SKYLINE CORP
Form 10-K
July 31, 2009

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

Form 10-K

(Mark One)

þ **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended May 31, 2009

or

o **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	**35-1038277**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*
P. O. Box 743, 2520 By-Pass Road Elkhart, Indiana	**46515**
(Address of principal executive offices)	*(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 o No þ

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 o No þ

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 þ No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). o Yes o 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. þ

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 o	Accelerated filer þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the common stock held by non-affiliates of the registrant (6,852,762 shares) based on the closing price on the New York Stock Exchange on November 30, 2008 was $158,093,219.

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, 2009**
Common Stock	8,391,244

DOCUMENTS INCORPORATED BY REFERENCE

Title	**Form 10-K**
Proxy Statement dated August 12, 2009 for Annual Meeting of Shareholders to be held September 21, 2009	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 2009 Annual Meeting of Shareholders to be held on September 21, 2009 (2009 Proxy Statement).

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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 2,712 manufactured homes in fiscal year 2009.

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 16 , 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 2,832 recreational vehicles in fiscal 2009, 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 and virtual product 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 240 independent dealers at 400 locations throughout the United States, and recreational vehicles are distributed by approximately 130 independent dealers at 150 locations throughout the United States. These are generally not exclusive dealerships and it is believed that most dealers also sell products of other manufacturers.

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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. Losses related to repurchases totaled $235,000 and $6,000 in fiscal years 2009 and 2008, respectively. No losses were incurred in fiscal 2007. 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 insignificant 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.

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Item 1. *Business (Continued).*

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 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 82,000 homes in calendar year 2008. In the same period, the Corporation shipped 3,581 homes for a 4.4 percent market share. In calendar year 2007, approximately 96,000 homes were shipped by the industry. In that period, the Corporation shipped 5,140 homes for a 5.4 percent market share.

In fiscal year 2009 the manufactured housing industry shipped approximately 65,000 units, while the Corporation shipped 2,712 units for a 4.2 percent market share.

In fiscal 2008, industry shipments totaled approximately 94,000 units, while the Corporation shipped 4,608 units for a 4.9 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 2008			Units Shipped Calendar Year 2007		
	Industry	**Skyline**	**Market Share**	**Industry**	**Skyline**	**Market Share**
Travel Trailer	128,000	4,009	3.1%	178,000	5,193	2.9%
Fifth Wheels	57,000	333	0.6%	81,000	222	0.3%
Park Models	7,000	127	1.9%	9,000	112	1.2%

	Units Shipped Fiscal Year 2009			Units Shipped Fiscal Year 2008		
	Industry	**Skyline**	**Market Share**	**Industry**	**Skyline**	**Market Share**
Travel Trailer	88,000	2,564	2.9%	172,000	5,299	3.1%
Fifth Wheels	36,000	188	0.5%	78,000	357	0.5%

The competitive position for park models is not listed because industry data based on the Corporation s fiscal 2009 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.

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Item 1. *Business (Continued).*

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 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 1,300 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.

Item 1. *Business (Continued).*

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 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.

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 and recreational vehicles 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 and recreational vehicle industries 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 and recreational vehicle 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.

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Item 1A. ***Risk Factors (Continued).***

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 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 but not limited to the following conditions:

Availability of wholesale and retail financing

Consumer confidence

Interest rates

Demographic and employment trends

Availability of used or repossessed homes or recreational vehicles

Impact of inflation

Increased global tensions.

The manufactured housing and recreational vehicle industries are experiencing declining sales primarily as the result of recessionary economic conditions and lack of retail and wholesale financing. Ongoing weakness in both industries could have an adverse effect in demand for the Corporation s products.

Item 1A. ***Risk Factors (Continued).***

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 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.

Item 1B. ***Unresolved Staff Comments.***

None

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Item 2. ***Properties.***

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

The Corporation s 14 manufacturing facilities, all of which are owned, are as follows:

Location	**Products**
California, San Jacinto	Manufactured Housing
California, Hemet	Recreational Vehicles
California, Woodland	Manufactured Housing
Florida, Ocala	Manufactured Housing
Indiana, Bristol	Manufactured Housing
Indiana, Elkhart	Recreational Vehicles
Kansas, Arkansas City	Manufactured Housing
Kansas, Halstead	Manufactured Housing
Ohio, Sugarcreek	Manufactured Housing
Oregon, McMinnville	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. The Corporation has two idle facilities in Ocala, Florida, and idle facilities in Hemet, California; Elkhart, Indiana; Bossier City, Louisiana; Mocksville, North Carolina and Ephrata, Pennsylvania.

In the third quarter of fiscal 2009, the Corporation sold an idle recreational vehicle facility in McMinnville, Oregon. The sale resulted in a pre-tax gain of $3,396,000. In the same period of fiscal year 2008, the Corporation sold an idle manufactured housing facility located in Goshen, Indiana. The sale resulted in a pre-tax gain of $670,000.

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, 2009.

