

CHAMPION ENTERPRISES INC

Form 424B5

October 29, 2007

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The information in this prospectus supplement is not complete and may be changed. This prospectus supplement and the accompanying prospectus are not an offer to sell these securities and are not soliciting an offer to buy these securities in any jurisdiction where the offer or sale is not permitted.

**Filed Pursuant to Rule 424(b)(5)**

**Registration No. 333-146980**

**SUBJECT TO COMPLETION, DATED OCTOBER 29, 2007  
PRELIMINARY PROSPECTUS SUPPLEMENT (TO PROSPECTUS DATED OCTOBER 29, 2007)**

\$130,000,000

% Convertible Senior Notes due 2037

We are offering \$130,000,000 aggregate principal amount of our % Convertible Senior Notes due 2037, or the notes. The notes will bear interest at a rate of % per year (such interest rate subject to reduction as described below). Interest on the notes will be payable semi-annually in arrears on May 1 and November 1 of each year, beginning May 1, 2008. The notes will mature on November 1, 2037. Beginning on November 1, 2012, during any six-month period thereafter from November 1 to April 30 and from May 1 to October 31, if the average trading price (as defined herein) of a note for the five consecutive trading days immediately preceding the first day of the applicable six-month interest period equals or exceeds 120% of the principal amount of the notes, we will reduce the % interest rate for the notes to % solely for the relevant interest period.

Holders may convert their notes at their option at any time prior to the close of business on the business day immediately preceding the maturity date. Upon conversion, we will deliver a number of shares of our common stock, per \$1,000 principal amount of notes, equal to the applicable conversion rate (as defined herein). The initial base conversion rate for the notes will be shares of our common stock per \$1,000 principal amount of notes, equivalent to an initial base conversion price of approximately \$ per share of our common stock. The applicable conversion rate for any notes to be converted will be the sum of the daily conversion rate fractions (as defined herein) for each of the 20 trading days in the relevant observation period (as defined herein). If the last reported sale price of our common stock on any trading day in the observation period is less than or equal to the base conversion price, then the daily conversion rate fraction for such trading day will be equal to 1/20th of the base conversion rate. If the last reported sale price of our common stock on any trading day in the observation period is greater than the base conversion price, then the daily conversion rate fraction for such trading day will be subject to increase based on a formula set forth in this prospectus supplement. The base conversion rate will be subject to adjustment in certain events but will not be adjusted for accrued but unpaid interest.

Following certain corporate transactions, we will increase the applicable conversion rate for a holder who elects to convert its notes in connection with such corporate transactions by a number of additional shares of common stock as described in this prospectus supplement.

We may redeem the notes, in whole or in part, for cash at any time on or after November 1, 2012. Holders may require us to repurchase all or a portion of their notes for cash on November 1, 2012, November 1, 2017, November 1, 2022, November 1, 2027 and November 1, 2032 at a price equal to 100% of the principal amount of notes to be purchased plus accrued and unpaid interest to, but excluding, the repurchase date.

If we undergo a fundamental change, as defined in this prospectus supplement, holders may require us to purchase all or a portion of their notes for cash at a price equal to 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest, to, but excluding, the fundamental change purchase date.

The notes will be our senior unsecured obligations, will rank equal in right of payment with our other senior unsecured debt and will rank senior to all of our subordinated debt. The notes will effectively rank junior to any of our secured indebtedness to the extent of the assets securing such indebtedness. The notes will also be structurally subordinated in right of payment to all indebtedness and other liabilities and commitments (including trade payables and lease obligations) of our subsidiaries.

For a more detailed description of the notes, see **Description of the Notes** beginning on page S-25.

Our common stock is listed on the New York Stock and Chicago Stock Exchanges under the symbol **CHB**. On October 26, 2007, the last reported sale price of our common stock on the New York Stock Exchange was \$13.04 per share.

We do not intend to apply for listing of the notes on any securities exchange or for inclusion of the notes in any automated quotation system.

**See Risk Factors** beginning on page S-16 of this prospectus supplement.

	<b>Price to Public(1)</b>	<b>Underwriting Discounts and Commissions</b>	<b>Proceeds to Champion (before expenses)</b>
Per Note	%	%	%
Total	\$	\$	\$

(1) Plus accrued interest, if any, from November , 2007

The underwriter has a 13-day option to purchase a maximum of \$19,500,000 additional principal amount of the notes solely to cover over-allotments, if any.

Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus supplement or the prospectus to which it relates is truthful or complete. Any representation to the contrary is a criminal offense.

Delivery of the notes, in book-entry form, will be made on or about November , 2007.

### **Credit Suisse**

The date of this prospectus supplement is October , 2007.

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**ABOUT THIS PROSPECTUS SUPPLEMENT**

This document is in two parts. The first part is this prospectus supplement, which describes the specific terms of this offering and risks related to an investment in the notes. The second part, the accompanying prospectus, gives more general information, some of which may not apply to this offering, and a discussion of risks our business faces. If the description of this offering of notes varies between this prospectus supplement and the accompanying prospectus, you should rely only on the information contained or incorporated by reference in this prospectus supplement.

**You should rely only on the information contained or incorporated by reference in this prospectus supplement, the accompanying prospectus and any free writing prospectus prepared by or on behalf of us. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted.**

You should assume that the information appearing in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference is accurate only as of the respective dates of those documents in which the information is contained. Our business, financial condition, results of operations and prospects may have changed since any of those respective dates. You should read this entire prospectus supplement, as well as the accompanying prospectus and the documents incorporated by reference that are described under **Where You Can Find More Information** in this prospectus supplement and the accompanying prospectus before making your investment decision. Unless otherwise indicated herein, the information in this prospectus supplement assumes no exercise of the underwriters' option to purchase additional notes described herein.

**CAUTIONARY NOTE REGARDING FORWARD-LOOKING STATEMENTS**

This prospectus supplement, the accompanying prospectus and the documents incorporated by reference herein, may contain forward-looking statements that involve risks and uncertainties. You can identify such forward-looking statements by the use of terms such as *expect*, *believe*, *may*, *could*, *estimate*, *intend* or similar words or phrases. Such statements, other than statements of historical fact, are forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21B of the Exchange Act. These statements involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. Actual events or results may differ substantially. Important factors that could cause our actual results to be materially different from the forward-looking statements are disclosed under the heading **Risk Factors** in the accompanying prospectus supplement and are disclosed in the information incorporated by reference in this prospectus, including in Item 1A. Risk Factors, of our Form 10-K for the fiscal year ended December 30, 2006. You should not place undue reliance on forward-looking statements, which speak only as of the date they are made. We undertake no obligation to publicly update or revise any forward-looking statements.

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**PROSPECTUS SUPPLEMENT SUMMARY**

*This summary highlights information contained elsewhere in this prospectus supplement, the accompanying prospectus and the documents incorporated by reference. This summary does not contain all of the information that you should consider before deciding whether to invest in our notes. You should read this entire prospectus supplement, the accompanying prospectus and the documents incorporated by reference carefully, including the Risk Factors sections beginning on page S-16 of this prospectus supplement and page 9 of our Annual Report on Form 10-K for the year ended December 30, 2006, as well as our consolidated financial statements and the related notes incorporated by reference.*

*Unless otherwise specified or unless the context requires otherwise, all references in this prospectus supplement to Champion, we, us, our or similar references mean Champion Enterprises, Inc. and its subsidiaries.*

**Our Company**

We are the second largest producer of manufactured homes in North America, the largest producer of modular homes in North America and the largest producer of modular structures in the United Kingdom, based on revenues. We currently operate 28 North American manufacturing facilities in 16 states and two provinces in western Canada, and four manufacturing facilities on one site in the United Kingdom. We also operate 16 retail sales offices located throughout the state of California, which sell manufactured homes to consumers primarily targeted to be permanently sited in leased land communities.

Manufactured homes are single-family dwellings that are built in sections in a controlled factory environment and constructed in compliance with the federal Manufactured Home Construction and Safety Standards, or the HUD Code. Manufactured homes are built and transported to the home site on a steel chassis, which forms a permanent part of the floor structure. Modular homes are either single or multi-family dwellings that are also built in sections in a controlled factory environment but are constructed in compliance with applicable local and regional building codes. Modular homes are generally built with wood floors, which are similar to those found in traditional on-site construction, then transported to the home site on a special carrier and set on a permanent foundation using a crane. Our North American manufactured and modular homes are generally wood-framed structures, typical of the housing and low-rise commercial construction markets in North America.

The modular structures we build in the United Kingdom are steel-framed and typically built for use as prisons, military accommodations, hotels and high-density residential buildings. While much of the factory construction process in the United Kingdom is similar to that found in our North American facilities, the end use for the units is significantly different. Steel-framed modular units offer the ability to produce high-rise and multi-story structures not generally possible with wood. In the United Kingdom, our business is involved in significant levels of site-work, including operating as general contractor and engaging the services of sub-contractors for a variety of on-site functions, including set up and completion of our modular buildings.

Our strategy over the last several years has been focused on improving margins and cash returns in our core manufactured housing business and redeploying our cash resources to grow and diversify the company. While we are a focused pure play manufacturer, without the distraction of vertical integration, we have diversified by increasing our domestic modular penetration and adding a strong international modular platform. We expect to continue driving this strategy forward over the next several years.

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**2004 revenue breakdown (\$1,150 million total)<sup>(1)</sup>**

*(\$ in millions)*

- (1) Presented as originally reported before the subsequent reclassification of traditional retail operations in 2005
- (2) HUD-Code revenues include revenues from the sale of Canadian code units, retail segment revenues, other manufacturing segment revenues, reduced by intercompany sales elimination

**Revenue breakdown during the twelve months ended September 29, 2007  
(\$1,249 million total)**

*(\$ in millions)*

- (1) HUD-Code revenues include revenues from the sale of Canadian code units, retail segment revenues, other manufacturing segment revenues, reduced by intercompany sales elimination

Manufactured and modular buildings have many advantages over site-built structures, including shorter construction times, less site disruption, better cost predictability, high and consistent quality standards as a result of the controlled manufacturing process and consequently total cost advantages.

We do not purchase land for development, which recently has triggered substantial inventory write-downs at traditional homebuilders.

We do not engage in speculative building, but manufacture our homes to fill existing orders and within an average time to build of only 3 to 7 days.

Our \$82 million of total inventories as of September 29, 2007 represent only 7% of our \$1,249 million of sales in the twelve months ended September 29, 2007.

We do not provide consumer financing.

While the difficult conditions in the U.S. housing market have adversely impacted our domestic manufactured and modular housing business, we believe that industry-wide manufactured housing shipments will likely reach bottom in 2007, with an estimated 100,000 units shipped representing the lowest level of annual manufactured housing shipments in 46 years, according to the Manufactured Housing Institute. Our strong international modular business that generated revenue growth of 176% in the third quarter 2007

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compared to the third quarter 2006 allowed us to increase our total revenues by 3% year over year in the third quarter 2007, despite the challenging U.S. market environment. With a record backlog of approximately \$275 million, our international operations are expected to continue to help us mitigate weaknesses in the domestic housing markets.

## **Industry Overview**

### ***Manufactured Homes***

Factory-built homes have been a significant part of the North American housing industry over the last 50 years, and include both manufactured and modular homes. According to statistics published by the Institute for Building Technology and Safety and United States Department of Commerce Bureau of Census, or the USDOC, since 1980, industry shipments of manufactured housing has represented approximately 22% of new single-family home starts in the United States on average. Most recently, this percentage has declined to only 8% in 2006 and 9% on average over the last five years. We believe that manufactured homes declined as a percentage of new single-family home starts in part because of a shift in the relative ease with which consumers could obtain financing for site-built homes. USDOC estimates that in 2005 approximately 18 million people lived in manufactured homes in the United States.

