

SKYLINE CORP
Form 10-K
August 01, 2008

Table of Contents

**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549**

Form 10-K

(Mark One)

- ☒ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
For the fiscal year ended May 31, 2008
- or
- ☐ **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES
EXCHANGE ACT OF 1934**
For the transition period from to

Commission file number: 1-4714

SKYLINE CORPORATION

(Exact name of registrant as specified in its charter)

Indiana

*(State or other jurisdiction of
incorporation or organization)*

35-1038277

*(I.R.S. Employer
Identification No.)*

**P. O. Box 743, 2520 By-Pass Road
Elkhart, Indiana**

(Address of principal executive offices)

46515

(Zip Code)

Registrant's telephone number, including area code:

(574) 294-6521

Securities registered pursuant to Section 12 (b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, \$.0277 Par Value	New York Stock Exchange

Securities registered pursuant to section 12 (g) of the Act:

None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ☐ No ☒

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Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or an amendment to this Form 10-K. ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer ☐ Accelerated filer ☒ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes ☐ No ☒

The aggregate market value of the common stock held by non-affiliates of the registrant (6,823,062 shares) based on the closing price on the New York Stock Exchange on November 30, 2007 was \$231,301,802.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date.

Title of Class	Shares Outstanding July 23, 2008
Common Stock	8,391,244

DOCUMENTS INCORPORATED BY REFERENCE

Title	Form 10-K
Proxy Statement dated August 14, 2008 for Annual Meeting of Shareholders to be held September 18, 2008	Part III, Items 10 - 14

FORM 10-K**DOCUMENTS INCORPORATED BY REFERENCE**

Certain information required to be included in Part III of this Form 10-K is also included in the registrant's Proxy Statement used in connection with its 2008 Annual Meeting of Shareholders to be held on September 18, 2008 ("2008 Proxy Statement").

TABLE OF CONTENTS**PART I**

<u>Item 1.</u>	<u>Business</u>	2
<u>Item 1A.</u>	<u>Risk Factors</u>	6
<u>Item 1B.</u>	<u>Unresolved Staff Comments</u>	8
<u>Item 2.</u>	<u>Properties</u>	8
<u>Item 3.</u>	<u>Legal Proceedings</u>	8
<u>Item 4.</u>	<u>Submission of Matters to a Vote of Security Holders</u>	8

PART II

<u>Item 5.</u>	<u>Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</u>	9
<u>Item 6.</u>	<u>Selected Financial Data</u>	11
<u>Item 7.</u>	<u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	11
<u>Item 7A.</u>	<u>Quantitative and Qualitative Disclosures About Market Risk</u>	19
<u>Item 8.</u>	<u>Financial Statements and Supplementary Data</u>	
	<u>Index to Consolidated Financial Statements</u>	20
	<u>Report of Independent Registered Public Accounting Firms</u>	21
	<u>Consolidated Balance Sheets</u>	22
	<u>Consolidated Statements of Earnings and Retained Earnings</u>	23
	<u>Consolidated Statements of Cash Flows</u>	24
	<u>Notes to Consolidated Financial Statements</u>	25
<u>Item 9.</u>	<u>Changes in and Disagreements with Accountants on Accounting and Financial Disclosure</u>	33
<u>Item 9A.</u>	<u>Controls and Procedures</u>	33
<u>Item 9B.</u>	<u>Other Information</u>	34

PART III

<u>Item 10.</u>	<u>Directors, Executive Officers and Corporate Governance</u>	34
<u>Item 11.</u>	<u>Executive Compensation</u>	35
<u>Item 12.</u>	<u>Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</u>	35
<u>Item 13.</u>	<u>Certain Relationships and Related Transactions, and Director Independence</u>	35
<u>Item 14.</u>	<u>Principal Accountant Fees and Services</u>	35

PART IV

<u>Item 15.</u>	<u>Exhibits, Financial Statement Schedules</u>	
	(a) 1. Financial Statements	35
	2. Financial Statement Schedules	35

3. Index to Exhibits

35

SIGNATURES

36

Articles of Incorporation

By-Laws

Code of Business Conduct and Ethics

Subsidiaries

302 Certification of Chief Executive Officer

302 Certification of Chief Financial Officer

Section 1350 Certification

Section 1350 Certification

Table of Contents

PART I

Item 1. *Business.*

General Development of Business

Skyline Corporation was originally incorporated in Indiana in 1959, as successor to a business founded in 1951. Skyline Corporation and its consolidated subsidiaries (the Corporation) design, produce and distribute manufactured housing (single section homes, multi-section homes and modular homes) and towable recreational vehicles (travel trailers, fifth wheels and park models).

The Corporation, which is one of the largest producers of manufactured homes in the United States, sold 4,608 manufactured homes in fiscal year 2008.

The Corporation's manufactured homes are marketed under a number of trademarks. They are available in lengths ranging from 30' to 76' and in singlewide widths from 12' to 18', doublewide widths from 18' to 32', triplewide widths from 30' to 46', and quadruple widths from 56' to 60'. The area of a singlewide ranges from approximately 400 to 1,200 square feet, a doublewide from approximately 700 to 2,400 square feet, a triplewide from approximately 1,600 to 2,900 square feet, and a quadruple at approximately 1,600 square feet.

The Corporation also sold 5,797 recreational vehicles in fiscal 2008, which are sold under a number of trademarks for travel trailers, fifth wheels and park models.

Financial Information about Segments

Sales, operating results and total assets for the manufactured housing and recreational vehicle segments are included in Note 5, Industry Segment Information, in the Notes to Consolidated Financial Statements included in this document under Item 8.

Narrative Description of Business

Principal Products and Markets

The Corporation designs, produces and distributes manufactured housing and towable recreational vehicles. Popular floor plans, virtual product tours and virtual factory tours are available at the Corporation's internet website, <http://www.skylinecorp.com>.

The principal markets for manufactured homes are the suburban and rural areas of the continental United States. The principal buyers continue to be individuals over the age of fifty, but the market tends to broaden when conventional housing becomes more difficult to purchase and finance.

The recreational vehicle market is made up of primarily vacationing families, retired couples traveling around the country and sports enthusiasts pursuing four-season hobbies.

The Corporation provides the retail purchaser of its manufactured homes with a full fifteen-month warranty against defects in design, materials and workmanship. Recreational vehicles are covered by a one-year warranty. The warranties are backed by service departments located at the Corporation's manufacturing facilities and an extensive

field service system.

The amount and percentage of sales contributed by the manufactured housing and recreational vehicle segments is noted in Item 7.

Method of Distribution

The Corporation's manufactured homes are distributed by approximately 290 independent dealers at 600 locations throughout the United States, and recreational vehicles are distributed by approximately 190 independent dealers at 270 locations throughout the United States. These are generally not exclusive dealerships and it is believed that most dealers also sell products of other manufacturers.

Table of Contents

Item 1. *Business* (Continued).

The Corporation's products are sold to dealers either through floor plan financing with various financial institutions or on a cash basis. Payments to the Corporation are made either directly by the dealer or by financial institutions, which have agreed to finance dealer purchases of the Corporation's products. In accordance with industry practice, certain financial institutions which finance dealer purchases require the Corporation to execute repurchase agreements in which the Corporation agrees, that in the event a dealer defaults on its repayment of the financing, the Corporation will repurchase its products from the financing institution in accordance with a declining repurchase price schedule established by the Corporation. Any loss under these agreements is the difference between the repurchase cost and the resale value of the units repurchased. Further, the risk of loss is spread over numerous dealers. There have been no material losses related to repurchases in past years. Additional information regarding these repurchase agreements is included in Note 2, Commitments and Contingencies, in the Notes to Consolidated Financial Statements included in this document under Item 8.

Raw Materials and Supplies

The Corporation is basically an assembler of components purchased from outside sources. The major components used by the Corporation are lumber, plywood, shingles, vinyl and wood siding, steel, aluminum, insulation, home appliances, furnaces, plumbing fixtures, hardware, floor coverings and furniture. The suppliers are many and range in size from large national companies to very small local companies. At the present time the Corporation is obtaining sufficient materials to fulfill its needs.

Patents, Trademarks, Licenses, Franchises and Concessions

The Corporation does not rely upon any terminable or nonrenewable rights such as patents, licenses or franchises under the trademarks or patents of others, in the conduct of any segment of its business.

Seasonal Fluctuations

While the Corporation maintains production of manufactured homes and recreational vehicles throughout the year, seasonal fluctuations in sales do occur. Sales and production of manufactured homes are affected by winter weather conditions at the Corporation's northern plants. Recreational vehicle sales are generally higher in the spring and summer months than in the fall and winter months.

Inventory

The Corporation does not maintain significant inventories of either raw materials or finished goods. In addition, there are no inventories sold on consignment.

Dependence Upon Individual Customers

The Corporation does not rely upon any single dealer for a significant percentage of its business in any industry segment.

Backlog

The Corporation does not consider the existence and extent of backlog to be significant in its business. The Corporation's production is based on a relatively short manufacturing cycle and dealers' orders, which continuously fluctuate. As such, the existence of backlog is not significant at any given date and does not typically provide a

reliable indication of the status of the Corporation's business.

Government Contracts

The Corporation has had no government contracts during the past three years.

Competitive Conditions

The manufactured housing and recreational vehicle industries are highly competitive, with particular emphasis on price and features offered. The Corporation's competitors within its respective industries are numerous, ranging

Table of Contents**Item 1. Business (Continued).**

from multi-billion dollar corporations to relatively small and specialized manufacturers. In addition, the manufactured housing segment also competes with companies that provide other forms of housing, such as new and existing site-built homes, apartments, condominiums and townhouses.

The manufactured housing industry shipped approximately 96,000 homes in calendar year 2007. In the same period, the Corporation shipped 5,140 homes for a 5.4 percent market share. In calendar year 2006, approximately 118,000 homes were shipped by the industry. In that period, the Corporation shipped 6,938 homes for a 5.9 percent market share.

Regarding the recreational vehicle industry, the following tables show the Corporation's competitive position in the recreational vehicle product lines it sells.

	Units Shipped Calendar Year 2007			Units Shipped Calendar Year 2006		
	Industry	Skyline	Market Share	Industry	Skyline	Market Share
Travel Trailer	178,000	5,193	2.9%	192,000	7,303	3.8%
Fifth Wheels	81,000	222	0.3%	89,000	595	0.7%
Park Models	9,000	112	1.2%	10,000	190	1.9%

	Units Shipped Fiscal Year 2008			Units Shipped Fiscal Year 2007		
	Industry	Skyline	Market Share	Industry	Skyline	Market Share
Travel Trailer	172,000	5,299	3.1%	177,000	5,654	3.2%
Fifth Wheels	78,000	357	0.5%	84,000	376	0.4%

The competitive position for Park Models is not listed because industry data based on the Corporation's fiscal 2008 is not available.

