

# MONACO COACH CORPORATION CORPORATE GOVERNANCE GUIDELINES

Adopted May 14, 2003.

Revised November 4, 2003, February 19, 2004 and May 18, 2005.

*Introductory Note: the Board of Directors of Monaco Coach Corporation has developed corporate governance practices over time to help it fulfill its responsibilities to oversee the actions of management and the performance of the Company. The governance practices are set forth in these guidelines to confirm that the Board will have the requisite authority and processes in place to (i) continually evaluate the Company's business results, (ii) make decisions that are independent of the Company's management and (iii) assure that the interests and actions of directors and management are aligned with those of Monaco's shareholders.*

## **Role of the Board of Directors**

The Board of Directors (the "Board") is the ultimate decision-making body of Monaco Coach Corporation ("Monaco" or the "Company") except with respect to those matters reserved to the stockholders. The Board selects the Chief Executive Officer and consults with the CEO with respect to the rest of the senior management leadership. The Board acts as an advisor and counselor to senior management and oversees its performance.

## **Composition of the Board**

*Qualification.* The Board consists of a majority of outside directors who meet the criteria for independence established by the SEC and the New York Stock Exchange, as amended from time to time. The Governance Committee considers and makes recommendations to the Board concerning the appropriate size and needs of the Board.

*Term Limits and Retirement.* No term limits are imposed on directors; the Governance Committee does not believe that term limits are the best way to maximize the effectiveness of the Board or its Committee. Directors who have reached the age of 72 at the time of nomination to a new term shall not be eligible to stand for election.

*Selection.* The Governance Committee considers candidates for Board membership. Candidates are selected for their character, judgment, diversity and business experience. Final approval of candidates to fill vacancies or for election by the shareholders is determined by the full Board.

*Compensation.* Monaco employees serving as directors do not receive additional compensation for their services as directors. The compensation for non-employee directors is competitive with that of other public companies of comparable size. The Governance Committee annually reviews the compensation of directors and reports its recommendations to the Board.

*Director Stock Ownership Guidelines.* Directors are encouraged to be shareholders of the Company through their participation in the Company's incentive stock plans and programs. The Board believes that encouraging equity participation in the Company's common stock appropriately links the interests of the outside directors with those of the other shareholders of the Company.

Accordingly, each outside director, within a five-year period following initial appointment or election, should attain and hold an investment position in the Company's common stock (not including unexercised stock options) with a purchase cost of no less than two times the amount of

the annual retainer payable to the director in effect at the beginning of such five-year period. For directors in office on the date of adoption of this policy (November 4, 2003), the five-year period shall begin on such date.

*Orientation and Continuing Education.* Monaco will conduct an orientation program for new directors, including presentations by senior management with respect to Monaco's strategic plans, financial reporting, auditing processes and code of conduct. The Company also provides continuing education for directors, including presentations by senior management and visits to Monaco facilities.

*Performance Review.* The Governance Committee will review each director's performance every two years at the time the director is due to stand for reelection.

### **Board Leadership**

*Chairman.* The Chairman of the Board is selected by the Board. The Board may select the Chief Executive Officer as Chairman.

### **Functioning of the Board**

*Meetings.* Directors are expected to attend Board and Committee meetings and to spend the time needed to prepare for a meeting. The Chairman and CEO will establish the agenda for each Board meeting, with the understanding that certain items pertinent to the advisory and monitoring functions of the Board will be brought to it periodically for review and/or decision. Any member of the Board may request that an item be included on the agenda. At a Board meeting any member of the Board may raise a subject that is not on the agenda for that meeting. Materials related to agenda items are to be provided to the Board members sufficiently in advance of the meeting as necessary to allow the members to prepare for discussion of the items at the meeting. Directors are also expected to attend the Annual Meeting of Stockholders.

*Board and Committee Evaluation.* The Governance Committee is responsible for coordinating an annual evaluation by the directors of the performance of the Board and each Committee. The Governance Committee is responsible for establishing the evaluation criteria and conducting the evaluation.

*CEO Evaluation.* The Board will review the performance of the CEO at least annually and report its findings to the Compensation Committee. The Compensation Committee will establish the long-term and short-term compensation and performance goals for the CEO, unless otherwise determined by a majority of the independent directors.

*Management Succession.* The Board plans for the succession of the Chairman and CEO as well as other senior management positions. To assist the Board, the CEO is required to provide the Board with annual assessments of Monaco's senior managers and other persons considered potential successors to the Chairman and/or CEO position and to other senior management positions. In addition, the CEO is required to prepare, on a continuing basis, a short-term succession plan that delineates a temporary delegation of authority to certain officers if any or all of the senior officers should unexpectedly become unable to perform their duties. The short-term plan would be in effect until the Board had the opportunity to consider the situation and take any necessary and appropriate action.

*Access to Management; Independent Advisors.* Directors have unrestricted access to members of management and employees of the Company. The Board welcomes regular attendance at Board and Committee meetings of executive officers and other members of Monaco management. The Board and/or the committees of the Board (but no individual Board member acting alone) also have the ability to hire, at Monaco's expense, independent advisors when it is deemed necessary or advisable to do so.

*Executive Sessions.* Executive sessions, or meetings of outside directors without management present, are held as part of each regularly scheduled Board meeting. The Board shall designate a Lead Director for the executive session meetings on a biannual rotating basis. Additionally, if not all of the outside directors are independent under Section 303A of the New York Stock Exchange Corporate Governance Rules, at least one of such executive sessions annually shall be limited to independent directors.

*Communications with Constituencies.* Management speaks for the Company. Communications about Monaco with the press, media and other constituencies (e.g., stockholders, customers, communities, suppliers, creditors, regulators and corporate partners) should be made by management. Individual Board members may from time to time, at the request of the CEO, meet or otherwise communicate with various constituencies of the Company. Additionally, the Board of Directors will establish a procedure for stockholders to communicate with the Board of Directors.

## **Committees of the Board**

*Committee Structure.* All major decisions are considered by the full Board. The committee structure of the Board is limited to those committees considered by the Board to be basic to or required for the operation of a publicly owned company. Currently those committees are the Audit Committee, the Governance Committee and the Compensation Committee. Each committee has its own charter setting forth the purposes of the committee as well as qualifications for committee membership. The members and chairs of these committees will be recommended to the full Board in consultation with the Chairman and CEO. Members of the Audit Committee will not serve concurrently on other committees of the Board.

*Qualification.* All members of the Audit, Governance and Compensation Committees are independent directors under the criteria established by the SEC and the New York Stock Exchange, as amended from time to time.

*Terms.* Chairs of each committee should rotate approximately every three years.

*Functioning of the Committees.* The chair of each committee determines the frequency and length of the committee meetings and develops the agenda for each meeting. Materials related to agenda items are to be provided to the committee members sufficiently in advance of the meeting where necessary to allow the members to prepare for discussion of the items at the meeting.

## **Amendment**

The Corporate Governance Guidelines are subject to modification from time to time by the Board.