UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported): November 29, 2010

Cavco Industries, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**000-08822**	**56-2405642**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

1001 North Central Avenue, Suite 800, Phoenix, Arizona	**85004**
(Address of principal executive offices)	(Zip Code)

Registrant's telephone number including area code: **(602) 256-6263**

Not applicable
(Former name or former address if changed from last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)

☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)

☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))

☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Item 1.01 Entry into a Material Definitive Agreement.

On November 29, 2010, Fleetwood Homes, Inc. ("FHI"), a subsidiary of Cavco Industries, Inc., a Delaware corporation (the "Corporation"), entered into a Debtor-In-Possession Revolving Credit Agreement (the "DIP Agreement") and a Security Agreement (the "DIP Security Agreement") with Palm Harbor Homes, Inc. ("Palm Harbor") and certain of its subsidiaries. Also on November 29, 2010, a subsidiary of FHI, Palm Harbor Homes, Inc., a Delaware Corporation, ("Acquisition Co.") entered into an Asset Purchase Agreement (the "Purchase Agreement") with Palm Harbor and certain of its subsidiaries.

Palm Harbor and those of its subsidiaries that are parties to the DIP Agreement and the Purchase Agreement filed for chapter 11 bankruptcy protection on November 29, 2010.

Pursuant to the terms and conditions of the DIP Agreement, FHI has agreed to provide a $50 million debtor-in-possession credit facility (which may increase to $55 million if certain conditions are met) to finance Palm Harbor's reorganization under chapter 11 of the U.S. Bankruptcy Code. The DIP Agreement bears interest at 7% per annum and matures on the earlier of April 15, 2011 or 15 days after entry of a final order from the U.S. Bankruptcy Court approving the sale of Palm Harbor's assets. Palm Harbor's obligations under the DIP Agreement will be secured by liens on substantially all of Palm Harbor's assets.

Pursuant to the terms and conditions of the Purchase Agreement, Palm Harbor and its applicable subsidiaries have agreed to sell, and Acquisition Co. has agreed to purchase, substantially all of Palm Harbor's assets comprising its manufactured housing business, its finance business, and its insurance business. In addition, Acquisition Co. will assume certain liabilities of Palm Harbor, including certain product warranty obligations. The transactions contemplated by the Purchase Agreement are expected to be conducted pursuant to a sale process under section 363 of the U.S. Bankruptcy Code. The consideration pertaining to the purchase of the Palm Harbor assets and assumption of certain liabilities is expected to be approximately $57.5 million; however, the final consideration is subject to certain post-closing adjustments.

The DIP Agreement, the DIP Security Agreement, and the Purchase Agreement are subject to the approval of the U.S. Bankruptcy Court. The Corporation expects to receive interim Bankruptcy Court approval of the DIP Agreement and the DIP Security Agreement by December 1, 2010 and expects to receive Bankruptcy Court approval of the Purchase Agreement, including approval of Acquisition Co. as the "stalking horse" bidder for the Palm Harbor assets in the section 363 sale auction process, in late December 2010 or early January 2011.

The foregoing descriptions of the DIP Agreement and DIP Security Agreement do not purport to be complete and are qualified in their entirety by reference to the DIP Agreement and the DIP Security Agreement, which are filed as Exhibits 10.1 and 10.2 hereto and are incorporated herein by reference. The foregoing description of the Purchase Agreement does not purport to be complete and is qualified in its entirety by reference to the Purchase Agreement, which is filed as Exhibit 10.3 hereto and is incorporated herein by reference.

The DIP Agreement, the DIP Security Agreement and the Purchase Agreement are attached as exhibits hereto to provide you with information regarding the terms of the transactions described therein and are not intended to provide you with any other factual information or disclosure about the Corporation or any of its subsidiaries. The representations and warranties and covenants contained in the DIP Agreement, the DIP Security Agreement and the Purchase Agreement were made for the purposes of the DIP Agreement, the DIP Security Agreement and the Purchase Agreement, respectively, and as of a specific date, were solely for the benefit of the parties to the DIP Agreement, the DIP Security Agreement and the Purchase Agreement, may be subject to limitations agreed upon by the parties, including being qualified by disclosure schedules made for the purposes of allocating contractual risk between the parties thereto instead of establishing these matters as facts, and may be subject to standards of materiality applicable to the parties that differ from those applicable to investors. Moreover, information concerning the subject matter of the representations and warranties may change after the date of the DIP Agreement, the DIP Security Agreement and the Purchase Agreement, which subsequent information may or may not be reflected in the Corporation's public disclosures.

Item 9.01 Financial Statements and Exhibits.

(d) Exhibits

Exhibit No.	**Description**
10.1	Debtor-In-Possession Revolving Credit Agreement dated November 29, 2010
10.2	Security Agreement dated November 29, 2010
10.3	Asset Purchase Agreement dated November 29, 2010
99.1	Press Release dated November 29, 2010

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

CAVCO INDUSTRIES, INC.

By: /s/ James P. Glew
Name: James P. Glew
Title: Secretary

Date: November 29, 2010

EXHIBIT INDEX

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Exhibit 10.1

DEBTOR-IN-POSSESSION REVOLVING CREDIT AGREEMENT

Dated as of November 29, 2010

among

PALM HARBOR HOMES, INC.,
AND
THE OTHER DEBTORS NAMED HEREIN,

each as a Debtor and Debtor-in-Possession
and, collectively,
as the Borrowers

and

FLEETWOOD HOMES, INC.

as Lender

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This DEBTOR-IN-POSSESSION REVOLVING CREDIT AGREEMENT, dated as of November 29, 2010 (this "Agreement"), by and among PALM HARBOR HOMES, INC., a Florida corporation ("PHH"), and each of the other direct or indirect Subsidiaries of PHH set forth on Schedule I hereto each as a debtor and debtor-in-possession under chapter 11 of the Bankruptcy Code (each, a "Borrower," and, collectively, the "Borrowers") and FLEETWOOD HOMES, INC., as lender (the "Lender").

W I T N E S S E T H

WHEREAS, on November 29, 2010 (the "Petition Date"), each of the Borrowers filed a voluntary petition for relief under title 11 of chapter 11 of the United States Code, 11 U.S.C. §§ 101 et seq (as amended, the "Bankruptcy Code") with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"), thus commencing the cases that the Borrowers shall seek or have sought to be jointly administered (collectively, the "Bankruptcy Cases"); and

WHEREAS, from and after the Petition Date, the Borrowers continue to operate their respective businesses as debtors and debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code; and

WHEREAS, each of the Borrowers has an immediate need for funds to continue to operate its respective businesses and the Borrowers have not been able to obtain sufficient credit or to incur sufficient debt from any other source sufficient to continue their business operations; and

WHEREAS, the Borrowers have requested that the Lender extend credit to them through a post-petition financing facility in an aggregate principal amount of up to $50,000,000 (exclusive of interest added to the Loan in accordance with the terms and conditions set forth herein); and

WHEREAS, the Borrowers have agreed to secure their obligations hereunder with first priority Liens on and security interests, subject to specified exceptions, in, all of their respective real, personal and intangible property, in accordance with sections 364(c) and 364(d) of the Bankruptcy Code; and

WHEREAS, pursuant to section 364(c)(1) of the Bankruptcy Code, each Borrower agrees and acknowledges that its obligations arising hereunder shall constitute allowed administrative expense claims in the Bankruptcy Cases, having priority over all administrative expenses of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code, except the claims specifically granted priority under the terms of this Agreement and the interim and final orders relating thereto; and

WHEREAS, the Lender has indicated its willingness to agree to make such financing available to the Borrowers pursuant to sections 364(c)(1), (2) and (3) and section 364(d)(1) of the Bankruptcy Code on the terms and conditions of this Agreement; and

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

ARTICLE I

DEFINITIONS

Section 1.01 Definitions.

As used in this Agreement, the following terms shall have the meanings specified below unless the context otherwise requires:

"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, 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 leased 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 Value" means, as of any date of determination, the value of the Accounts Receivable of Borrowers valued in the following manner:

(a) 100% of the amount of any Account Receivable shall be counted if, as of such date of determination, such Account Receivable is aged 90 or less days from the date of issuance of the statement or invoice therefor; and

(b) no value shall be given to any Account Receivable that, as of such date of determination, is aged more than 90 days from the date of issuance of the statement or invoice therefor, 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 (but only with respect to the amount disputed).

"Acquisition" means any transaction in which any Borrower directly or indirectly (a) acquires any Property with which an ongoing business is conducted or is to be conducted; (b) acquires all or substantially all of the assets of any Person or division thereof, whether through a purchase of assets, merger or otherwise, (c) acquires (in one transaction or as the most recent transaction in a series of transactions) control of at least a majority of the Equity Interests of a corporation, or (d) acquires control of more than 50% ownership interest in any Person.

"Affiliate" means, with respect to any Person, a stockholder, executive officer, director, manager or any other Person directly or indirectly controlling, controlled by or under common control with such Person, where "control" means the possession, directly or indirectly, of power to direct or cause the direction of the management or policies of an entity.

"Agreement" means this Debtor-in-Possession Revolving Credit Agreement, together with all Exhibits and Schedules hereto, as the same may be amended, supplemented or otherwise modified from time to time.

"Asset Sale" means the sale, lease, transfer, conveyance or other disposition of any asset (including by way of a sale and leaseback transaction); *provided* that, notwithstanding the foregoing, none of the following shall be deemed to be an Asset Sale (a) any sale of Inventory in the ordinary course of business (including the liquidation of Inventory in closed locations), other than sales at less than factory invoice price or, with respect to REO Property and raw land, book value, without the prior written consent of Lender, (b) any transfer of assets to a Borrower, (c) any sale, transfer or other disposition of overdue and delinquent accounts in the ordinary course of business consistent with past practice, (d) any disposition of cash or cash equivalents, (e) any surrender or waiver of contract rights or the settlement, release or surrender of contract rights or other litigation claims in the ordinary course of business, (f) any sale, lease, or disposition of tangible personal property that have become worn out, obsolete or damaged or otherwise unsuitable for use in connection with the Business of the Borrowers, or (g) sale of the facility located in La Grange, Georgia at Lots 146 and 175 of the 6th District of Troup County, Georgia and such assets that have been used at such facility for the entire three-month period immediately preceding the date hereof.

"Availability Period" means the period from the Closing Date to the earlier of (a) the Business Day immediately preceding the Maturity Date, or (b) the date on which the Commitments are terminated in accordance with the provisions of this Agreement.

"Bankruptcy Cases" has the meaning specified in the recitals hereto.

"Bankruptcy Code" has the meaning specified in the recitals hereto.

"Bankruptcy Court" has the meaning specified in the recitals hereto.

"Base Commitment" subject to the terms and conditions set forth herein, means $50,000,000 (exclusive of interest added to the Loan in accordance with the terms and conditions set forth herein).

"Bid Procedures Order" means an order of the Bankruptcy Court, in form and substance reasonably satisfactory to Lender, approving, among other things, (a) Palm Harbor Homes, Inc., a Delaware Corporation ("Purchaser"), as the stalking horse bidder for all or substantially all of the Property of the Borrowers, (b) notice and service requirements to creditors and parties in interest with respect to the transactions contemplated in that certain Asset Purchase Agreement, by and among the Borrowers and Purchaser, (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 Property of the Borrowers pursuant to section 364 of the Bankruptcy Code), and (d) the bidding procedures relating to the auction and sale of the transferred Property of the Borrowers, including the ability of Purchaser, to the extent of its interest as assignee of Lender under this Agreement, to credit bid all outstanding amounts owing by Borrowers under the DIP Facility.

"Borrower" has the meaning specified in the preamble hereto.

"Borrowing" means any amount funded by Lender and made part of the Loan hereunder.

"Business" means the business of the design, production, marketing, sale and servicing of manufactured and modular homes.

"Business Day" means a day other than a Saturday, Sunday or other day on which commercial banks in Phoenix, Arizona are authorized or required by law to close.

"Capital Expenditures" means, for any period, with respect to the Borrowers, the aggregate of all expenditures by the Borrowers for the acquisition or leasing (pursuant to a Capital Lease) of fixed or capital assets or additions to equipment (including replacements, capitalized repairs and improvements during such period) which are required to be capitalized in accordance with GAAP on a balance sheet of any of the Borrowers for any period.

"Capital Lease" means, as applied to any Borrower, any lease of any Property by such Borrower as lessee which, in accordance with GAAP in effect as of the date of this Agreement, is or should be accounted for as a capital lease on the balance sheet of such Borrower.

"Capital Lease Obligation" means the capital lease obligations (including the payment of rent or other amounts) relating to a Capital Lease determined in accordance with GAAP in effect as of the date of this Agreement.

"Change of Control" means (a) a sale, lease or other disposition of assets or properties of any Borrower having a book value of more than 50% of the book value of all the assets and properties of such Borrower; (b) any transaction in which one or more Persons shall after the Closing Date directly or indirectly acquire from the holders thereof, by purchase or in a merger, consolidation or other transfer or exchange of outstanding capital stock, ownership of or control over capital stock of any Borrower (or securities exchangeable for or convertible into such stock or interests) entitled to elect a majority of the Borrower's board of directors or representing more than 50% of the number of shares of common stock of any Borrower outstanding; (c) the adoption of a plan relating to the liquidation or dissolution of any Borrower; or (d) the designation, without the prior approval of the Lender of a Chief Executive Officer of PHH other than that person holding such office as of the Closing Date.

"Closing Date" means the date on which the conditions specified in Section 3.01 have been satisfied.

"Collateral" means the Property subject to the Liens granted to the Lender under this Agreement and the other Credit Documents.

"Collateral Documents" means the Security Agreement and any other document or instrument executed and delivered by a Borrower granting a Lien on any of its Property (including the Real Properties and Real Property Leases) to secure payment of the Obligations.

"Collections" means all funds collected from any source whatsoever including any proceeds of any Collateral regardless of source or nature and proceeds of the Equity Interests of a non-Borrower; *provided* that "Collections" shall not be deemed to include funds required to be held in escrow pursuant to applicable Law.

"Commitments" means, collectively, the Base Commitment and the Supplemental Commitment.

"Computer Software" means all computer software (including source code, executable code, data, databases and documentation) owned by or licensed to any Borrower which is used in, or necessary for the conduct of, the respective Business of any Borrower.

"Contractual Obligation" means, as to any Person, any provision of any security issued by such Person or of any material agreement, instrument or undertaking to which such Person is a party or by which it or any of its property is bound.

"Control Account" means that certain debtor in possession account number to be established prior to the Closing Date at Wells Fargo Bank, National Association or such other financial institution acceptable to the Lender, in the name of PHH, for the purpose of receiving all Collections in accordance with this Agreement and subject to an account control agreement, in form and substance satisfactory to the Lender which provides, among other requirements of the Lender, that all withdrawals shall be subject to approval of the Lender.

"Copyrights" has the meaning set forth in the definition of "Intellectual Property" herein.

"Credit Documents" means, collectively, this Agreement, the Note, the Collateral Documents and all other related agreements and documents issued or delivered hereunder or thereunder or pursuant hereto or thereto.

"Critical Vendor Motion" means a motion to be filed by the Borrowers with the Bankruptcy Court seeking approval to pay the prepetition claims of certain of the Borrowers' vendors.

"Default" means any event, act or condition which, with notice or lapse of time, or both, would constitute an Event of Default.

"DIP Financing Order" means the Interim DIP Financing Order or the Final DIP Financing Order, as applicable.

"Dollars" and "$" means dollars in lawful currency of the United States of America.

"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 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, mixtures, 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.

"Equity Interests" means all shares of capital stock (whether denominated as common stock or preferred stock), equity interests, beneficial, partnership or membership interests, joint venture interests, participations or other ownership or profit interests in or equivalents (regardless of how designated) of or in a Person (other than an individual), whether voting or non-voting.

"Equivalent Equity Interests" means all securities convertible into or exchangeable for Equity Interests or any other Equivalent Equity Interests and all warrants, options or other rights to purchase, subscribe for or otherwise acquire any Equity Interests or any other Equivalent Equity, whether or not presently convertible, exchangeable or exercisable.

"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 Internal Revenue Code.

"ERISA Event" means (a) with respect to any Plan, the occurrence of a Reportable Event or the substantial cessation of operations (within the meaning of section 4062(e) of ERISA); (b) the withdrawal by any Borrower or any ERISA Affiliate from a Multiple Employer Plan during a plan year in which it was a substantial employer (as such term is defined in section 4001(a)(2) of ERISA), or the termination of a Multiple Employer Plan; (c) the distribution of a notice of intent to terminate or the actual termination of a Plan pursuant to section 4041(a)(2) or 4041A of ERISA; (d) the institution of proceedings to terminate or the actual termination of a Plan by the PBGC under section 4042 of ERISA; (e) any event or condition which would reasonably be expected to constitute grounds under section 4042 of ERISA for the termination of, or the appointment of a trustee to administer, any Plan; (f) the complete or partial withdrawal of any Borrower or any ERISA Affiliate from a Multiemployer Plan; (g) the conditions for imposition of a Lien under section 302(f) of ERISA exist with respect to any Plan; or (h) the adoption of an amendment to any Plan requiring the provision of security to such Plan pursuant to section 307 of ERISA.

"Event of Default" has the meaning specified in Section 7.01.

"Exchange Act" means the Securities Exchange Act of 1934, as amended.

"Final DIP Financing Order" means the final order entered by the Bankruptcy Court pursuant to sections 361, 362, 363 and 364 of the Bankruptcy Code authorizing and approving the Borrowers' entry into the Credit Documents and the transactions contemplated thereby, which order shall include the provisions required to be included in the Interim DIP Financing Order pursuant to Section 3.01(e), which shall otherwise be in form and substance satisfactory to the Lender, in its sole discretion, as to which no stay has been entered and which has not been reversed, modified, vacated or overturned, and as to which no appeal is pending and time for appeal has expired.

"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 Rule 9024 of the Federal Rules of Bankruptcy Procedure shall not cause an order not to be deemed a "Final Order" unless such motion was filed within ten days of the entry of the order at issue.

"First Day Orders" means all orders, reasonably deemed necessary or appropriate by the Lender, entered by the Bankruptcy Court based on motions filed by the Borrowers on or before the date which is three Business Days from the Petition Date.

"GAAP" means generally-accepted accounting principles within the United States of America, consistently applied.

"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.

"Indebtedness" means, with respect to any Person, (a) all obligations of such Person for borrowed money; (b) all obligations of such Person evidenced by bonds, debentures, notes or

similar instruments, or upon which interest payments are customarily made; (c) all obligations of such Person under conditional sale or other title retention agreements relating to Property purchased by such Person (other than customary reservations or retentions of title under agreements with suppliers entered into in the ordinary course of business); (d) all obligations of such Person issued or assumed as the deferred purchase price of Property or services purchased by such Person (other than trade debt incurred in the ordinary course of business and due within six months of the incurrence thereof) which would appear as liabilities on a balance sheet of such Person; (e) all obligations of such Person under take-or-pay or similar arrangements or under commodities agreements; (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on, or payable out of the proceeds of production from, Property owned or acquired by such Person, whether or not the obligations secured thereby have been assumed; *provided* that for purposes hereof the amount of such Indebtedness shall be limited to the greater of (i) the amount of such Indebtedness as to which there is recourse to such Person and (ii) the fair market value of the Property which is subject to the Lien; (g) all Support Obligations of such Person; (h) the principal portion of all obligations of such Person under Capital Leases; (i) all obligations of such Person in respect of interest rate protection agreements, foreign currency exchange agreements, commodity purchase or option agreements or other interest or exchange rate or commodity price hedging agreements; (j) the maximum amount of all standby letters of credit issued or bankers' acceptances facilities created for the account of such Person and, without duplication, all drafts drawn thereunder (to the extent unreimbursed); (k) all preferred stock issued by such Person and required by the terms thereof to be redeemed, or for which mandatory sinking fund payments are due, by a fixed date; and (l) the principal balance outstanding under any synthetic lease, tax retention operating lease, off-balance sheet loan or similar off-balance sheet financing product to which such Person is a party, where such transaction is considered borrowed money indebtedness for tax purposes but is classified as an operating lease in accordance with GAAP. The Indebtedness of any Person shall include the Indebtedness of any partnership or joint venture in which such Person is a general partner or a joint venturer, but only to the extent to which there is recourse to such Person for payment of such Indebtedness.

"Information" has the meaning specified in Section 9.16.

"Initial Projected Budget" has the meaning specified in Section 5.01(d)(i).

"Initially Secured Owned Real Properties" has the meaning specified in Section 3.01(c)(iii)(B).

"Intellectual Property" means all of the following in any jurisdiction throughout the world (a) 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"); (b) patents, patent applications and patent disclosures, together with all reissuances, divisionals, continuations, continuations-in-part, revisions, reissues, extensions and reexaminations thereof ("Patents"); (c) copyrights (whether registered or unregistered) and applications for registration and copyrightable works ("Copyrights"); (d) 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 (e) all licenses and sublicenses held by any Borrower as licensee pertaining to intellectual property of any other Person; and for the avoidance of doubt, "Intellectual Property" shall exclude Computer Software.

"Interest Payment Date" during the term of this Agreement, means the first Business Day of each calendar month.

"Interim DIP Financing Order" means the interim order substantially in the form attached hereto as Exhibit D, entered by the Bankruptcy Court under sections 361, 362, 363 and 364 of the Bankruptcy Code authorizing and approving, subject to the approval of the Final DIP Financing Order, the Borrowers' entry into the Credit Documents and the transactions contemplated hereby, which order shall include the provisions required to be included therein pursuant to Section 3.01(e), which shall otherwise be in form and substance satisfactory to the Lender, in its sole discretion, and which shall not have been reversed, modified, vacated or overturned.

"Interim Period" the period commencing on the date of entry of the Interim DIP Financing Order and ending on the date on which the Final DIP Financing Order becomes a Final Order.

"Internal Revenue Code" means the Internal Revenue Code of 1986, as amended, and any successor statute thereto, as interpreted by the rules and regulations issued thereunder, in each case as in effect from time to time. References to sections of the Internal Revenue Code shall be construed also to refer to any successor sections.

"Inventory" means, as of any date of determination, all raw materials, work-in-progress, finished goods and semi-finished goods, supplies and other inventories, wherever located, used or produced by any Borrower, including REO Property obtained from HUD or other parties and held for resale.

"Investment" in any Person, means any loan or advance to such Person, any purchase or other acquisition of any Equity Interests, Equivalent Equity Interests or other securities of, or equity interest in, such Person, any capital contribution to such Person or any other investment in such Person, including any Support Obligation incurred for the benefit of such Person.

"Knowledge" means, when used to qualify any representation, warranty or other statement of the Borrowers contained herein, the actual current knowledge of any of Larry H. Keener, Kelly Tacke, Ron Powell (solely as to PHH and Nationwide Homes, Inc.) or Joe Kesterson (solely as to PHH) 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.

"Leased Real Properties" means each parcel of real property leased by any Borrower and set forth in Schedule 4.13-B hereto.

"Lender" has the meaning specified in the preamble hereto.

"Lien" means, with respect to any asset, (a) any mortgage, deed of trust, leasehold deed of trust, lien, pledge, hypothecation, encumbrance, adverse claim, charge or security interest in, on or of such asset; (b) the interest of a vendor or a lessor under any conditional sale agreement, Capital Lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset; and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

"Loan" has the meaning specified in Section 2.01(a).

"Marks" has the meaning set forth in the definition of "Intellectual Property" herein.

"Material Adverse Effect" means a material adverse effect on (a) the condition (financial or otherwise), operations, Business, prospects, assets, Property or liabilities of the Borrowers taken as a whole; (b) the ability of any Borrower to perform any obligation under any Credit Document to which it is a party; (c) the legality, validity or enforceability of any Credit Document; (d) the perfection or priority of the Liens granted pursuant hereto and the Collateral Documents; or (e) the rights and remedies of the Lender under the Credit Documents, the Interim DIP Financing Order or the Final DIP Financing Order.

"Material Pleading" means (a) a plan of reorganization; (b) any pleading that would impair, or would have the effect of impairing, the ability of the Borrowers taken as a whole to repay their obligations arising hereunder or under the Interim DIP Financing Order or Final DIP Financing Order; (c) any pleading that would impair, or would have the effect of impairing, the ability of Lender or its Affiliates from bidding (including credit bidding) on the Property of the Borrowers pursuant to section 363 of the Bankruptcy Code or any plan of reorganization; or (d) any "debtor-in-possession financing" (other than the financing contemplated by this Agreement) that does not provide for the repayment in full of the Obligations arising hereunder on the date the first loan is made under such other financing.

