale Motion, the Bid Procedures Order and the Bid Procedures, which shall control in the event of any conflict, and the Debtors encourage parties in interest to review such documents in their entirety. A copy of the Bid Procedures and Sale Motion, the Bid Procedures and the Bid Procedures Order may be obtained (i) by contacting the

Debtors' noticing, and claims agent, BMC Group, Inc., (a) at its website at www.bmcgroup.com/palmharborhomes, (b) by writing to BMC Group, Inc. at BMC Group Inc., Attn: Palm Harbor Homes, Inc., P.O. Box 3020, Chanhassen, MN 55317-3020 , or (c) by calling (888) 909-0100, or (ii) for a fee via PACER at http://www.deb.uscourts.gov.

Dated: Wilmington, Delaware
[______________], 2010

LOCKE LORD BISSELL & LIDDELL LLP
David W. Wirt
Aaron C. Smith
Courtney E. Barr
111 S. Wacker Drive
Chicago, Illinois 60606-4410
Telephone: (312) 443-0700
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COUNSEL FOR THE DEBTORS

EXHIBIT D

Creditor Notice

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
PALM HARBOR HOMES, INC., et al.,[1]	)	Case No. 10-_____ (___)
	)	
Debtors.	)	Jointly Administered
	)	

NOTICE OF DATES AND DEADLINES RELATING TO THE SALE OF SUBSTANTIALLY ALL OF THE ASSETS OF THE DEBTORS

PLEASE TAKE NOTICE that on November 29, 2010, Palm Harbor Homes, Inc., a Florida corporation, and its related debtors (collectively, the "Debtors") filed a motion (the "Bid Procedures and Sale Motion") with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court").

PLEASE TAKE FURTHER NOTICE that on _______, 2010, the Bankruptcy Court entered an order [Docket No. ___________] (the "Bid Procedures Order") approving Bid Procedures (the "Bid Procedures"), which set key dates, times and procedures related to the sale of substantially of the Debtors' assets (the "Transferred Assets"). **All interested bidders should carefully read the Bid Procedures.** To the extent that there are any inconsistencies between the Bid Procedures and the summary description of the terms and conditions contained in this notice, the terms of the Bid Procedures shall control.

PLEASE TAKE FURTHER NOTICE that the Debtors have been and will continue to market the Transferred Assets in advance of the Auction. To be eligible to participate in the Auction, each Bid and each Bidder must be determined by the Debtors to comply with the conditions set forth in the Bid Procedures. The deadline to submit a Qualified Bid is **_______, 20__ at 4:00 p.m. (prevailing Eastern time)** (the "Bid Deadline"). To be considered, any Bid must comply with the requirements set forth in the Bid Procedures.

PLEASE TAKE FURTHER NOTICE that, pursuant to the terms of the Bid Procedures Order, an auction (the "Auction") may be held on **[_______, 20__ at _____ a.m./p.m.]** (prevailing Eastern time) at the offices of Debtors' counsel, Polsinelli Shughart PC, 222 Delaware Avenue, Suite 1101, Wilmington, DE 19801 or such later time on such day or other place as the Debtors shall notify all Bidders who have submitted Qualified Bids, or at another location as may be timely disclosed by the Debtors to all Qualified Bidders.

PLEASE TAKE FURTHER NOTICE that, by _____________, 20___, the Debtors shall send a notice to each Contract Counterparty to an executory contract or unexpired lease setting forth the Debtors' calculation of the cure amount, if any, that would be owing to such counterparty if the Debtors decided to assume or assume and assign such executory contract or unexpired lease, and alerting such nondebtor party that their contract may be assumed and assigned to the Successful Bidder (the "Cure and Possible

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Palm Harbor Homes, Inc., a Florida corporation (6634); Palm Harbor Albemarle, LLC (1014); Nationwide Homes, Inc. (4881); Palm Harbor Real Estate, LLC (8234); Palm Harbor GenPar, LLC (0198); and Palm Harbor Manufacturing, LP (0199). The location of the Debtors' corporate headquarters and service address is: 15303 Dallas Parkway, Suite 800, Addison, Texas 75001.

Assumption and Assignment Notice"). Any Contract Counterparty that objects to the cure amount set forth in the Cure and Possible Assumption and Assignment Notice or the possible assignment of their executory contract or unexpired lease to the Successful Bidder must file an objection (a "Cure or Assignment Objection") on or before **4:00 p.m. prevailing Eastern Time on __________, 20____**, which Cure or Assignment Objection must be served on (i) counsel for the Debtors, Locke Lord Bissell & Liddell, LLP, 111 S. Wacker Drive, Chicago, IL 60606, Attn: David W. Wirt and Aaron C. Smith, and Polsinelli Shughart PC, 222 Delaware Avenue, Suite 1101, Wilmington, Delaware 19801, Attn Christopher A. Ward, (ii) counsel for the Stalking Horse Purchaser, Snell & Wilmer L.L.P., One Arizona Center, Phoenix, AZ 85004, Attn: Christopher H. Bayley and Donald F. Ennis, and Ashby & Geddes, P.A., 500 Delaware Avenue, 8th Floor, Wilmington, DE 19801, Attn: William P. Bowden, (iii) counsel for the Committee (if appointed), (iv) the Office of the United States Trustee for the District of Delaware, J. Caleb Boggs Federal Building, 844 King Street, Ste. 2008 – Lockbox #35, Wilmington, DE 19801, Attn: David Klauder, and (v) the Clerk of the Bankruptcy Court for the District of Delaware, 824 North Market Street, 3rd Floor, Wilmington, DE 19801, **so that it is actually received no later than 4:00 p.m. prevailing Eastern Time on __________, 20____**. If a Contract Counterparty does not timely file and serve a Cure or Assignment Objection, that party will be forever barred from objecting to (a) the Debtors' proposed cure amount, or (b) the assignment of that party's executory contract or unexpired lease to the Successful Bidder.

PLEASE TAKE FURTHER NOTICE that a hearing will be held to confirm the results of the Auction and approve the transactions contemplated in the Bid Procedures and the Bid Procedures and Sale Motion to the Successful Bidder at the Auction (the "Sale Hearing") before the Honorable ______________, **on __________, 20____ at __.m.** (prevailing Eastern time), or at such time thereafter as counsel may be heard. The Sale Hearing may be continued from time to time by the Bankruptcy Court or the Debtors without further notice other than such adjournment announced in open court or a notice of adjournment filed with the Bankruptcy Court and served on the entities who have filed objections to the Bid Procedures and Sale Motion, without further notice to other parties in interest. **Objections to the sale of the Transferred Assets to the Successful Bidder or the Backup Bidder must be filed and served so that they are actually received by the Debtors no later than 4:00 p.m. (prevailing Eastern time) on __________, 20____.**

PLEASE TAKE FURTHER NOTICE that this notice is subject to the full terms and conditions of the Bid Procedures and Sale Motion, the Bid Procedures and the Bid Procedures Order, which shall control in the event of any conflict with this notice. The Debtors encourage parties in interest to review such documents in their entirety. A copy of the Bid Procedures and Sale Motion, the Bid Procedures and the Bid Procedures Order may be obtained (i) by contacting the Debtors' noticing, and claims agent, BMC Group, Inc., (a) at its website at www.bmcgroup.com/palmharborhomes, (b) by writing to BMC Group, Inc. at BMC Group Inc., Attn: Palm Harbor Homes, Inc., P.O. Box 3020, Chanhassen, MN 55317-3020 , or (c) by calling (888) 909-0100, or (ii) for a fee via PACER at http://www.deb.uscourts.gov.

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COUNSEL FOR THE DEBTORS

EXHIBIT E

Bid Procedures Notice

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
PALM HARBOR HOMES, INC., et al.,[1]	)	Case No. 10-_____ (___)
	)	
Debtors.	)	Jointly Administered
	)	

NOTICE OF BID PROCEDURES[2]

PLEASE TAKE NOTICE that on November 29, 2010, Palm Harbor Homes, Inc., a Florida corporation, and its related debtors (collectively, the "Debtors") filed a motion (the "Bid Procedures and Sale Motion") with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court").

PLEASE TAKE FURTHER NOTICE that on _______, 2010, the Bankruptcy Court entered an order [Docket No. ___________] (the "Bid Procedures Order") approving Bid Procedures (the "Bid Procedures"), which set key dates, times and procedures related to the sale of substantially of the Debtors' assets (the "Transferred Assets"). **All interested bidders should carefully read the Bid Procedures.** To the extent that there are any inconsistencies between the Bid Procedures and the summary description of the terms and conditions contained in this Notice, the terms of the Bid Procedures shall control.

PLEASE TAKE FURTHER NOTICE that the Debtors have been and will continue to market the Transferred Assets in advance of the Auction. To be eligible to participate in the Auction, each Bid and each Bidder must be determined by the Debtors to comply with the conditions set forth in the Bid Procedures. The deadline to submit a Qualified Bid is _______, 20__ (the "Bid Deadline"). To be considered, any Bid must comply with the requirements set forth in the Bid Procedures.

PLEASE TAKE FURTHER NOTICE that, pursuant to the terms of the Bid Procedures Order, an auction (the "Auction") will be conducted at the offices of Debtors' counsel, Polsinelli Shughart PC, 222 Delaware Avenue, Suite 1101, Wilmington, DE 19801 or such later time on such day or other place as the Debtors shall notify all Bidders who have submitted Qualified Bids, or at another location as may be timely disclosed by the Debtors to all Qualified Bidders.