For decades, the manufactured housing industry has been marked by sharp cyclicity. Following the United States recession in the early 1990s, the manufactured housing industry experienced a period of substantial growth as total wholesale shipments increased from approximately 171,000 homes in 1991 to a peak of over 373,000 homes in 1998. Growth during this period was driven by the introduction of new multi-section designs that appealed to a broader range of customers, a significant increase in the number of retail sales locations and related inventory, and an increase in the availability of consumer financing, including financing for lower-income and higher-risk borrowers, much of which has since been curtailed.

Since the peak in 1998, industry shipments have declined over 70% to approximately 98,000 homes during the last twelve months ended August 31, 2007, the lowest level of annual manufactured housing shipments since 1961. Related industry capacity has declined as well. While average annual shipments of manufactured homes over the last several decades have been in the range of approximately 200,000-250,000 homes, the peak in 1998 was largely driven by the availability of aggressive financing programs for consumers coupled with a rapid expansion in the number of retail sales locations, which had the effect of significantly increasing the number of manufactured homes sold to retailers for stocking purposes and resulting in high levels of retailer inventory. Beginning in 1999, consumer lending standards and loan terms for the purchase of manufactured homes tightened substantially, which resulted in sharp declines in annual home sales. According to the Manufactured Housing Institute, the total number of factories producing manufactured homes has been reduced from a high of approximately 330 in 1999 to a current level of approximately 200. In addition, the number of retail sales locations has declined from an estimated high of approximately 9,500 locations in 1999 to an estimated 4,000 locations today.

While the availability of financing and the credit and loan terms available to consumers for the purchase of manufactured homes have been relatively stable over the last several years, industry shipments have continued to decline, which was further exacerbated by the relative ease of credit in mortgage markets for site-built homes. Low or no down payment programs, low initial or teaser interest rates, extended loan terms and sub-prime credit programs have made traditional mortgages for the purchase of site-constructed homes easier for consumers. More recently, financing for site-built homes has become more difficult to obtain. We believe that if this persists, it could have a positive effect on sales of manufactured homes once inventory levels of existing site-built homes decline.

### ***Modular Homes***

Throughout its history, the modular housing industry has been less cyclical than the manufactured housing industry and has performed more in line with trends in the broader United States housing market. For many years, modular housing has accounted for approximately 2-3% of total United States housing starts. Over the last several decades, manufactured housing has been dominated by larger, multi-plant operators. In

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contrast, modular housing has typically been built by small, generally single plant manufacturers, who serve a local or small regional market. The modular housing industry saw steady growth from 1999 through 2005, with modular starts increasing over 30% while the United States housing market expanded and home ownership levels in the United States reached new highs. Although, modular starts declined modestly in 2006 and 2007 along with the broader housing market, modular construction techniques continue to gain traction. In addition, as a greater number of large and better-capitalized manufacturers like us increase their participation in the modular housing industry and are able to provide capital for growth and expansion, we expect continued growth in this market segment.

Modular home starts totaled approximately 38,000 in 2006 and approximately 16,000 in the first six months of 2007, many of which were concentrated in the northeast, mid-west and mid-Atlantic regions of the United States. We believe that this geographical concentration is, in part, driven by the fact that two of the primary advantages of modular homes relative to traditional site-constructed homes are speed of construction and less site disruption, making modular construction particularly well suited for scattered site development and urban infill situations, which are more often found in these regions. Additionally, markets with a relatively short building season due to winter weather conditions stand to benefit from the shorter cycle times of modular construction. As a result, a large percentage of modular manufacturers are located in these regions of the United States.

### ***Commercial Modular***

While modular construction of single and multi-family homes represents the segment of the modular construction industry that we have been most focused on historically, we also have a small presence in the commercial modular industry. The commercial modular industry is estimated by the Modular Building Institute, or MBI, to be larger than the modular housing industry. MBI estimates that, in 2005, approximately 168,000 modular floors were produced for commercial construction applications. MBI estimates that from 1999 to 2005 the commercial modular industry grew from just over \$3 billion in total revenues to an estimated \$4.2 billion. Like the modular housing industry, the commercial modular marketplace has been and continues to be dominated by small, generally single-factory operators that serve a local or small regional market. Very few participants in this market operate multiple factories that are able to serve a broader geographic marketplace.

Commercial modular construction in North America is generally bifurcated into two primary types of manufacturers. Wholesale or indirect manufacturers account for roughly half of the industry by total revenues. These manufacturers sell primarily through other resellers and generally do not participate in turnkey projects. Primary products in this segment tend to be temporary buildings aimed at the office trailer and education markets. Direct manufacturers account for the remaining production, selling direct to end users and/or general contractors typically constructing permanent, custom modular buildings. The primary market segments addressed by direct manufacturers include the education market and multi-family residential construction. Modular construction for military applications such as barracks, maintenance facilities, dining facilities and other buildings are constructed by both wholesale and direct manufacturers. While a small number of steel and concrete modular manufacturers participate in this market, the dominant form of construction continues to be wood-framed buildings.

The modular construction industry in the United Kingdom differs somewhat from that in North America in that relatively few single-family homes are constructed using modular techniques. Rather, the modular construction industry in the United Kingdom tends to be concentrated almost exclusively in the commercial construction arena. The modular market in the United Kingdom can generally be segmented into three major categories: temporary buildings (generally comprised of leased units), semi-finished permanent buildings and complete, custom permanent buildings. Our operations in the United Kingdom are focused on the custom permanent buildings segment of the market.

While industry data in the United Kingdom is not readily available, our studies show that growth in the modular industry over the last decade has been fairly steady and robust at an average of approximately 6.5% per annum. This growth has been driven in large part by substitution of modular construction for traditional

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site-based construction as a result of the advantages presented by modular construction techniques. The advantages of modular construction relative to traditional construction most cited in our studies of this market include speed of construction, factory quality, fewer time and cost overruns, less on-site disruption and, in certain applications, cost advantages.

The United Kingdom custom permanent buildings segment in which we participate is typically segmented into the following product categories: hotels, prisons, private housing, social housing, education, health, retail and military. We currently participate primarily in the prison, hotel, residential, and military segments of the market. Two of our largest market segments (prisons and military construction) are driven primarily by public sector spending. While each of these segments has seen significant growth over the last several years, we have worked to diversify into other segments, such as hotels and residential construction, in an effort to be less dependent on public spending in the future. Each of these market segments has seen strong, consistent growth over the last several years.

## **Competitive Strengths**

We possess a number of strengths which we believe enable us to effectively compete in our industries, including:

*Market Experience and Leading Market Positions.* We have been in the factory-built housing business since 1953 and have operated through a number of business and economic cycles. As a result, we have vast experience at both expanding and contracting our business depending on market conditions. We hold leading market positions in each of the industries we serve and the size and scope of our operations better enables us both to withstand cyclical or regional downturns and take advantage of cyclical or regional growth opportunities.

*Diversity of Operations.* Our business is diversified geographically and is becoming increasingly diversified from a product and market standpoint. Our operations span the entire United States, with 26 plants located in 16 states serving customers throughout the 48 contiguous states. We also operate two plants in western Canada and sell a variety of products from the United States into both eastern and western Canada. In addition, we have a large and growing presence in the United Kingdom, where we operate four plants serving primarily England and, to a lesser degree, Ireland. We also operate in several different product segments. While our primary line of business continues to be producing manufactured housing in North America, we have built a significant market presence in the modular housing industry and are working to expand our presence in the North American commercial modular industry. Our products also include steel-framed modular structures produced for a variety of commercial uses in the United Kingdom. This broad and increasingly diversified presence enables us to better withstand regional economic declines as well as industry or product declines. Furthermore, with the established, diversified footprint that we have built, we are well positioned to achieve an even greater diversity of operations in the future.

*Scale Driven Efficiencies Make Us a Low Cost Producer.* We believe that our market leading positions in the industries we serve allow us to purchase a majority of the raw materials used in our production facilities at advantageous prices relative to many of our competitors. Because raw material purchases are a significant cost driver, often up to half of our net sales, we believe that this purchasing power is a significant competitive advantage. In addition, our scale provides us with a deep management talent pool, which helps us to quickly improve troubled operations, and improve our manufacturing techniques using best practices, which are broadly shared throughout the company. We believe that these scale driven efficiencies make us a low cost producer with the ability to drive out superior margins relative to our competition.

*Focused Business Model.* While we continue to seek additional geographic and product diversification, our core competency is building modular structures in factories. Our business model is focused on leveraging our

core manufacturing competency across a variety of locations and industries. We are not vertically integrated and are not therefore distracted by non-core operations. Our focused

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business model is structured to generate superior cash returns on invested capital, which we believe is a key competitive strength.

*Experienced and Diverse Management Team.* Our executive management team is well entrenched but drawn from varied and unique backgrounds, which we believe provides us with the critical knowledge, insight and expertise necessary to grow, further diversify our operations and deliver our strategic objectives over the long term. Our operating management, while less varied in terms of background, has significant industry and product experience, which allows us to leverage an appropriate mix of specific industry knowledge against the broader based expertise of our executive management in delivering our strategic objectives. We believe that we possess a unique competitive strength given this combination of both experience and diversity of our management team.

## **Business Strategy**

We believe that developing and communicating a focused and aggressive, yet achievable, long-term strategy is a critical element of executive management's responsibilities. We maintain and actively update our long-term strategic plan and communicate our goals and objectives throughout our company to attain the buy-in and support of our board of directors and each of our employees and associates.

The guiding principals of our strategy are clear and simple. We seek market-leading growth by leveraging our core manufacturing skills to further diversify from our historical dependence on producing manufactured homes in North America. We expect to do this while delivering superior cash returns on invested capital and employing reasonable financial leverage to drive this growth and diversification.

More specifically, the key elements of our business strategy include:

*Stabilize and Grow Our Core Manufactured Housing Business.* Our core business, since 1953, has been producing high quality, affordable manufactured homes in North America. While this industry has been under pressure for over eight years, we believe that our products present consumers with an attractive, high quality, lower cost alternative to traditional site-constructed homes. While we are not a market share driven company, we intend to grow our sales in this segment in a profitable, cash-generating manner, which is driven by our continued focus on improving factory efficiencies, operating margins and cash flow. We will work to continually strengthen our distribution by partnering with strong, reputable independent retail partners. To do this, our programs must remain fresh and market leading and our products must be reasonably priced with attractive features and options.

*Grow Our Domestic Residential Modular Business.* We intend to grow our domestic residential modular business by expanding our distribution primarily through builders and developers. We expect that this growth will be both organic as a result of increased distribution through our existing facilities and through acquisitions of modular companies that meet our objectives. Our primary competition for modular homes is new site-constructed homes. We are continually refining our sales and marketing outreach efforts in an attempt to attract the small to mid-sized builders and developers for whom the benefits of modular construction are most attractive. In order to gain a larger share of new housing starts, modular homes must be competitive with similarly priced site-constructed homes in terms of quality, options and amenities offered, and overall product appeal, while offering other benefits to our builder/developer partners such as speed, lower all-in cost, higher returns on capital, greater time and cost predictability and comparative ease of management. We do not generally compete in the same markets as the large public site-builders.

*Increase Our Presence in the Domestic Commercial Modular Industry.* Our presence in the domestic commercial modular industry is relatively limited today. While we have successfully completed a number of commercial projects, we do not currently have a significant on-going presence in this market. We believe that commercial modular is a natural extension of our manufactured and modular housing businesses in that the core manufacturing process is substantially the same. Because this market presents a good, well-aligned, strategically attractive growth opportunity, we are devoting resources to growing our share of this market. We are adding human resources experienced in various

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commercial construction capacities, including business development, project management and contracting skills. We also plan to introduce steel-framed construction techniques in this market, leveraging the expertise of our United Kingdom operations. We believe that this technology could have the benefit of expanding the overall market and increasing our penetration.