"Maturity Date" means the earliest to occur of (a) April 15, 2011; (b) the date which is 15 days after entry of the Sale Order; (c) the date of the closing of the sale of the Borrowers or the sale of all or substantially all of the Property of the Borrowers; and (d) the date on which an Event of Default occurs.

"Multiemployer Plan" means a Plan which is a multiemployer plan as defined in sections 3(37) or 4001(a)(3) of ERISA.

"Multiple Employer Plan" means a Plan which any Borrower or any ERISA Affiliate and at least one employer other than a Borrower or any ERISA Affiliate are contributing sponsors.

"Net Cash Proceeds" means the aggregate proceeds paid in cash received by any Borrower in respect of any Asset Sale, net of (a) direct costs (including legal, accounting, broker and investment banking fees, and sales commissions) paid or payable as a result thereof;

(b) taxes paid or payable as a result thereof, including a reserve for the Borrowers' good faith estimate of income and franchise taxes payable in connection with such sale; (c) repayment of Indebtedness that is required to be repaid in connection with such Asset Sale; and (d) appropriate amounts to be provided by the Borrowers as a reserve, in accordance with GAAP, against liabilities associated with such Asset Sale and retained by any Borrower after such Asset Sale, including pension and other post-employment benefit liabilities, liabilities related to environmental matters and liabilities under any indemnification obligations associated with such Asset Sale; *provided* that "Net Cash Proceeds" shall include an amount equal to any reserves previously taken against liabilities associated with Asset Sales immediately upon those reserves being determined to be in excess of such liabilities. "Net Cash Proceeds" shall also include any cash received upon the sale or other disposition of any non-cash consideration received by the Borrowers.

"Note" has the meaning specified in Section 2.07.

"Obligations" means the Loan, the Note and all other advances, debts, liabilities, obligations, covenants and duties owing by any Borrower to the Lender, any Affiliate of any Borrower or any indemnitee, of every type and description, present or future, whether or not evidenced by any note or other instrument, arising under this Agreement or under any other Credit Document, whether or not for the payment of money, loan, guaranty, indemnification or in any other manner, whether direct or indirect (including those acquired by assignment), absolute or contingent, due or to become due, now existing or hereafter arising and however acquired. The term "Obligations" includes all interest, charges, expenses, fees, reasonable attorneys' fees and disbursements and any other sum chargeable to the Borrowers (or any of them) under this Agreement or any other Credit Document.

"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.

"Operating Lease" means, as applied to any Person, any lease (including leases which may be terminated by the lessee at any time) of any Property which is not a Capital Lease other than any such lease in which that Person is the lessor.

"Order for Relief" has the meaning specified in section 301(b) of the Bankruptcy Code.

"Other Taxes" has the meaning specified in Section 2.12(b).

"Owned Real Properties" means each parcel of real property owned by any Borrower and set forth in Schedule 4.13-A hereto, excluding any Inventory.

"Patents" has the meaning set forth in the definition of "Intellectual Property" herein.

"PBGC" means the Pension Benefit Guaranty Corporation established pursuant to Subtitle A of Title IV of ERISA, or any successor thereof.

"Performance Trigger Report" has the meaning specified in Section 5.01(d)(iv).

"Performance Trigger Test Date" means the last day of Borrowers' fiscal month and such other dates as the Lender shall reasonably request.

"Performance Trigger" shall have occurred if, at any time, the sum of (i) the aggregate value of the Inventory as of the applicable Performance Trigger Test Date (determined in accordance with GAAP); and (ii) the aggregate Accounts Receivable Value of the Borrowers as of the applicable Performance Trigger Test Date is less than 75% of the sum of the Borrowers' reported aggregate Inventory value and Accounts Receivable Value as of October 29, 2010 (which, for added certainty, shall exclude any Account Receivable of any non-Borrower).

"Permits" means 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.

"Permitted Investments" means Investments which are (a) cash and cash equivalents; (b) Accounts Receivable created, acquired or made in the ordinary course of business and payable or dischargeable in accordance with customary trade terms; (c) Investments consisting of stock, obligations, securities or other property received in settlement of Accounts Receivable (created in the ordinary course of business) from obligors; (d) advances in the ordinary course of business to employees, officers and directors to cover travel and entertainment expense and other ordinary business purposes in the ordinary course of business as presently conducted; and (e) other Investments in an aggregate amount not to exceed $10,000.

"Permitted Liens" means:

(a) Liens in favor of (i) the Textron Agent and the Textron Lenders in connection with the Textron Facility; and (ii) Virgo in connection with the Virgo Credit Agreement;

(b) Liens for taxes, assessments or governmental charges or levies not yet due or Liens for taxes being contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP have been established (and as to which the Property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof);

(c) Liens in respect of Property imposed by Law arising in the ordinary course of business such as materialmen's, mechanics', warehousemen's, carriers', suppliers', landlords' and other like Liens, provided that (i) for any such Liens arising before the Petition Date, the enforcement and collection of such Liens is initially stayed by section 362 of the Bankruptcy Code; and (ii) except as pertaining to the Textron Facility, for any such Liens arising after the Petition Date, such Liens secure only amounts not overdue for a period of more than 30 days or are being contested in good faith by appropriate proceedings for which adequate reserves determined in accordance with GAAP have been established (and as to which the Property subject to any such Lien is not yet subject to foreclosure, sale or loss on account thereof);

(d) Liens (other than Liens created or imposed under ERISA) consisting of deposits made by a Borrower in the ordinary course of business in connection with, or to secure payment

of, obligations under workers' compensation, unemployment insurance, social security and other similar Laws, or to secure the performance of tenders, statutory obligations, bids, leases, government contracts, trade contracts, surety, stay, customs and appeals bonds, performance and return-of-money bonds, or to secure liability to insurance carriers and other similar obligations (exclusive of obligations for the payment of borrowed money);

(e) Liens in connection with attachments or judgments (including judgment or appeal bonds) provided that the judgments secured shall, within 30 days after the entry thereof, have been discharged or execution thereof stayed pending appeal, or shall have been discharged within 30 days after the expiration of any such stay;

(f) easements, rights-of-way, restrictions (including zoning restrictions), minor defects or irregularities in title and other similar charges or encumbrances not, in any material respect, impairing the use of the encumbered Property for its intended purposes;

(g) any interest of title of a lessor under, and Liens arising from UCC financing statements (or equivalent filings, registrations or agreements in foreign jurisdictions) relating to, the Real Property Leases;

(h) Liens in favor of customs and revenue authorities arising as a matter of Law to secure payment of customs duties in connection with the importation of goods;

(i) normal and customary rights of setoff upon deposits of cash in favor of banks or other depository institutions; and

(j) Liens existing as of the Petition Date; *provided* that no such Lien shall at any time be extended to or cover any Property other than the Property subject thereto on the Closing Date.

"Person" means any individual, partnership, joint venture, firm, corporation, limited liability company, association, trust or other enterprise (whether or not incorporated) or any Governmental Body.

"Petition Date" has the meaning set forth in the Recitals.

"Plan" means any employee benefit plan (as defined in section 3(3) of ERISA) which is covered by ERISA and with respect to which any Borrower or any of its Subsidiaries or any ERISA Affiliate is (or, if such plan were terminated at such time, would under section 4069 of ERISA be deemed to be) an "employer" within the meaning of section 3(5) of ERISA.

"Pledged Certificated Equity Interests" has the meaning set forth in the Security Agreement.

"Projected Budget" has the meaning specified in Section 5.01(d)(i).

"Property" means any right or interest in or to any kind of property or asset, whether real, personal or mixed, or tangible or intangible.

"Real Properties" has the meaning set forth in Section 4.13(b).

"Real Property Lease" has the meaning set forth in Section 4.13(b).

"Release" means any spilling, leaking, pumping, pouring, emitting, emptying, discharging, injecting, escaping, leaching, dumping or disposing into the environment (including the abandonment or discarding of barrels, containers and other closed receptacles containing any Hazardous Materials).

"REO Property" means, for any Person, any real or personal Property acquired by such Person through appropriate foreclosure and similar proceedings or from any third party that acquired such Property through appropriate foreclosure and similar proceedings.

"Reportable Event" means any of the events set forth in section 4043(c) of ERISA, other than those events as to which the notice requirement has been waived by regulation.

"Responsible Officer" means Larry H. Keener or Kelly Tacke.

"Restricted Payment" means, as to any Person, (a) any dividend, return of capital, distribution or other payment or disposition of property for less than fair market value, whether direct or indirect and whether in cash, securities or other property, on account of any Equity Interests or Equivalent Equity Interests of any Person or any of its Subsidiaries, in each case now or hereafter outstanding, including with respect to a claim for rescission of a disposition of such Equity Interests or Equivalent Equity Interests; and (b) any redemption, retirement, termination, defeasance, cancellation, purchase or other acquisition for value, whether direct or indirect, of any Equity Interests or Equivalent Equity Interests of any Borrower, now or hereafter outstanding, and any payment or other transfer setting aside funds for any such redemption, retirement, termination, cancellation, purchase or other acquisition, whether directly or indirectly and whether to a sinking fund, a similar fund or otherwise.

"Sale Motion" has the meaning specified in Section 7.01(i).

"Sale Order" shall mean the order of the Bankruptcy Court on the Sale Motion approving the sale of the Property of the Borrowers.

"Security Agreement" means that certain Security Agreement, executed on the date hereof, by the Borrowers in favor of the Lender, together with all Exhibits and Schedules thereto, as such agreement may be amended, supplemented or modified from time to time.

"Senior Liens" has the meaning specified in Section 3.01(e)(iii).

"Single Employer Plan" means any Plan which is covered by Title IV of ERISA, but which is not a Multiemployer Plan or a Multiple Employer Plan.

"Subsidiary" means, as to any Person, any corporation, partnership, joint venture, limited liability company, trust or estate of which (or in which) more than 50% of (a) the issued and outstanding Equity Interests having ordinary voting power to elect a majority of the board of directors of such corporation (irrespective of whether at the time Equity Interests of any other class or classes of such corporation shall or might have voting power upon the occurrence of any contingency); (b) the interest in the capital or profits of such partnership, joint venture or limited

liability company; or (c) the beneficial interest in such trust or estate is at the time directly or indirectly owned or controlled by such Person, by such Person and one or more of its other Subsidiaries or by one or more of such Person's other Subsidiaries.

"Supplemental Commitment" subject to the terms and conditions set forth herein, means $5,000,000 (exclusive of interest added to the Loan in accordance with the terms and conditions set forth herein).

"Support Obligations" means, as to any Person, without duplication, any obligations of such Person (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing or intended to guarantee any Indebtedness of any other Person in any manner, whether direct or indirect, and including any obligation, whether or not contingent, (a) to purchase any such Indebtedness or any Property constituting security therefore; (b) to advance or provide funds or other support for the payment or purchase of any such Indebtedness or to maintain working capital, solvency or other balance sheet condition of such other Person (including keep well agreements, maintenance agreements, comfort letters or similar agreements or arrangements) for the benefit of any holder of Indebtedness of such other Person; (c) to lease or purchase Property, securities or services primarily for the purpose of assuring the holder of such Indebtedness against loss; or (d) to otherwise assure or hold harmless the holder of such Indebtedness against loss in respect thereof, but specifically excluding guaranties or other assurances with respect to any Borrower's performance obligations under bids or contracts made or entered into in the ordinary course of business. The amount of any Support Obligation hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the outstanding principal amount (or maximum principal amount, if larger) of the Indebtedness in respect of which such Support Obligation is made.

"Taxes" has the meaning specified in Section 2.12(a).

"Textron Agent" means the agent under the Textron Facility.

"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 PHH, Palm Harbor Manufacturing, L.P., Palm Harbor Homes I, L.P., Palm Harbor Marketing, Inc., Textron Financial Corporation and the other "Lenders" named therein.

"Textron Lenders" means those certain lenders under the Textron Facility.

"UCC" means the Uniform Commercial Code, as in effect in any applicable jurisdiction.

"Virgo" means Virgo Service Company, LLC, a Delaware limited liability company.

"Virgo Credit Agreement" means that certain Credit Agreement, dated as of January 29, 2010, in favor of Virgo and the lenders named therein, CountryPlace Acceptance Corporation, CountryPlace Mortgage, LTD., CountryPlace Mortgage Holdings, LLC, each as a borrower, and PHH, CountryPlace Acceptance G.P., LLC, and CountryPlace Acceptance L.P., LLC, as the guarantors.

"Weekly Budget" has the meaning specified in Section 5.01(d)(ii).

Section 1.02 Computation of Time Periods. For purposes of computation of periods of time hereunder, the word "from" means "from and including" and the words "to" and "until" each mean "to but excluding."

Section 1.03 Accounting Terms; Certain Calculations. Except as otherwise expressly provided herein, all accounting terms used herein shall be interpreted, and all financial statements and certificates and reports as to financial matters required to be delivered to the Lender hereunder shall be prepared, in accordance with GAAP applied on a consistent basis.

ARTICLE II

THE LOAN

Section 2.01 Loan; Reserves and Releases.

(a) Loan. Subject to the terms and conditions set forth herein, the Lender agrees to make certain loans (the "Loan") to the Borrowers in accordance with and pursuant to the terms and conditions of this Agreement in the aggregate amount of the Commitments; *provided* that any Borrowing (including any reborrowing, once repaid) of the Supplemental Commitment shall be subject to approval of the Lender in its sole discretion. The Loan (i) subject to the limitations set forth in Section 2.01(b), shall be made on the Closing Date and, subject to the limitations set forth in Section 2.02(a), shall be made from time to time thereafter if requested by the Borrowers pursuant to Section 2.03 during the Availability Period; (ii) may be prepaid in accordance with the provisions hereof, and once prepaid, may be reborrowed in accordance with the terms hereof; and (iii) shall not exceed at any time the Commitments of the Lender.

(b) Amount of Loan on the Closing Date. The Borrowers may borrow an aggregate amount not to exceed the amount described in Section 2.02(a); *provided* that no Performance Trigger shall be in existence, as evidenced in the applicable Performance Trigger Report. In the event a Performance Trigger has occurred and is continuing, the Lender shall not be obligated to fund any Borrowings until such time as the Performance Trigger has been cured.

(c) Releases. Releases of any Collections in the Control Account are subject to approval of the Weekly Budget pursuant to the budgetary approval process as outlined in Section 5.01(d)(ii) below. Upon approval, the Lender shall release the approved Collections to the Borrowers and, if and to the extent applicable, apply the amounts set forth in the Weekly Budget to optional prepayments of the Loan, in each case, on the first Business Day of the following week.

Section 2.02 Use of Proceeds.

(a) The proceeds of the Borrowing funded on the Closing Date shall be used by the Borrowers to pay (i) in full the Textron Facility on the Closing Date and (ii) all costs and accrued and unpaid fees and expenses (including reasonable legal fees and expenses) required to be paid to the Lender on or before the Closing Date, to the extent then due and payable.

(b) Thereafter, the proceeds of any Borrowing funded pursuant hereto shall be used by the Borrowers to finance working capital, for Capital Expenditures, and for other general corporate purposes of the Borrowers at all times in accordance with the Weekly Budget approved by the Lender pursuant to the budgetary approval process as outlined in Section 5.01(d)(ii) below; *provided* that the Lender in its sole discretion can approve additional releases upon request by the Borrowers and approval of the use of funds using the budgetary approval process as outlined in Section 5.01(d)(ii).

Section 2.03 Borrowing; Releases. Pursuant to the budgetary approval process as outlined in Section 5.01(d)(ii) below, and provided that no Performance Trigger has occurred and is continuing, the Borrowers may borrow the amount set forth in the Weekly Budget (in excess of released Collections approved by the Lender for the funding of such Weekly Budget); *provided* that each Borrowing shall be in an aggregate amount of not less than $100,000 or an integral multiple of $100,000 in excess thereof; and *provided further* that in no event shall a Borrowing cause the aggregate principal amount of the Loan outstanding to exceed the Base Commitment without the prior consent of Lender (as evidenced by its funding of the applicable amount from the Supplemental Commitment).

Section 2.04 Funding of Borrowings. If, for the applicable week, the Weekly Budget is delivered on the preceding Thursday (or, if such day is not a Business Day, the immediately preceding Business Day) not later than 11:00 A.M. (Mountain Standard Time), each Borrowing and release of Collections approved by the Lender shall be funded on the first Business Day of the following week. Each Weekly Budget approved by the Lender shall constitute an irrevocable request by the Borrowers to borrow the funds set forth therein. The Lender shall, on the date of the proposed Borrowing, and upon fulfillment of the applicable conditions set forth in ARTICLE III, make available to the Borrowers, at their address referred to in Section 9.01, in immediately available funds, the proposed Borrowing.

Section 2.05 Repayment. The Borrowers shall, jointly and severally, repay the entire unpaid principal amount of the Loan, together with all interest thereon and all other amounts and Obligations payable under this Agreement, in full upon the Maturity Date.

Section 2.06 Prepayments.

(a) Optional Prepayments. The Borrowers may prepay the outstanding principal amount of the Loan in whole, subject to any applicable prepayment premium set forth herein, or in part, upon approval of the Weekly Budget pursuant to the budgetary approval process as outlined in Section 5.01(d)(ii) below, without penalty, in either case, together with accrued interest to the date of such prepayment on the principal amount prepaid; *provided, however*, that each partial prepayment shall be in an aggregate principal amount not less than $500,000 or integral multiples of $500,000 in excess thereof (or such lesser amount as is required to pay the Loan in full). Upon the giving of such notice of prepayment, the principal amount of the Loan specified to be prepaid shall become due and payable on the date specified for such prepayment.

(b) Mandatory Prepayments. The Borrowers shall prepay the Loan (i) in an amount equal to the Net Cash Proceeds of any Asset Sale completed in accordance with Section 6.04(b), within one Business Day after receipt of such Net Cash Proceeds; and (ii) from and in the

amount of net proceeds (including from applicable insurance policies) of casualty events and condemnations with respect to any of their respective Property (the net proceeds shall also be net of a reserve for the Borrowers' good faith estimate of income and franchise taxes attributable thereto), and subsequent permitted Indebtedness.

(c) Prepayment Premiums. Any prepayment in full prior to the Maturity Date shall be accompanied by a prepayment premium, payable by the Lender in an amount equal to 3% multiplied by the amount of the Lender's Commitments; provided, that for the avoidance of doubt, there shall be no Prepayment Premium payable in accordance with a sale to the Lender or the highest bidder pursuant to the Sale Motion.

Section 2.07 Note. The obligation of the Borrowers to repay the Loan made by the Lender and to pay interest thereon at the rates provided herein shall at all times be joint and several obligations and shall be evidenced by a promissory note, substantially in the form of Exhibit A (the "Note"), executed by all of the Borrowers, payable to the order of the Lender and in the principal amount of the Lender's Commitments. Each Borrower authorizes the Lender to record on the schedule annexed to the Note, the date and amount of each Borrowing requested by the Borrowers and made by the Lender, and each payment or prepayment of principal thereunder and agrees that all such notations shall constitute *prima facie* evidence of the matters noted. Each Borrower further authorizes the Lender to attach to and make a part of the Note continuations of the schedule attached thereto as necessary. No failure to make any such notations, nor any errors in making any such notations, shall affect the validity of the Borrower's obligations to repay the full unpaid principal amount of the Loan, together with all interest thereon and all other amounts and Obligations payable under this Agreement, or the duties of the Borrowers hereunder or the other Borrowers under the Security Agreement.

Section 2.08 Expiration of Commitments. The Commitments shall expire on the last day of the Availability Period.

Section 2.09 Interest. Interest shall accrue on Borrowings under the Base Commitment at the per annum rate of 7% and on Borrowings under the Supplemental Commitment at the per annum rate of 12%. All interest on the Loan shall be based on a 365/366-day year and actual days elapsed; *provided, however*, at all times after the occurrence and during the continuance of an Event of Default, interest on the Loan shall accrue and be payable at a per annum rate of 12%. All interest on the outstanding principal balance of the Loan shall be calculated monthly and shall be payable, at the option of the Borrowers, either (a) in cash, monthly in arrears on each Interest Payment Date; or (b) by the addition of such amount of interest to the then-outstanding principal amount of the Loan on such Interest Payment Date; provided that, at maturity or upon any prepayment of the Loan (whether in whole or in part), all interest then-outstanding shall be payable prior to giving effect to any payment of principal. If, as of any Interest Payment Date, the Borrowers have not paid the entire amount of interest then due, such failure to pay interest shall be deemed to be an irrevocable election by the Borrowers to add such remaining interest to the outstanding principal amount of the Loan on such Interest Payment Date. Any interest added to principal pursuant to the provisions of this Section 2.09 shall, from and after the Interest Payment Date, accrue interest as if an original part of the principal amount of the Loan.

Section 2.10 Increased Costs. If, due to either (a) the introduction of or any change in or in the interpretation of any Law or regulation; or (b) compliance with any guideline or request from any Governmental Body (whether or not having the force of Law), there shall be any increase in the cost to any Lender of agreeing to make or making, funding or maintaining the Loan, then the Borrowers shall from time to time, upon demand by the Lender, pay to the Lender additional amounts sufficient to compensate the Lender for such increased cost. A certificate as to the amount of such increased cost, submitted to the Borrowers by the Lender, shall be conclusive and binding for all purposes, absent manifest error.

Section 2.11 Payments and Computations.

(a) The Borrowers shall make each payment hereunder and under the Note not later than 11:00 A.M. (Mountain Standard Time) on the day when due, in Dollars, to the Lender at its address referred to in Section 9.01 in immediately available funds without set-off or counterclaim.

(b) Whenever any payment hereunder or under the Note shall be stated to be due on a day other than a Business Day, such payment shall be made on the next succeeding Business Day, and such extension of time shall in such case be included in the computation of payment of interest or fee, as the case may be.

Section 2.12 Taxes.

(a) Any and all payments by the Borrowers under each Credit Document shall be made free and clear of and without deduction for any and all present or future taxes, levies, imposts, deductions, charges or withholdings, and all liabilities with respect thereto, excluding, in the case of the Lender, taxes measured by its net income and franchise taxes (imposed in lieu of a tax on net income) imposed on it by each jurisdiction under the Laws of which the Lender is organized or any political subdivision thereof and taxes measured by the Lender's net income and franchise taxes (imposed in lieu of a tax on net income) imposed on it by each jurisdiction under the Laws of which the Lender is organized or any political subdivision thereof (all such non-excluded taxes, levies, imposts, deductions, charges, withholdings and liabilities being hereinafter referred to as "Taxes"). If any Borrower shall be required by Law to deduct or withhold any Taxes from or in respect of any sum payable hereunder to the Lender (i) the sum payable shall be increased as may be necessary so that after making all required deductions or withholdings (including deductions or withholdings applicable to additional sums payable under this Section 2.12) the Lender, as the case may be, receives an amount equal to the sum it would have received had no such deductions or withholdings been made; (ii) such Borrower shall make such deductions or withholdings; and (iii) such Borrower shall pay the full amount deducted or withheld to the relevant taxing authority or other authority in accordance with applicable Law.

(b) In addition, each Borrower agrees to pay any present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies of any applicable Governmental Body which arise from any payment made under any Credit Document or from the execution, delivery, enforcement or registration of, or otherwise with respect to, any Credit Document (collectively, "Other Taxes").

(c) Each Borrower agrees to indemnify the Lender for the full amount of Taxes or Other Taxes (including any Taxes or Other Taxes imposed by any jurisdiction on amounts payable under this Section 2.12) paid by the Lender and any liability (including for penalties, interest and expenses) arising therefrom or with respect thereto, whether or not such Taxes or Other Taxes were correctly or legally asserted. This indemnification shall be made within 30 days from the date the Lender makes written demand therefor.

(d) Within 30 days after the date of any payment of Taxes or Other Taxes, the Borrowers will furnish to the Lender, at its address referred to in Section 9.01, the original or a certified copy of a receipt evidencing payment thereof.

(e) Without prejudice to the survival of any other agreement of the Borrowers hereunder, the agreements and obligations of the Borrowers contained in this Section 2.12 shall survive the payment in full of the Obligations.

