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FOR IMMEDIATE RELEASE

**Palm Announces Strategic Recapitalization with Elevation Partners;  
World-class Additions to the Board and Executive Leadership**

**Shareholders to Receive Distribution of \$9 per Share in Cash**

SUNNYVALE, Calif., June 4, 2007 – Palm, Inc., (Nasdaq: PALM) today announced a strategic relationship with the private-equity firm Elevation Partners (“Elevation”) and a recapitalization plan that will position Palm to lead the next phase of the smartphone and mobile-computing markets. Under the planned recapitalization, shareholders will receive a \$9 per share cash distribution. Elevation will invest \$325 million in Palm, and the company will utilize these proceeds along with existing cash and \$400 million of new debt to finance the cash distribution.

Upon closing of the transaction, Jon Rubinstein, former senior vice president of hardware engineering and head of the iPod division at Apple, will join Palm as executive chairman of the board.

Fred Anderson and Roger McNamee, managing directors and co-founders of Elevation, will join Palm's board of directors upon closing of the transaction. Rubinstein, Anderson, and McNamee will replace Eric Benhamou and D. Scott Mercer, who will resign from Palm's board of directors at that time. The total number of directors on the board will be increased from eight to nine in connection with the transaction.

"As a result of this transaction, we will strengthen the Palm leadership team and create a more effective capital structure, which puts us in a great position to attract new talent, significantly strengthen our execution capabilities, and deliver long-term shareholder value," said Ed Colligan, Palm president and chief executive officer.

Colligan continued: "Jon Rubinstein is one of the top engineering executives in Silicon Valley, and he will lead our product-development efforts. As a significant new investor, Elevation brings onboard unique partners and relationships, plus a long investment horizon. For shareholders, the recapitalization provides an immediate return on their investments and our shareholders will retain their ability to participate in the company's success and future growth."

"This is by far the largest investment that Elevation has ever made, which reflects our enthusiasm for Palm and its opportunity. This investment fits perfectly with Elevation's investment strategy of partnering with great management teams to transform businesses in industries with dynamic technology change," said Roger McNamee. "We see Palm as uniquely positioned to deliver the integrated software and hardware solutions that will drive the next generation of mobile computing."

Jon Rubinstein added, "I have tremendous respect for Ed Colligan, Jeff Hawkins and their team, and I am thrilled by the prospect of helping Palm deliver innovative products capable of transforming the mobile-device market. Approximately 1 billion cell phones are sold each year, and mobile computing is a category with enormous potential. This is a company with an impressive history of introducing game-changing products – it pioneered the smartphone – and I intend to help extend that legacy."

Under the terms of the recapitalization plan, Elevation will purchase \$325 million of a new series of convertible preferred stock. The conversion price will be \$8.50 per share, which represents a premium of approximately 16 percent to the implied post-distribution price over the 10 trading days ended June 1, 2007, excluding the \$9 per share cash distribution. Upon completion of the transaction, Elevation will own approximately 25 percent of Palm's outstanding common stock on an as-converted and diluted basis, based on the number of shares of common stock outstanding as of March 30, 2007.

The company has secured commitments for \$400 million of new debt and a \$40 million revolving credit facility which is not expected to be drawn at closing. JPMorgan and Morgan Stanley will be joint bookrunners for these facilities.

Palm intends to use the proceeds from the sale of the preferred stock, existing cash and the proceeds from the \$400 million of new debt to fund the cash distribution. The amount of total proceeds to be distributed to shareholders is estimated to be approximately \$940 million. The distribution is expected to be treated as a return of capital for most shareholders<sup>(1)</sup>. Elevation will not be eligible to participate in the cash distribution.

The distribution represents more than one-half of Palm's current market capitalization and enables existing equity holders to retain nearly three-quarters of the post-transaction equity on a fully diluted basis. The company expects to have more than \$300 million of cash on the balance sheet after the distribution.