*Expand Our International Commercial Modular Footprint.* Through our acquisition of Calsafe Group (Holdings) Limited and its operating subsidiary, Caledonian Building Systems Limited, or Caledonian, in the United Kingdom in 2006, we immediately established a market leading footprint in the United Kingdom modular construction industry. The acquisition of Caledonian also gave us access to new and important skills and technologies, which we believe include critical elements of the foundation of our growth and diversification strategy. The United Kingdom modular market has seen growth and expansion over the last decade which we believe will continue. We intend to grow this business both organically and through targeted acquisitions that meet our objectives. Because Caledonian has a strong cash generating business model, we expect that much of the growth in the segment could be self funded. We also intend to explore markets beyond the United Kingdom for eventual expansion.

*Evaluate and Enter Select International Residential Modular Markets.* We are in the process of evaluating potential acquisition candidates and other market entry opportunities outside of North America in the modular construction industry. We believe that a number of European countries have attractive, well-developed modular housing industries which could include attractive acquisition targets. We will seek to establish a footprint in the modular business outside of North America from which we can further expand and grow. On a long-term basis, we believe that the modular housing business could also be attractive in other lesser developed countries and countries such as China and Russia, which are experiencing rapid economic growth and strong housing demand. However, we do not envision a rapid entry into these markets, rather a gradual international expansion after establishment of a strong, leveragable footprint. We have completed select market studies and plan to continue to devote financial and human resources to this effort.

*Maintain and Improve our Existing Retail Operation.* We have a small, non-traditional, non-core retail operation, which today operates sales locations throughout the state of California. While our strategy does not contemplate acquisitions or aggressive expansion of this non-traditional retail model, we do plan to grow and improve our current operations. We believe that California is an attractive market for manufactured housing and that this retail business will continue to contribute to our overall results. Our focus in the near term is on improving our returns on invested capital as the California market struggles through a housing correction. Over the long-term, however, we expect to devote the resources necessary to grow and improve this business consistently so long as the returns continue to meet our objectives.

## **Description of Concurrent Transactions**

In connection with and subject to this offering of notes, we have commenced a tender offer to purchase for cash any and all of our outstanding 75/8% Senior Notes due 2009, which we refer to as the 2009 notes.

In connection with this offering of notes, we, together with our wholly-owned subsidiary, Champion Home Builders Co., and certain additional subsidiaries expect to amend our existing credit facility, effective upon the issuance of the notes and the commencement of the tender offer for our 2009 notes, to modify the interest rates in the credit facility and to allow for the issuance of the notes, the repurchase of the 2009 notes, and certain restructuring of our foreign subsidiaries, and, effective upon the repurchase of the 2009 notes, to modify certain financial covenants.

Approximately \$100 million of the proceeds from this offering will be used to:

repurchase any and all of the 2009 notes tendered in the offer to purchase including tender premium and accrued interest;

repay no less than \$8 million of the outstanding principal, plus accrued interest, under our term loan due 2012; and

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pay related fees and expenses.

The remaining proceeds will be used for general corporate purposes.

The amount of total indebtedness expected to be outstanding as a result of the transactions described above and this offering is approximately \$296 million. The term *the transactions* refers to these transactions and the application of the proceeds therefrom.

**Corporate Information**

Our headquarters are located at 2701 Cambridge Court, Suite 300, Auburn Hills, MI 48326, and our telephone number is (248) 340-9090. Our website is *www.championhomes.com*. The information on our website is expressly not incorporated by reference into, and does not constitute a part of, this prospectus supplement.

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**THE OFFERING**

*The following summary contains basic information about this offering and the notes and is not intended to be complete. It does not contain all of the information that may be important to you. For a more complete understanding of all of the terms and provisions of the notes, please refer to the section of this prospectus supplement entitled **Description of the Notes** and the section of the accompanying prospectus entitled **Description of Debt Securities**. For purposes of the description of the notes included in this prospectus supplement, references to the Company, the issuer, us, we and our refer only to Champion Enterprises, Inc. and do not include any of our subsidiaries.*

Issuer	Champion Enterprises, Inc., a Michigan corporation.
Securities	\$130,000,000 aggregate principal amount of % Convertible Senior Notes due 2037 (the notes ). We have also granted the underwriter a 13-day option to purchase a maximum of \$19,500,000 additional principal amount of the notes solely to cover over-allotments, if any.
Maturity	The notes will mature on November 1, 2037, subject to earlier redemption, repurchase or conversion.
Interest	<p>% per year on the principal amount (such interest rate subject to reduction as described below) from November , 2007, payable semi-annually in arrears on May 1 and November 1 of each year, beginning May 1, 2008. Beginning on November 1, 2012, during any six-month period thereafter from November 1 to April 30 and from May 1 to October 31, if the average trading price (as defined herein) of a note for the five consecutive trading days immediately preceding the first day of the applicable six-month interest period equals or exceeds 120% of the principal amount of the notes, we will reduce the % interest rate for the notes to % solely for the relevant interest period.</p> <p>Unless the context requires otherwise, all references to the term interest in this prospectus supplement are deemed to include additional interest, if any, that accrues and is payable in connection with our failure to comply with our reporting obligations under the indenture as set forth below under <b>Description of the Notes</b> <b>Events of Default</b>.</p>
Conversion rights	Holders may convert their notes at their option at any time prior to the close of business on the business day immediately preceding the maturity date for the notes.
Conversion settlement	<p>Upon conversion, we will deliver a number of shares of our common stock, per \$1,000 principal amount of notes, equal to the applicable conversion rate (as defined herein). See <b>Description of the Notes</b> <b>Conversion Rights</b> <b>Settlement Upon Conversion</b>.</p> <p>In addition, following certain corporate transactions, we will increase the applicable conversion rate for a holder who elects to convert in connection</p>

with such corporate transactions by a number of additional shares of common stock as described under Description of the Notes Conversion Rights Adjustment to Shares Delivered Upon Conversion Upon Certain Corporate Transactions.

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You will not receive any additional cash payment, including any accrued but unpaid interest, upon conversion of a note except in circumstances described in **Description of the Notes Conversion Rights General**. Instead, interest will be deemed paid by the shares of common stock delivered to you upon conversion of a note.

**Conversion rate**

The applicable conversion rate for any notes to be converted will equal the sum of the daily conversion rate fractions for each of the 20 trading days in the relevant observation period (as defined below). The daily conversion rate fraction for each trading day in the relevant observation period will be determined as follows:

if the last reported sale price (as defined under **Description of the Notes Conversion Rights General**) of our common stock on such trading day is less than or equal to the base conversion price (as defined below), the daily conversion rate fraction for such trading day will be equal to the base conversion rate *divided by* 20; and

if the last reported sale price of our common stock on such trading day is greater than the base conversion price, the daily conversion rate fraction for such trading day will be equal to 1/20th of the following:

$$\text{Base Conversion Rate} + \frac{(\text{Last Reported Sale Price of our Common Stock on such Trading Day} - \text{Base Conversion Price})}{\text{Last Reported Sale Price of our Common Stock on such Trading Day}} \times \text{Incremental Share Factor}$$

In no event, however, will the daily conversion rate fraction for any day during the observation period exceed 1/20th of \_\_\_\_\_ shares of our common stock (the **daily share cap**), subject to adjustment in the same manner as the base conversion rate as described herein.

The **base conversion rate** is \_\_\_\_\_ shares of our common stock per \$1,000 principal amount of notes, subject to adjustment as described under **Description of the Notes Conversion Rights Conversion Rate Adjustments**.

The **base conversion price** is a dollar amount (initially, approximately \$ \_\_\_\_\_) determined by dividing \$1,000 by the base conversion rate.

The **incremental share factor** is initially \_\_\_\_\_, subject to the same proportional adjustment as the base conversion rate.

The **observation period**, with respect to any note, means the 20 consecutive trading day period beginning on, and including, the second trading day after the conversion date for such note, except that with

respect to any conversion date that is on or after the 24th scheduled trading day immediately preceding the maturity date for the notes, the observation period means the 20 consecutive trading days beginning on and including the 22nd scheduled trading day immediately preceding the maturity date for the notes.

Sinking fund

None.

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Optional redemption	We may not redeem the notes before November 1, 2012. We may redeem the notes, in whole or in part, for cash on or after November 1, 2012, on at least 30 days but not more than 60 days notice by mail to holders of notes at a redemption price equal to 100% of the principal amount of the notes to be redeemed, plus any accrued and unpaid interest to, but excluding, the redemption date. We will make at least 10 semi-annual interest payments (including the interest payment on May 1, 2008) on the notes before we can redeem the notes at our option.
Repurchase right of holders	Holders may require us to repurchase all or a portion of their notes for cash on November 1, 2012, November 1, 2017, November 1, 2022, November 1, 2027 and November 1, 2032 at a purchase price equal to 100% of the principal amount of the notes to be repurchased, plus any accrued and unpaid interest to, but excluding, the repurchase date.
Fundamental change	If we undergo a fundamental change (as defined under Description of the Notes Fundamental Change Permits Holders to Require Us to Purchase Notes ), you will have the option to require us to purchase all or any portion of your notes. The fundamental change purchase price will be 100% of the principal amount of the notes to be purchased plus any accrued and unpaid interest, to, but excluding, the fundamental change purchase date. We will pay cash for all notes so purchased.
Ranking	The notes will rank equally in right of payment with all our existing and future unsecured senior debt and are senior in right of payment to our subordinated debt, if any. The indenture pursuant to which the notes are issued does not limit the amount of debt that we or our subsidiaries may incur. The notes will effectively rank junior to any of our secured indebtedness to the extent of the value of the assets securing such indebtedness. The notes will also be structurally subordinated in right of payment to all indebtedness and other liabilities and commitments (including trade payables and lease obligations) of our subsidiaries.
Use of proceeds	<p>We estimate that the proceeds from this offering will be approximately \$126 million, after deducting the underwriter's discounts and commissions and estimated offering expenses, assuming the underwriter does not exercise its option to purchase additional notes to cover over-allotments. If the underwriter exercises its option to purchase additional notes to cover over-allotments in full, we estimate that the net proceeds from this offering will be approximately \$145 million, after deducting the underwriter's discounts and commissions and estimated offering expenses.</p> <p>We intend to use approximately \$100 million of the proceeds from this offering to repurchase the 2009 notes tendered in the tender offer, to repay a portion of our outstanding principal and accrued interest under our term loan due 2012 and pay related fees and expenses. The remaining proceeds will be used for general corporate purposes. See Use of Proceeds.</p>



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Book-entry form	The notes will be issued in book-entry form and will be represented by permanent global certificates deposited with, or on behalf of, The Depository Trust Company, which we refer to as DTC, and registered in the name of a nominee of DTC. Beneficial interests in any of the notes will be shown on, and transfers will be effected only through, records maintained by DTC or its nominee and any such interest may not be exchanged for certificated securities, except in limited circumstances.
Absence of a public market for the notes	The notes are new securities and there is currently no established market for the notes. The underwriter has advised us that it currently intends to make a market in the notes. However, it is not obligated to do so, and it may discontinue any market making with respect to the notes without notice. We do not intend to apply for a listing of the notes on any national securities exchange or any automated dealer quotation system. Accordingly, we cannot assure you as to the development or liquidity of any market for the notes. Our common stock is listed on the New York and Chicago Stock Exchanges under the symbol CHB.
U.S. federal income tax considerations	We will treat, and each holder will agree in the indenture to treat, the notes as contingent payment debt instruments for U.S. federal income tax purposes and to be bound by our application of the Treasury regulations that govern contingent payment debt instruments, including our projected payment schedule and our determination of the rate at which interest will be deemed to accrue for U.S. federal income tax purposes, which is the rate comparable to the rate at which we would borrow on a non-contingent, nonconvertible borrowing with terms otherwise similar to the notes. Based on such agreement, (i) each holder will be required to accrue interest at this rate, with the result that a holder will recognize taxable income significantly in excess of any cash received while the notes are outstanding and (ii) a holder will generally be required to recognize ordinary income on the gain, if any, realized on a sale, exchange, conversion or redemption of the notes. See Certain United States Federal Income Tax Considerations.
Risk factors	Investment in the notes involves risk. You should carefully consider the information under the section titled Risk Factors and all other information included in this prospectus supplement and the documents incorporated by reference before investing in the notes.

