

## ***Palm Closes Strategic Recapitalization with Elevation Partners***

### **Rubinstein Named Executive Chairman, Anderson and McNamee Join Board**

SUNNYVALE, Calif., Oct 24, 2007 (BUSINESS WIRE) -- Palm, Inc. (Nasdaq:PALM) today announced that its recapitalization plan with the private-equity firm Elevation Partners ("Elevation") has closed, positioning Palm to lead the next phase of the smartphone and mobile-computing markets. Elevation has invested \$325 million in Palm, and the company will utilize these proceeds along with existing cash and \$400 million of new debt to finance a \$9 per share cash distribution. Palm shareholders of record as of Oct. 24, 4 p.m. EDT, should receive the cash distribution within approximately 10 business days.

Jon Rubinstein, former senior vice president of hardware engineering and head of the iPod division at Apple, has joined Palm as executive chairman of the board, and Fred Anderson and Roger McNamee, managing directors and co-founders of Elevation, have joined Palm's board of directors. Rubinstein, Anderson, and McNamee replace Eric Benhamou and Bruce Dunlevie, who resigned from Palm's board of directors. The total number of directors on the board has been increased from eight to nine in connection with the transaction.

"This transaction lays the groundwork for Palm to recapture our position as the leading innovator and brand of the mobile-computing revolution. We will build on our history of innovation to create next-generation, software-rich mobile solutions that enable people to more effectively manage their lives and communicate with family, friends and colleagues wherever they are," said Ed Colligan, Palm president and chief executive officer. "We are also pleased that we can reward our shareholders with this \$9 cash distribution, and provide them with the opportunity to be rewarded further through their continued long-term investment in Palm."

Jon Rubinstein said, "I am focused on working with Ed and the team to build on the legacy of Palm and drive innovation in the mobile-computing market. Over the last few months, I've seen the huge potential that lies in Palm's brand, distribution and loyal customer base. Palm's future roadmap in terms of both the software and products is impressive and complements the new products that Palm has recently introduced. While there is much work to be done, there are exciting days ahead for all of us."

Roger McNamee added, "The next generation of mobile computing will be defined by companies that have deep software expertise as well as leading design capabilities. We are confident that Palm can and will drive the future of mobile computing with its integrated software solutions, history of innovation and loyal customer base. We look forward to

working with Ed, Jon and the entire Palm team to deliver cutting-edge products that will transform the mobile-device market and create long-term value for Palm's shareholders."

As a result of the closing of this transaction with Elevation, Palm is providing additional Q2 fiscal year 2008 guidance for the following data:

- Total other income (expense), net, is expected to be in the range of \$1.0 million to \$1.5 million, which consists of:
  - Interest expense, which is expected to be in the range of \$3.8 million to \$4.3 million;
  - Interest income, which is expected to be in the range of \$5.8 million to \$6.3 million; and
  - Other income (expense), net, which is expected to be in the range of \$(0.5) million to \$(0.8) million;
- Accretion of Series B Convertible Preferred Stock issuance costs to accumulated deficit is expected to be in the range of \$0.1 million to \$0.2 million; and
- Shares used to compute basic and diluted per common share calculations on a net loss basis are expected to be approximately 104.9 million shares. Shares used to compute basic and diluted per common share calculations on a net income basis are expected to be approximately 120.5 million shares and approximately 123.1 million shares, respectively.

If the transaction with Elevation had closed at the beginning of Q2 fiscal year 2008, the expected impact for the full quarter would have been:

- Total other income (expense), net, estimated in the range of \$(5.5) million to \$(6.0) million, which consists of:
  - Interest expense, estimated in the range of \$9.5 million to \$10.0 million;
  - Interest income, estimated in the range of \$4.5 million to \$5.0 million; and
  - Other income (expense), net, estimated in the range of \$(0.5) million to \$ (1.0) million;
- Accretion of Series B Convertible Preferred Stock issuance costs to accumulated deficit is expected to be in the range of \$0.2 million to \$0.4 million; and
- Shares used to compute basic and diluted per common share calculations on a net loss basis are expected to be approximately 104.9 million shares. Shares used to compute basic and diluted per common share calculations on a net income basis are expected to be approximately 143.1 million shares and approximately 145.7 million shares, respectively.

The above update to Q2 fiscal year 2008 guidance does not contemplate the accounting impact of a beneficial conversion feature of the Series B Convertible Preferred Stock as a result of the stock price on Oct. 24, 2007 closing above \$17.50 per share.

Under the terms of the recapitalization plan, Elevation has purchased \$325 million of a new series of convertible preferred stock. The conversion price is \$8.50 per share. Elevation will own approximately 27 percent of Palm's outstanding common stock on an as-converted basis, based on the number of shares of common stock outstanding as of August 31, 2007.

The company secured commitments for \$400 million of new debt and a \$30 million revolving credit facility, which will not be drawn at closing. JPMorgan and Morgan Stanley were 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 \$950 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.

Palm's payment agent expects to transfer funds to the Depository Trust Company and mail checks to registered shareholders on Oct. 31, 2007, and brokers and shareholders should receive the cash distribution shortly thereafter.

In connection with Mr. Rubinstein's appointment as executive chairman of the board, the company will issue to him options to purchase an aggregate of two million shares of Palm's common stock and an award of one million restricted stock units ("RSUs"). The stock options will be granted at fair market value on the date of grant, and half of the shares underlying the options will vest on a time-based formula. The RSUs will have a purchase price of \$0.001 per share, which will be deemed paid through the provision of services, and half of the shares underlying the RSUs will vest on a time-based formula. The remaining stock options and RSUs will vest upon the later of the achievement of certain performance targets for the company or a time-based formula. Pursuant to Nasdaq Marketplace Rule 4350(i)(1)(A)(iv), the company will grant the stock options and RSUs to Mr. Rubinstein as a new employee of Palm.

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

#### 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>.

#### 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(R) Treo(TM) smartphones 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>.

(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.

#### 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, without limitation, statements regarding Palm's positioning to lead the next phase of the smart phone and mobile computing markets, the timing of the cash distribution to shareholders, that Palm will drive the future of mobile

computing, that Palm's products will transform the mobile device market and create long-term value for its shareholders, expectations for the second fiscal quarter of 2008, including, total other income (expense), net, accretion of issuance costs to accumulated deficit, shares used to compute basic and diluted net income or loss per share, the total amount of the distribution and the tax consequences of the distribution. The risks associated with such forward-looking statements include the risks disclosed in Palm's 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 August 31, 2007 and Palm's definitive proxy statement filed with the SEC on August 10, 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.

Palm and Treo are among the trademarks or registered trademarks owned by or licensed to Palm, Inc. All other brand and product names are or may be trademarks of, and are used to identify products or services of, their respective owners.

SOURCE: Palm, Inc.

Palm, Inc.

Christine Nakamoto, 408-617-7626 (investor relations)

[christine.nakamoto@palm.com](mailto:christine.nakamoto@palm.com)

or

Financial Dynamics for Palm, Inc.

Ellen Barry, 212-850-5636

[ellen.barry@fd.com](mailto:ellen.barry@fd.com)

or

for Elevation:

Sard Verbinnen & Co.

Paul Kranhold, 415-618-8750

[pkranhold@sardverb.com](mailto:pkranhold@sardverb.com)

Ron Low, 415-618-8750

[rlow@sardverb.com](mailto:rlow@sardverb.com)