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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 2009 and 2008. At May 31, 2009, there were 889 shareholders of record of Skyline Corporation common stock. A quarterly summary of the market price is listed for the fiscal years ended May 31, 2009 and 2008.

	Common Stock Price Range				Dividends Declared Per Share	
	2009		2008			
	High	Low	High	Low	2009	2008
First Quarter	$ 29.22	$ 21.42	$ 40.58	$ 26.93	$ .18	$ .18
Second Quarter	$ 30.60	$ 15.51	$ 36.82	$ 27.51	$ .18	$ .18
Third Quarter	$ 27.25	$ 15.55	$ 35.81	$ 25.11	$ .18	$ .18
Fourth Quarter	$ 23.25	$ 14.62	$ 34.60	$ 25.50	$ .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

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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, 2004 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 5/31/04 in stock or index, including reinvestment of dividends.

Fiscal year ending May 31.

	5/04	5/05	5/06	5/07	5/08	5/09
Skyline Corporation	100.00	101.90	98.10	94.21	77.76	59.80
S&P 500	100.00	108.24	117.59	144.39	134.72	90.84
Peer Group	100.00	85.90	96.37	92.07	53.25	4.47

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Item 6. ***Selected Financial Data.***

Dollars in thousands except per share data

	2009	2008	2007	2006	2005
FOR THE YEAR					
Sales	$ 166,676	$ 301,765	$ 365,473	$ 508,543	$ 454,324
Net (loss) earnings	$ (15,434)	$ (5,556)	$ 2,593	$ 14,292	$ 5,452
Cash dividends declared	$ 6,042	$ 6,041	$ 22,824	$ 6,041	$ 14,433
Capital expenditures	$ 1,574	$ 2,092	$ 4,968	$ 2,485	$ 2,356
Depreciation	$ 2,704	$ 3,181	$ 3,148	$ 3,154	$ 3,389
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	$ 104,374	$ 132,594	$ 141,828	$ 164,225	$ 154,663
Current ratio	7.8:1	7.1:1	6.2:1	5.1:1	5.1:1
Property, plant and equipment, net	$ 30,598	$ 32,535	$ 35,806	$ 34,069	$ 35,838
Total assets	$ 168,119	$ 196,999	$ 214,940	$ 248,403	$ 237,437
Total liabilities	$ 23,377	$ 30,781	$ 37,125	$ 50,649	$ 47,934
Shareholders equity	$ 144,742	$ 166,218	$ 177,815	$ 197,754	$ 189,503
PER SHARE					
Basic (loss) earnings	$ (1.84)	$ (.66)	$ .31	$ 1.70	$ .65
Cash dividends declared	$ .72	$ .72	$ 2.72	$ .72	$ 1.72
Shareholders equity	$ 17.25	$ 19.81	$ 21.19	$ 23.57	$ 22.58

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 fourteen 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.

Manufactured Housing and Recreational Vehicle Industry Conditions

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 continuing decline in industry sales. In recent years industry sales, as published by the Manufactured Housing Institute, decreased as follows:

Calendar Year	Unit Sales
2006	118,000
2007	96,000
2008	82,000

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

Manufactured Housing and Recreational Vehicle Industry Conditions (Continued)

This decline, caused primarily by the current economic recession, rising unemployment, decreasing consumer confidence and tightening credit markets for both retail and wholesale financing resulted in calendar 2008 industry sales of approximately 82,000 units, the lowest on record. Furthermore, the Manufactured Housing Institute reported that the seasonally adjusted annual rate (SAAR) of unit shipments in May 2009 was approximately 48,000. The SAAR corrects for seasonal variations in shipments and projects an annual shipments pace based on the current monthly total.

Tightening credit markets for retail and wholesale financing has become a significant challenge for the manufactured housing industry. According to the Manufactured Housing Institute, a lack of retail financing options and restrictive credit standards has affected manufactured home buyers for the last decade. This problem was magnified in 2008 as the credit crunch forced more manufactured home personal property lenders out of business, and compelled others to scale back originations. Many mortgage insurance providers also ceased offering policies on manufactured home loans. These factors, in addition to a further restricting of credit standards, resulted in fewer retail loan approvals and fewer manufactured home shipments.

Manufactured housing shipments were also hindered by a significant decline in available inventory financing. According to the Manufactured Housing Institute, in the fourth quarter of 2008, three national floor plan lenders announced plans to scale back their support for industry dealers. In addition, a January 2009 survey of HUD-Code dealers revealed that 60 percent of dealers lost at least one source of floor plan lending. Among dealers that lost a floor plan lending source, 70 percent had not secured a replacement.

Manufactured housing shipments are also negatively impacted by a recession in the site-built housing industry. The site-built housing industry is currently experiencing declining existing home sales, housing starts and home prices. In addition, the industry is also hindered by increasing home foreclosures.

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, the availability of retail and wholesale financing and gasoline prices. In recent years industry sales of travel trailers and fifth wheels, as published by the Recreational Vehicle Industry Association, declined as follows:

Calendar Year	Unit Sales
2006	292,000
2007	259,000
2008	185,000
2009 (estimated)	112,000

This decrease is the result of the economic recession, decreasing consumer confidence and household wealth, tightening credit markets for retail and wholesale financing, excess inventory of new recreational vehicles, recreational vehicle dealers purchasing repossessed units, and rising gasoline prices throughout most of 2008. Unit sales for 2009 are estimated to decline further to a total of approximately 112,000.