**Table of Contents****SUMMARY FINANCIAL INFORMATION AND OPERATING DATA**

The following table summarizes our financial data for the periods and as of the dates presented. We derived the income statement, balance sheet and other financial data for each of the fiscal years ended December 28, 2002, January 3, 2004, January 1, 2005, December 31, 2005 and December 30, 2006 from our audited consolidated financial statements. We derived the income statement, balance sheet and other financial data for the nine months ended September 30, 2006 and September 29, 2007 from our unaudited consolidated financial statements. In the opinion of management, the unaudited financial statements have been prepared on a consistent basis as the audited financial statements and include all adjustments, consisting of normal recurring adjustments and accruals, considered necessary for fair presentation. The results of operations for the nine months ended September 29, 2007 are not necessarily indicative of the results to be expected for the fiscal year ending December 29, 2007. The information under "As Adjusted" in the balance sheet data below reflects the issuance of the notes offered in this offering and the receipt by us of the estimated net proceeds. You should read this information in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our consolidated financial statements and the notes thereto incorporated by reference in this prospectus supplement.

	2002	2003	Fiscal Year 2004 (Dollars in thousands)	2005	2006	Nine Months Ended September 30, 2006 (Restated)	September 29, 2007
<b>MANUFACTURING</b>							
Manufacturing	\$ 1,150,638	\$ 981,254	\$ 1,002,164	\$ 1,190,819	\$ 1,195,834	\$ 945,011	\$ 717,000
Manufacturing					90,717	58,077	188,000
Manufacturing	250,277	130,366	110,024	135,371	117,397	93,712	57,000
Manufacturing	(156,704)	(109,686)	(97,900)	(53,600)	(39,300)	(33,100)	(16,000)
Net sales	1,244,211	1,001,934	1,014,288	1,272,590	1,364,648	1,063,700	947,000
Net sales	1,077,045(b)	866,020(b)	843,261(b)	1,055,749	1,147,032	895,677	803,000
Margin	167,166	135,914	171,027	216,841	217,616	168,023	144,000
General and administrative	197,317	146,513	129,096	151,810	154,518	115,996	112,000
Goodwill impairment	97,000	34,183					
Manufacturing charges	40,000	21,100	3,300		1,200	1,200	1,000
Amortization of intangible assets					3,941	2,513	4,000
Gain on stock warrant		3,300	5,500	(4,300)			
Loss on debt	(7,385)	(10,639)	2,776	9,857	398		

ing income	(159,766)	(58,543)	30,355	59,474	57,559	48,314	26,
erest (expense)	(26,430)	(26,399)	(17,219)	(13,986)	(14,446)	10,295	11,
(loss)							
-continuing							
ons	(186,196)	(84,942)	13,136	45,488	43,113	38,019	15,
e tax expense							
(t)	53,500(d)	(5,500)	(10,000)(c)	3,300	(95,211)(f)	(96,714)	2,
-continuing							
ons	(239,696)	(79,442)	23,136	42,188	138,324	134,733	13,
income from							
inued							
ons	(15,859)(a)	(23,642)(a)	(6,125)(a)	(4,383)(a)	(16)(a)	11	
ss) income	\$ (255,555)	\$ (103,084)	\$ 17,011	\$ 37,805	\$ 138,308	\$ 134,744	\$ 13,
<b>R</b>							
<b>UCIAL DATA</b>							
A(g)	\$ (138,614)	\$ (44,829)	\$ 40,564	\$ 70,212	\$ 75,502	\$ 61,246	\$ 41,
ows provided							
d for)							
ing operating							
es	10,554(e)	72,215(e)	(7,319)	38,406	59,874	59,402	35,
ows (used for)							
d by							
inued							
ons	(37,633)	(12,030)	(1,976)	15,438	1,201	1,168	1,
iation and							
ation	21,152	13,714	10,209	10,738	17,943	12,932	15,
expenditures	6,063	5,912	8,440	11,785	17,582	14,279	5,

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	Fiscal Year					Nine Months Ended	
	2002	2003	2004	2005	2006	September 30, 2006	September 29, 2007
	(Dollars in thousands)					(Restated)	
<b>OTHER STATISTICAL INFORMATION</b>							
Number of employees at period-end	8,000	6,800	6,800	7,400	7,000	7,400	6,300
Homes sold							
Manufacturing	32,460	25,483	22,978	23,960	21,126	16,907	11,735
Retail-new	6,006	3,432	687	748	629	495	295
Wholesale							
multi-section mix	82%	84%	85%	79%	80%	80%	78%
<b>BALANCE SHEET DATA</b>							
Cash and cash equivalents	\$ 77,381	\$ 145,868	\$ 142,266	\$ 126,979	\$ 70,208	\$ 106,439	\$ 111,282
Working capital(h)	77,624	73,487	109,170	112,065	59,980	91,100	82,816
Net property, plant and equipment	127,129	87,365	80,957	91,173	112,527	113,153	105,182
Total assets	728,091	528,300	517,042	566,654	800,615	886,781	873,495
Long-term debt	341,612	244,669	200,758	201,727	252,449	283,665	254,090
Redeemable convertible preferred stock	29,256	8,689	20,750				
Shareholders equity	37,325	14,989	77,300	147,305	301,762	290,991	324,440

- (a) Discontinued operations consisted of the consumer finance business, which was exited in 2003, and 66 retail lots that were closed or sold in 2004 and 2005.
- (b) Included restructuring (credits) charges due to closing or consolidation of manufacturing facilities and retail sales centers of \$0.2 million in 2007, \$(1.3) million in 2004, \$8.9 million in 2003 and \$15.3 million in 2002 classified as cost of sales.
- (c) As a result of the finalization of certain tax examinations, the allowance for tax adjustments was reduced by \$12 million.
- (d) Included recording a deferred tax asset valuation allowance of \$101.5 million.
- (e) Included income tax refunds of \$64 million in 2003 and \$22 million in 2002.
- (f) Included a non-cash tax benefit of \$101.9 million from the reversal of the deferred tax asset valuation allowance.

- (g) EBITDA consists of operating income or loss (income or loss before interest, income taxes and discontinued operations) and before depreciation and amortization. EBITDA as defined by us may not be comparable to similarly titled measures used by other companies. Although EBITDA is not a measure of performance calculated in accordance with generally accepted accounting principles ( GAAP ), we believe it is a generally recognized measure of performance used in the housing industry and by analysts who issue reports on companies in the housing industry. Nevertheless, EBITDA should not be considered in isolation or as a substitute for operating income (loss), net income (loss), net cash provided by (used for) operating activities or any other measure for determining our operating performance or liquidity that is calculated in accordance with GAAP.

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<b>EBITDA Reconciliation</b>							
	<b>2002</b>	<b>2003</b>	<b>Fiscal Year 2004</b>	<b>2005</b>	<b>2006</b>	<b>Nine Months Ended Sept. 30, 2006 (Restated)</b>	<b>Sept. 29, 2007</b>
	<b>(Dollars in thousands)</b>						
Net (loss) income	\$ (255,555)	\$ (103,084)	\$ 17,011	\$ 37,805	\$ 138,308	\$ 134,744	\$ 13,144
Reconciliation to EBITDA:							
Income taxes (benefit)	53,500	(5,500)	(10,000)	3,300	(95,211)	(96,714)	2,019
Interest expense, net	26,430	26,399	17,219	13,986	14,446	10,295	11,616
Loss (income) from discontinued operations	15,859	23,642	6,125	4,383	16	(11)	
Operating (loss) income	(159,766)	(58,543)	30,355	59,474	57,559	48,314	26,779
Depreciation and amortization	21,152	13,714	10,209	10,738	17,943	12,932	15,036
EBITDA	\$ (138,614)	\$ (44,829)	\$ 40,564	\$ 70,212	\$ 75,502	\$ 61,246	\$ 41,815

(h) Working capital is defined as current assets minus current liabilities.

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**RISK FACTORS**

*Investing in the notes involves risks. In addition to the risks of owning the notes, as a result of the conversion feature of the notes, a holder will also be exposed to the risks of owning our common stock, and the value of notes may fluctuate with the value of our common stock. You should carefully consider the risks described below relating to an investment in notes and our common stock, as well as the risks relating to Champion's business described in Item 1A. Risk Factors of our Annual Report on Form 10-K for the fiscal year ended December 30, 2006, and the other information contained or incorporated by reference in this prospectus supplement or the accompanying prospectus before making an investment decision. The risks and uncertainties described below, in the accompanying prospectus and in our other filings with the SEC incorporated by reference herein are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently consider immaterial may also adversely affect us. If any of the following risks occur, our business, financial condition or results of operations could be materially harmed. In such case, the value of the notes could decline and you could lose part or all of your investment.*

**Risks related to the notes, our common stock and this offering**

***Our substantial indebtedness could adversely affect our financial health and prevent us from fulfilling our obligations under the notes.***

We currently have a substantial amount of outstanding indebtedness. If we are unable to generate sufficient cash flows in the future to service our debt, we may be required to refinance all or a portion of our existing debt or to obtain additional financing. There can be no assurance that any refinancings will be possible or that any additional financing could be obtained on acceptable terms. The inability to refinance our existing debt or to obtain additional financing would have a material adverse effect on our financial position, liquidity and results of operations.

The degree to which we are leveraged creates risks including:

we may be unable to satisfy our obligations under our outstanding indebtedness;

we may find it more difficult to fund operating costs, capital expenditures, stock repurchases, acquisitions, or general corporate purposes;

we may have to dedicate a substantial portion of our cash resources to the payments on our outstanding indebtedness, thereby reducing the funds available for operations and future business opportunities; and

we may be vulnerable to adverse general economic and industry conditions.

Our credit facilities require us to comply with certain financial ratios and covenants. These restrictions may interfere with our ability to obtain financing or to engage in other necessary or desirable business activities. As of September 29, 2007, we were in compliance with all financial and performance covenants on our credit facilities.

If we cannot comply with the requirements in our credit facilities, then the lenders may increase our borrowing costs or require us to repay immediately all of the outstanding debt. If our debt payments were accelerated, our assets might not be sufficient to fully repay the debt. These lenders may require us to use all of our available cash to repay our debt, foreclose upon their collateral or prevent us from making payments to other creditors on certain portions of our outstanding debt. These events may also result in a default under our senior note indenture.

We may not be able to obtain a waiver of these provisions or refinance our debt, if needed. In such case, our financial condition, liquidity and results of operations would suffer.

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***Because of our holding company structure and the security interests our subsidiaries have granted in their assets, the repayment of the notes will be effectively subordinated to substantially all of our other debt, other than our outstanding 7.625% Senior Notes due 2009.***

The notes will be unsecured obligations of Champion Enterprises, Inc. The notes will be effectively junior in right of payment to all of our secured indebtedness. Holders of any secured indebtedness of ours or our subsidiaries will have claims that are senior to the claims of the holders of any debt securities issued by us to the extent of the assets securing such other indebtedness. Any debt securities issued by us, including the notes, will effectively rank junior to that secured indebtedness. As of September 29, 2007, the aggregate amount of our and our subsidiaries' secured indebtedness was approximately \$256 million.

If we defaulted under our obligations under any of our secured debt, our secured lenders could proceed against the collateral granted to them to secure that indebtedness. If any secured indebtedness were to be accelerated, there can be no assurance that our assets would be sufficient to repay in full that indebtedness and our other indebtedness, including any debt securities issued by us. In addition, upon any distribution of assets pursuant to any liquidation, insolvency, dissolution, reorganization or similar proceeding, the holders of secured indebtedness will be entitled to receive payment in full from the proceeds of the collateral securing our secured indebtedness before the holders of the notes will be entitled to receive any payment with respect thereto. As a result, the holders of the notes may recover proportionally less than holders of secured indebtedness.