The recapitalization is expected to close in the third quarter of the calendar year and is subject to shareholder approval, customary regulatory approvals including clearance under the Hart-Scott-Rodino Antitrust Improvements Act, and other customary closing conditions. A definitive purchase agreement has been executed. The board of directors of Palm has unanimously approved the purchase agreement.

Morgan Stanley is serving as financial advisor to Palm; Houlihan Lokey Howard & Zukin Advisory Services, Inc. has provided a fairness opinion to Palm; and JPMorgan is acting as financial advisor to Elevation. Wilson Sonsini Goodrich & Rosati, Professional Corporation, is serving as outside counsel to Palm; and Simpson Thacher & Bartlett LLP is acting as legal advisor to Elevation.

#### Conference Call Information

Palm will host a conference call today, which will begin at 7:00 a.m. PDT (10:00 a.m. EDT). Dial in numbers are (877) 704-5385 or (913) 312-1303. The passcode is 6893774. The call also will be available on Palm's website at [www.investor.palm.com](http://www.investor.palm.com)

A replay of the call will be available from 2:00 p.m. EDT for two weeks. The replay telephone numbers are (719) 457-0820 or (888) 203-1112, and the passcode is 6893774.

#### Biographical Information

Jon Rubinstein was most recently the senior vice president and general manager of Apple's iPod division, until his departure from the company in 2006. He joined Apple as senior vice president of hardware engineering in 1997. As part of Apple's turnaround, Rubinstein quickly overhauled the engineering teams, product roadmaps and manufacturing processes, resulting in a new, more

nimble engineering department. In 2001, Rubinstein was instrumental in conceiving the iPod and became head of the business when it was spun off as a separate division in 2004. Additionally, Rubinstein led the team that built the iMac, and he incorporated into Apple products a pair of little-known technologies that became commonplace as a result – USB and Wi-Fi. Before joining Apple, Rubinstein spent two decades at a variety of other computer companies, including Hewlett-Packard and NeXT, and started his own computer company, Firepower Systems Inc. Rubinstein was elected to serve as a member of the National Academy of Engineering in 2005 for “outstanding industry leadership in the design and development of innovative personal computing and consumer electronics products and technologies,” and is a senior member of the IEEE.

Fred Anderson is a managing director and co-founder of Elevation Partners with extensive operating and financial experience as a senior executive in the technology industry. From 1996-2004, Anderson was executive vice president and chief financial officer of Apple, during which time he made major contributions to Apple’s turnaround, including resolving a major liquidity crisis, executing a massive restructuring, and working with the company’s executive team to re-energize Apple’s revenue and profit growth. Prior to joining Apple, Anderson was chief financial officer of ADP and, prior to that, was president of MAI Systems Corp. Anderson currently serves on the boards of directors of eBay and Move, Inc.

Roger McNamee also is a managing director and co-founder of Elevation Partners. McNamee was previously a co-founder of Silver Lake Partners and of Integral Capital Partners, two leading technology-investment firms. Prior to Integral, McNamee worked for nine years in a variety of portfolio management and research positions at T. Rowe Price Associates, including portfolio manager of the top-performing Science & Technology Fund. McNamee serves on the boards of Move, Inc. and Forbes, Inc.

## About Palm, Inc.

Palm, Inc., a leader in mobile computing, strives to put the power of computing in people's hands so they can access and share their most important information from anywhere. The company's products for consumers, mobile professionals and businesses include Palm® Treo™ smartphones, Palm Foleo™ mobile companions and Palm handheld computers, as well as software, services and accessories.

Palm products are sold through select Internet, retail, reseller and wireless operator channels throughout the world, and at Palm Retail Stores and Palm online stores (<http://www.palm.com/store>).

More information about Palm, Inc. is available at <http://www.palm.com>.