As a result of declining market conditions, the Corporation took the following actions during fiscal 2009:

- Consolidated the operations of a manufactured housing facility in Ephrata, Pennsylvania and a manufactured housing facility in Leola, Pennsylvania
- Consolidated the operations of the two manufactured housing facilities in Ocala, Florida
- Consolidated the operations of the two recreational vehicle facilities in Hemet, California
- Consolidated the operations of the two recreational vehicle facilities in Elkhart, Indiana
- Sold an idle recreational vehicle facility in McMinnville, Oregon

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

Manufactured Housing and Recreational Vehicle Industry Conditions (Continued)

Pursued opportunities to expand manufactured housing, park model and recreational vehicle sales in the United States and Canada

Pursued opportunities to expand park model sales in the United States.

Outlook

The Corporation encountered a challenging business environment in fiscal 2009, and it cannot determine with certainty the business environment for fiscal 2010. This environment includes the Manufactured Housing Institute reporting a SAAR in May 2009 of approximately 48,000 units. The Recreational Vehicle Industry Association forecasts travel trailer and fifth wheel unit sales at approximately 112,000 in calendar 2009.

The Manufactured Housing Institute reports that recent legislative actions could have a favorable impact on industry sales. The Housing and Economic Recovery Act of 2008 (HERA) contains provisions that will facilitate changes to the Federal Housing Administration s Title I Insurance Program. This program insures manufactured housing personal property loans, and in 2009 the loan limits increased from $48,600 to $69,678. HERA also imposed on Fannie Mae and Freddie Mac a Duty to Serve the manufactured housing industry, where both companies will be compelled to become more involved in funding manufactured housing loans. Beginning in 2010, both Fannie Mae and Freddie Mac will be evaluated yearly on whether or not this obligation is met. The American Recovery and Reinvestment Act of 2009 contains a tax credit up to $8,000 that applies to any purchase of a primary residence by a first-time home buyer through the end of 2009. Finally, the Small Business Administration, (SBA), initiated a pilot program to provide floor plan lending to manufactured housing and recreational vehicle dealers. The program commenced July 1, 2009, and is expected to operate until September 30, 2010, at which time the SBA will determine whether or not to extend the program.

The Recreational Vehicle Industry Association reports that although travel trailer and fifth wheel unit sales are estimated at approximately 112,000 for calendar 2009, population trends continue to favor recreational vehicle sales. Baby-boomers continue to enter the age range where recreational vehicle ownership is the highest. By the end of this decade, the number of consumers aged 50 to 64 will total 57 million, 38 percent higher than in 2000. Another positive trend is the credit worthiness of RV consumers. From 1999 to 2007, the delinquency rate on RV loans was approximately one percent as compared to two percent for other consumer loans.

The Corporation is actively reviewing ways to decrease expenses and improve processes, 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 bank debt, and experienced employees, the Corporation is prepared to meet the challenges ahead.

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

Outlook (Continued)

Results of Operations Fiscal 2009 Compared to Fiscal 2008

Sales and Unit Shipments

	2009	Percent	2008	Percent	Decrease
			(Dollars in thousands)		
Sales					
Manufactured Housing	$ 123,930	74.4	$ 214,794	71.2	$ 90,864
Recreational Vehicles	42,746	25.6	86,971	28.8	44,225
Total Sales	$ 166,676	100.0	$ 301,765	100.0	$ 135,089
Unit Shipments					
Manufactured Housing	2,712	48.9	4,608	44.3	1,896
Recreational Vehicles	2,832	51.1	5,797	55.7	2,965
Total Unit Shipments	5,544	100.0	10,405	100.0	4,861

Manufactured housing unit sales decreased approximately 41 percent, while the industry decreased approximately 31 percent. In certain geographic markets, such as Texas and Oklahoma, unit sales declined at a rate greater than the overall industry. Adverse conditions that affected the Corporation s unit sales include:

- Competitors owning retail sales centers, giving them an advantage in displaying their product
- A competitor owning finance subsidiaries, giving them an advantage regarding wholesale and retail financing
- Dealers being unable to obtain wholesale financing
- Retail customers being unable to obtain retail financing
- Dealers purchasing repossessed units over new units
- Decreased sales to manufactured housing communities as a result of the communities managing inventory levels
- Changing consumer preference toward product with lower price points where the Corporation has limited models.

In addressing these conditions, the Corporation is working with the communities as they manage inventory levels, and developing product with lower price points that will meet consumer demand.

Recreational vehicle unit sales decreased approximately 51 percent, while the industry unit sales for travel trailers and fifth wheels decreased approximately 50 percent. Current industry unit sales data for park models is not available.

