

SKYLINE CORP
Form DEF 14A
August 12, 2009

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of the Securities
Exchange Act of 1934 (Amendment No.)

Filed by the Registrant
Filed by a Party other than the Registrant

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material Pursuant to §240.14a-12

Skyline Corporation

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

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- No fee required.
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SEC 1913 (02-02)

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SKYLINE CORPORATION
2520 By-Pass Road
P.O. Box 743
Elkhart, Indiana 46515

NOTICE OF ANNUAL MEETING OF SHAREHOLDERS

September 21, 2009

NOTICE IS HEREBY GIVEN that the Annual Meeting of the Shareholders of Skyline Corporation (Skyline) will be held at the Emerald Room, in the Ramada Inn, 3011 Belvedere Road, Elkhart, Indiana, on Monday, September 21, 2009, at 9:00 a.m., Eastern Daylight Time, for the following purposes:

1. To elect a Board of Directors for the ensuing year, or until their successors are elected and qualify.
2. To transact such other business as may properly come before the meeting, or any adjournment thereof.

The Board of Directors has fixed the close of business on July 23, 2009, as the record date for the determination of shareholders entitled to notice of, and to vote at, said meeting.

By Order of the Board of Directors

Martin R. Fransted
Corporate Controller and Secretary

August 12, 2009

IF YOU DO NOT EXPECT TO ATTEND THE MEETING IN PERSON, PLEASE SIGN, DATE AND PROMPTLY RETURN THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE, WHICH REQUIRES NO POSTAGE IF MAILED IN THE UNITED STATES.

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**SKYLINE CORPORATION
2520 By-Pass Road, P.O. Box 743
Elkhart, Indiana 46515
August 12, 2009**

PROXY STATEMENT

The enclosed proxy is solicited by the Board of Directors of Skyline Corporation (Skyline) for use at the Annual Meeting of Shareholders to be held September 21, 2009. The shares represented by properly executed proxies received prior to the meeting will be voted. If the shareholder directs in the proxy how the shares are to be voted, they will be voted accordingly. When no direction has been given by the shareholder, it is the intention of the proxies named in the proxy to vote the same in accordance with their best judgment. Any proxy given may be revoked by the shareholder at any time prior to the voting of the proxy. The approximate date on which this proxy statement and the form of proxy are first sent or given to security holders is August 12, 2009.

Important Notice Regarding the Availability of Proxy Materials for the Annual Meeting of Shareholders to be Held on September 21, 2009.

Skyline s Annual Report to Shareholders, Proxy Statement, and Proxy are available on the Internet at www.skylinecorp.com.

Please contact Martin R. Fransted at (574) 294-6521 ext. 226 if you need to obtain directions on how to attend the annual meeting and vote in person.

VOTING SECURITIES

Only shareholders of record as of the close of business on July 23, 2009, or their proxies are entitled to vote at the meeting. As of that date, Skyline had outstanding 8,391,244 shares of Common Stock having one vote per share.

ELECTION OF DIRECTORS

Each share of Common Stock is entitled to one vote, which means that the holders of more than 50% of the shares voting for the election of Directors can elect all of the Directors and approve any other matter as may properly come before the meeting if they choose to do so. While the Corporation does not have a policy requiring Board members to attend the annual meeting, traditionally all Directors have attended the annual meeting and did so at the 2008 annual meeting.

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Director Ronald F. Kloska died on May 16, 2009, reducing the number of directors to seven. Skyline's code of by-laws requires a minimum of seven directors. It is proposed that seven Directors be elected at the meeting, each to serve until the next Annual Meeting of Shareholders and until his successor qualifies and is elected.

It is intended that the votes authorized by the enclosed proxy will be cast for the election of the seven nominees for Directors whose names are set forth below. In the event that one or more of the nominees shall unexpectedly become unavailable for election, the votes will be cast, pursuant to authority granted by the enclosed proxy, for such person or persons as may be designated by the present Board of Directors or the Board may be reduced accordingly. All of the nominees for whom the proxies intend to vote have agreed to serve as Directors if elected.

