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BREAKING NEWS

National RV Holdings Sells Country Coach

RV Business
Friday, February 16, 2007

National RV Holdings Inc., Perris, Calif., announced late Friday (Feb. 16) that it entered into a binding agreement to sell its Junction City, Ore.-based Country Coach Inc. subsidiary to Country Coach Holdings LLC. The company is owned primarily by Riley Investment Management LLC, headed by Los Angeles investor Byrant Riley who is National RV Holdings' largest shareholder.

According to a press release, the deal calls for a one-time cash payment of \$38.75 million and the assumption of approximately \$13 million in debt in the form of overdue payables, and is expected to close early next week. National RV Holdings also is parent to National RV Inc., which will continue operations at its Perris headquarters.

In a separate statement, Country Coach announced that Bob Lee, the company's founder, will return in his role as chairman emeritus. "My heart has always been, and will always be with Country Coach," said Lee, who in November was part of an investment group that purchased Washington state-based Western Recreational Vehicles Inc. "I am pleased to be back home where I began in 1973. We can once again focus solely on the business of making beautiful luxury motorcoaches for our many RVing friends."

Riley reported that Lee, Country Coach President and CEO Jay Howard and Jim Howard, sales senior vice president, are all "making financial investments in the company, further demonstrating their belief and commitment to the future of Country Coach."

Regarding Friday's deal, Brad Albrechtsen, National RV Holdings CEO noted that the sale brought an end to "a very difficult period and a very public process," and would enable the company to "clear up our debt and support National RV in its turnaround."

"We genuinely believe the transaction is in the best interests of both Country Coach and our shareholders," he said. "The decision stemmed from our inability to provide the capital necessary for both the Country Coach operations and the National RV turnaround. We simply didn't have the resources to fight both battles. It gives Country Coach the opportunities it needs while retaining National RV, and provides an opportunity for growth and value enhancement for our shareholders."

National RV Holdings negotiated in November a sale and leaseback agreement of its real estate at the company's Perris complex with First Industrial Acquisitions Inc. to generate cash, but Albrechtsen said that deal has been placed on hold. The company, which has posted losses in 17 of its last 21 quarters, also instituted several cost-cutting measures in the past year to help streamline operations.

National RV Holding's poor performance had created a longstanding rift with Lee, who maintained Country Coach remained profitable while the National RV subsidiary struggled. In Friday's statement, Jay Howard noted that "in a challenging marketplace, where many companies have suffered, Country Coach has just completed its 14th consecutive profitable quarter."

Lee previously partnered with Riley, heading an investment group that

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tried to purchase National RV Holdings in November 2005 for \$92 million, or \$6.25 per share, plus the assumption of debt. The board rejected the bid, saying it severely undervalued the company.

Lee quit the National RV Holdings board in August 2006 and then in January sold off his 577,906 shares. There was speculation that Riley had purchased Lee's shares, but it was never confirmed by National RV Holdings.

As of Friday's purchase, Riley controlled 1.2 million shares of the company's stock, or 11.4%.