Cost of Sales

	2009	Percent of Sales*	2008	Percent of Sales*	Decrease
	(Dollars in thousands)				
Manufactured Housing	$ 121,813	98.3	$ 194,822	90.7	$ 73,009
Recreational Vehicles	43,809	102.5	84,134	96.7	40,325
Consolidated	$ 165,622	99.4	$ 278,956	92.4	$ 113,334

* 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.

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

Results of Operations Fiscal 2009 Compared to Fiscal 2008 (Continued)

Manufactured housing and recreational vehicle cost of sales decreased due to less sales volume and the variable nature of many direct manufacturing costs. As a percentage of sales, cost of sales increased as a result of certain manufacturing overhead costs such as depreciation, property taxes and manufacturing salaries remaining relatively constant despite lower sales. In addition, the Corporation incurred during fiscal 2009 approximately $300,000 in manufacturing costs associated with the consolidation of manufactured housing and recreational vehicle facilities in Pennsylvania, Florida, California and Indiana. In fiscal 2008, the Corporation incurred approximately $800,000 in manufacturing costs associated with the consolidation or closure of manufactured housing facilities in Florida and Louisiana, and a recreational vehicle facility in Oregon.

Selling and Administrative Expenses

	2009	Percent of Sales	2008	Percent of Sales	Decrease
		(Dollars in thousands)			
Selling and Administrative Expenses	$ 30,735	18.4	$ 36,770	12.2	$ 6,035

Selling and administrative expenses decreased due primarily to a decrease in salaries, performance based compensation, and a continuing effort to control costs. As a percentage of sales, selling and administrative expenses increased due to certain costs being fixed. In addition, approximately $800,000 in severance costs was incurred for personnel at both the Corporation s headquarters and manufacturing facilities. This reduction in personnel is estimated to yield an annualized savings of $1,500,000.

Operating Loss

	2009	Percent of Sales*	2008	Percent of Sales*
		(Dollars in thousands)		
Manufactured Housing	$ (18,304)	(14.8)	$ (4,200)	(2.0)
Recreational Vehicles	(9,435)	(22.1)	(7,750)	(8.9)
General Corporate Expenses	(1,942)	(1.2)	(2,011)	(0.7)
Income from Life Insurance Proceeds	380	0.2		
Gain on Sale of Idle Property, Plant and Equipment	3,396	2.0	670	0.2
Total Operating Loss	$ (25,905)	(15.5)	$ (13,291)	(4.4)

* The percentages for manufactured housing and recreational vehicles are based on segment sales. The percentage for general corporate expenses, income from life insurance proceeds, gain on sale of idle property, plant and equipment 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 loss as noted above. This segment was also negatively affected by single-section unit sales increasing from 26 percent, as a percentage of segment sales, in fiscal 2008 to 33 percent in fiscal 2009. Single-section homes have lower margins as compared to multi-section homes. The consolidation of the manufactured housing facilities, the severance of personnel at other manufactured housing facilities, and the severance of personnel at the Corporate headquarters also had an adverse effect on operating results.

The operating loss for recreational vehicles increased primarily due to the impact of decreased sales on the components of earnings as noted above. The consolidation of facilities in California and Indiana also had a negative impact on operating results.

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

Results of Operations Fiscal 2009 Compared to Fiscal 2008 (Continued)

The Corporation purchased life insurance contracts on certain employees. The Corporation realized non-taxable income from life insurance proceeds in the amount of $380,000, which is separately stated in the Consolidated Statement of Operations and Retained Earnings.

In the third quarter of fiscal 2009, the Corporation sold an idle recreational vehicle facility located in McMinnville, Oregon. The sale resulted in a pre-tax gain of $3,396,000. In the same period 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.

Interest Income

	2009	2008	Decrease
	(Dollars in thousands)		
Interest Income	$ 911	$ 4,153	$ 3,242

Interest income is directly related to the amount available for investment and the prevailing yields of U.S. Government Securities. In fiscal 2009, the average amount available for investment was approximately $96 million with a weighted average yield of 1.6 percent. In fiscal 2008, the average amount available for investment was approximately $101 million with a weighted average yield of 4.1 percent.

Benefit for Income Taxes

	2009	2008	Increase
	(Dollars in thousands)		
Federal	$ (8,749)	$ (3,204)	$ 5,545
State	(811)	(378)	433
Total	$ (9,560)	$ (3,582)	$ 5,978

The 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 benefit for federal and state income tax is the result of pretax losses that occurred in fiscal 2009 and 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 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
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

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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)

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 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 commenced 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 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 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

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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)

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 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*
	(Dollars in thousands)			
Manufactured Housing	$ (4,200)	(2.0)	$ 4,276	1.6
Recreational Vehicles	(7,750)	(8.9)	(4,154)	(4.5)
General Corporate Expenses	(2,011)	(0.7)	(2,535)	(0.7)
Gain on Sale of Idle Property, Plant and Equipment	670	0.2		
Total Operating Loss	$ (13,291)	(4.4)	$ (2,413)	(0.7)

* The percentages for manufactured housing and recreational vehicles are based on segment sales. The percentage for general corporate expenses, gain on sale of idle property, plant and equipment and total operating (loss) earnings 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.

