

CORPORATE GOVERNANCE GUIDELINES

From its beginning, Skyline Corporation has insisted upon absolute integrity in the conduct of its affairs. The sincerity of Skyline's concern with business ethics cannot be overstated. The purpose of these Corporate Governance Guidelines is to supplement the Company's Code of Conduct in its endeavor to fulfill its commitment to integrity and ethics. In addition, these Governance Guidelines are intended to foster the development of a Board of Directors that not only acts with integrity and in an ethical manner, but also is adequately qualified, trained and informed to be capable stewards of the Company's resources for the benefit of its shareholders. In the interpretation of any and all guidelines, these overriding objectives and this priority commitment to integrity shall control.

Director Qualifications and Responsibilities

It shall be the primary responsibility of the Board of Directors to oversee all aspects of the operations of the Company. This shall not entail the day-to-day operations, but shall entail interaction with the key management individuals responsible for those day-to-day operations and establishing policy guidelines concerning all aspects of the business of the Company. The Company shall recruit and train directors whose education and work and life experiences prepare them to provide the guidance described above. A further objective of the Company is to assure that the directors bring an array of capabilities. There should be a group of directors developed for their financial expertise, a group of directors for operations expertise, a group of directors for their ethics expertise, a group of directors for their marketing expertise, and a group of directors for their legal expertise.

Responsibility of Key Board Committees

Following are the key committees of the Company and their respective charters setting forth the responsibilities of each of these committees.

Compensation Committee

The Compensation Committee shall consist of at least three (3) directors, all of whom are independent of management of the Company and any of its subsidiaries and free from any relationship that, in the judgment of the Board of Directors, would interfere with the exercise of independent judgment respecting the matters over which the Committee is given authority.

The members of the Compensation Committee shall be elected annually by the Board of Directors in connection with the annual meeting of the board. Members shall be elected by the Board of Directors with due regard to such member's training in, or experience with, the functions designated for this committee. The Chairman of the Compensation Committee may be designated by the Board of Directors and, in the absence of such designation, may be elected by the Compensation Committee from among their members.

The Committee's purpose shall be to discharge the board's responsibility relating to compensation of company's executives and to produce an annual report on executive compensation for inclusion in the company's proxy statement, in accordance with applicable rules and regulations. The Committee's duties and responsibilities will include a review and approval of corporate goals and objectives relevant to Chief Executive Officer compensation, evaluate the Chief Executive Officer's performance in light of those goals and objectives and set the Chief Executive Officer's compensation level based on this evaluation. In determining the long term incentive component of Chief Executive Officer's compensation, the Committee shall consider the company's performance and relative shareholder return, the value of similar incentive awards to Chief Executive Officers at comparable companies and the awards given to the listed companies Chief Executive Officer in past years.

The Committee shall also make recommendations to the board with respect to incentive based compensation plans and equity based plans. In addition, the Committee shall perform an annual performance evaluation of its own performance to confirm that it is meeting the standards and expectations of this charter.

Procedural Matters

The Compensation Committee shall meet from time to time at the call of its Chairman or at the direction of the Board of Directors. The Committee shall meet at least two (2) times per year. The Chairman of the Compensation Committee shall call a meeting of the Committee upon the request of any member of the Committee or the Chairman of the Board of Directors. The provisions of the Code of By-laws of the Company respecting notice of meetings and for action to be taken by the Board of Directors shall apply to meetings and actions of the Compensation Committee.

The Chairman of the Compensation Committee shall report on the activities of the Committee to the Board of Directors from time to time upon request of the Chairman of the Board of Directors or of the Board of Directors.

Nominating and Governance Committee

The Nominating and Governance Committee shall consist of at least three (3) directors, all of whom are independent of management of the Company and any of its subsidiaries and free from any relationship that, in the judgment of the Board of Directors, would interfere with the exercise of independent judgment respecting the matters over which the Committee is given authority.

The members of the Nominating and Governance Committee shall be elected annually by the Board of Directors in connection with the annual meeting of the board. Members shall be elected by the Board of Directors with due regard to such member's training in, or experience with, the functions designated for this committee. The Chairman of the Nominating and Governance Committee may be designated by the Board of Directors and, in the absence of such designation, may be elected by the Nominating and Governance Committee from among their members.

