

**CHARTER OF THE AUDIT COMMITTEE
OF
THE BOARD OF DIRECTORS
OF
SKYLINE CORPORATION**

The Audit Committee shall consist of at least three (3) directors, all of whom are independent (as defined in Section 17 of the Code of Federal Regulations) of management of the Corporation and any of its subsidiaries and free from any relationship that, in the judgment of the Board of Directors, would interfere with the exercise of independent judgment respecting the matters over which the Committee is given authority. The Board shall also determine that each member is financially literate and that one member of the Audit Committee has accounting or related financial management expertise as such qualifications are interpreted by the Board of Directors in its business judgment and whether any member of the Audit Committee is an Audit Committee financial expert as defined by the rules of the Securities and Exchange Commission.

No Director shall serve as a member of the Audit Committee if such Director serves on the Audit Committees of more than two other public companies unless the Board of Directors determines that such simultaneous service would not impair the ability of such Director to effectively serve on the Audit Committee, and discloses this determination in the Corporation's annual proxy statement.

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

The Audit Committee shall assist the Board of Directors to oversee the Corporation's financial reporting processes, its internal financial control structures and its internal and external financial audit processes. The Committee's purpose includes assisting the Board's oversight of integrity of the financial statements, the Corporation's compliance with legal and regulatory requirements, the independent auditors' qualifications and independence and the performance of the Corporation's internal audit functions and independent auditors. The Committee shall conduct an annual self-evaluation.

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

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

- The quality, scope, independence, and procedures of the independent auditors' and their audits of the Corporation's financial statements.
- The quality, appropriateness and implementation of the Corporation's significant accounting policies.
- Audit conclusions respecting significant estimates and adjustments.
- The disclosure, treatment or resolution of any material weakness in financial reporting or controls or reportable conditions identified by management, the internal audit department or the independent auditors.
- The quality, adequacy and appropriateness of the Corporation's internal financial control structures, including any circumstances in which such controls may be overridden or compromised.
- The quality, adequacy and appropriateness of the Corporation's internal auditing processes.
- Disagreements among management, the internal audit department or the independent auditors.
- The assessment of material risks or contingencies that may affect the Corporation's financial reporting including the risk of liability associated with litigation or noncompliance with law.
- The Corporation's compliance with legal and regulatory requirements.
- The preparation of such reports as may be required by SEC rules.
- The policies with respect to risk assessment and risk management shall be discussed and reviewed periodically by the Audit Committee.
- To set clear hiring policies for employees or former employees of the independent auditors.
- Such other matters affecting the quality, integrity or accuracy of the Corporation's financial reporting as the Committee deems relevant to any of the forgoing matters.

Committee Duties and Responsibilities

To carry out its purposes, the Audit Committee shall have the following duties and responsibilities:

1. With respect to independent auditors:
 - (i) To be directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditors (including the resolution of the

disagreements between management and the independent auditors regarding financial reporting), who shall report directly to the Audit Committee;

- (ii) To be directly responsible for the appointment, compensation, retention and oversight of the work of any other registered public accounting firm engaged for the purpose of preparing or issuing an audit report or to perform audit, review or attestation services, which firm shall also report directly to the Audit Committee;
 - (iii) To pre-approve, or to adopt appropriate procedures to pre-approve, all audit and non-audit services to be provided by the independent auditors;
 - (iv) To ensure that the independent auditors prepare and deliver annually an Auditors' Statement (it being understood that the independent auditors are responsible for the accuracy and completeness of this Statement), and to discuss with the independent auditors any relationships or services disclosed in this Statement that may impact the quality of audit services or the objectivity and independence of the Corporation's independent auditors;
 - (v) To obtain from the independent auditors in connection with any audit a timely report relating to the Corporation's annual audited financial statements describing all critical accounting policies and practices used, all alternative treatments within generally accepted accounting principles for policies and practices related to material items that have been discussed with management, ramifications of the use of such alternative disclosures and treatments preferred by the independent auditors, and any material written communications between the independent auditors and management, such as "management" letter or schedule of unadjusted differences;
 - (vi) To review and evaluate the qualifications, performance and independence of the lead partner of the independent auditors;
 - (vii) To discuss with management the timing and process for implementing the rotation of the lead audit partner, the concurring partner and any other active audit engagement team partner and consider whether there should be a regular rotation of the audit firm itself;
 - (viii) To review and approve all related party transactions of the Corporation; and
 - (ix) To take into account the opinions of management and the Corporation's internal auditors in assessing the independent auditors' qualifications, performance and independence.
2. With respect to the internal auditing department:
- (i) To review the appointment and replacement of the director of the internal auditing department; and

