



"Pride in our past...Faith in our future"®

CORPORATE OFFICE

Patriot Homes of Alabama

January 9, 2009

Patriot Homes of Texas

Dear Valued Employee,

Crystal Valley Homes

It is with deep regret that we announce the closing of our Crystal Valley division in Middlebury, IN.

Crystal Valley has been a valued member of the Patriot family since August of 1997, producing a beautiful line of HUD and Modular homes. Despite a wonderful, dedicated staff, improvements in production efficiency, and everyone's utmost efforts, our loss of floorplan financing, government contracts, and the decreased market in this area, we simply could not support our Indiana line. Sadly, and in the best interests of the company as a whole, we have no choice but to close this location.

This letter is to serve as notification of this closing and to provide you with pertinent information available at this time. We are providing you with notification of the closing in compliance with the WARN Act of 1988. Due to circumstances beyond our control, we regret that we could not provide the full 60-day notice that's usually provided in the Act. Our reasons for having to give less than 60 days notice include:

- **"Faltering company:** The faltering company exception covers situations where a company has sought new capital or business in order to stay open and where giving notice would ruin the opportunity to get the new capital or business. It applies only to plant closings."

Patriot has been working to obtain new sources of credit for many weeks and has had discussions with dozens of lenders regarding new sources of financing. Obtaining this financing would have avoided the need to close the facility, but any announcement of the plant closing would have made acquiring this new capital impossible. We have simply exhausted all opportunities to obtain this new capital.

In addition, we have been in continuous negotiations with TL Industries to obtain additional FEMA manufactured housing orders. Based on the best available information, we expected additional orders to be released to us this week. As of Wednesday, we were informed that this could not happen prior to the end of January and possibly later. We have no formal assurance that we will receive any additional orders at all. Therefore, for WARN Act purposes, we are considering this to be a permanent plant closing. It is possible, however, that we will receive additional orders from TL Industries which would justify re-opening the plant. Should that occur, you will be notified of your eligibility for recall from layoff.

- **“Unforeseeable business circumstances:** This exception applies to closings and layoffs that are caused by business circumstances that were not reasonably foreseeable at the time notice would otherwise have been required.”

This exception relates to the unexpected loss of contracts that we were counting on to maintain a viable business. When our floorplan financing for dealers was unexpectedly lost through announcements from GE, 21st Mortgage and Textron and our dealers were unable to find new floor plan financing over the past few weeks it has become apparent that the business at this plant is no longer viable. We have been working diligently with these lenders to find a way to re-open floor plan lines for our dealers without success.

WARN Act Required Summary:

- The Crystal Valley facility will be permanently closed. This closing will affect the entire division.
- Production will cease at this division effective week ending January 23, 2009 with a limited number of positions remaining for a few months to clean up the facility and prepare it for final closure. The date of your lay-off will be the last day that you worked.
- Bumping rights do not exist relating to this plant closure. (Definition of “bumping rights”: Those rights of an employee to displace another employee due to a layoff or other employment action as defined in a collective bargaining agreement, employer policy, or other binding agreement. These rights are often created through a seniority system.)
- Name and telephone number of a company official to contact for further information:

You may contact any of the following individuals as they, themselves, remain employed:

- Brent Bardo, General Manager, 574-822-0615
- Doug Fought, Assistant General Manager, 574-822-0616
- Susan Richmond, Vice President of Administration & Human Resources, 574-822-0614
- Buffi Robbins, Director of Human Resources, 574-822-0604

Additional Information:

- Representatives from the Indiana Department of Workforce Development will meet with you within the next couple of weeks, and we will notify you of the date and time once it's determined. The meeting will be held at the Middlebury plant to assist you in applying for unemployment benefits (if you haven't already applied by that time), provide you with job search and replacement assistance, and discuss on-the-job, classroom, and entrepreneurial training. You are highly encouraged to attend the meeting. If you have any questions or need their assistance before or after the meetings, please contact your nearest Department of Workforce Development Office or visit the Indiana State Rapid Response Dislocated Worker web site at www.doleta.gov/layoff/rapid_coord.cfm
- Because of the lack of other division locations near Middlebury, IN, we will not be able to initiate direct transfers of employees to other sites. However, if you are

interested in relocating and working at our facility in Waco, TX, please contact Susan Richmond or Buffi Robbins to express your interest. We will contact that location on your behalf and together with the General Manger, will consider any such requests as suitable positions become available.

- If you are currently covered under the Patriot group health insurance plan, your coverage at the normal employee rate will be effective through Saturday of your last week worked. For dental insurance, your coverage will be effective through your layoff or termination date. Following this time, you will have the option of maintaining your coverage by electing COBRA continuation coverage. You will receive COBRA notification approximately three weeks after your layoff date to explain the costs, your coverage rights and responsibilities. COBRA notices and Certificates of Coverage will be mailed to your home address by the insurance company. To elect continuation coverage, please complete the forms as directed and send them along with your first month's premium payment. Upon payment and election, your coverage will be set up retroactively back to your term date.
- Coverage under AFLAC and Transamerica Life Insurance will be offered to covered employees on a converted, direct pay option. Covered employees will receive notification from these insurance companies explaining how to maintain coverage. Employees who have been covered by a Transamerica Universal Life plan for at least six months may apply for a temporary Layoff Waiver of Premium by completing the necessary paperwork. Employees needing an application may request this from Buffi Robbins, Director of Human Resources, at the Patriot Corporate Office.
- If you have vested funds in our 401(k) plan, you may elect to receive a lump sum distribution subject to an early withdrawal penalty and withholding taxes, or you may roll the funds over into another qualified retirement plan without the penalty and taxes imposed. For an immediate distribution election form, please contact your Human Resources department. You may also wait for a form to be mailed to your home address by our 401(k) provider shortly after your termination date.
- For more detailed information regarding our layoff procedures, please refer to your Employee Handbook dated 06-01-05. For information concerning insurance coverage, please refer to the plans' Summary Plan Descriptions and the attached benefit contact list.

While the closing of any of our facilities is painful, the decisions we make are a part of doing business, and are made for the overall well being of Patriot Homes. We are deeply saddened by the closing of Crystal Valley, especially because of the impact this will have on employees such as yourself. We sincerely wish you well in your future endeavors. We appreciate your dedication and loyalty to Patriot Homes and hope that our paths will cross again in the future.

Sincerely,

Samuel V. Weidner, Sr.

Samuel V. Weidner, Sr.
President/CEO
Patriot Homes, Inc.