Both the manufactured housing and recreational vehicle segments of the Corporation's business are dependent upon the availability of financing to dealers and retail financing. Consequently, increases in interest rates and/or tightening of credit through governmental action or otherwise have adversely affected the Corporation's business in the past and may do so in the future.

The Corporation considers it impossible to predict the future occurrence, duration or severity of cost or availability problems in financing either manufactured homes or recreational vehicles. To the extent that they occur, such public concerns will affect sales of the Corporation's products.

Regulation

The manufacture, distribution and sale of manufactured homes and recreational vehicles are subject to government regulations in both the United States and Canada, at federal, state or provincial and local levels.

Environmental Quality

The Corporation believes that compliance with federal, state and local requirements with respect to environmental quality will not require any material capital expenditures for plant or equipment modifications which would adversely affect earnings.

Other Regulations

The U.S. Department of Housing and Urban Development (HUD) has set national manufactured home construction and safety standards and implemented recall and other regulations since 1976. The National Manufactured Housing Construction and Safety Standards Act of 1974, as amended, under which such standards and regulations are promulgated, prohibits states from establishing or continuing in effect any manufactured home standard that is not identical to the federal standards as to any covered aspect of performance. Implementation of

Table of Contents

Item 1. *Business* (Continued).

these standards and regulations involves inspection agency approval of manufactured home designs, plant and home inspection by states or other HUD-approved third parties, manufacturer certification that the standards are met, and possible recalls if they are not or if homes contain safety hazards.

HUD has promulgated rules requiring producers of manufactured homes to utilize wood products certified by their suppliers to meet HUD's established limits on formaldehyde emissions, and to place in each home written notice to prospective purchasers of possible adverse reaction from airborne formaldehyde in the homes. These rules are designated as preemptive of state regulation.

Some components of manufactured homes may also be subject to Consumer Product Safety Commission standards and recall requirements. In addition, the Corporation has voluntarily subjected itself to third party inspection of all of its recreational vehicle products nationwide in order to further assure the Corporation, its dealers, and customers of compliance with established standards.

Manufactured homes and recreational vehicles may be subject to the Magnuson-Moss Warranty Federal Trade Commission Improvement Act, which regulates warranties on consumer products.

The Corporation's travel trailers continue to be subject to safety standards and recall and other regulations promulgated by the U.S. Department of Transportation under the National Traffic and Motor Vehicle Safety Act of 1966 and the Transportation Recall Enhancement, Accountability and Documentation (TREAD) Act, as well as state laws and regulations.

The Corporation's operations are subject to the Federal Occupational Safety and Health Act, and are routinely inspected thereunder.

The transportation and placement (in the case of manufactured homes) of the Corporation's products are subject to state highway use regulations and local ordinances which control the size of units that may be transported, the roads to be used, speed limits, hours of travel, and allowable locations for manufactured homes and communities.

The Corporation is also subject to many state manufacturer licensing and bonding requirements, and to dealer day in court requirements in some states.

The Corporation believes that it is currently in compliance with the above regulations.

Number of Employees

The Corporation employs approximately 2,000 people at the present time.

Executive Officers of the Corporation

Information regarding the Corporation's executive officers is located in this document under Part III, Item 10.

Available Information

The Corporation makes available, free of charge, through the Investors section of its internet website its annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, Proxy Statements and all amendments to those reports as soon as practicable after such material is electronically filed or furnished to the United States

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Securities and Exchange Commission (SEC). The Corporation's internet site is <http://www.skylinecorp.com>. A copy of the Corporation's annual report on Form 10-K will be provided without charge upon written request to Skyline Corporation, Investor Relations Department, Post Office Box 743, Elkhart, Indiana 46515.

The public may read and copy any materials the Corporation has filed with the SEC at the SEC's Public Reference Room at 100 F Street, NE, Washington, DC 20549. The public may also obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet website (<http://www.sec.gov>) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Table of Contents

Item 1A. *Risk Factors.*

Investors or potential investors should carefully consider the risks described below. Additional risks of which the Corporation is presently unaware or that the Corporation considers immaterial may also impair business operations and hinder financial performance.

Retail Financing Availability

Customers who purchase the Corporation's manufactured homes generally obtain retail financing from third party lenders. The availability, terms and cost of retail financing depend on the lending practices of financial institutions, governmental policies and economic and other conditions, all of which are beyond the Corporation's control. A customer seeking to purchase a manufactured home without land will generally pay a higher interest rate and have a shorter loan maturity versus a customer financing the purchase of land and a home. This difference is due to most states classifying home-only manufactured housing loans as personal property rather than real property for purposes of taxation and lien perfection.

In recent years many lenders of home-only financing have tightened credit underwriting standards, with some deciding to exit the industry. These actions resulted in decreased availability of retail financing, causing a negative effect on sales and operating results. If retail financing were to be further curtailed, sales, operating results and cash flows could be adversely affected.

Wholesale Financing Availability

Independent dealers of the Corporation's products generally finance their inventory purchases with wholesale floor plan financing provided by lending institutions. A dealer's ability to obtain financing is significantly affected by the number of lending institutions offering floor planning, and by an institution's lending limits. In recent years the manufactured housing industry experienced a reduction in both the number of lenders offering floor planning, and the amount of money available for financing. These events could have a negative impact on a dealer's ability to purchase manufactured housing products, resulting in lower sales, operating results and cash flows.

Dependence on Independent Dealers

The Corporation sells its manufactured homes and recreational vehicles to independent dealers. These dealers are not obligated to exclusively sell the Corporation's products, and may choose to sell competitor's products. In addition, a dealer may become financially insolvent and be forced to close its business. Both scenarios could have an adverse effect on sales, operating results and cash flows.

Dealer Inventories

As wholesale shipments of manufactured homes and recreational vehicles within each respective industry exceed retail sales, dealer inventories increase to a level where dealers decrease orders from manufacturers. As manufacturers respond to reduced demand, many either offer discounts to maintain production volumes or curtail production levels. Both outcomes could have a negative impact on sales, operating results and cash flows.

Contingent Repurchase Agreements

As referenced in Note 2 to the Notes to the Consolidated Financial Statements in Item 8, the Corporation is contingently liable under repurchase agreements with certain financial institutions providing inventory financing for

retailers of its products. The Corporation could be required to fulfill some or all of the repurchase agreements, resulting in increased expense and reduced cash flows.

Cost and Availability of Raw Materials

Prices and availability of raw materials used to manufacture the Corporation's products can change significantly due to fluctuations in supply and demand. In addition, the cost of raw materials is also influenced by increased transportation costs. The Corporation has historically been able to have an adequate supply of raw materials by maintaining good relations with its vendors. Increased prices have historically been passed on to dealers by raising the price of manufactured homes and recreational vehicles. There is no certainty that the Corporation will be able to pass on future price increases and maintain an adequate supply of raw materials. The

Table of Contents

Item 1A. Risk Factors (Continued).

inability to raise the price of its products and to maintain a proper supply of materials could have a negative impact on sales, operating results and cash flows.

Competition

As noted in Item 1, the manufactured housing and recreational vehicle industries are highly competitive with particular emphasis on price and features offered. Some of the Corporation's competitors are vertically integrated by owning retail, consumer finance and insurance operations. This integration may provide competitors with an advantage. In addition, the Corporation's manufactured homes compete with other forms of housing, such as new and existing site-built homes, apartments, condominiums and townhouses. The inability to effectively compete in this environment could result in lower sales, operating results and cash flows.

Cyclical and Seasonal Nature of Business

The industries in which the Corporation operates are highly cyclical, and are impacted by the following conditions:

Consumer confidence

Interest rates

Demographic and employment trends

Availability of used or repossessed homes or recreational vehicles

Impact of inflation

Increased global tensions.

The recreational vehicle industry is currently experiencing declining sales primarily as the result of increasing fuel prices and decreasing consumer confidence. The manufactured housing industry is experiencing a protracted period of weakening sales influenced primarily by restrictive retail financing and a recession in the site-built housing market. Ongoing weakness in both industries could have an adverse effect in demand for the Corporation's products.

Sales in both industries are also seasonal in nature with sales being weakest in the winter months. Seasonal changes, in addition to continued weakness in demand in one or both of the Corporation's market segments, could materially impact the Corporation's sales, operating results and cash flows.

Changing Consumer Preferences

Changes in consumer preferences for manufactured housing and recreational vehicles occur over time, and consequently the Corporation responds to changing demand by evaluating the market acceptability of its products. Delays in responding to changing consumer preferences could have an adverse effect on sales, operating results and cash flows.

Increased Fuel Prices

The Corporation's recreational vehicle products depend on the use of vehicles that operate on gasoline or diesel fuel. In the Corporation's history there have been periods where the price of gasoline and diesel fuel dramatically increased. These increases resulted in greater cost associated with recreational vehicle travel. This trend is presently occurring, and could result in decreased sales, operating results and cash flows.

Governmental Regulations

As noted in Item 1, the Corporation is subject to various governmental regulations. Implementation of new regulations or amendments to existing regulations could significantly increase the cost of the Corporation's products. In addition, failure to comply with present or future regulations could result in fines or potential civil or criminal liability. Both scenarios could negatively impact sales, operating results and cash flows.

Dependence on Executive Officers and Other Key Personnel

The Corporation depends on the efforts of its executive officers and certain key employees. The loss of the service of one or more of these individuals could have an adverse effect on the sales, operating results and cash flows of the Corporation.

Table of Contents

Item 1B. *Unresolved Staff Comments.*

None.

Item 2. *Properties.*

The Corporation owns its corporate offices and design facility, which are located in Elkhart, Indiana.