## About Elevation Partners

Elevation Partners is a \$1.9 billion private equity firm that makes large-scale investments in market-leading media, entertainment, and consumer-related businesses where it can partner with management to enhance growth and profitability through a combination of strategic capital and operational insight. Its investment team has a unique combination of media, entertainment, and technology knowledge and relationships; investing experience; and operating expertise. Elevation's five partners are Fred Anderson, former EVP and CFO of Apple; Bret Pearlman, former senior managing director of The Blackstone Group; Marc Bodnick, a founding principal of Silver Lake Partners; Roger McNamee, co-founder of Silver Lake Partners and Integral Capital Partners; and Bono, lead singer and co-founder of the rock band U2. For more information, visit <http://www.elevation.com>.

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(1) The ultimate U.S. federal income tax treatment of the distribution will depend upon the results of operations of Palm through the end of Palm's taxable year. To the extent the distribution exceeds Palm's current and accumulated earnings and profits (as calculated for U.S. federal income tax purposes) for Palm's taxable year, the distribution will be treated as a return of capital (causing a reduction in a shareholder's basis in Palm stock) and capital gain thereafter for U.S. federal income tax purposes. If no amount constitutes a dividend for U.S. federal income tax purposes, any shareholder with a tax basis in his or her stock that is less than the amount of the distribution will generally be taxable on such excess as either long-term or short-term capital gain, depending on such shareholder's holding period in the stock. Shareholders should seek advice based on their particular circumstances from an independent tax advisor.

#### Additional Information and Where to Find It

In connection with the Preferred Stock Purchase Agreement and Agreement and Plan of Merger, Palm will file a proxy statement and other relevant documents concerning the transaction with the Securities and Exchange Commission (“SEC”). Shareholders of Palm are urged to read the proxy statement and any other relevant documents when they become available because they contain important information. Investors and security holders can obtain free copies of the definitive proxy statement and other relevant documents when they become available by contacting Palm Investor Relations, Palm, Inc., 950 West Maude Avenue, Sunnyvale, CA 94085, USA, telephone: (408) 617-7626. In addition, documents filed with the SEC by Palm are available free of charge at the SEC’s web site at [www.sec.gov](http://www.sec.gov).

Information regarding the identity of the persons who may, under SEC rules, be deemed to be participants in the solicitation of stockholders of Palm in connection with the transaction, and their interests in the solicitation, can be found in Palm’s filing on Schedule 14A made with the SEC on June 4, 2007.

#### Forward-Looking Statements

This press release includes forward-looking statements that are based on certain assumptions and reflect our current expectations. Such forward-looking statements involve known and unknown risks, uncertainties and other important factors that could cause the actual results, performance or achievements to differ materially from any future results, performance, or achievements discussed or implied by such forward-looking statements. These forward-looking statements include statements regarding Palm’s positioning to lead the next phase of the smart phone and mobile computing markets, Palm’s intention to pay, the total amount of and the tax consequences of, the cash distribution to shareholders, the constitution of Palm’s board of directors following the transaction, Palm’s future growth, the timing of the closing of the transaction, and the ownership percentages in Palm of existing shareholders and Elevation following the transaction. The risks associated with such forward-looking statements include the risk that the proposed transaction may not be completed in a timely manner, if at all, disruption from the transaction making it more difficult to maintain relationships with customers, employees or suppliers, the availability of sufficient surplus under applicable law at the closing of the transactions to make the cash distribution, the issuance of additional securities by Palm prior to the closing of the transaction, and other risks, some of which are discussed in the companies’ reports filed with the Securities and Exchange Commission (the “SEC”) under the caption Risk Factors and elsewhere, including Palm’s quarterly report on Form 10-Q for the quarter ended March 2, 2007. Any forward-looking statement is qualified by reference to these risks, uncertainties and factors. Forward-looking

statements speak only as of the date of the document in which they are made. These risks, uncertainties and factors are not exclusive, and Palm undertakes no obligation to publicly update or revise any forward-looking statements to reflect events or circumstances that may arise after the date of this press release, except as required by law.