***Conversion of the notes or future sales or issuances of common stock may dilute the ownership interest of existing shareholders, including holders who have previously converted their notes. Such dilution may adversely affect the trading price of our common stock and of the notes.***

Any issuance of equity securities after this offering, including the issuance of shares upon conversion of the notes, could dilute the interests of our existing stockholders, including holders who have received shares upon conversion of their notes, and could substantially affect the trading price of our common stock and the notes. In addition, the anticipated conversion of the notes into shares of our common stock could depress the price of our common stock.

We may issue equity securities in the future for a number of reasons, including to finance our operations and business strategy, to adjust our ratio of debt to equity, to satisfy our obligations upon the exercise of outstanding warrants or options, or upon conversion of preferred stock or debentures, or for other reasons. As of September 29, 2007, there were:

883,000 shares of our common stock issuable upon exercise of outstanding options, at a weighted average exercise price of \$10.06 per share, all of which were exercisable; and

3.3 million shares of our common stock available for future grant under our equity compensation plans.

In addition, the price of our common stock could also be affected by possible sales of our common stock by investors who view the notes as a more attractive means of equity participation in our company and by hedging or arbitrage trading activity that we expect to develop involving our common stock. The hedging or arbitrage could, in turn, affect the trading price of the notes.

***Beginning on November 1, 2012, the interest rate on the notes is subject to reduction in certain circumstances.***

Beginning on November 1, 2012, during any six-month period thereafter from November 1 to April 30 and from May 1 to October 31, if the average trading price (as defined herein) of a note for the five consecutive trading days immediately preceding the first day of the applicable six-month interest period equals or exceeds 120% of the

principal amount of the notes, we will reduce the % interest rate for the notes to % solely for the relevant interest period. See Description of the Notes Interest. We cannot predict the trading price of the notes and as a result, there can be no assurance that the interest rate on the notes will not be subject to reduction for some or all of the interest periods occurring on or after November 1, 2012.

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***Despite our current indebtedness levels, we and our subsidiaries may still be able to incur substantially more debt, and this could further exacerbate the risks described in this prospectus supplement.***

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. We will not be restricted under the terms of the notes or the indenture pursuant to which the notes are to be issued from incurring additional indebtedness, including secured debt. In addition, the notes do not require us to achieve or maintain any minimum financial results relating to our financial condition or results of operations. Our ability to recapitalize, incur additional debt and take a number of other actions that are not limited by the terms of the notes could have the effect of diminishing our ability to make payments on the notes when due. In addition, we are not restricted from repurchasing common stock by the terms of the notes.

***We may not be able to pay interest on the notes or repurchase the notes at the option of the holder on specified dates or upon a fundamental change.***

The notes bear interest at a rate of % per year. In addition, on November 1, 2012, November 1, 2017, November 1, 2022, November 1, 2027 and November 1, 2032, holders of the notes have the right to require us to repurchase all or a portion of their notes for cash at a price equal to 100% of their principal amount plus any accrued and unpaid interest up to, but excluding the repurchase date. Holders of notes also have the right to require us to repurchase all or a portion of their notes for cash upon the occurrence of a fundamental change. Any of our future debt agreements or securities may contain similar provisions. We may not have sufficient funds to pay interest to the note holders or to make the required repurchase of the notes at the applicable time and, in such circumstances, may not be able to arrange the necessary financing on favorable terms, if at all. In addition, our ability to make the required repurchase upon a fundamental change is currently limited by the terms of our existing credit agreement and may be limited by law or the terms of other debt agreements or securities. Our failure to pay interest on the notes or to make the required repurchase, as the case may be, would constitute an event of default under the indenture governing the notes which, in turn, could constitute an event of default under other debt agreements or securities, thereby resulting in their acceleration and required prepayment and thereby further restrict our ability to make such interest payments and repurchases. See Description of the Notes Interest, Description of the Notes Conversion Rights Settlement upon Conversion, Description of the Notes Fundamental Change Permits Holders to Require Us to Repurchase Notes and Description of the Notes Repurchase of Notes by Us at Option of Holder.

***Although the notes are referred to as senior notes, the notes are effectively subordinated to the rights of our existing and future secured creditors and any liabilities of our subsidiaries.***

Holders of our present and future secured indebtedness and the secured indebtedness of our subsidiaries will have claims that are senior to your claims as holders of the notes, to the extent of the value of the assets securing such other indebtedness. The notes will be effectively subordinated to existing secured financings and any other secured indebtedness incurred by us. In the event of any distribution or payment of our assets in any foreclosure, dissolution, winding-up, liquidation, reorganization or other bankruptcy proceeding, holders of secured indebtedness will have prior claim to those assets that constitute their collateral. Holders of the notes will participate ratably with all holders of our unsecured indebtedness that is deemed to be of the same class as the notes, and potentially with all of our other general creditors, based upon the respective amounts owed to each holder or creditor, in our remaining assets. The notes will also be structurally subordinated in right of payment to all indebtedness and other liabilities and commitments (including trade payables and lease obligations) of our subsidiaries.

In the event of a bankruptcy, liquidation or reorganization of any of our subsidiaries, holders of their indebtedness and their trade creditors will generally be entitled to payment of their claims from the assets of those subsidiaries before any assets are made available for distribution to us.

*The market price of the notes could be significantly affected by the market price of our common stock and other factors.*

We expect that the market price of our notes will be significantly affected by the market price of our common stock. This may result in greater volatility in the market price of the notes than would be expected

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for nonconvertible debt securities. The market price of our common stock will likely continue to fluctuate in response to the factors discussed elsewhere in Risk Factors, among others, many of which are beyond our control.

***Settlement of all conversions may be delayed and, as a result, you may receive less consideration than expected for your notes.***

Upon conversion of the notes, settlement may be delayed until the 24th trading day following the relevant conversion date. See Description of the Notes Conversion Rights General. As a result, upon conversion of the notes, the value of the common stock you receive may be less than expected because the value of our common stock may decline (or not appreciate as much as you may expect) between the day that you exercise your conversion right and the day our conversion obligation in respect of your notes is finally determined. In addition, upon conversion, you may receive shares of our common stock with a value less than the principal amount of notes being converted because the value of our common stock may decline (or not appreciate as much as you expect) between the day that you exercise your conversion right and the day our conversion obligation in respect of your notes is finally determined.

***In the event of a default, we may have insufficient funds to make any payments due on the notes.***

Our failure to convert the notes into shares of our common stock upon exercise of a holder's conversion right in accordance with the provisions of the indenture pursuant to which the notes are issued would constitute a default under the indenture. In addition, a default under the indenture could lead to a default under existing and future agreements governing our indebtedness. If, due to a default, the repayment of related indebtedness were to be accelerated after any applicable notice or grace periods, we may not have sufficient funds to repay such indebtedness and the notes.

***The notes are not protected by restrictive covenants.***

The indenture governing the notes does not contain any financial or operating covenants or restrictions on the payments of dividends, the incurrence of indebtedness or the issuance or repurchase of securities by us or any of our subsidiaries. In addition, the indenture does not contain covenants or other provisions to afford protection to holders of the notes in the event of a change of control involving us except to the extent described under Description of the Notes Fundamental Change Permits Holders to Require Us to Purchase Notes and Description of the Notes Conversion Rights Adjustment to Shares Delivered Upon Conversion Upon Certain Corporate Transactions.

***The base conversion rate and the incremental share factor for the notes may not be adjusted for all dilutive events.***

The base conversion rate and the incremental share factor of the notes are subject to adjustment for certain events, including, but not limited to, the issuance of stock dividends on our common stock, the issuance of certain rights or warrants, subdivisions, combinations, distributions of capital stock, indebtedness or assets, cash dividends and certain issuer tender or exchange offers as described under Description of the Notes Conversion Rights Conversion Rate Adjustments. Neither the base conversion rate nor the incremental share factor will be adjusted, however, for other events, such as a third party tender or exchange offer or an issuance of common stock for cash, that may adversely affect the trading price of the notes or our common stock. In addition, an event that adversely affects the value of the notes may occur, and that event may not result in an adjustment to the base conversion rate or the incremental share factor.

***Some significant restructuring transactions may not constitute a fundamental change, in which case we would not be obligated to offer to purchase the notes.***

Upon the occurrence of a fundamental change, you have the right to require us to purchase your notes. However, the fundamental change provisions will not afford protection to holders of notes in the event of certain transactions. For example, transactions such as leveraged recapitalizations, refinancings, restructurings,

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or acquisitions initiated by us may not constitute a fundamental change requiring us to purchase the notes. In the event of any such transaction, the holders would not have the right to require us to purchase the notes, even though each of these transactions could increase the amount of our indebtedness, or otherwise adversely affect our capital structure or any credit ratings, thereby adversely affecting the holders of notes.

***The adjustment to the applicable conversion rate for notes converted in connection with certain corporate transactions may not adequately compensate you for any lost value of your notes as a result of such transaction.***

If certain corporate transactions occur, under certain circumstances we will increase the applicable conversion rate by a number of additional shares of our common stock for notes converted in connection with such specified corporate transaction. The increase in the applicable conversion rate will be determined based on the date on which such corporate transaction becomes effective and the price paid per share of our common stock in, or the price of our common stock over a five trading-day period immediately preceding the effective date of, such corporate transaction, as described below under **Description of the Notes Conversion Rights Adjustment to Shares Delivered Upon Conversion Upon Certain Corporate Transactions**. The adjustment to the applicable conversion rate for notes converted in connection with such corporate transaction may not adequately compensate you for any lost value of your notes as a result of such transaction. In addition, if the price of our common stock in, or the average price of our common stock over a five trading-day period immediately preceding the effective date of, such corporate transaction is greater than \$      per share, or less than \$      per share, no adjustment will be made to the applicable conversion rate. In addition, in no event will the total number of shares of common stock issuable upon conversion as a result of this adjustment exceed      per \$1,000 principal amount of notes, subject to adjustments in the same manner as the base conversion rate as set forth under **Description of the Notes Conversion Rights Conversion Rate Adjustments**.

Our obligation to increase the applicable conversion rate in connection with any such specified corporate transaction could be considered a penalty, in which case the enforceability thereof would be subject to general principles of reasonableness of economic remedies.

***We cannot assure you that an active trading market will develop for the notes.***

Prior to this offering, there has been no trading market for the notes. We do not intend to apply for a listing of the notes on any national securities exchange or any automated dealer quotation system. The underwriter has advised us that it currently intends to make a market in the notes after the offering is completed. However, it is not obligated to do so, and may discontinue market making with respect to the notes without notice. In addition, the liquidity of the trading market in the notes, and the market price quoted for the notes, may be adversely affected by changes in the overall market for this type of security and by changes in our financial performance or prospects or in the prospects for companies in our industry generally. As a result, there can be no assurance that an active trading market will develop for the notes.

***Provisions of the notes could discourage an acquisition of us by a third party.***

Certain provisions of the notes could make it more difficult or more expensive for a third party to acquire us. Upon the occurrence of certain transactions constituting a fundamental change, holders of the notes will have the right, at their option, to require us to repurchase for cash any or all of their notes, or any portion of the principal amount of such notes that is equal to \$1,000 or an integral multiple of \$1,000, at a price equal to 100% of the principal amount plus any accrued and unpaid interest. See **Description of the Notes Fundamental Change Permits Holders to Require Us to Purchase Notes**. We also may be required to issue additional shares of our common stock upon conversion of outstanding notes in the event of certain corporate transactions. See **Description of the Notes Conversion Rights Adjustment to Shares Delivered Upon Conversion Upon Certain Corporate Transactions**.



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***Holding the notes does not entitle you to any rights with respect to our common stock, but you will be subject to all changes made with respect to our common stock.***

As a holder of the notes, you will not be entitled to any rights with respect to our common stock (including, without limitation, voting rights and rights to receive any dividends or other distributions on our common stock), but you will be subject to all changes affecting our common stock. You will have rights with respect to our common stock only if you convert your notes, which you are permitted to do only in the limited circumstances described in this prospectus supplement. For example, in the event that an amendment is proposed to our restated articles of incorporation or bylaws requiring shareholder approval and the record date for determining the shareholders of record entitled to vote on the amendment occurs prior to last day of the relevant observation period, you will not be entitled to vote on the amendment, although you will nevertheless be subject to any changes in the powers, preferences or rights of our common stock.