Section 2.13 Super-Priority Nature of Obligations and Liens. Except as otherwise set forth herein, the Liens and security interests granted to the Lender on the Collateral and the priorities accorded to the Obligations shall have the super-priority administrative expense and senior secured status afforded by sections 364(c) and 364(d) of the Bankruptcy Code to the extent provided and as more fully set forth and or provided for in the Interim DIP Financing Order and Final DIP Financing Order, as applicable. The Lender's Liens on the Collateral and the administrative claims under sections 364(c) and 364(d) of the Bankruptcy Code afforded the Obligations shall also have priority over any claims arising under section 506(c) of the Bankruptcy Code subject and subordinate only to the extent provided and as more fully set forth in the Interim DIP Financing Order and/or the Final DIP Financing Order, subject only to (a) Senior Liens; and (b) only to the extent there are not sufficient, unencumbered funds in the Debtors' estates to pay such amounts at the time payment is required to be made, the Carve-Out (as defined below) in an aggregate amount not to exceed $500,000. The Carve-Out may be used only to pay (a) unpaid fees of the Clerk of the Bankruptcy Court and the U.S. Trustee pursuant to 28 U.S.C. § 1930(a); (b) allowed professional fees and expenses of the Debtors and any statutory committee appointed by the Bankruptcy Court under section 1102 of the Bankruptcy Code ("Statutory Committee") (collectively, the "Professional Fees") incurred to the extent consistent with the Budget, but unpaid, prior to delivery of a notice of an Event of Default (the "Carve-Out Notice"); and (c) Professional Fees incurred subsequent to delivery of the Carve-Out Notice to the extent consistent with the Budget in an amount not to exceed $500,000 (items (a) through (c), collectively, the "Carve-Out"); *provided, however*, that the Carve-Out shall not include, apply to or be available for any fees or expenses incurred by any party, including the Borrowers or any Statutory Committee, in connection with the investigation, initiation or prosecution of any claims, causes of action, adversary proceedings or other litigation against the Lender, including challenging the amount, validity, priority or enforceability of, or asserting any defense, claim, counterclaim or offset to, the Obligations or the Liens of the Lender under this Agreement in respect thereof. The Lender agrees that so long as the Maturity Date shall not have occurred or the Lender has not exercised any remedies as a result of an Event of Default, the Borrowers shall be permitted to pay compensation and reimbursement of expenses allowed and payable under sections 330 and 331 of the Bankruptcy Code, as the same may be due and payable, and the same shall not reduce the amount available under the Carve-Out. The foregoing shall not be construed as a consent to the allowance of any fees and expenses or bonuses referred to above

and shall not affect the right of the Borrowers or the Lender to object to the allowance and payment of such amounts. Except as expressly set forth herein or in the Interim DIP Financing Order and/or the Final DIP Financing Order, no other claim having a priority superior or *pari passu* to that granted to the Lenders by the Interim DIP Financing Order and/or the Final DIP Financing Order shall be granted or approved while any Obligations under this Agreement remain outstanding.

Section 2.14 No Discharge; Survival of Claims. Except as otherwise set forth herein, (a) in the absence of the Maturity Date having occurred, the Obligations shall survive the entry of an order (i) confirming any chapter 11 plan in the Bankruptcy Cases, (ii) converting the Bankruptcy Cases to one or more cases under chapter 7 of the Bankruptcy Code, or (iii) dismissing the Bankruptcy Cases, and (b) the super-priority administrative claim granted to the Obligations and all Liens granted to the Lender shall continue in full force and effect and maintain their priority as set forth in the Interim DIP Financing Order and/or the Final DIP Financing Order until full payment of the Obligations.

Section 2.15 Waiver of Any Priming and Surcharge Rights. The Borrowers hereby irrevocably waive any right (i) pursuant to sections 364(c) or 364(d) of the Bankruptcy Code or otherwise, to grant any Lien of equal or greater priority than the Liens securing the Obligations; (ii) to approve or grant a claim of equal or superior priority than the Obligations; and (iii) to surcharge the Collateral or the Lender pursuant to sections 105, 506(c) and 552 of the Bankruptcy Code.

Section 2.16 Control Account; Sweep of Funds. At all times, each Borrower shall cause all Collections to be deposited, within two Business Days of receipt, in the exact form received in the Control Account. Until so deposited, such funds shall be held by such Borrower in trust for the Lender. All proceeds being held by the Lender in the Control Account (or by such Borrower in trust for the Lender) shall continue to be held as collateral security for the Obligations and shall not constitute payment of the Obligations. Amounts deposited in the Control Account shall not be subject to withdrawal by any Borrower, except after payment in full and discharge of all Obligations.

ARTICLE III

CONDITIONS

Section 3.01 Conditions Precedent to the initial Borrowing of the Loan.

The obligation of the Lender to fund the initial Borrowing under the Loan on the Closing Date is subject to satisfaction of all of the following conditions precedent:

(a) Consent by Borrowers to Entry of Orders for Relief. The Borrowers shall have consented to entry of Orders for Relief in the Bankruptcy Cases by each filing a voluntary petition for relief under the Bankruptcy Code with the Bankruptcy Court.

(b) Joint Administration. The Bankruptcy Court shall have entered an order authorizing the joint administration of all of the Bankruptcy Cases.

(c) Certain Documents. The Lender shall have received, on the Closing Date, the following, each dated the Closing Date unless otherwise indicated, in form and substance satisfactory to the Lender:

(i) From each party hereto either (i) a counterpart of this Agreement signed on behalf of such party; or (ii) written evidence satisfactory to the Lender (which may include telecopy transmission of a signed signature page to this Agreement) that such party has signed a counterpart of this Agreement;

(ii) The original Note payable to the order of the Lender, duly executed by the Borrowers;

(iii) The Security Agreement, duly executed by the Borrowers, together with:

(A) certificates, if any, representing the Pledged Certificated Equity Interests;

(B) a first deed of trust or first mortgage (as applicable based on the jurisdiction in question) with respect to the Owned Real Property designated on Schedule 4.13-A as Initially Secured Owned Real Property (the "Initially Secured Owned Real Properties"), in form and substance reasonably satisfactory to the Lender and its counsel, duly executed by the applicable Borrower and prepared for filing with the applicable recording authority;

(C) commitments for an American Land Title Association policy or state equivalent policy of title insurance, with such endorsements as the Lender may reasonably require, issued by an insurer in such amounts as the Lender may reasonably require with respect to each of the Initially Secured Owned Real Properties and insuring the Lender's first priority lien on said real estate, subject only to such exceptions as the Lender in its discretion may approve, together with such evidence relating to the payment of liens or potential liens as the Lender may require;

(D) an account control agreement duly executed by the applicable financial institution and the applicable Borrowers, or other withdrawal release control with respect to the Control Account, in either case in form and substance satisfactory to the Lender directing that (i) all withdrawals from the Control Account shall be subject to approval of Lender; and (ii) after the occurrence and during the continuance of an Event of Default, on notice by Lender, all of the accounts set forth on Schedule 4.16 (other than the Control Account) shall be in the exclusive control of the Lender; and

(E) a termination and release agreement in form and substance satisfactory to the Lender, duly executed by the Textron Lenders (or their applicable successors and assigns) providing for the immediate release of all of its security interests in the assets of the Borrowers then held as collateral securing the Textron Facility, subject only to the condition of satisfaction of the obligations thereunder.

(iv) Copies of (A) the audited consolidated balance sheets for the Borrowers as of March 27, 2009 and March 26, 2010, and the related audited consolidated statements of operations and cash flows for the fiscal year ending as of such date; (B) the unaudited consolidated balance sheet of the Borrowers as of September 24, 2010, and the related unaudited statements of operations and cash flows for the three and six-month periods ending as of such date; and (C) the unaudited balance sheets and related statements of operations, stockholders' equity, and cash flow as of and for the month ended October 29, 2010, all of which have been made available to Lender;

(v) Receipt by the Lender of the following (or their equivalent) for each of the Borrowers, certified by a Responsible Officer as of the Closing Date to be true and correct and in force and effect as of such date:

(A) Resolutions. Copies of resolutions of the board of directors approving and adopting the respective Credit Documents, the transactions contemplated therein and authorizing execution and delivery thereof;

(B) Good Standing. Copies of certificates of good standing, existence or its equivalent certified as of a recent date by the appropriate Governmental Bodies of the state of incorporation; and

(C) Incumbency Certificate. A certificate of the Secretary or an Assistant Secretary of each of the Borrowers certifying the names and true signatures of each officer of each Borrower who has been authorized to execute and deliver any Credit Document or other document required hereunder to be executed and delivered by or on behalf of such Borrower; *provided* that no Secretary may certify to his or her own signature.

(vi) Officer's Certificate Regarding Conditions Precedent. A certificate, signed by a Responsible Officer of each of the Borrowers, stating that each of the conditions specified in Section 3.02(a) and Section 3.02(b) has been satisfied; and

(vii) Other Documents and Information. Such additional documents, information and materials as the Lender may reasonably request.

(d) Absence of Legal Proceedings. There shall be no action, suit, investigation or proceeding (other than the Bankruptcy Cases) pending in any court or before any arbitrator or governmental instrumentality which, in the sole discretion of the Lender (as evidenced by the funding of the initial Borrowing hereunder; *provided* that the Lender shall not be deemed to be bound by such determination of materiality for any other purpose under this Agreement), could be expected to have a Material Adverse Effect.

(e) DIP Financing Orders. The Lender shall have received evidence satisfactory to the Lender, in its sole discretion, that the Interim DIP Financing Order has been entered by the Bankruptcy Court and docketed by the Clerk of the Bankruptcy Court, and that such order shall be in full force and effect and shall not have been vacated, reversed, modified, amended, or stayed pending appeal. The Interim DIP Financing Order shall be satisfactory in content to the Lender and shall, among other things:

(i) authorize the Borrowers to enter into this Agreement and the other Credit Documents, grant the Liens provided for herein and therein, execute all of the documents required hereby and thereby, repay all Indebtedness incurred by the Borrowers pursuant to this Agreement and the other Credit Documents, and perform any and all other obligations of the Borrowers under this Agreement and the other Credit Documents;

(ii) provide that this Agreement and the other Credit Documents shall be binding upon and enforceable against any trustee in the Bankruptcy Cases or any trustee in any ensuing chapter 7 bankruptcy case should conversion to one or more cases under chapter 7 of the Bankruptcy Code;

(iii) with respect to the Obligations, grant secured status pursuant to sections 364(c)(2), 364(c)(3) and 364(d) of the Bankruptcy Code with respect to all Liens granted to the Lender pursuant to this Agreement and the other Credit Documents and provide that such Liens shall be automatically perfected and have priority over and be senior to any and all other Liens in any of the Collateral subject only to (A) validly existing Liens of the Textron Agent and the Textron Lenders under the Textron Facility, (B) validly existing Liens of Virgo under the Virgo Credit Agreement and (C) Liens existing as of the Petition Date (the items referred to in clauses (A), (B) and (C) are, collectively, the "Senior Liens") and the Carve-Out;

(iv) provide that the Obligations constitute allowed administrative expense claims pursuant to section 364(c)(1) of the Bankruptcy Code having priority over all administrative expenses of the kind specified in sections 503(b) and 507(b) of the Bankruptcy Code (except as otherwise provided in this Agreement);

(v) state that there shall be no priming of any Lien of the Lender other than pursuant to this Agreement;

(vi) provide that the automatic stay of section 362(a) of the Bankruptcy Code is modified to permit the Lender, upon the occurrence and during the continuance of a Default or an Event of Default, to (A) terminate the Commitments and accelerate all of the Obligations and all other obligations under this Agreement and the other Credit Documents without notice; and (B) exercise any other rights and remedies under the Credit Documents, the DIP Financing Orders or applicable Law after providing five Business Days prior written notice to the Borrowers, any Statutory Committee appointed in the Bankruptcy Cases and the office of the United States Trustee with only one notice required, for any Event of Default, or series of Events of Default arising out of the same circumstances.

(f) Motions, Etc. The Lender shall have reviewed and found satisfactory (i) all motions, orders and other pleadings or related documents to be filed or submitted to the Bankruptcy Court in connection with this Agreement, including the Critical Vendor Motion; and (ii) all First Day Orders and related orders to be filed by the Borrowers with the Bankruptcy Court in the Bankruptcy Cases;

(g) Initial Projected Budget. The Lender shall have received the Initial Projected Budget, in form, scope and substance satisfactory to the Lender in its sole discretion;

(h) No Performance Triggers. No Performance Trigger shall have occurred and be continuing, and no event, condition or change shall exist or have occurred that, individually or in the aggregate, could reasonably be expected to cause a Performance Trigger to occur; and

(i) No Material Adverse Change. Since the Petition Date, there shall have been no event, condition or change that, individually or in the aggregate, could reasonably be expected to have a Material Adverse Effect (other than those events caused by or arising out of the Bankruptcy Cases, including the loss of certain employees, officers, and directors by termination, resignation, or otherwise) in (i) the business, condition, operations, assets, or prospects of the Borrowers; (ii) the ability of the Borrowers to perform under this Agreement; or (iii) the ability of the Lender to enforce this Agreement and the obligations of the Borrowers hereunder.

Section 3.02 Conditions Precedent to Each Borrowing. The obligation of the Lender to fund any Borrowing (including the Borrowing being made by the Lender on the Closing Date) shall be subject to the further conditions precedent that:

(a) Accuracy of Certain Statements. The following statements shall be true on the date of such Loan, before and after giving effect thereto, and to the application of the proceeds therefrom (and the acceptance by the Borrowers of the proceeds of such Loan shall constitute a representation and warranty by the Borrowers that on the date of such Loan such statements are true):

(i) The representations and warranties of the Borrowers contained in Article IV of this Agreement and in the other Credit Documents are true and correct on and as of such date as though made on and as of such date

(unless such representations and warranties are made as of another date, in which case they shall be true and correct as of such date);

(ii) No Default or Event of Default has occurred and is continuing or will result from the Loan being made on such date; and

(iii) No Performance Trigger has occurred and is continuing and no event, condition or change that, individually or in the aggregate, could reasonably be expected to cause a Performance Trigger to occur.

(b) No Violation of Law or Injunction. The making of the Loan on such date does not violate any Law and is not enjoined, temporarily, preliminarily or permanently.

(c) Final Order. With respect to any Loan requested to be funded after January 13, 2011, the Final DIP Financing Order shall have become a Final Order.

ARTICLE IV

REPRESENTATIONS AND WARRANTIES

To induce the Lender to enter into this Agreement, the Borrowers, jointly and severally, hereby represent and warrant to the Lender on the date hereof and on each date that a Weekly Budget is delivered, that:

Section 4.01 Financial Condition. The Borrowers have provided to the Lender the following consolidated financial statements with respect to the Borrowers: (a) audited balance sheets and related statements of operations, stockholders' equity, and cash flows as of and for the fiscal years ended March 27, 2009 and March 26, 2010; (b) unaudited balance sheets and related statements of operations, stockholders' equity, and cash flow as of and for the three- and six-month periods ended September 24, 2010; and (c) unaudited balance sheets and related statements of operations, stockholders' equity, and cash flow as of and for the month ended October 29, 2010. All of such financial statements (including the notes thereto) have been prepared in accordance with GAAP throughout the periods covered thereby and present fairly, in all material respects, the respective financial positions of the Borrowers as of such dates and the respective results of operations of the Borrowers for such periods; *provided, however*, that the financial statements referred to in clauses (b) and (c) above are subject to normal year-end adjustments and lack footnotes and other presentation items required by GAAP.

Section 4.02 No Changes or Restricted Payments. Since September 24, 2010, except as set forth in Schedule 4.02 (a) other than the commencement of the Bankruptcy Cases, there has been no circumstance, development or event relating to or affecting the Borrowers which has had or would be reasonably expected to have a Material Adverse Effect; and (b) except as permitted herein, no Restricted Payments have been made or declared by the Borrowers.

Section 4.03 Due Incorporation and Authority. Each Borrower 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 its business as it is now being conducted, except where such failure would not reasonably be expected to have a Material Adverse Effect. Each Borrower has all requisite corporate, limited liability company or limited partnership power and authority to enter into this Agreement and all of the other Credit Documents to which it is a party and carry out its obligations hereunder and consummate the transactions contemplated hereby and thereby. The execution and delivery by such Borrower of this Agreement, the performance by such Borrower of its respective obligations hereunder and the consummation by such Borrower 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 Borrower. This Agreement and all of the other Credit Documents have been duly executed and delivered by each Borrower, and, upon due authorization, execution and delivery hereof by the Lender, each of the Credit Documents shall constitute the legal, valid and binding obligation of each Borrower party thereto, enforceable against each such Borrower 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).

Section 4.04 No Conflicts; Default or Event of Default.

(a) The execution and delivery by Borrowers of this Agreement, the consummation of the transactions contemplated hereby, and the performance by the Borrowers of this Agreement in accordance with its terms shall not:

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

(ii) violate any Law to which any Borrower, the Business, any of the Property, any of the Borrowers is bound or subject;

(iii) result in the imposition or creation of any Lien (other than a Permitted Lien) on any Property of any Borrower; or

(iv) 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 Contractual Obligation or Permit to which any Borrower is a party or by which it is bound, or any Permit held by a Borrower, except for consents, approvals or authorizations of, or declarations or filings with, the Bankruptcy Court;

provided, however, that each of the cases set forth in clauses (ii), (iii) and (iv) above is subject to exceptions that (A) would not reasonably be expected, either individually or in the aggregate, to prevent or materially delay the consummation by the Borrowers of the transactions contemplated by this Agreement; or (B) arise as a result of any facts or circumstances relating to the Lender or any of its Affiliates.

(b) Except as set forth on Schedule 4.04(b), no Borrower has defaulted on any payment under or with respect to any Contractual Obligation owed by it other than those defaults which in the aggregate have no Material Adverse Effect and no Default or Event of Default hereunder has occurred and is continuing.

Section 4.05 Organizational Documents; Meeting Minutes. The Borrowers have delivered to the Lender prior to the date hereof true, accurate and complete copies of the certificate of incorporation and bylaws, or comparable organizational instruments, of the Borrowers as in effect on the date hereof.

Section 4.06 Litigation. Except for the Bankruptcy Cases and other matters on the docket related thereto and except as otherwise disclosed on Schedule 4.06, (i) there are no material claims (including with respect to product liability claims) pending or, to the Knowledge of the Borrowers, threatened against any Borrower with respect to the Business (or any part thereof), any of the Real Properties or any of the other Property of the Borrowers; and (ii) there are no claims pending or, to the Knowledge of the Borrowers, threatened by or against any Borrower 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 materially delay the consummation by the Borrowers of the transactions contemplated by this Agreement.

Section 4.07 Intellectual Property. Each of the Borrowers owns, or has the legal right to use, the Intellectual Property necessary for it to conduct its Business as currently conducted. No claim has been asserted and is pending by any Person challenging or questioning the use of any such Intellectual Property or the validity or effectiveness of any such Intellectual Property, nor does any Borrower have Knowledge of any such claim, and to the Borrower's Knowledge the use of such Intellectual Property by each Borrower does not infringe on the rights of any Person.

Section 4.08 Taxes. Each of the Borrowers, as applicable, has filed all federal and other tax returns and material reports required to be filed, and has paid all federal and other taxes, assessments, fees and other governmental charges levied or imposed upon it or its properties, income or assets otherwise due and payable unless such unpaid taxes and assessments (a) arose prior to the Petition Date and are not the subject of a pending and unstayed assessment or collection action; or (b) are (i) not yet past due or (ii) being contested in good faith and by appropriate proceedings diligently pursued and as to which adequate reserves determined in accordance with GAAP have been established on such Borrower’s books and records and no Lien with respect to nonpayment thereof has been asserted. No Borrower is aware of any proposed tax assessments against it, with respect to any prior period, in excess of amounts accrued on its financial statements (as required to be accrued in accordance with GAAP), nor do the Borrowers anticipate any further material tax liability with respect to any open taxable years taken as a whole in excess of accrued amounts.

Section 4.09 ERISA.

(a) During the five-year period prior to the date on which this representation is made or deemed made: (i) no ERISA Event has occurred, and, to the best Knowledge of the

Borrowers, no event or condition has occurred or exists as a result of which any ERISA Event could reasonably be expected to occur, with respect to any Plan; (ii) no "accumulated funding deficiency," as such term is defined in section 302 of ERISA and section 412 of the Internal Revenue Code, whether or not waived, has occurred with respect to any Plan; (iii) each Plan has been maintained, operated and funded in compliance with its own terms and in material compliance with the provisions of ERISA, the Internal Revenue Code and any other applicable federal or state Laws; and (iv) no Lien in favor of the PBGC or a Plan has arisen or is reasonably likely to arise on account of any Plan.

(b) The actuarial present value of all "benefit liabilities" (as defined in section 4001(a)(16) of ERISA), whether or not vested, under each Single Employer Plan, as of the last annual valuation date prior to the date on which this representation is made or deemed made (determined, in each case, in accordance with Financial Accounting Standards Board Accounting Standards Codification ("FASB ASC") 960, 962 and 965, utilizing the actuarial assumptions used in such Plan's most recent actuarial valuation report), did not exceed as of such valuation date the fair market value of the assets of such Plan.

(c) Neither the Borrowers nor any ERISA Affiliate has incurred, or, to the best Knowledge of the Borrowers, could be reasonably expected to incur, any withdrawal liability under ERISA to any Multiemployer Plan or Multiple Employer Plan. Neither the Borrowers nor any ERISA Affiliate would become subject to any withdrawal liability under ERISA if the Borrowers or any ERISA Affiliate were to withdraw completely from all Multiemployer Plans and Multiple Employer Plans as of the valuation date most closely preceding the date on which this representation is made or deemed made. Neither the Borrowers nor any ERISA Affiliate has received any notification that any Multiemployer Plan is in reorganization (within the meaning of section 4241 of ERISA), is insolvent (within the meaning of section 4245 of ERISA), or has been terminated (within the meaning of Title IV of ERISA), and no Multiemployer Plan is, to the best Knowledge of the Borrowers, reasonably expected to be in reorganization, insolvent, or terminated.

(d) No prohibited transaction (within the meaning of section 406 of ERISA or section 4975 of the Internal Revenue Code) or breach of fiduciary responsibility has occurred with respect to a Plan which has subjected or may subject the Borrowers or any ERISA Affiliate to any liability under sections 406, 409, 502(i) or 502(l) of ERISA or section 4975 of the Internal Revenue Code, or under any agreement or other instrument pursuant to the Borrowers or any ERISA Affiliate has agreed or is required to indemnify any person against any such liability.

(e) Neither the Borrowers nor any ERISA Affiliate has any material liability with respect to "expected post-retirement benefit obligations" within the meaning of the FASB ASC 715. Each Plan which is a welfare plan (as defined in section 3(1) of ERISA) to which sections 601-609 of ERISA and section 4980B of the Internal Revenue Code apply has been administered in compliance in all material respects of such sections.

(f) Neither the execution nor delivery of this Agreement nor the consummation of the financing transactions contemplated thereunder will involve any transaction which is subject to the prohibitions of sections 404, 406 or 407 of ERISA or in connection with which a tax could be imposed pursuant to section 4975 of the Internal Revenue Code.

Section 4.10 Governmental Regulations, Etc.

(a) No part of the proceeds of the Loan hereunder will be used, directly or indirectly, for the purpose of purchasing or carrying any "margin stock" within the meaning of Regulation U. If requested by the Lender, the Borrowers will furnish to the Lender a statement to the foregoing effect in conformity with the requirements of FR Form U-1 referred to in said Regulation U. No Indebtedness being reduced or retired out of the proceeds of the Loan hereunder was or will be incurred for the purpose of purchasing or carrying any margin stock within the meaning of Regulation U or any "margin security" within the meaning of Regulation T. "Margin stock" within the meanings of Regulation U does not constitute more than 25% of the value of the consolidated assets of the Borrowers and their Subsidiaries. None of the transactions contemplated by this Agreement (including the direct or indirect use of the proceeds of the Loan) will violate or result in a violation of the Securities Act of 1933, as amended or the Exchange Act, or regulations issued pursuant thereto, or Regulation T, U or X.

(b) No Borrower intends to, and no Borrower will, use any proceeds of the Loan for any purpose that is improper under the Bankruptcy Code.

(c) The Borrowers are not subject to regulation under the Public Utility Holding Company Act of 1935, the Federal Power Act or the Investment Company Act of 1940, each as amended. In addition, none of the Borrowers is (i) an "investment company" registered or required to be registered under the Investment Company Act of 1940, as amended, and is not controlled by such a company; or (ii) a "holding company", or a "subsidiary company" of a "holding company", or an "affiliate" of a "holding company" or of a "subsidiary" of a "holding company", within the meaning of the Public Utility Holding Company Act of 1935, as amended.

(d) No director, executive officer or principal shareholder of the Borrowers is a director, executive officer or principal shareholder of the Lender. For the purposes hereof the terms "director", "executive officer" and "principal shareholder" (when used with reference to any Lender) have the respective meanings assigned thereto in Regulation O.

Section 4.11 No Subsidiaries. Except as set forth on Schedule 4.11, each of the Borrowers represents that, as of the Closing Date, there are no Subsidiaries.

Section 4.12 Use of Proceeds.