PLEASE TAKE FURTHER NOTICE that, by _____________, 20___, the Debtors shall send a notice to each Contract Counterparty to an executory contract or unexpired lease setting forth the Debtors' calculation of the cure amount, if any, that would be owing to such counterparty if the Debtors decided to assume or assume and assign such executory contract or unexpired lease, and alerting such nondebtor party that their contract may be assumed and assigned to the Successful Bidder (the "Cure and Possible Assumption and Assignment Notice"). **Any Contract Counterparty that objects to the cure amount set forth in the Cure and Possible Assumption and Assignment Notice or the possible assignment of**

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Palm Harbor Homes, Inc., a Florida corporation (6634); Palm Harbor Albemarle, LLC (1014); Nationwide Homes, Inc. (4881); Palm Harbor Real Estate, LLC (8234); Palm Harbor GenPar, LLC (0198); and Palm Harbor Manufacturing, LP (0199). The location of the Debtors' corporate headquarters and service address is: 15303 Dallas Parkway, Suite 800, Addison, Texas 75001.

[2] Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Bid Procedures or the Bid Procedures Order, as applicable.

their executory contract or unexpired lease to the Successful Bidder must file an objection (a "Cure or Assignment Objection") on or before 4:00 p.m. prevailing Eastern Time on __________, 20___, which Cure or Assignment Objection must be served on (i) counsel for the Debtors, Locke Lord Bissell & Liddell, LLP, 111 S. Wacker Drive, Chicago, IL 60606, Attn: David W. Wirt and Aaron C. Smith, and Polsinelli Shughart PC, 222 Delaware Avenue, Suite 1101, Wilmington, Delaware 19801, Attn Christopher A. Ward, (ii) counsel for the Stalking Horse Purchaser, Snell & Wilmer L.L.P., One Arizona Center, Phoenix, AZ 85004, Attn: Christopher H. Bayley and Donald F. Ennis, and Ashby & Geddes, P.A., 500 Delaware Avenue, 8th Floor, Wilmington, DE 19801, Attn: William P. Bowden, (iii) counsel for the Committee (if appointed), (iv) the Office of the United States Trustee for the District of Delaware, J. Caleb Boggs Federal Building, 844 King Street, Ste. 2008 – Lockbox #35, Wilmington, DE 19801, Attn: David Klauder, and (v) the Clerk of the Bankruptcy Court for the District of Delaware, 824 North Market Street, 3rd Floor, Wilmington, DE 19801, so that it is actually received no later than 4:00 p.m. prevailing Eastern Time on __________, 20____. If a Contract Counterparty does not timely file and serve a Cure or Assignment Objection, that party will be forever barred from objecting to (a) the Debtors' proposed cure amount, or (b) the assignment of that party's executory contract or unexpired lease to the Successful Bidder.

PLEASE TAKE FURTHER NOTICE that a hearing will be held to confirm the results of the Auction and approve the transactions contemplated in the Bid Procedures and the Bidding Procedures and Sale Motion to the Successful Bidder at the Auction (the "Sale Hearing") before the Honorable ______________, **on __________, 20____ at __.m.** (prevailing Eastern time), or at such time thereafter as counsel may be heard. The Sale Hearing may be continued from time to time by the Bankruptcy Court or the Debtors without further notice other than such adjournment announced in open court or a notice of adjournment filed with the Bankruptcy Court and served on the Notice Parties and the entities who have filed objections to the Bid Procedures and Sale Motion, without further notice to other parties in interest. **Objections to the sale of the Transferred Assets to the Successful Bidder or the Backup Bidder must be filed and served so that they are actually received by the Debtors no later than 4:00 p.m. (prevailing Eastern time) on __________, 20____.**

PLEASE TAKE FURTHER NOTICE that this Notice is subject to the full terms and conditions of the Bid Procedures and the Bid Procedures Order, which shall control in the event of any conflict with this Notice. The Debtors encourage parties in interest to review such documents in their entirety. A copy of the Bid Procedures and the Bid Procedures Order may be obtained (i) by contacting the Debtors' noticing, and claims agent, BMC Group, Inc., (a) at its website at www.bmcgroup.com/palmharborhomes, (b) by writing to BMC Group, Inc. at BMC Group Inc., Attn: Palm Harbor Homes, Inc., P.O. Box 3020, Chanhassen, MN 55317-3020 , or (c) by calling (888) 909-0100, or (ii) for a fee via PACER at http://www.deb.uscourts.gov.

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COUNSEL FOR THE DEBTORS

<u>EXHIBIT F</u>

Bid Procedures Order

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
PALM HARBOR HOMES, INC., et al.,[1]	)	Case No. 10-_____ (___)
	)	
Debtors.	)	Jointly Administered
	)	

ORDER (A) APPROVING BID PROCEDURES; (B) APPROVING A BREAK-UP FEE AND EXPENSE REIMBURSEMENT; (C) APPROVING THE STALKING HORSE PURCHASER'S RIGHT TO CREDIT BID; (D) APPROVING THE FORM AND MANNER OF NOTICES; (E) APPROVING THE PROCEDURES FOR THE ASSUMPTION AND ASSIGNMENT OF CONTRACTS AND LEASES; AND (F) SETTING A SALE HEARING

Upon the motion (the "Motion")[2] of the above-captioned debtors (collectively, the "Debtors") for the entry of an order (the "Order") (a) approving Bid Procedures; (b) approving a Break-Up Fee and Expense Reimbursement; (c) approving the Stalking Horse Purchaser's right to Credit Bid; (d) approving the form and manner of notices; (e) approving the procedures for the assumption and assignment of contracts and leases, and (f) setting a Sale Hearing; it appearing that the relief requested is in the best interests of the Debtors' estates, their creditors and other parties in interest; the Court having jurisdiction to consider the Motion and the relief requested therein pursuant to 28 U.S.C. §§ 157 and 1334; consideration of the Motion and the relief requested therein being a core proceeding pursuant to 28 U.S.C. § 157(b); venue being proper before this Court pursuant to 28 U.S.C. §§ 1408 and 1409; notice of the Motion having been adequate and

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Palm Harbor Homes, Inc., a Florida corporation (6634); Palm Harbor Albemarle, LLC (1014); Nationwide Homes, Inc. (4881); Palm Harbor Real Estate, LLC (8234); Palm Harbor GenPar, LLC (0198); and Palm Harbor Manufacturing, LP (0199). The location of the Debtors' corporate headquarters and service address is: 15303 Dallas Parkway, Suite 800, Addison, Texas 75001.
[2] Capitalized terms used but not otherwise defined herein shall have the meanings set forth in the Motion. In the event there is a conflict between this Order and the Motion or the Stalking Horse Agreement, this Order shall control and govern.

appropriate under the circumstances; and after due deliberation and sufficient cause appearing therefor:

THE COURT HEREBY FINDS THAT:[3]

A. This Court has jurisdiction over the Motion pursuant to 28 U.S.C. § 1334. This proceeding is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue is proper in this District and in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

B. The statutory bases for the relief requested in the Motion are (i) sections 105, 363, 503 and 507 of title 11 of the United States Code, 11 U.S.C. §§ 101 et seq. (the "Bankruptcy Code"), (ii) Rules 2002(a)(2), 6004, 6006, 9007 and 9014 of the Federal Rules of Bankruptcy Procedure (the "Bankruptcy Rules"), and (iii) Rules 6004-1 and 9013-1(m) of the Local Rules for the United States Bankruptcy Court for the District of Delaware (the "Local Bankruptcy Rules").

C. Notice of the Motion has been given to: (i) the United States Trustee for the District of Delaware; (ii) the United States Attorney for the District of Delaware; (iii) the Internal Revenue Service; (iv) the Securities and Exchange Commission; (v) the Debtors' thirty largest unsecured creditors on a consolidated basis; (vi) counsel to the Committee (if one is appointed); (vii) counsel to the DIP Lender and the Stalking Horse Purchaser; (viii) counsel to Textron, the Debtors' prepetition lender; (ix) each of the Debtors' cash management banks; (x) all persons or entities known to be asserting a lien on any of the Transferred Assets; (xi) all persons or entities known to have expressed an interest in acquiring any of the Transferred Assets; (xii) all persons or entities who have requested notice pursuant to Bankruptcy Rule 2002.

---

[3] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

D. The Debtors have articulated good and sufficient reasons for this Court to: (i) approve the Bid Procedures; (ii) set the Sale Hearing and approve the manner of notice of the Motion and the Sale Hearing; (iii) approve the Stalking Horse Purchaser's right to credit bid; (iv) approve the procedures for the assumption and assignment of Assumed Contracts, including notice of proposed cure amounts; and (v) grant certain bid protections as provided in the Stalking Horse Agreement and in this Order.

E. The Expense Reimbursement and the Break-Up Fee shall be paid in accordance with the Stalking Horse Agreement, and (i) if triggered, shall be deemed actual and necessary costs and expenses of preserving the Debtors' estates within the meaning of sections 503 and 507(b) of the Bankruptcy Code; (ii) are commensurate to the real and substantial benefit conferred upon the Debtors' estates by the Stalking Horse Purchaser; (iii) are reasonable and appropriate, including in light of the size and nature of the Asset Sale and the efforts that have been or will be expended by the Stalking Horse Purchaser notwithstanding that the proposed Asset Sale is subject to higher or otherwise better offers for the Transferred Assets; (iv) were negotiated by the parties at arm's length and in good faith; and (v) are necessary to ensure that the Stalking Horse Purchaser will continue to pursue its proposed acquisition of the Transferred Assets. The Expense Reimbursement and Break-Up Fee also induced the Staking Horse Purchaser to submit a bid that will serve as a minimum floor bid on which the Debtors, their creditors and other bidders may rely. The Stalking Horse Bidder has provided a material benefit to the Debtors and their creditors by increasing the likelihood that the Debtors will receive the best possible value for the Acquired Assets.