***We may issue preferred stock with rights senior to our common stock.***

Our restated articles of incorporation, as amended, authorize the issuance of up to 5,000,000 shares of preferred stock without shareholder approval. The shares may have dividend, voting, liquidation and other rights and preferences that are senior to the rights of our common stock. In addition, such shares of preferred stock may be convertible into shares of our common stock. Conversion of shares of our preferred stock into shares of our common stock may dilute the value of our common stock, which may adversely impact the value of your notes. The rights and preferences of any class or series of preferred stock issued by us would be established by our board of directors in its sole discretion.

***Our restated articles of incorporation and Michigan law may have the effect of delaying or preventing a change of control, which could adversely affect the value of the shares of our common stock underlying the notes and the notes themselves.***

In addition to the ability of our board of directors to issue shares of preferred stock, we are subject to Michigan statutes regulating business combinations, takeovers and control share acquisitions, which might also hinder or delay a change in control of our company. Such statutes, along with anti-takeover provisions that our board of directors might include in preferred stock that they may choose to issue, could depress the market price of our common stock, into which the notes are convertible upon the terms described in this prospectus supplement, as well as limit the shareholders' ability to receive a premium on their shares by discouraging takeover and tender offer bids, even if such events might be beneficial to shareholders.

***You may be subject to tax upon an adjustment to the base conversion rate or the applicable conversion rate of the notes even though you do not receive a corresponding cash distribution.***

The base conversion rate of the notes is subject to adjustment in certain circumstances, including the payment of certain cash dividends. If the base conversion rate is adjusted as a result of a distribution that is taxable to our common shareholders, such as a cash dividend, you will be deemed to have received a taxable dividend to the extent of our earnings and profits that will be subject to U.S. federal income tax without the receipt of any cash. If you are a non-U.S. holder (as defined in "Certain United States Federal Income Tax Considerations"), such deemed dividend may be subject to U.S. federal withholding tax at a 30% rate, or such lower rate as may be specified by an applicable treaty, which may be set off against subsequent payments on the notes. See "Price Range of Our Common Stock and Dividend Policy" and "Certain United States Federal Income Tax Considerations."

If certain types of corporate transactions occur on or prior to the maturity date of the notes, under some circumstances, we will increase the applicable conversion rate for notes converted in connection with the corporate transaction. See "Description of the Notes" "Conversion Rights" "Adjustment to Shares Delivered Upon Conversion Upon Certain

Corporate Transactions. Such increase may be treated as a distribution subject to U.S. federal income tax as a dividend. See Certain United States Federal Income Tax Considerations.

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***U.S. Holders of the notes will recognize income for U.S. federal income tax purposes significantly in excess of interest payments on the notes, and gain (if any) recognized on a disposition of notes will generally be taxed as ordinary income.***

We and each holder of the notes agree in the indenture to treat the notes, for U.S. federal income tax purposes, as contingent payment debt instruments. As a result of such treatment, U.S. Holders (as defined under Certain United States Federal Income Tax Considerations ) of the notes will be required to include interest in gross income in an amount significantly in excess of the stated interest of the notes. In addition, any gain recognized by a U.S. Holder on the sale, exchange, repurchase, redemption, retirement or conversion of a note will generally be ordinary interest income and any loss will generally be ordinary loss to the extent of the interest previously included in income by the U.S. Holder and, thereafter, capital loss. There is some uncertainty as to the proper application of the Treasury regulations governing contingent payment debt instruments and, if our treatment is successfully challenged by the Internal Revenue Service, it might be determined that, among other things, you should have accrued interest income at a lower or higher rate, or should have recognized capital gain or loss, rather than ordinary income or loss, upon the conversion or disposition of the notes. See Certain United States Federal Income Tax Considerations.

***Our ability to use net operating loss carryforwards to offset future taxable income for U.S. federal income tax purposes may be subject to limitation as a result of future conversions of the notes or other transactions.***

In general, under Section 382 of the Internal Revenue Code, a corporation that undergoes an ownership change is subject to limitations on its ability to utilize all or a portion of its pre-change net operating losses, or NOLs, to offset future taxable income. A corporation generally undergoes an ownership change when the stock ownership percentage (by value) of its 5 percent stockholders increases by more than 50 percentage points over any three-year testing period. We currently have significant NOLs. Future transactions involving the sale or other transfer of our stock, such as additional stock issuances by us (including issuances upon future conversion of the notes) or acquisitions or sales of shares by certain holders of our shares, and the timing of such transactions, may result in an ownership change. There can be no assurance that we will realize any U.S. federal income tax benefit from any of our NOL carryforwards.

**Table of Contents****CAPITALIZATION**

The following table sets forth our capitalization as of September 29, 2007:

on an actual basis; and

on an as adjusted basis to reflect the completion of our sale of the notes in this offering and the receipt and use of the proceeds therefrom (assuming the underwriters' option to purchase additional senior convertible notes is not exercised) as described in Use of Proceeds.

The information presented below should be read in conjunction with our historical financial statements as of and for the nine months ended September 29, 2007 and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our quarterly report on Form 10-Q for the quarter ended September 29, 2007 and incorporated by reference in this prospectus supplement.

	<b>Actual</b>	<b>As Adjusted</b>
	<b>(In thousands)</b>	
Cash and cash equivalents	\$ 111,282	\$ 138,938
Debt:		
75/8% Senior Notes due 2009(a)	\$ 82,298	\$
Notes offered hereby		130,000
Term Loan due 2012	70,250	62,250
Sterling Term Loan due 2012	90,210	90,210
Obligations under industrial revenue bonds	12,430	12,430
Other debt(b)	1,027	1,027
Total debt	\$ 256,215	\$ 295,917
Shareholders' equity(c)	324,440	321,849
Total capitalization	\$ 580,655	\$ 617,766

- (a) Assumes all of the 2009 notes are tendered and accepted in the concurrent offer to purchase.
- (b) Other debt consists primarily of capitalized leases.
- (c) Adjustment to shareholders' equity consists of the tender premium relating to the repurchase of the 2009 notes of approximately \$4.0 million, net of taxes at an assumed rate of 35%.

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**USE OF PROCEEDS**

We estimate the net proceeds of this offering will be approximately \$126 million, after deducting the underwriter's discounts and commissions and estimated offering expenses. Approximately \$100 million of the proceeds from this offering will be used to:

repurchase any and all of the 2009 notes tendered in the offer to purchase including tender premium and accrued interest;

repay not less than \$8 million of our outstanding principal, plus accrued interest, under our term loan due 2012; and

pay related fees and expense.

The remaining proceeds will be used for general corporate purposes.

If the underwriter exercises its option to purchase additional notes to cover over-allotments in full, we estimate that the net proceeds from this offering will be approximately \$145 million, after deducting the underwriter's discounts and commissions and estimated offering expenses. To the extent that less than \$89 million of the proceeds are used to repurchase the 2009 notes (including tender premium and accrued interest), the difference between \$89 million and the amount actually used will instead be used to repay additional amounts under our term loan due 2012.

**PRICE RANGE OF OUR COMMON STOCK AND DIVIDEND POLICY**

Set forth below, for the periods indicated, are the high and low sale prices per share of common stock as reported by the New York Stock Exchange.

	<b>High</b>	<b>Low</b>
<b>2005</b>		
First Quarter	\$ 12.25	\$ 9.11
Second Quarter	11.20	8.33
Third Quarter	14.97	9.58
Fourth Quarter	15.55	12.30
<b>2006</b>		
First Quarter	\$ 16.02	\$ 13.00
Second Quarter	16.32	9.24
Third Quarter	10.56	5.15
Fourth Quarter	10.09	6.88
<b>2007</b>		
First Quarter	\$ 10.34	\$ 7.18
Second Quarter	12.00	8.63
Third Quarter	12.74	8.80
Fourth Quarter (through October 26, 2007)	14.59	10.94

On October 26, 2007, the last reported sale price of our common stock on the New York Stock Exchange was \$13.04 per share.

We have not paid cash dividends on our common stock since 1974 and do not plan to pay cash dividends on our common stock in the near term. We intend to retain future earnings, if any, to finance the operation and expansion of our business.

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**DESCRIPTION OF THE NOTES**

We will issue the notes under an indenture, dated as of November , 2007 and a first supplemental indenture dated as of November , 2007, which together we refer to as the indenture, between us and Wells Fargo Bank, N.A., as trustee, to whom we refer as the trustee. The terms of the notes include those expressly set forth in the indenture and those made part of the indenture by reference to the Trust Indenture Act of 1939, as amended, which we refer to as the Trust Indenture Act.

You may request a copy of the indenture from us. See Where You Can Find More Information.

The following description is a summary of the material provisions of the notes and the indenture and does not purport to be complete. This description supplements, and should be read together with, the description of the general terms and provisions of the debt securities set forth in the accompanying prospectus under the heading Description of Debt Securities and, to the extent it is inconsistent with the accompanying prospectus, replaces the description in the accompanying prospectus. This summary is subject to, and is qualified by reference to, all the provisions of the notes and the indenture, including the definitions of certain terms used in these documents. We urge you to read the indenture because it, and not this description, defines your rights as a holder of the notes.

For purposes of this description, references to the Company, the issuer, we, our and us refer only to Champion Enterprises, Inc. (excluding its subsidiaries).

**General**

We are offering \$130,000,000 aggregate principal amount of our % Convertible Senior Notes due 2037 (or \$149,500,000 if the underwriter exercises its over-allotment option in full), which we refer to as the notes. We use the term note in this prospectus supplement to refer to each \$1,000 principal amount of notes. The notes will mature on November 1, 2037, subject to earlier conversion, redemption or repurchase.

The notes:

- will be our general unsecured senior obligations;

- will be issued in denominations of \$1,000 and integral multiples of \$1,000;

- will be represented by one or more registered notes in global form, but in certain limited circumstances may be represented by notes in certificated form as described below under Book-Entry, Settlement and Clearance ;

- will not be subject to defeasance or any sinking fund provision;

- will be ranked equally in right of payment to any of our existing or future unsecured senior debt; and

- will effectively rank junior to any of our secured debt to the extent of the value of the assets securing such indebtedness, and will be structurally subordinated to all liabilities of our subsidiaries.

On or prior to the business day immediately preceding the maturity date, the notes may be converted based on an initial base conversion rate of shares of common stock per \$1,000 principal amount of notes (equivalent to an initial base conversion price of approximately \$ per share of common stock), which base conversion rate may be subject to increase pursuant to a formula described below under Conversion Rights General. The base conversion rate is also

subject to adjustment if certain events occur.

As described below under      Conversion Rights      Settlement Upon Conversion, we will settle conversions of notes by delivering a number of shares of our common stock, per \$1,000 principal amount of notes, equal to the applicable conversion rate. Holders will not receive any separate cash payment for interest, if any, accrued and unpaid to the conversion date except under the circumstances described below under      Conversion Rights      General.

We may redeem the notes at our option, in whole or in part, beginning on November 1, 2012, as described below under      Optional Redemption by Us.

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The notes will be subject to repurchase by us at the holders' option on November 1, 2012, November 1, 2017, November 1, 2022, November 1, 2027 and November 1, 2032 on the terms and at the repurchase prices set forth below under **Repurchase of Notes by Us at Option of Holder**.

The notes will be subject to repurchase by us at the holders' option upon the occurrence of a fundamental change on the terms and at the purchase prices set forth below under **Fundamental Change Permits Holders to Require Us to Purchase Notes**.