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.

Interest Income

	2008	2007	Decrease
	(Dollars in thousands)		
Interest Income	$ 4,153	$ 5,812	$ 1,659

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

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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

	2008	2007	Increase
	(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.

Liquidity and Capital Resources

	May 31,		
	2009	2008	Decrease
	(Dollars in thousands)		
Cash and U.S. Treasury Bills	$ 94,786	$ 111,579	$ 16,793
Current Assets, Exclusive of Cash and U.S. Treasury Bills	$ 24,973	$ 42,628	$ 17,655
Current Liabilities	$ 15,385	$ 21,613	$ 6,228
Working Capital	$ 104,374	$ 132,594	$ 28,220

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 $15,434,000. Current assets, exclusive of cash and U.S. Treasury Bills, declined primarily due to a decrease in accounts receivable of $11,801,000. This decrease is attributed to lower sales in May 2009 as compared to May 2008, and cash sales constituting approximately 50 percent of sales in May 2009 as compared to approximately 35 percent in May 2008. In addition, inventories decreased $3,648,000 due to declining sales and the consolidation of manufacturing facilities. Finally, other current assets decreased $2,206,000 due primarily to refundable federal income taxes at May 31, 2008 that were received during fiscal 2009.

Current liabilities decreased primarily due to a decline in accounts payable of $2,114,000, accrued salaries and wages of $1,189,000, accrued marketing programs of $1,374,000 and accrued warranty of $1,518,000. Accounts payable and accrued marketing programs declined due to decreased sales activity. Accrued salaries and wages decreased due to a reduced employee headcount, and the timing of payroll payments at May 31, 2009 as compared to May 31, 2008. Accrued warranty decreased reflecting lower sales volume, and improvement in warranty claims experience.

Capital expenditures totaled $1,574,000 for fiscal 2009 as compared to $2,092,000 in the comparable period of the previous year. Capital expenditures were made primarily to replace or refurbish machinery and equipment in addition to improving manufacturing efficiencies. The Corporation began in the third quarter of fiscal 2009 a project to implement an enterprise resource planning (ERP) system. The project is expected to last until mid-fiscal 2012, and the cost is to be paid out of the Corporation s normal budget for capital expenditures. The amount of capital expended for this project through May 31, 2009 is approximately $500,000. The goal of the ERP system is to obtain better decision-making information, better react to market conditions, and lower the Corporation s technology costs.

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.

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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, 2009:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(Dollars in thousands)				
Operating Leases	$ 951	$ 454	$ 403	$ 65	$ 29

The following table summarizes the Corporation s commitments for repurchase agreements as of May 31, 2009:

	Payments Due by Period				
	Total	Less Than 1 Year	1-3 Years	3-5 Years	More Than 5 Years
	(Dollars in thousands)				
Repurchase Agreements	$ 36,000	$ 36,000	$	$	$

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 2009 and 2008, the Corporation experienced a $235,000 and $6,000 loss on the sale of repurchased units, respectively. No losses on the sales of repurchased units were incurred in fiscal 2007.

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:

Revenue Recognition

The Corporation s accounting for revenue recognition is referenced in Note 1 of the Notes to Consolidated Financial Statements.

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.

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

Critical Accounting Policies (Continued)

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.

Depreciation

The Corporation s accounting for depreciation is referenced in the *Property, plant and equipment* disclosure in Note 1 of the Notes to Consolidated Financial Statements.

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.

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. During the first quarter of fiscal 2009, however, the Corporation was unable to increase its selling prices on its manufactured housing product to cover an increase in material costs during that period. Increased selling prices were realized during the remaining three quarters.

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:

- Availability of wholesale and retail financing
- The health of the U.S. housing market as a whole
- 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

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

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

Forward Looking Information (Continued)

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 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.

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Item 8. *Financial Statements and Supplementary Data.*

Index to Consolidated Financial Statements

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

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, 2009 and 2008, 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, 2009. We also have audited the Corporation s internal control over financial reporting as of May 31, 2009, 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, 2009 and 2008, and the results of its operations and its cash flows for each of the three years in the period ended May 31, 2009 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, 2009, based on criteria established in Internal Control Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

Crowe Horwath LLP

South Bend, Indiana
July 15, 2009

Skyline Corporation and Subsidiary Companies

Consolidated Balance Sheets
May 31, 2009 and 2008

	2009	2008
	(Dollars in thousands)	
ASSETS		
Current Assets:		
Cash	$ 9,836	$ 10,557
U.S. Treasury Bills, at cost plus accrued interest	84,950	101,022
Accounts receivable, net	6,443	18,244
Inventories	6,502	10,150
Other current assets	12,028	14,234
Total Current Assets	119,759	154,207
Property, Plant and Equipment, at Cost:		
Land	5,297	5,300
Buildings and improvements	61,773	63,410
Machinery and equipment	27,915	30,561
	94,985	99,271
Less accumulated depreciation	64,387	66,736
Net Property, Plant and Equipment	30,598	32,535
Noncurrent Deferred Tax Assets	11,851	4,044
Other Assets	5,911	6,213
Total Assets	$ 168,119	$ 196,999
LIABILITIES AND SHAREHOLDERS EQUITY		
Current Liabilities:		
Accounts payable, trade	$ 1,853	$ 3,967
Accrued salaries and wages	3,132	4,321
Accrued marketing programs	1,383	2,757
Accrued warranty and related expenses	4,619	6,137
Accrued workers compensation	1,851	1,222
Other accrued liabilities	2,547	3,209
Total Current Liabilities	15,385	21,613
Other Deferred Liabilities	7,992	9,168