The functions of the Nominating and Governance Committee shall be to identify individuals qualified to become board members and to select, or to recommend that the board select, the director nominees for the next annual meeting of shareholders; develop and recommend to the board a set of corporate governance principles applicable to the Company; and to perform other related tasks, such as studying the size, committee structure or meeting frequency of the board, making studies or recommendations regarding management succession, or tasks of similar character as may be requested from time to time by the Board of Directors. The Board of Directors, by resolution of a majority of the whole board, shall designate one member of the Nominating and Governance Committee to act as Chairman of the committee. The committee member so designated shall chair all meetings of the committee, chair meetings involving only non-employee directors, coordinate an annual performance evaluation of the Company, coordinate evaluation of the performance of the Chief Executive Officer and perform such other activities as may from time to time be requested by the Board of Directors.

Procedural Matters

The Nominating and Governance Committee shall meet from time to time at the call of its Chairman or at the direction of the Board of Directors. The Committee shall meet at least two (2) times per year. The Chairman of the Nominating and Governance Committee shall call a meeting of the Committee upon the request of any member of the Committee or the Chairman of the Board of Directors. The provisions of the Code of By-laws of the Company respecting notice of meetings and for action to be taken by the Board of Directors shall apply to meetings and actions of the Nominating and Governance Committee.

The Chairman of the Nominating and Governance Committee shall report on the activities of the Committee to the Board of Directors from time to time upon request of the Chairman of the Board of Directors or of the Board of Directors.

Audit Committee

The Audit Committee shall consist of at least three (3) directors, all of whom are independent (as defined in Section 17 of the Code of Federal Regulations) of management of the Company and any of its subsidiaries and free from any relationship that, in the judgment of the Board of Directors, would interfere with the exercise of independent judgment respecting the matters over which the Committee is given authority.

The members of the Audit Committee shall be elected annually by the Board of Directors in connection with the annual meeting of the board. Members shall be elected by the Board of Directors with due regard to such member's training in, or experience with, accounting and financial reporting issues. Members of the Committee may be removed, and vacancies on the Committee may be filled by the Board of Directors in accordance with the Code of By-laws of the Company. The Chairman of the Audit Committee may be designated by the Board of Directors and, in the absence of such designation, may be elected by the Audit Committee from among their members.

The Audit Committee shall assist the Board of Directors to oversee the Company's financial reporting processes, its internal financial control structures and its internal and external financial audit processes. The Audit Committee shall facilitate communication on Financial Matters (defined below) among the Board of Directors, management, the Company's internal audit department and the Company's independent auditors.

The Audit Committee has oversight authority over the following matters (collectively referred to herein as "Financial Matters"):

The quality, accuracy and integrity of the Company's annual financial statements, including footnotes and related disclosures.

The quality, scope and procedures of the independent auditors' audits of the Company's financial statements.

The quality, appropriateness and implementation of the Company's significant accounting policies.

Audit conclusions respecting significant estimates and adjustments.

The disclosure, treatment or resolution of any material weakness in financial reporting or controls or reportable conditions identified by management, the internal audit department or the independent auditors.

The quality, adequacy and appropriateness of the Company's internal financial control structures, including any circumstances in which such controls may be overridden or compromised.

The quality, adequacy and appropriateness of the Company's internal auditing processes.

Disagreements among management, the internal audit department or the independent auditors.

The assessment of material risks or contingencies that may affect the Company's financial reporting including the risk of liability associated with litigation or noncompliance with law.

The Company's compliance with legal and regulatory requirements.

The preparation of such reports as may be required by SEC rules.

Such other matters affecting the quality, integrity or accuracy of the Company's financial reporting as the Committee deems relevant to any of the forgoing matters.

Authority Respecting Independent Auditors

The Audit Committee has the following specific authority and direct responsibility respecting the independent auditors:

The engagement or dismissal of the independent auditors. The Company shall not engage or dismiss its independent auditors without the action of the Audit Committee or the Board of Directors.