(a) The proceeds of the Loan made hereunder shall be used by the Borrowers solely as set forth in Section 2.02 above:

(i) to pay in full the Textron Facility;

(ii) to make payments under the Critical Vendor Motion and any order of the Bankruptcy Court thereon;

(iii) to pay the payables owed by the Borrowers that have been approved by the Lender pursuant to the budgetary approval process as outlined in Section 5.01(d)(ii) below; and

(iv) for general working capital purposes (including the contribution to corporate overhead expenses and general restructuring costs as provided for herein).

(b) None of the proceeds of the Loan may be used by the Borrowers to amortize, repay or prepay any Indebtedness of the Borrowers for borrowed money, except as expressly provided herein with respect to the Textron Facility and such payments as are expressly consented to in writing by the Lender after the date hereof.

(c) No proceeds of the Loan or the Collateral will be used by the Borrowers or any other Person (including any statutory committee appointed in the Bankruptcy Cases) to (i) object to or contest in any manner, or raise any defenses to, the validity, extent, perfection, priority or enforceability of the Obligations, the Liens granted to the Lender under this Agreement and the Collateral Documents or any other rights or interests of the Lender under this Agreement and the other Credit Documents; or (ii) assert any claims or causes of action, including any actions under Chapter 5 of the Bankruptcy Code, against the Lender.

Section 4.13 Real Property.

(a) Schedule 4.13-A lists the street address of each parcel of Owned Real Property. The applicable Borrower has fee simple title to each Owned Real Property. Except for the Owned Real Property, no Borrower now owns any interest in any real property, other than leasehold interests and other than the REO real property obtained from HUD or other parties and held for sale.

(b) Schedule 4.13-B lists the street address (where available) of each parcel of Leased Real Property (the Leased Real Property together with the Owned Real Property, are collectively referred to herein as the "Real Properties"), with respect to each lease (each a "Real Property Lease") in effect with respect to each Leased Real Property.

(c) The Borrowers have delivered to the Lender complete and accurate copies of all Real Property Leases, including all addenda, amendments, extensions and supplements thereto and assignments thereof. No Borrower has entered into any contract, arrangement or understanding with any third party landlord, written or oral, 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 Borrower and, to the Knowledge of the Borrowers, the counterparties thereto, and is in full force and effect. No Borrower is in default under any Real Property Lease and, to the Knowledge of the Borrowers, no other counterparty to any Real Property Lease is in default thereof which, in either case could reasonably be expected to have a Material Adverse Effect. Except as provided in the lease documents delivered to the Lender, to the Knowledge of Borrowers, no Borrower has (i) subleased, licensed or otherwise granted any Person the right to use or occupy any Leased Real Property or any portion thereof, or (ii) collaterally assigned or granted any other Lien in or over any Real Property Lease or any interest therein.

(d) The Borrowers' 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 the failure to comply could not reasonably be expected to have a Material Adverse Effect.

(e) To the Knowledge of the Borrowers except where the failure to comply could not reasonably be expected to have a Material Adverse Effect, (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) To the Knowledge of the Borrowers, except as provided in the Real Property Leases or recorded in the real property records, and except as set forth in Schedule 4.13(f), no Borrower 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; or (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.

(g) The Real Properties constitute all of the real property currently used by the Borrowers in the conduct of the Business.

(h) There does not exist any actual or, to the Knowledge of the Borrowers, 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 Borrower 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 that in either case would reasonably be expected to have a Material Adverse Effect.

(i) Except as set forth on Schedule 4.13(i), no Borrower has any ongoing dispute or disagreement with any landlord in respect of any obligation of such Borrower or such landlord under the terms of any Real Property Lease or under applicable Law with respect to any Leased Real Property, other than such disputes arising from and solely related to the Bankruptcy Cases.

Section 4.14 Environmental Matters.

(a) Except as set forth in Schedule 4.14, each Borrower is currently, and since January 1, 2005 has been, in compliance in all material respects with all applicable Environmental Laws applicable to its Business, the Property and the Property of its direct and indirect Subsidiaries. Except as set forth in Schedule 4.14, there are no claims pursuant to any Environmental Law pending or, to the Knowledge of the Borrowers, threatened against any Borrower in connection with the conduct or operation of the Business or the ownership or use of any of the Real Properties (or any of them). Except as set forth in Schedule 4.14, within the past five years, no Borrower 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 Borrower to comply with any Environmental Law or of any actual or threatened obligation on the part of any Borrower to undertake or bear the cost of any Environmental,

Health and Safety Liabilities with respect to any of the Real Properties or any of its other Property.

(b) Except as set forth in Schedule 4.14, no Borrower is currently required to undertake any corrective or remedial obligation under any Environmental Law with respect to the Business, any of its Property or any of the Leased Real Properties.

(c) The Borrowers have made available to the Lender all Phase I and Phase II, if any, environmental reports, other engineering reports and any other material documents in the Borrowers' possession relating to any environmental or health or safety matters, relating to the Real Properties and any of its other Property. Except as set forth on Schedule 4.14, or except to the extent disclosed in such environmental and engineering reports, to the Knowledge of the Borrowers, 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) Except as set forth on Schedule 4.14, no Borrower has conducted or knowingly permitted any Hazardous Activity on or with respect to any of the Real Properties.

Section 4.15 Disclosure.

(a) Neither this Agreement, any of the financial statements delivered to the Lender, any other document, certificate or statement furnished to the Lender (with the exception of any Projected Budget or Weekly Budget) nor any of the information delivered in writing to the Bankruptcy Court by or on behalf of the Borrowers in connection with the transactions contemplated hereby contains any untrue statement of a material fact or omits to state a material fact necessary in order to make the statements contained therein or herein not misleading.

(b) Each Projected Budget (including the Initial Projected Budget) and Weekly Budget furnished to the Lender by or on behalf of any member of the Borrowers in connection with the transactions contemplated hereby have been prepared in good faith on the basis of reasonable assumptions.

Section 4.16 Bank Accounts. Schedule 4.16 contains a complete and accurate list of all bank accounts maintained by the Borrowers with any bank or other financial institution.

Section 4.17 Account Debtors. Schedule 4.17 lists the address in the Borrowers' records of each Person who is obligated to remit payments of any kind to any Borrower.

Section 4.18 Insurance. All policies of insurance of any kind or nature owned by or issued to the Borrowers, including policies of life, fire, theft, product liability, public liability, property damage, other casualty, employee fidelity, workers' compensation and employee health and welfare insurance, are (a) in full force and effect; (b) to the Knowledge of

the Borrowers, sufficient; and (c) of a nature and provide such coverage as is customarily carried by companies of the size and character of such Person.

Section 4.19 Labor Matters. Except as set forth on Schedule 4.19,

(a) There are no strikes, work stoppages, slowdowns or lockouts pending or, to the Knowledge of the Borrowers, threatened against or involving the Borrowers, other than those which in the aggregate have no Material Adverse Effect.

(b) There are no arbitrations or grievances pending against or involving the Borrowers, nor are there any arbitrations or grievances, to the Knowledge of the Borrowers, threatened involving the Borrowers, other than those which, in the aggregate, if resolved adversely to the Borrowers, would have no Material Adverse Effect.

(c) There is no organizing activity involving the Borrowers pending or, to the Knowledge of the Borrowers, threatened by any labor union or group of employees, other than those which in the aggregate have no Material Adverse Effect. There are no representation proceedings pending or, to the Knowledge of the Borrowers, threatened with the National Labor Relations Board, and no labor organization or group of employees of the Borrowers has made a pending demand for recognition, other than those which in the aggregate have no Material Adverse Effect.

(d) There are no unfair labor practices charges, grievances or complaints pending or in process or, to the Knowledge of the Borrowers, threatened by or on behalf of any employee or group of employees of the Borrowers, other than those which in the aggregate, if adversely determined, would have no Material Adverse Effect.

(e) There are no complaints or charges against the Borrowers pending or, to the Knowledge of the Borrowers, threatened to be filed with any federal, state, local or foreign court, governmental agency or arbitrator based on, arising out of, in connection with, or otherwise relating to the employment by the Borrowers of any individual, other than those which in the aggregate, if resolved adversely, would have no Material Adverse Effect.

(f) The Borrowers are in compliance with all Laws, and all orders of any court, Governmental Body or arbitrator, relating to the employment of labor, including all such Laws relating to wages, hours, collective bargaining, discrimination, civil rights, and the payment of withholding and/or social security and similar taxes, except for such non-compliances that in the aggregate have no Material Adverse Effect.

Section 4.20 Reorganization Matters.

(a) The Borrowers' bankruptcy cases jointly administered as the Bankruptcy Cases were commenced on the Petition Date in accordance with applicable Law and proper notice thereof and proper notice of the hearings to consider entry of the Interim DIP Financing Order has been given and proper notice of the hearing to consider entry of the Final DIP Financing Order will be given.

(b) After entry of the Interim DIP Financing Order and Final DIP Financing Order, as applicable, the Obligations will constitute allowed administrative expense claims in the Bankruptcy Cases having priority over all administrative expense claims and unsecured claims against the Borrowers now existing or hereafter existing, of any kind whatsoever, to the extent provided and as more fully set forth in the Interim DIP Financing Order and Final DIP Financing Order.

(c) Except as otherwise set forth herein, after the entry of the Interim DIP Financing Order and Final DIP Financing Order, as applicable, the Obligations will be secured by valid and perfected Liens on all of the Collateral and such Liens shall have the priorities set forth in the Interim DIP Financing Order and Final DIP Financing Order and the other Credit Documents.

(d) Notwithstanding any failure on the part of the Lender to perfect, maintain, protect or enforce any Liens and security interests in the Collateral granted pursuant to this Agreement, the Interim DIP Financing Order and Final DIP Financing Order (when entered) shall automatically, and without further action by any Person, perfect such Liens and security interests against the Collateral.

(e) The Interim DIP Financing Order and Final DIP Financing Order (with respect to the period on and after entry of the Final DIP Financing Order), as the case may be, are in full force and effect and have not been reversed, stayed, modified, varied or amended without the consent of the Lender.

(f) After the entry of the Interim DIP Financing Order (with respect to the period prior to entry of the Final DIP Financing Order) or the Final DIP Financing Order (with respect to the period on and after entry of the Final DIP Financing Order), notwithstanding the provisions of section 362 of the Bankruptcy Code, upon the Maturity Date of any of the Obligations (whether by acceleration or otherwise), the Lender shall be entitled to immediate payment of such Obligations and to enforce the remedies provided for hereunder and under the other Credit Documents, without further application to or order by the Bankruptcy Court, as more fully set forth in the Interim DIP Financing Order and Final DIP Financing Order, as applicable.

Section 4.21 Investment Banking and Finder's Fees. Except for the fee paid to Raymond James & Associates, Inc., no Borrower has paid or agreed to pay, or reimburse any other party with respect to, any investment banking or similar or related fee, underwriter's fee, finder's fee, or broker's fee to any Person in connection with this Agreement.

ARTICLE V

AFFIRMATIVE COVENANTS

As long as any of the Obligations or Commitments remain outstanding, the Borrowers agrees with the Lender that:

Section 5.01 Financial Statements.

The Borrowers shall furnish, or cause to be furnished, to the Lender:

(a) Audited Financial Statements. As soon as available, but in any event within 75 days after the close of each fiscal year of PHH and its consolidated companies, audited consolidated balance sheets of PHH and its consolidated companies as of the close of such fiscal year, and audited consolidated statements of income and retained earnings and cash flows of PHH and its consolidated companies for such fiscal year, together with (i) copies of the reports and certificates relating thereto of independent certified public accountants of recognized standing selected by PHH and reasonably satisfactory to the Lender; (ii) such accountants' letter to management relating to such financial statements; and (iii) a report of the Chief Executive Officer or Chief Financial Officer of PHH containing management's discussion and analysis of PHH and its consolidated companies' financial condition, results of operations and affairs for such year.

(b) Quarterly Financial Statements. As soon as available, but in any event within forty (40) days after the close of each of the first three fiscal quarters of PHH and its consolidated companies, unaudited consolidated balance sheets of PHH and its consolidated companies as of the close of each such fiscal quarter and unaudited consolidated statements of income, retained earnings and cash flows of PHH and its consolidated companies for such quarter and, for the second and third quarter only, for the period from the beginning of the fiscal year to the end of each such quarter, each such balance sheet and statement of income and retained earnings and changes in financial position to be certified by the Chief Executive Officer and Chief Financial Officer of the Borrowers as fairly presenting in all material respects the financial condition and results of operation of PHH and its consolidated companies; *provided* that any such certificate may state that the accompanying balance sheet and statements are subject to normal year-end footnote disclosures.

(c) Borrowers-Prepared Monthly Financial Statements. As soon as available but in any event within ten Business Days after the close of each calendar month of each fiscal year of the Borrowers, (a) unaudited consolidated balance sheets of the Borrowers, together with a current report of Inventory (in form and substance reasonably acceptable to Agent), in each case, as of the last day of such fiscal month; and (b) unaudited consolidated statements of income of the Borrowers for such fiscal month and for the period from the beginning of the fiscal year to the end of such fiscal month, each such balance sheet, report of Inventory and statement of income and changes in financial position to be certified by the Chief Executive Officer and Chief Financial Officer of the Borrowers as fairly presenting in all material respects the financial condition and results of operation of the Borrowers; *provided* that any such certificate may state that the accompanying balance sheet and statements are subject to normal quarter and year-end adjustments and normal footnote disclosures.

(d) Borrowers-Prepared Budgets and Reconciliations.

(i) An itemized budget for the Borrowers in form, scope and substance satisfactory to, and approved by, the Lender in its sole discretion (the "Projected Budget"), (A) initially for the 13-week period immediately following the Closing Date (the "Initial Projected Budget"), to be delivered at least five days prior to the Closing Date; and (B) each week thereafter, on each Thursday (or, if such day is not a Business Day, the immediately preceding Business Day) not later than 11:00 A.M.

(Mountain Standard Time), a revised Projected Budget for the immediately following 13-week period together with a certificate from the Chief Financial Officer of the Borrowers explaining any variances from the Initial Projected Budget.

(ii) On each Thursday (or, if such day is not a Business Day, the immediately preceding Business Day) not later than 11:00 A.M. (Mountain Standard Time) after the Closing Date, an itemized budget for the Borrowers (which may include optional prepayments of the Loan), in the form attached hereto as Exhibit B, and approved by, the Lender in its sole discretion for the immediately following week (the "Weekly Budget"), specifying therein (A) the amount of Collections requested for release to satisfy the budgeted obligations of the Borrowers for such week; (B) the aggregate amount of any proposed Borrowing in excess of such requested Collections, required to satisfy the budgeted obligations of the Borrowers for such week; and (C) a description in reasonable detail of the proposed use of proceeds of such requested Collections and, if applicable, Borrowing, together with a certificate from the Chief Financial Officer of the Borrowers explaining any variances between the actual results from operations from the previous week and the amounts set forth in the previously delivered Weekly Budget.

(iii) On each Thursday (or, if such day is not a Business Day, the immediately preceding Business Day) not later than 11:00 A.M. (Mountain Standard Time) after the Closing Date, a report, in form and substance satisfactory to the Lender in its sole discretion, delivered by the Borrowers specifying therein, including reasonable detail, the aggregate Borrowers' reported aggregate new and used home retail Inventory at wholesale invoice plus the PHH and Nationwide Homes, Inc. aggregate Accounts Receivable to independent retailers, builders and developments, and the Borrowers' retail (segment 03) Accounts Receivable as of the end of the prior week, together with a certificate from the Chief Financial Officer of the Borrowers explaining any relevant changes in the level thereof.

(iv) Within ten Business Days after each Performance Trigger Test Date, a report, in form and substance satisfactory to the Lender in its sole discretion, delivered by the Borrowers specifying therein, including reasonable detail, the Borrowers' aggregate Inventory value and aggregate Accounts Receivable Value as of such Performance Trigger Test Date (each, a "Performance Trigger Report"), together with a certificate from the Chief Financial Officer of the Borrowers comparing the above–reported amounts as a percentage of the same amounts reported as of October 29, 2010 and explaining any relevant changes in the level thereof.

All such financial statements and reports delivered pursuant to this Section 5.01 shall be complete and correct in all material respects (subject, in the case of interim statements, to normal year-end audit adjustments) and shall be prepared in reasonable detail and, in the case of the

annual and quarterly financial statements provided in accordance with subsections (a) and (b) above, in accordance with GAAP applied consistently throughout the periods reflected therein and further accompanied by a description of, and an estimation of the effect on the financial statements on account of, any change in the application of accounting principles.

Section 5.02 Certificates; Other Information.

The Borrowers shall furnish, or cause to be furnished, to the Lender:

(a) Officer's Compliance Certificate. Concurrently with the delivery of the financial statements referred to in Section 5.01(a) and Section 5.01(b) above, a certificate of a Responsible Officer, substantially in the form of Exhibit C, stating that, to the best of such Responsible Officer's Knowledge and belief, (i) the financial statements fairly present in all material respects the financial condition of the parties covered by such financial statements; (ii) during such period the Borrowers have observed or performed in all material respects the covenants and other agreements hereunder and under the other Credit Documents relating to them, and satisfied in all material respects the conditions contained in this Agreement to be observed, performed or satisfied by them; and (iii) such Responsible Officer has obtained no Knowledge of any Default or Event of Default except as specified in such certificate.

(b) Accountants' Reports. Promptly upon receipt, a copy of any final (as distinguished from a preliminary or discussion draft) "management letter" or other similar report submitted by independent accountants or financial consultants to the Borrowers in connection with any annual, interim or special audit or which refers in whole or in part to any inadequacy, defect, problem, qualification or other lack of fully satisfactory accounting controls utilized by the Borrowers.

(c) Bankruptcy Court Matters. Promptly, copies of all pleadings, motions, applications and other documents filed by the Borrowers with the Bankruptcy Court or distributed by the Borrowers to the office of the United States Trustee or to any Statutory Committee.

(d) Other Information. Promptly, such additional financial and other information as the Lender may from time to time reasonably request.

Section 5.03 Notices.

The Borrowers shall give notice to the Lender of:

(a) Defaults. Immediately (and in any event within two days) after any applicable officer has Knowledge of the occurrence of any Default or Event of Default.

(b) Contractual Obligations. Promptly (and in any event within five days) after any applicable officer has Knowledge of the occurrence of any default or event of default under any Contractual Obligation of the Borrowers which would reasonably be expected to have a Material Adverse Effect.

(c) Legal Proceedings. Promptly (and in any event within five days) after any applicable officer has Knowledge of any litigation, or any investigation or proceeding (including any environmental proceeding), or any material development in respect thereof, affecting the Borrowers which, if adversely determined, could result in liability in excess of $250,000.

(d) ERISA. Promptly (and in any event within ten days) after any applicable officer has Knowledge or has reason to know of (i) any event or condition, including, but not limited to, any Reportable Event, that constitutes, or might reasonably lead to, an ERISA Event; (ii) with respect to any Multiemployer Plan, the receipt of notice as prescribed in ERISA or otherwise of any withdrawal liability assessed against any of their ERISA Affiliates, or of a determination that any Multiemployer Plan is in reorganization or insolvent (both within the meaning of Title IV of ERISA); (iii) the failure to make full payment on or before the due date (including extensions) thereof of all amounts which the Borrowers or any ERISA Affiliate are required to contribute to each Plan pursuant to its terms and as required to meet the minimum funding standard set forth in ERISA and the Internal Revenue Code; or (iv) any change in the funding status of any Plan that reasonably could be expected to have a Material Adverse Effect; together with a description of any such event or condition or a copy of any such notice and a statement by the Chief Financial Officer of the Borrowers briefly setting forth the details regarding such event, condition, or notice, and the action, if any, which has been or is being taken or is proposed to be taken by the Borrowers with respect thereto. Promptly upon request, the Borrowers shall furnish the Lender with such additional information concerning any Plan as may be reasonably requested, including, but not limited to, copies of each annual report/return (Form 5500 series), as well as all schedules and attachments thereto required to be filed with the Department of Labor and/or the Internal Revenue Service pursuant to ERISA and the Internal Revenue Code, respectively, for each "plan year" (within the meaning of section 3(39) of ERISA).

(e) Other. Promptly (and in any event within five days), any other development or event of which any applicable officer has Knowledge and determines could reasonably be expected to have a Material Adverse Effect.

Each notice pursuant to this subsection shall be accompanied by a statement of a Responsible Officer setting forth details of the occurrence referred to therein and stating what action the Borrowers propose to take with respect thereto.

Section 5.04 Payment of Obligations. Subject to the DIP Financing Orders and to the Lender funding the Loan as required under this Agreement, the Borrowers shall pay, discharge or otherwise satisfy, at or before maturity or before they become delinquent (subject, where applicable, to specified grace periods), as the case may be, all postpetition obligations of the Borrowers of whatever nature and any additional costs that are imposed as a result of any failure to so pay, discharge or otherwise satisfy such obligations, except when the amount or validity of such obligations and costs is currently being contested in good faith by appropriate proceedings and reserves, if applicable, in conformity with GAAP with respect thereto have been provided on the books of the Borrowers, as the case may be.

Section 5.05 Conduct of Business and Maintenance of Existence. Subject to the DIP Financing Orders, the Borrowers shall (a) continue to engage, in Business of the same general type as conducted on the Closing Date by the Borrowers and similar or related

businesses; (b) preserve, renew and keep in full force and effect its corporate or other legal existence except as otherwise permitted by this Agreement; (c) take all reasonable action to maintain all rights, privileges, licenses and franchises necessary or desirable in the normal conduct of their Business except to the extent that failure to comply therewith would not, in the aggregate, have a Material Adverse Effect and (d) comply with all post-petition Contractual Obligations, its certificate of incorporation or by-laws (or other organizational or governing documents) and all Laws applicable to it except to the extent that failure to comply therewith would not, in the aggregate, have a Material Adverse Effect.

Section 5.06 Maintenance of Property; Insurance.

(a) The Borrowers shall keep all of their material Property useful and necessary in their Business in reasonably good working order and condition (ordinary wear and tear excepted) except to the extent that failure to comply therewith would not, in the aggregate, have a Material Adverse Effect.

(b) The Borrowers agree to maintain, at the levels and of the types set forth in Schedule 5.06, insurance policies then in effect or, with respect relevant workers' compensation laws, at the level required to comply with and maintain coverages required by relevant workers' compensation laws, provided, the Borrowers may continue to self insure or receive insurance through a state fund where they currently do so or place Excess Employers Indemnity Insurance in the State of Texas in lieu of a Workers' Compensation Policy. The Borrowers shall assure that the insurance policies required by this Section shall continue to be carried by insurance companies with a general policyholder service rating of not less than "B++" as rated in the most recent available Best's Insurance Report. In the event that any such insurance company which provides a Borrower an insurance policy or policies required by this Section is no longer financially responsible and capable of fulfilling the requirements of such policies in the reasonable opinion of the Lender, such Borrower shall use commercially reasonable efforts to replace such insurance company within 30 days of receipt of a written request of the Lender; *provided, however*, that the amount of coverage required pursuant to this Section may be reduced or eliminated, with the written consent of the Lender, if an insurance consultant or insurance broker retained by any Borrower provides a written recommendation that, based upon its evaluation of the such Borrower's maximum foreseeable loss in the event of a major conflagration, windstorm, explosion, riot, flood, or similar event, a specified lesser amount is believed to be reasonable given the nature of the risks insured.

(c) With the exception of the Workers' Compensation and Texas Excess Employers Indemnity Insurance policies, all such policies shall name the applicable Borrower and the Lender as insured parties, beneficiaries or loss payees as their interests may appear. Each policy shall be in such form and contain such provisions as are generally considered standard for the type of insurance involved and except for any workers' compensation policy, shall contain a provision to the effect that the insurer shall not cancel or substantially modify the policy provisions without first giving thirty day advance written notice thereof to the applicable Borrower and the Lender (except for non-payment of premium).

(d) The Borrowers will give prompt written notice to the Lender of any loss or claim in excess of $20,000 (regardless of whether it is covered by insurance), and the Lender may

make proof of loss if not made promptly by the applicable Borrower. Each insurance company is hereby authorized and directed to make payment for such loss directly to the Lender instead of to the applicable Borrower or to the applicable Borrower and the Lender jointly. Insurance proceeds or any part thereof may be applied by the Lender, at its option, either to the reduction or payment of the Obligations (without the premiums set forth in Section 2.06(c)) or to the repair, rebuilding and restoration of the Property lost, damaged or destroyed, but the Lender shall not be obligated to ensure the proper application of any amount paid over to the applicable Borrower.

Section 5.07 Inspection of Property; Books and Records; Discussions.