If any interest payment date, maturity date, redemption date, repurchase date, fundamental change purchase date or settlement date falls on a day that is not a business day, then the required payment or delivery will be made on the next succeeding business day with the same force and effect as if made on the date that the payment or delivery was due, and no additional interest will accrue on that payment for the period from and after the interest payment date, maturity date, redemption date, repurchase date, fundamental change purchase date or settlement date, as the case may be, to that next succeeding business day.

We may, without the consent of the holders, reopen the indenture for the notes and issue additional notes under the indenture with the same terms and with the same CUSIP numbers as the notes offered hereby in an unlimited aggregate principal amount; *provided* that no such additional notes may be issued unless they will be fungible with the notes offered hereby for U.S. federal income tax purposes. We may also from time to time repurchase the notes in open market purchases or negotiated transactions without prior notice to holders.

The registered holder of a note will be treated as the owner of it for all purposes.

The indenture does not limit the amount of debt which may be issued by us or our subsidiaries under the indenture or otherwise.

Other than restrictions described under **Fundamental Change Permits Holders to Require Us to Purchase Notes** and **Consolidation, Merger and Sale of Assets** below, and except for the provisions set forth under **Conversion Rights Adjustment to Shares Delivered Upon Conversion Upon Certain Corporate Transactions**, the indenture does not contain any covenants or other provisions designed to afford holders of the notes protection in the event of a highly leveraged transaction involving us or in the event of a decline in our credit rating as a result of a takeover, recapitalization, highly leveraged transaction or similar restructuring involving us that could adversely affect the holders of the notes.

**Payments on the Notes; Paying Agent and Registrar**

We will pay principal of certificated notes at the office or agency designated by us in the United States. We have initially designated a corporate trust office of Wells Fargo Bank, N.A. as our paying agent and registrar and its agency in Minneapolis, Minnesota, as a place where notes may be presented for payment or for registration of transfer. We may, however, change the paying agent or registrar without prior notice to the holders of the notes, and we may act as paying agent or registrar. Interest on certificated notes will be payable (1) to holders holding certificated notes having an aggregate principal amount of \$1,000,000 or less of notes by check mailed to the holders of such notes and (2) to holders holding certificated notes having an aggregate principal amount of more than \$1,000,000 of notes either by check mailed to each holder or, upon application by a holder to the registrar not later than the relevant record date, by wire transfer in immediately available funds to that holder's account within the United States, which application shall remain in effect until the holder notifies, in writing, the registrar to the contrary.

We will pay principal of and interest on notes in global form registered in the name of or held by The Depository Trust Company or its nominee in immediately available funds to The Depository Trust Company or its nominee, as

the case may be, as the registered holder of such global note.

### **Interest**

The notes will bear interest at a rate of     % per year (such interest rate subject to reduction as described below). Interest will accrue from November     , 2007 and will be payable semi-annually in arrears on May 1 and November 1 of each year, beginning May 1, 2008. Beginning on November 1, 2012, during any

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six-month period thereafter from November 1 to April 30 and from May 1 to October 31, if the average trading price (as defined herein) of a note for the five consecutive trading days immediately preceding the first day of the applicable six-month interest period equals or exceeds 120% of the principal amount of the notes, we will reduce the % interest rate for the notes solely to % for the relevant interest period.

*Trading price* of the notes on any determination date means the average of the secondary market bid quotations per note obtained by the bid solicitation agent for \$5,000,000 aggregate principal amount of the notes at approximately 3:30 p.m., New York City time, on the determination date from three independent nationally recognized securities dealers we select; *provided* that if:

three such bids cannot reasonably be obtained by the bid solicitation agent, but two such bids are obtained, then the average of the two bids shall be used, and

only one such bid can reasonably be obtained by the bid solicitation agent, that one bid shall be used;

*provided* further if no bids are received or, in our reasonable judgment, the bid quotations are not indicative of the secondary market value of the notes, then the trading price of the notes on any determination date will equal (1) the applicable conversion rate of the notes as of such determination date *multiplied by* (2) the average last reported sale price (as defined below under Conversion Rights General ) of our common stock for the five consecutive trading days ending on such determination date. Solely for purposes of determining the interest rate on the notes beginning on November 1, 2012, as set forth above, the applicable conversion rate on any day will be (i) if the last reported sale price of our common stock on the trading day immediately preceding such day is less than or equal to the base conversion price, the base conversion rate and (ii) if such last reported sale price of our common stock is greater than the base conversion price, the base conversion rate plus a number of shares equal to the product of (a) the incremental share factor and (b) (1) the difference between such last reported sale price and the base conversion price *divided by* (2) such last reported sale price.

The bid solicitation agent will initially be the trustee. We may change the bid solicitation agent, but the bid solicitation agent may not be an affiliate of ours.

Interest will be paid to the person in whose name a note is registered at the close of business on April 15 or October 15 (each a record date ), as the case may be (whether or not a business day), immediately preceding the relevant interest payment date; *provided, however*, that accrued and unpaid interest, if any, payable upon redemption or repurchase of the notes by us will be paid to the person to whom principal is payable, unless the redemption date or repurchase date, as the case may be, is after 5:00 p.m., New York City time, on a record date and on or prior to 9:00 a.m., New York City time, on the business day immediately following the interest payment date to which that record date relates, in which case such accrued and unpaid interest, if any, will be paid to the record holder on the relevant record date. Interest on the notes will be computed on the basis of a 360-day year composed of twelve 30-day months.

Unless the context requires otherwise, all references to the term interest in this prospectus supplement are deemed to include additional interest, if any, that accrues and is payable in connection with our failure to comply with our reporting obligations under the indenture as set forth below under Events of Default.

## **Ranking**

The notes will be our general unsecured obligations and rank senior in right of payment to all existing and future indebtedness that is expressly subordinated in right of payment to the notes. The notes will rank equally in right of payment with all of our existing and future liabilities that are not so subordinated. The notes will effectively rank

junior to any of our secured indebtedness to the extent of the assets securing such indebtedness. In the event of our bankruptcy, liquidation, reorganization or other winding up, our assets that secure such secured indebtedness will be available to pay obligations on the notes only after all indebtedness under such secured indebtedness has been repaid in full from such assets. We advise you that there may not be sufficient assets remaining to pay amounts due on any or all the notes then outstanding. As of September 29, 2007, after giving pro forma effect to, and assuming all of the 2009 notes are tendered and accepted in, the concurrent offer to purchase, we had no significant indebtedness. The notes will also be effectively subordinated in right of

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payment to all indebtedness and other liabilities and commitments (including trade payables and lease obligations) of our subsidiaries in the amount of approximately \$467 million as of September 29, 2007. See Risk Factors Because of our holding company structure and the security interests our subsidiaries have granted in their assets, the repayment of the notes will be effectively subordinated to substantially all of our other debt, other than our outstanding 7.625% Senior Notes due 2009.

## Conversion Rights

### General

Holders may convert their notes at the applicable conversion rate at any time prior to the close of business on the business day immediately preceding the maturity date.

The applicable conversion rate for any notes to be converted will be equal to the sum of the daily conversion rate fractions for each day during the 20 trading days (as defined below) in the relevant observation period (as defined below). The daily conversion rate fraction for each trading day during the relevant observation period will be determined as follows:

if the last reported sale price (as defined below) of our common stock on such trading day is less than or equal to the base conversion price (as defined below), the daily conversion rate fraction for such trading day will be equal to the base conversion rate *divided by* 20; and

if the last reported sale price of our common stock on such trading day is greater than the base conversion price, the daily conversion rate fraction for such trading day will be equal to 1/20th of the following:

$$\text{Base Conversion Rate} + \frac{\left( \frac{\text{Last Reported Sale Price of our Common Stock on such Trading Day}}{\text{Base Conversion Price}} - \frac{\text{Last Reported Sale Price of our Common Stock on such Trading Day}}{\text{Last Reported Sale Price of our Common Stock on such Trading Day}} \right) \times \text{Incremental Share Factor}}$$

In no event, however, will the daily conversion rate fraction for any day during the observation period exceed 1/20th of shares of our common stock (the daily share cap), subject to adjustment in the same manner as the base conversion rate as described herein.

The *base conversion rate* is shares of common stock per \$1,000 principal amount of notes, subject to adjustment as described under Conversion Rate Adjustments. The applicable conversion rate may also be adjusted in certain corporate transactions. See Adjustment to Shares Delivered Upon Conversion Upon Certain Corporate Transactions below.

The *base conversion price* per \$1,000 principal amount of notes is a dollar amount (initially, approximately \$ ) determined by dividing \$1,000 by the base conversion rate.

The *incremental share factor* is initially , subject to the same proportional adjustment as the base conversion rate.

The *observation period*, with respect to any note, means the 20 consecutive trading day period beginning on and including the second trading day after the conversion date for such note, except that with respect to any conversion

date that is on or after the 24th scheduled trading day immediately preceding the maturity date for the notes, the observation period means the 20 consecutive trading days beginning on and including the 22nd scheduled trading day immediately preceding the maturity date for the notes.

The *last reported sale price* of our common stock on any date means the closing sale price per share (or if no closing sale price is reported, the average of the bid and ask prices or, if more than one in either case, the average of the average bid and the average ask prices) on that date as reported in composite transactions for the principal U.S. national or regional securities exchange on which our common stock is listed for trading. If our common stock is not listed for trading on a U.S. national or regional securities exchange on the relevant date, the last reported sale price will be the last quoted bid price for our common

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stock in the over-the-counter market on the relevant date as reported by the National Quotation Bureau or similar organization. If our common stock is not so quoted, the last reported sale price will be the average of the mid-point of the last bid and ask prices for our common stock on the relevant date from each of at least three nationally recognized independent investment banking firms selected by us for this purpose.

*Scheduled trading day* means any day that is scheduled to be a trading day.

*Trading day* means a day during which trading in our common stock generally occurs on the principal U.S. national or regional securities exchange on which our common stock is listed for trading; provided that if our common is not listed for trading on a U.S. national or regional securities exchange, trading day will mean a business day.

## ***Conversion Procedures***

If you hold a beneficial interest in a global note, to convert you must comply with DTC's procedures for converting a beneficial interest in a global note and, if required, pay funds equal to interest payable on the next interest payment date and all transfer or similar taxes, if any.

If you hold a certificated note, to convert you must:

complete and manually sign the conversion notice on the back of the note, or a facsimile of the conversion notice;

deliver the conversion notice, which is irrevocable, and the note to the conversion agent;

if required, furnish appropriate endorsements and transfer documents;

if required, pay all transfer or similar taxes; and

if required, pay funds equal to interest payable on the next interest payment date.

The date you comply with these requirements is the conversion date under the indenture.

If a holder has already delivered a purchase notice as described under Fundamental Change Permits Holders to Require Us to Purchase Notes or a repurchase notice as described under Repurchase of Notes by Us at Option of Holder with respect to a note, the holder may not surrender that note for conversion until the holder has withdrawn the relevant notice in accordance with the indenture. In addition, if we call notes for redemption as described below under

Optional Redemption by Us, a holder may convert the notes called for redemption at any time prior to the close of business on the business day immediately prior to the redemption date.

## ***Settlement Upon Conversion***

Upon conversion of the notes, we will deliver to holders, for each \$1,000 principal amount of notes converted, a number of shares equal to the applicable conversion rate on the third trading day immediately following the last trading day of the relevant observation period.

Upon conversion, a holder will not receive any separate cash payment for accrued and unpaid interest, if any, except as set forth in the immediately succeeding paragraph. We will not issue fractional shares of our common stock upon conversion of notes. Instead, we will pay cash in lieu of fractional shares based on the last reported sale price of the common stock on the last trading day of the relevant observation period. Our settlement of conversions as described

below under Settlement Upon Conversion will be deemed to satisfy our obligation to pay:

the principal amount of the note; and

accrued and unpaid interest, if any, to, but excluding, the conversion date.

As a result, accrued and unpaid interest, if any, to, but excluding, the conversion date will be deemed to be paid in full rather than cancelled, extinguished or forfeited.