Commitments and Contingencies See Note 2		
Shareholders Equity:		
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	205,246	226,722
Treasury stock, at cost, 2,825,900 shares	(65,744)	(65,744)
Total Shareholders Equity	144,742	166,218
Total Liabilities and Shareholders Equity	$ 168,119	$ 196,999

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

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Skyline Corporation and Subsidiary Companies

Consolidated Statements of Operations and Retained Earnings
For the Years Ended May 31, 2009, 2008 and 2007

	2009	2008	2007
	(Dollars in thousands, except share and per share amounts)		
OPERATIONS			
Sales	$ 166,676	$ 301,765	$ 365,473
Cost of sales	165,622	278,956	327,514
Gross profit	1,054	22,809	37,959
Selling and administrative expenses	30,735	36,770	40,372
Income from life insurance proceeds	380		
Gain on sale of idle property, plant and equipment	3,396	670	
Operating loss	(25,905)	(13,291)	(2,413)
Interest income	911	4,153	5,812
(Loss) earnings before income taxes	(24,994)	(9,138)	3,399
(Benefit) provision for income taxes:			
Federal	(8,749)	(3,204)	1,135
State	(811)	(378)	(329)
	(9,560)	(3,582)	806
Net (loss) earnings	$ (15,434)	$ (5,556)	$ 2,593
Basic (loss) earnings per share	$ (1.84)	$ (.66)	$ .31
Cash dividends per share	$ .72	$ .72	$ 2.72
Weighted average number of common shares outstanding	8,391,244	8,391,244	8,391,244
RETAINED EARNINGS			
Balance at beginning of year	$ 226,722	$ 238,319	$ 258,258
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	226,722	238,319	258,550
Net (loss) earnings	(15,434)	(5,556)	2,593
Cash dividends paid	(6,042)	(6,041)	(22,824)
Balance at end of year	$ 205,246	$ 226,722	$ 238,319

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

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Skyline Corporation and Subsidiary Companies

Consolidated Statements of Cash Flows
For the Years Ended May 31, 2009, 2008 and 2007

	2009	2008	2007
	(Dollars in thousands)		
CASH FLOWS FROM OPERATING ACTIVITIES:			
Net (loss) earnings	$ (15,434)	$ (5,556)	$ 2,593
Adjustments to reconcile net (loss) earnings to net cash used in operating activities:			
Depreciation	2,704	3,181	3,148
Gain on sale of idle property, plant and equipment	(3,396)	(670)	
Change in assets and liabilities:			
Accrued interest receivable	81	649	(211)
Accounts receivable	11,801	4,516	8,999
Inventories	3,648	411	747
Other current assets	2,206	(2,853)	(2,844)
Accounts payable, trade	(2,114)	(1,195)	(3,622)
Accrued liabilities	(4,114)	(4,306)	(9,414)
Other, net	(8,998)	(705)	(188)
Net cash used in operating activities	(13,616)	(6,528)	(792)
CASH FLOWS FROM INVESTING ACTIVITIES:			
Proceeds from principal payments of U.S. Treasury Bills	$ 238,945	$ 412,136	$ 275,874
Purchase of U.S. Treasury Bills	(222,954)	(397,942)	(338,815)
Proceeds from maturity of U.S. Treasury Notes			90,000
Proceeds from sale of idle property, plant and equipment	4,115	2,676	
Purchase of property, plant and equipment	(1,574)	(2,092)	(4,968)
Other, net	405	(28)	(158)
Net cash provided by investing activities	18,937	14,750	21,933
CASH FLOWS FROM FINANCING ACTIVITIES:			
Cash dividends paid	(6,042)	(6,041)	(22,824)
Net cash used in financing activities	(6,042)	(6,041)	(22,824)
Net (decrease) increase in cash	(721)	2,181	(1,683)
Cash at beginning of year	10,557	8,376	10,059
Cash at end of year	$ 9,836	$ 10,557	$ 8,376

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

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 $4,219,000 in fiscal 2009 and $1,443,000 in fiscal 2008. Cash flows from operating activities were reduced by income taxes paid of $3,466,000 in fiscal 2007.

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 $84,950,000 and $101,022,000 at May 31, 2009 and 2008, 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. The allowance for doubtful accounts was $0 and May 31, 2009, and $100,000 at May 31, 2008.

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.