Information about the nominees for election as Directors and the beneficial ownership of Skyline Common Stock by directors as a group is as follows:

Name, Title, Address and Principal Occupation	Age	Skyline Director Since	Shares of Skyline Common Stock Beneficially Owned at July 2, 2009 Directly or Indirectly	Percent of Class(2)
ARTHUR J. DECIO Mr. Decio served Skyline in a consulting capacity from September 2001 until September 20, 2007. Skyline Corporation 2520 By-Pass Road Elkhart, Indiana 46514	78	1959	1,477,784(1)	17.6%
THOMAS G. DERANEK Chairman of the Board and Chief Executive Officer Skyline Corporation 2520 By-Pass Road Elkhart, Indiana 46514	73	2001	0	
JOHN C. FIRTH 4220 Edison Lakes Parkway Mishawaka, Indiana 46545 President of Quality Dining, Inc., a restaurant holding company which owns more than 170 restaurants in six states. Mr. Firth was Executive Vice President, Principal Financial Officer and General Counsel to Quality Dining, Inc. from 2000 to 2005.	51	2006	500	
JERRY HAMMES 2015 West Western Avenue South Bend, Indiana 46629	77	1986	13,000	

President of Romy Hammes, Inc., a bank holding company and real estate investment company, South Bend, Indiana, and Chairman of Peoples Bank of Kankakee County, a bank, Bourbonnais, Illinois.

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Name, Title, Address and Principal Occupation	Age	Skyline Director Since	Shares of Skyline Common Stock Beneficially Owned at July 2, 2009 Directly or Indirectly	Percent of Class(2)
WILLIAM H. LAWSON One Sarasota Tower, Suite 408 Sarasota, Florida 34236	72	1975	3,000	
DAVID T. LINK Chaplain Indiana State Prison 1 Park Row Michigan City, Indiana 46360 Dean Emeritus Notre Dame Law School University of Notre Dame Notre Dame, Indiana 46556 Retired April 1, 2006 as President and CEO International Centre for Healing and the Law 9292 W. KL Avenue Kalamazoo, Michigan 49009	72	1994	600	
ANDREW J. MCKENNA 8338 North Austin Avenue Morton Grove, Illinois 60053 Chairman of Schwarz, a national printer, converter and distributor of packaging and promotional materials. Mr. McKenna is also a director of Aon Corporation and Chairman of McDonald's Corporation.	79	1971	12,300	
ALL NOMINEES AND OFFICERS AS A GROUP			1,538,482	18.3%

(1) Includes 83,500 shares in The Arthur J. Decio Foundation, a charitable foundation, of which Mr. Decio is a trustee. Mr. Decio disclaims any beneficial interest with respect to these shares.

(2) Less than one percent unless otherwise indicated.

Skyline has standing Audit, Nominating and Governance and Compensation Committees of the Board. Information about Board and Committee meetings is as follows:

The Audit Committee consisted of Messrs. Hammes, Firth, Kloska, Lawson and Link. It met five times as a full committee during the fiscal year ended May 31, 2009. The Committee meets with the accounting firm which conducts the annual audit of Skyline's financial statements, reviews auditors' recommendations, reviews the independence of

Skyline's auditors and considers the range of audit and non-audit fees. It also meets with the internal audit staff and Chief Financial Officer, reviews the scope and adequacy of Skyline's internal auditing program and reports its findings to the Board with any recommendations it considers appropriate. Skyline's Board of Directors has adopted a written charter for the Audit Committee. The members of Skyline's Audit Committee are all independent as defined in the applicable Listing Standards. Messrs. Hammes, Firth, Kloska, Lawson and Link are all Audit Committee Financial Experts.

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The Nominating and Governance Committee consisted of Messrs. McKenna, Firth, Hammes, Kloska, Lawson and Link, all of whom are independent. It met twice during the last fiscal year. Every member of the Nominating and Governance Committee was present at all the meetings except one committee member missed one committee meeting. The Nominating and Governance Committee identifies individuals qualified to become Board Members, and recommends that the Board nominates such individuals for election to the Board at the next Annual Meeting of Shareholders. This Committee also develops and reviews Skyline's corporate governance guidelines and makes recommendations to the Board regarding the guidelines. The Committee believes that candidates for directors should meet certain minimum qualifications including being of the highest ethical character and sharing the values of Skyline as reflected in our Code of Business Conduct and Ethics, having reputations both personal and professional consistent with the image and reputation of Skyline, and being highly accomplished in their respective fields with superior credentials and recognition and having relevant experience and expertise. In general, persons recommended by shareholders will be considered on the same basis as candidates from other forums. The Committee retains the right to modify these qualifications from time to time. Shareholders may provide the Committee information on director candidates for consideration by the Committee by writing a letter to Martin R. Fransted, Secretary, at our principal executive office at 2520 By-Pass Road, P.O. Box 743, Elkhart, Indiana 46515 containing the respective candidate's name, qualifications, relevant experience, all information required pursuant to Regulation 14A under the Securities Exchange Act of 1934, and such candidate's consent to serve as director. The Committee retains absolute discretion and independence in determining whether to recommend a candidate. These letters must also identify the author as a shareholder of Skyline, and clearly state that the intended recipients are all members of the Nominating and Governance Committee. All such communications received by the secretary will be delivered to members of the Nominating and Governance Committee. Skyline has a written charter for the Nominating and Governance Committee which is posted to Skyline's website at www.skylinecorp.com. The committee charter is also available in paper form upon request to the Skyline secretary.

The Compensation Committee consisted of Messrs. Lawson, Firth, Hammes, Kloska, Link and McKenna. It met twice during the last fiscal year. Every member of the Compensation Committee was present at all the meetings except one committee member missed one committee meeting. The functions of the Compensation Committee are to discharge the Board's responsibilities relating to compensation of Skyline executives, review and approve corporate goals and objectives relevant to the Chief Executive Officer's compensation, evaluate Chief Executive Officer performance in light of these goals and objectives and set the Chief Executive Officer's compensation

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level based on this evaluation and to make recommendations to the Board regarding incentive compensation plans, equity based plans and to undertake any similar functions. Skyline has a written charter for the Compensation Committee which is posted to Skyline's website at www.skylinecorp.com. The committee charter is also available in paper form upon request to the Skyline secretary.

The Board of Directors met five times during the last fiscal year. Every Board member was present at all Board meetings and meetings of all committees of which he was a member except one Board member missed one Board meeting and two committee meetings.

Report of the Audit Committee

The Audit Committee of Skyline's Board of Directors has reviewed and discussed Skyline's audited financial statements with management; has discussed with Skyline's independent registered public accounting firm Crowe Horwath LLP the matters required to be discussed by Codification of Statements on Auditing Standards, AU § 380, Statement on Auditing Standards No. 61; has received from the auditors disclosures regarding the auditors independence as required by the applicable requirements of the Public Company Accounting Oversight Board regarding the independent accountant's communications with the audit committee concerning independence and has discussed with the auditors the auditors' independence; and has, based on the review and discussions noted above, recommended to Skyline's Board of Directors that the audited financial statements be included in Skyline's Annual Report on Form 10-K for the fiscal year ended May 31, 2009 for filing with the Securities and Exchange Commission. Skyline's Board of Directors has adopted a formal charter for the Audit Committee setting forth its responsibilities. A current copy of the Audit Committee Charter is available on our website at www.skylinecorp.com. The committee charter is also available in paper form upon request to the Skyline secretary.

Jerry Hammes, Chairman
John C. Firth
William H. Lawson
David T. Link

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Audit Fees

The aggregate fees billed for professional services rendered for the audit of Skyline's annual financial statements and internal control over financial reporting for the last two fiscal years ending May 31, 2008 and May 31, 2009 and the reviews of the financial statements included in Skyline's Forms 10-Q and all services that are normally provided by the accountants, Crowe Horwath LLP, in connection with statutory and regulatory filings or engagements for those fiscal years were \$282,000 for the year ended May 31, 2008 and were \$258,000 for the year ended May 31, 2009.

Audit-Related Fees

The aggregate fees billed by Crowe Horwath LLP for professional services during the last two fiscal years for assurance and related services that are reasonably related to the performance of the audit or review of Skyline's financial statements, other than those reported as Audit Fees, were \$31,000 for the fiscal year ended May 31, 2008 and were \$30,000 for the fiscal year ended May 31, 2009.

Tax Fees

The aggregate fees billed by Crowe Horwath LLP in each of the last two fiscal years for professional services rendered for tax compliance, tax advice, and tax planning were \$15,000 for the fiscal years ended May 31, 2008 and 2009. The services were the review, assistance and preparation and signing of Skyline's consolidated Federal tax return. In addition, \$17,000 was paid in the fiscal year ended May 31, 2008 for tax planning advice and filing of amended state tax returns.

All Other Fees

The aggregate fees billed Skyline for services by Crowe Horwath LLP, other than for services addressed under the captions Audit Fees, Audit-Related Fees and Tax Fees were \$0 for the fiscal years ended May 31, 2008 and 2009.

Pursuant to the Audit Committee's preapproval policies and procedures under 17 CFR 210.2-01(c)(7)(i)(C), all audit engagements received explicit approval by the Audit Committee after the Audit Committee received an adequate description of the proposed engagement.

The percentage of the services addressed under the captions Audit-Related Fees, Tax Fees and All Other Fees that were preapproved by the Audit Committee pursuant to 17 CFR 210.2-01(c)(7)(i) is 100%.

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Skyline has Codes of Business Conduct and Ethics which apply to all employees, officers and directors. The ethics policy is posted on our website at www.skylinecorp.com and is available in paper form upon request to the Skyline secretary.

New York Stock Exchange Corporate Governance Listing Standards

On September 18, 2008, the certificate by Skyline's Chief Executive Officer provided for in Section 303A.12 of the New York Stock Exchange Listing Company Manual was filed with the New York Stock Exchange. The foregoing certification was unqualified.

CERTAIN OTHER BENEFICIAL OWNERS

The following persons, entities or group as indicated are known to Skyline to own beneficially at least five percent (5%) of Skyline's common stock or are members of management identified in the summary compensation table but who are not on Skyline's Board. The beneficial ownership of Skyline common stock by the members of its Board and its nominees for directors is shown in the table under "Election of Directors" above.

Name and Address of Beneficial Owner	Shares of Skyline Common Stock Beneficially Owned at July 2, 2009	Percent of Class(1)
Met Investors Advisory LLC 610 Newport Center Drive, Suite 1350 Newport Beach, CA 92660	1,632,200	19.5%
Third Avenue Management LLC 622 Third Avenue, 32 nd Floor New York, New York 10017	1,608,240	19.2%
Wells Fargo & Company 733 Marquette Avenue, 5 th Floor Minneapolis, MN 55402	970,205	11.6%
GAMCO Investors, Inc. One Corporate Center Rye, New York 10580-1435	904,020	10.8%
Barclay's Global Investors 45 Fremont Street San Francisco, California 94105	889,474	10.6%

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Name and Address of Beneficial Owner	Shares of Skyline Common Stock Beneficially Owned at July 2, 2009	Percent of Class(1)
Dimensional Fund Advisors LP 1299 Ocean Avenue Santa Monica, California 90401	628,128	7.5%
Terrence M. Decio Vice President, Marketing and Sales 2520 By-Pass Road Elkhart, Indiana 46514	30,080	
Christopher R. Leader Vice President, Operations 2520 By-Pass Road Elkhart, Indiana 46514	1,000	

(1) Less than one percent (1%) if not specified.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Based solely on a review of forms provided to Skyline and on certain written representations, Skyline is unaware of any failure to file on a timely basis reports required by Section 16(a) of the Exchange Act by any director, officer or beneficial owner of more than ten percent of Skyline's common stock. Skyline knows of no transactions in Skyline securities that were not timely reported as required during such year.

COMPENSATION, DISCUSSION AND ANALYSIS

Overview

The Compensation Committee of our Board of Directors established, subject to the approval of the full Board of Directors, the compensation for our Chief Executive Officer, our Chief Financial Officer, and our three most highly compensated executive officers whose total compensation for the fiscal year ended May 31, 2009 exceeded \$100,000. We refer to these five individuals as the Named Executive Officers.

In determining compensation, the Compensation Committee takes into account several factors, including compensation paid by our competitors and compensation data for other industries. The Compensation Committee also considers qualitative factors bearing on an individual's experience, responsibilities, management and job performance, to evaluate whether the demands of a particular position are being

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fulfilled effectively by the relevant individual. The Compensation Committee evaluates the contributions to our overall profitability performance during the last fiscal year, leadership, effectiveness and commitment of each of our Named Executive Officers, including our Chief Executive Officer.

Objectives and Elements of Compensation Program

Our compensation program is intended to enable us to attract, motivate, reward and retain the executive management talent required to achieve corporate objectives. It is our policy to reward exceptional performance and contributions to the development of our business.

To attain these objectives, our compensation programs include a competitive base salary coupled with the opportunity to participate in a bonus pool, which is created based on the performance of our business. Our Compensation Committee is responsible for making recommendations to our Board of Directors with respect to incentive based compensation plans and equity based plans. For the fiscal year ended May 31, 2009, we did not pay any long-term compensation or any non-cash compensation to our Named Executive Officers. We have not utilized long-term compensation or non-cash compensation programs from a desire to keep our compensation system simple and straightforward.

Base Salary. The Compensation Committee sets salary levels for Named Executive Officers so as to reflect the duties and level of responsibilities inherent in the position and current economic conditions relating to our business. In establishing the salary level for a given position, the Compensation Committee considers comparative salaries paid by other companies in the industries in which we do business. The Compensation Committee does not, however, target a specific percentile range within the comparative group in setting salaries of our Named Executive Officers. The Compensation Committee also considers the particular qualifications and level of experience of the individual holding the position in establishing a salary level when the individual is first appointed to a given position.

Annual Incentive Bonuses. We provide certain employees, including the Named Executive Officers, the opportunity to earn an annual incentive bonus based on an evaluation of the employee's individual performance and our performance, which is based on earnings before interest and taxes. These bonuses are discretionary, and no Named Executive Officer is automatically entitled to a bonus or a bonus in any particular amount. In considering bonuses for Named Executive Officers other than the Chief Executive Officer, the Compensation Committee consults with our Chairman

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of the Board and Chief Executive Officer regarding instances of exceptional effort demonstrated by an employee.

Potential Payments upon Termination or Change in Control. We provide benefits on death, disability or retirement for substantially all employees, including our Named Executive Officers, pursuant to the Skyline Corporation and Affiliates Employees Profit Sharing Plan. We also provide fixed payment amounts to the Named Executive Officers over a ten-year period upon retirement after age 60 or later or to the Named Executive Officer's estate upon death during active employment with us. For more information, see the discussions below under Defined Contribution Profit Sharing Plan and Retirement Benefits.

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EXECUTIVE COMPENSATION
Summary Compensation Table
for fiscal years ended May 31, 2007-2009

The following table provides information about all compensation awarded to, earned by or paid to our Named Executive Officers during the fiscal years ended May 31, 2007-2009.

Name and Principal Position	Year	Salary (\$)	Bonus (\$)	All Other Compensation (\$)*	Total (\$)
Thomas G. Deranek Chairman and Chief Executive Officer	2009	300,000			300,000
	2008	300,000			300,000
	2007	300,000		4,500	304,500
Terrence M. Decio** Vice President, Marketing and Sales	2009	290,000			290,000
	2008	290,000			290,000
	2007	290,000		4,500	294,500
Christopher R. Leader Vice President, Operations	2009	235,000			235,000
	2008	235,000			235,000
	2007	235,000		4,500	239,500
Bruce G. Page Vice President, Operations	2009	235,000			235,000
	2008	235,000			235,000
	2007	210,000		4,500	214,500
Jon S. Pilarski Vice President, Finance, Treasurer and Chief Financial Officer	2009	200,000			200,000
	2008	184,000			184,000
	2007	128,000		3,800	131,800