The Corporation's 18 manufacturing facilities, all of which are owned, are as follows:

Location	Products
California, San Jacinto	Manufactured Housing
California, Hemet	Recreational Vehicles
California, Hemet	Recreational Vehicles
California, Woodland	Manufactured Housing
Florida, Ocala	Manufactured Housing
Florida, Ocala	Manufactured Housing
Indiana, Bristol	Manufactured Housing
Indiana, Elkhart	Recreational Vehicles
Indiana, Elkhart	Recreational Vehicles
Kansas, Arkansas City	Manufactured Housing
Kansas, Halstead	Manufactured Housing
Ohio, Sugarcreek	Manufactured Housing
Oregon, McMinnville	Manufactured Housing
Pennsylvania, Ephrata	Manufactured Housing
Pennsylvania, Leola	Manufactured Housing
Texas, Mansfield	Recreational Vehicles
Vermont, Fair Haven	Manufactured Housing
Wisconsin, Lancaster	Manufactured Housing

The above facilities range in size from approximately 50,000 square feet to approximately 160,000 square feet. In the third quarter of fiscal 2008, the Corporation sold an idle manufactured housing facility located in Goshen, Indiana. The sale resulted in a pre-tax gain of \$670,000. In light of the declining market, a manufactured housing facility in Ocala, Florida was consolidated into two existing manufactured housing facilities located in the same city. The consolidation also occurred in the third quarter of fiscal 2008.

In the fourth quarter of fiscal 2008, the Corporation announced the closure of a manufactured housing facility in Bossier City, Louisiana, and a recreational vehicle facility in McMinnville, Oregon. The closures were in response to the declining market. Operations ceased for both facilities in June 2008. Bossier City's market is now being serviced by the Corporation's Kansas facilities. Likewise, McMinnville's market is now being serviced by the Corporation's California recreational vehicle facilities.

It is extremely difficult to determine the unit productive capacity of the Corporation because of the ever-changing product mix.

The Corporation believes that its plant facilities, machinery and equipment are well maintained and are in good operating condition.

Item 3. *Legal Proceedings.*

The Corporation is a party to various pending legal proceedings in the normal course of business. Management believes that any losses resulting from such proceedings would not have a material adverse effect on the Corporation's results of operations or financial position.

Item 4. *Submission of Matters to a Vote of Security Holders.*

No matters were submitted to a vote of security holders during the fourth quarter of fiscal year ended May 31, 2008.

Table of Contents**PART II****Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities.***

Skyline Corporation (SKY) is traded on the New York Stock Exchange. A quarterly cash dividend of 18 cents (\$0.18) per share was paid in fiscal 2008 and 2007. On June 15, 2006, the Corporation declared a special cash dividend of two dollars (\$2.00) per share on the outstanding shares of the Corporation's common stock payable August 1, 2006, to shareholders of record at the close of business July 14, 2006. This special one time dividend was declared at the discretion of the Board of Directors, and is separate from and has no relationship to the regular quarterly dividends. At May 31, 2008, there were approximately 910 holders of record of Skyline Corporation common stock. A quarterly summary of the market price is listed for the fiscal years ended May 31, 2008 and 2007.

	Common Stock Price Range				Dividends Declared Per Share	
	2008 High	2008 Low	2007 High	2007 Low	2008	2007
First Quarter	\$ 40.58	\$ 26.93	\$ 43.53	\$ 36.20	\$.18	\$ 2.18
Second Quarter	\$ 36.82	\$ 27.51	\$ 42.40	\$ 36.50	\$.18	\$.18
Third Quarter	\$ 35.81	\$ 25.11	\$ 42.12	\$ 34.20	\$.18	\$.18
Fourth Quarter	\$ 34.60	\$ 25.50	\$ 35.15	\$ 30.38	\$.18	\$.18

The name, address and phone number of our stock transfer agent and registrar is:

Computershare Investor Services
 Shareholder Services Division
 Two North LaSalle Street
 Chicago, Illinois 60602
 312-588-4237

Table of Contents**Item 5. *Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities (Continued).*****Performance**

The graph below compares the cumulative, five-year shareholder returns on Skyline Common Stock to the cumulative, five-year shareholder returns on (a) the S&P 500 Stock Index, and (b) an index of peer companies selected by Skyline. The Peer Group is composed of four publicly-held companies which were selected based on similarities in their products and their competitive position in the industry. The companies comprising the Peer Group are weighted by their respective market capitalization and include the following: Cavalier Homes, Inc., Champion Enterprises, Inc., Coachmen Industries, Inc. and Fleetwood Enterprises, Inc. The comparison assumes \$100 was invested on May 31, 2003 in Skyline common stock and in each of the foregoing indices, including reinvestment of dividends (although Skyline has no dividend reinvestment plan).

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*
Among Skyline Corporation, The S&P 500 Index
And A Peer Group

* \$100 invested on 5/31/03 in stock or index-including reinvestment of dividends.

Fiscal year ending May 31.

	5/03	5/04	5/05	5/06	5/07	5/08
Skyline Corporation	100.00	142.82	145.53	140.11	134.55	111.07
S&P 500	100.00	118.33	128.07	139.14	170.85	159.41
Peer Group	100.00	199.53	171.39	192.30	183.70	106.24

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www.researchdatagroup.com/S&P.htm

Table of Contents**Item 6. *Selected Financial Data.*****Dollars in thousands except per share data**

	2008	2007	2006	2005	2004
FOR THE YEAR					
Sales	\$ 301,765	\$ 365,473	\$ 508,543	\$ 454,324	\$ 433,900
Net (loss) earnings	\$ (5,556)	\$ 2,593	\$ 14,292	\$ 5,452	\$ 6,141
Cash dividends declared	\$ 6,041	\$ 22,824	\$ 6,041	\$ 14,433	\$ 6,042
Capital expenditures	\$ 2,092	\$ 4,968	\$ 2,485	\$ 2,356	\$ 1,928
Depreciation	\$ 3,181	\$ 3,148	\$ 3,154	\$ 3,389	\$ 3,450
Weighted average common shares outstanding	8,391,244	8,391,244	8,391,244	8,391,244	8,391,244
AT YEAR END					
Working capital	\$ 132,594	\$ 141,828	\$ 164,225	\$ 154,663	\$ 163,438
Current ratio	7.1:1	6.2:1	5.1:1	5.1:1	6.1:1
Property, plant and equipment, net	\$ 32,535	\$ 35,806	\$ 34,069	\$ 35,838	\$ 36,930
Total assets	\$ 196,999	\$ 214,940	\$ 248,403	\$ 237,437	\$ 241,168
Total liabilities	\$ 30,781	\$ 37,125	\$ 50,649	\$ 47,934	\$ 42,684
Shareholders' equity	\$ 166,218	\$ 177,815	\$ 197,754	\$ 189,503	\$ 198,484
PER SHARE					
Basic (loss) earnings	\$ (.66)	\$.31	\$ 1.70	\$.65	\$.73
Cash dividends declared	\$.72	\$ 2.72	\$.72	\$ 1.72	\$.72
Shareholders' equity	\$ 19.81	\$ 21.19	\$ 23.57	\$ 22.58	\$ 23.65

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations.***Overview**

The Corporation designs, produces and distributes manufactured housing (single-section, multi-section and modular homes) and towable recreational vehicles (travel trailers, fifth wheels and park models) to independent dealers and manufactured housing communities located throughout the United States (U.S.). To better serve the needs of its dealers and communities, the Corporation has eighteen manufacturing facilities in ten states. Manufactured housing and recreational vehicles are sold to dealers and communities either through floor plan financing with various financial institutions or on a cash basis. While the Corporation maintains production of manufactured homes and recreational vehicles throughout the year, seasonal fluctuations in sales do occur. Sales and production of manufactured homes are affected by winter weather conditions at the Corporation's northern plants. Recreational vehicle sales are generally higher in the spring and summer months than in the fall and winter months.

Sales in both business segments are affected by the strength of the U.S. economy, interest rate levels, consumer confidence and the availability of wholesale and retail financing. The manufactured housing segment is currently affected by a protracted downturn. This downturn, caused primarily by restrictive retail financing and economic uncertainty, resulted in calendar 2007 industry sales of approximately 96,000 units, the lowest since 1961. Manufactured housing sales are also negatively impacted by a recession in the site-built housing industry. For example, a potential buyer of a manufactured home may be prevented from purchasing due to an inability to sell his or her existing home. Likewise, a potential buyer of a manufactured home may be attracted to declining prices of both

new and existing site-built homes. Throughout 2007, the site-built industry experienced declines in existing home sales, housing starts and home prices, and was negatively impacted by dislocations in the subprime mortgage market. In addition, the number of homes in foreclosure increased.

Table of Contents**Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations***
(Continued)**Overview (Continued)**

In fiscal 2008, the Corporation's manufactured housing sales declined consistent with the experience of the industry as a whole. Within this segment's sales, demand remains stronger for multi-section versus single-section homes. Multi-section homes are often sold as part of a land-home package and are financed with a conventional mortgage. These homes have an appearance similar to site-built homes and are usually less expensive. The Corporation has eleven manufactured housing facilities that have obtained approval from applicable state and local governmental entities to produce modular homes, which will help meet the demand for multi-section homes.

In the recreational vehicle segment, the Corporation sells travel trailers, fifth wheels and park models. Sales of recreational vehicles are influenced by changes in consumer confidence and gasoline prices. Industry sales of travel trailers, fifth wheels and park models declined from approximately 291,000 units in calendar 2006 to approximately 268,000 units in calendar 2007. During this same period, the price of gasoline rose and consumer confidence fell. For the Corporation's first two quarters of fiscal 2008, the recreational vehicle segment also experienced declining sales. In the last two quarters, however, sales increased as well as market share for travel trailers and fifth wheels.

In light of the declining market, a manufactured housing facility in Ocala, Florida was consolidated into two existing manufactured housing facilities located in the same city. The consolidation occurred in the third quarter of fiscal 2008.

The Corporation announced in the fourth quarter the closure of a recreational vehicle facility in McMinnville, Oregon, and a manufacturing housing facility in Bossier City, Louisiana. Both facilities ceased operations in June 2008. Bossier City's market is now being serviced by the Corporation's Kansas facilities. Likewise, McMinnville's market is now being serviced by the Corporation's California recreational vehicle facilities.

In the recreational vehicle segment, an existing facility in Hemet, California was renovated to solely produce recreational vehicles with fiberglass bonded wall construction. The exclusive production of this product occurred in the fourth quarter of fiscal 2008.

The Corporation is working to reduce expenses, communicating with dealers and communities to take advantage of sales opportunities, and positioning its products to be competitive in the marketplace. With a healthy position in cash and U.S. Treasury Bills, no debt and experienced employees, the Corporation is prepared to meet the challenges ahead.

Results of Operations Fiscal 2008 Compared to Fiscal 2007***Sales and Unit Shipments***

	2008	Percent	2007	Percent	Decrease
	(Dollars in thousands)				
Sales					
Manufactured Housing	\$ 214,794	71.2	\$ 272,383	74.5	\$ 57,589
Recreational Vehicles	86,971	28.8	93,090	25.5	6,119

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Total Sales	\$ 301,765	100.0	\$ 365,473	100.0	\$ 63,708
Unit Shipments					
Manufactured Housing	4,608	44.3	5,669	48.0	1,061
Recreational Vehicles	5,797	55.7	6,152	52.0	355
Total Unit Shipments	10,405	100.0	11,821	100.0	1,416

Manufactured housing sales decreased due to continued weakness in demand, which is consistent with the experience of the manufactured housing industry as a whole.