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Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements (Continued)

Total inventories consist of the following:

	May 31, 2009	May 31, 2008
	(Dollars in thousands)	
Raw Materials	$ 3,886	$ 4,897
Work In Process	2,616	5,051
Finished Goods		202
	$ 6,502	$ 10,150

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, 2009	2008	2007
	(Dollars in thousands)		
Balance at the beginning of the period	$ 9,037	$ 10,600	$ 12,111
Accruals for warranties	5,598	9,654	13,060
Settlements made during the period	(7,616)	(11,217)	(14,571)
Balance at the end of the period	7,019	9,037	10,600
Non-current balance included in other deferred liabilities	2,400	2,900	3,300
Accrued warranty and related expenses	$ 4,619	$ 6,137	$ 7,300

Other deferred liabilities Other deferred liabilities consist of the following:

	May 31, 2009	2008
	(Dollars in thousands)	
Deferred compensation expense	$ 5,592	$ 6,079
Accrued warranty and related expenses	2,400	2,900
Other deferred expense		189
	$ 7,992	$ 9,168

Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements (Continued)

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

	Year Ended May 31,		
	2009	2008	2007
	(Dollars in thousands)		
Current			
Federal	$ (1,996)	$ (3,771)	$ 49
State	75	113	(371)
	(1,921)	(3,658)	(322)
Deferred			
Federal	(6,753)	568	1,086
State	(886)	(492)	42
	(7,639)	76	1,128
	$ (9,560)	$ (3,582)	$ 806

The difference between the Corporation s statutory federal income tax rate (35 percent in 2009 and 2008, and 34 percent in 2007) and the effective income tax rate is due primarily to state income taxes as follows:

	Year Ended May 31,		
	2009	2008	2007
	(Dollars in thousands)		
Income taxes at statutory federal rate	$ (8,748)	$ (3,198)	$ 1,156
State income taxes, net of federal tax effect	(527)	(246)	(217)
New Energy Efficient Home Credit	(324)	(125)	(176)
Alternative Fuel Credit	(32)	(37)	
Other, net	71	24	43
Income (benefit) tax provision	$ (9,560)	$ (3,582)	$ 806
Effective tax rate	38.3%	39.2%	23.7%

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.

Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements (Continued)

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

	May 31, 2009	May 31, 2008
	(Dollars in thousands)	
Current deferred tax assets		
Accrued marketing programs	$ 223	$ 466
Accrued warranty expense	1,619	2,455
Accrued workers compensation	1,522	1,376
Accrued vacation	432	494
State net operating loss carryforward	2,656	1,092
Other	(239)	102
Gross current deferred tax assets	6,213	5,985
Noncurrent deferred tax assets		
Liability for certain post-retirement benefits	1,970	2,171
Accrued warranty expense	1,140	1,160
Federal net operating loss carryforward	7,459	
Federal tax credit carryforward	498	
Depreciation	568	475
Other	216	237
Gross noncurrent deferred tax assets	11,851	4,043
Total gross deferred tax asset	18,064	10,028
Valuation allowance	(1,131)	(734)
Net deferred tax asset	$ 16,933	$ 9,294

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 2009, the valuation allowance increased approximately $397,000 due mainly to uncertainty of realizing state net operating loss carryforwards.

No federal valuation allowance was recorded in fiscal 2009 against the federal net deferred tax assets; including the federal net operating loss carryforward asset of $7,459,000 and federal tax credits of $498,000 expiring in fiscal 2029. The Corporation believes that based on its historical performance, it will more likely than not realize the benefits of its federal net deferred tax assets.

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, 2009 and 2008 totaled approximately $100,000. This amount would increase operating income thus impacting the Corporation s effective tax rate, if ultimately recognized in income.

Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements (Continued)

For the majority of taxing jurisdictions the Corporation is no longer subject to examination by taxing authorities for years before 2005. 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, 2009 were insignificant.

Recently issued accounting pronouncements The Corporation has also determined that the adoption of any other recently issued accounting standard is not expected to have a material impact on its future financial condition or results of operation.

Certain prior period amounts have been reclassified to conform to the current period presentation.

NOTE 2 Commitments and Contingencies

The Corporation was contingently liable at May 31, 2009, 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 $36 million at May 31, 2009 and $70 million at May 31, 2008.

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, 2009 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,		
	2009	2008	2007
	(Dollars in thousands)		
Number of units repurchased	88	104	78
Obligations from units repurchased	$ 1,784	$ 1,865	$ 1,244
Net loss on repurchased units	$ 235	$ 6	$

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.

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 2009 was approximately $800,000, fiscal year 2008 was approximately $1,000,000 while lease expense

Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements (Continued)

for the fiscal year 2007 was approximately $1,100,000. Future minimum lease commitments under operating leases are as follows:

Year Ending May 31,	Amount (Dollars in thousands)
2010	$ 454
2011	268
2012	135
2013	57
2014	8
Thereafter	29
	$ 951

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 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.

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 2009, 2008 and 2007, the Corporation did not acquire any shares of its common stock. At May 31, 2009, 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 primarily in United States Government Securities. No contributions were made for the fiscal years ended May 31, 2009 and 2008. For year ended May 31, 2007 contributions to the Plans were $1,717,000.