(a) Each Borrower shall keep proper books of records and account in which full, true and correct entries in conformity with GAAP and all applicable Laws shall be made of all dealings and transactions in relation to its businesses and activities;

(b) Each Borrower shall permit, during regular business hours and upon reasonable notice by the Lender, the Lender, and its representatives, to visit and inspect any of its properties and examine and make abstracts (including photocopies) from any of its books and records;

(c) Each Borrower shall permit the Lender to discuss the business, operations, properties and financial and other condition of such Borrower (and, to the extent applicable, the other Borrowers) with officers and employees of such Borrower and such Borrower's independent certified public accountants (which shall be attended by a Responsible Officer if required by such independent certified public accountants); and

(d) Each Borrower shall permit the Lender and its representatives to conduct audits from time to time of the Inventory and receivables of such Borrower, subject to Section 9.05(a), at the expense of such Borrower.

Section 5.08 Environmental Laws.

(a) Each Borrower shall comply in all material respects with, and take reasonable actions to ensure compliance in all material respects by all tenants and subtenants, if any, with, all applicable Environmental Laws and obtain and comply in all material respects with and maintain, and take reasonable actions to ensure that all tenants and subtenants obtain and comply in all material respects with and maintain, any and all licenses, approvals, notifications, registrations or Permits required by applicable Environmental Laws; and

(b) Each Borrower shall conduct and complete all investigations, studies, sampling and testing, and all remedial, removal and other actions required under Environmental Laws and promptly comply in all material respects with all lawful orders and directives of all Governmental Bodies regarding Environmental Laws except to the extent that the same are being contested in good faith by appropriate proceedings and the failure to do or the pendency of such proceedings would not reasonably be expected to have a Material Adverse Effect.

Section 5.09 Application of Proceeds. The Borrowers shall use the proceeds of the Loan as provided in Section 4.12.

Section 5.10 Compliance with Budgets. As of the end of each week, the aggregate amount of actual disbursements for operating expenses (specifically excluding disbursements for bankruptcy costs and adequate protection costs) by the Borrowers during the applicable week shall not exceed the budgeted amounts for such week (as set forth in the related Weekly Budget) by more than 10% on a weekly cumulative measured basis.

Section 5.11 Compliance with Laws, Etc. Governmental Authorities shall comply, in all material respects with all Laws, licenses and franchises, including all Permits.

Section 5.12 Payment of Taxes, Etc. Each Borrower shall pay and discharge, and provide Lender with proof of payment thereof, before the same shall become delinquent, all lawful governmental claims, taxes, assessments, charges and levies, except where contested in good faith by proper proceedings, if adequate reserves therefor have been established on the books of the Borrowers in conformity with GAAP.

Section 5.13 Collateral Documents. Each Borrower, at its sole cost and expense, shall take all actions necessary or reasonably requested by the Lender to maintain each Collateral Document in full force and effect and enforceable in accordance with its terms, including (a) making filings and recordations, (b) making payments of fees and other charges, (c) issuing, and if necessary, filing or recording supplemental documentation, including continuation statements, (d) discharging all claims or other Liens (other than Permitted Liens and Senior Liens) adversely affecting the rights of the Lender in the Collateral, and (e) publishing or otherwise delivering notice to third parties.

Section 5.14 Accounts. On the Closing Date, each Borrower shall provide notice to all applicable parties (other than taxing authorities) of the revocation of all ACH debit access from any account of such Borrower; it being understood that remittance of taxes be allowed from accounts. From and after the Closing Date, each Borrower shall cause all Collections to be deposited in the Control Account pursuant to Section 2.16. Each Borrower hereby authorizes the Lender to collect all payments, checks, drafts and other instruments received by any Borrower and to withdraw and hold in reserve or release to the Borrowers funds from time to time credited to the Control Account in accordance with Section 2.02 or Section 2.03, as applicable. Other than as permitted pursuant to an approved Weekly Budget, no Borrower shall make any withdrawal from any account set forth on Schedule 4.16, or direct any funds to be sent from any account set forth on Schedule 4.16 (other than the Control Account) to any Person other than the Control Account.

Section 5.15 Bankruptcy Cases. The Borrowers will use their best efforts to obtain the approval of the Bankruptcy Court of this Agreement and the other Credit Documents. The Borrowers shall immediately provide to the Lender copies of all Material Pleadings, notices, orders, agreements, and all other documents served, filed or entered, as the case may be, in connection with, or in relation to, the Bankruptcy Cases, including any documents provided by or to the U.S. Trustee or any Statutory Committee.

ARTICLE VI

NEGATIVE COVENANTS

As long as any of the Obligations or Commitments remain outstanding, each of Borrowers hereby agrees with the Lender that:

Section 6.01 Indebtedness. No Borrower shall contract, create, incur, assume or permit to exist, any Indebtedness, except (a) Indebtedness arising or existing under this Agreement and the other Credit Documents, and (b) Indebtedness existing on the Petition Date and set forth on Schedule 6.01.

Section 6.02 Liens. No Borrower shall contract, create, incur, assume or permit to exist, any Lien with respect to any of its property or assets of any kind (whether real or personal, tangible or intangible), whether now owned or hereafter acquired, except for Permitted Liens and Senior Liens.

Section 6.03 No Further Negative Pledges. Except with respect to prohibitions against other encumbrances on specific Property encumbered to secure payment of particular Indebtedness (which Indebtedness relates solely to such specific Property, and improvements and accretions thereto, and is otherwise permitted hereby), no Borrower shall enter into, assume or become subject to any agreement prohibiting or otherwise restricting the creation or assumption of any Lien upon its properties or assets, whether now owned or hereafter acquired, or requiring the grant of any security for such obligation if security is given for some other obligation.

Section 6.04 Consolidation, Merger, Asset Sale, etc. Except as contemplated by the sale of the Borrowers or substantially all of their Property in a sale pursuant to section 363 of the Bankruptcy Code:

(a) No Borrower shall enter into, or cause or permit any of its direct or indirect Subsidiaries to enter into, a transaction of merger or consolidation (including the sale of any Equity Interests or substantially all of the assets of such Borrower or Subsidiary), liquidation, winding-up or dissolution, whether voluntarily or involuntarily (or suffer to permit any such liquidation or dissolution), other than in as permitted under this Agreement; and

(b) No Borrower shall, without the prior written consent of the Lender (which shall not be unreasonably withheld or delayed) consummate any Asset Sale; *provided* that any Asset Sale to which the Lender consents shall provide that at least 75% of the consideration in connection therewith shall be cash (and such payment shall be contemporaneous with consummation of such Asset Sale).

Section 6.05 Sale Leasebacks. Except as set forth in Schedule 6.05, no Borrower shall directly or indirectly, become or remain liable as lessee or as guarantor or other surety with respect to any lease, whether an Operating Lease or a Capital Lease, of any Property, whether now owned or hereafter acquired, (a) which such Person has sold or transferred or is to sell or transfer to any other Person other than the Borrowers; or (b) which such Person intends to use for substantially the same purpose as any other Property which has been sold or is to be sold or transferred by such Person to any other Person in connection with such lease.

Section 6.06 Acquisitions. No Borrower shall make any Acquisition.

Section 6.07 Investments. No Borrower shall make any Investment in any Person except for Permitted Investments.

Section 6.08 Restricted Payments. No Borrower shall make nor permit any Restricted Payments, except for transfers, including capital contributions, from a Borrower to another Borrower.

Section 6.09 No Transfers to Affiliates. Except as set forth in Schedule 6.09, no assets of any Borrower may be transferred to any Affiliate of the Borrowers absent the consent of the Lender, except for transfers permitted pursuant Section 6.08.

Section 6.10 Limitations on Transactions with Affiliates. No Borrower shall enter into or permit to exist any transaction or series of transactions with any officer, director or Affiliate of such Person other than (a) intercompany transactions expressly permitted by Section 6.08; (b) normal compensation and reimbursement of expenses of officers and directors (including any retention arrangements approved by the Lender); and (c) except as otherwise specifically limited in this Agreement, other transactions which are entered into in the ordinary course of such Person's business on terms and conditions substantially as favorable to such Person as would be obtainable by it in a comparable arm's length transaction with a Person other than an officer, director or Affiliate.

Section 6.11 Payment of Other Indebtedness.

(a) No Borrower shall pay any Indebtedness arising prior to the Petition Date except as permitted by this Agreement and as approved by the Bankruptcy Court.

(b) No Borrower shall voluntarily prepay any Indebtedness other than in the ordinary course of business and provided that no Event of Default has occurred and is continuing, except the Obligations in accordance with the terms of this Agreement.

Section 6.12 Modification of Contractual Obligations. No Borrower shall alter, amend, modify, rescind, terminate or waive any of its rights or obligations under, or fail to comply in all material respects with, any of its material Contractual Obligations; *provided, however*, that in the event of any breach or event of default by a Person other than the Borrowers, the Borrowers shall promptly notify the Lender of any such breach or event of default and take all such action as may be reasonably necessary in order to avoid having such breach or event of default have a Material Adverse Effect.

Section 6.13 Bankruptcy Matters. Except as expressly permitted by this Agreement, no Borrower shall incur, create, assume, suffer or permit to exist, or apply to the Bankruptcy Court for authority to incur, create, assume, suffer or permit to exist, any claim or Lien against the Borrowers or the Collateral to be *pari passu* with or senior to the claims and Liens of the Lender against the Borrowers and the Collateral.

Section 6.14 No Material Pleadings. No Borrower shall file, nor shall it consent to the filing by any other Person of, any Material Pleading in the Bankruptcy Cases without the prior written consent of the Lender.

Section 6.15 Fiscal Year. No Borrower shall change its fiscal year from its current fiscal year end.

Section 6.16 Accounting Changes. No Borrower shall make any change in accounting treatment and reporting practices or tax reporting treatment, except as required by GAAP or applicable Law and disclosed to the Lender.

ARTICLE VII

EVENTS OF DEFAULT

Section 7.01 Events of Default.

An Event of Default shall exist upon the occurrence of any of the following specified events (each an "Event of Default"):

(a) Payment. Any Borrower shall:

(i) default in payment when due of any principal or interest of the Loan; or

(ii) default, and such default shall continue for three or more Business Days, in payment when due of any fees or other amounts owing under this Agreement or any other Credit Documents or otherwise in connection herewith or therewith; or

(b) Representations. Any representation, warranty or statement made or deemed to be made herein, in any of the other Credit Documents, or in any statement or certificate delivered or required to be delivered pursuant hereto or thereto shall prove untrue in any material respect on the date as of which it was made or deemed to have been made (other than those which are untrue solely as a result of changes permitted by this Agreement); or

(c) Covenants. Any Borrower shall:

(i) Default in the due performance or observance of any term, covenant or agreement contained in ARTICLE V or ARTICLE VI; or

(ii) Default in the due performance or observance by it of any term, covenant or agreement (other than those referred to in subsections (a), (b) or (c)(i) of this Section 7.01) contained in this Agreement and such default shall continue unremedied for a period of at least 30 days after the earlier of a Responsible Officer becoming aware of such default or notice thereof by the Lender; or

(d) Other Credit Documents. (i) Any Borrower shall default in the due performance or observance of any material term, covenant or agreement in any of the other Credit Documents (subject to applicable grace or cure periods, if any), or (ii) any Credit Document shall fail to be (or any Borrower shall claim or allege in writing that any Credit Document is not) in full force and effect or to give the Lender any material part of the Liens, rights, powers and privileges purported to be created thereby; or

(e) Defaults under Other Agreements. With respect to any Indebtedness arising after the Petition Date (other than Indebtedness outstanding under this Agreement) of any Borrower, (i) the occurrence of any default after the Petition Date in any payment (beyond the applicable grace period with respect thereto, if any) with respect to any such Indebtedness; (ii) the occurrence after the Petition Date and continuation of a default in the observance or performance relating to such Indebtedness or contained in any instrument or agreement evidencing, securing or relating thereto, or any other event or condition shall occur or condition exist, the effect of which default or other event or condition is to cause, or permit, the holder or holders of such Indebtedness (or trustee or agent on behalf of such holders) to cause (determined without regard to whether any notice or lapse of time is required), any such Indebtedness to become due prior to its stated maturity; or (iii) any such Indebtedness shall be declared due and payable, or required to be prepaid other than by a regularly scheduled required prepayment, prior to the stated maturity thereof; or

(f) Judgments. Any Borrower shall fail within 30 days of the date due and payable to pay, bond or otherwise discharge any judgment, settlement or order for the payment of money relating to claims arising after the Petition Date which judgment, settlement or order, when aggregated with all other such judgments, settlements or orders due and unpaid at such time, is not covered by insurance and exceeds $500,000, and which is not stayed on appeal (or for which no motion for stay is pending) or is not otherwise being executed; or

(g) ERISA. Any of the following events or conditions, if such event or condition could reasonably be expected to have a Material Adverse Effect: (i) any "accumulated funding deficiency," as such term is defined in section 302 of ERISA and section 412 of the Internal Revenue Code, whether or not waived, shall exist with respect to any Plan, or any Lien shall arise on the assets of the Borrowers or any ERISA Affiliate in favor of the PBGC or a Plan; (ii) an ERISA Event shall occur with respect to a Single Employer Plan, which is, in the reasonable opinion of the Lender, likely to result in the termination of such Plan for purposes of Title IV of

ERISA; (iii) an ERISA Event shall occur with respect to a Multiemployer Plan or Multiple Employer Plan, which is, in the reasonable opinion of the Lender, likely to result in (A) the termination of such Plan for purposes of Title IV of ERISA, or (B) the Borrowers or any ERISA Affiliate incurring any liability in connection with a withdrawal from, reorganization of (within the meaning of section 4241 of ERISA), or insolvency of (within the meaning of section 4245 of ERISA) such Plan; or (iv) any prohibited transaction (within the meaning of section 406 of ERISA or section 4975 of the Internal Revenue Code) or breach of fiduciary responsibility shall occur which may subject the Borrowers or any ERISA Affiliate to any liability under sections 406, 409, 502(i), or 502(l) of ERISA or section 4975 of the Internal Revenue Code, or under any agreement or other instrument pursuant to which the Borrowers or any ERISA Affiliate has agreed or is required to indemnify any Person against any such liability; or

(h) Ownership. There shall occur a Change of Control; or

(i) Failure to File Sale Motion. Unless otherwise agreed by Lender, (A) failure by any Borrower to have filed with the Bankruptcy Court by the date which is three Business Days after the date of this Agreement a motion for authority to sell substantially all of the assets of the Borrowers pursuant to section 363 of the Bankruptcy Code (the "Sale Motion") on terms and conditions acceptable to the Lender; (B) the entry of any order of the Bankruptcy Court approving a Sale Motion on terms which are not acceptable to the Lender; or (C) failure of the sale pursuant to such Sale Motion to have been closed on terms acceptable to the Lender by the earlier of the date which is 60 days after the Bankruptcy Court's entry of the Bid Procedures Order or 135 days after the Petition Date; or

(j) Prepayment of Other Indebtedness. After the Petition Date, any Borrower shall pay any Indebtedness arising before the Petition Date other than (i) pursuant to the Critical Vendor Motion and any order thereon; and (ii) in accordance with the terms hereof as permitted by orders of the Bankruptcy Court reasonably satisfactory in form and substance to the Lender; or

(k) Bankruptcy Cases. The Bankruptcy Cases shall be dismissed or converted to one or more cases under chapter 7 of the Bankruptcy Code; a trustee under chapter 7 or chapter 11 of the Bankruptcy Code shall be appointed in the Bankruptcy Cases, unless the appointment of such trustee is sought by the Lender; or the Borrowers shall file or support any application for the approval of, or there shall arise, any other claim which is an administrative expense claim having priority over any or all administrative expenses of the kind specified in sections 503(b) or 507(b) of the Bankruptcy Code; or

(l) Relief to Lien Holders. The Bankruptcy Court shall enter an order granting relief from the automatic stay applicable under section 362 of the Bankruptcy Code permitting foreclosure on any asset of the Borrowers; or

(m) First Day Orders. The Borrowers shall fail to obtain all First Day Orders of the Bankruptcy Court within three Business Days after execution of this Agreement; or

(n) DIP Financing Orders. The Bankruptcy Court shall enter an order amending, supplementing, staying for a period in excess of five days, vacating or otherwise modifying the

Interim DIP Financing Order or the Final DIP Financing Order which is not consented to by the Lender; or

(o) DIP Financing Final Order. The Final DIP Financing Order, in a form satisfactory to the Lender and containing the provisions outlined in Section 3.01(e) and the form of order attached as Exhibit E, shall not have been entered by the Bankruptcy Court on or before the expiration of the Interim Period.

Section 7.02 Acceleration; Remedies. Upon the occurrence and during the continuation of an Event of Default, without further order of, application to, or action by the Bankruptcy Court, the Lender (a) may, by written notice to the Borrowers declare that all or any portion of the Commitments be terminated, whereupon the obligation of the Lender to fund any future Borrowing shall immediately terminate; and/or (b) may, by written notice to the Borrowers declare the Loan, all interest thereon and all other amounts and Obligations payable under this Agreement to be forthwith due and payable, whereupon the Loan, all such interest, and all such amounts and Obligations shall become and be forthwith due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers. In addition, subject solely to any requirement of the giving of notice by the terms of the Interim DIP Financing Order or the Final DIP Financing Order, the automatic stay provided in section 362 of the Bankruptcy Code shall be automatically vacated without further action or order of the Bankruptcy Court, and the Lender shall be entitled to exercise all of its rights and remedies under the Credit Documents and applicable Law, including all rights and remedies with respect to the Collateral.

ARTICLE VIII

ADDITIONAL SECURITY

Section 8.01 Priority and Liens.

(a) As to all Real Properties, the Borrowers hereby assign and convey as security, grant a security interest in, hypothecate, mortgage, pledge and set over unto the Lender all of the right, title and interest of the Borrowers in all Owned Real Property and in all Real Property Leases, together in each case with all of the right, title and interest of the Borrowers in and to all buildings, improvements, and fixtures related thereto, any lease or sublease thereof, all general intangibles relating thereto and all proceeds thereof, such assignment, conveyance and security interest to have the priorities set forth in Section 2.13 above. Nothing herein to the contrary shall restrict the Lender, on or after the date hereof, from filing a first deed of trust, leasehold deed of trust, first mortgage or comparable security document with respect to any of the Owned Real Property and Leased Real Property to the extent not included in the Initially Secured Owned Real Properties.

(b) The Borrowers acknowledge that, pursuant to the DIP Financing Orders, the Liens in favor of the Lender in all of such Owned Real Property and Real Property Leases, and all of the other Collateral, shall be perfected without the taking of any further action, including any recordation of any instruments of mortgage or assignment, or the recording or filing of any financing statements, notices of Lien or other similar instruments.

ARTICLE IX

MISCELLANEOUS

Section 9.01 Notices.

Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed to have been duly given (a) on the day of delivery if delivered in person; (b) 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); (c) on the first Business Day following the date of dispatch if delivered using a next-day service by a nationally recognized express courier service; or (d) on the earlier of confirmed receipt or the fifth 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 9.01 by the party to receive such notice:

if to the Borrowers:

c/o 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 does not constitute notice) to:

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

If to the Lender:

Fleetwood 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:

Robert F. Jordan
Third Avenue Management, LLC
622 Third Avenue
32nd Floor

New York, NY 10017
Facsimile: (212) 735-0003

with a copy (which does not constitute notice) to:

Garth D. Stevens, Esq.
Snell & Wilmer L.L.P.
One Arizona Center
400 East Van Buren
Phoenix, Arizona 85018
Facsimile: (602) 382-6070

Section 9.02 Right of Set-Off. In addition to any rights now or hereafter granted under applicable Law or otherwise, and not by way of limitation of any such rights, upon the occurrence of an Event of Default, the Lender is authorized at any time and from time to time, without presentment, demand, protest or other notice of any kind (all of which rights being hereby expressly waived), to set-off and to appropriate and apply any and all deposits (general or special) and any other indebtedness at any time held or owing by the Lender to or for the credit or the account of the Borrowers against obligations and liabilities of such Person to the Lender hereunder, under the Note, the other Credit Documents or otherwise, irrespective of whether the Lender shall have made any demand hereunder and although such obligations, liabilities or claims, or any of them, may be contingent or unmatured, and any such set-off shall be deemed to have been made immediately upon the occurrence of an Event of Default even though such charge is made or entered on the books of the Lender subsequent thereto. Any Person purchasing a participation in the Loan and Commitments hereunder pursuant to Section 9.03(c) may exercise all rights of set-off with respect to its participation interest as fully as if such Person were the Lender hereunder.

Section 9.03 Benefit of Agreement.

(a) Generally. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; *provided* that, except as expressly provided herein, the Borrowers may not assign or transfer any of their interests without prior written consent of the Lender; *provided, further*, that the rights of the Lender to transfer, assign or grant participations in its rights and/or obligations hereunder shall be limited as set forth in this Section 9.03, *provided however* that nothing herein shall prevent or prohibit the Lender from (i) pledging its Loan hereunder to a Federal Reserve Bank in support of borrowings made by the Lender from such Federal Reserve Bank; or (ii) granting assignments or selling participations in the Lender's Loan and/or Commitments hereunder to its parent company and/or to any Affiliate or Subsidiary of the Lender.

(b) Assignments. The Lender may assign all or a portion of its rights and obligations hereunder (including its Obligations and Commitments) to any other Person. The assigning Lender will give prompt notice to the Borrowers of any such assignment. Upon the effectiveness of any such assignment, the assignee shall become a "Lender" for all purposes of this Agreement and the other Credit Documents and, to the extent of such assignment, the assigning Lender shall be relieved of its obligations hereunder to the extent of the Loan and Commitments components

being assigned. Each of the Borrowers agrees that upon notice of any such assignment and surrender of the Note, it will promptly provide to the assigning Lender and to the assignee separate promissory notes in the amount of their respective interests substantially in the form of the original Note.

(c) Participations. The Lender may sell, transfer, grant or assign participations in all or a portion of the Lender's rights, obligations or rights and obligations hereunder (including all or a portion of its Commitments or its Loan); *provided* that (i) the Lender shall remain a "Lender" for all purposes under this Agreement (the Lender's obligations under the Credit Documents remaining unchanged) and the participant shall not constitute a Lender hereunder; (ii) no such participant shall have, or be granted, rights to approve any amendment or waiver relating to this Agreement or the other Credit Documents except to the extent any such amendment or waiver would (A) reduce the principal of or rate of interest on or fees in respect of the Loan in which the participant is participating or (B) postpone the date fixed for any payment of principal (including extension of the Maturity Date or the date of any mandatory prepayment), interest or fees in which the participant is participating; and (iii) sub-participations by the participant (except to an affiliate, parent company or affiliate of a parent company of the participant) shall be prohibited. In the case of any such participation, the participant shall not have any rights under this Agreement or the other Credit Documents (the participant's rights against the Lender in respect of such participation to be those set forth in the participation agreement with the Lender creating such participation) and all amounts payable by the Borrowers hereunder shall be determined as if the Lender had not sold such participation.

Section 9.04 No Waiver; Remedies Cumulative. No failure or delay on the part of the Lender in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between the Lender and the Borrowers shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies provided herein are cumulative and not exclusive of any rights or remedies which the Lender would otherwise have. No notice to or demand on the Borrowers in any case shall entitle the Borrowers to any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Lender to any other or further action in any circumstances without notice or demand.

Section 9.05 Payment of Expenses; Indemnification.

(a) Each of the Borrowers agrees, jointly and severally, to: (i) pay all reasonable out-of-pocket costs and expenses of the Lender in connection with (A) the conduct of due diligence including the costs of the Lender for obtaining surveys, environmental assessments and title searches; (B) the negotiation, preparation, execution and delivery and administration of this Agreement and the other Credit Documents and the documents and instruments referred to therein (including the reasonable fees and expenses of counsel of the Lender), up to a maximum of $350,000 in the aggregate; *provided* that such limitation shall not include any amounts paid or payable by Borrowers in respect of required title insurance policies; (C) any amendment, waiver or consent relating hereto and thereto including, but not limited to, any such amendments, waivers or consents resulting from or related to any work-out, renegotiation or restructure

relating to the performance by the Borrowers under this Agreement; and (D) enforcement of the Credit Documents and the documents and instruments referred to therein (including in connection with any such enforcement, the reasonable fees and disbursements of counsel for the Lender); (ii) permit the Lender to perform monthly Inventory and Accounts Receivable field audits at the Borrowers' expense; *provided* that the Lender shall not be precluded by application of this clause from conducting additional audits at its own expense; and (iii) pay and hold the Lender harmless from and against any and all present and future stamp and other similar taxes with respect to the foregoing matters and save the Lender harmless from and against any and all liabilities with respect to or resulting from any delay or omission (other than to the extent attributable to the Lender) to pay such taxes.