- (ii) To advise the director of the internal auditing department that he or she is expected to provide to the Audit Committee summaries of and, as appropriate, the significant reports to management prepared by the internal auditing department and management's responses thereto.
3. With respect to accounting principles and policies, financial reporting and internal control over financial reporting:
- (i) To advise management, the internal auditing department and the independent auditors that they are expected to provide to the Audit Committee a timely analysis of significant issues and practices relating to accounting principles and policies, financial reporting and internal control over financial reporting;
- (ii) To consider any reports or communications (and management's and/or the internal audit department's responses thereto) submitted to the Audit Committee by the independent auditors required by or referred to in SAS 61 (as codified by AU Section 380), as it may be modified or supplemented or other professional standards, including reports and communications related to:
- Deficiencies, including significant deficiencies or material weaknesses, in internal control identified during the audit or other matters relating to internal control over financial reporting;
 - Consideration of fraud in a financial audit;
 - Detection of illegal acts;
 - The independent auditors' responsibility under generally accepted auditing standards;
 - Any restriction on audit scope;
 - Significant accounting policies;
 - Significant issues discussed with the national office respecting auditing or accounting issues presented by the engagement;
 - Management judgments and accounting estimates;
 - Any accounting adjustments arising from the audit that were noted or proposed by the auditors but were passed (as immaterial or otherwise);
 - The responsibility of the independent auditors for other information in documents containing audited financial statements;
 - Disagreements with management;
 - Consultation by management with other accountants;

- Major issues discussed with management prior to retention of the independent auditors;
 - Difficulties encountered with management in performing the audit;
 - The independent auditors' judgments about the quality of the entity's accounting principles;
 - Reviews of interim financial information conducted by the independent auditors; and
 - The responsibilities, budget and staffing of the Corporation's internal audit function.
- (iii) To meet with management, the independent auditors and, if appropriate, the director of the internal auditing department:
- To discuss the scope of the annual audit;
 - To review and discuss the annual audited financial statements and quarterly financial statements, including the Corporation's specific disclosures under "Management's Discussion and Analysis of Financial Condition and Results of Operations;"
 - To discuss any significant matters arising from any audit, including any audit problems or difficulties, whether raised by management, the internal auditing department or the independent auditors, relating to the Corporation's financial statements;
 - To discuss any difficulties the independent auditors encountered in the course of the audit, including any restrictions on their activities or access to requested information and any significant disagreements with management;
 - To discuss any "management" or "internal control" letter issued, or proposed to be issued, by the independent auditors to the Corporation;
 - To review the form of opinion the independent auditors propose to render to the Board of Directors and shareholders; and
 - To discuss, as appropriate (a) any major issues regarding accounting principles and financial statement presentations, including any significant changes in the Corporation's selection or application of accounting principles, and major issues as to the adequacy of the Corporation's internal controls and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management and/or the independent auditors setting forth significant financial reporting issues and

judgment made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; and (c) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Corporation;