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. The Corporation also 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 7.0 percent in fiscal 2009, 6.5 percent in fiscal 2008 and 6.0 percent in fiscal 2007. The amount accrued for such arrangements totaled $5,592,000, $6,079,000 and $6,522,000 at May 31, 2009, 2008 and 2007, respectively. The amount (credited) charged to operations under these

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Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements (Continued)

arrangements was $(304,000), $(215,000) and $406,000 for the years ended May 31, 2009, 2008 and 2007 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

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:

	May 31,		
	2009	**2008**	**2007**
Manufactured Housing	74%	71%	75%
Recreational Vehicles	26%	29%	25%
	100%	100%	100%

Total operating loss represents operating losses before interest income and benefit 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.

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Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements (Continued)

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.

	2009	2008	2007
	(Dollars in thousands)		
SALES			
Manufactured housing	$ 123,930	$ 214,794	$ 272,383
Recreational vehicles	42,746	86,971	93,090
Total sales	$ 166,676	$ 301,765	$ 365,473
(LOSS) EARNINGS BEFORE INCOME TAXES			
Operating (Loss) Earnings			
Manufactured housing	$ (18,304)	$ (4,200)	$ 4,276
Recreational vehicles	(9,435)	(7,750)	(4,154)
General corporate expenses	(1,942)	(2,011)	(2,535)
Income from life insurance proceeds	380		
Gain on sale of idle property, plant and equipment	3,396	670	
Total operating loss	(25,905)	(13,291)	(2,413)
Interest income	911	4,153	5,812
(Loss) earnings before income taxes	$ (24,994)	$ (9,138)	$ 3,399
IDENTIFIABLE ASSETS			
Operating assets			
Manufactured housing	$ 65,359	$ 71,043	$ 77,330
Recreational vehicles	17,810	24,934	21,746
Total operating assets	83,169	95,977	99,076
U.S. Treasury bills	84,950	101,022	115,864
Total assets	$ 168,119	$ 196,999	$ 214,940
DEPRECIATION			
Manufactured housing	$ 2,206	$ 2,521	$ 2,525
Recreational vehicles	498	660	623
Total depreciation	$ 2,704	$ 3,181	$ 3,148
CAPITAL EXPENDITURES			
Manufactured housing	$ 1,322	$ 1,483	$ 4,409

Recreational vehicles	252	609	559
Total capital expenditures	$ 1,574	$ 2,092	$ 4,968

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 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

Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements (Continued)

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

2009	1st Quarter	2nd Quarter	3rd Quarter	4th Quarter	Year
		(Dollars in thousands, except per share data)			
Sales	$ 62,597	$ 47,210	$ 24,386	$ 32,483	$ 166,676
Gross profit (loss)	2,203	829	(3,382)	1,404	1,054
Net (loss)	(4,146)	(4,098)	(4,825)	(2,365)	(15,434)
Basic (loss) per share	(.49)	(.49)	(.58)	(.28)	(1.84)

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)

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.

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

None

Item 9A. ***Controls and Procedures.***

Management s Conclusions Regarding Effectiveness of Disclosure Controls and Procedures

As of May 31, 2009, 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, 2009.

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 financing reporting. Based on this assessment, management has concluded that the Corporation s internal control over financial reporting was effective as of May 31, 2009.

Crowe Horwath LLP, the independent registered public accounting firm that audited the Corporation s fiscal 2009 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, 2009, 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, 2009 that materially affected, or is reasonably likely to materially affect, the Corporation s internal control over financial reporting.

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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, 2009. In addition, on September 18, 2008 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 18, 2008. 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	73	Chairman and Chief Executive Officer
Charles W. Chambliss	59	Vice President-Product Development and Engineering
Terrence M. Decio	57	Vice President-Marketing and Sales
Martin R. Fransted	57	Corporate Controller and Secretary
Christopher R. Leader	50	Vice President-Operations
Bruce G. Page	59	Vice President-Operations
Jon S. Pilarski	46	Vice President-Finance, Treasurer, 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. Mr. Leader s employment was terminated on June 1, 2009, resulting from the Corporation s decision to eliminate his position.

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

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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 21, 2009 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)	

	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

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, 2009

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: /s/ Jon S. Pilarski Jon S. Pilarski	Vice President-Finance, Treasurer, Chief Financial Officer	July 23, 2009
BY: /s/ Martin R. Fransted Martin R. Fransted	Corporate Controller and Secretary	July 23, 2009
BY: /s/ Arthur J. Decio Arthur J. Decio	Director	July 23, 2009
BY: /s/ John C. Firth John C. Firth	Director	July 23, 2009
BY: /s/ Jerry Hammes Jerry Hammes	Director	July 23, 2009
BY: /s/ William H. Lawson	Director	July 23, 2009

William H. Lawson		
BY: /s/ David T. Link	Director	July 23, 2009
David T. Link		
BY: /s/ Andrew J. McKenna	Director	July 23, 2009
Andrew J. McKenna		

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