(b) Each of the Borrowers, jointly and severally, shall indemnify the Lender and its officers, directors, employees, representatives and agents from and hold each of them harmless against any and all losses, liabilities, claims, damages or expenses incurred by any of them as a result of, or arising out of, or in any way related to, or by reason of (A) any investigation, litigation or other proceeding (whether or not the Lender is a party thereto) related to the entering into and/or performance of any Credit Document, including the management and application of funds deposited in the Control Account or the use of proceeds of the Loan or the consummation of any other transactions contemplated in any Credit Document, including the reasonable fees and disbursements of counsel incurred in connection with any such investigation, litigation or other proceeding; or (B) the presence or Release of any Hazardous Materials at, under or from any Property owned, operated or leased by the Borrowers or any of its Subsidiaries, or the failure by the Borrowers or any of its Subsidiaries to comply with any Environmental Law (but excluding, in the case of either of clause (A) or (B) above, any such losses, liabilities, claims, damages or expenses to the extent incurred by reason of gross negligence or willful misconduct on the part of the Person to be indemnified).

Section 9.06 Amendments, Waivers and Consents. No amendment or waiver of any provision of this Agreement nor consent to any departure by the Borrowers therefrom shall in any event be effective unless the same shall be in writing and signed by the Lender, and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 9.07 Survival. All indemnities set forth herein shall survive the execution and delivery of this Agreement, the making of the Loan, the repayment of the Loan and other obligations under the Credit Documents and the termination of the Commitments hereunder, and all representations and warranties made by the Borrowers herein shall survive delivery of the Note and the making of the Loan hereunder.

Section 9.08 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.

Section 9.09 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.

Section 9.10 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 on the Closing Date in connection herewith, 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.

Section 9.11 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 the other party, except that the Lender may assign this Agreement, in whole or in part, without the consent of Borrowers to a successor or successors under a plan or plans of reorganization confirmed by the Bankruptcy Court.

Section 9.12 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. The term "Lender" includes (i) any of the Lender's successor(s); and (ii) any assignee of the Lender who becomes a party hereto

pursuant to Section 9.03. 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 words "herein," "hereof" and "hereunder" and other words of similar import refer to this Agreement as a whole, and not to any particular Article, Section, subsection or clause in this Agreement. 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. Any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified.

Section 9.13 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.

Section 9.14 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.

Section 9.15 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.

Section 9.16 Confidentiality. Each of the Borrowers and the Lender agrees to keep confidential (and to cause its affiliates, officers, directors, employees, agents and representatives to keep confidential) all written information, materials and documents furnished to the Lender by or on behalf of the Borrower (whether before or after the Closing Date) which

relates to the Borrower (the "Information"). Notwithstanding the foregoing, the parties hereto shall be permitted to disclose Information (a) to its affiliates, officers, directors, employees, agents and representatives in connection with its participation in any of the transactions evidenced by this Agreement or any other Credit Documents or the administration of this Agreement or any other Credit Documents, subject to the provisions of this Section 9.16; (b) to the extent required by applicable Laws and regulations or by any subpoena or similar legal process, or requested by any Governmental Body; (c) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Agreement or any agreement entered into pursuant to clause (d) below, (ii) becomes available to the Lender on a non-confidential basis from a source other than the Borrower or (iii) was available to the Lender on a non-confidential basis prior to its disclosure to the Lender by the Borrower; (d) to any assignee or participant (or prospective assignee or participant) so long as such assignee or participant (or prospective assignee or participant) first specifically agrees in a writing furnished to and for the benefit of the Borrower to be bound by the terms of this Section 9.16; or (e) to the extent that the Borrower shall have consented in writing to such disclosure. Nothing set forth in this Section 9.16 shall obligate the Lender to return any materials furnished by the Borrower.

Section 9.17 Conflict. To the extent that there is a conflict or inconsistency between any provision hereof, on the one hand, and any provision of any Credit Document, on the other hand, this Agreement shall control.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each of the parties hereto has caused a counterpart of this Agreement to be duly executed and delivered as of the date first above written.

Palm Harbor Homes, Inc., a Florida corporation, as a Borrower

By: /s/ Larry Keener
Name: Larry H. Keener
Title: President and CEO

Palm Harbor GenPar, LLC, a Nevada limited liability company, as a Borrower

By: /s/ Larry Keener
Name: Larry H. Keener
Title: President

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

By: /s/ Larry Keener
Name: Larry H. Keener
Title: President

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

By: /s/ Larry Keener
Name: Larry H. Keener
Title: President of Sole Member

Nationwide Homes, Inc., a Delaware corporation, as a Borrower

By: /s/ Larry Keener
Name: Larry H. Keener
Title: Chairman

Palm Harbor Albemarie, LLC, a Delaware corporation, as a Borrower

By: /s/ Larry Keener
Name: Larry H. Keener
Title: President

Fleetwood Homes, Inc., a Delaware corporation, as Lender

By: /s/ Joseph H. Stegmayer
Name: Joseph H. Stegmayer
Title: Vice President

Exhibit 10.2

SECURITY AGREEMENT

Dated as of November 29, 2010

among

PALM HARBOR HOMES, INC.,
AND
THE OTHER GRANTORS NAMED HEREIN,

each as a Grantor

and, collectively,
as the Grantors

and

FLEETWOOD HOMES, INC.

as Secured Party

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(continued)

This SECURITY AGREEMENT (this "Agreement") is made as of November 29, 2010 by and among Palm Harbor Homes, Inc., a Florida corporation (as referred to herein, the "PHH") and each of the direct and indirect Subsidiaries of PHH set forth on Schedule I-A hereto (PHH or any such Subsidiary individually being a "Grantor" and collectively being the "Grantors") in favor of Fleetwood Homes, Inc., a Delaware corporation (the "Secured Party").

W I T N E S S E T H

WHEREAS, on November 29, 2010 (the "Petition Date"), the Grantors each filed a voluntary petition for relief under title 11 of chapter 11 of the United States Code, 11 U.S.C. §§ 101, et. seq. (as amended, the "Bankruptcy Code") with the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"); and

WHEREAS, from and after the Petition Date, the Grantors continue to operate their respective businesses as debtors and debtors-in-possession pursuant to sections 1107 and 1108 of the Bankruptcy Code; and

WHEREAS, each of the Grantors has an immediate need for funds to continue to operate its respective businesses and the Grantors have not been able to obtain sufficient credit or to incur sufficient debt from any other source sufficient to continue their business operations; and

WHEREAS, pursuant to the Debtor-in-Possession Revolving Credit Agreement dated as of the date hereof (as the same may be modified from time to time, the "Credit Agreement") among each of the Grantors and the Secured Party, the Secured Party has agreed to provide certain financial accommodations to the Grantors upon the terms and subject to the conditions set forth therein; and

WHEREAS, each Grantor will derive substantial direct and indirect benefits from the financial accommodations provided by the Secured Party under the Credit Agreement; and

WHEREAS, it is a condition precedent to the obligation of the Secured Party to provide such financial accommodations under the Credit Agreement that the Grantors shall have executed and delivered this Agreement to the Secured Party; and

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

ARTICLE I
DEFINITIONS

Section 1.01 Definitions.

"Additional Pledged Equity Interests" means any and all interest in (a) any and all additional interests in any Person owned by any Grantor that is a Pledged Subsidiary hereafter acquired by such Grantor, including any Additional Pledged Equity Interests in any such Pledged Subsidiary, any and all of Grantor's other additional rights and interests in and to such Pledged Subsidiary and any and all of Grantor's rights to and interests in any proceeds and distributions under or pursuant to any Pledged Collateral Agreements of or with respect to such Pledged Subsidiary or otherwise, including (i) warrants, options or other rights entitling such Grantor to

acquire any interest in capital stock or other Equity Interests in such Pledged Subsidiary, (iii) securities, property, interest, dividends and other payments and distributions issued as an addition to, in redemption of, in renewal or exchange for, in substitution or upon conversion of, or otherwise on account of, the Pledged Equity Interests of such Pledged Subsidiary or such additional capital stock or other equity securities or other interests in such Pledged Subsidiary, (iii) all rights of such Grantor to receive moneys in repayment of loans made to such Pledged Subsidiary pursuant to any Pledged Collateral Agreement or otherwise, (iv) all rights of such Grantor to receive proceeds of any insurance, indemnity, warranty or guaranty with respect to the Pledged Equity Interests in such Pledged Subsidiary, (v) all claims of such Grantor for damages arising out of or for breach of or default or misrepresentation under any Pledged Collateral Agreement or any documents, instruments or opinions delivered pursuant thereto, (vi) any right of Grantor to terminate any Pledged Collateral Agreement, to perform thereunder and to compel performance and otherwise exercise all remedies thereunder and (vii) all rights of such Grantor to vote and give appraisals, consents, decisions and directions and exercise any other similar rights with respect to any lawful action of such Pledged Subsidiary, and (b) to the extent not included in the foregoing, all cash and non-cash proceeds and Support Obligations of or with respect to the Pledged Equity Interests in such Pledged Subsidiary and any such Additional Pledged Equity Interests, in each case from time to time received or receivable by, or otherwise paid or distributed to or acquired by, such Grantor.

"Agreement" means this Security Agreement, together with all Exhibits and Schedules hereto, as the same may be amended, supplemented or otherwise modified from time to time.

"Applicable IP Office" means the United States Patent and Trademark Office, the United States Copyright Office or any similar office or agency within or outside the United States.

"Collateral" has the meaning specified in Section 2.01(b).

"Control Agreements" means, with respect to any deposit account, any securities account, commodity account, securities entitlement or commodity contract, an agreement, in form and substance satisfactory to the Secured Party, among the Secured Party, the financial institution or other Person at which such account is maintained or with which such entitlement or contract is carried and the Grantor maintaining such account, effective to grant "control" (as defined in the applicable UCC) over such account to the Secured Party.

"Liabilities" means all claims, actions, suits, judgments, damages, losses, liability, obligations, responsibilities, fines, penalties, sanctions, costs, fees, taxes, commissions, charges, disbursements and expenses, in each case of any kind or nature (including interest accrued thereon or as a result thereto and fees, charges and disbursements of financial, legal and other advisors and consultants), whether joint or several, whether or not indirect, contingent, consequential, actual, punitive, treble or otherwise.

"Limited Pledgors" means each of the entities set forth on Schedule I-B, in its capacity as a Grantor.

"Pledged Certificated Equity Interests" means all certificated securities and any other Equity Interests or Equivalent Equity Interests of any Person evidenced by a certificate, instrument or other similar document (as defined in the UCC), in each case owned by any

Grantor, and any distribution of property made on, in respect of or in exchange for the foregoing from time to time, including all Equity Interests and Equivalent Equity Interests listed on Schedule VI.

"Pledged Collateral" means, collectively, the Pledged Equity Interests and the Pledged Debt Instruments.

"Pledged Collateral Agreement" means any shareholders agreement, operating agreement, partnership agreement, voting trust, proxy agreement or other agreement or understanding with respect to any Pledged Collateral.

"Pledged Debt Instruments" means all right, title and interest of any Grantor in instruments evidencing any indebtedness for borrowed money owed to such Grantor or other obligations, and any distribution of property made on, in respect of or in exchange for the foregoing from time to time, including all indebtedness described on Schedule VI, issued by the obligors named therein.

"Pledged Entity" means each entity set forth on Schedule I-C hereto and each entity listed as a Subsidiary on a Pledge Amendment (as defined in Section 8.05).

"Pledged Investment Property" means any investment property of any Grantor, and any distribution of property made on, in respect of or in exchange for the foregoing from time to time, other than any Pledged Equity Interests or Pledged Debt Instruments.

"Pledged Equity Interests" means all Additional Pledged Equity Interests, all Pledged Certificated Equity Interests and all Pledged Uncertificated Equity Interests.

"Pledged Subsidiary" means each Subsidiary of a Grantor, the Equity Interests in which is required to be pledged hereunder, including each Subsidiary of a Grantor listed on Schedule VI.

"Pledged Uncertificated Equity Interests" means any Equity Interest or Equivalent Equity Interest of any Person that is not Pledged Certificated Equity Interest, including all right, title and interest of any Grantor as a limited or general partner in any partnership not constituting Pledged Certificated Equity Interests or as a member of any limited liability company, all right, title and interest of any Grantor in, to and under any certificate or articles of incorporation, bylaws or other organizational document of any partnership or limited liability company to which it is a party, and any distribution of property made on, in respect of or in exchange for the foregoing from time to time, including in each case those interests set forth on Schedule VI, to the extent such interests are not certificated.

"Secured Obligations" has the meaning set forth in Section 2.02.

"Secured Party" has the meaning set forth in the Preamble.

Section 1.02 Certain Terms.

(a) The following terms have the meanings given to them in the UCC and terms used herein without definition that are defined in the UCC have the meanings given to them in the UCC: "account", "account debtor", "as-extracted collateral", "certificated security", "chattel paper", "commercial tort claim", "commodity contract", "deposit account", "electronic chattel paper", "equipment", "farm products", "fixture", "general intangible", "goods", "health-care-insurance receivable", "instruments", "inventory", "investment property", "letter-of-credit right", "proceeds", "record", "securities account", "security" and "tangible chattel paper".

(b) Initially capitalized terms used herein without definition are used as defined in the Credit Agreement including, "Business Day", "Capital Lease", "Closing Date", "Collections", "Computer Software", "Contractual Obligation", "Control Account", "Copyrights", "Credit Document", "Default", "Event of Default", "Governmental Body", "Intellectual Property", "Knowledge", "Law", "Lien", "Marks", "Note", "Obligations", "Patents", "Permits", "Person", "Permitted Lien", "Subsidiary", "Textron Agent", "Textron Facility", "Textron Lenders", "Support Obligations", "UCC" and "Weekly Budget".

ARTICLE II
GRANT OF SECURITY INTEREST

Section 2.01 Collateral.

(a) For the purposes of this Agreement, all assets (other than the Equity Interests of and in Countryplace Acceptance Corporation) of any Grantor (other than a Limited Pledgor), whether presently existing or owned or hereafter arising or acquired, of any kind or nature and wherever located, in which a Grantor (other than a Limited Pledgor) now has or at any time in the future may acquire any right, title or interests, including all of the following property, is collectively referred to as the "All Assets Collateral":

(i) all accounts, chattel paper (including electronic chattel paper), deposit accounts, documents (as defined in the UCC), equipment, general intangibles, instruments, inventory, investment property and any Support Obligations related thereto;

(ii) the commercial tort claims described on Schedule II and on any supplement thereto received by the Secured Party pursuant to Section 4.08;

(iii) all property of such Grantor held by the Secured Party, including all property of every description, in the custody of or in transit to the Secured Party for any purpose, including safekeeping, collection or pledge, for the account of such Grantor or as to which such Grantor may have any right or power, including but not limited to cash;

(iv) all other goods (including but not limited to fixtures) and personal property of such Grantor, whether tangible or intangible and wherever located;

(v) all books, records and other documentation pertaining to the other property described in this Section 2.01; and

(vi) to the extent not otherwise included, all proceeds of the foregoing;

(b) For the purposes of this Agreement, all of the following property, whether presently existing or owned or hereafter arising or acquired and wherever located, by a Limited Pledgor, or in which a Limited Pledgor now has or at any time in the future may acquire any right, title or interests is collectively referred to as the "Limited Collateral" and, together with the All Assets Collateral, the "Collateral":

(i) all Pledged Equity Interests in each Pledged Entity;

(ii) all rights, interests and claims with respect to the Pledged Equity Interests in each Pledged Entity, including under any and all Pledged Collateral Agreement with respect to such Pledged Entity;

(iii) all books, records and other documentation pertaining to the other property described in this Section 2.01(b);

(iv) to the extent not otherwise included, all proceeds of the foregoing;

Section 2.02 Grant of Security Interest in Collateral. Each Grantor, as collateral security for the prompt and complete payment and performance when due (whether at stated maturity, by acceleration or otherwise) of the Obligations of such Grantor (the "Secured Obligations"), hereby mortgages, pledges and hypothecates to the Secured Party, and grants to the Secured Party a Lien on and security interest in, all of its right, title and interest in, to and under the Collateral of such Grantor.

ARTICLE III
REPRESENTATIONS AND WARRANTIES

To induce the Secured Party to enter into the Credit Documents, each Grantor hereby, jointly and severally, represents and warrants to the Secured Party on the date hereof and on each date that a Weekly Budget is delivered pursuant to the Credit Agreement, that:

Section 3.01 Title; No Other Liens. Except for Permitted Liens (other than those not permitted to exist on any Collateral), such Grantor has good and marketable title to all properties and assets, tangible and intangible, owned by it, and each Grantor has rights in and power to transfer each item of the Collateral upon which it purports to grant a Lien hereunder free and clear of any and all Liens other than the Liens created and permitted in favor of the Secured Party by the Credit Documents and the Permitted Liens. No Grantor is in possession of any equipment or other tangible asset that is owned by another Person. None of the assets of any Grantor is in the possession or under the control of any other Person.

Section 3.02 Perfection and Priority. The security interest granted pursuant to this Agreement constitutes a valid and continuing perfected security interest in favor of the Secured Party in all Collateral. Such security interest is prior to all other Liens on the Collateral (except for Permitted Liens). Except as set forth in this Section 3.02, all actions by such Grantor

necessary or desirable to protect and perfect the Lien granted hereunder on the Collateral have been duly taken. No authorization, approval or consent is required to obtained from any Governmental Body or other Person for the grant of the security interest herein, the perfection thereof or the exercise by the Secured Party of its rights and remedies hereunder (other than the exercise by the Secured Party of any rights or remedies with respect to the Initial Limited Pledgors and Subsidiaries which would result in a change of control requiring prior insurance regulatory approval from applicable insurance regulatory agencies having jurisdiction over such Initial Limited Pledgors and Subsidiaries).

Section 3.03 Jurisdiction of Organization; Chief Executive Office. Such Grantor's jurisdiction of organization, legal name and organizational identification number, if any, and the location of such Grantor's chief executive office or sole place of business, in each case as of the date hereof, is specified on Schedule III and such Schedule III also lists all jurisdictions of incorporation, legal names and locations of such Grantor's chief executive office or sole place of business for the five years preceding the date hereof.

Section 3.04 Locations of Books and Records. On the date hereof, such Grantor's books and records concerning the Collateral are kept at the locations listed on Schedule IV.

Section 3.05 Pledged Collateral.

(a) The Pledged Equity Interests pledged by such Grantor hereunder (i) is listed on Schedule VI and constitutes that percentage of the issued and outstanding equity of all classes of each issuer thereof as set forth on Schedule VI, (ii) has been duly authorized, validly issued and is fully paid and nonassessable (other than Pledged Equity Interests in limited liability companies and partnerships) and (iii) constitutes the legal, valid and binding obligation of the obligor with respect thereto, enforceable in accordance with its terms.

(b) As of the Closing Date, all Pledged Collateral (other than Pledged Uncertificated Equity Interests) and all Pledged Investment Property constituting Collateral consisting of instruments and certificates has been delivered to the Secured Party in accordance with Section 4.03(a).

(c) Upon the occurrence and during the continuance of an Event of Default, the Secured Party shall be entitled to exercise all of the rights of the Grantor granting the security interest in any Pledged Equity Interests constituting Collateral, and a transferee or assignee of such Pledged Equity Interests shall become a holder of such Pledged Equity Interests to the same extent as such Grantor and be entitled to participate in the management of the issuer of such Pledged Equity Interests and, upon the transfer of the entire interest of such Grantor, such Grantor shall, by operation of law, cease to be a holder of such Pledged Equity Interests; *provided* that Lender shall not exercise this remedy with respect to the Initial Limited Pledgors and their direct Subsidiaries to the extent (and only for so long as) the exercise of the remedy granted in this Section 3.05(c) would require insurance regulatory approval from any applicable insurance regulatory agency having jurisdiction over such Initial Limited Pledgor or Subsidiary; *provided further* that the Secured Party shall be entitled to pursue all such regulatory approvals including, by using the powers granted it in Section 7.01.

(d) Except as set forth in Schedule VI and any certificate or articles of incorporation, bylaws or other organizational document of any Grantor, there are no (i) Pledged Collateral Agreements which affect or relate to the voting or giving of written consents with respect to any of the Pledged Collateral and (ii) restrictions on the transferability of the Pledged Collateral to Secured Party or with respect to the foreclosure, transfer or disposition thereof by Secured Party. Each Pledged Collateral Agreement contains the entire agreement between the parties thereto with respect to the subject matter thereof, has not been amended or modified, and is in full force and effect in accordance with its terms. To the best Knowledge of such Grantor, there exists no material violation or material default under any Pledged Collateral Agreement by such Grantor or the other parties thereto. Such Grantor has not knowingly waived or released any of its material rights under or otherwise consented to a material departure from the terms and provisions of any Pledged Collateral Agreement.

(e) No control agreements exist with respect to any Collateral other than Control Agreement in favor of the Secured Party and Control Agreements in favor of the Textron Agent and the Textron Lenders in connection with the Textron Facility.

Section 3.06 Instruments and Tangible Chattel Paper Formerly Accounts. No amount payable to such Grantor under or in connection with any account constituting Collateral is evidenced by any instrument or tangible chattel paper that has not been delivered to the Secured Party, properly endorsed for transfer, to the extent delivery is required by Section 4.05(a).

Section 3.07 Intellectual Property.

(a) Schedule VII sets forth a true and complete list of the following Intellectual Property constituting Collateral such Grantor owns, licenses or otherwise has the right to use: (i) Intellectual Property that is registered or subject to applications for registration, (ii) Internet domain names and (iii) Intellectual Property and material Computer Software, separately identifying that owned and licensed to such Grantor and including for each of the foregoing items (A) the owner, (B) the title, (C) the jurisdiction in which such item has been registered or otherwise arises or in which an application for registration has been filed, (D) as applicable, the registration or application number and registration or application date and (E) any licenses and sublicenses held by any Grantor as licensee pertaining to Intellectual Property of any other Person or other rights (including franchises) granted by the Grantor with respect thereto.

(b) On the Closing Date, all Intellectual Property constituting Collateral owned by such Grantor is valid, in full force and effect, subsisting, unexpired and enforceable, and no Intellectual Property constituting Collateral has been abandoned. No breach or default of any material license or sublicense held by any Grantor as licensee pertaining to Intellectual Property of any other Person or other right (including franchises) constituting Collateral shall be caused by any of the following, and none of the following shall limit or impair the ownership, use, validity or enforceability of, or any rights of such Grantor in, any Intellectual Property constituting Collateral: (i) the consummation of the transactions contemplated by any Credit Document or (ii) any holding, decision, judgment or order rendered by any Governmental Body. There are no pending (or, to the Knowledge of such Grantor, threatened) actions, investigations, suits, proceedings, audits, claims, demands, orders or disputes challenging the ownership, use,

validity, enforceability of, or such Grantor's rights in, any Intellectual Property constituting Collateral of such Grantor. To such Grantor's Knowledge, no Person has been or is infringing, misappropriating, diluting, violating or otherwise impairing any Intellectual Property constituting Collateral of such Grantor. Such Grantor, and to such Grantor's Knowledge each other party thereto, is not in material breach or default of any material license or sublicense held by any Grantor as licensee pertaining to Intellectual Property of any other Person or other right (including franchises) constituting Collateral.

Section 3.08 Commercial Tort Claims. The only commercial tort claims of the Grantors existing on the date hereof (regardless of whether the amount, defendant or other material facts can be determined and regardless of whether such commercial tort claim has been asserted, threatened or has otherwise been made known to the obligee thereof or whether litigation has been commenced for such claims) are those listed on Schedule II.

Section 3.09 Specific Collateral. None of the Collateral is, or is proceeds or products of, farm products, as-extracted collateral, health-care-insurance receivables or timber to be cut.

Section 3.10 Enforcement. No Permit, notice to or filing with any Governmental Body or any other Person or any consent from any Person is required for the exercise by the Secured Party of its rights (including voting rights) provided for in this Agreement or the enforcement of remedies in respect of the Collateral pursuant to this Agreement, including the transfer of any Collateral, except as may be required in connection with the disposition of any portion of the Pledged Collateral by laws affecting the offering and sale of securities generally or any approvals that may be required to be obtained from any bailees or landlords to collect the Collateral.

Section 3.11 Representations and Warranties of the Credit Agreement. The representations and warranties made by each Grantor in ARTICLE IV of the Credit Agreement (all of which are hereby incorporated herein by reference) are true and correct on each of the dates as required by the Credit Agreement.