- (iv) To inquire of the Corporation's Chief Executive Officer and Chief Financial Officer as to the existence of any significant deficiencies or material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Corporation's ability to record, process, summarize and report financial information, and as to the existence of any fraud, whether or not material, that involves management or other employees who have a significant role in the Corporation's internal control over financial reporting;
- (v) To discuss guidelines and policies governing the process by which senior management of the Corporation and the relevant departments of the Corporation assess and manage the Corporation's exposure to risk, and to discuss the Corporation's major financial risk exposures and the steps management has taken to monitor and control such exposures;
- (vi) To obtain from the independent auditors assurance that the audit was conducted in a manner consistent with Section 10A of the Securities Exchange Act of 1934, as amended, which sets forth certain procedures to be followed in any audit of financial statements required under the Securities Exchange Act of 1934;
- (vii) To discuss with the Corporation's General Counsel any significant legal, compliance or regulatory matters that have a material effect on the financial statements or the Corporation's business, financial statements or the Corporation's business, financial statements or compliance policies, including material notices to or inquiries received from governmental agencies;
- (viii) To discuss and review the type and presentation of information to be included in earning press releases;
- (ix) To discuss the types of financial information and earning guidance provided, and types of presentations made, to analysts and ratings agencies;
- (x) To establish procedures for the receipt, retention and treatment of complaints receive by the Corporation regarding accounting, internal accounting control or auditing matters, and for the confidential, anonymous submission by Corporation employees of concerns regarding questionable accounting or auditing matters;
- (xi) To review and discuss any reports concerning material violations submitted to it by Corporation attorneys or outside counsel pursuant to the SEC attorney professional responsibility rules or otherwise; and
- (xii) To establish hiring policies for employees or former employees of the independent auditors.

4. With respect to reporting and recommendations:
 - (i) To prepare any report or other disclosures, including any recommendations of the Audit Committee, required by the rules of the SEC to be included in the Corporation's annual proxy statement;
 - (ii) To review and reassess the adequacy of this Charter at least annually and recommend any changes to the full Board of Directors;
 - (iii) To report its activities to the full Board of Directors on a regular basis and to make such recommendations with respect to the above and other matters as the Audit Committee may deem necessary or appropriate; and
 - (iv) To prepare and review with the Board and annual performance evaluation of the Audit Committee, which evaluation of the Audit Committee must compare the performance of the Audit Committee with the requirements of this Charter. The performance evaluation by the Audit Committee shall be conducted in such manner as the Audit Committee deems appropriate. The report to the Board may take the form of an oral report by the chairperson of the Audit Committee or any other member of the Audit Committee to make this report.

Resources and Authority of the Audit Committee

The Audit Committee shall have the resources and authority appropriate to discharge its duties and responsibilities, including the authority to select, retain, terminate, and approve the fees and other retention terms of special or independent counsel, accountants or other experts and advisors, as it deems necessary or appropriate, without seeking approval of the Board or management.

The Corporation shall provide for appropriate funding, as determined by the Audit Committee, in its capacity as a committee of the Board, for payment of:

1. Compensation to the independent auditors and any other public accounting firm engaged for the purpose of preparing or issuing an audit report or performing other audit, review or attest services for the Corporation;
2. Compensation of any advisers employed by the Audit Committee; and
3. Ordinary administrative expenses of the Audit Committee that are necessary or appropriate in carrying out its duties.

Investigations Procedure for Handling Complaints And Obtaining Advice

The Audit Committee has authority to require investigations and to obtain advice respecting the Corporation's Financial Matters and the Committee's exercise of its authority, as the Committee deems necessary or appropriate. Without limiting the forgoing, the Committee has authority to direct management, including the Corporation's counsel, the independent auditors and the director of internal audit to investigate any Financial Matters and related issues and to provide

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

Procedural Matters

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

At least annually, the Audit Committee shall obtain and review a report by the independent auditor describing: the firm's internal quality-control procedures; any material issues raised by the most recent internal quality-control review or purview of the firm, or by any inquiry or investigation by governmental or professional authorities, within the preceding five (5) years, respecting one or more independent audits carried out by the firm, and any steps taken to deal with any such issues; and (to assess the auditor's independence, all relationships between the independent auditor and the Corporation). The Committee shall also obtain from the auditors all items required for the proxy statement relating to the auditors' compensation.

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

The Audit Committee shall meet separately, periodically, with management, with internal auditors, and with the independent auditors, and shall further report regularly to the Board of Directors.

ADOPTED BY THE BOARD OF DIRECTORS this 16th day of June, 2005.