To direct the independent auditors to meet with the Audit Committee from time to time, separately or in the presence of management or others, to discuss Financial Matters or to prepare and submit reports to the Committee respecting Financial Matters.

To require the independent auditors to report to the Audit Committee on matters that may be deemed to affect the independence of the independent auditors, including any management consulting services provided, or proposed to be provided, by the independent auditors for the Company or its affiliates and the fees paid or proposed to be paid for such services; to assess the effect of the forgoing on the independence of the independent auditors and the appearance of propriety of the forgoing and to direct management to take action in respect of such matters.

To take action to resolve any disagreement respecting accounting principles, the implementation or application of such principles or Financial Matters between management and the independent auditors. The auditors will report directly to the Audit Committee.

Authority Respecting the Internal Audit Department

The Audit Committee has the following specific authority respecting the internal audit department:

To elect or remove the director of internal audit or to refer the election or removal of the director of internal audit for action by the Board of Directors, with or without an affirmative or negative recommendation.

To assess the quality, adequacy and appropriateness of the plan for the Company's internal auditing processes, and, in the Committee's discretion, from time to time or upon request, to approve or disapprove such plan or to approve or disapprove any changes therein.

To direct the director of internal audit to meet with the Audit Committee or the Board of Directors from time to time, separately or in the presence of the independent auditors, management or others, to discuss Financial Matters or to prepare and submit reports to the Committee respecting Financial Matters.

To direct management, the director of internal audit, the Company or the independent auditors to take such action as the Committee may deem necessary or appropriate to address any issues identified by any of such parties regarding significant internal audit findings, difficulties encountered in carrying out internal audit procedures, or any management override of internal control mechanisms.

Authority Over Management Activities Relating to Financial Matters

The Audit Committee has the following specific authority over the activities of management in Financial Matters.

To direct the chief financial officer or other members of management to meet with the Audit Committee or the Board of Directors from time to time, separately or in the presence of the independent auditors, the director of internal audit or others, to discuss Financial Matters or to prepare and submit reports to the Committee respecting Financial Matters.

To assess the quality, adequacy and appropriateness of the accounting principles and policies implemented and applied by the Company and the quality, integrity and accuracy of the Company's financial reporting, and, in the Committee's discretion, from time to time or upon request, to approve or disapprove such principles or policies or to approve, disapprove or mandate any changes therein.

Investigations Procedure for Handling Complaints and Obtaining Advice

The Audit Committee has authority to require investigations and to obtain advice respecting the Company's Financial Matters and the Committee's exercise of its authority, as the Committee deems necessary or appropriate. Without limiting the foregoing, the Committee has authority to direct management, including the Company's counsel, the independent auditors and the director of internal audit to investigate any Financial Matters and related issues and to provide reports to the Committee respecting such investigation. The Committee has authority to meet with the Company's counsel, to obtain advice respecting the exercise of the Committee's authority and to direct such counsel to investigate such legal issues relating to Financial Matters and to report to the Committee regarding same, as the Committee deems necessary or appropriate. The Committee has authority to engage independent advisors whom the Committee may designate to provide advice and guidance to the Committee respecting the exercise of its authority and issues relating to Financial Matters as the Committee deems necessary or appropriate, including, without limitation, independent legal counsel, and independent financial advisors which may include investment banking firms or accounting firms, other than the independent auditors. The Committee has authority to meet separately with, and to receive private and, where appropriate, privileged, written or oral communications from any of such advisors. The Committee shall establish procedures for receiving and handling complaints received by the Company regarding internal accounting controls or audit matters and procedures for anonymous submission of complaints by employees regarding questionable accounting or audit matters.

Procedural Matters

The Audit Committee shall meet from time to time at the call of its Chairman or at the direction of the Board of Directors. The Committee shall meet at least four (4) times per year. The Chairman of the Audit Committee shall call a meeting of the Committee upon the request of any member of the Committee or the Chairman of the Board of Directors. The provisions of the Code of By-laws of the Company respecting notice of meetings and for action to be taken by the Board of Directors shall apply to meetings and actions of the Audit Committee.