Table of Contents**Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations***
(Continued)**Results of Operations Fiscal 2008 Compared to Fiscal 2007 (Continued)**

Recreational vehicle sales were negatively impacted in the first half of fiscal 2008 by an increase in demand for product with fiberglass bonded wall construction, and by metal-sided models being priced higher relative to products of other recreational vehicle manufacturers. As a result, sales for this period were \$42,881,000 as compared to \$53,491,000 for the first half of fiscal 2007.

The Corporation worked throughout fiscal 2008 to address these issues. An existing recreational vehicle facility in Hemet, California was renovated to exclusively produce models with fiberglass bonded wall construction. Production of these units occurred in the fourth quarter of fiscal 2008. This facility is in addition to the Elkhart, Indiana facility that opened in the third quarter of fiscal 2007 to solely produce fiberglass bonded models. Regarding metal-sided product, changes were made to make it more competitively priced, and to better meet consumer tastes. These combined actions resulted in sales of \$44,090,000 in the last half of fiscal 2008 as compared to \$39,599,000 in the last half of fiscal 2007. In addition, the market share for travel trailers and fifth wheels increased from 2 percent in the last half of fiscal 2007 to 2.3 percent in last half of fiscal 2008.

Cost of Sales

	2008	Percent of Sales*	2007	Percent of Sales*	Decrease
	(Dollars in thousands)				
Manufactured Housing	\$ 194,822	90.7	\$ 240,689	88.4	\$ 45,867
Recreational Vehicles	84,134	96.7	86,825	93.3	2,691
Consolidated	\$ 278,956	92.4	\$ 327,514	89.6	\$ 48,558

* The percentages for manufactured housing and recreational vehicles are based on segment sales. The percentage for consolidated cost of sales is based on total sales.

Manufactured housing cost of sales decreased due to less sales volume and the variable nature of many of the direct manufacturing costs. As a percentage of sales, cost of sales increased as a result of certain manufacturing overhead costs remaining relatively constant despite lower sales. In addition, this segment incurred a one-time cost of approximately \$400,000 associated with the consolidation of the Ocala, Florida facility and the closure of the Bossier City, Louisiana facility.

Recreational vehicle cost of sales decreased due to less sales volume and the variable nature of many of direct manufacturing costs. As a percentage of sales, cost of sales increased due to the introduction of various option packages. These packages, designed to meet competition in the marketplace, are aggressively priced relative to option packages sold in the previous year. Certain manufacturing overhead costs also remained relatively constant despite lower sales. This segment includes a one-time cost of approximately \$400,000 associated with the closure of the McMinnville, Oregon facility. In addition, non-recurring costs of approximately \$170,000 were incurred in the conversion of the Hemet, California facility. In fiscal year 2007, the Corporation incurred approximately \$300,000 in

one-time costs associated with the opening of the Elkhart, Indiana facility dedicated to producing fiberglass bonded product.

Selling and Administrative Expenses

	2008	Percent of Sales	2007	Percent of Sales	Decrease
	(Dollars in thousands)				
Selling and Administrative Expenses	\$ 36,770	12.2	\$ 40,372	11.0	\$ 3,602

Selling and administrative expenses decreased due to a decrease in salaries, performance based compensation, a continuing effort to control costs and a change in the valuation of the Corporation's liability for retirement and death benefits offered to certain employees. Additional information regarding the change in valuation is included in

Table of Contents**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations
(Continued)****Results of Operations Fiscal 2008 Compared to Fiscal 2007 (Continued)**

Note 4 in Notes to Consolidated Financial Statements included in this document under Item 8. As a percentage of sales, selling and administrative expenses increased due to certain costs being fixed.

Operating (Loss) Earnings

	2008	Percent of Sales*	2007	Percent of Sales*	Increase (Decrease)
	(Dollars in thousands)				
Manufactured Housing	\$ (4,200)	(2.0)	\$ 4,276	1.6	\$ 8,476
Recreational Vehicles	(7,750)	(8.9)	(4,154)	(4.5)	3,596
General Corporate Expense	(2,011)	(0.7)	(2,535)	(0.7)	(524)
Total Operating Loss	\$ (13,961)	(4.6)	\$ (2,413)	(0.7)	\$ 11,548

* The percentages for manufactured housing and recreational vehicles are based on segment sales. The percentage for general corporate expenses and total operating (loss) are based on total sales.

The operating loss for manufactured housing was primarily due to the impact of decreased sales on the components of earnings as noted above. This segment was also negatively affected by the cost of consolidating and closing two facilities, and single-section unit sales increasing from 23 percent in fiscal 2007 to 26 percent in fiscal 2008. Single-section homes have lower margins as compared to multi-section homes.

The operating loss for recreational vehicles increased primarily due to the impact of decreased sales on the components of earnings as noted above. In addition, the operating loss was negatively impacted by this segment receiving a larger proportion of certain operating expenses allocated to industry segments based on a percentage of sales. Recreational vehicle sales were approximately 29 percent in fiscal 2008 as compared to 25 percent in fiscal 2007. The cost of closing one facility and the renovation of another also had a negative effect on operating results. Although the operating loss increased from fiscal 2007 to 2008, the operating loss for the last half of the current year was \$3,641,000, which included non-recurring costs of approximately \$570,000, as compared to \$4,109,000 in the first half.

The decrease in general corporate expenses occurred primarily due to a change in valuation of the Corporation's liability for retirement and death benefits offered to certain employees as noted above.

Interest Income

2008	2007	Decrease
(Dollars in thousands)		

Interest Income	\$ 4,153	\$ 5,812	\$ 1,659
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Interest income is directly related to the amount available for investment and the prevailing yields of U.S. Government Securities. In fiscal 2008, the weighted average amount available for investment was approximately \$101 million with a weighted average yield of 4.1 percent. In fiscal 2007, the weighted average amount available for investment was approximately \$120 million with a weighted average yield of 4.9 percent.

Gain on Sale of Idle Property, Plant and Equipment

In the third quarter of fiscal 2008, the Corporation sold an idle manufactured housing facility located in Goshen, Indiana. The sale resulted in a pre-tax gain of \$670,000.

Table of Contents**Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations***
(Continued)**Results of Operations Fiscal 2008 Compared to Fiscal 2007 (Continued)*****(Benefit) Provision for Income Taxes***

	May 31, 2008	May 31, 2007	Increase (Decrease)
	(Dollars in thousands)		
Federal	\$ (3,204)	\$ 1,135	\$ 4,339
State	(378)	(329)	49
Total	\$ (3,582)	\$ 806	\$ 4,388

The (benefit) provision for federal income taxes approximates the statutory rate and for state income taxes reflects current state rates effective for the period based upon activities within the taxable entities. The benefit for federal income taxes increased due to the pretax loss that occurred in fiscal 2008. Additional information regarding incomes taxes is located in Note 1 in Notes to Consolidated Financial Statements included in this document under Item 8.

Results of Operations Fiscal 2007 Compared to Fiscal 2006***Sales and Unit Shipments***

	2007	Percent	2006	Percent	Decrease
	(Dollars in thousands)				
Sales					
Manufactured Housing	\$ 272,383	74.5	\$ 376,405	74.0	\$ 104,022
Recreational Vehicles	93,090	25.5	132,138	26.0	39,048
Total Sales	\$ 365,473	100.0	\$ 508,543	100.0	\$ 143,070
Unit Shipments					
Manufactured Housing	5,669	48.0	8,207	47.7	2,538
Recreational Vehicles	6,152	52.0	9,008	52.3	2,856
Total Unit Shipments	11,821	100.0	17,215	100.0	5,394

Manufactured housing sales decreased due to an overall decline in demand, which is consistent with the experience of the manufactured housing industry as a whole.

Recreational vehicle sales decreased due to an overall softening of demand. Furthermore, sales were negatively impacted by an increase in consumer demand for fiberglass bonded wall construction. The Corporation addressed this shift in demand by opening a previously idled facility which is dedicated to producing travel trailers with fiberglass bonded wall construction. This facility commenced operations in the third fiscal quarter. In addition, prior year sales included approximately 1,500 units related to hurricane relief sold to independent dealers for approximately \$15 million.

Cost of Sales

	2007	Percent of Sales*	2006	Percent of Sales*	Decrease
	(Dollars in thousands)				
Manufactured Housing	\$ 240,689	88.4	\$ 324,728	86.3	\$ 84,039
Recreational Vehicles	86,825	93.3	119,958	90.8	33,133
Consolidated	\$ 327,514	89.6	\$ 444,686	87.4	\$ 117,172

* The percentages for manufactured housing and recreational vehicles are based on segment sales. The percentage for consolidated cost of sales is based on total sales.

Table of Contents**Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations***
(Continued)**Results of Operations Fiscal 2007 Compared to Fiscal 2006 (Continued)**

Manufactured housing cost of sales decreased due to declining sales volumes and the variable nature of many of the direct manufacturing costs. As a percentage of sales, however, cost of sales increased due to warranty costs and workers' compensation expenses declining at a slower rate than the reduction in sales. In addition, certain manufacturing overhead costs remained relatively constant despite lower sales.

Recreational vehicle cost of sales decreased due to declining sales volumes and the variable nature of many of the direct manufacturing costs. As a percentage of sales, cost of sales increased due to the positive impact of hurricane relief related sales on gross margins in the prior year, as well as warranty costs declining at a slower rate than the reduction in the current year's sales. In addition, certain manufacturing overhead costs remained relatively constant despite lower sales.

As noted above, this business segment also experienced the commencement of operations in the third fiscal quarter of a previously idled facility. This facility, which produces travel trailers with fiberglass bonded wall construction, incurred approximately \$300,000 in manufacturing costs associated with the start up of operations.

Selling and Administrative Expenses

	2007	Percent of Sales	2006	Percent of Sales	Decrease
	(Dollars in thousands)				
Selling and Administrative Expenses	\$ 40,372	11.0	\$ 45,943	9.0	\$ 5,571

Selling and administrative expenses decreased primarily due to a decrease in performance based compensation. As a percentage of sales, selling and administrative expenses increased due to certain costs being relatively fixed.