ARTICLE IV
COVENANTS

Each Grantor agrees with the Secured Party to the following, as long as any Secured Obligation remains outstanding:

Section 4.01 Maintenance of Perfected Security Interest; Further Documentation and Consents.

(a) Generally. Such Grantor shall (i) not use or permit any Collateral to be used unlawfully or in violation of any provision of any Credit Document, any Related Document, any requirement of law or any policy of insurance covering the Collateral and (ii) not enter into any Contractual Obligation or undertaking restricting the right or ability of such Grantor or the Secured Party to dispose of any Collateral if such restriction would have a Material Adverse Effect.

(b) Such Grantor shall maintain the security interest created by this Agreement as a perfected security interest having at least the priority described in Section 3.02

and shall defend such security interest and such priority against the claims and demands of all Persons (other than holders of Permitted Liens).

(c) Grantor shall furnish to the Secured Party from time to time statements and schedules further identifying and describing the Collateral and such other documents in connection with the Collateral as the Secured Party may reasonably request, all in reasonable detail and in form and substance satisfactory to the Secured Party.

(d) At any time and from time to time, upon the written request of the Secured Party, such Grantor shall, for the purpose of obtaining or preserving the full benefits of this Agreement and of the rights and powers herein granted, (i) promptly and duly execute and deliver, and have recorded, such further documents, including an authorization to file (or, as applicable, the filing) of any financing statement or amendment under the UCC (or other filings under similar requirements of law) in effect in any jurisdiction with respect to the security interest created hereby and (ii) take such further action as the Secured Party may reasonably request, including (A) using its commercially reasonable efforts to secure all approvals necessary or appropriate for the assignment to or for the benefit of the Secured Party of any Contractual Obligation, including any license or sublicense held by any Grantor as licensee pertaining to Intellectual Property of any other Person or other right (including franchises), held by such Grantor and to enforce the security interests granted hereunder and (B) executing and delivering any Control Agreements with respect to deposit accounts and securities accounts.

(e) No Grantor shall, without the prior written consent of the Secured Party, take any action or cause any party to take any action to terminate, amend or otherwise modify any financing statement, or other security filing.

Section 4.02 Changes in Locations, Name, Etc. Except upon 30 days' prior written notice to the Secured Party and delivery to the Secured Party of all documents reasonably requested by the Secured Party to maintain the validity, perfection and priority of the security interests provided for herein, such Grantor shall not do any of the following:

(i) change its jurisdiction of organization or its location, in each case from that referred to in Section 3.03; or

(ii) change its legal name or organizational identification number, if any, or corporation, limited liability company, partnership or other organizational structure to such an extent that any financing statement filed in connection with this Agreement would become misleading.

Section 4.03 Pledged Collateral.

(a) Delivery of Pledged Collateral. Such Grantor shall (i) deliver to the Secured Party, in suitable form for transfer and in form and substance satisfactory to the Secured Party, (A) all Pledged Certificated Equity Interests constituting Collateral of such Grantor, (B) all Pledged Debt Instruments constituting Collateral of such Grantor (other than intercompany Pledged Debt Instruments by a Grantor to another Grantor) and (C) all certificates and instruments evidencing Pledged Investment Property constituting Collateral of such Grantor and (ii) maintain all other Pledged Investment Property constituting Collateral of such Grantor in a

securities account that is the subject of an effective Control Agreement maintained with a securities intermediary approved by the Secured Party.

(b) Event of Default. During the continuance of an Event of Default, the Secured Party shall have the right, at any time in its discretion and without notice to the Grantor, to transfer to or to register in its name or in the name of its nominees any Pledged Collateral or any Pledged Investment Property constituting Collateral of such Grantor.

(c) Exchange and Issuance of Certificates. The Secured Party shall have the right, at any time in its discretion and without notice to the Grantor, to exchange any certificate or instrument representing or evidencing any Pledged Collateral or any Pledged Investment Property constituting Collateral for certificates or instruments of smaller or larger denominations. Upon the request of the Secured Party, such Grantor shall cause certificates to be issued in respect of any Pledged Uncertificated Equity Interests constituting Collateral.

(d) Cash Distributions with respect to Pledged Collateral. As provided in ARTICLE V, such Grantor shall be entitled to receive all cash distributions paid in respect of the Pledged Collateral.

(e) Voting Rights. Except as provided in ARTICLE V, such Grantor shall be entitled to exercise all voting, consent and corporate, partnership, limited liability company and similar rights with respect to the Pledged Collateral; *provided*, *however*, that no vote shall be cast, consent given or right exercised or other action taken by such Grantor that would impair the Collateral or be inconsistent with or result in any violation of any provision of any Credit Document.

(f) Certification of Pledged Equity Interests.

(i) Such Grantor shall comply with all of its obligations under any Pledged Collateral Agreements to which it is a party and shall enforce all of its rights thereunder.

(ii) If requested by Lender, such Grantor will take all actions necessary to cause each Pledged Collateral Agreement relating to Collateral consisting of any and all limited, limited liability and general partnership interests and limited liability company interests of any type or nature ("Partnership and LLC Collateral") to provide specifically at all times that: (A) the Partnership and LLC Collateral shall be securities and shall be governed by Article 8 of the applicable UCC; (B) each certificate of membership or partnership representing the Partnership and LLC Collateral shall bear a legend to the effect that such membership interest or partnership interest is a security and is governed by Article 8 of the applicable UCC; and (C) no consent of any member, manager, partner or other Person shall be a condition to the admission as a member or partner of any transferee that acquires ownership of the Partnership and LLC Collateral as a result of the exercise by Secured Party of any remedy hereunder or under applicable law.

(iii) Such Grantor shall not vote to enable or take any other action to amend or terminate, or waive compliance with any of the terms of, any Pledged

Collateral Agreement, certificate or articles of incorporation, bylaws or other organizational documents, or otherwise cast any vote or grant or give any consent, waiver or ratification in respect of the Pledged Collateral, in any way that materially changes the rights of such Grantor with respect to any such Pledged Collateral in a manner adverse to the Secured Party or that adversely affects the validity, perfection or priority of the Secured Party's security interest therein.

Section 4.04 Accounts. Such Grantor shall not, other than in the ordinary course of business, (i) grant any extension of the time of payment of any account constituting Collateral, (ii) compromise or settle any such account for less than the full amount thereof, (iii) release, wholly or partially, any Person liable for the payment of any such account, (iv) allow any credit or discount on any such account or (v) amend, supplement or modify any such account in any manner that could adversely affect the value thereof.

Section 4.05 Delivery of Instruments and Tangible Chattel Paper and Control of Investment Property, Letter-of-Credit Rights and Electronic Chattel Paper.

(a) If any amount payable under or in connection with any Collateral owned by such Grantor shall be or become evidenced by an instrument or tangible chattel paper other than such instrument delivered in accordance with Section 4.03(a) and in the possession of the Secured Party, such Grantor shall mark all such instruments and tangible chattel paper with the following legend: "This writing and the obligations evidenced or secured hereby are subject to the security interest of Fleetwood Homes, Inc., as Lender" and, at the request of the Secured Party, shall immediately deliver such instrument or tangible chattel paper to the Secured Party, duly indorsed in a manner satisfactory to the Secured Party.

(b) Such Grantor shall not grant "control" (within the meaning of such term under Article 47-9106 of the UCC) over any investment property constituting Collateral to any Person.

(c) If such Grantor is or becomes the beneficiary of a letter of credit constituting Collateral that is not a Support Obligation of any Collateral, such Grantor shall promptly, and in any event within two Business Days after becoming a beneficiary, notify the Secured Party thereof and enter into a Contractual Obligation with the Secured Party, the issuer of such letter of credit or any nominated Person with respect to the letter-of-credit rights under such letter of credit. Such Contractual Obligation shall assign such letter-of-credit rights to the Secured Party and such assignment shall be sufficient to grant control for the purposes of section 47-9107 of the UCC (or any similar section under any equivalent UCC). Such Contractual Obligation shall also direct all payments thereunder to a Control Account. The provisions of the Contractual Obligation shall be in form and substance reasonably satisfactory to the Secured Party.

(d) If any Collateral owned by such Grantor shall be or become evidenced by electronic chattel paper, such Grantor shall take all steps necessary to grant the Secured Party control of all such electronic chattel paper for the purposes of section 9-105 of the UCC (or any similar section under any equivalent UCC) and all "transferable records" as defined in each of

the Uniform Electronic Transactions Act and the Electronic Signatures in Global and National Commerce Act.

Section 4.06 Intellectual Property.

(a) Within 60 days after any change to Schedule VI for such Grantor, such Grantor shall provide the Secured Party notification thereof and the short-form intellectual property agreements and assignments and other documents that the Secured Party reasonably requests with respect thereto.

(b) Such Grantor shall (and shall cause all its licensees to) (i) (A) continue to use each Mark included in the Intellectual Property constituting Collateral in order to maintain such Mark in full force and effect with respect to each class of goods for which such Mark is currently used, free from any claim of abandonment for non-use, (B) maintain at least the same standards of quality of products and services offered under such Mark as are currently maintained, (C) use such Mark with the appropriate notice of registration and all other notices and legends required by applicable requirements of law, (D) not adopt or use any other Mark that is confusingly similar or a colorable imitation of such Mark unless the Secured Party shall obtain a perfected security interest in such other Mark pursuant to this Agreement and (ii) not do any act or omit to do any act whereby (A) such Mark (or any goodwill associated therewith) may become destroyed, invalidated, impaired or harmed in any material way, (B) any material Patent included in the Intellectual Property constituting Collateral may become forfeited, misused, unenforceable, abandoned or dedicated to the public, (C) any portion of the material Copyrights included in the Intellectual Property constituting Collateral may become invalidated, otherwise impaired or fall into the public domain or (D) any trade secret that is material Intellectual Property constituting Collateral may become publicly available or otherwise unprotectable.

(c) Such Grantor shall notify the Secured Party immediately if it knows, or has reason to know, that any application or registration relating to any Intellectual Property constituting Collateral may become forfeited, misused, unenforceable, abandoned or dedicated to the public, or of any adverse determination or development regarding the validity or enforceability or such Grantor's ownership of, interest in, right to use, register, own or maintain any Intellectual Property constituting Collateral (including the institution of, or any such determination or development in, any proceeding relating to the foregoing in any Applicable IP Office). Such Grantor shall take all actions that are necessary or reasonably requested by the Secured Party to maintain and pursue each application (and to obtain the relevant registration or recordation) and to maintain each registration and recordation included in the Intellectual Property constituting Collateral.

(d) In the event that any Intellectual Property of such Grantor constituting Collateral is or has been infringed, misappropriated, violated, diluted or otherwise impaired by a third party, such Grantor shall take such action as it reasonably deems appropriate under the circumstances in response thereto, including promptly bringing suit and recovering all damages therefor.

(e) Each Grantor shall take all actions, deliver all documents and provide all information necessary or reasonably requested by the Secured Party to ensure any Internet domain name constituting Collateral is registered.

Section 4.07 Notices. Such Grantor shall promptly notify the Secured Party in writing and with reasonable detail of its acquisition of any interest hereafter in property constituting Collateral that is of a type where a security interest or lien must be or may be registered, recorded or filed under, or notice thereof given under, any federal statute or regulation. Such Grantor agrees to notify the Secured Party of any other event which could reasonably be expected to have a Material Adverse Effect on the aggregate value of the Collateral or on the Liens created hereunder or under any other Credit Document.

Section 4.08 Notice of Commercial Tort Claims. Such Grantor agrees that, if it shall acquire any interest in any commercial tort claim (whether from another Person or because such commercial tort claim shall have come into existence) constituting Collateral, (i) such Grantor shall, immediately upon such acquisition, deliver to the Secured Party, in each case in form and substance satisfactory to the Secured Party, a notice of the existence and nature of such commercial tort claim and a supplement to Schedule II containing a specific description of such commercial tort claim, (ii) Section 2.01(a) shall apply to such commercial tort claim and (iii) such Grantor shall execute and deliver to the Secured Party, in each case in form and substance satisfactory to the Secured Party, any document, and take all other action, deemed by the Secured Party to be reasonably necessary or appropriate for the Secured Party to obtain a perfected security interest having at least the priority set forth in Section 3.02 in all such commercial tort claims. Any supplement to Schedule II delivered pursuant to this Section 4.08 shall, after the receipt thereof by the Secured Party, become part of Schedule II for all purposes hereunder other than in respect of representations and warranties made prior to the date of such receipt.

Section 4.09 Compliance with Credit Agreement. Such Grantor agrees to comply with all covenants and other provisions applicable to it under the Credit Agreement (all of which are hereby incorporated herein by reference) and agrees to the same submission to jurisdiction as that agreed to by each Grantor in the Credit Agreement.

ARTICLE V
REMEDIAL PROVISIONS

Section 5.01 Code and Other Remedies.

(a) UCC Remedies. During the continuance of an Event of Default, the Secured Party may exercise, in addition to all other rights and remedies granted to it in this Agreement and in any other instrument or agreement securing, evidencing or relating to any Secured Obligation, all rights and remedies of a secured party under the UCC or any other applicable law.

(b) Disposition of Collateral. Without limiting the generality of the foregoing, the Secured Party may, without demand of performance or other demand, presentment, protest, advertisement or notice of any kind (except any notice required by law referred to below) to or upon any Grantor or any other Person (all and each of which demands, defenses, advertisements

and notices are hereby expressly waived to the maximum extent permitted by the Code and other applicable law), during the continuance of any Event of Default (personally or through its agents or attorneys), (i) enter upon the premises where any Collateral is located, without any obligation to pay rent, through self-help, without judicial process, without first obtaining a final judgment or giving any Grantor or any other Person notice or opportunity for a hearing on the Secured Party's claim or action, (ii) take possession of, collect, receive, assemble, process, appropriate, remove and realize upon any Collateral, or any part thereof, and (iii) sell, lease, license, assign, dispose of, grant option or options to purchase and deliver any Collateral (enter into Contractual Obligations to do any of the foregoing), in one or more parcels at public or private sale or sales, at any exchange, broker's board or office of the Secured Party or elsewhere upon such terms and conditions as it may deem advisable and at such prices as it may deem best, for cash or on credit or for future delivery without assumption of any credit risk. The Secured Party shall have the right, upon any such public sale or sales and, to the extent permitted by the UCC and other applicable requirements of law, upon any such private sale, to purchase the whole or any part of the Collateral so sold, free of any right or equity of redemption of any Grantor, which right or equity is hereby waived and released.

(c) Management of the Collateral. Each Grantor further agrees, that, during the continuance of any Event of Default, (i) at the Secured Party's request, it shall assemble the Collateral and make it available to the Secured Party at places that the Secured Party shall reasonably select, whether at such Grantor's premises or elsewhere, (ii) without limiting the foregoing, the Secured Party also has the right to require that each Grantor store and keep any Collateral pending further action by the Secured Party and, while any such Collateral is so stored or kept, provide such guards and maintenance services as shall be necessary to protect the same and to preserve and maintain such Collateral in good condition, (iii) until the Secured Party is able to dispose of any Collateral, the Secured Party shall have the right to hold or use such Collateral to the extent that it deems appropriate for the purpose of preserving the Collateral or its value or for any other purpose deemed appropriate by the Secured Party and (iv) the Secured Party may, if it so elects, seek the appointment of a receiver or keeper to take possession of any Collateral and to enforce any of the Secured Party's remedies, with respect to such appointment without prior notice or hearing as to such appointment. The Secured Party shall not have any obligation to any Grantor to maintain or preserve the rights of any Grantor as against third parties with respect to any Collateral while such Collateral is in the possession of the Secured Party.

(d) Application of Proceeds. The Secured Party shall apply the cash proceeds of any action taken by it pursuant to this Section 5.01, after deducting all reasonable costs and expenses of every kind incurred in connection therewith or incidental to the care or safekeeping of any Collateral or in any way relating to the Collateral or the rights of the Secured Party hereunder, including reasonable attorneys' fees and disbursements, to the payment in whole or in part of the Secured Obligations, as set forth in the Credit Agreement, and only after such application and after the payment by the Secured Party of any other amount required by any requirement of law, need the Secured Party account for the surplus, if any, to any Grantor.

(e) Direct Obligation. The Secured Party shall not be required to make any demand upon, or pursue or exhaust any right or remedy against, any Grantor or any other Person with respect to the payment of the Secured Obligations or to pursue or exhaust any right or remedy with respect to any Collateral therefor or any direct or indirect guaranty thereof. All of

the rights and remedies of the Secured Party under any Credit Document shall be cumulative, may be exercised individually or concurrently and not exclusive of any other rights or remedies provided by any requirement of law. To the extent it may lawfully do so, each Grantor absolutely and irrevocably waives and relinquishes the benefit and advantage of, and covenants not to assert against the Secured Party, any valuation, stay, appraisement, extension, redemption or similar laws and any and all rights or defenses it may have as a surety, now or hereafter existing, arising out of the exercise by them of any rights hereunder. If any notice of a proposed sale or other disposition of any Collateral shall be required by law, such notice shall be deemed reasonable and proper if given at least ten days before such sale or other disposition.

(f) Commercially Reasonable. To the extent that applicable requirements of law impose duties on the Secured Party to exercise remedies in a commercially reasonable manner, each Grantor acknowledges and agrees that it is not commercially unreasonable for the Secured Party to do any of the following:

(i) fail to incur significant costs, expenses or other Liabilities reasonably deemed as such by the Secured Party to prepare any Collateral for disposition or otherwise to complete raw material or work in process into finished goods or other finished products for disposition;

(ii) fail to obtain Permits, or other consents, for access to any Collateral to dispose of or for the collection or disposition of any Collateral, or, if not required by other requirements of law, fail to obtain Permits or other consents for the collection or disposition of any Collateral;

(iii) fail to exercise remedies against account debtors or other Persons obligated on any Collateral or to remove Liens on any Collateral or to remove any adverse claims against any Collateral;

(iv) advertise dispositions of any Collateral through publications or media of general circulation, whether or not such Collateral is of a specialized nature or to contact other Persons, whether or not in the same business as any Grantor, for expressions of interest in acquiring any such Collateral;

(v) exercise collection remedies against account debtors and other Persons obligated on any Collateral, directly or through the use of collection agencies or other collection specialists, hire one or more professional auctioneers to assist in the disposition of any Collateral, whether or not such Collateral is of a specialized nature or, to the extent deemed appropriate by the Secured Party, obtain the services of other brokers, investment bankers, consultants and other professionals to assist the Secured Party in the collection or disposition of any Collateral, or utilize Internet sites that provide for the auction of assets of the types included in the Collateral or that have the reasonable capacity of doing so, or that match buyers and sellers of assets to dispose of any Collateral;

(vi) dispose of assets in wholesale rather than retail markets;

(vii) disclaim disposition warranties, such as title, possession or quiet enjoyment; or

(viii) purchase insurance or credit enhancements to insure the Secured Party against risks of loss, collection or disposition of any Collateral or to provide to the Secured Party a guaranteed return from the collection or disposition of any Collateral.

Each Grantor acknowledges that the purpose of this Section 5.01 is to provide a non-exhaustive list of actions or omissions that are commercially reasonable when exercising remedies against any Collateral and that other actions or omissions by the Secured Party shall not be deemed commercially unreasonable solely on account of not being indicated in this Section 5.01. Without limitation upon the foregoing, nothing contained in this Section 5.01 shall be construed to grant any rights to any Grantor or to impose any duties on the Secured Party that would not have been granted or imposed by this Agreement or by applicable requirements of law in the absence of this Section 5.01.

(g) License. For the purpose of enabling the Secured Party to exercise rights and remedies under this Section 5.01 (including in order to take possession of, collect, receive, assemble, process, appropriate, remove, realize upon, dispose of or grant options to purchase any Collateral) at such time as the Secured Party shall be lawfully entitled to exercise such rights and remedies, each Grantor hereby grants to the Secured Party an irrevocable, nonexclusive, worldwide license (exercisable without payment of royalty or other compensation to such Grantor), including in such license the right to sublicense, use and practice any Intellectual Property constituting Collateral now owned or hereafter acquired by such Grantor and access to all media in which any of the licensed items may be recorded or stored and to all Computer Software and programs used for the compilation or printout thereof.

Section 5.02 Control Account and Collections.

(a) From and after the Closing Date, each Grantor shall cause all Collections and any other payments in respect of the Collateral to be remitted to the Control Account in accordance with the requirements of the Credit Agreement. Until so remitted, such funds shall be held by such Grantor in trust for the Secured Party, segregated from other funds of such Grantor. All proceeds being held by the Secured Party in a Control Account (or by such Grantor in trust for the Secured Party) shall continue to be held as collateral security for the Secured Obligations and shall not constitute payment thereof until released as provided in the Credit Agreement. Each Grantor hereby authorizes Secured Party to collect all payments, checks, drafts and other instruments addressed to such Borrower and to withdraw and hold in reserve or release such funds pursuant to the terms of the Credit Agreement and, during the occurrence and continuance of an Event of Default, to apply such funds against the Secured Obligations. Each Grantor acknowledges and agrees that the Secured Party shall have sole and exclusive control of the Control Account until the Secured Obligations have been paid in full.

(b) Each Grantor shall, upon the Secured Party's request, deliver to the Secured Party all original and other documents evidencing, and relating to, the Contractual Obligations constituting Collateral and transactions that gave rise to any account constituting

Collateral or any payment in respect of general intangibles constituting Collateral, including all original orders, invoices and shipping receipts and notify account debtors that such accounts or general intangibles have been collaterally assigned to the Secured Party and that payments in respect thereof shall be made directly to the Secured Party.

(c) The Secured Party may, without notice, at any time, in its own name or in the name of others, communicate with account debtors or and any other payors in respect of general intangibles constituting Collateral or obligors with respect thereto to verify with them to the Secured Party's satisfaction the existence, amount and terms of any such Collateral or direct such account debtors or obligors to make all payments directly to the Secured Party or as the Secured Party shall direct. Upon request of the Secured Party, Grantors shall provide to the Secured Party signed, undated notices, on such Grantor's letterhead, notifying account debtors or obligors of the Grantors that all future payments shall be made to the Control Account and such account debtors and obligors shall no longer to make payment to such Grantor, but to make payment directly to the Secured Party or as the Secured Party shall direct.

(d) Anything herein to the contrary notwithstanding, each Grantor shall remain liable under each account and each payment in respect of general intangibles to observe and perform all the conditions and obligations to be observed and performed by it thereunder, all in accordance with the terms of any agreement giving rise thereto. The Secured Party shall not have any obligation or liability under any agreement giving rise to an account or a payment in respect of a general intangible by reason of or arising out of any Credit Document or the receipt by the Secured Party of any payment relating thereto, nor shall the Secured Party be obligated in any manner to perform any obligation of any Grantor under or pursuant to any agreement giving rise to an account or a payment in respect of a general intangible, to make any payment, to make any inquiry as to the nature or the sufficiency of any payment received by it or as to the sufficiency of any performance by any party thereunder, to present or file any claim, to take any action to enforce any performance or to collect the payment of any amounts that may have been assigned to it or to which it may be entitled at any time or times.

Section 5.03 Pledged Collateral.

(a) Voting Rights. During the continuance of an Event of Default, upon notice by the Secured Party to the relevant Grantor or Grantors, the Secured Party or its nominee may exercise (A) any voting, consent, corporate and other right pertaining to the Pledged Collateral at any meeting of shareholders, partners or members, as the case may be, of the relevant issuer or issuers of such Pledged Collateral or otherwise and (B) any right of conversion, exchange and subscription and any other right, privilege or option pertaining to the Pledged Collateral as if it were the absolute owner thereof (including the right to exchange at its discretion any such Pledged Collateral upon the merger, amalgamation, consolidation, reorganization, recapitalization or other fundamental change in the corporate or equivalent structure of any issuer of Pledged Equity Interests constituting Collateral, the right to deposit and deliver any such Pledged Collateral with any committee, depositary, transfer agent, registrar or other designated agency upon such terms and conditions as the Secured Party may determine), all without liability except to account for property actually received by it; *provided, however,* that the Secured Party shall have no duty to any Grantor to exercise any such right, privilege or option and shall not be responsible for any failure to do so or delay in so doing.