The Chairman of the Audit Committee shall report on the activities of the Committee to the Board of Directors from time to time upon request of the Chairman of the Board of Directors or of the Board of Directors.

Executive Committee

The Board of Directors may, whenever it sees fit, by a majority vote of the number of Directors elected and qualified from time to time, designate an Executive Committee of not less than three (3) persons from its members which Committee shall, except as to matters upon which the Board of Directors has acted, have and exercise the full power of the Board of Directors in the management of the business and affairs of the Company, including but not limited to the power to authorize dividend distributions according to a formula, method or limit, or within a range, prescribed by the Board of Directors; PROVIDED, always, that all business transacted by such Committee shall be submitted to and be approved by the Board of Directors at their next regular or special meeting. The Board of Directors shall have the power at any time to fill vacancies in, to change the membership of, or to dissolve the Executive Committee.

Director Qualification Standards

A majority of the directors shall be independent. Standards for determining independence are as follows:

No person qualifies as “independent” unless the board of directors affirmatively determines that the person has no material relationship with the Company (either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company).

An employee, or person whose immediate family member is an executive officer, of the Company is not independent until three years after the end of such employment relationship.

A person who receives, or whose immediate family member receives, more than \$100,000 per year in direct compensation from the Company, other than director and committee fees and pension or other forms of deferred compensation for prior services (provided such compensation is not contingent in any way on continued service), is not independent until three years after ceasing to receive more than \$100,000 per year in such compensation.

Director Responsibilities

Each director is expected to attend all meetings and to review all materials distributed in preparation for such meetings.

Director Access to Management

Skyline maintains an open door policy and all directors are encouraged to contact any individual in the management team to discuss any issues of concern to that director. In addition, the Chief Financial Officer, the Vice President in charge of marketing, the President of the Company in charge of operations and from time to time such other management personnel as may be required are invited to be present at all or part of the Board's meetings. In addition, the directors, through the Audit Committee and otherwise, regularly have discussions with corporate counsel and the corporate auditors regarding any and all matters within the realm of their responsibilities.

Director Compensation

It is Skyline's policy to provide director compensation that is commensurate with comparable positions in comparable companies. Currently the Skyline director compensation is as follows:

Directors who are not fulltime employees of Skyline receive an annual fee of \$16,000 payable in quarterly installments and receive \$500 for each Board or committee meeting attended. Chairmen of Board committees who are not fulltime employees of Skyline receive an additional \$2,000 annually and committee members who are not fulltime employees of Skyline receive an additional \$1,500 annually payable in quarterly installments.

The board may, from time to time, revise this compensation as circumstances warrant, always subject to the overriding commitment that the compensation shall be reasonable. It is the Company's policy not to provide any indirect compensation or other benefits to directors other than the reimbursement of expenses necessary to attend board functions and meetings.

Director Orientation and Continuing Education

Each new director meets with the management team at the beginning of his service to receive a briefing on the key aspects of the Company. In addition, the chairman of the Company meets with each new director to review the Code of Conduct and the Company's expectations concerning his qualifications and responsibilities.

From time to time independent advisors will meet with the board to update the directors on corporate governance matters including audit review responsibilities, legal compliance issues and SEC and NYSE rules and regulations.

Management Succession

It is Skyline's policy to develop personnel in a manner such that all key management have successors groomed and prepared to step into their roles in the event of their unexpected absence. This policy is implemented by identifying individuals qualified to handle the responsibilities of specific positions and training those individuals in a manner such that they are prepared to handle positions on an as needed basis. This succession policy is applied throughout the management of the Company, including the executive officers and the CEO. In conjunction with the CEO, the board also periodically reviews the performance of that CEO in conjunction with their compensation determination and they further evaluate the potential succession planning options in connection with the CEO. These discussions are conducted at least semi-annually.

Annual Performance Evaluation of the Board

The board shall conduct a self-evaluation at least annually to determine whether it and its committees are functioning effectively. This self-evaluation shall include a questionnaire to be distributed to all board members with the questionnaire covering the function of all committees, as well as an evaluation of all aspects of the performance of the board, including adequacy of information, adequacy of preparation and adequacy of participation of all board members.