Operating (Loss) Earnings

	2007	Percent of Sales*	2006	Percent of Sales*	Increase (Decrease)
	(Dollars in thousands)				
Manufactured Housing	\$ 4,276	1.6	\$ 20,589	5.5	\$ 16,313
Recreational Vehicles	(4,154)	(4.5)	372	0.3	4,526
General Corporate Expense	(2,535)	(0.7)	(3,047)	(0.6)	(512)
Total Operating (Loss) Earnings	\$ (2,413)	(0.7)	\$ 17,914	3.5	\$ 20,327

* The percentages for manufactured housing and recreational vehicles are based on segment sales. The percentage for general corporate expenses and total operating earnings (loss) are based on total sales.

Operating earnings for manufactured housing dropped primarily due to the impact of decreased sales on the components of earnings as noted above. In addition, unit sales of single-section homes increased from 19 percent in 2006 to 23 percent in 2007. Single-section homes have lower margins as compared to multi-section homes.

The recreational vehicle segment changed from an operating profit a year ago to an operating loss driven primarily by the impact of decreased sales on the components of earnings as noted above.

Decreases in general corporate expenses occurred in costs associated with performance based compensation and product liability.

Interest Income

	2007	2006	Increase
	(Dollars in thousands)		
Interest Income	\$ 5,812	\$ 4,937	\$ 875

Table of Contents**Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations***
(Continued)**Results of Operations Fiscal 2007 Compared to Fiscal 2006 (Continued)**

Interest income is directly related to the amount available for investment and the prevailing yields of U.S. Government Securities. In fiscal 2007, the weighted average amount available for investment was approximately \$120 million with a weighted average yield of 4.9 percent. In fiscal 2006, the weighted average amount available for investment was approximately \$135 million with a weighted average yield of 3.7 percent.

Provision (Benefit) for Income Taxes

	2007	2006	Decrease
	(Dollars in thousands)		
Federal	\$ 1,135	\$ 7,590	\$ 6,455
State	(329)	1,433	1,762
Total	\$ 806	\$ 9,023	\$ 8,217

The provision (benefit) for federal income taxes approximates the statutory rate and for state income taxes reflects current state rates effective for the period based upon activities within the taxable entities. The provision for federal and state income taxes decreased due to the decrease in earnings before income taxes. Additional information regarding income taxes is located in Note 1 in Notes to Consolidated Financial Statements included in this document under Item 8.

Liquidity and Capital Resources

	May 31,		
	2008	2007	Decrease
	(Dollars in thousands)		
Cash and U.S. Treasury Bills	\$ 111,579	\$ 124,240	\$ 12,661
Current Assets, Exclusive of Cash and U.S. Treasury Bills	\$ 42,628	\$ 44,702	\$ 2,074
Current Liabilities	\$ 21,613	\$ 27,114	\$ 5,501
Working Capital	\$ 132,594	\$ 141,828	\$ 9,234

The Corporation's policy is to invest its excess cash, which exceeds its operating needs, in U.S. Government Securities. Cash and U.S. Treasury Bills decreased due to a net loss of \$5,556,000, and payment of approximately \$6,041,000 in dividends. Current assets, exclusive of cash and U.S. Treasury Bills, declined primarily due to a decrease in accounts receivable of \$4,516,000. This decrease is attributed to lower sales in May 2008 as compared to May 2007. Other current assets increased \$2,853,000 primarily due to an increase in the amount receivable for federal income taxes.

Current liabilities decreased primarily due to a decline in accrued salaries and wages of \$1,743,000, accounts payable of \$1,195,000 and accrued profit sharing of \$1,684,000. Accrued salaries and wages decreased due to the timing of payroll payments at May 31, 2008 as compared to May 31, 2007. In addition, the Corporation's employee headcount was lower at May 31, 2008 as compared to May 31, 2007. Accounts payable, trade declined due to decreased sales activity. Accrued profit sharing declined as a result of no contribution being made to the Corporation's two profit sharing plans based on the financial results of fiscal 2008.

Capital expenditures totaled \$2,092,000 for fiscal 2008 as compared to \$4,968,000 for fiscal 2007. Capital expenditures were made primarily to replace or refurbish machinery and equipment in addition to improving manufacturing efficiencies. In addition, total proceeds from the sale of idle property, plant and equipment totaled \$2,676,000 for fiscal 2008.

The cash provided by operating activities, along with current cash and other short-term investments, is expected to be adequate to fund any capital expenditures and treasury stock purchases during the year. Historically, the Corporation's financing needs have been met through funds generated internally.

Table of Contents**Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations***
(Continued)**Contractual Obligations and Commitments**

The following table summarizes the Corporation's contractual obligation for operating lease agreements as of May 31, 2008:

	Total	Payments Due by Period			More Than 5 Years
		Less Than 1 Year	1-3 Years	3-5 Years	
		(Dollars in thousands)			
Operating Leases	\$ 1,329	\$ 643	\$ 511	\$ 139	\$ 36

The following table summarizes the Corporation's commitments for repurchase agreements as of May 31, 2008:

	Total	Payments Due by Period			More Than 5 Years
		Less Than 1 Year	1-3 Years	3-5 Years	
		(Dollars in thousands)			
Repurchase Agreements	\$ 70,000	\$ 70,000	\$	\$	\$

Additional information regarding the nature of the repurchase agreements and the operating leases is in Note 2 to the Notes to the Consolidated Financial Statements. During fiscal year 2008, the Corporation experienced a \$6,000 loss on the sale of repurchased units. No losses on the sales of repurchased units were incurred in fiscal 2007 or 2006.

Critical Accounting Policies

The preparation of financial statements in conformity with generally accepted accounting principles requires the Corporation to make certain estimates that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Estimates are periodically evaluated using historical experience and various other factors believed to be reasonable under the circumstances. Actual results could differ from these estimates under different assumptions or conditions.

The following accounting policies are considered to require a significant estimate:

Product Warranties

As referenced in Note 1 of the Notes to Consolidated Financial Statements, manufactured homes are sold with a fifteen-month warranty and recreational vehicles are sold with a one-year warranty. Estimated warranty costs are accrued at the time of sale based upon sales, historical claims experience and management's judgment regarding anticipated rates of warranty claims. Significant changes in these factors could have a material impact on future results of operations.

Workers Compensation Insurance

The Corporation is partially insured for expenses associated with workers compensation. Costs are accrued based on management's estimates of future medical claims developed by consulting actuaries at the carrier that insures the Corporation. Accruals are made up to a specified limit per individual injured and for an aggregate limit.

Health Insurance

The Corporation utilizes a combination of insurance companies and self-insurance in offering health insurance coverage to its employees. Costs of claims incurred but not paid are accrued based on past claims experience and relevant trend factors provided by the insurance companies.

Newly Issued Accounting Standards

The effect of newly issued accounting standards on the Corporation is addressed in Note 1 of the Notes to Consolidated Financial Statements.

Table of Contents

Item 7. *Management's Discussion and Analysis of Financial Condition and Results of Operations*
(Continued)

Other Matters

The consolidated financial statements included in this report reflect transactions in the dollar values in which they were incurred and, therefore, do not attempt to measure the impact of inflation. On a long-term basis, the Corporation has demonstrated an ability to adjust selling prices in reaction to changing costs due to inflation. The Corporation believes that inflation has not had a material effect on its operations during fiscal 2008, 2007 and 2006.

Forward Looking Information

Certain statements in this report are considered forward looking as indicated by the Private Securities Litigation Reform Act of 1995. These statements involve uncertainties that may cause actual results to materially differ from expectations as of the report date. These uncertainties include but are not limited to:

Cyclical nature of the manufactured housing and recreational vehicle industries

General or seasonal weather conditions affecting sales

Potential impact of hurricanes and other natural disasters on sales and raw material costs

Potential periodic inventory adjustments by independent retailers

Availability of wholesale and retail financing

Interest rate levels

Impact of inflation

Impact of rising fuel costs

Cost of labor and raw materials

Competitive pressures on pricing and promotional costs

Catastrophic events impacting insurance costs

The availability of insurance coverage for various risks to the Corporation

Consumer confidence and economic uncertainty

The health of the U.S. housing market as a whole

Market demographics

Management's ability to attract and retain executive officers and key personnel

Increased global tensions, market disruption resulting from a terrorist or other attack and any armed conflict involving the United States.

Item 7A. *Quantitative and Qualitative Disclosures About Market Risk.*

The Corporation invests in United States Government Securities. These securities are typically held until maturity and are therefore classified as held-to-maturity and carried at amortized cost. Changes in interest rates do not have a significant effect on the fair value of these investments.

Item 8. *Financial Statements and Supplementary Data.*

Index to Consolidated Financial Statements	
Report of Independent Registered Public Accounting Firm	21
Consolidated Balance Sheets	22
Consolidated Statements of Earnings and Retained Earnings	23
Consolidated Statements of Cash Flows	24
Notes to Consolidated Financial Statements	25

All other supplementary data is omitted because it is not applicable or the required information is shown in the financial statements or notes thereto.

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Shareholders and Board of Directors of Skyline Corporation:

We have audited the accompanying consolidated balance sheets of Skyline Corporation and subsidiary companies (the Corporation) as of May 31, 2008 and 2007, and the related consolidated statements of earnings and retained earnings, and cash flows for each of the three years in the period ended May 31, 2008. We also have audited the Corporation's internal control over financial reporting as of May 31, 2008, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Corporation's management is responsible for these financial statements, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in this Form 10-K Item 9A as Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these financial statements and an opinion on the Corporation's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audits to obtain reasonable assurance about whether the financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of the Corporation as of May 31, 2008 and 2007, and the results of its operations and its cash flows for each of the three years in the period ended May 31, 2008 in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the Corporation maintained, in all material respects, effective internal

control over financial reporting as of May 31, 2008, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Crowe Chizek and Company LLC

South Bend, Indiana

July 14, 2008

Table of Contents**Skyline Corporation and Subsidiary Companies****Consolidated Balance Sheets
May 31, 2008 and 2007**

	2008	2007
	(Dollars in thousands)	
ASSETS		
Current Assets:		
Cash	\$ 10,557	\$ 8,376
U.S. Treasury Bills, at cost plus accrued interest	101,022	115,864
Accounts receivable, trade, less allowance for doubtful accounts of \$100	18,244	22,760
Inventories	10,150	10,561
Other current assets	14,234	11,381
Total Current Assets	154,207	168,942
Property, Plant and Equipment, at Cost:		
Land	5,300	5,557
Buildings and improvements	63,410	66,629
Machinery and equipment	30,561	30,712
	99,271	102,898
Less accumulated depreciation	66,736	67,092
Net Property, Plant and Equipment	32,535	35,806
Other Assets	10,257	10,192
Total Assets	\$ 196,999	\$ 214,940

LIABILITIES AND SHAREHOLDERS EQUITY

Current Liabilities:		
Accounts payable, trade	\$ 3,967	\$ 5,162
Accrued salaries and wages	4,321	6,064
Accrued profit sharing		1,684
Accrued marketing programs	2,757	3,823
Accrued warranty and related expenses	6,137	7,300
Other accrued liabilities	4,431	3,081
Total Current Liabilities	21,613	27,114
Other Deferred Liabilities	9,168	10,011

Commitments and Contingencies See Note 2**Shareholders Equity:**

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Common stock, \$.0277 par value, 15,000,000 shares authorized; issued 11,217,144 shares	312	312
Additional paid-in capital	4,928	4,928
Retained earnings	226,722	238,319
Treasury stock, at cost, 2,825,900 shares	(65,744)	(65,744)
Total Shareholders' Equity	166,218	177,815
Total Liabilities and Shareholders' Equity	\$ 196,999	\$ 214,940

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents**Skyline Corporation and Subsidiary Companies****Consolidated Statements of Earnings and Retained Earnings
For the Years Ended May 31, 2008, 2007 and 2006**

	2008	2007	2006
	(Dollars in thousands, except share and per share amounts)		
EARNINGS			
Sales	\$ 301,765	\$ 365,473	\$ 508,543
Cost of sales	278,956	327,514	444,686
Gross profit	22,809	37,959	63,857
Selling and administrative expenses	36,770	40,372	45,943
Operating (loss) earnings	(13,961)	(2,413)	17,914
Interest income	4,153	5,812	4,937
Gain on sale of idle property, plant and equipment	670		464
(Loss) earnings before income taxes	(9,138)	3,399	23,315
(Benefit) provision for income taxes:			
Federal	(3,204)	1,135	7,590
State	(378)	(329)	1,433
	(3,582)	806	9,023
Net (loss) earnings	\$ (5,556)	\$ 2,593	\$ 14,292
Basic (loss) earnings per share	\$ (.66)	\$.31	\$ 1.70
Weighted average number of common shares outstanding	8,391,244	8,391,244	8,391,244
RETAINED EARNINGS			
Balance at beginning of year	\$ 238,319	\$ 258,258	\$ 250,007
Cumulative effect of adjustments resulting from the adoption of SAB No. 108, net of tax (See Note 6)		292	
Adjusted balance at beginning of year	238,319	258,550	250,007
Net (loss) earnings	(5,556)	2,593	14,292
Cash dividends paid (\$.72 per share in 2008, \$2.72 per share in 2007 and \$.72 per share in 2006)	(6,041)	(22,824)	(6,041)
Balance at end of year	\$ 226,722	\$ 238,319	\$ 258,258

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents**Skyline Corporation and Subsidiary Companies**

Consolidated Statements of Cash Flows
For the Years Ended May 31, 2008, 2007 and 2006
Increase (Decrease) in Cash

	2008	2007	2006
	(Dollars in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) earnings	\$ (5,556)	\$ 2,593	\$ 14,292
Adjustments to reconcile net (loss) earnings to net cash (used in) provided by operating activities:			
Depreciation	3,181	3,148	3,154
Gain on sale of idle property, plant and equipment	(670)		(464)
Working capital items:			
Accrued interest receivable	649	(211)	(1,399)
Accounts receivable	4,516	8,999	(5,293)
Inventories	411	747	(1,470)
Other current assets	(2,853)	(2,844)	(2,304)
Accounts payable, trade	(1,195)	(3,622)	(737)
Accrued liabilities	(4,306)	(9,414)	3,488
Other, net	(705)	(188)	(280)
Net cash (used in) provided by operating activities	(6,528)	(792)	8,987
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from principal payments of U.S. Treasury Bills	\$ 412,136	\$ 275,874	\$ 172,786
Purchase of U.S. Treasury Bills	(397,942)	(338,815)	(133,007)
Proceeds from maturity of U.S. Treasury Notes		90,000	45,000
Purchase of U.S. Treasury Notes			(88,973)
Proceeds from sale of idle property, plant and equipment	2,676		1,493
Purchase of property, plant and equipment	(2,092)	(4,968)	(2,485)
Other, net	(28)	(158)	(107)
Net cash provided by (used in) investing activities	14,750	21,933	(5,293)
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash dividends paid	(6,041)	(22,824)	(6,041)
Net cash used in financing activities	(6,041)	(22,824)	(6,041)
Net increase (decrease) in cash	2,181	(1,683)	(2,347)
Cash at beginning of year	8,376	10,059	12,406
Cash at end of year	\$ 10,557	\$ 8,376	\$ 10,059

The accompanying notes are an integral part of the consolidated financial statements.

Table of Contents

Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements

NOTE 1 Nature of Operations, Accounting Policies of Consolidated Financial Statements

Nature of operations Skyline Corporation designs, manufactures and distributes manufactured housing (single section homes, multi-section homes and modular homes) and towable recreational vehicles (travel trailers, fifth wheels and park models) to independent dealers and manufactured housing communities throughout the United States. These dealers and communities often utilize floor plan financing arrangements with lending institutions.

The following is a summary of the accounting policies that have a significant effect on the consolidated financial statements.

Basis of presentation The consolidated financial statements include the accounts of Skyline Corporation and its wholly-owned subsidiaries (the Corporation). All intercompany transactions have been eliminated. The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements, as well as the reported amounts of revenue and expenses during the reporting period. Actual results could differ from those estimates.

Revenue recognition Substantially all of the Corporation's products are made to order. Revenue is recognized upon completion of the following: an order for a unit is received from a dealer or community (customer); written or verbal approval for payment is received from a customer's financing institution or payment is received; a common carrier signs documentation accepting responsibility for the unit as agent for the customer; and the unit is removed from the Corporation's premises for delivery to a customer.

Freight billed to customers is considered sales revenue, and the related freight costs are cost of sales. Volume based rebates paid to dealers are classified as a reduction of sales revenue. Sales of parts are classified as revenue.

Consolidated statements of cash flows For purposes of the consolidated statements of cash flows, investments in U.S. Treasury Bills and Notes are included as investing activities. The Corporation's cash flows from operating activities were increased by income taxes received of \$1,443,000 in fiscal 2008, and reduced by income taxes paid of \$3,466,000 and \$8,973,000 in fiscal 2007 and 2006, respectively.

Investments The Corporation invests in United States Government Securities. These securities are typically held until maturity and are therefore classified as held-to-maturity and carried at amortized cost.

The cost and accrued interest of U.S. Treasury Bills, which approximates fair market value, totaled \$101,022,000 and \$115,864,000 at May 31, 2008 and 2007, respectively. The fair market value is determined by a secondary market for U.S. Treasury Securities. The Corporation does not have any other financial instruments which have market values differing from recorded values.

Accounts receivable Trade receivables are based on the amounts billed to customers. The Corporation does not accrue interest on any of its trade receivables.

Inventories Inventories are stated at the lower of cost or market. Cost is determined under the first-in, first-out method. Physical inventory counts are taken at the end of each reporting quarter.

Table of Contents**Skyline Corporation and Subsidiary Companies****Notes to Consolidated Financial Statements (Continued)**

Total inventories consist of the following:

	May 31,	
	2008	2007
	(Dollars in thousands)	
Raw Materials	\$ 4,897	\$ 5,098
Work In Process	5,051	5,463
Finished Goods	202	
	\$ 10,150	\$ 10,561

At May 31, 2008, Finished Goods inventory consisted of a display home, in addition to manufactured homes and recreational vehicles awaiting shipment at the end of the fiscal year.

Property, plant and equipment Property, plant and equipment is stated at cost. Depreciation is computed over the estimated useful lives of the assets using the straight-line method for financial statement reporting and accelerated methods for income tax purposes. Estimated useful lives for significant classes of property, plant and equipment are as follows: Building and improvements 10 to 30 years; machinery and equipment 5 to 8 years.

Warranty The Corporation provides the retail purchaser of its manufactured homes with a full fifteen-month warranty against defects in design, materials and workmanship. Recreational vehicles are covered by a one-year warranty. The warranties are backed by service departments located at the Corporation's manufacturing facilities and an extensive field service system.

Estimated warranty costs are accrued at the time of sale based upon current sales, historical experience and management's judgment regarding anticipated rates of warranty claims. The adequacy of the recorded warranty liability is periodically assessed and the amount is adjusted as necessary.

A reconciliation of accrued warranty and related expenses is as follows:

	Year Ended May 31,		
	2008	2007	2006
	(Dollars in thousands)		
Balance at the beginning of the period	\$ 10,600	\$ 12,111	\$ 11,700
Accruals for warranties	6,364	9,689	12,140
Settlements made during the period	(7,927)	(11,200)	(11,729)
Balance at the end of the period	9,037	10,600	12,111
Non-current balance included in other deferred liabilities	2,900	3,300	4,000

Accrued warranty and related expenses	\$ 6,137	\$ 7,300	\$ 8,111
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Other deferred liabilities Other deferred liabilities consist of the following:

	May 31,	
	2008	2007
	(Dollars in thousands)	
Deferred compensation expense	\$ 6,079	\$ 6,522
Accrued warranty and related expenses	2,900	3,300
Other deferred expense	189	189
	\$ 9,168	\$ 10,011

Table of Contents**Skyline Corporation and Subsidiary Companies****Notes to Consolidated Financial Statements (Continued)**

Income taxes The federal and state income tax (benefit) provision is summarized as follows:

	Year Ended May 31,		
	2008	2007	2006
	(Dollars in thousands)		
Current			
Federal	\$ (3,771)	\$ 49	\$ 8,113
State	113	(371)	1,547
	(3,658)	(322)	9,660
Deferred			
Federal	568	1,086	(523)
State	(492)	42	(114)
	76	1,128	(637)
	\$ (3,582)	\$ 806	\$ 9,023

The difference between the Corporation's statutory federal income tax rate (35 percent in 2008 and 2006, and 34 percent in 2007) and the effective income tax rate is due primarily to state income taxes as follows:

	Year Ended May 31,		
	2008	2007	2006
	(Dollars in thousands)		
Income taxes at statutory federal rate	\$ (3,198)	\$ 1,156	\$ 8,160
State income taxes, net of federal tax effect	(246)	(217)	931
New Energy Efficient Home Credit	(125)	(176)	
Alternative Fuel Credit	(37)		
Other, net	24	43	(68)
Income tax (benefit) provision	\$ (3,582)	\$ 806	\$ 9,023
Effective tax rate	39.2%	23.7%	38.7%

State income tax benefits are primarily the result of the exclusion, either in whole or in part, of interest income on U.S. Government Securities from taxable income in certain states. In addition, in fiscal 2007 the Corporation received favorable rulings on certain state tax positions which resulted in state refunds net of federal taxes of \$144,000.

Table of Contents**Skyline Corporation and Subsidiary Companies****Notes to Consolidated Financial Statements (Continued)**

The components of the net deferred tax assets are as follows:

	May 31,	
	2008	2007
	(Dollars in thousands)	
Current deferred tax assets		
Accrued marketing programs	\$ 466	\$ 594
Accrued warranty expense	2,455	2,900
Accrued workers' compensation	1,376	1,417
Accrued vacation	494	542
State net operating loss carryforward	1,092	
Other	102	(25)
Gross current deferred tax assets	5,985	5,428
Noncurrent deferred tax assets		
Liability for certain post-retirement benefits	2,171	2,341
Accrued warranty expense	1,160	1,316
Other	712	519
Gross noncurrent deferred tax assets	4,043	4,176
Total gross deferred tax asset	10,028	9,604
Valuation allowance	(734)	(478)
Net deferred tax asset	\$ 9,294	\$ 9,126

A valuation allowance is provided when it is more likely than not that some portion or all of a deferred tax asset will not be realized. The valuation allowance relates to certain state tax assets that the Corporation considers more likely than not to not be realized due to a lack of projected taxable income in certain states. There have been no changes in the judgments regarding the realizability of deferred tax assets during the periods presented. In fiscal 2008, the valuation allowance increased approximately \$256,000 due mainly to uncertainty of realizing net operating loss carryforwards.

In the first quarter of fiscal 2008, the Corporation adopted Financial Accounting Standards Board, (FASB), Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (FIN No. 48). This Interpretation clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with Statement of Financial Accounting Standards (SFAS) No. 109, Accounting for Income Taxes. The Corporation adopted FIN No. 48 with no material impact on its consolidated financial statements.

The amount of unrecognized tax benefits at May 31, 2008 and June 1, 2007 each totaled approximately \$100,000. This amount would increase operating income thus impacting the Corporation's effective tax rate, if ultimately recognized in income.

For the majority of taxing jurisdictions the Corporation is no longer subject to examination by taxing authorities for years before 2004. State income tax expense reflects minimum amounts required by certain taxing jurisdictions in which the Corporation operates.

The Corporation does not expect the amount of unrecognized tax benefits to significantly increase in the next twelve months. Interest and penalties related to income tax matters are recognized in income tax expense. Accruals for interest and penalties at May 31, 2008 were insignificant.

Recently issued accounting pronouncements In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards No. 157, Fair Value Measurements (SFAS No. 157). This statement establishes a framework for measuring fair value in generally accepted accounting

Table of Contents**Skyline Corporation and Subsidiary Companies****Notes to Consolidated Financial Statements (Continued)**

principles, and expands disclosures about fair value measurements. SFAS No. 157 is effective for years beginning after November 15, 2007, and interim periods within those fiscal years.

On February 12, 2008, FASB issued Staff Position No. 157-2, which delays the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities. The revised effective date is for fiscal years beginning after November 15, 2008, and interim periods within those fiscal years. The Corporation is evaluating the impact of these pronouncements on its results of operations or financial position.

NOTE 2 Commitments and Contingencies

The Corporation was contingently liable at May 31, 2008, under repurchase agreements with certain financial institutions providing inventory financing for retailers of its products.

Under these arrangements, which are customary in the manufactured housing and recreational vehicle industries, the Corporation agrees to repurchase units in the event of default by the retailer at declining prices over the term of the agreement, generally 12 months.

The maximum repurchase liability is the total amount that would be paid upon the default of the Corporation's independent dealers. The maximum potential repurchase liability, without reduction for the resale value of the repurchased units, was approximately \$70 million at May 31, 2008 and \$89 million at May 31, 2007.

The risk of loss under these agreements is spread over many retailers and financial institutions. The loss, if any, under these agreements is the difference between the repurchase cost and the resale value of the units.

The Corporation believes that any potential loss under the agreements in effect at May 31, 2008 will not be material to its financial position or results of operations.

The amounts of obligations from repurchased units and incurred net losses for the periods presented are as follows:

	Year Ended May 31,		
	2008	2007	2006
	(Dollars in thousands)		
Number of units repurchased	104	78	3
Obligations from units repurchased	\$ 1,865	\$ 1,244	\$ 109
Net loss on repurchased units	\$ 6	\$	\$

The Corporation leases office and manufacturing equipment under operating lease agreements. Leases generally provide that the Corporation pays the cost of insurance, taxes and maintenance. Lease expense for fiscal year ended May 31, 2008 was approximately \$1,000,000 fiscal year ended May 31, 2007 was approximately \$1,100,000 while lease expense for the fiscal year ended May 31, 2006 was approximately \$1,200,000. Future minimum lease commitments under operating leases are as follows:

Year Ending May 31,	Amount (Dollars in thousands)
2009	\$ 643
2010	322
2011	189
2012	102
2013	37
Thereafter	36
	\$ 1,329

The Corporation utilizes a combination of insurance coverage and self-insurance for certain items, including workers compensation and group health benefits. Liabilities for workers compensation are recognized for

Table of Contents

Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements (Continued)

estimated future medical costs and indemnity costs. Liabilities for group health benefits are recognized for claims incurred but not paid. Insurance reserves are estimated based upon a combination of historical data and actuarial information. Actual results could differ from these estimates.

The Corporation is a party to various pending legal proceedings in the normal course of business. Management believes that any losses resulting from such proceedings would not have a material adverse effect on the Corporation's results of operations or financial position.

NOTE 3 Purchase of Treasury Stock

The Corporation's board of directors from time to time has authorized the repurchase of shares of the Corporation's common stock, in the open market or through negotiated transactions, at such times and at such prices as management may decide. In fiscal 2008, 2007 and 2006, the Corporation did not acquire any shares of its common stock. At May 31, 2008, the Corporation had authorization to repurchase an additional 391,300 shares of its common stock.

NOTE 4 Employee Benefits

A) PROFIT SHARING PLANS AND 401 (K) PLANS

The Corporation has two deferred profit sharing plans (Plans), which together cover substantially all of its employees. The Plans are defined contribution plans to which the Corporation has the right to modify, suspend or discontinue contributions. Assets of the Plans are invested in United States Government Securities. For the years ended May 31, 2007 and 2006, contributions to the Plans were \$1,717,000 and \$2,653,000, respectively. No contributions were made for the fiscal year ended May 31, 2008.

The Corporation has an employee savings plan (the 401(k) Plan) that is intended to provide participating employees with an additional method of saving for retirement. The 401(k) Plan covers all employees who meet certain minimum participation requirements. The Corporation does not currently provide a matching contribution to the 401(k) Plan.

B) RETIREMENT AND DEATH BENEFIT PLANS

The Corporation has entered into arrangements with certain employees which provide for benefits to be paid to the employees' estates in the event of death during active employment or retirement benefits to be paid over 10 years beginning at the date of retirement. To fund all such arrangements, the Corporation purchased life insurance contracts on the covered employees. The present value of the principal cost of such arrangements is being accrued over the period from the date of such arrangements to full eligibility using a discount rate of 6.5 percent in fiscal 2008, 6.0 percent in fiscal 2007 and 6.5 percent in fiscal 2006. The amount accrued for such arrangements totaled \$6,079,000, \$6,522,000 and \$6,299,000 at May 31, 2008, 2007 and 2006, respectively. The amount (credited) charged to operations under these arrangements was \$(215,000), \$406,000 and \$64,000 for the years ended May 31, 2008, 2007 and 2006 respectively. The amount credited or charged to operations is directly related to changes in the discount rate, and the number of participants with arrangements with the Corporation.

NOTE 5 Industry Segment Information

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The Corporation designs, produces and distributes manufactured housing (single section homes, multi-section homes and modular homes) and towable recreational vehicles (travel trailers, fifth wheels and park models). The percentage allocation of manufactured housing and recreational vehicle sales is:

	2008	2007	2006
Manufactured Housing	71%	75%	74%
Recreational Vehicles	29%	25%	26%
	100%	100%	100%

Table of Contents**Skyline Corporation and Subsidiary Companies****Notes to Consolidated Financial Statements (Continued)**

Total operating (loss) earnings represents (loss) earnings before interest income, gain on sale of idle property, plant and equipment and (benefit) provision for income taxes with non-traceable operating expenses being allocated to industry segments based on percentages of sales. General corporate expenses are not allocated to the industry segments.

Identifiable assets, depreciation and capital expenditures, by industry segment, are those items that are used in operations in each industry segment, with jointly used items being allocated based on a percentage of sales.

	2008	2007	2006
	(Dollars in thousands)		
SALES			
Manufactured housing	\$ 214,794	\$ 272,383	\$ 376,405
Recreational vehicles	86,971	93,090	132,138
Total sales	\$ 301,765	\$ 365,473	\$ 508,543
(LOSS) EARNINGS BEFORE INCOME TAXES			
Operating (Loss) Earnings			
Manufactured housing	\$ (4,200)	\$ 4,276	\$ 20,589
Recreational vehicles	(7,750)	(4,154)	372
General corporate expenses	(2,011)	(2,535)	(3,047)
Total operating (loss) earnings	(13,961)	(2,413)	17,914
Interest income	4,153	5,812	4,937
Gain on sale of idle property, plant and equipment	670		464
(Loss) earnings before income taxes	\$ (9,138)	\$ 3,399	\$ 23,315
IDENTIFIABLE ASSETS			
Operating assets			
Manufactured housing	\$ 71,043	\$ 77,330	\$ 80,465
Recreational vehicles	24,934	21,746	25,226
Total operating assets	95,977	99,076	105,691
U.S. Treasury bills and notes	101,022	115,864	142,712
Total assets	\$ 196,999	\$ 214,940	\$ 248,403
DEPRECIATION			
Manufactured housing	\$ 2,521	\$ 2,525	\$ 2,509
Recreational vehicles	660	623	645

Total depreciation	\$	3,181	\$	3,148	\$	3,154
CAPITAL EXPENDITURES						
Manufactured housing	\$	1,483	\$	4,409	\$	2,209
Recreational vehicles		609		559		276
Total capital expenditures	\$	2,092	\$	4,968	\$	2,485

NOTE 6 Staff Accounting Bulletin No. 108

In September 2006, the Securities Exchange Commission, SEC, issued Staff Accounting Bulletin No. 108 (SAB No. 108) Considering the Effects of Prior Year Misstatements when Quantifying Misstatements in Current

Table of Contents**Skyline Corporation and Subsidiary Companies****Notes to Consolidated Financial Statements (Continued)**

Year Financial Statements. This bulletin provides guidance on quantifying the impact of the carryover or reversal of prior year misstatements on the current year financial statements. Two widely recognized approaches are used for quantifying the effects of financial statement misstatements: the rollover approach and the iron curtain approach. The rollover approach quantifies a misstatement based on the amount of the error originating in the current year income statement. The iron curtain approach quantifies a misstatement based on the effects of correcting the misstatement existing in the balance sheet at the end of the current year, irrespective of the misstatement's year of origination.