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Notwithstanding the preceding paragraph, if notes are converted after 5:00 p.m., New York City time, on a regular record date but prior to 9:00 a.m., New York City time, on the immediately following interest payment date, holders of such notes at 5:00 p.m., New York City time, on the record date will receive the interest, if any, payable on such notes on the corresponding interest payment date notwithstanding the conversion. Notes, upon surrender for conversion during the period after 5:00 p.m., New York City time, on any regular record date but prior to 9:00 a.m., New York City time, on the immediately following interest payment date, must be accompanied by funds equal to the amount of interest, if any, payable on the notes so converted; *provided* that no such payment need be made:

if we have specified a redemption date, repurchase date or a fundamental change purchase date (as defined below) that is after a record date and on or prior to the business day immediately following the interest payment date;

to the extent of any overdue interest, if any overdue interest exists at the time of conversion with respect to such note; or

if the notes are surrendered for conversion after 5:00 p.m., New York City time, on the regular record date immediately preceding the maturity date and before 5:00 p.m., New York City time, on the business day immediately preceding the maturity date for the notes.

If a holder converts notes, we will pay any documentary, stamp or similar issue or transfer tax due on the issue of any shares of our common stock upon the conversion, unless the tax is due because the holder requests any shares to be issued in a name other than the holder's name, in which case the holder will pay that tax.

## ***Exchange in Lieu of Conversion***

When a holder surrenders notes for conversion, we may direct in writing the conversion agent to surrender such notes to a financial institution designated by us for exchange in lieu of conversion. In order to accept any notes surrendered for conversion, the designated financial institution must agree to deliver, in exchange for such notes, the number of shares of our common stock due upon conversion based upon the applicable conversion rate, as determined above under General. By the close of business on the scheduled trading day immediately preceding the start of the observation period, we will provide written notification to the holder surrendering notes for conversion that we have directed the designated financial institution to make an exchange in lieu of conversion. If the designated financial institution accepts any such notes, it will deliver the number of shares of our common stock due upon conversion to the conversion agent and the conversion agent will deliver those shares of our common stock to the converting holder. Any notes exchanged by the designated financial institution will remain outstanding. If the designated financial institution agrees to accept any notes for exchange but does not timely deliver the related shares of our common stock, we will, as promptly as practical thereafter (but no later than the fourth trading day immediately following the last trading day of the relevant observation period) convert the notes into shares of our common stock based on the applicable conversion rate as set forth above under Settlement Upon Conversion. If such designated financial institution does not accept the notes for exchange, we will convert the notes into shares of our common stock, based on the applicable conversion rate, as set forth under Settlement Upon Conversion. Our designation of a financial institution to which the notes may be submitted for exchange does not require the institution to accept any notes. We will not pay any consideration to, or otherwise enter into any agreement with, the designated financial institution for or with respect to such designation.

## ***Conversion Rate Adjustments***

The base conversion rate will be subject to adjustment as described below. The incremental share factor will be proportionately adjusted on the same basis as the base conversion rate.



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(1) If we issue shares of our common stock as a dividend or distribution on shares of our common stock, or if we effect a share split or share combination, the base conversion rate will be adjusted based on the following formula:

where,

$CR_0$  = the base conversion rate in effect immediately prior to the open of business on the ex-dividend date for such dividend or distribution, or the open of business on the effective date of such share split or share combination, as the case may be;

$CR$  = the new base conversion rate in effect immediately after the open of business on the ex-dividend date for such dividend or distribution, or the open of business on the effective date of such share split or share combination, as the case may be;

$OS_0$  = the number of shares of our common stock outstanding immediately prior to the open of business on the ex-dividend date for such dividend or distribution, or the open of business on the effective date of such share split or share combination, as the case may be; and

$OS$  = the number of shares of our common stock outstanding immediately after such dividend or distribution, or the open of business on the effective date of such share split or share combination, as the case may be.

(2) If we distribute to all or substantially all holders of our common stock any rights or warrants entitling them for a period of not more than 45 calendar days from the record date of such distribution to subscribe for or purchase shares of our common stock, at a price per share less than the last reported sale price of our common stock on the trading day immediately preceding the record date for such distribution, the base conversion rate will be adjusted based on the following formula (*provided* that the base conversion rate will be readjusted to the extent that such rights or warrants are not exercised prior to their expiration or are not distributed):

$CR_0$  = the base conversion rate in effect immediately prior to the open of business on the ex-dividend date for such distribution;

$CR$  = the new base conversion rate in effect immediately after the open of business on the ex-dividend date for such distribution;

$OS_0$  = the number of shares of our common stock outstanding immediately prior to the open of business on the ex-dividend date for such distribution;

$X$  = the total number of shares of our common stock issuable pursuant to such rights or warrants; and

$Y$  = the number of shares of our common stock equal to the aggregate price payable to exercise such rights or warrants divided by the average of the last reported sale prices of our common stock over the 10 consecutive trading-day period ending on the trading day immediately preceding the ex-dividend date for such distribution.

(3) If we distribute shares of our capital stock, evidences of our indebtedness or other assets or property of ours to all or substantially all holders of our common stock, excluding:

dividends or distributions referred to in clause (1) or (2) above;

dividends or distributions paid exclusively in cash; and

spin-offs to which the provisions set forth below in this paragraph (3) shall apply,

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then the base conversion rate will be adjusted based on the following formula:

where,

$CR_0$  = the base conversion rate in effect immediately prior to the open of business on the ex-dividend date for such distribution;

$CR$  = the new base conversion rate in effect immediately after the open of business on the ex-dividend date for such distribution;

$SP_0$  = the average of the last reported sale prices of our common stock over the 10 consecutive trading-day period ending on the trading day immediately preceding the ex-dividend date for such distribution; and

FMV = the fair market value (as determined by our board of directors or a committee thereof) of the shares of capital stock, evidences of indebtedness, assets or property distributed with respect to each outstanding share of our common stock on the ex-dividend date for such distribution.

With respect to an adjustment pursuant to this clause (3) where there has been a payment of a dividend or other distribution on our common stock or shares of capital stock of any class or series, or similar equity interest, of or relating to a subsidiary or other business unit, which we refer to as a spin-off, the base conversion rate in effect immediately before 5:00 p.m., New York City time, on the tenth trading day immediately following, and including, the effective date of the spin-off will be increased based on the following formula:

$CR_0$  = the base conversion rate in effect immediately prior to the close of business on the tenth trading day immediately following, and including, the effective date of the spin-off;

$CR$  = the new base conversion rate in effect immediately after the close of business on the tenth trading day immediately following, and including, the effective date of the spin-off;

FMV = the average of the last reported sale prices of the capital stock or similar equity interest distributed to holders of our common stock applicable to one share of our common stock over the first 10 consecutive trading-day period immediately following, and including, the effective date of the spin-off; and

$MP_0$  = the average of the last reported sale prices of our common stock over the first 10 consecutive trading-day period immediately following, and including, the effective date of the spin-off.

The adjustment to the base conversion rate under the preceding paragraph will occur on the tenth trading day immediately following, and including, the effective date of the spin-off; *provided* that, for purposes of determining the base conversion rate, in respect of any conversion during the ten trading days following the effective date of any spin-off, references within the portion of this paragraph (3) related to spin-offs to 10 trading days shall be deemed replaced with such lesser number of trading days as have elapsed between the effective date of such spin-off and the relevant conversion date.

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(4) If we pay any cash dividend or distribution to all or substantially all holders of our common stock, the base conversion rate will be adjusted based on the following formula:

where,

$CR_0$  = the base conversion rate in effect immediately prior to the open of business on the ex-dividend date for such distribution;

$CR$  = the new base conversion rate in effect immediately after the open of business on the ex-dividend date for such distribution;

$SP_0$  = the last reported sale price of our common stock on the trading day immediately preceding the ex-dividend date for such distribution; and

$C$  = the amount in cash per share of our common stock that we distribute to holders of our common stock.

(5) If we or any of our subsidiaries makes a payment in respect of a tender offer or exchange offer for our common stock, if the cash and value of any other consideration included in the payment per share of common stock exceeds the average of the last reported sale prices of our common stock over the 10 consecutive trading-day period commencing on, and including, the trading day next succeeding the last date on which tenders or exchanges may be made pursuant to such tender or exchange offer, the base conversion rate will be increased based on the following formula:

where,

$CR_0$  = the base conversion rate in effect immediately prior to the close of business on the last trading day of the 10 consecutive trading-day period commencing on, and including, the trading day next succeeding the date such tender or exchange offer expires;

$CR$  = the new base conversion rate in effect immediately after the close of business on the last trading day of the 10 consecutive trading-day period commencing on, and including, the trading day next succeeding the date such tender or exchange offer expires;

$AC$  = the aggregate value of all cash and any other consideration (as determined by our board of directors or a committee thereof) paid or payable for shares purchased in such tender or exchange offer;

$OS_0$  = the number of shares of our common stock outstanding immediately prior to the date such tender or exchange offer expires;

$OS$  = the number of shares of our common stock outstanding immediately after the date such tender or exchange offer expires (after giving effect to such tender offer or exchange offer); and

$SP$  = the average of the last reported sale prices of our common stock over the 10 consecutive trading-day period commencing on, and including, the trading day next succeeding the date such tender or exchange offer expires.

The adjustment to the base conversion rate under the preceding paragraph will occur on the tenth trading day immediately following, but excluding, the date such tender or exchange offer expires; *provided that*, for purposes of determining the base conversion rate, in respect of any conversion during the ten trading days immediately following,

but excluding, the date that any tender or exchange offer expires, references within this paragraph (5) to 10 trading days shall be deemed replaced with such lesser number of trading days as have elapsed between the date such tender or exchange offer expires and the relevant conversion date.

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Except as stated herein, we will not adjust the base conversion rate for the issuance of shares of our common stock or any securities convertible into or exchangeable for shares of our common stock or the right to purchase shares of our common stock or such convertible or exchangeable securities.

In the event of:

any reclassification of our common stock; or

a consolidation, merger or combination involving us; or

a sale or conveyance to another person of all or substantially all of our property and assets,

in which holders of our outstanding common stock would be entitled to receive cash, securities or other property for their shares of common stock, after the effective time of such event, the right to convert the notes into shares of our common stock will be changed into a right to convert the notes into the kind and amount of cash, securities or other property that a holder would have received in such event if such holder had converted its note immediately prior to the effective time of such event.

For purposes of the foregoing, the type and amount of consideration that a holder of our common stock would have been entitled to in the case of reclassifications, consolidations, mergers, sales or transfers of assets or other transactions that cause our common stock to be converted into the right to receive more than a single type of consideration (determined based in part upon any form of shareholder election) will be deemed to be the weighted average of the types and amounts of consideration received by the holders of our common stock that affirmatively make such an election. We will notify holders of the weighted average as soon as practicable after such determination is made.

We are permitted to increase the base conversion rate of the notes by any amount for a period of at least 20 business days if our board of directors determines that such increase would be in our best interest. We may also (but are not required to) increase the base conversion rate to avoid or diminish income tax to holders of our common stock or rights to purchase shares of our common stock in connection with a dividend or distribution of shares (or rights to acquire shares) or similar event.

A holder may, in some circumstances, including the distribution of cash dividends to holders of our shares of common stock, be deemed to have received a distribution or dividend subject to U.S. federal income tax as a result of an adjustment or the nonoccurrence of an adjustment to the base conversion rate. For a discussion of the U.S. federal income tax treatment of an adjustment to the base conversion rate, see Certain United States Federal Income Tax Considerations.

To the extent that we have a rights plan in effect, upon conversion of the notes, you will receive, in addition to any common stock received in connection with such conversion, the rights under the rights plan, unless prior to any conversion, the rights have separated from the common stock, in which case the base conversion rate will be adjusted at the time of separation as if we distributed to all holders of our common stock, shares of our capital stock, evidences of indebtedness or other assets or property as described in clause (3) above, subject to readjustment in the event of the expiration, termination or redemption of such rights.

The base conversion rate will not be adjusted: