

SKYLINE CORP
Form 10-K
July 27, 2012

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended May 31, 2012

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from to

Commission file number: 1-4714

SKYLINE CORPORATION

(Exact name of registrant as specified in its charter)

Indiana

(State or other jurisdiction of

incorporation or organization)

P. O. Box 743, 2520 By-Pass Road

Elkhart, Indiana

(Address of principal executive offices)

35-1038277

(I.R.S. Employer

Identification No.)

46515

(Zip Code)

Registrant's telephone number, including area code:

(574) 294-6521

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

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| | |
|---|--|
| Title of Each Class | Name of Each Exchange on Which Registered |
| Common Stock, \$.0277 Par Value | New York Stock Exchange |
| Securities registered pursuant to section 12 (g) of the Act: | |

None

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

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

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

Indicate by check mark 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

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

Large accelerated filer Accelerated filer Non-accelerated filer Smaller reporting company
 Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes No

The aggregate market value of the common stock held by non-affiliates of the registrant (6,852,762 shares) based on the closing price on the New York Stock Exchange on November 30, 2011 was \$39,540,437.

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

| | |
|-----------------------|---------------------------|
| | Shares Outstanding |
| Title of Class | July 23, 2012 |
| Common Stock | 8,391,244 |

DOCUMENTS INCORPORATED BY REFERENCE

| | |
|---|-------------------------|
| Title | Form 10-K |
| Portions of the Proxy Statement for the 2012 Annual Meeting of Shareholders to be held September 24, 2012 | 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 2012 Annual Meeting of Shareholders to be held on September 24, 2012 (2012 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) designs, produces and markets manufactured housing, modular housing and recreational vehicles (travel trailers, fifth wheels and park models) to independent dealers and manufactured housing communities located throughout the United States and Canada. Manufactured housing represents homes built according to a national building code; modular housing represents homes built to a local building code.

The Corporation, which is one of the largest producers of manufactured and modular housing in the United States, sold 1,948 manufactured homes and 380 modular homes in fiscal 2012.

The Corporation's housing products 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, and triplewide widths from 36 to 46. The area of a singlewide ranges from approximately 400 to 1,200 square feet, a doublewide from approximately 700 to 2,400 square feet, and a triplewide from approximately 1,600 to 2,900 square feet.

The Corporation also sold 5,004 recreational vehicles in fiscal 2012, which are sold under a number of trademarks for travel trailers, fifth wheels and park models.

Financial Information about Segments

Net sales, operating results and total assets for the housing and recreational vehicle segments are included in Note 13, 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's homes are marketed under a number of trademarks, and are available in a variety of dimensions. Manufactured housing models are built according to standards established by the U.S. Department of Housing and Urban Development. Modular homes are built according to state, provincial or local building codes. Each home typically includes two to four bedrooms, kitchen, dining area, living room, one or two bathrooms, kitchen appliances, central heating and cooling. Custom options may include but are not limited to: exterior dormers and windows; interior or exterior accent columns; fireplaces and whirlpool tubs. Materials used to construct a manufactured or a modular home are similar to those used in site-built housing. The Corporation also sells homes that are Energy-Star compliant.

The Corporation's recreational vehicles include travel trailers, fifth wheels and park models. Travel trailers and fifth wheels are marketed under the following trademarks: Aljo; Bobcat; Koala; Layton; Mountain View; Nomad; Texan; Wagoneer; Walkabout and Weekend. Park models are marketed under the following trademarks: Cabin Series; Cedar Cove; Kensington; Shore Park Homes; and Vacation Villa. The Corporation's recreational vehicles are intended to provide temporary living accommodations for individuals seeking leisure travel and outdoor recreation. A recreational vehicle typically includes sleeping, kitchen, dining and bath areas.

The principal markets for manufactured and modular housing are the suburban and rural areas of the continental United States and Canada. 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, traveling retired couples and sports enthusiasts pursuing four-season hobbies.

Item 1. Business (Continued).

The Corporation provides the retail purchaser of its 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 net sales contributed by the housing and recreational vehicle segments is noted in Items 7 and 8.

Method of Distribution

The Corporation's homes are distributed by approximately 210 independent dealers at 320 locations throughout the United States and Canada, and recreational vehicles are distributed by approximately 210 independent dealers at 240 locations throughout the United States and Canada. These are generally not exclusive dealerships and it is believed that most dealers also sell products of other manufacturers.

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 financial institution in accordance with a declining repurchase price schedule agreed to by the financial institution and 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.

The Corporation had no losses related to repurchases in fiscal year 2012, and \$1,000 of losses in fiscal year 2011. Additional information regarding these repurchase agreements is included in Note 9, 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 and installer of components purchased from outside sources. The major components used by the Corporation are electrical components, 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 either segment of its business.

Seasonal Fluctuations

While the Corporation maintains production of homes and recreational vehicles throughout the year, seasonal fluctuations in sales do occur. Sales and production of 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.

Item 1. Business (Continued).**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 two years.

Competitive Conditions

The industries in which the Corporation operates are highly competitive, with particular emphasis on price and features offered. The Corporation's competitors are numerous, ranging from multi-billion dollar corporations to relatively small and specialized manufacturers. In addition, the 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 following tables show the Corporation's competitive position on a calendar and fiscal year basis in the product lines it sells.

| | Units Shipped Calendar Year 2011 | | | Units Shipped Calendar Year 2010 | | |
|--------------------------|-------------------------------------|---------|--------------|-------------------------------------|---------|--------------|
| | Industry | Skyline | Market Share | Industry | Skyline | Market Share |
| Manufactured housing | 52,000 | 1,880 | 3.6% | 50,000 | 1,894 | 3.8% |
| Domestic modular housing | 12,000 | 246 | 2.1% | 13,000 | 216 | 1.7% |
| Travel trailer | 153,000 | 4,714 | 3.1% | 145,000 | 3,381 | 2.3% |
| Fifth wheels | 60,000 | 209 | 0.4% | 55,000 | 288 | 0.5% |
| Park models | 3,000 | 170 | 5.7% | 3,000 | 129 | 4.3% |

The competitive position for Canadian modular housing is not listed because industry data is not available.

| | Units Shipped Fiscal Year 2012 | | | Units Shipped Fiscal Year 2011 | | |
|----------------------|-----------------------------------|---------|--------------|-----------------------------------|---------|--------------|
| | Industry | Skyline | Market Share | Industry | Skyline | Market Share |
| Manufactured housing | 56,000 | 1,948 | 3.5% | 47,000 | 1,925 | 4.1% |
| Travel trailer | 161,000 | 4,610 | 2.9% | 150,000 | 4,335 | 2.9% |
| Fifth wheels | 62,000 | 232 | 0.4% | 58,000 | 207 | 0.4% |

The competitive position for modular housing and park models in fiscal 2012 is not listed because industry data is not available.

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

Regulation

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

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 and modular housing may also be subject to Consumer Product Safety Commission standards and recall requirements.

Regarding recreational vehicles, 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 housing, modular housing 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 and modular housing) 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 1,100 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 products 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, net 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 industries in which the Corporation operates 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, modular housing and recreational vehicle products, resulting in lower net sales, operating results and cash flows.

Dependence on Independent Dealers

The Corporation sells its manufactured homes, modular 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 net sales, operating results and cash flows.

Item 1A. Risk Factors (Continued).

Dealer Inventories

As wholesale shipments of manufactured homes, modular homes and recreational vehicles 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 net sales, operating results and cash flows.

Contingent Repurchase Agreements

As referenced in Note 9 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 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 housing, modular housing 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 net sales, operating results and cash flows.

Competition

As noted in Item 1, the manufactured housing, modular 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 housing products 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 net 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.

Sales of manufactured housing, modular housing and recreational vehicle industries are also seasonal in nature with sales being lowest 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 net sales, operating results and cash flows.

Item 1A. Risk Factors (Continued).

Changing Consumer Preferences

Changes in consumer preferences for manufactured housing, modular 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 net 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 net 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 net 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 net sales, operating results and cash flows of the Corporation.

Incurrence of Net Losses

Due to negative economic conditions that impacted the manufactured housing, modular housing and recreational vehicle industries, the Corporation incurred net losses from fiscal year 2008 to 2012. While the Corporation's management is pursuing strategies as referenced in Item 7 to increase sales and decrease costs, no one can predict with certainty what the future may hold. Continued losses could negatively affect the Corporation's liquidity.

Item 1B. Unresolved Staff Comments.

None

Item 2. Properties.

The Corporation's 11 operating manufacturing facilities, 7 idle facilities and 3 corporate facilities, all of which are owned, are as follows:

| Location | Products | Approximate Square Footage |
|----------------------------|-----------------------|----------------------------|
| California, San Jacinto | Manufactured Housing | 84,000 |
| California, Hemet | Idle | 64,000 |
| California, Hemet | Idle | 55,000 |
| California, Woodland | Manufactured Housing | 81,000 |
| Florida, Ocala | Manufactured Housing | 139,000 |
| Florida, Ocala | Idle | 127,000 |
| Indiana, Bristol | Recreational Vehicles | 115,000 |
| Indiana, Elkhart | Recreational Vehicles | 75,000 |
| Indiana, Elkhart | Idle | 55,000 |
| Indiana, Elkhart | Corporate | 37,000 |
| Indiana, Elkhart | Corporate | 18,000 |
| Indiana, Elkhart | Corporate | 4,000 |
| Kansas, Arkansas City | Manufactured Housing | 83,000 |
| Kansas, Halstead | Idle | 84,000 |
| North Carolina, Mocksville | Idle | 115,000 |
| Ohio, Sugarcreek | Manufactured Housing | 149,000 |
| Oregon, McMinnville | Manufactured Housing | 246,000 |
| Pennsylvania, Leola | Manufactured Housing | 210,000 |
| Texas, Mansfield | Recreational Vehicles | 79,000 |
| Vermont, Fair Haven | Idle | 91,000 |
| Wisconsin, Lancaster | Manufactured Housing | 130,000 |

In addition, the Corporation owns undeveloped land in Elkhart, Indiana and McMinnville, Oregon. In the second quarter of fiscal 2012, the Corporation sold idle housing facilities in Ocala, Florida and Ephrata, Pennsylvania. The sales resulted in gains of \$1,114,000 and \$1,386,000, respectively.

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.

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. At May 31, 2012, there were 775 shareholders of record of Skyline Corporation common stock. A quarterly summary of the market price and dividends declared per share are listed for the fiscal years ended May 31, 2012 and 2011. In the third quarter of fiscal 2012, the Board of Directors approved a resolution to suspend dividend payments on the outstanding shares of the Corporation's common stock until further notice. The suspension was for cash preservation purposes. The Board will evaluate financial performance and liquidity needs in determining the timing and amount of future dividend payments.

| | Common Stock Price Range | | | | Dividends Declared Per Share | |
|----------------|-----------------------------|---------|----------|----------|------------------------------------|--------|
| | 2012 | | 2011 | | 2012 | 2011 |
| | High | Low | High | Low | | |
| First quarter | \$ 18.25 | \$ 8.79 | \$ 22.19 | \$ 16.53 | \$.09 | \$.18 |
| Second quarter | \$ 11.00 | \$ 4.96 | \$ 21.59 | \$ 17.35 | \$.09 | \$.18 |
| Third quarter | \$ 8.34 | \$ 4.02 | \$ 29.39 | \$ 18.50 | \$ | \$.18 |
| Fourth quarter | \$ 8.16 | \$ 4.50 | \$ 21.48 | \$ 16.74 | \$ | \$.18 |

The name, address and phone number of the Corporation's stock transfer agent and registrar is:

Computershare Trust Company, N.A.

P. O. Box 43078

Providence, RI 02940

(312) 588-4237

Item 6. Selected Financial Data.

Not applicable.

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

The Corporation designs, produces and markets manufactured housing, modular housing and recreational vehicles (travel trailers, fifth wheels and park models) to independent dealers and manufactured housing communities located throughout the United States and Canada. To better serve the needs of its dealers and communities, the Corporation has eleven manufacturing facilities in nine states. Manufactured housing, modular 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 housing, modular homes and recreational vehicles throughout the year, seasonal fluctuations in sales do occur. Sales and production of manufactured housing and modular housing 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.

As referenced in Item 1, manufactured and modular housing are marketed under a number of trademarks, and are available in a variety of dimensions. Manufactured housing products are built according to standards established by the U.S. Department of Housing and Urban Development. Modular homes are built according to state, provincial or local building codes. Recreational vehicles include travel trailers, fifth wheels and park models. Travel trailers and fifth wheels are marketed under the following trademarks: Aljo ; Bobcat ; Koala ; Layton ; Mountain View ; Nomad ; Texan ; Wagoneer ; Walkabout ; and Weekender . Park models are marketed under the following trademarks: Cabin Series Cove ; Kensington ; Shore Park Homes ; and Vacation Villa . The Corporation's recreational vehicles are intended to provide temporary living accommodations for individuals seeking leisure travel and outdoor recreation.

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

Manufactured Housing, Modular Housing and Recreational Vehicle Industry Conditions

Sales of manufactured housing, modular housing and recreational vehicles are affected by the strength of the U.S. economy, interest rate and employment levels, consumer confidence and the availability of wholesale and retail financing. The manufactured housing industry has until recently been affected by a continuing decline in sales. This decline, caused primarily by adverse economic conditions, tightening retail and wholesale credit markets and a depressed site-built housing market, is resulting in historically low industry shipments. Total shipments for calendar 2011 were approximately 52,000 units, a 4 percent increase from the previous year's total of approximately 50,000 units. In addition, total shipments from January to May 2012 were approximately 23,000 units, an approximately 25 percent increase from the same period a year ago.

Tight credit markets for retail and wholesale financing have 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 negatively affected manufactured home buyers. In addition, a significant decline has occurred in wholesale financing, especially as national floor plan lenders have decreased lending to industry dealers.

The domestic modular housing industry has challenges similar to the manufactured housing industry, such as restrictive retail and wholesale financing, and a depressed site-built housing market. From calendar 2005 to 2011, total shipments decreased from approximately 43,000 to 12,000 units, a decline of 72 percent. Information related to the Canadian modular housing industry is not available.

Sales of recreational vehicles are influenced by changes in consumer confidence, employment levels, the availability of retail and wholesale financing and gasoline prices. Industry unit sales of travel trailers and fifth wheels have varied in recent years. From calendar 2007 to the first half of 2009 unit sales decreased as a result of recessionary conditions, decreased household wealth, tightening credit markets for retail and wholesale financing, and excess inventory of new recreational vehicles. Unit sales, however, started increasing in the last half of calendar 2009 and continue to date. The Recreational Vehicle Industry Association (RVIA) notes that industry sales will benefit from stronger economic growth, increased job opportunities and easing consumer credit. These benefits, however, will remain small by historical standards.

Fiscal 2012 Results

The Corporation experienced the following results during fiscal 2012:

Total net sales were \$182,846,000, a 13 percent increase from the \$162,327,000 reported in the same period a year ago.

Housing net sales were \$109,157,000, an 11 percent increase from the \$97,922,000 realized in fiscal 2011.

Recreational vehicle net sales were \$73,689,000 in fiscal 2012, a 14 percent increase from \$64,405,000 in fiscal 2011.

Net loss for the fiscal 2012 was \$19,365,000 as compared to \$26,627,000 for fiscal 2011. On a per share basis, net loss was \$2.31 as compared to \$3.17 for the comparable period a year ago.

The Corporation closed its housing facility in Fair Haven, Vermont due to weak demand in the New England market. Production ceased in October 2011. Independent dealers and communities that purchased homes from the Fair Haven facility now have their product needs met by the Corporation's facility in Leola, Pennsylvania.

The Corporation closed its recreational vehicle facility in Hemet, California due to weak demand in its market area; primarily states in the Pacific and Rocky Mountain regions. Operations concluded in April 2012. Dealers that purchased recreational vehicles from this facility now have their product needs met by the Corporation's facilities in Bristol and Elkhart, Indiana.

**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued).
Fiscal 2012 Results (Continued)**

The Corporation sold in the second quarter idle housing facilities in Ocala, Florida and Ephrata, Pennsylvania. The gain on the sale of these facilities was \$1,114,000 and \$1,386,000, respectively. In addition, the Corporation sold its aircraft in the fourth quarter for a gain of \$684,000.

As referenced in Note 9 of the Notes to the Consolidated Financial Statements, the Corporation reached a settlement in the case of *FEMA Formaldehyde Product Liability Litigation*, Multidistrict Litigation No. 1873. The settlement resulted in the Corporation incurring a charge of approximately \$400,000 in the third quarter. The total settlement of \$737,000 was remitted to the United States District Court, Eastern District of Louisiana during the fourth quarter.

The Board of Directors approved a resolution in the third quarter to suspend dividend payments on the outstanding shares of the Corporation's common stock until further notice. The suspension was for cash preservation purposes. The Board will evaluate financial performance and liquidity needs in determining the timing and amount of future dividend payments.

The Corporation's housing segment experienced increased net sales in fiscal 2012 as compared to prior year, and management cannot determine with certainty if the increase is sustainable. This uncertainty is based on continuing negative economic conditions previously referenced.

The recreational vehicle segment experienced increased net sales in fiscal 2012. Regarding the business environment for fiscal 2013, the RVIA forecasts calendar 2012 travel trailer and fifth wheel shipments of approximately 229,000 units; an 8 percent increase from calendar 2011's total of approximately 213,000 units. The RVIA also forecasts calendar 2013 travel trailer and fifth wheel shipments of approximately 239,000 units; a 4 percent increase from calendar year 2012's total. Despite this favorable trend, business conditions in fiscal 2013 could be negatively impacted by adverse factors previously referenced by the RVIA.

The Corporation actively pursued and continues to pursue strategies to increase sales and decrease costs. These strategies include but are not limited to:

Increasing efforts to increase sales of modular homes and park models in both the United States and Canada

Improving the process of developing homes and recreational vehicles to better meet ever changing preferences of consumers

Increasing the number of display models at housing facilities in order to provide dealers, communities and consumers with examples of newly designed product

Redesigning the Corporation's website and utilizing social media to improve product exposure to customers and to better connect dealers to potential customers

Selling non-strategic assets such as the Florida and Pennsylvania facilities

Working with current and potential vendors to decrease costs

Analyzing staffing needs and making reductions when appropriate.

By implementing these strategies, and having a significant position of its working capital in cash and U.S. Treasury Bills, the Corporation continues to remain diligent for any challenges that may occur.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued).**Results of Operations Fiscal 2012 Compared to Fiscal 2011***Net Sales and Unit Shipments*

| | 2012 | Percent | 2011 (Dollars in thousands) | Percent | Increase (Decrease) |
|------------------------------------|-------------------|-------------|--------------------------------|-------------|------------------------|
| Net sales | | | | | |
| Manufactured Housing | | | | | |
| Domestic | \$ 87,487 | 48% | \$ 81,880 | 50% | \$ 5,607 |
| Canadian | | | 830 | 1 | (830) |
| | 87,487 | 48 | 82,710 | 51 | 4,777 |
| Modular Housing | | | | | |
| Domestic | 15,852 | 9 | 13,039 | 8 | 2,813 |
| Canadian | 5,818 | 3 | 2,173 | 1 | 3,645 |
| | 21,670 | 12 | 15,212 | 9 | 6,458 |
| Total Housing | 109,157 | 60 | 97,922 | 60 | 11,235 |
| Recreational Vehicles | | | | | |
| Domestic | 55,003 | 30 | 47,868 | 30 | 7,135 |
| Canadian | 18,686 | 10 | 16,537 | 10 | 2,149 |
| Total Recreational Vehicles | 73,689 | 40 | 64,405 | 40 | 9,284 |
| Total Net sales | \$ 182,846 | 100% | \$ 162,327 | 100% | \$ 20,519 |
| Unit shipments | | | | | |
| Manufactured Housing | | | | | |
| Domestic | 1,948 | 27% | 1,893 | 27% | 55 |
| Canadian | | | 32 | 1 | (32) |
| | 1,948 | 27 | 1,925 | 28 | 23 |
| Modular Housing | | | | | |
| Domestic | 274 | 4 | 224 | 3 | 50 |
| Canadian | 106 | 1 | 43 | 1 | 63 |
| | 380 | 5 | 267 | 4 | 113 |
| Total Housing | 2,328 | 32 | 2,192 | 32 | 136 |
| Recreational Vehicles | | | | | |
| Domestic | 3,825 | 52 | 3,535 | 51 | 290 |
| Canadian | 1,179 | 16 | 1,171 | 17 | 8 |
| Total Recreational Vehicles | 5,004 | 68 | 4,706 | 68 | 298 |
| Total Unit Shipments | 7,332 | 100% | 6,898 | 100% | 434 |

Housing net sales increased approximately 11 percent. The increase was the outcome of:

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Domestic manufactured housing net sales increasing approximately 7 percent

Canadian manufactured housing net sales decreasing 100 percent

Domestic modular housing net sales increasing approximately 22 percent

Canadian modular housing net sales increasing approximately twofold.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued).
Results of Operations Fiscal 2012 Compared to Fiscal 2011 (Continued)

Net Sales and Unit Shipments (Continued)

Housing unit shipments increased approximately 6 percent. The increase was the outcome of:

Domestic manufactured housing shipments increasing approximately 3 percent

Canadian manufactured housing shipments decreasing 100 percent

Domestic modular shipments increasing approximately 22 percent

Canadian modular shipments increasing approximately 147 percent.

Total domestic manufactured housing unit shipments increased approximately 3 percent. Industry unit shipments for these products increased approximately 19 percent during fiscal 2012 as compared to the same period a year ago. Current industry unit shipment data for modular housing is not available. Adverse conditions that caused the Corporation's unit shipments to lag the industry include:

Competitors providing wholesale financing to dealers, thereby creating greater sales opportunities

Unit shipment growth occurring in states where the Corporation has no or minimal sales activity due primarily to a lack of either manufacturing facilities or an established independent dealer network

The Federal Emergency Management Agency purchasing a large quantity of emergency housing units. The Corporation does not sell directly to governmental entities, nor did it have an independent dealer compete in the bidding process.

Compared to prior year, the average net sales price for domestic manufactured housing increased approximately 4 percent; primarily due to sales price adjustments resulting from higher material costs. The average net sales price for Canadian modular housing products increased approximately 9 percent. The increase is the result of homes being sold with larger square footage and greater amenities. The average net sales price for domestic modular housing products decreased slightly.

Recreational vehicles net sales increased approximately 14 percent. The increase was the outcome of:

Domestic recreational vehicle net sales increasing approximately 15 percent

Canadian recreational vehicle net sales increasing approximately 13 percent.

Recreational vehicle unit shipments increased approximately 6 percent. The increase the outcome of:

Domestic recreational vehicle shipments increasing approximately 8 percent

Canadian recreational vehicle shipments increasing approximately 1 percent.

The average net sales price per unit for recreational vehicle products in fiscal year 2012 as compared to fiscal year 2011 increased approximately 8 percent. The increase is due to sales price adjustments with respect to increased material costs. In addition, the average net sales price increased as result of a shift in consumer preference toward recreational vehicles with higher price points; either through more square footage or greater amenities.

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued).
Results of Operations Fiscal 2012 Compared to Fiscal 2011 (Continued)

Cost of Sales

| | 2012 | Percent of Net Sales* | 2011 (Dollars in Thousands) | Percent of Net Sales* | Increase |
|-----------------------|------------|--------------------------|--------------------------------|--------------------------|-----------|
| Housing | \$ 107,272 | 98 | \$ 97,544 | 100 | \$ 9,728 |
| Recreational vehicles | 70,690 | 96 | 62,981 | 98 | 7,709 |
| Consolidated | \$ 177,962 | 97 | \$ 160,525 | 99 | \$ 17,437 |

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

Housing cost of sales rose primarily due to an increase in unit shipments. As a percentage of net sales, cost of sales decreased due to certain manufacturing expenses being fixed amid rising sales.

Recreational vehicle cost of sales rose primarily due to an increase in unit shipments. As a percentage of net sales, cost of sales decreased due to material cost as a percentage of net sales declining as a result of a shift in consumer preference toward products with higher price points.

Selling and Administrative Expenses

| | 2012 | Percent of Net Sales | 2011 (Dollars in thousands) | Percent of Net Sales | Decrease |
|-------------------------------------|-----------|-------------------------|--------------------------------|-------------------------|----------|
| Selling and administrative expenses | \$ 27,450 | 15 | \$ 28,490 | 18 | \$ 1,040 |

Selling and administrative expenses, in dollars and as a percent of net sales, decreased as a result of the Corporation's efforts to reduce costs.

Operating Loss

| | 2012 | Percent of Net Sales* | 2011 (Dollars in Thousands) | Percent of Net Sales* |
|--|-------------|--------------------------|--------------------------------|--------------------------|
| Housing | \$ (13,440) | (12) | \$ (17,026) | (17) |
| Recreational vehicles | (6,808) | (9) | (7,490) | (12) |
| General corporate expenses | (2,318) | (1) | (2,172) | (1) |
| Gain on sale of idle property, plant and equipment | 3,184 | 2 | | |
| Total Operating loss | \$ (19,382) | (11) | \$ (26,688) | (16) |

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

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The operating loss for housing and recreational vehicles decreased due to increased unit shipments and improved margins. In addition, the housing segment also had decreased selling and administrative expenses.

General corporate expenses increased due to a \$300,000 charge for the corporation's liability for retirement and death benefits offered to certain current employees or former employees. The charge occurred as a result of a change in the interest rate used in valuing the liability.

In the second quarter of fiscal 2012, the Corporation sold idle housing facilities in Ocala, Florida and Ephrata, Pennsylvania. The sales resulted in gains of \$1,114,000 and \$1,386,000, respectively. In addition, the Corporation sold its aircraft in the fourth quarter of fiscal 2012 for a gain of \$684,000.

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

| | <u>May 31,</u> | | Decrease |
|---|------------------------|-----------|-----------|
| | 2012 | 2011 | |
| | (Dollars in thousands) | | |
| Cash and U.S. Treasury Bills | \$ 29,009 | \$ 44,721 | \$ 15,712 |
| Current assets, exclusive of cash and U.S. Treasury Bills | \$ 22,461 | \$ 23,660 | \$ 1,199 |
| Current liabilities | \$ 14,681 | \$ 14,716 | \$ 35 |
| Working capital | \$ 36,789 | \$ 53,665 | \$ 16,876 |

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 primarily to a net loss of \$19,365,000 and dividends paid of \$1,510,000; offset by \$5,054,000 received from the sale of idle property, plant and equipment.

Current assets, exclusive of cash and U.S. Treasury Bills, decreased primarily due to a \$278,000 decrease in Accounts receivable, and a \$560,000 decrease in Other current assets. Accounts receivable declined due to the timing of payments from dealers and communities at May 31, 2012 as compared to May 31, 2011. Other current assets declined as a result of a refund of a workers' compensation deposit that was received in June 2011.

Capital expenditures totaled \$614,000 for fiscal 2012 as compared to \$816,000 for fiscal 2011. Capital expenditures were made primarily to replace or refurbish machinery and equipment in addition to improving manufacturing efficiencies. In the third quarter of fiscal 2009, the Corporation began a project to implement an enterprise resource planning (ERP) system. The project is expected to last until the end of fiscal 2013, 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, 2012 is approximately \$956,000. The amount of capital expended in fiscal 2012 was approximately \$21,000, while the amount expended in fiscal 2011 was approximately \$85,000. The goal of the ERP system is to obtain better decision-making information, to react quicker to changes in market conditions, and lower the Corporation's technology costs.

In the third quarter of fiscal 2012, the Board of Directors approved a resolution to suspend dividend payments on the outstanding shares of the Corporation's common stock until further notice. The suspension was for cash preservation purposes. The Board will evaluate financial performance and liquidity needs in determining the timing and amount of future dividend payments.

The Corporation's current cash and other short-term investments are expected to be adequate to fund operating cash needs in addition to any capital expenditures for the upcoming fiscal year. Although the Corporation has experienced decreased liquidity, its financing needs have been met with a combination of cash on hand and funds generated through the sale of assets. In addition, various strategies are being pursued to improve financial performance. These strategies are referenced in the Fiscal 2012 section of Item 7.

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:

Deferred Tax Assets

Net deferred tax assets and liabilities are computed based on the difference between the financial statement and income tax bases of assets and liabilities using the enacted tax rates.

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

Deferred Tax Assets (Continued)

The Corporation has a full valuation allowance against its deferred tax assets. In addition, net deferred tax assets consist of federal net operating loss and tax credit carryforwards, state net operating loss carryforwards and temporary differences between financial and tax reporting. Additional information regarding the increase in the valuation allowance is referenced in Note 8 of the Notes to Consolidated Financial Statements.

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, 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.

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.

Impact of Inflation

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 adjusted selling prices in reaction to changing costs due to inflation.

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:

Consumer confidence and economic uncertainty

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

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Potential impact of 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

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

Competitive pressures on pricing and promotional costs

Catastrophic events impacting insurance costs

The availability of insurance coverage for various risks to the Corporation

Market demographics

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

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

Not applicable.

Item 8. Financial Statements and Supplementary Data.

Index to Consolidated Financial Statements

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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, 2012 and 2011, and the related consolidated statements of operations and retained earnings, and cash flows for the years then ended. These financial statements are the responsibility of the Corporation's management. Our responsibility is to express an opinion on these financial statements 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 audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Corporation is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Corporation's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes, examining on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

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, 2012 and 2011, and the results of its operations and its cash flows for the years then ended, in conformity with U.S. generally accepted accounting principles.

Crowe Horwath LLP

Fort Wayne, Indiana

July 23, 2012

Skyline Corporation and Subsidiary Companies

Consolidated Balance Sheets

May 31, 2012 and 2011

| | 2012 | 2011 |
|---|------------------------|-----------|
| | (Dollars in thousands) | |
| ASSETS | | |
| Current Assets: | | |
| Cash | \$ 12,011 | \$ 9,727 |
| U.S. Treasury Bills, at cost plus accrued interest | 16,998 | 34,994 |
| Accounts receivable | 11,199 | 11,477 |
| Inventories | 8,359 | 8,720 |
| Other current assets | 2,903 | 3,463 |
| Total Current Assets | 51,470 | 68,381 |
| Property, Plant and Equipment, at Cost: | | |
| Land | 3,918 | 4,063 |
| Buildings and improvements | 40,891 | 45,760 |
| Machinery and equipment | 18,122 | 23,300 |
| | 62,931 | 73,123 |
| Less accumulated depreciation | 45,856 | 52,998 |
| | 17,075 | 20,125 |
| Idle property, net of accumulated depreciation | 4,121 | 4,677 |
| Net Property, Plant and Equipment | 21,196 | 24,802 |
| Other Assets | 6,190 | 5,916 |
| Total Assets | \$ 78,856 | \$ 99,099 |
| LIABILITIES AND SHAREHOLDERS EQUITY | | |
| Current Liabilities: | | |
| Accounts payable, trade | \$ 3,296 | \$ 3,392 |
| Accrued salaries and wages | 2,990 | 3,089 |
| Accrued marketing programs | 2,215 | 1,573 |
| Accrued warranty and related expenses | 3,870 | 3,366 |
| Accrued workers compensation | 435 | 822 |
| Other accrued liabilities | 1,875 | 2,474 |
| Total Current Liabilities | 14,681 | 14,716 |
| Other Deferred Liabilities | 8,011 | 7,344 |
| Commitments and Contingencies See Note 9 | | |
| 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 | 116,668 | 137,543 |
| Treasury stock, at cost, 2,825,900 shares | (65,744) | (65,744) |

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| | | |
|--|-----------|-----------|
| Total Shareholders' Equity | 56,164 | 77,039 |
| Total Liabilities and Shareholders' Equity | \$ 78,856 | \$ 99,099 |

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

Skyline Corporation and Subsidiary Companies
Consolidated Statements of Operations and Retained Earnings
For the Years Ended May 31, 2012 and 2011

| | 2012 (Dollars in thousands, except share and per share amounts) | 2011 |
|--|---|-------------|
| OPERATIONS | | |
| Net sales | \$ 182,846 | \$ 162,327 |
| Cost of sales | 177,962 | 160,525 |
| Gross profit | 4,884 | 1,802 |
| Selling and administrative expenses | 27,450 | 28,490 |
| Gain on sale of idle property, plant and equipment | 3,184 | |
| Operating loss | (19,382) | (26,688) |
| Interest income | 17 | 61 |
| Loss before income taxes | (19,365) | (26,627) |
| Benefit from income taxes | | |
| Net loss | \$ (19,365) | \$ (26,627) |
| Basic loss per share | \$ (2.31) | \$ (3.17) |
| Cash dividends per share | \$.18 | \$.72 |
| Weighted average number of common shares outstanding | 8,391,244 | 8,391,244 |
| RETAINED EARNINGS | | |
| Balance at beginning of year | \$ 137,543 | \$ 170,211 |
| Net loss | (19,365) | (26,627) |
| Cash dividends paid | (1,510) | (6,041) |
| Balance at end of year | \$ 116,668 | \$ 137,543 |

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

Skyline Corporation and Subsidiary Companies

Consolidated Statements of Cash Flows

For the Years Ended May 31, 2012 and 2011

| | 2012 | 2011 |
|---|------------------------|-------------|
| | (Dollars in thousands) | |
| CASH FLOWS FROM OPERATING ACTIVITIES: | | |
| Net loss | \$ (19,365) | \$ (26,627) |
| Adjustments to reconcile net loss to net cash used in operating activities: | | |
| Depreciation | 2,359 | 2,683 |
| Gain on sale of idle property, plant and equipment | (3,184) | |
| Change in assets and liabilities: | | |
| Accrued interest receivable | 5 | (1) |
| Accounts receivable | 278 | (1,699) |
| Inventories | 361 | (1,964) |
| Other current assets | 560 | 1,077 |
| Accounts payable, trade | (96) | 256 |
| Accrued liabilities | 61 | 772 |
| Other, net | 424 | (72) |
| Net cash used in operating activities | (18,597) | (25,575) |
| CASH FLOWS FROM INVESTING ACTIVITIES: | | |
| Proceeds from principal payments of U.S. Treasury Bills | 67,979 | 227,939 |
| Purchase of U.S. Treasury Bills | (49,988) | (194,943) |
| Proceeds from sale of idle property, plant and equipment | 5,054 | |
| Purchase of property, plant and equipment | (614) | (816) |
| Other, net | (40) | (105) |
| Net cash provided by investing activities | 22,391 | 32,075 |
| CASH FLOWS FROM FINANCING ACTIVITIES: | | |
| Cash dividends paid | (1,510) | (6,041) |
| Net cash used in financing activities | (1,510) | (6,041) |
| Net increase in cash | 2,284 | 459 |
| Cash at beginning of year | 9,727 | 9,268 |
| Cash at end of year | \$ 12,011 | \$ 9,727 |

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, produces and markets manufactured housing, modular housing and recreational vehicles (travel trailers, fifth wheels and park models) to independent dealers and manufactured housing communities throughout the United States and Canada. Manufactured housing represents homes built according to a national code; modular housing represents homes built to a local code. 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.

Accounting Estimates 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. Key estimates would include accruals for warranty, workers' compensation and health insurance.

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 financial 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.

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

Accounts Receivable Trade receivables are based on the amounts billed to dealers and communities. The Corporation does not accrue interest on any of its trade receivables, nor does it have an allowance for credit losses due to favorable collections experience. If a loss occurs, the Corporation's policy is to recognize it in the period when collectability cannot be reasonably assured.

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.

Property, Plant and Equipments Property, plant and equipment are 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 reporting purposes. Estimated useful lives for significant classes of property, plant and equipment, including idle property, are as follows: Building and improvements 10 to 30 years; machinery and equipment 5 to 8 years. At May 31, 2012, Idle property, net of accumulated depreciation consisted of manufacturing facilities in the following locations: Hemet, California; Ocala, Florida; Elkhart, Indiana; Halstead, Kansas; Mocksville, North Carolina and Fair Haven, Vermont. At May 31, 2011, Idle property, net of accumulated depreciation consisted of manufacturing facilities in: Hemet, California; Ocala, Florida; Halstead Kansas; Mocksville, North Carolina and Ephrata, Pennsylvania.

Long-lived assets are reviewed for impairment whenever events indicate that the carrying amount of an asset may not be recoverable from projected future cash flows. If the carrying value of a long-lived asset is impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value. The Company believes no impairment of long-lived assets exists at May 31, 2012.

Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements (Continued)

NOTE 1 Nature of Operations, Accounting Policies of Consolidated Financial Statements (Continued)

Warranty The Corporation provides the retail purchaser of its 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.

Income Taxes The Corporation recognizes deferred tax assets based on differences between the carrying values of assets for financial and tax reporting purposes. The realization of the deferred tax assets is dependent upon the generation of sufficient future taxable income. Generally accepted accounting principles require that an entity consider both negative and positive evidence in determining whether a valuation allowance is warranted. In comparing negative and positive evidence, continual losses in recent years is considered significant, negative, objective evidence that deferred tax assets may not be realized in the future, and generally is assigned more weight than subjective positive evidence of the realizability of deferred tax assets. As a result of its extensive evaluation of both positive and negative evidence, management maintains a full valuation allowance against its deferred tax assets.

The Corporation reports a liability, if any, for unrecognized tax benefits resulting from uncertain tax positions taken or expected to be taken in a tax return. The Corporation recognizes interest and penalties, if any, related to unrecognized tax benefits in income tax expense.

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 not affected by income taxes in fiscal 2012 and 2011.

Recently issued accounting pronouncements There have been no recently issued accounting pronouncements that had a material effect on the Corporation's financial condition or results of operations.

Management's Plan The Corporation's management actively pursued and continues to pursue strategies to increase sales and decrease costs. These strategies include but are not limited to:

Increasing efforts to increase sales of modular homes and park models in both the United States and Canada

Improving the process of developing homes and recreational vehicles to better meet ever changing preferences of consumers

Increasing the number of display models at housing facilities in order to provide dealers, communities and consumers with examples of newly designed product

Redesigning the Corporation's website and utilizing social media to improve product exposure to customers and to better connect dealers to potential customers

Streamlining operations as evidenced by the closure of the Vermont and California facilities

Selling non-strategic assets such as the Florida and Pennsylvania facilities and the aircraft

Working with current and potential vendors to decrease costs

Analyzing staffing needs and making reductions when appropriate.

By implementing these strategies, and having a significant position of its working capital in cash and U.S. Treasury Bills, the Corporation continues to remain diligent for any challenges that may occur.

Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements (Continued)

NOTE 2 Investments

The following is a summary of investments:

| | Gross Amortized Costs | Gross Unrealized Gain (Dollars in thousands) | Fair Value |
|----------------------|-----------------------------|---|---------------|
| May 31, 2012 | | | |
| U. S. Treasury Bills | \$ 16,998 | \$ 5 | \$ 17,003 |
| May 31, 2011 | | | |
| U. S. Treasury Bills | \$ 34,994 | \$ 11 | \$ 35,005 |

The fair value is determined by a secondary market for U.S. Government Securities. At May 31, 2011, the U.S. Treasury Bills matured within five months. At May 31, 2012, the U.S. Treasury Bills matures within four months.

NOTE 3 Inventories

Total inventories consist of the following:

| | May 31, 2012 2011 (Dollars in thousands) | |
|-----------------|--|----------|
| Raw materials | \$ 4,743 | \$ 5,016 |
| Work in process | 2,543 | 3,300 |
| Finished goods | 1,073 | 404 |
| | \$ 8,359 | \$ 8,720 |

NOTE 4 Property, Plant and Equipment

During fiscal 2012, the Corporation sold two idle housing facilities located in Ocala, Florida and Ephrata, Pennsylvania. The gain on the sale of the facilities was \$1,114,000 and \$1,386,000, respectively. In addition, the Corporation sold its aircraft for a gain of \$684,000.

NOTE 5 Other Assets

Other assets consist primarily of the cash surrender value of life insurance policies which aggregated \$6,126,000 and \$5,582,000 at May 31, 2012 and 2011, respectively.

Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements (Continued)

NOTE 6 Warranty

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

| | Year Ended May 31, | |
|--|------------------------|----------|
| | 2012 | 2011 |
| | (Dollars in thousands) | |
| Balance at the beginning of the period | \$ 4,966 | \$ 4,839 |
| Accruals for warranties | 5,990 | 5,040 |
| Settlements made during the period | (5,086) | (4,913) |
| Balance at the end of the period | 5,870 | 4,966 |
| Non-current balance included in other deferred liabilities | 2,000 | 1,600 |
| Accrued warranty and related expenses | \$ 3,870 | \$ 3,366 |

NOTE 7 Other Deferred Liabilities

Other deferred liabilities consist of the following:

| | May 31, | |
|---------------------------------------|------------------------|----------|
| | 2012 | 2011 |
| | (Dollars in thousands) | |
| Deferred compensation expense | \$ 6,011 | \$ 5,744 |
| Accrued warranty and related expenses | 2,000 | 1,600 |
| | \$ 8,011 | \$ 7,344 |

Additional information regarding deferred compensation expense is in Note 12.

NOTE 8 Income Taxes

The Corporation had no federal and state income tax benefit for the years ended May 31, 2012 and 2011.