F. The Bid Procedures are reasonable and appropriate and represent the best method for maximizing value for the benefit of the Debtors' estates.

THE COURT HEREBY ORDERS THAT:

1. The Motion is granted as provided herein.

2. The Bid Procedures, in the form attached to this Order as Exhibit A, are hereby approved in their entirety and incorporated herein by reference.

3. The bid protections provided in the Motion are approved. Specifically, the Court approves the Expense Reimbursement and the Break-Up Fee provided for the Stalking Horse Purchaser pursuant to the Stalking Horse Agreement.

4. The Debtors are authorized to enter into and execute the Stalking Horse Agreement and to perform such obligations under the Stalking Horse Agreement as expressly authorized under this Order. The Debtors are further authorized to take any and all actions necessary to implement the Bid Procedures and to conduct an Asset Sale by Auction of the Transferred Assets pursuant to the Bidding Procedures and the terms of this Order. The proposed sale of the Transferred Assets, the proposed assumption and assignment of the Assumed Contracts, the Auction and the Sale Hearing shall be conducted in accordance with the provisions of this Order and the Bidding Procedures.

5. The Stalking Horse Purchaser shall, subject to the terms of the Stalking Horse Agreement, be deemed a Qualified Bidder pursuant to the Bidding Procedures, and shall be authorized to include in its bid a credit equal to the amount of the outstanding balance of the DIP Facility at the time of Closing, as more fully set forth in Section 1.6(a) of the Stalking Horse Agreement (the "Credit Bid").

Break-Up Fee and Expense Reimbursement

6. The Debtors' obligation to pay the Break-Up Fee and the Expense Reimbursement shall survive termination of the Stalking Horse Agreement. A Break-Up

Fee of $1,100,000, and an Expense Reimbursement of up to $250,000 in the aggregate, shall (i) only be payable by the Debtors to the Stalking Horse Purchaser immediately upon the closing of an Asset Sale with a Successful Bidder that is not the Stalking Horse Purchaser; (ii) be paid out of the proceeds of the Asset Sale; and (iii) have priority as an administrative expense in the Debtors' cases under sections 503(b) and 507(a) of the Bankruptcy Code.

The Auction

7. As further described in the Bid Procedures, if more than one Qualified Bid is received by the Bid Deadline (other than the Stalking Horse Agreement), the Debtors will conduct the Auction at 10:00 a.m. (prevailing Eastern time) on January 25, 2011, at the offices of the Debtors' Delaware counsel, Polsinelli Shughart PC, 222 Delaware Avenue, Suite 1101, Wilmington DE 19801 or such later time on such day or other place as the Debtors shall notify all Qualified Bidders who have submitted Qualified Bids, if a Qualified Bid is timely received. The Auction shall be transcribed or videotaped.

8. If the Debtors do not receive any Qualified Bids other than the Stalking Horse Bidder's bid pursuant to the Stalking Horse Agreement, an Auction will not be held and the Stalking Horse Bidder will be named the Successful Bidder.

9. All bidders submitting a Qualified Bid are deemed to have consented to the core jurisdiction of the Bankruptcy Court and waived any right to a jury trial in connection with any disputes relating to the Stalking Horse Agreement, the Auction, or the construction and enforcement of any Competing Transaction Documents.

10. The Debtors will be deemed to have accepted the Successful Bid only when such bid has been approved by the Court at the Sale Hearing.

Assumption and Assignment Notices & Procedures

11. By December 22, 2010, the Debtors shall send a notice to each counterparty to an Assumed Contract ("Contract Counterparty") setting forth the Debtors' calculation of the cure amount, if any, that would be owing to such Contract Counterparty if the Debtors assume or assume and assign such executory contract or unexpired lease, and alerting such Contract Counterparty that their contract may be assumed and assigned to the Successful Bidder (the "Cure and Possible Assumption and Assignment Notice"). Any Contract Counterparty that objects to the cure amount set forth in the Cure and Possible Assumption and Assignment Notice or the possible assignment of their executory contract or unexpired lease must file an objection (a "Cure or Assignment Objection") on or before 4:00 p.m. prevailing Eastern Time on January 11, 2011 (the "Cure or Assignment Objection Deadline"). All Cure or Assignment Objections shall: (a) be in writing; (b) state with specificity the cure amount that the counterparty believes is required; (c) comply with the Bankruptcy Rules and Local Rules; (d) be filed with the Clerk of the United States Bankruptcy Court for the District of Delaware, 824 Market Street, 3rd Floor, Wilmington, DE 19801, by the Cure or Assignment Objection Deadline; and (e) be served on: (i) counsel for the Debtors, Locke Lord Bissell & Liddell, LLP, 111 S. Wacker Drive, Chicago, IL 60606, Attn.: David W. Wirt and Aaron C. Smith, and Polsinelli Shughart PC, 222 Delaware Avenue, Suite 1101, Wilmington, Delaware 19801, Attn Christopher A. Ward; (ii) counsel for the Stalking Horse Purchaser, Snell & Wilmer, LLP, One Arizona Center, Phoenix, AZ 85004-2202, Attn: Christopher H. Bayley and Donald F. Ennis, and Ashby Geddes, 500 Delaware Avenue, P.O. Box 1150, Wilmington, DE 19899, Attn: William P. Bowden; and (iii)

counsel for the Committee (if appointed), so that it is actually received no later than the Cure or Assignment Objection Deadline.

12. Unless a Contract Counterparty timely files and serves a Cure or Assignment Objection, that Contract Counterparty shall: (a) be forever barred from objecting to the Debtors' proposed Cure Amount and from asserting any additional cure, damages, or other amounts with respect to the Assumed Contract, and the Debtors and Stalking Horse Purchaser (or the Successful Bidder) shall be entitled to rely solely upon the proposed Cure Amounts set forth in the Cure and Possible Assumption and Assignment Notice; (b) be deemed to have consented to the proposed assumption and assignment of the Assumed Contract; and (c) be forever barred and estopped from asserting or claiming against the Debtors or Stalking Horse Purchaser (or the Successful Bidder) that any other defaults exist, that conditions to assignment must be satisfied under such Assumed Contract or that there is any objection or defense to the assumption and assignment of such Assumed Contract.

13. Where a Contract Counterparty to an Assumed Contract files a timely Cure or Assignment Objection asserting a higher cure amount than the amount listed in the Cure and Possible Assumption and Assignment Notice, or objecting to the possible assignment of that counterparty's Assumed Contract, and the parties are unable to consensually resolve the dispute, the amount to be paid under section 365 of the Bankruptcy Code (if any) or, as the case may be, the Debtors' ability to assign the Assumed Contract to the Successful Bidder, will be determined at the Sale Hearing. Pending a ruling on such objection, if not made at the Sale Hearing, an amount necessary to pay the Cure Amount will be reserved and paid upon entry of an order determining the correct Cure Amount (if any) and approving the assignment of the Assumed Contract to the Successful Bidder.

Notice of the Sale Process

14. The notices, in substantially the same forms as annexed to the Motion as Exhibit [_] (the "Sale Notice"), Exhibit [__] (the "Creditor Notice"), and Exhibit [__] (the "Bid Procedures Notice") and to the Bid Procedures as Exhibit 2 (the Cure and Possible Assumption and Assignment Notice), are sufficient to provide effective notice to all interested parties of the Bidding Procedures, the Auction, the Sale Hearing and the Assignment Procedures, pursuant to Bankruptcy Rules 2002(a)(2), 6004 and 6006, and are hereby approved.

15. Within two (2) business days after entry of this Order, the Debtors (or their agents) shall serve the Sale Notice by first-class mail upon: (a) the United States Trustee for the District of Delaware; (b) the United States Attorney for the District of Delaware; (c) the Internal Revenue Service; (d) the Securities and Exchange Commission; (e) the Debtors' thirty largest unsecured creditors on a consolidated basis; (f) counsel to the Committee (if one is appointed); (g) counsel to the DIP Lender and the Stalking Horse Purchaser; (h) counsel to Textron, the Debtors' prepetition lender; (i) each of the Debtors' cash management banks; (j) all persons or entities known to be asserting a lien on any of the Transferred Assets; (k) all persons or entities known to have expressed an interest in acquiring any of the Transferred Assets; and (l) all persons or entities who have requested notice pursuant to Bankruptcy Rule 2002.

16. The Debtors shall publish the Bid Procedures Notice once in the *USA Today* within five (5) business days after entry of this Order.

17. Within two (2) business days after entry of this Order, the Debtors (or their agents) shall serve the Creditor Notice on all of the parties set forth on the Debtors' creditor matrix who were not served with a Sale Notice.

The Sale Hearing

18. The Sale Hearing will be conducted on February 2, 2011 at 10:00 a.m. (prevailing Eastern time). The Debtors will seek entry of an order of the Court at the Sale Hearing approving and authorizing the sale of the Transferred Assets to the Stalking Horse Purchaser or, as the case may be, the Successful Bidder. The Sale Hearing may be continued from time to time without further notice other than such announcement being made in open court or a notice of adjournment filed with the Court and served on the Notice Parties.