The SEC staff believes that registrants should quantify errors using both the rollover approach and the iron curtain approach, and evaluate whether either method results in a misstatement that, when considering all relevant quantitative and qualitative factors, is material. In initially applying SAB No. 108, registrants are permitted to report the cumulative effect of misstatements in the opening balance of retained earnings for the current year.

The Corporation has historically used the rollover approach when quantifying and evaluating uncorrected misstatements. In accordance with SAB No. 108, the Corporation recorded an increase in deferred tax assets and an increase in retained earnings in the amount of \$292,000, net of tax, as of June 1, 2006. This adjustment resulted from the Corporation not recording certain deferred tax assets, which was deemed immaterial to the financial statements in each respective period. This misstatement decreased net income in the years reported, and originated prior to the fiscal year ended in 2005.

NOTE 7 Financial Summary by Quarter Unaudited**Financial Summary by Quarter**

2008	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
		(Dollars in thousands, except per share data)			
Sales	\$ 96,394	\$ 77,198	\$ 57,314	\$ 70,859	\$ 301,765
Gross profit	10,319	5,823	294	6,373	22,809
Net earnings (loss)	709	(1,886)	(4,570)	191	(5,556)
Basic earnings (loss) per share	.08	(.22)	(.54)	.02	(.66)
2007	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
		(Dollars in thousands, except per share data)			
Sales	\$ 115,806	\$ 94,786	\$ 66,345	\$ 88,536	\$ 365,473
Gross profit	13,056	10,309	4,341	10,253	37,959
Net earnings (loss)	1,896	625	(2,175)	2,247	2,593
Basic earnings (loss) per share	.23	.07	(.26)	.27	.31

As previously noted in Note 4, Employee Benefits, no contributions were made to the Corporation's profit sharing plans in fiscal 2008. This resulted in an approximately \$2,200,000 favorable impact on operating results in the fourth quarter.

Table of Contents

Item 9. *Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.*

Information regarding the Corporation's change in Independent Registered Public Accounting Firms is found in the Form 8-K filed with the Securities and Exchange Commission on September 29, 2005.

Item 9A. *Controls and Procedures.*

Management's Conclusions Regarding Effectiveness of Disclosure Controls and Procedures

As of May 31, 2008, the Corporation conducted an evaluation, under the supervision and participation of management including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Corporation's disclosure controls and procedures (as defined in Rule 13a-15(e) of the Securities Exchange Act of 1934).

Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Corporation's disclosure controls and procedures are effective as of May 31, 2008.

Management's Report on Internal Control over Financial Reporting

Management of the Corporation is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) of the Securities Exchange Act of 1934. Internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The Corporation's internal control over financial reporting includes policies and procedures that: pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Corporation's assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Corporation's receipts and expenditures are being made only in accordance with authorizations of management and directors; provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Corporation's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Corporation has assessed the effectiveness of the Corporation's internal control over financial reporting based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management's assessment included an evaluation of the design of the Corporation's internal control over financial reporting, and testing of the operational effectiveness of the Corporation's internal control over financial reporting. Based on this assessment, management has concluded that the Corporation's internal control over financial reporting was effective as of May 31, 2008.

Crowe Chizek and Company LLC, the independent registered public accounting firm that audited the Corporation's fiscal 2008 financial statements included in this Annual Report on Form 10-K, has also audited management's assessment of the effectiveness of the Corporation's internal control over financial reporting and the effectiveness of the Corporation's internal control over financial reporting as of May 31, 2008, and their report thereon is included in

Item 8.

Changes in Internal Control over Financial Reporting

No change in the Corporation's internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) occurred during the fiscal quarter ended May 31, 2008 that materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

33

Table of Contents**Item 9A. Controls and Procedures (Continued).****Chief Executive Officer and Chief Financial Officer Certifications**

The Corporation's Chief Executive Officer and Chief Financial Officer have filed with the Securities and Exchange Commission the certifications required by Section 302 of the Sarbanes-Oxley Act of 2002 as Exhibits 31.1 and 31.2 to the Corporation's Annual Report on Form 10-K for the fiscal year ended May 31, 2007. In addition, on September 20, 2007 the Corporation's Chief Executive Officer certified to the New York Stock Exchange (NYSE) that he was not aware of any violation by the Corporation of the NYSE corporate governance listing standards as in effect on September 20, 2007. The foregoing certification was unqualified.

Item 9B. Other Information.

None

PART III**Item 10. Directors, Executive Officers and Corporate Governance (Officers are elected annually.)**

Name	Age	Position
Thomas G. Deranek	72	Chairman and Chief Executive Officer
Charles W. Chambliss	58	Vice President-Product Development and Engineering
Terrence M. Decio	56	Vice President-Marketing and Sales
Martin R. Fransted	56	Corporate Controller and Secretary
Christopher R. Leader	49	Vice President-Operations
Bruce G. Page	58	Vice President-Operations
Jon S. Pilarski	45	Vice President-Finance, Treasurer and Chief Financial Officer

Thomas G. Deranek, Chairman and Chief Executive Officer, joined the Corporation in 1964. He served as Chief of Staff from 1991 to 2001, and Vice Chairman from 2001 to 2007. He was elected Chief Executive Officer in 2001 and Chairman in 2007.

Charles W. Chambliss, Vice President-Product Development and Engineering, joined the Corporation in 1973 and was elected Vice President in 1996.

Terrence M. Decio, Vice President-Marketing and Sales, joined the Corporation in 1973. He was elected Vice President in 1985, Senior Vice President in 1991, Senior Executive Vice President in 1993 and Vice President-Marketing and Sales in 2004.

Martin R. Fransted, Corporate Controller and Secretary, joined the Corporation in 1981 and was elected Corporate Controller and Secretary in 2007. He previously served as the Director of Taxation and Assistant Treasurer.

Christopher R. Leader, Vice President-Operations, joined the Corporation in 1997 and was elected Vice President in 1997.

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Bruce G. Page, Vice President-Operations, joined the Corporation in 1969 and was elected Vice President in 2006. He previously served as Director of Operations from 2005 to 2006. Prior to 2005 he was the General Manager of the Corporation's manufactured housing facility in McMinnville, Oregon.

Jon S. Pilarski, Vice President-Finance, Treasurer and Chief Financial Officer, joined the Corporation in 1994. He served as Corporate Controller from 1997 to 2007 and was elected Vice President in 2007.

Information regarding the Corporation's directors, and other information required by this Item 10 is available in the following sections of the Corporation's Proxy Statement: Election of Directors ; Code of Business Conduct

Table of Contents

Item 10. *Directors, Executive Officers and Corporate Governance (Officers are elected annually) (Continued).*

and Ethics ; and Section 16(a) Beneficial Ownership Reporting Compliance. The Proxy Statement for the Annual Meeting of Shareholders to be held on September 18, 2008 is incorporated herein by reference.

Item 11. *Executive Compensation.*

Information regarding executive compensation is available in the following sections of the Corporation's Proxy Statement: Compensation, Discussion and Analysis ; Compensation Committee Interlocks and Insider Participation ; and Report of the Compensation Committee on Executive Compensation.

Item 12. *Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters.*

Information regarding certain beneficial owners is available in the Certain Other Beneficial Owners section of the Corporation's Proxy Statement.

Item 13. *Certain Relationships and Related Transactions, and Director Independence.*

Information regarding related party transactions and director independence is available in the following sections of the Corporation's Proxy Statement: Transactions with Management and Director Independence and Executive Sessions.

Item 14. *Principal Accounting Fees and Services.*

Information regarding accounting fees and services is located in the Audit Fees, Audit Related Fees, Tax Fees and A Other Fees sections of the Corporation's Proxy Statement.

PART IV

Item 15. *Exhibits, Financial Statement Schedules.*

(a)(1) *Financial Statements*

Financial statements for the Corporation are listed in the index under Item 8 of this document.

(a)(2) *Financial Statement Schedules*

All financial statement schedules are omitted because they are not applicable, not material or the required information is shown in the financial statements or notes thereto.

(a)(3) *Index to Exhibits*

Exhibits (Numbered according to Item 601 of Regulation S-K, Exhibit Table)

- (3)(i) Articles of Incorporation
- (3)(ii) By-Laws
- (14) Code of Business Conduct and Ethics
- (21) Subsidiaries of the Registrant
- (31.1)

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Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002-Rule 13a-14(a)/15d 14(a)

(31.2) Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002-Rule 13a-14(a)/15d 14(a)

(32.1) Certification of Periodic Financial Reports Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

(32.2) Certification of Periodic Financial Reports Pursuant to 18 U.S.C. Section 1350 as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

Table of Contents

SIGNATURES

Pursuant to the requirements of Section 13 or 15 (d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SKYLINE CORPORATION
Registrant

BY: /s/ Thomas G. Deranek

Thomas G. Deranek, Chairman,
Chief Executive Officer and Director

DATE: July 23, 2008

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

BY:	Vice President-Finance, Treasurer and Chief	July 23,
/s/ Jon S. Pilarski	Financial Officer	2008

Jon S. Pilarski

BY:	Corporate Controller and Secretary	July 23,
/s/ Martin R. Fransted		2008

Martin R. Fransted

BY:	Director	July 23,
/s/ Arthur J. Decio		2008

Arthur J. Decio

BY:	Director	July 23,
/s/ John C. Firth		2008

John C. Firth

BY:	Director	July 23,
/s/ Jerry Hammes		2008

Jerry Hammes

BY:	Director	July 23,
/s/ Ronald F. Kloska		2008

Ronald F. Kloska

BY:
/s/ William H. Lawson

Director

July 23,
2008

William H. Lawson

BY:
/s/ David T. Link

Director

July 23,
2008

David T. Link

BY:
/s/ Andrew J. McKenna

Director

July 23,
2008

Andrew J. McKenna