The difference between the Corporation's statutory federal income tax rate 34 percent in fiscal 2012 and 2011, and the effective income tax rate is due primarily to state income taxes and changes in deferred tax assets valuation allowance and are as follows:

| | Year Ended May 31, | |
|--|------------------------|------------|
| | 2012 | 2011 |
| | (Dollars in thousands) | |
| Income taxes at statutory federal rate | \$ (6,584) | \$ (9,062) |

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| | | |
|---|-----------|-----------|
| State income taxes | (47) | (731) |
| State net operating loss | (1,047) | (1,699) |
| New Energy Efficient Home Credit | (117) | (297) |
| Alternative Fuel Credit | (12) | (19) |
| Other federal credits | (7) | (26) |
| Increase in deferred tax assets valuation allowance | 7,436 | 12,019 |
| Other, net | 378 | (185) |
| Income tax benefit | \$ | \$ |
| Effective tax rate | 0% | 0% |

Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements (Continued)

NOTE 8 Income Taxes (Continued)

Components of the net deferred tax assets include:

| | May 31, | |
|--|------------------------|----------|
| | 2012 | 2011 |
| | (Dollars in thousands) | |
| Current deferred tax assets | | |
| Accrued marketing programs | \$ 207 | \$ 196 |
| Accrued warranty expense | 1,842 | 1,352 |
| Accrued workers compensation | 843 | 1,031 |
| Accrued vacation | 345 | 383 |
| Other | 180 | 322 |
| Gross current deferred tax assets | 3,417 | 3,284 |
| Noncurrent deferred tax assets | | |
| Liability for certain post-retirement benefits | 2,286 | 2,167 |
| Accrued warranty expense | 525 | 643 |
| Federal net operating loss carryforward | 22,747 | 16,481 |
| Federal tax credit carryforward | 1,038 | 894 |
| State net operating loss carryforward | 6,775 | 5,728 |
| Depreciation | 755 | 569 |
| Other | (90) | 251 |
| Gross noncurrent deferred tax assets | 34,036 | 26,733 |
| Total gross deferred tax assets | 37,453 | 30,017 |
| Valuation allowance | (37,453) | (30,017) |
| Net deferred tax assets | \$ | \$ |

The Corporation's gross deferred tax assets of approximately \$37 million consist of approximately \$24 million in federal net operating loss and tax credit carryforwards, \$7 million in state net operating loss carryforwards and \$6 million resulting from temporary differences between financial and tax reporting. The federal net operating loss and tax credit carryforwards have a life expectancy of twenty years. The state net operating loss carryforwards have a life expectancy, depending on the state where a loss was incurred, between five and twenty years. If the Corporation, after considering future negative and positive evidence regarding the realization of deferred tax assets, determines that a lesser valuation allowance is warranted, it would record a reduction to income tax expense and the valuation allowance in the period of determination.

For the majority of taxing jurisdictions the Corporation is no longer subject to examination by taxing authorities for years before 2008. The Corporation did not incur any interest or penalties related to income tax matters in fiscal years 2012 and 2011.

NOTE 9 Commitments and Contingencies

The Corporation was contingently liable at May 31, 2012, under repurchase agreements with certain financial institutions providing inventory financing for dealers of its products. Under these arrangements, which are customary in the manufactured housing and recreational vehicle

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industries, the Corporation agrees to repurchase units in the event of default by the dealer at declining prices over the term of the agreement. The period to potentially repurchase units is between 12 to 24 months.

Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements (Continued)

NOTE 9 Commitments and Contingencies (Continued)

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 \$64 million at May 31, 2012 and \$52 million at May 31, 2011.

The risk of loss under these agreements is spread over many dealers 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 estimates the fair value of this commitment considering both the contingent losses and the value of the guarantee. This amount has historically been insignificant. The Corporation believes that any potential loss under the agreements in effect at May 31, 2012 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, | |
|------------------------------------|------------------------|-------|
| | 2012 | 2011 |
| | (Dollars in thousands) | |
| Number of units repurchased | | 1 |
| Obligations from units repurchased | \$ | \$ 14 |
| Net losses on repurchased units | \$ | \$ 1 |

The Corporation is a party to various legal proceedings in the normal course of business. One settled proceeding in particular is the case of *FEMA Trailer Formaldehyde Product Liability Litigation*, Multidistrict Litigation (MDL) No. 1873, before the United States District Court, Eastern District of Louisiana. This MDL relates to alleged formaldehyde exposure in emergency housing units provided by the Federal Emergency Management Agency (FEMA) to individuals displaced by Hurricanes Katrina and Rita. Although the Corporation did not have a contract with FEMA, its independent recreational vehicle dealers sold recreational vehicles to the agency.

During the third quarter of fiscal 2012, the court presiding over the MDL issued an order to have plaintiffs and defendants participate in mediation. From this mediation the Corporation and the plaintiffs agreed to a settlement of \$737,000. In accruing for the settlement, an expense of approximately \$400,000 was recognized in the third quarter. The Corporation remitted the \$737,000 to the United States District Court, Eastern District of Louisiana in the fourth quarter of fiscal 2012.

The Corporation believes that any losses from any pending legal proceedings would not have a material adverse effect on the results of operations or financial position.

The Corporation leases office and manufacturing equipment under non-cancelable operating lease agreements. Leases have various renewal terms, and generally provide that the Corporation pays the cost of insurance, taxes and maintenance. Lease expense totaled approximately \$440,000 and \$381,000 for fiscal years 2012 and 2011, respectively.

Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements (Continued)

NOTE 9 Commitments and Contingencies (Continued)

Future minimum lease commitments under operating leases are as follows:

| Year Ending May 31, | Amount (Dollars in thousands) |
|---------------------|-------------------------------------|
| 2013 | \$ 331 |
| 2014 | 258 |
| 2015 | 176 |
| 2016 | 101 |
| 2017 | 19 |
| Thereafter | 15 |
| | \$ 900 |

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 10 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 2012 and 2011, the Corporation did not acquire any shares of its common stock. At May 31, 2012, the Corporation had authorization to repurchase an additional 391,300 of its common stock.

NOTE 11 Profit Sharing and 401(K) Plans

The Corporation has two defined contribution profit sharing plans (Plans), which together cover substantially all of its employees. The Corporation has the right to modify, suspend or discontinue contributions. Assets of the Plans are invested primarily in mutual funds which have as underlying assets United States Government Securities. No contributions were made for the fiscal years ended May 31, 2012 and 2011.

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.

On June 1, 2012, the assets of the two Profit Sharing Plans merged into the 401(k) Plan. Additional information regarding the merger is located in the Defined Contribution Profit Sharing and 401(k) Plan section of the Corporation's 2012 Proxy Statement.

Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements (Continued)

NOTE 12 Retirement and Death Benefit Plans

The Corporation has entered into various arrangements with certain employees or former employees for benefits to be paid in the following manner:

to an employee's estate in the event of death

to an employee in the event of retirement or disability to be paid over 10 years beginning at the date of retirement or disability

in the event of death, the employee's beneficiary will receive the balance due the employee

The Corporation also purchased life insurance contracts on the covered employees or former 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 4.5 percent in fiscal 2012 and 5.5 percent in fiscal 2011. The current and non-current amounts accrued for such arrangements totaled \$6,316,000 and \$6,049,000 at May 31, 2012 and 2011, respectively. The amount charged to operations under these arrangements was \$414,000 and \$101,000 for fiscal 2012 and 2011, respectively.

NOTE 13 Industry Segment Information

The Corporation designs, produces and markets manufactured housing, modular housing and recreational vehicles (travel trailers, fifth wheels and park models). Manufactured housing represents homes built according to a national building code; modular housing represents homes built to a local building code. The percentage allocation of housing and recreational vehicle net sales is:

| | Year Ended May 31, | |
|-----------------------------|-----------------------|------|
| | 2012 | 2011 |
| Manufactured Housing | | |
| Domestic | 48% | 50% |
| Canadian | | 1 |
| | 48 | 51 |
| Modular Housing | | |
| Domestic | 9 | 8 |
| Canadian | 3 | 1 |
| | 12 | 9 |
| Total Housing | 60 | 60 |
| Recreational Vehicles | | |
| Domestic | 30 | 30 |
| Canadian | 10 | 10 |
| Total Recreational Vehicles | 40 | 40 |
| | 100% | 100% |

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Total operating loss represents operating losses before interest income and benefit from income taxes with non-traceable operating expenses being allocated to industry segments based on percentages of net sales. General corporate expenses are not allocated to the industry segments.

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

Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements (Continued)

NOTE 13 Industry Segment Information (Continued)

| | Year Ended May 31 | |
|--|------------------------|-------------|
| | 2012 | 2011 |
| | (Dollars in thousands) | |
| NET SALES | | |
| Manufactured Housing | | |
| Domestic | \$ 87,487 | \$ 81,880 |
| Canadian | | 830 |
| | 87,487 | 82,710 |
| Modular Housing | | |
| Domestic | 15,852 | 13,039 |
| Canadian | 5,818 | 2,173 |
| | 21,670 | 15,212 |
| Total Housing | 109,157 | 97,922 |
| Recreational Vehicles | | |
| Domestic | 55,003 | 47,868 |
| Canadian | 18,686 | 16,537 |
| Total Recreational Vehicles | 73,689 | 64,405 |
| Total Net sales | \$ 182,846 | \$ 162,327 |
| LOSS BEFORE INCOME TAXES | | |
| Operating Loss | | |
| Housing | \$ (13,440) | \$ (17,026) |
| Recreational vehicles | (6,808) | (7,490) |
| General corporate expense | (2,318) | (2,172) |
| Gain on sale of idle property, plant and equipment | 3,184 | |
| Total operating loss | (19,382) | (26,688) |
| Interest income | 17 | 61 |
| Loss before income taxes | \$ (19,365) | \$ (26,627) |
| IDENTIFIABLE ASSETS | | |
| Operating assets | | |
| Housing | \$ 40,985 | \$ 42,111 |
| Recreational vehicles | 20,873 | 21,994 |
| Total operating assets | 61,858 | 64,105 |
| U.S. Treasury bills | 16,998 | 34,994 |
| Total assets | \$ 78,856 | \$ 99,099 |

Skyline Corporation and Subsidiary Companies

Notes to Consolidated Financial Statements (Continued)

NOTE 13 Industry Segment Information (Continued)

| | Year Ended May 31 | |
|-----------------------------|------------------------|----------|
| | 2012 | 2011 |
| | (Dollars in thousands) | |
| DEPRECIATION | | |
| Housing | \$ 1,762 | \$ 2,171 |
| Recreational vehicles | 597 | 512 |
| Total depreciation | \$ 2,359 | \$ 2,683 |
| CAPITAL EXPENDITURES | | |
| Housing | \$ 450 | \$ 522 |
| Recreational vehicles | 164 | 294 |
| Total capital expenditures | \$ 614 | \$ 816 |

NOTE 14 Financial Summary by Quarter Unaudited
Financial Summary by Quarter

| 2012 | 1 st Quarter | 2 nd Quarter | 3 rd Quarter | 4 th Quarter | Year |
|----------------------|--|-------------------------------|-------------------------------|-------------------------------|-------------|
| | (Dollars in thousands, except per share amounts) | | | | |
| Net sales | \$ 50,284 | \$ 45,296 | \$ 36,805 | \$ 50,461 | \$ 182,846 |
| Gross profit (loss) | 1,044 | 1,265 | (692) | 3,267 | 4,884 |
| Net loss | (6,845) | (3,422) | (7,387) | (1,711) | (19,365) |
| Basic loss per share | (.82) | (.40) | (.88) | (.21) | (2.31) |
| 2011 | 1st Quarter | 2nd Quarter | 3rd Quarter | 4th Quarter | Year |
| | (Dollars in thousands, except per share amounts) | | | | |
| Net sales | \$ 45,827 | \$ 36,621 | \$ 31,776 | \$ 48,103 | \$ 162,327 |
| Gross profit (loss) | 1,747 | (623) | (1,718) | 2,396 | 1,802 |
| Net loss | (6,065) | (7,756) | (8,742) | (4,064) | (26,627) |
| Basic loss per share | (.72) | (.93) | (1.04) | (.48) | (3.17) |

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

None

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of May 31, 2012, 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 for the period ended May 31, 2012.

Management's Assessment on Internal Controls 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.

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, 2012.

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, 2012 that materially affected, or is reasonably likely to materially affect, the Corporation's internal control over financial reporting.

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, 2012. In addition, on September 26, 2011 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 26, 2011. 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 | 76 | Chairman and Chief Executive Officer |
| Charles W. Chambliss | 62 | Vice President-Product Development and Engineering |
| Terrence M. Decio | 60 | Vice President-Marketing and Sales |
| Martin R. Fransted | 60 | Corporate Controller and Secretary |
| Bruce G. Page | 62 | Vice President-Chief Operating Officer |
| Jon S. Pilarski | 49 | 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. Mr. Chambliss retired as Vice President-Product Development and Engineering on June 1, 2012.

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.

Bruce G. Page, Vice President-Chief Operating Officer, joined the Corporation in 1969 and was elected Chief Operating Officer in 2011. He previously served as Vice President-Operations from 2006 to 2011, and Director of Operations from 2005 to 2006.

Jon S. Pilarski, Vice President-Finance & Treasurer, 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: Director Qualifications and Biographical Information ; Committees ; Code of Business Conduct and Ethics ; and Section 16(a) Beneficial Ownership Reporting Compliance. The Proxy Statement for the Annual Meeting of Shareholders to be held on September 24, 2012 is incorporated herein by reference.

Item 11. Executive Compensation.

Information regarding executive compensation is available in the Executive Compensation section of the Corporation's Proxy Statement.

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

Information regarding certain beneficial owners is available in the Security Ownership of Management and 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 All 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 |
| 101.INS | XBRL Instance Document. |
| 101.SCH | XBRL Taxonomy Extension Schema Document. |
| 101.CAL | XBRL Taxonomy Extension Calculation Linkbase Document. |
| 101.LAB | XBRL Taxonomy Extension Label Linkbase Document. |
| 101.PRE | XBRL Taxonomy Extension Presentation Linkbase Document |

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, 2012

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 | Vice President-Finance & Treasurer, Chief Financial Officer | July 23, 2012 |
| Jon S. Pilarski | | |
| BY: /s/ Martin R. Fransted | Corporate Controller and Secretary | July 23, 2012 |
| Martin R. Fransted | | |
| BY: /s/ Arthur J. Decio | Director | July 23, 2012 |
| Arthur J. Decio | | |
| BY: /s/ John C. Firth | Director | July 23, 2012 |
| John C. Firth | | |
| BY: /s/ Jerry Hammes | Director | July 23, 2012 |
| Jerry Hammes | | |
| BY: /s/ William H. Lawson | Director | July 23, 2012 |
| William H. Lawson | | |
| BY: /s/ David T. Link | Director | July 23, 2012 |
| David T. Link | | |
| BY: /s/ Andrew J. McKenna | Director | July 23, 2012 |

Andrew J. McKenna