Objections to the Sale

19. Objections, if any, to the relief requested in the Motion relating to the Asset Sale (except for any objection that arises at the Auction) must: (a) be in writing and filed with the Court no later than 4:00 p.m. (prevailing Eastern time) on January 31, 2011; and (b) be served so that it is actually received no later than 4:00 p.m. (prevailing Eastern time) on January 31, 2011 by (i) counsel for the Debtors, Locke Lord Bissell & Liddell, LLP, 111 S. Wacker Drive, Chicago, IL 60606, Attn.: David W. Wirt and Aaron C. Smith, and Polsinelli Shughart PC, 222 Delaware Avenue, Suite 1101, Wilmington, Delaware 19801, Attn Christopher A. Ward; (ii) counsel for the Stalking Horse Purchaser, Snell & Wilmer, LLP, One Arizona Center, Phoenix, AZ 85004-2202, Attn: Christopher H. Bayley and Donald F. Ennis, and Ashby Geddes, 500 Delaware Avenue, P.O. Box 1150, Wilmington, DE 19899, Attn: William P. Bowden; and (iii) counsel for the Committee (if appointed).

20. The Stalking Horse Purchaser shall have standing to appear and be heard before this Court in connection with all matters relating to the selection of a Successful

Bidder or Qualified Bidder, the Bid Procedures, the Expense Reimbursement and Break-Up Fee, and the Auction.

Other Relief Granted

21. All objections to the relief requested in the Motion (and all reservations of rights included therein) that have not been withdrawn, waived, or settled as announced to the Court at the hearing on the Motion or by stipulation filed with the Court, are overruled.

22. To the extent that any chapter 11 plan confirmed in these cases or any order confirming any such plan or any other order in these cases (including any order entered after any conversion of these cases to one or more cases under chapter 7 of the Bankruptcy Code) alters, conflicts with or derogates from the provisions of this Order, the provisions of this Order shall control. The Debtors' obligations under this Order, including the obligation to pay the Break-Up Fee and the Expense Reimbursement, survive confirmation of any plan of reorganization or discharge of claims thereunder and shall be binding upon the Debtors, and the reorganized or reconstituted debtors, as the case may, after the effective date of a confirmed plan or plans in the Debtors' cases.

23. Nothing in this Order, the Stalking Horse Agreement or the Motion shall be deemed to or constitute the assumption or assignment of an executory contract or unexpired lease.

24. All time periods set forth in this Order shall be calculated in accordance with Bankruptcy Rule 9006(a).

25. The Debtors are hereby authorized to conduct the Asset Sale without the necessity of complying with any state or local bulk transfer laws or requirements.

26. The Debtors are authorized to take all actions necessary to effectuate the relief granted pursuant to this Order in accordance with the Motion.

27. The terms and conditions of this Order shall be immediately effective and enforceable upon its entry, notwithstanding any provision in the Bankruptcy Rules or the Local Rules to the contrary, and the Debtors may, in their discretion and without further delay, take any action and perform any act authorized under this Order.

28. The Court retains jurisdiction with respect to all matters arising from or related to the implementation of this Order.

Date: ________________, 2010

____
United States Bankruptcy Judge

EXHIBIT A

BID PROCEDURES

<u>EXHIBIT G</u>

Sale Order

UNITED STATES BANKRUPTCY COURT
FOR THE DISTRICT OF DELAWARE

In re:	)	Chapter 11
	)	
PALM HARBOR HOMES, INC., et al.,[1]	)	Case No. 10-_____ (___)
	)	
Debtors.	)	Jointly Administered
	)	

ORDER PURSUANT TO 11 U.S.C. §§ 363 AND 365 (A) AUTHORIZING AND APPROVING ASSET PURCHASE AGREEMENT BY AND AMONG THE DEBTORS, AS SELLERS, AND PALM HARBOR HOMES, INC., A DELAWARE CORPORATION, AS PURCHASER, FREE AND CLEAR OF ALL LIENS, CLAIMS, ENCUMBRANCES AND INTERESTS; (B) AUTHORIZING AND APPROVING THE ASSUMPTION AND ASSIGNMENT OF CERTAIN EXECUTORY CONTRACTS AND UNEXPIRED LEASES IN CONNECTION THEREWITH; AND (C) GRANTING RELATED RELIEF

Upon consideration of the *Motion of the Debtors for Entry of an Order Pursuant to 11 U.S.C.˙ 363 and 365 (A) Authorizing and Approving Asset Purchase Agreement by and among the Debtors, as Sellers, and Palm Harbor Homes, Inc., a Delaware Corporation, as Purchaser, or Such Other Purchase Agreement(s) Between the Debtors and the Successful Bidder, Free and Clear of All Liens, Claims, Encumbrances and Interests; (B) Authorizing and Approving the Assumption and Assignment of Certain Executory Contracts and Unexpired Leases in Connection Therewith; and (C) Granting Related Relief* (the "Sale Motion") [Docket Entry No. __] of Palm Harbor Homes, Inc., a Florida corporation, and the other debtors and debtors-in-possession (the "Debtors") in the above-captioned cases which requests an order (the "Sale Order") that, among other things, (a) authorizes and approves that certain Asset Purchase Agreement dated November 29, 2010 (including all related exhibits and schedules) (the "Agreement")[2] (a copy of the Agreement is attached to the Motion as Exhibit "A"), among the

[1] The Debtors in these chapter 11 cases, along with the last four digits of each Debtor's federal tax identification number, are: Palm Harbor Homes, Inc., a Florida corporation (6634); Palm Harbor Albemarle, LLC (1014); Nationwide Homes, Inc. (4881); Palm Harbor Real Estate, LLC (8234); Palm Harbor GenPar, LLC (0198); and Palm Harbor Manufacturing, LP (0199). The location of the Debtors' corporate headquarters and service address is: 15303 Dallas Parkway, Suite 800, Addison, Texas 75001.

[2] Except as otherwise defined herein, or where reference is made to a definition in the Sale Motion, all capitalized terms shall have the meanings ascribed to them in the Agreement.

Debtors and Palm Harbor Homes, Inc., a Delaware corporation ("Purchaser"), which provides for, effective as of the Closing on the Closing Date, Debtors' sale, assignment, transfer, conveyance and delivery of the Transferred Assets identified therein to Purchaser or such entity that submits the highest or otherwise best bid at the Auction (as defined in the Sale Motion) to consider competing bids, free and clear of all Encumbrances (the "Asset Sale"), and (b) authorizes and approves the assumption and assignment of certain unexpired leases and executory contracts referenced in the Agreement (the "Assumed Contracts"), or in one or more subsequent filings authorized by an order of this Court; and it appearing that the relief requested in the Sale Motion is in the best interests of the Debtors' estates, their creditors, and other parties in interest; and it appearing that this Court has jurisdiction over this matter pursuant to 28 U.S.C. §§ 157(b)(1) and 1334(a); and it appearing that the Sale Motion is a core proceeding pursuant to 28 U.S.C. § 157(b)(2); and adequate notice of the Sale Motion and opportunity for objection having been given; and adequate notice with respect to the assumption and assignment of the Assumed Contracts having been given; and this Court having reviewed and considered the Sale Motion and any objections thereto; and this Court having heard statements of counsel and the evidence presented in support of the relief requested by the Debtors in the Sale Motion at a hearing before this Court (the "Sale Hearing"); and upon the full record of the Bankruptcy Case; and it appearing that no other notice need be given; and it further appearing that the legal and factual bases set forth in the Sale Motion and the record made at the Sale Hearing establish just cause for the relief granted herein; and after due deliberation and sufficient cause therefor:

FINDINGS OF FACT:

THE COURT HEREBY FINDS THAT:[3]

Jurisdiction, Final Order and Statutory Predicates

A. The Court has jurisdiction to hear and determine the Sale Motion pursuant to 28 U.S.C. §§ 157(b)(1) and 1334(a). This is a core proceeding pursuant to 28 U.S.C. § 157(b)(2). Venue of the Bankruptcy Case and the Sale Motion is proper in this District and in this Court pursuant to 28 U.S.C. §§ 1408 and 1409.

B. This Sale Order constitutes a final and appealable order within the meaning of 28 U.S.C. § 158(a). Notwithstanding Rules 6004(h) and 6006(d) of the Federal Rules of Bankruptcy Procedure ("Bankruptcy Rules"), and to any extent necessary under Bankruptcy Rule 9014 and Rule 54(b) of the Federal Rules of Civil Procedure, as made applicable by Bankruptcy Rule 7054, this Court expressly finds that there is no just reason for delay in the implementation of this Sale Order, and expressly directs entry of the Sale Order upon the terms set forth herein.

C. The statutory predicates for the relief requested in the Sale Motion include, without limitation, sections 105(a), 363, and 365 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, 6006, 9007, 9014 and 9036.

Retention of Jurisdiction

D. It is necessary and appropriate for the Court to retain jurisdiction as provided in the Agreement to, among other things, interpret, implement, and enforce the terms and provisions of this Sale Order and the Agreement, including its related documents, all amendments thereto and any waivers and consents thereunder and each of the agreements executed in connection therewith to which any of the Debtors is a party or which has been assigned by any of the Debtors to Purchaser, and to adjudicate, if necessary, any and all disputes

[3] The findings and conclusions set forth herein constitute the Court's findings of fact and conclusions of law pursuant to Bankruptcy Rule 7052, made applicable to this proceeding pursuant to Bankruptcy Rule 9014. To the extent that any of the following findings of fact constitute conclusions of law, they are adopted as such. To the extent any of the following conclusions of law constitute findings of fact, they are adopted as such.

involving the Debtors concerning or relating in any way to, or affecting, the Asset Sale or the transactions contemplated in the Agreement, and related documents.

Corporate Authority; Consents and Approvals

E. The Debtors have full corporate power and authority to execute and deliver the Agreement and all other documents contemplated thereby and to consummate the Asset Sale and all transactions contemplated in the Agreement. The Asset Sale and all transactions contemplated by the Agreement have been duly and validly authorized by all necessary corporate actions of the Debtors. No consents or approvals other than the authorization and approval of this Court are required for the Debtors to consummate the Asset Sale and the transactions contemplated by the Agreement.

Notice of the Sale, Auction, and Assumption and Assignment

F. Notice of the Sale Hearing, the Auction, the Sale Motion, the Asset Sale and the transactions contemplated by the Agreement, and the assumption and assignment of the Assumed Contracts, and a reasonable opportunity to object or be heard with respect to the Sale Motion and the relief requested therein has been afforded to all known interested Persons entitled to receive such notice, including, without limitation, the following:

(i) the Office of the United States Trustee for the District of Delaware;

(ii) the Debtors' thirty (30) largest unsecured creditors on a consolidated basis, as identified in their chapter 11 petitions;

(iii) counsel to any official committee of unsecured creditors appointed in the Bankruptcy Case;

(iv) the Office of the United States Attorney for the District of Delaware;

(v) counsel to the Debtors' prepetition secured lenders;

(vi) the Securities and Exchange Commission;

(vii) counsel to the DIP Lender and the Purchaser;

(viii) all taxing authorities and other governmental agencies having jurisdiction over any of the Transferred Assets, including the Internal Revenue Service;

(ix) all parties that have requested or that are required to receive special notice pursuant to Bankruptcy Rule 2002;

(x) all Persons known or reasonably believed to have asserted an Encumbrance on any of the Transferred Assets;

(xi) the non-Debtor counterparties to each of the Assumed Contracts (the "Contract Counterparties"); and

(xii) all persons or entities known to have expressed an interest in acquiring any of the Transferred Assets.

G. Debtors published notice of the Sale Motion, the time and place of the proposed Auction, the time and place of the Sale Hearing and the time for filing an objection to the Sale Motion in the national edition of *USA Today* on _______, 2010.[4]

H. The Debtors served notice upon the Contract Counterparties: (i) that the Debtors seek to assume and assign certain executory contracts and unexpired leases as provided for in the Agreement as of the Closing Date or in one or more subsequent filing authorized by order of this Court; and (ii) of the relevant proposed Cure Costs for each of the Assumed Contracts. The service of such notice was good, sufficient and appropriate under the circumstances and no further notice need be given in respect of establishing a Cure Cost for the Assumed Contracts. Each of the Contract Counterparties has had an opportunity to object to the Cure Costs set forth in the notice.

I. The Debtors have articulated good and sufficient reasons for this Court to grant the relief requested in the Sale Motion regarding the sales process, including, without limitation: (i) determination of final Cure Costs; and (ii) approval and authorization to serve notice of the Auction and Sale Hearing.

[4] The final form of this Sale Order submitted to the Court for entry in the Bankruptcy Case shall be revised and supplemented to reflect the results of the Auction, if one is required and conducted.

J. The notice of the Auction and the Sale Hearing provided all interested parties with timely and proper notice of the Asset Sale, Auction and Sale Hearing.

K. As evidenced by the affidavits of service previously filed with this Court, proper, timely, adequate, and sufficient notice of the Sale Motion, Auction, Sale Hearing, Asset Sale and the transactions contemplated by the Agreement has been provided in accordance with sections 102(1), 363 and 365 of the Bankruptcy Code and Bankruptcy Rules 2002, 6004, 6006 and 9014. The notices described above were good, sufficient and appropriate under the circumstances, and no other or further notice of the Sale Motion, Auction, Sale Hearing, Asset Sale, or assumption and assignment of the Assumed Contracts is required.

L. The disclosures made by the Debtors concerning the Agreement, Auction, Asset Sale, Sale Hearing, and the assumption and assignment of the Assumed Contracts were good, complete and adequate.

Auction

M. The Debtors conducted an Auction on January 25, 2011 in connection with, and have otherwise complied in all respects with, the Bidding Procedures Order. The Auction process set forth in the Bidding Procedures Order afforded a full, fair and reasonable opportunity for any entity to make a higher or otherwise better offer to purchase the Transferred Assets. The Auction was duly noticed and conducted in a noncollusive, fair and good faith manner, and a reasonable opportunity has been given to any interested party to make a higher and better offer for the Transferred Assets. The Auction was transcribed and the transcript of the Auction was introduced into evidence at the Sale Hearing. At the conclusion of the Auction, the Debtors determined in the exercise of their good faith business judgment that Purchaser submitted the highest and best bid for the Transferred Assets and, accordingly, was determined to be the successful bidder for the Transferred Assets.

Good Faith of Purchaser

N. As demonstrated by the representations of counsel and other evidence proffered or adduced at the Sale Hearing, the Debtors and their investment bankers marketed the Debtors'

assets to secure the highest and best offer. The terms and conditions set forth in the Agreement are fair, adequate and reasonable, including the amount of the Purchase Price, which is found to constitute reasonably equivalent and fair value.

O. Purchaser is not an "insider" of the Debtors, as that term is defined in section 101(31) of the Bankruptcy Code. No officer or director or other insider of the Debtors holds any interest in or is otherwise related to Purchaser.

P. The Debtors and Purchaser extensively negotiated the terms and conditions of the Agreement in good faith and at arm's length. Purchaser is purchasing the Transferred Assets and has entered into the Agreement in good faith and is a good faith buyer within the meaning of section 363(m) of the Bankruptcy Code, and is therefore entitled to the full protection of that provision, and otherwise has proceeded in good faith in all respects in connection with this proceeding in that, *inter alia*: (i) Purchaser recognized that the Debtors were free to deal with any other party interested in purchasing the Transferred Assets; (ii) Purchaser agreed to subject its bid to competitive bidding at the Auction; (iii) all payments to be made by Purchaser and other agreements or arrangements entered into by Purchaser in connection with the Asset Sale have been disclosed; (iv) Purchaser has not violated section 363(n) of the Bankruptcy Code by any action or inaction; (v) no common identity of directors or controlling stockholders exists between Purchaser and the Debtors; and (vi) the negotiation and execution of the Agreement was at arm's length and in good faith.

Q. Neither the Debtors nor Purchaser have engaged in any conduct that would cause or permit the Agreement to be avoided under section 363(n) of the Bankruptcy Code. The Debtors and Purchaser were represented by their own respective counsel and other advisors during such arm's length negotiations in connection with the Agreement and the Asset Sale.

R. No party has objected to the Asset Sale, the Agreement or the Auction on the grounds of fraud or collusion.

Highest and Best Offer

S. The Debtors conducted a marketing process and the Auction in accordance with, and have otherwise complied in all respects with, the Bidding Procedures Order. The Auction process afforded a full, fair and reasonable opportunity for any Persons to make a higher or otherwise better offer to purchase the Transferred Asset than that proposed in the Agreement. The Auction was duly noticed and conducted in a noncollusive, fair and good faith manner and a reasonable opportunity has been given to any interested party to make a higher and better offer for the Transferred Assets.

T. The Agreement constitutes the highest and best offer for the Transferred Assets, and will provide a greater recovery for the Debtors' estates than would be provided by any other available alternative. The Debtors' determination that the Agreement constitutes the highest and best offer for the Transferred Assets constitutes a valid and sound exercise of the Debtors' good faith business judgment.

U. The Agreement represents a fair and reasonable offer to purchase the Transferred Assets under the circumstances of the Bankruptcy Case. No other Person or group of Persons has offered to purchase the Transferred Assets for greater economic value to the Debtors' estates than that offered by Purchaser.

V. Approval of the Sale Motion and the Agreement and the consummation of the transactions contemplated thereby are in the best interests of the Debtors, their creditors, their estates and other parties in interest.

W. The Debtors have demonstrated compelling circumstances and a good, sufficient, and sound business purpose and justification for the Asset Sale prior to, and outside of, a plan of reorganization.

No Fraudulent Transfer

X. The consideration provided by Purchaser pursuant to the Agreement is fair and adequate and constitutes no less than reasonably equivalent value and fair consideration under

the Bankruptcy Code and under the laws of the United States, any state, territory, possession, or the District of Columbia.

Y. Purchaser is not a mere continuation of the Debtors or their estates and there is no continuity between Purchaser and the Debtors, or their estates. Purchaser is not holding itself out to the public as a continuation of the Debtors. Purchaser is not a successor to the Debtors or their estates and the Asset Sale does not amount to a consolidation, merger or de facto merger of Purchaser and the Debtors.

Validity of Transfer

Z. The Debtors have full corporate power and authority to execute and deliver the Agreement and all other documents contemplated thereby, and no further consents or approvals are required for the Debtors to consummate the transactions contemplated by the Agreement, except as otherwise set forth in the Agreement.

AA. The transfer of each of the Transferred Assets to Purchaser will be as of the Closing Date a legal, valid, and effective transfer of good and marketable titled of the Transferred Assets, and vests or will vest Purchaser with all right, title, and interest of the Debtors to the Transferred Assets as of the Closing Date free and clear of all Encumbrances, and pursuant to section 363(f) of the Bankruptcy Code except as otherwise provided in the Agreement.

Section 363(f) Is Satisfied

BB. The Debtors may sell the Transferred Assets to Purchaser free and clear of all Encumbrances (except as expressly stated as obligations of Purchaser under the Agreement) because, in each case, one or more of the standards set forth in section 363(f)(1)-(5) of the Bankruptcy Code has been or will be satisfied. Those holders of such Encumbrances of each type against the Debtors or their estates or any of the Transferred Assets, and non-Debtor parties to any related agreements who did not object, or who withdrew their objections, to the Asset Sale or the Sale Motion are deemed to have consented thereto pursuant to section 363(f)(2) of the Bankruptcy Code. Those holders of Encumbrances who asserted an objection at the Sale

Hearing, if any, fall within one or more of the other subsections of 363(f) and are adequately protected by having their Encumbrances, if any, in each instance against the Debtors, their estates or any of the Transferred Assets, attach to the cash proceeds to be received by the Debtors under the Agreement, subject to the same priority and validity (and defenses and objections of the Debtors and other parties in interest, if any, with respect thereto) as are presently existing against the Transferred Assets in which they allege such an Encumbrance.

CC. Purchaser would not have entered into the Agreement and would not consummate the transactions contemplated thereby if the sale of the Transferred Assets to Purchaser, and the assumption and assignment of the Assumed Contracts to Purchaser, were not free and clear of all Encumbrances (except as expressly stated as obligations of Purchaser under the Agreement), or if Purchaser would, or in the future could, be liable for any of such liens, claims, encumbrances and interests.

Assumption and Assignment of the Assumed Contracts

DD. The assumption and assignment of the Assumed Contracts pursuant to the terms of this Sale Order are integral to the Agreement and are in the best interests of the Debtors and their estates, creditors and other parties in interest, and represent the reasonable exercise of sound and prudent business judgment by the Debtors.

EE. The respective amounts set forth in Exhibit 1 annexed hereto are the sole amounts necessary under sections 365(b)(1)(A) and (B) and 365(f)(2)(A) of the Bankruptcy Code to cure all monetary defaults and pay all actual pecuniary losses under the Assumed Contracts (the "Cure Costs").

FF. Pursuant to the terms of the Agreement, on or before the Closing Date, Purchaser shall have (i) cured and/or provided adequate assurance of cure of any monetary defaults existing prior to the Closing Date under any Assumed Contract, within the meaning of section 365(b)(1)(A) of the Bankruptcy Code; (ii) provided compensation or adequate assurance of compensation to any Contract Counterparty to such Assumed Contracts for its actual pecuniary losses resulting from a default prior to the Closing Date under any of the Assumed Contracts,

within the meaning of section 365(b)(1)(B) of the Bankruptcy Code; and (iii) provided adequate assurance of its future performance under the relevant Assumed Contract within the meaning of sections 365(b)(1)(C), 365(b)(3) (to the extent applicable) and 365(f)(2)(B) of the Bankruptcy Code.

GG. As of the Closing Date, subject only to the payment of the Cure Costs, as determined in accordance with the procedures identified in the Sale Motion and its accompanying and related documents, each of the Assigned Contracts will be in full force and effect and enforceable by Purchaser against any Contract Counterparty thereto in accordance with its terms.

HH. The Debtors have, to the extent necessary, satisfied the requirements of sections 365(b)(1) and 365(f) of the Bankruptcy Code in connection with the Asset Sale, the assumption and assignment of the Assumed Contracts, and shall upon assignment thereto on the Closing Date, be relieved from any liability for any breach thereof.

II. Purchaser has demonstrated that it has the financial wherewithal to fully perform and satisfy the obligations under the Assumed Contracts as required by sections 365(b)(1)(C) and 365(f)(2)(B) of the Bankruptcy Code. Pursuant to section 365(f)(2)(B) of the Bankruptcy Code, Purchaser has provided adequate assurance of future performance of the obligations under the Assumed Contracts.

Sound Business Purpose for the Sale

JJ. Good and sufficient reasons for approval of the Agreement and the Asset Sale have been articulated. The relief requested in the Sale Motion is within the reasonable business judgment of the Debtors, and is in the best interests of the Debtors, their estates, their creditors and other parties in interest.

KK. The Debtors have demonstrated both (i) good, sufficient, and sound business purpose and justification, and (ii) compelling circumstances for the entry into the Agreement and the consummation of the Asset Sale pursuant to section 363(b) of the Bankruptcy Code, in that, among other things, the immediate consummation of the Asset Sale, and the assumption and

assignment of the Assumed Contracts is necessary and appropriate to maximize the value to Debtors' estates and the Asset Sale.

Compelling Circumstances for an Immediate Sale

LL. To maximize the value of the Transferred Assets and preserve the viability of the Business to which the Transferred Assets relate, and to satisfy the postpetition debtor-in-possession financing borne by the Debtors, it is essential that the Asset Sale occur within the time constraints set forth in the Agreement. Time is of the essence in consummating the Asset Sale.

MM. Given all of the circumstances of the Bankruptcy Case and the adequacy and fair value of the Purchase Price under the Agreement, the proposed Asset Sale to Purchaser constitutes a reasonable and sound exercise of the Debtors' good faith business judgment and should be approved.

NN. The consummation of the Asset Sale and transactions contemplated by the Agreement is legal, valid and properly authorized under all applicable provisions of the Bankruptcy Code, including, without limitation, sections 105(a), 363(b), 363(f), 363(m), 365(b) and 365(f), and all of the applicable requirements of such sections have been complied with in respect of the transactions.

OO. The Asset Sale does not constitute a de facto plan of reorganization or liquidation or an element of such a plan for the Debtors, as it does not and does not propose to: (i) impair or restructure existing debt of, or equity interests in, the Debtors; (ii) impair or circumvent voting rights with respect to any future plan proposed by the Debtors; (iii) circumvent chapter 11 plan safeguards, such as those set forth in sections 1125 and 1129 of the Bankruptcy Code; or (iv) classify claims or equity interests, compromise controversies or extend debt maturities.

CONCLUSIONS OF LAW:

NOW, THEREFORE, IT IS HEREBY ORDERED, ADJUDGED AND DECREED THAT:

General Provisions

1. Relief Granted. The relief requested in the Sale Motion is granted and approved in its entirety and in all respects, and the Asset Sale and the transactions contemplated thereby and by the Agreement are approved as set forth in this Sale Order.

2. Objections Overruled. All objections to the Sale Motion or the relief requested therein, including all reservations of rights related thereto, that have not been withdrawn, waived, or settled as announced to this Court at the Sale Hearing or by stipulation filed with this Court or as otherwise provided in this Sale Order, are hereby overruled on the merits or the interests of such objections have been otherwise satisfied or adequately provided for.

3. Sale Order Binding on All Parties. The terms and provisions of this Sale Order shall be binding in all respect upon the Debtors, their estates, creditors, members, managers and shareholders of the Debtors, Purchaser and its officers, directors and members, all interested parties, and their respective successors and assigns, including, but not limited to, all Contract Counterparties and all other non-Debtor parties asserting any Encumbrances in the Transferred Assets.

Approval of the Agreement

4. Agreement Approved. The Agreement and all other ancillary documents, and all of the terms and conditions thereof, are hereby approved.

5. Authorization to Consummate Transactions. Pursuant to sections 363(b), (f) and (l) of the Bankruptcy Code, the Debtors are authorized and empowered to take any and all actions necessary or appropriate to (a) consummate the Asset Sale of the Transferred Assets to Purchaser pursuant to and in accordance with the terms and conditions of the Agreement, (b) close the Asset Sale as contemplated in the Agreement and this Sale Order, and (c) execute and deliver, perform under, consummate, implement and close fully the Agreement, together with all additional instruments and documents that may be reasonably necessary or desirable to

implement the Agreement and the Asset Sale, including any other ancillary documents, or as may be reasonably necessary or appropriate to the performance of the obligations as contemplated by the Agreement and such other ancillary documents.

Transfer of the Transferred Assets

6. Transfer of Transferred Assets Authorized. Pursuant to sections 105(a) and 363(f) of the Bankruptcy Code and on the terms set forth in the Agreement, upon the Closing provided in the Agreement, the Transferred Assets shall be and hereby are deemed transferred and assigned to Purchaser effective as of the Closing on the Closing Date, and upon the Debtors' receipt of the Purchaser Price, shall be free and clear of all Encumbrances arising or relating to the period immediately prior to the Closing, other than the Permitted Encumbrances, with such Encumbrances, if any, against the Debtors or their estates or the Transferred Assets, attaching to the cash proceeds to be received by the Debtors under the Agreement, subject to the same priority and validity (and defenses and objections of the Debtors and other parties in interest, if any, with respect thereto) as are presently existing against the Transferred Assets in which they allege such an Encumbrance. Such Transferred Assets shall be transferred to Purchaser "as is, where is" with all faults in accordance with the Agreement upon and as of the Closing Date.

7. Surrender of Transferred Assets by Third Parties. All entities that are in possession of some or all of the Transferred Assets on the Closing Date are directed to surrender possession of such Transferred Assets to Purchaser at the Closing. All Persons are hereby forever prohibited and enjoined from taking any action that would adversely affect or interfere with the ability of the Debtors to sell and transfer the Transferred Assets to Purchaser in accordance with the terms of the Agreement and this Sale Order.

8. Transfer Free and Clear of Encumbrances. Except as expressly permitted by the Agreement, (i) the transfer and sale of the Transferred Assets to Purchaser shall be free and clear of any and all Encumbrances of any and every kind and nature, and all Persons holding Encumbrances of any kind and nature accruing, arising or relating to a period prior to the Closing Date with respect to any Transferred Asset (other than the Permitted Encumbrance)

hereby are barred, estopped, and permanently enjoined from asserting such Encumbrances against Purchaser or any of its affiliates, stockholders, members, managers, partners, parent entities, successors, assigns, officers, directors or employees, agents, representatives, and attorneys, or the Transferred Assets, and (ii) Purchaser shall have no liability or responsibility for any Encumbrance arising, accruing, or relating to a period prior to the Closing Date, except as otherwise provided for in the Agreement and the Permitted Encumbrances.

9. Legal, Valid, and Marketable Transfer with Permanent Injunction. The transfer of the Transferred Assets to Purchaser pursuant to the Agreement constitutes a legal, valid, and effective transfer of good and marketable title of the Transferred Assets, and vests or will vest Purchaser with all right, title, and interest to the Transferred Assets, free and clear of all Encumbrances except as otherwise expressly stated as obligations of Purchaser under the Agreement and the Permitted Encumbrances. All Persons holding interests or claims of any kind or nature whatsoever against the Debtors or the Transferred Assets, the operation of the Transferred Assets prior to the Closing, the Auction or the Asset Sale are hereby and forever barred, estopped, and permanently enjoined from asserting against Purchaser, its successors or assigns, its property, or the Transferred Assets, any claim, interest or liability existing, accrued, or arising prior to the Closing.

10. Recording Offices. On the Closing Date, this Sale Order shall be construed and shall constitute for any and all purposes a full and complete assignment, conveyance and transfer of the Transferred Assets or a bill of sale transferring good and marketable title of the Transferred Assets to Purchaser. This Sale Order is and shall be binding upon and govern the acts of all Persons, including, without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, registrars of deeds, administrative agencies, governmental departments, secretaries of state, federal and local officials, and all other Persons who may be required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any lease; and each of the foregoing

Persons is hereby directed to accept for filing any and all of the documents and instruments necessary and appropriate to consummate the transactions contemplated by the Agreement.

11. Transfers Binding on Third Parties. This Sale Order and the Agreement shall be binding in all respects upon all creditors of and holders of equity interests in the Debtors (whether known or unknown), agents, trustee and collateral trustees, all Contract Counterparties and any other non-Debtor parties to any contracts with the Debtors (whether or not assigned), all successors and assigns of the Debtors, and any subsequent trustees appointed in the Bankruptcy Case or upon a conversion of the Bankruptcy Case to one or more cases under chapter 7 of the Bankruptcy Code and shall not be subject to rejection or unwinding. Nothing in any chapter 11 plan confirmed in the Bankruptcy Case, the confirmation order confirming any such chapter 11 plan, any order approving the wind down or dismissal of the Bankruptcy Case, or any order entered upon the conversion of the Bankruptcy Case to one or more cases under chapter 7 of the Bankruptcy Code or otherwise shall conflict with or derogate from the provisions of the Agreement or this Sale Order.

12. A certified copy of this Sale Order may be (i) filed with the appropriate clerk; (ii) recorded with the recorder; and/or (iii) filed or recorded with any other governmental agency to act to cancel any Encumbrances against the Transferred Assets, other than the Permitted Encumbrances.

13. If any Person which had filed statements or other documents or agreements evidencing Encumbrances on any or a portion of the Transferred Assets shall not have delivered to the Debtors prior to the Closing Date, in proper form for filing and executed by the appropriate parties, termination statements, instruments of satisfaction, releases of liens and easements, and any other documents necessary or desirable to Purchaser for the purpose of documenting the release of all Encumbrances against the Transferred Assets, which Person has or may assert with respect to all or a portion of the Transferred Assets, Purchaser is hereby authorized to execute and file such statements, instruments, releases and other documents on behalf of such Person with respect to the Transferred Assets.

Assumed Contracts

14. Authorization to Assume and Assign. Upon the Closing, the Debtors are authorized and directed, in accordance with sections 105(a), 363 and 365 of the Bankruptcy Code, to assume and assign each of the Assumed Contracts to Purchaser free and clear of all Encumbrances as of the Closing Date. The payment of the applicable Cure Costs (if any) by Purchaser shall (a) effect a cure or adequate assurance of cure of all defaults existing thereunder as of the date on which the Debtors filed voluntary petitions for relief under chapter 11 of the Bankruptcy Code (the "Petition Date") and (b) compensate for any actual pecuniary loss to such Contract Counterparty resulting from such default. Purchaser shall then have assumed the Assumed Contracts and, pursuant to section 365(f) of the Bankruptcy Code, the assignment by the Debtors of such Assumed Contracts shall not be a default thereunder. After the payment of the relevant Cure Costs, neither the Debtors, nor Purchaser shall have any further liabilities to the Contract Counterparties other than Purchaser's obligations under the Assumed Contracts, that accrue and become due and payable on or after the Closing Date.

15. Assignment Requirements Satisfied. The Assumed Contracts shall be transferred to, and remain in full force and effect for the benefit of, Purchaser, in accordance with their respective terms, notwithstanding (i) any provision in any such Assigned Contract (including provisions of the type described in sections 365(b)(2), (e)(1) and (f)(1) of the Bankruptcy Code) which prohibits, restricts or conditions such assignment or transfer or (ii) any default by any Debtor prior to Closing under any such Assumed Contract or any disputes between any Debtor and a Contract Counterparty with respect to any such Assigned Contract arising prior to Closing. In particular, any provisions in any Assumed Contract that restrict, prohibit or condition the assignment of such Assumed Contract or allow the Contract Counterparty to such Assumed Contract to terminate, recapture, impose any penalty, condition on renewal or extension or modify any term or condition upon the assignment of such Assigned Contract, constitute unenforceable anti-assignment provisions that are void and of no force and effect. All other requirements and conditions under sections 363 and 365 of the Bankruptcy Code for the

assumption by the Debtors and assignment to Purchaser of the Assumed Contracts have been satisfied. Upon the Closing, in accordance with sections 363 and 365 of the Bankruptcy Code, Purchaser shall be fully and irrevocably vested with all right, title and interest of the Debtors under the Assumed Contracts.

16. Consent to Assign. The Contract Counterparties to each Assigned Contract shall be and hereby are deemed to have consented to such assumption and assignment under section 365(c)(1)(B) of the Bankruptcy Code or this Court has determined that no such consent is required, and Purchaser shall enjoy all of the rights and benefits under each such Assigned Contract as of the Closing Date without the necessity of obtaining the Contract Counterparty's written consent to the assumption and assignment thereof.

17. Section 365(k). Upon the Closing and (i) the payment of the applicable Cure Cost; or (ii) in the event of any dispute over the appropriate Cure Cost, the Debtors' reserve and escrow of the amount necessary to satisfy the Cure Cost asserted by the Contract Counterparty pending resolution of the dispute by the Bankruptcy Court, Purchaser shall be deemed to be substituted for the Debtors as a party to the applicable Assumed Contracts and the Debtors and their estates shall be relieved, pursuant to section 365(k) of the Bankruptcy Code, from any further liability under the Assumed Contracts.

18. No Default. Subject to the terms hereof with respect to the Cure Costs, all defaults or other obligations of the Debtors under the Assumed Contracts arising or accruing prior to the Closing Date have been cured or shall promptly be cured by the Debtors in accordance with the terms hereof such that Purchaser shall have no liability or obligation with respect to any default or obligation arising or accruing under any Assigned Contract prior to the Closing Date, except to the extent expressly provided in the Agreement, except for Purchaser's payment of the Cure Costs. Each party to an Assigned Contract is forever barred, estopped and permanently enjoined from asserting against Purchaser or its property or affiliates, or successors and assigns, any breach or default under any Assigned Contract, any claim of lack of consent relating to the assignment thereof, or any counterclaim, defense, setoff, right of recoupment or

any other matter arising prior to the Closing Date for such Assigned Contract or with regard to the assumption and assignment therefore pursuant to the Agreement or this Sale Order. Upon the payment of the applicable Cure Cost, if any, the Assumed Contracts will remain in full force and effect, and no default shall exist under the Assumed Contracts nor shall there exist any event or condition which, with the passage of time or giving of notice, or both, would constitute such a default.

19. Adequate Assurance Provided. The requirements of sections 365(b)(1) and 365(f)(2) of the Bankruptcy Code are hereby deemed satisfied with respect to the Assumed Contracts based on Purchaser's evidence of its financial condition and wherewithal and without any further action by Purchaser, including but not limited to any other or further deposit. Pursuant to section 365(f) of the Bankruptcy Code, Purchaser has provided adequate assurance of future performance of the obligations under the Assumed Contracts.

20. No Fees. There shall be no rent accelerations, assignment fees, increases or any other fees charged to Purchaser or the Debtors as a result of the assumption and assignment of the Assumed Contracts. The failure of the Debtors or Purchaser to enforce at any time one or more terms or conditions of any Assigned Contract shall not be a waiver of such terms or conditions, or of the Debtors' and Purchaser's rights to enforce every term and condition of the Assumed Contracts.

21. Injunction. Pursuant to sections 105(a), 363 and 365 of the Bankruptcy Code, other than the right to payment of the Cure Costs, if any, all Contract Counterparties are forever barred and permanently enjoined from raising or asserting against the Debtors or Purchaser any assignment fee, default, breach or claim or pecuniary loss arising under or related to the Assumed Contracts existing as of the Petition Date or any assignment fee or condition to assignment arising by reason of the Closing.

Other Provisions

22. No Purchaser Liability. Except for the liabilities defined explicitly in the Agreement and specifically assumed by Purchaser pursuant to the Agreement, including any

Permitted Encumbrances, Purchaser shall have no liability or responsibility whatsoever for any liability or other obligation of the Debtors arising under or related to the Debtors, their assets or the Transferred Assets. Purchaser is acquiring the Transferred Assets free and clear of the Excluded Assets and Excluded Liabilities, as defined in the Agreement. All Persons holding interests of any kind in any Excluded Liabilities or Excluded Assets are barred, estopped, and permanently enjoined from commencing, continuing or otherwise pursuing or enforcing any remedy, Claim (as defined in section 101(5) of the Bankruptcy Code), cause of action, interest or encumbrance against Purchaser, its successors, assigns or affiliates, or the Transferred Assets related to such Excluded Liability or Excluded Asset. Purchaser shall (i) not be liable for any Claims or causes of action against the Debtors or any of their agents, representatives or affiliates and (ii) have no successor or vicarious liabilities of any kind or character, whether known or unknown as of the Closing Date, now existing or hereafter arising, whether fixed or contingent, with respect to the Debtors or any obligations of the Debtors.

23. Sale Order Binding on Third Parties. This Sale Order is and shall be binding upon and shall govern the acts of all entities including, without limitation, all filing agents, filing officers, title agents, title companies, recorders of mortgages, recorders of deeds, administrative agencies, governmental units, secretaries of state, federal, state and local officials, and all other Persons who may be required by operation of law, the duties of their office, or contract, to accept, file, register or otherwise record or release any documents or instruments, or who may be required to report or insure any title or state of title in or to any of the Transferred Assets. All Encumbrances against the Transferred Assets as of the date of this Sale Order shall forthwith, upon the occurrence of the Closing on the Closing Date with respect to any Transferred Assets, be removed and stricken as against such Transferred Assets, without further order of the Court or act of any party, and such Encumbrances shall attach to the cash proceeds to be received by the Debtors under the Agreement, subject to the same priority and validity (and defenses and objections of the Debtors and other parties in interest, if any, with respect thereto) as are presently existing against the Transferred Assets in which they allege such an Encumbrance.

Upon the Closing Date, the entities listed above in this paragraph are authorized and specially directed to strike all such recorded liens or claims against the Transferred Assets as provided for herein from their records, official and otherwise (including those asserted by any secured lender). Each and every federal, state, and local governmental agency, unit or department is hereby directed to accept this Sale Order as sole and sufficient evidence of the transfer of title of the Transferred Assets and such agency or department may rely upon this Sale Order in connection with the Asset Sale.

24. No Liens or Collection Efforts. After the Closing Date, no Person, including without limitation, any federal, state or local taxing authority, may (a) attach or perfect a lien or security interest against any of the Transferred Assets on account of, or (b) collect or attempt to collect from Purchaser or any of its affiliates, any tax or other amount alleged to be owing by the Debtor (i) for any period commencing before and concluding prior to or after the Closing, or (ii) assessed prior to and payable after the Closing Date, except as otherwise specifically provided in the Agreement.

25. Injunction. Effective upon the Closing Date and except as otherwise provided by stipulations filed with or announced to this Court with respect to a specific matter, except as explicitly provided in the Agreement, all Persons are forever prohibited and permanently enjoined from commencing or continuing in any manner any action or other proceeding, whether in law or equity, in any judicial, administrative, arbitral or other proceeding against Purchaser, its successors and assigns, or the Transferred Assets, with respect to any (a) Encumbrance arising under, out of, in connection with or in any way relating to the Debtors, Purchaser, the Transferred Assets, or the operation of the Transferred Assets prior to the Closing, or (b) successor liability, including, without limitation, the following actions: (i) commencing or continuing in any manner any action or other proceeding against Purchaser and its successors or assigns, or the Transferred Assets; (ii) enforcing, attaching, collecting or recovering in any manner any judgment, award, decree or order against Purchaser and its successors or assigns, or the Transferred Assets; (iii) creating, perfecting or enforcing any Encumbrance against Purchaser

and its successors or assigns, or the Transferred Assets; (iv) asserting any setoff, right of subrogation or recoupment of any kind against any obligation due Purchaser or its successors or assigns; (v) commencing or continuing any action, in any manner or place, that does not comply or is inconsistent with the provisions of this Sale Order or other orders of this Court, or the agreements or actions contemplated or taken in respect thereof; or (vi) revoking, terminating or failing or refusing to issue or renew any license, permit or authorization to operate any of the Transferred Assets or conduct any of the businesses operated with the Transferred Assets.

26. Consideration Provided. The consideration provided by Purchaser for the Transferred Assets under the Agreement is fair and reasonable and may not be avoided under section 363(n) of the Bankruptcy Code. Each and every Person is hereby barred, estopped, and permanently enjoined from commencing or continuing any action against Purchaser seeking relief under section 363(n) of the Bankruptcy Code.

27. Good Faith. The Debtors have undertaken the Asset Sale in good faith, as that term is used in section 363(m) of the Bankruptcy Code. Additionally, the transactions contemplated by the Agreement are undertaken by Purchaser without collusion and in good faith, as that term is defined in section 363(m) of the Bankruptcy Code, and accordingly, the reversal or modification on appeal of the authorization provided herein to consummate the Asset Sale shall not affect the validity of the Asset Sale (including the assumption and assignment of the Assumed Contracts), unless such authorization and consummation of such Asset Sale are duly stayed pending such appeal. Purchaser is a good faith buyer within the meaning of section 363(m) of the Bankruptcy Code and, as such, is entitled to, and granted, the full protections of section 363(m) of the Bankruptcy Code.

28. Plan Not to Conflict. Nothing contained in any plan of reorganization or liquidation, or order of any type or kind entered in (a) this Bankruptcy Case, (b) any subsequent chapter 7 case into which this Bankruptcy Case may be converted, or (c) any related proceeding subsequent to entry of this Sale Order, shall conflict with or derogate from the provisions of the Agreement or the terms of this Sale Order.

29. Effective Immediately. The provisions of Bankruptcy Rules 6004(h), 6006(d) and 7062 imposing any stay on the effectiveness of this Sale Order, to the extent applicable, are hereby waived. The Debtors and Purchaser may consummate the Agreement at any time after entry of this Sale Order by waiving any and all closing conditions set forth in the Agreement that have not been satisfied and by proceeding to close the Asset Sale without any notice to the Court, any pre-petition or post-petition creditor of the Debtors and/or any other party in interest. Pursuant to Bankruptcy Rules 6004(h) and 6006(d), this Sale Order shall be effective immediately upon entry and the Debtors and Purchaser are authorized to close the Asset Sale immediately upon entry of this Sale Order.

30. Bulk Sales Law. No bulk sales law or any similar law of any state or other jurisdiction applies in any way to the Asset Sale.

31. Agreement Approved in Entirety. The failure specifically to include any particular provision of the Agreement in this Sale Order shall not diminish or impair the effectiveness of such provision, it being the intent of this Court that the Agreement be authorized and approved in its entirety.

32. Modifications to Agreement. The Agreement and any related agreements, documents or other instruments may be modified, amended or supplemented by the parties thereto and in accordance with the terms thereof, in a writing signed by such parties, without further order of this Court, provided that any such modification, amendment or supplement does not have a material adverse effect on the Debtors' estates.

33. Standing. The transactions authorized herein shall be of full force and effect, regardless of any Debtor's lack of good standing in any jurisdiction in which such Debtor is formed or authorized to transact business.

34. Authorization to Effect Order. The Debtors are authorized to take all actions necessary to effect the relief granted pursuant to this Sale Order in accordance with the Sale Motion.

35. Automatic Stay. The automatic stay pursuant to section 362 of the Bankruptcy Code is hereby modified, lifted and annulled with respect to the Debtors and Purchaser to the extent necessary, without further order of this Court, to (i) allow Purchaser to deliver any notice provided for in the Agreement, and (ii) allow Purchaser to take any and all actions permitted under the Agreement in accordance with the terms and conditions thereof.

36. No Other Bids. No further bids or offers for the Transferred Assets shall be considered or accepted by the Debtors after the date hereof unless the sale to Purchaser is not consummated or otherwise does not occur in accordance with the Agreement or its related documents.

37. Retention of Jurisdiction. This Court shall retain jurisdiction to, among other things, interpret, implement and enforce the terms and provisions of this Sale Order and the Agreement, all amendments thereto and any waivers and consents thereunder and each of the agreements executed in connection therewith to which the Debtors are a party or which has been assigned by the Debtors to Purchaser, and to adjudicate, if necessary, any and all disputes concerning or relating in any way to the Asset Sale.

38. Order to Govern. To the extent that this Sale Order is inconsistent with any prior order entered or pleading filed in the Bankruptcy Case, the terms of this Sale Order shall govern. To the extent there are any inconsistencies between the terms of this Sale Order and the Agreement (including all ancillary documents executed in connection therewith), the terms of this Sale Order shall govern.

Dated: ___________________, 2011
Wilmington, Delaware

____
United States Bankruptcy Judge