(b) Proxies. During the occurrence and continuance of an Event of Default, in order to permit the Secured Party to exercise the voting and other consensual rights that it may be entitled to exercise pursuant hereto and to receive all dividends and other distributions that it may be entitled to receive hereunder, (i) each Grantor shall promptly execute and deliver (or cause to be executed and delivered) to the Secured Party all such proxies, dividend payment orders and other instruments as the Secured Party may from time to time reasonably request and (ii) without limiting the effect of clause (i) above, such Grantor hereby revokes all previous proxies with respect to the Pledged Collateral and grants to the Secured Party an irrevocable proxy to vote all or any part of the Pledged Collateral and to exercise all other rights, powers, privileges and remedies to which a holder of such Pledged Collateral would be entitled (including giving or withholding written consents of shareholders, partners or members, as the case may be, calling special meetings of shareholders, partners or members, as the case may be, and voting at such meetings), which proxy shall be effective, automatically and without the necessity of any action (including any transfer of any such Pledged Collateral on the record books of the issuer thereof) by any other Person (including the issuer of such Pledged Collateral or any officer or agent thereof) during the continuance of an Event of Default and which proxy shall only terminate upon the payment in full of the Secured Obligations.

(c) Authorization of Grantors. Each Grantor hereby expressly irrevocably authorizes and instructs, without any further instructions from such Grantor, each issuer of any Pledged Collateral pledged hereunder by such Grantor to (i) comply with any instruction received by it from the Secured Party in writing that states that an Event of Default is continuing and is otherwise in accordance with the terms of this Agreement and each Grantor agrees that such issuer shall be fully protected from Liabilities to such Grantor in so complying and (ii) unless otherwise expressly permitted hereby, pay any dividend or make any other payment with respect to such Pledged Collateral directly to the Secured Party.

(d) Liability. Anything herein to the contrary notwithstanding, (i) each Grantor shall remain liable under any Pledged Collateral Agreement and any other contracts, agreements and other documents to which it is a party included in the Collateral, to the extent set forth therein, to perform all of its duties and obligations thereunder to the same extent as if this Agreement had not been executed, (ii) the exercise by the Secured Party of any of the rights hereunder shall not release any Grantor from any of its duties or obligations under any such Pledged Collateral Agreement or other contracts, agreements and other documents, and (iii) the Secured Party shall not have any obligation or liability under any such Pledged Collateral Agreements or other contracts, agreements and other documents by reason of this Agreement, nor shall the Secured Party be obligated to perform any of the obligations or duties of any Grantor thereunder or to take any action to collect or enforce any Pledged Collateral Agreements or other such contract, agreement or other document.

Section 5.04 Registration Rights.

(a) If, in the opinion of the Secured Party, it is necessary or advisable to dispose of any portion of the Pledged Collateral by registering such Pledged Collateral under the provisions of the Securities Act of 1933 (the "Securities Act"), each relevant Grantor shall cause the issuer thereof to do or cause to be done all acts as may be, in the opinion of the Secured Party, necessary or advisable to register such Pledged Collateral or that portion thereof to be

disposed of under the provisions of the Securities Act, all as directed by the Secured Party in conformity with the requirements of the Securities Act and the rules and regulations of the Securities and Exchange Commission applicable thereto and in compliance with the securities or "Blue Sky" laws of any jurisdiction that the Secured Party shall designate.

(b) Each Grantor recognizes that the Secured Party may be unable to effect a public sale of any Pledged Collateral by reason of certain prohibitions contained in the Securities Act and applicable state or foreign securities laws or otherwise or may determine that a public sale is impracticable, not desirable or not commercially reasonable and, accordingly, may resort to one or more private sales thereof to a restricted group of purchasers that shall be obliged to agree, among other things, to acquire such securities for their own account for investment and not with a view to the distribution or resale thereof. Each Grantor acknowledges and agrees that any such private sale may result in prices and other terms less favorable than if such sale were a public sale and, notwithstanding such circumstances, agrees that any such private sale shall be deemed to have been made in a commercially reasonable manner. The Secured Party shall be under no obligation to delay a sale of any Pledged Collateral for the period of time necessary to permit the issuer thereof to register such securities for public sale under the Securities Act or under applicable state securities laws even if such issuer would agree to do so.

(c) Each Grantor agrees to use its commercially reasonable efforts to do or cause to be done all such other acts as may be necessary to make such sale or sales of any portion of the Pledged Collateral pursuant to this Section 5.04 valid and binding and in compliance with all applicable requirements of law. Each Grantor further agrees that a breach of any covenant contained in this Section 5.04 will cause irreparable injury to the Secured Party, that the Secured Party has no adequate remedy at law in respect of such breach and, as a consequence, that each and every covenant contained in this Section 5.04 shall be specifically enforceable against such Grantor, and such Grantor hereby waives and agrees not to assert any defense against an action for specific performance of such covenants except for a defense that no Event of Default has occurred under the Credit Agreement.

Section 5.05 Deficiency. The Grantors, jointly and severally, shall remain liable for any deficiency if the proceeds of any sale or other disposition of any Collateral are insufficient to pay the Secured Obligations and the fees and disbursements of any attorney employed by the Secured Party to collect such deficiency.

ARTICLE VI
SUBORDINATION

Section 6.01 Subordination. Each Grantor agrees that all payments on account of any indebtedness for borrowed money owing to such Grantor by any other Grantor ("Intercompany Debt") shall be subject, subordinate and junior, in right of payment and exercise of remedies, to the indefeasible payment and satisfaction in full of all Secured Obligations, and all Liens (if any) now or hereafter existing in favor of any Grantor in respect of any Collateral shall be subject, subordinate and junior in all respects and at all times to the Liens now or hereafter existing of the Secured Party therein. The Secured Party shall be deemed to have acquired the Secured Obligations in reliance upon this ARTICLE VI.

Section 6.02 Restrictions on Payment and Transfer. Each Grantor agrees (i) not to collect, or to receive payment upon, by setoff or in any other manner, all or any portion of the Intercompany Debt owing to it, except as expressly permitted by the Credit Documents, and (ii) not to sell, assign, transfer, pledge, or grant a Lien on any such Intercompany Debt.

ARTICLE VII
THE ADMINISTRATIVE SECURED PARTY

Section 7.01 The Secured Party's Appointment as Attorney-in-Fact. (a) Each Grantor hereby irrevocably constitutes and appoints the Secured Party and its officers, directors, employees, representatives and agents, with full power of substitution, during the occurrence and continuance of an Event of Default, as its true and lawful attorney-in-fact with full irrevocable power and authority in the place and stead of such Grantor and in the name of such Grantor or in its own name, for the purpose of carrying out the terms of the Credit Documents, to take any appropriate action and to execute any document or instrument that may be necessary or desirable to accomplish the purposes of the Credit Documents, and, without limiting the generality of the foregoing, each Grantor hereby gives the Secured Party and its officers, directors, employees, representatives and agents the power and right, on behalf of such Grantor, without notice to or assent by such Grantor, to do any of the following when an Event of Default shall be continuing:

(i) in the name of such Grantor, in its own name or otherwise, take possession of and indorse and collect any check, draft, note, acceptance or other instrument for the payment of moneys due under any account or general intangible constituting Collateral or with respect to any other Collateral and file any claim or take any other action or proceeding in any court of law or equity or otherwise deemed appropriate by the Secured Party for the purpose of collecting any such moneys due under any account or general intangible constituting Collateral or with respect to any other Collateral whenever payable;

(ii) in the case of any Intellectual Property constituting Collateral owned by or licensed to the Grantors, execute, deliver and have recorded any document that the Secured Party may request to evidence, effect, publicize or record the Secured Party's security interest in such Intellectual Property and the goodwill and general intangibles of such Grantor relating thereto or represented thereby;

(iii) pay or discharge taxes and Liens levied or placed on or threatened against any Collateral, effect any repair or pay any insurance called for by the terms of the Credit Agreement (including all or any part of the premiums therefor and the costs thereof);

(iv) execute, in connection with any sale provided for in Sections Section 5.01 or Section 5.04, any document to effect or otherwise necessary or appropriate in relation to evidence the disposition of any Collateral; or

(v) (A) direct any party liable for any payment under any Collateral to make payment of any moneys due or to become due thereunder directly to the Secured Party or as the Secured Party shall direct, (B) ask or demand for, and collect

and receive payment of and receipt for, any moneys, claims and other amounts due or to become due at any time in respect of or arising out of any Collateral, (C) sign and indorse any invoice, freight or express bill, bill of lading, storage or warehouse receipt, draft against debtors, assignment, verification, notice and other document in connection with any Collateral, (D) commence and prosecute any suit, action or proceeding at law or in equity in any court of competent jurisdiction to collect any Collateral and to enforce any other right in respect of any Collateral, (E) defend any actions, suits, proceedings, audits, claims, demands, orders or disputes brought against such Grantor with respect to any Collateral, (F) settle, compromise or adjust any such actions, suits, proceedings, audits, claims, demands, orders or disputes and, in connection therewith, give such discharges or releases as the Secured Party may deem appropriate, (G) assign any Intellectual Property constituting Collateral owned by the Grantors or any license or sublicense held by any Grantor as licensee pertaining to Intellectual Property of any other Person or other right (including franchises) constituting Collateral of the Grantors throughout the world on such terms and conditions and in such manner as the Secured Party shall in its sole discretion determine, including the execution and filing of any document necessary to effectuate or record such assignment and (H) generally, dispose of, grant a Lien on, make any Contractual Obligation with respect to and otherwise deal with, any Collateral as fully and completely as though the Secured Party were the absolute owner thereof for all purposes and do, at the Secured Party's option, at any time or from time to time, all acts and things that the Secured Party deems necessary to protect, preserve or realize upon any Collateral and the Secured Party's security interests therein and to effect the intent of the Credit Documents, all as fully and effectively as such Grantor might do.

(b) If any Grantor fails to perform or comply with any Contractual Obligation contained herein, the Secured Party, at its option, but without any obligation so to do, may perform or comply, or otherwise cause performance or compliance, with such Contractual Obligation.

(c) The expenses of the Secured Party incurred in connection with actions undertaken as provided in this Section 7.01, together with interest thereon at a rate set forth in Section 2.09 of the Credit Agreement, from the date of payment by the Secured Party to the date reimbursed by the relevant Grantor, shall be payable by such Grantor to the Secured Party on demand. None of the Secured Party, its respective affiliates, officers, directors, employees, agents or representatives shall be responsible to any Grantor for any act or failure to act under any power of attorney or otherwise, except in respect of damages attributable solely to their own gross negligence or willful misconduct as finally determined by a court of competent jurisdiction, nor for any punitive, exemplary, indirect or consequential damages.

(d) Each Grantor hereby ratifies all that said attorneys shall lawfully do or cause to be done by virtue of this Section 7.01. All powers, authorizations and agencies contained in this Agreement are coupled with an interest and are irrevocable until this Agreement is terminated and the security interests created hereby are released.

Section 7.02 Authorization to File Financing Statements. Each Grantor authorizes the Secured Party and its officers, directors, employees, representatives and agents, at any time and

from time to time, to file or record financing statements, amendments thereto, and other filing or recording documents or instruments with respect to any Collateral in such form and in such offices as the Secured Party reasonably determines appropriate to perfect the security interests of the Secured Party under this Agreement, and such financing statements and amendments may described the Collateral covered thereby (other than the Limited Collateral, which description will be specifically drafted) as "all assets of the debtor". A photographic or other reproduction of this Agreement shall be sufficient as a financing statement or other filing or recording document or instrument for filing or recording in any jurisdiction. Such Grantor also hereby ratifies its authorization for the Secured Party to have filed any initial financing statement or amendment thereto under the UCC (or other similar laws) in effect in any jurisdiction if filed prior to the date hereof.

ARTICLE VIII
MISCELLANEOUS

Section 8.01 Reinstatement. This Agreement shall remain in full force and effect and continue to be effective should any petition be filed by or against any Grantor for liquidation or reorganization, should any Grantor become insolvent or make an assignment for the benefit of any creditor or creditors or should a receiver or trustee be appointed for all or any significant part of any Grantor's assets. Moreover, each Grantor agrees that, if any payment made by any Grantor or other Person and applied to the Secured Obligations is at any time annulled, avoided, set aside, rescinded, invalidated, declared to be fraudulent or preferential or otherwise required to be refunded or repaid, or the proceeds of any Collateral are required to be returned by the Secured Party to such Grantor, its estate, trustee, receiver or any other party, including any Grantor, under any bankruptcy law, state or federal law, common law or equitable cause, then, to the extent of such payment or repayment, any Lien or other Collateral securing such liability shall be and remain in full force and effect, as fully as if such payment had never been made. If, prior to any of the foregoing, (i) any Lien or other Collateral securing such Grantor's liability hereunder shall have been released or terminated by virtue of the foregoing or (ii) any provision of the Guaranty hereunder shall have been terminated, cancelled or surrendered, such Lien, other Collateral or provision shall be reinstated in full force and effect and such prior release, termination, cancellation or surrender shall not diminish, release, discharge, impair or otherwise affect the obligations of any such Grantor in respect of any Lien or other Collateral securing such obligation or the amount of such payment.

Section 8.02 Independent Obligations. The obligations of each Grantor hereunder are independent of and separate from the Secured Obligations. If any Secured Obligation is not paid when due, or upon any Event of Default, the Secured Party may, at its sole election, proceed directly and at once, without notice, against any Grantor and any Collateral to collect and recover the full amount of any Secured Obligation then due, without first proceeding against any other Grantor or any other Collateral and without first joining any other Grantor in any proceeding.

Section 8.03 No Waiver by Course of Conduct. The Secured Party shall not by any act (except by a written instrument executed by it), delay, indulgence, omission or otherwise be deemed to have waived any right or remedy hereunder or to have acquiesced in any Default or Event of Default. No failure to exercise, nor any delay in exercising, on the part of the Secured Party, any right, power or privilege hereunder shall operate as a waiver thereof. No single or

partial exercise of any right, power or privilege hereunder shall preclude any other or further exercise thereof or the exercise of any other right, power or privilege. A waiver by the Secured Party of any right or remedy hereunder on any one occasion shall not be construed as a bar to any right or remedy that the Secured Party would otherwise have on any future occasion.

Section 8.04 Amendments in Writing. No amendment or waiver of any provision of this Agreement and no consent to any departure by any party thereto shall be effective unless the same shall be in writing and signed (i) in the case of an amendment, consent or waiver to cure any ambiguity, omission, defect or inconsistency or granting a new Lien for the benefit of the Secured Party or extending an existing Lien over additional property, by the Secured Party and the Grantors or (ii) in the case of any other waiver or consent.

Section 8.05 Additional Grantors; Additional Pledged Collateral.

(a) Joinder Agreements. If, after the date hereof, any of the Grantors create or otherwise acquire any Subsidiary, such Grantor shall promptly cause such Subsidiary that is not a Grantor to become a Grantor hereunder, such Subsidiary shall execute and deliver to the Secured Party a Joinder Agreement substantially in the form of Annex 2 and shall thereafter for all purposes be a party hereto and have the same rights, benefits and obligations as a Grantor party hereto on the Closing Date.

(b) Pledge Amendments. To the extent any Grantor or Limited Pledgor acquires any Pledged Collateral comprising a direct or indirect interest in any Equity Interests, such Grantor or Limited Pledgor shall deliver a pledge amendment duly executed by the Grantor in substantially the form of Annex 1 (each, a "Pledge Amendment") with respect to such Pledged Collateral. Each Grantor and Limited Pledgor authorizes the Secured Party to attach each Pledge Amendment to this Agreement.

Section 8.06 Notices. Any notice or other communication required or permitted hereunder shall be in writing and shall be deemed to have been duly given (a) on the day of delivery if delivered in person, (b) 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), (c) on the first Business Day following the date of dispatch if delivered using a next-day service by a nationally recognized express courier service, or (d) on the earlier of confirmed receipt or the fifth 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 8.06 by the party to receive such notice:

if to the Grantors:

c/o 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 does not constitute notice) to:

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

If to Secured Party:

Fleetwood 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

Robert F. Jordan
Third Avenue Management, LLC
622 Third Avenue
32nd Floor
New York, NY 10017
Facsimile: (212) 735-0003

with a copy (which does not constitute notice) to:

Garth D. Stevens, Esq.
Snell & Wilmer L.L.P.
One Arizona Center
400 East Van Buren
Phoenix, Arizona 85018
Facsimile: (602) 382-6070

Section 8.07 Benefit of Agreement. This Agreement shall be binding upon and inure to the benefit of and be enforceable by the respective successors and assigns of the parties hereto; *provided* that, except in connection with an assignment of the Credit Agreement by Grantors expressly permitted by the terms of the Credit Agreement, the Grantors may not assign or transfer any of its interests without prior written consent of the Secured Party.

Section 8.08 Cumulative Remedies, Etc. No failure or delay on the part of the Secured Party in exercising any right, power or privilege hereunder or under any other Credit Document and no course of dealing between the Secured Party and the Grantors shall operate as a waiver thereof; nor shall any single or partial exercise of any right, power or privilege hereunder or under any other Credit Document preclude any other or further exercise thereof or the exercise of any other right, power or privilege hereunder or thereunder. The rights and remedies provided herein are cumulative and not exclusive of any rights or remedies which the Secured Party would otherwise have. No notice to or demand on the Grantors in any case shall entitle the Grantors to

any other or further notice or demand in similar or other circumstances or constitute a waiver of the rights of the Secured Party to any other or further action in any circumstances without notice or demand.

Section 8.09 Amendments, Waivers and Consents. No amendment or waiver of any provision of this Agreement nor consent to any departure by the Grantors therefrom shall in any event be effective unless the same shall be in writing and signed by the Secured Party, and then any such waiver or consent shall be effective only in the specific instance and for the specific purpose for which given.

Section 8.10 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.

Section 8.11 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.

Section 8.12 Consent to Jurisdiction; Service of Process; Waiver of Jury Trial.

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).

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.

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 on the Closing Date in connection herewith, 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.

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.

Section 8.13 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.

Section 8.14 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.

Section 8.15 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.

[SIGNATURE PAGES FOLLOW]

IN WITNESS WHEREOF, each of the undersigned has caused this Security Agreement to be duly executed and delivered as of the date first above written.

Palm Harbor Homes, Inc., a Florida corporation, as a Grantor

By: /s/ Larry Keener
Name: Larry H. Keener
Title: President and CEO

Palm Harbor GenPar, LLC, a Nevada limited liability company, as a Grantor

By: /s/ Larry Keener
Name: Larry H. Keener
Title: President

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

By: /s/ Larry Keener
Name: Larry H. Keener
Title: President

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

By: /s/ Larry Keener
Name: Larry H. Keener
Title: President of Sole Member

Nationwide Homes, Inc., a Delaware corporation, as a Grantor

By: /s/ Larry Keener
Name: Larry H. Keener
Title: Chairman

Palm Harbor Albemarie, LLC, a Delaware corporation, as a Grantor

By: /s/ Larry Keener
Name: Larry H. Keener
Title: President

ACKNOWLEDGED AND AGREED
as of the date first above written:

Fleetwood Homes, Inc., a Delaware corporation, as Secured Party

By: /s/ Joseph H. Stegmayer
Name: Joseph H. Stegmayer
Title: Vice President

Exhibit 10.3

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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EXHIBITS

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: /s/ Larry Keener
Name: Larry H. Keener
Title: President and CEO

Palm Harbor GenPar, LLC, a Nevada limited liability company

By: /s/ Larry Keener
Name: Larry H. Keener
Title: President

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

By: /s/ Larry Keener
Name: Larry H. Keener
Title: President

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

By: /s/ Larry Keener
Name: Larry H. Keener
Title: President of Sole Member

Nationwide Homes, Inc., a Delaware corporation

By: /s/ Larry Keener
Name: Larry H. Keener
Title: Chairman

Palm Harbor Albemarie, LLC, a Delaware corporation

By: /s/ Larry Keener
Name: Larry H. Keener
Title: President

PURCHASER:

Palm Harbor Homes, Inc., a Delaware corporation

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

Exhibit 99.1

News Release

For additional information, contact:

Joseph Stegmayer
Chairman and CEO
Phone: 602-256-6263
joes@cavco.com

On the Internet:
www.cavco.com

FOR IMMEDIATE RELEASE

CAVCO INDUSTRIES ANNOUNCES CREDIT FACILITY AND ASSET PURCHASE AGREEMENT WITH PALM HARBOR HOMES

PHOENIX, November 29, 2010 – Cavco Industries, Inc. (NASDAQ:CVCO) today announced that Fleetwood Homes, Inc., a subsidiary owned 50% by Cavco and 50% by Third Avenue Value Fund (TAVFX), has entered into an agreement with Palm Harbor Homes, Inc. (NASDAQ:PHHM) to provide debtor-in-possession (DIP) financing to Palm Harbor and certain of its subsidiaries during the reorganization of Palm Harbor and such subsidiaries under chapter 11 of the U.S. Bankruptcy Code.

Palm Harbor is a manufacturer and marketer of factory-built housing and a provider of related financing and insurance. Palm Harbor and certain of its subsidiaries filed for chapter 11 bankruptcy protection on November 29, 2010. In conjunction with Palm Harbor's filing, Fleetwood Homes committed $50 million, which may increase to $55 million if certain conditions are met, for a debtor-in-possession (DIP) credit facility. Subject to bankruptcy court approval, the credit facility will be used by Palm Harbor to extinguish its existing Textron Financial Corporation facility and to fund post-petition operations, commitments to customers, and employee obligations.

Additionally, through a newly formed subsidiary of Fleetwood Homes, Inc., Cavco and Third Avenue have entered into an agreement with Palm Harbor and certain of its subsidiaries to purchase substantially all of Palm Harbor's assets comprising its manufactured and modular housing construction and retail businesses and all of the outstanding stock of its insurance and finance subsidiaries, and to assume certain liabilities of Palm Harbor. The asset purchase transaction is expected to be conducted pursuant to a sale process under section 363 of the U.S. Bankruptcy Code. Cavco and Third Avenue's joint $57.5 million "stalking horse" bid is subject to customary conditions to closing, certain post-closing adjustments, and bankruptcy court approval and includes manufactured housing factories, retail locations, equipment, accounts receivable, inventory, intellectual property, and certain warranty and other liabilities. Palm Harbor's insurance and finance subsidiaries, including Standard Casualty Company, Standard Insurance Agency, CountryPlace Acceptance Corp., and CountryPlace Mortgage, Ltd. are not parties to the Palm Harbor bankruptcy filing, but the shares of these companies are included in the assets to be acquired by Fleetwood Homes.

"We are pleased to have this opportunity to partner with Palm Harbor Homes and look forward to a successful outcome of this process. Our mutual intention is to help Palm Harbor continue its heritage of providing quality home building, retailing, financing, competitive insurance products and outstanding customer service. Our combined businesses will have a strengthened foundation and market presence," said Joseph H. Stegmayer, Chairman, President and Chief Executive Officer of Cavco.

Cavco Industries, Inc., headquartered in Phoenix, Arizona, is one of the largest producers of HUD code manufactured homes in the United States, based on reported wholesale shipments of both Cavco and Fleetwood Homes. The company is also a leading producer of park model homes and vacation cabins in the United States. Third Avenue Management, the investment adviser to Third Avenue Value Fund, is a New York-based company with expertise in value and distressed investing.

Certain statements contained in this release are forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, Section 21E of the Securities and Exchange Act of 1934 and the Private Securities Litigation Reform Act of 1995. In general, all statements that are not historical in nature are forward-looking. Forward-looking statements are typically included, for example, in discussions regarding the manufactured housing and site-built housing industries; our financial performance and operating results; and the expected effect of certain risks and uncertainties on our business, financial condition and results of operations. All forward-looking statements are subject to risks and uncertainties, many of which are beyond our control. As a result, our actual results or performance may differ materially from anticipated results or performance. Factors that could cause such differences to occur include, but are not limited to: adverse industry conditions; general deterioration in economic conditions and continued turmoil in the credit markets; a write-off of all or part of our goodwill, which could adversely affect operating results and net worth; the cyclical and seasonal nature of our business; limitations on our ability to raise capital; curtailment of available financing in the manufactured housing industry; our contingent repurchase obligations related to wholesale financing; competition; our ability to maintain relationships with retailers; labor shortages; pricing and availability of raw materials; unfavorable zoning ordinances; our ability to complete the acquisition of the Palm Harbor assets and certain liabilities and successfully integrate Fleetwood Homes, Palm Harbor, and any future acquisition or attain the anticipated benefits of such acquisition; the risk that the acquisition of Fleetwood Homes, Palm Harbor, and other future acquisitions may adversely impact our liquidity; our participation in certain wholesale financing programs for the purchase of our products by industry retailers may expose us to additional risk of credit loss; together with all of the other risks described in our filings with the Securities and Exchange Commission. Readers are specifically referred to the Risk Factors described in Item 1A of the 2010 Form 10-K, as may be amended from time to time, which identify important risks that could cause actual results to differ from those contained in the forward-looking statements. Cavco expressly disclaims any obligation to update any forward-looking statements contained in this release, whether as a result of new information, future events or otherwise. Investors should not place any reliance on any such forward-looking statements.

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