

SKYLINE CORP  
Form PRER14A  
April 19, 2018

**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**SCHEDULE 14A INFORMATION**

**Proxy Statement Pursuant to Section 14(a) of the Securities Exchange Act of 1934**

**(Amendment No. 2)**

Filed by the Registrant

Filed by a party other than the Registrant

Check the appropriate box:

Preliminary Proxy Statement

Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))

Definitive Proxy Statement

Definitive Additional Materials

Soliciting Material under § 240.14a-12

**Skyline Corporation**

(Name of Registrant as Specified In Its Charter)

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

Payment of Filing Fee (Check the appropriate box):

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\_\_\_\_\_

(4) Date Filed:

\_\_\_\_\_

\_\_\_\_\_

**PRELIMINARY PROXY STATEMENT DATED APRIL 19, 2018.**

**SUBJECT TO COMPLETION.**

[ ], 2018

Dear Shareholder:

You are cordially invited to attend the Special Meeting of Shareholders (the *Special Meeting*) of Skyline Corporation ( *Skyline* or the *Company* ), which will be held on [ ], 2018 at [ ] [a.m./p.m.] Eastern Time at the [ ], located at [ ], Indi [ ]. This proxy statement contains your official notice of the Special Meeting and includes information about the matters to be acted upon at the meeting. Officers and directors of Skyline will be on hand at the Special Meeting to answer questions and discuss matters that may properly arise.

On January 5, 2018, Skyline entered into a Share Contribution & Exchange Agreement (the *Exchange Agreement*) with Champion Enterprises Holdings, LLC ( *Champion Holdings* ), pursuant to which Champion Holdings agreed to, among other things, contribute, transfer, and convey to Skyline all of the issued and outstanding shares of common stock of Champion Holdings wholly-owned operating subsidiaries through the contribution of all of the issued and outstanding equity interests of each of Champion Home Builders, Inc., a Delaware corporation ( *CHB* ), and CHB International B.V., a Dutch private limited liability company ( *CIBV* ) (the shares of stock of CHB and CIBV to be contributed to Skyline, the *Contributed Shares* ), in exchange for a number of newly issued shares of Skyline common stock, \$0.0277 par value per share (the *Exchange Shares* ), calculated to be equal to (i) an exchange ratio of 5.4516129, multiplied by (ii) the total number of shares of Skyline common stock outstanding on a fully diluted basis (as determined in the Exchange Agreement) as determined immediately prior to the closing of the transactions contemplated by the Exchange Agreement (the *Shares Issuance* ). The contribution of the Contributed Shares by Champion Holdings to Skyline, and the Shares Issuance by Skyline to Champion Holdings (or its members), are collectively referred to herein as the *Exchange*. Upon the closing of the Exchange, Champion Holdings (or its members) will hold 84.5%, and Skyline's current shareholders will hold 15.5%, of the outstanding common stock of the combined company on a fully-diluted basis. In addition, in connection with the closing of the Exchange, and subject to the approval by Skyline's shareholders of the matters submitted for approval at the Special Meeting, the persons serving on the Board of Directors and as the executive officers of Skyline will be changed to be those persons as designated by Champion Holdings and Skyline, as described further in this proxy statement.

In connection with the Exchange, our Board of Directors approved an amendment and restatement of our articles of incorporation to provide for, among other things, (i) the change in the name of the Company to Skyline Champion Corporation; (ii) an increase in the number of authorized shares of common stock of the Company from 15,000,000 to 115,000,000 shares; and (iii) a provision stating that the number of members of the Company's Board of Directors shall be as specified in the Company's bylaws (collectively, the *Company Charter Amendment* ). In connection with the approval of the Company Charter Amendment, the Company's shareholders are being asked to approve three proposals contained in this proxy statement (collectively, the *Charter Amendment Proposals* ).

A special committee of our Board of Directors (the *Special Committee* ), consisting solely of directors who have been determined by our Board of Directors to be independent under the rules of the NYSE American, after thorough review and consideration, unanimously determined that the Exchange Agreement and the transactions contemplated thereby, including the Exchange, are advisable to, fair, and in the best interests of the Company and its shareholders, approved the Exchange Agreement and the transactions contemplated thereby, including the Exchange, and recommended that our Board of Directors approve the Exchange Agreement and our

shareholders approve the Shares Issuance and the Charter Amendment Proposals. Our Board of Directors, based in part on the unanimous approval and recommendation of the Special Committee, and after thorough review and consideration, unanimously determined that the Exchange Agreement and the transactions contemplated thereby, including the Exchange, are advisable to, fair, and in the best interests of the Company and its shareholders, approved the Exchange Agreement and the transactions contemplated thereby, including the Exchange, and recommended that our shareholders approve the Shares Issuance and the Charter Amendment Proposals.

The Special Committee and our Board of Directors made their determinations after consultation with their financial advisor and their respective legal advisors, and after consideration of a number of factors. **THE BOARD OF DIRECTORS OF SKYLINE UNANIMOUSLY RECOMMENDS THAT YOU VOTE FOR THE APPROVAL OF THE PROPOSAL TO APPROVE THE SHARES ISSUANCE, FOR THE APPROVAL OF EACH OF THE CHARTER AMENDMENT PROPOSALS, FOR THE APPROVAL OF THE EXCHANGE-RELATED COMPENSATION PROPOSAL, AND FOR THE APPROVAL OF THE ADJOURNMENT PROPOSAL.**

The Exchange cannot be completed unless the holders of a majority of the outstanding shares of Skyline common stock entitled to vote on such proposal on the record date vote to adopt each of the Charter Amendment Proposals, and the votes cast by Skyline's shareholders in favor of the proposal to approve the Shares Issuance exceed the votes cast opposing such proposal. None of the Charter Amendment Proposals will be adopted unless each of them is approved. The accompanying proxy statement provides you with detailed information about the Exchange, the Exchange Agreement, the Shares Issuance, the Company Charter Amendment, the two related proposals, and the Special Meeting. A copy of the Exchange Agreement is attached as Appendix A to the accompanying proxy statement. We encourage you to read the entire proxy statement and its appendices, including the Exchange Agreement, carefully. You may also obtain additional information about Skyline from documents we have filed with the Securities and Exchange Commission.

Skyline's common stock is traded on the NYSE American under the trading symbol SKY. Skyline anticipates that the common stock of the combined company will be listed on the New York Stock Exchange following the completion of the Exchange under the trading symbol SKY. On January 4, 2018, the last day prior to the public announcement of the Exchange Agreement, the closing price of a share of Skyline common stock was \$12.83. On [ ], 2018, the latest practicable date before the date of this document, the closing price of a share of Skyline common stock was \$[ ].

**We urge you to read the proxy statement carefully, including the appendices to the proxy statement.** If you do not plan to attend the Special Meeting, to ensure your shares are represented at the meeting, please vote as soon as possible either by completing and submitting the enclosed proxy card or by using the telephone or Internet voting procedures described in your proxy card. If your shares are held in the name of a bank, broker, or other nominee, please follow the instructions on the voting instruction card furnished by such bank, broker, or other nominee in order to vote your shares. Please note that if your shares are held in the name of a bank, broker, or other nominee and you wish to vote at the Special Meeting, you must obtain a proxy issued in your name from that record holder prior to the Special Meeting and bring the proxy to the Special Meeting. **Your vote is very important, regardless of the number of shares of Skyline common stock you own. The failure to vote your shares will have the same effect as a vote AGAINST the approval of the Company Charter Amendment Proposals.**

Sincerely Yours,

Richard W. Florea  
Chief Executive Officer

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved the Exchange or the Exchange Agreement, passed upon the merits or fairness of the Exchange Agreement or the transactions contemplated thereby, or passed upon the adequacy or accuracy of the information contained in the proxy statement. Any representation to the contrary is a criminal offense.**

*This proxy statement is dated [ ], 2018, and is first being mailed to Skyline's shareholders on or about [ ], 2018.*

### AVAILABLE INFORMATION

This document makes reference to certain important business and financial information about Skyline from other documents that are not included in or delivered with this document. These documents are available to you without charge upon your written or oral request. Your requests for these documents should be directed to the following:

Skyline Corporation  
P.O. Box 743, 2520 By-Pass Road  
Elkhart, Indiana 46515  
Attention: Jon S. Pilarski, Chief Financial Officer  
(574) 294-6521

In order to ensure timely delivery of these documents, you should make your request by [ ], 2018 to receive them before the Skyline Special Meeting. You may also read and copy any materials filed by Skyline with the Securities and Exchange Commission ( *SEC* ) by accessing the SEC's website at [www.sec.gov](http://www.sec.gov), or at the SEC's Public Reference Room at 100 F Street, N.E., Washington, D.C. 20549. Skyline's periodic filings with the SEC may also be accessed on Skyline's website at [www.skylinecorp.com](http://www.skylinecorp.com). See *Where You Can Find More Information* on page 176.

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

**Elkhart, Indiana 46515**

**(574) 294-6521**

**Notice of Special Meeting of Shareholders**

**To Be Held on [ ], 2018**

To the Shareholders of Skyline Corporation:

We cordially invite you to attend the Special Meeting of Shareholders (the **Special Meeting**) of Skyline Corporation (**Skyline** or the **Company**) to be held on [ ], 2018, at [ ]:[ ] [a.m./p.m.], Eastern Time, at [ ], located at [ ]. Skyline and Champion Enterprises Holdings, LLC (**Champion Holdings**) have entered into a Share Contribution and Exchange Agreement (the **Exchange Agreement**), dated January 5, 2018 that sets forth the terms and conditions of the proposed business combination of Skyline and the operating subsidiaries of Champion Holdings. Under the Exchange Agreement, Champion Holdings will contribute all of the issued and outstanding shares (the **Contributed Shares**) of Champion Home Builders, Inc. and CHB International B.V., its direct, wholly-owned subsidiaries (together, the **Champion Companies**), in exchange for the issuance to Champion Holdings (or its members) of Skyline Common Stock (the **Exchange Shares**) (the **Exchange**). At the Special Meeting, you will be asked to vote on the following matters:

1. **Charter Amendment Proposal.** To approve and adopt three proposals (collectively, the **Charter Amendment Proposals**) which, if approved, will amend and restate the Restated Articles of Incorporation of Skyline (the **Articles**). Such proposals are as follows:

*Articles Amendment Proposal 1A.* A proposal to amend the Articles to change the name of the Company to Skyline Champion Corporation.

*Articles Amendment Proposal 1B.* A proposal to amend the Articles to increase the number of authorized shares of Skyline's common stock, par value \$0.0277 per share (**Common Stock**), from 15,000,000 to 115,000,000.

*Articles Amendment Proposal 1C.* A proposal to amend the Articles to provide that the number of directors to serve on the Company's board of directors shall be as specified in the Company's Amended and Restated By-Laws, as may be amended from time to time.



2. *Shares Issuance.* To approve the issuance of a number of newly issued shares of Skyline Common Stock (the **Exchange Shares** ) in connection with the Exchange and pursuant to the Exchange Agreement, calculated to be equal to (i) an exchange ratio of 5.4516129, multiplied by (ii) the total number of shares of Skyline Common Stock outstanding on a fully diluted basis (as determined in the Exchange Agreement) as determined immediately prior to the closing of the transactions contemplated by the Exchange Agreement (the **Shares Issuance** ) (the proposal to approve the Shares Issuance, the **Shares Issuance Proposal** ). Based on the number of shares of Skyline Common Stock, calculated on a fully diluted basis (as determined in the Exchange Agreement), as of [ ], 2018, the number of Exchange Shares that would be issued pursuant to the foregoing calculation is 47,828,330 shares.
  
3. *Shareholder Advisory (Non-Binding) Vote on Exchange-Related Compensation.* A proposal to approve, on a non-binding advisory basis, the compensation payable to the named executive officers of Skyline in connection with the Exchange (the **Exchange-Related Compensation Proposal** ).

4. *Adjournment.* To approve the adjournment of the Special Meeting, if necessary, to permit the solicitation of additional proxies in the event there are not sufficient votes, in person or by proxy, to approve any of the above proposals (the *Adjournment Proposal* ).
5. *Other Matters.* To transact any other business as may properly come before the Special Meeting or any adjournments of the Special Meeting. The board of directors is not aware of any other business to come before the Special Meeting.

The enclosed proxy statement describes the Exchange Agreement, the Exchange, and the proposals set forth above in detail, and includes the complete text of the Exchange Agreement as Appendix A, and a copy of the form of the Amended and Restated Articles of Incorporation of the proposed Skyline Champion Corporation as Appendix B. We urge you to read these materials for a description of the Exchange Agreement, the Exchange, the Amended and Restated Articles of Incorporation, and the Shares Issuance. In particular, you should carefully read the section captioned *Risk Factors* beginning on page 25 of the enclosed proxy statement for a discussion of certain risk factors relating to the Exchange Agreement and the Exchange. The Amended and Restated Articles of Incorporation will not be filed with the Indiana Secretary of State or become effective unless all of the Charter Amendment Proposals are approved at the Special Meeting.

Skyline's board of directors has fixed [ ], 2018 as the record date for the determination of shareholders entitled to notice of, and to vote at, the Special Meeting and any adjournment or postponement thereof. Only holders of record of shares of Skyline's Common Stock at the close of business on the record date are entitled to notice of, and to vote at, the Special Meeting. At the close of business on the record date, there were 8,391,244 shares of Skyline Common Stock outstanding and entitled to vote. The proxy statement accompanying this notice is deemed to be incorporated into and forms part of this notice. The accompanying proxy statement dated [ ], 2018 and proxy card for the Special Meeting are first being mailed to Skyline's shareholders on or about [ ], 2018.

Upon the recommendation of the Special Committee of Skyline's board of directors, Skyline's board of directors has unanimously approved the adoption of the Amended and Restated Articles of Incorporation and the Shares Issuance. **The board of directors of Skyline recommends that Skyline's shareholders vote (1) FOR the approval of each of Charter Amendment Proposals 1A, 1B, and 1C, (2) FOR the approval of the Shares Issuance Proposal, (3) FOR the approval of the Exchange-Related Compensation Proposal, and (4) FOR the approval of the Adjournment Proposal.**

**YOUR VOTE IS VERY IMPORTANT.** Each of the Charter Amendment Proposals must be approved by the holders of a majority of the outstanding shares of Skyline Common Stock, and in order for the Shares Issuance Proposal to be approved the votes cast by Skyline's shareholders in favor of the proposal must exceed the votes cast opposing such proposal. **IF YOU DO NOT RETURN YOUR PROXY CARD, VOTE BY TELEPHONE OR BY INTERNET, OR DO NOT VOTE IN PERSON AT THE SPECIAL MEETING, THE EFFECT WILL BE THE SAME AS A VOTE AGAINST EACH OF THE CHARTER AMENDMENT PROPOSALS.**

Whether or not you plan to attend the Special Meeting in person, we urge you to date, sign, and return promptly the enclosed proxy card in the accompanying envelope or vote by telephone or by Internet. You may revoke your proxy at any time before the Special Meeting by following the directions on the proxy card or by attending the Special Meeting and voting in person. If you hold your shares in street name with a bank, broker, or other nominee, and you wish to vote at the Special Meeting, you will need to obtain a proxy issued in your name from your bank, broker, or other nominee and bring the proxy to the Special Meeting.

Only shareholders and persons holding proxies from shareholders may attend the Special Meeting. If your shares are registered in your name, you should bring a form of photo identification to the Special Meeting. If your shares are held in the name of a broker, bank, or other nominee, you should bring a proxy or letter from that broker, bank, or other nominee that confirms you are the beneficial owner of those shares, together with a form of photo identification. Cameras, recording devices, and other electronic devices will not be permitted at the Special Meeting. All Skyline shareholders are cordially invited to attend the Special Meeting.

By Order of the Board of Directors,

Martin R. Fransted  
Corporate Controller and Secretary

Elkhart, Indiana  
[ ], 2018

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**TABLE OF CONTENTS**

	<b>Page</b>
<b><u>QUESTIONS AND ANSWERS ABOUT THE EXCHANGE AND THE SKYLINE SPECIAL MEETING</u></b>	1
<b><u>SUMMARY</u></b>	9
<u>The Companies</u>	9
<u>Special Meeting of Skyline's Shareholders; Required Vote</u>	10
<u>The Exchange</u>	10
<u>Recommendation of the Board of Directors of Skyline; Reasons for the Exchange</u>	10
<u>Opinion of Skyline's Financial Advisor</u>	11
<u>Overview of the Exchange Agreement</u>	11
<u>Voting Agreement</u>	12
<u>Ancillary Agreements to be Entered into in Connection With the Exchange</u>	13
<u>Management Following the Exchange</u>	14
<u>Interests of Certain Directors, Officers, and Affiliates of Skyline</u>	14
<u>Indemnification of Skyline's Directors and Officers</u>	15
<u>Material U.S. Federal Income Tax Consequences of the Exchange</u>	15
<u>Risk Factors</u>	16
<u>Regulatory Approvals</u>	16
<u>Stock Market Listing</u>	16
<u>Anticipated Accounting Treatment</u>	16
<u>No Dissenters' Rights</u>	17
<u>Additional Information</u>	17
<b><u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF SKYLINE</u></b>	18
<b><u>SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF CHAMPION HOLDINGS</u></b>	19
<b><u>SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA OF SKYLINE AND CHAMPION HOLDINGS</u></b>	20
<b><u>COMPARATIVE HISTORICAL AND UNAUDITED PRO FORMA PER SHARE DATA</u></b>	22
<b><u>MARKET PRICE AND SHARE INFORMATION</u></b>	24
<b><u>RISK FACTORS</u></b>	25
<u>Risks Relating to the Exchange</u>	25
<u>Risks Relating to Skyline</u>	32
<u>Risks Relating to Champion Holdings</u>	34
<b><u>CAUTIONARY STATEMENTS CONCERNING FORWARD-LOOKING INFORMATION</u></b>	42
<b><u>THE SPECIAL MEETING OF SKYLINE'S SHAREHOLDERS</u></b>	44
<u>General</u>	44
<u>Date, Time, and Place</u>	44
<u>Purpose of the Special Meeting</u>	44
<u>Recommendation of Skyline's Board of Directors</u>	44
<u>Record Date and Voting; Quorum</u>	45
<u>Vote Required</u>	45
<u>Shares Held by Officers and Directors</u>	46

<u>Voting Procedures</u>	46
<u>Other Business</u>	47
<u>Revocation of Proxies</u>	48

	<b>Page</b>
<u>Solicitation of Proxies; Expenses</u>	48
<u>Assistance</u>	48
<b><u>SECURITY OWNERSHIP OF CERTAIN BENEFICIAL HOLDERS AND MANAGEMENT OF SKYLINE</u></b>	49
<b><u>COMBINED COMPANY SECURITY OWNERSHIP</u></b>	51
<b><u>THE EXCHANGE</u></b>	53
<u>General Description of the Exchange</u>	53
<u>Background of the Exchange</u>	54
<u>Skyline's Reasons for the Exchange; Recommendation of Skyline's Board of Directors</u>	66
<u>Champion Holdings' Reasons for the Exchange</u>	69
<u>Negotiations, Transactions, or Material Contacts</u>	69
<u>Opinion of the Financial Advisor to the Skyline Board of Directors</u>	70
<u>Certain Projected Financial Information</u>	76
<u>Interests of the Skyline Directors and Executive Officers in the Exchange</u>	78
<u>Plans for Skyline After the Exchange</u>	85
<u>Ownership of Skyline After the Exchange</u>	85
<u>Effects on Skyline if the Exchange is Not Consummated</u>	86
<u>Changes to the Rights of Skyline's Shareholders</u>	86
<u>Limitations of Liability and Indemnification of the Skyline and Champion Holdings Officers and Directors</u>	86
<u>Exchange Consideration</u>	86
<u>The Exchange Shares</u>	86
<u>Completion of the Exchange</u>	87
<u>Regulatory Approvals</u>	87
<u>Voting Agreement</u>	88
<u>Accounting Treatment</u>	89
<u>Stock Market Listing</u>	89
<u>Material U.S. Federal Income Tax Consequences of the Exchange to Holders of Skyline Common Stock</u>	89
<u>Material U.S. Federal Income Tax Consequences of the Pre-Closing Special Dividend to</u>	
<u>    Holders of Skyline Common Stock</u>	90
<u>    Federal Securities Law Consequences</u>	91
<u>    No Dissenters' or Appraisal Rights</u>	91
<b><u>THE EXCHANGE AGREEMENT</u></b>	92
<u>Terms of the Exchange</u>	92
<u>Completion of the Exchange</u>	92
<u>Directors and Officers</u>	92
<u>Amendments to the Restated Articles of Incorporation of Skyline</u>	93
<u>Representations and Warranties</u>	93
<u>Material Adverse Effect</u>	94
<u>Certain Covenants of the Parties</u>	96
<u>No Solicitation</u>	106
<u>Board Recommendations</u>	108
<u>Special Meeting of Shareholders</u>	109
<u>Indemnification of Directors and Officers</u>	109

<u>Governance Matters Upon Completion of the Exchange</u>	110
<u>Conditions to the Completion of the Exchange</u>	110
<u>Termination of the Exchange Agreement</u>	112
<u>Termination Fees and Expenses</u>	113

	<b>Page</b>
<u>Amendments</u>	114
<u>Governing Law</u>	114
<b><u>ANCILLARY AGREEMENTS TO BE ENTERED INTO IN CONNECTION WITH THE EXCHANGE</u></b>	115
<u>Registration Rights Agreement</u>	115
<u>Investor Rights Agreement</u>	115
<u>Transition Services Agreement</u>	115
<b><u>INFORMATION ABOUT SKYLINE S BUSINESS</u></b>	115
<b><u>COMPARISON OF THE MATERIAL TERMS OF SKYLINE S CURRENT RESTATED ARTICLES OF INCORPORATION AND AMENDED AND RESTATED ARTICLES OF INCORPORATION</u></b>	116
<b><u>INFORMATION ABOUT CHAMPION HOLDINGS BUSINESS</u></b>	116
<u>Overview</u>	116
<u>Products and Services</u>	117
<u>Champion Holdings Competitive Strengths</u>	118
<u>Champion Holdings Strategy</u>	119
<u>Sales and Marketing</u>	120
<u>Purchasing</u>	121
<u>Customers</u>	121
<u>Competition</u>	121
<u>Employees</u>	121
<u>Properties</u>	121
<u>Corporate Information</u>	122
<b><u>MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF CHAMPION HOLDINGS</u></b>	123
<b><u>PROPOSAL #1 APPROVAL OF CHARTER AMENDMENT</u></b>	146
<b><u>PROPOSAL #2 SHARES ISSUANCE PROPOSAL</u></b>	149
<b><u>PROPOSAL #3 NON-BINDING ADVISORY VOTE ON EXCHANGE-RELATED COMPENSATION</u></b>	150
<b><u>PROPOSAL #4 ADJOURNMENT OF THE SPECIAL MEETING</u></b>	151
<b><u>UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION OF SKYLINE CHAMPION CORPORATION</u></b>	152
<b><u>DEBT FINANCING</u></b>	167
<b><u>EXECUTIVE OFFICERS AND DIRECTORS FOLLOWING THE EXCHANGE</u></b>	169
<u>Executive Officers and Directors</u>	169
<u>Family Relationships</u>	171
<u>Director Independence</u>	172
<u>Executive and Director Compensation</u>	173
<b><u>WHERE YOU CAN FIND MORE INFORMATION</u></b>	174
<b><u>HOUSEHOLDING</u></b>	174
<b><u>FUTURE SHAREHOLDER PROPOSALS</u></b>	174
<b><u>INFORMATION INCORPORATED BY REFERENCE</u></b>	175





	<b>Page</b>
<b><u>CHAMPION ENTERPRISES HOLDINGS, LLC AND SUBSIDIARIES INDEX TO CONSOLIDATED FINANCIAL STATEMENTS</u></b>	F-1
<b>APPENDICES</b>	
Appendix A <u>Share Contribution &amp; Exchange Agreement by and among Skyline Corporation and Champion Enterprises Holdings, LLC dated as of January 5, 2018</u>	A-1
Appendix B <u>Amended and Restated Articles of Incorporation of Skyline Champion Corporation</u>	B-1
Appendix C <u>Opinion of Jefferies LLC</u>	C-1
Appendix D <u>Voting Agreement</u>	D-1

## QUESTIONS AND ANSWERS ABOUT THE EXCHANGE AND THE SKYLINE SPECIAL MEETING

*Following are questions and related answers that address some of the questions you may have regarding the Exchange, the Special Meeting, and related matters. These questions and answers may not contain all of the information relevant to you, do not purport to summarize all material information relating to the Exchange, the Amended and Restated Articles of Incorporation of Skyline (the subject of the Charter Amendment Proposals), and related matters, or any of the other matters discussed in this proxy statement, and are subject to, and are qualified in their entirety by, the more detailed information contained in or attached to this proxy statement. Therefore, you should carefully read this entire proxy statement, including the attached appendices and materials to which we refer you in order to fully understand Amended and Restated Articles of Incorporation of Skyline, the Exchange Agreement, and the transactions contemplated thereby.*

### **Q: What is the Exchange?**

A: Skyline and Champion Holdings have entered into the Exchange Agreement, which sets forth the terms and conditions of the proposed business combination of Skyline and the operating subsidiaries of Champion Holdings. Under the Exchange Agreement, Champion Holdings will contribute the Contributed Shares of the Champion Companies, in exchange for the Exchange Shares. A complete copy of the Exchange Agreement is attached to this proxy statement as Appendix A.

### **Q: Why are Skyline and Champion Holdings proposing to effect the Exchange?**

A: The board of directors of Skyline, or the **Board**, and the Board of Managers of Champion Holdings have unanimously approved the Exchange Agreement and the Exchange. The Board believes that the Exchange is in the best interests of Skyline, its shareholders, and other important constituents. See *The Exchange Skyline's Reasons for the Exchange; Recommendation of Skyline's Board of Directors* beginning on page 66.

### **Q: Why am I receiving these materials?**

A: The Board is furnishing this proxy statement in connection with the solicitation of proxies to be voted at the special meeting of shareholders (the **Special Meeting**), or any adjournments or postponements of the Special Meeting. You should read this document carefully as it contains important information about the Exchange, the Exchange Agreement, and the matters to be voted upon by Skyline's shareholders at the Special Meeting.

### **Q: Where and when will the Special Meeting take place?**

A: The Special Meeting will be held on [ ], 2018 at [ ], Eastern Time, at [ ].

### **Q: Will Skyline's shareholders receive any consideration in the Exchange?**

A: No, Skyline's shareholders will retain all of their shares of Common Stock and will not receive any consideration in the Exchange. Champion Holdings (or its members) will receive Common Stock issued by Skyline. Following the closing of the Exchange, Skyline's shareholders as of immediately prior to the completion of the Exchange will own 15.5% of the outstanding shares of Common Stock of the combined company calculated on a fully diluted basis (as determined in the Exchange Agreement). Champion Holdings (or its members) will own the remaining 84.5% of the outstanding Common Stock of the combined company. Further, the Exchange Agreement provides that, prior to the closing of the Exchange, Skyline may declare and pay a special cash dividend (the ***Pre-Closing Skyline Special Dividend***) to its shareholders in the aggregate amount of Skyline's net cash (generally defined in the Exchange Agreement as Skyline's aggregate cash and cash equivalents, less the aggregate amount of Skyline's indebtedness and debt-like items, and less Skyline's aggregate transaction expenses incurred in connection with the Exchange, each as determined as of the close of business on the last business day immediately prior to the date Skyline

gives notice of the special dividend to the NYSE American), if any. If declared, Skyline must pay the Pre-Closing Skyline Special Dividend at least one business day prior to the closing date. Based on the assumptions and calculations set forth on page 163 under the section *Unaudited Pro Forma Condensed Combined Financial Information of Skyline Champion Corporation*, the estimate of the aggregate Pre-Closing Skyline Special Dividend is approximately \$8.0 million, or \$0.95 per share of Skyline Common Stock outstanding as of April 18, 2018. The actual amount of the Pre-Closing Skyline Special Dividend may be different than the foregoing amount depending on the final values of the variables composing Skyline's net cash, as summarized above, at the time such dividend is declared.

**Q: How will Skyline's shareholders be affected by the Exchange?**

A: The Exchange will have no effect on the number of shares of Skyline Common Stock held by a current Skyline shareholder immediately prior to the completion of the Exchange. However, upon completion of the Exchange, Champion Holdings (or its members) will hold an aggregate of 84.5% of the outstanding shares of Common Stock of the combined company calculated on a fully diluted basis (as determined in the Exchange Agreement). As a result, upon the closing of the Exchange, each Skyline shareholder's respective percentage ownership of shares of Common Stock in the combined company will be diluted by virtue of the issuance of the Exchange Shares by Skyline in the Exchange.

For example, if you are a Skyline shareholder and hold 5% of the outstanding shares of Skyline Common Stock calculated on a fully diluted basis (as determined in the Exchange Agreement) immediately prior to the completion of the Exchange, and assuming you do not also hold units of Champion Holdings, then upon completion of the Exchange you will hold an aggregate of approximately 0.775% of the outstanding shares of Common Stock of the combined company calculated on a fully diluted basis (as determined in the Exchange Agreement).

**Q: How will the Exchange affect Skyline's business?**

A: Following the Exchange, Champion Holdings (or its members) will possess majority control of the combined company, the Board will consist of eleven directors, nine of whom shall be Champion Holdings appointees and two of whom shall be Skyline appointees, and members of the management of Champion Holdings immediately prior to the closing of the Exchange, along with certain members of Skyline management, will be responsible for the management of the combined company.

The combined company will remain focused on manufactured housing but will be substantially larger than Skyline alone. For a more complete discussion of the existing business of Skyline, please refer to the periodic reports and other documents Skyline files with the SEC and which are incorporated by reference into this proxy statement. See *Where You Can Find More Information* on page 174. For a more complete discussion of the existing business of Champion Holdings, see the sections entitled *Information About Champion Holdings Business* and *Management's Discussion and Analysis of Financial Condition and Results of Operations of Champion Holdings*, beginning on pages 116 and 123, respectively. In addition, you should carefully review the section entitled *Risk Factors* beginning on page 25, which present risks and uncertainties related to the businesses and operations of Skyline and Champion Holdings, and risks and uncertainties related to the Exchange.

**Q: Will the Exchange Shares be subject to any transfer restrictions?**

- A: Yes. The offering and issuance of the Exchange Shares to Champion Holdings will not be registered pursuant to the Securities Act of 1933, as amended (the *Securities Act* ), in reliance on Section 4(a)(2) of the Securities Act and the Exchange Shares may not be offered or sold by the holders of those Exchange Shares absent registration or an applicable exemption from registration requirement. The Exchange Shares will carry a restrictive legend and may be resold only pursuant to Rule 144 under the Securities Act, or another exemption from registration, until such time as the restricted Exchange Shares are registered. Following the completion of the Exchange, the combined company may, in accordance with the provisions

of the Registration Rights Agreement (as defined below), be required to register the Exchange Shares with the SEC following the Exchange for public re-sale by Champion Holdings (or its members). These restrictions on Exchange Shares issued to Champion Holdings (or its members) in the Exchange will not affect the transferability of shares already held by Skyline's existing shareholders. Other than the shareholders who executed the Voting Agreement (defined below) and shareholders who may be affiliates of Skyline under the Securities Act, or otherwise hold restricted shares of Skyline Common Stock, no restrictions will be imposed by virtue of the Exchange on the shares of Skyline Common Stock currently held by Skyline's existing shareholders.

**Q: What matters will Skyline's shareholders vote upon at the Special Meeting?**

A: At the Special Meeting, Skyline's shareholders will be asked to vote upon the following proposals (collectively, the *Skyline Exchange Proposals*):

To approve and adopt three proposals (collectively, the *Charter Amendment Proposals*) which, if approved, will amend and restate the Restated Articles of Incorporation of Skyline (the *Articles*). Such proposals are as follows:

- o A proposal to amend the Articles to change the name of the Company to Skyline Champion Corporation;
- o A proposal to amend the Articles to increase the number of authorized shares of Skyline's Common Stock;
- o A proposal to amend the Articles to provide that the number of directors to serve on the Company's board of directors shall be as specified in the Company's Amended and Restated By-Laws, as may be amended from time to time;

To approve the Shares Issuance Proposal;

A proposal to approve, on a non-binding advisory basis, the compensation payable to the named executive officers of Skyline in connection with the Exchange (the *Exchange-Related Compensation Proposal*); and

To approve the adjournment of the Special Meeting, if necessary, to permit the solicitation of additional proxies in the event there are not sufficient votes, in person or by proxy, to approve any of the above proposals (the *Adjournment Proposal*).

In connection with the execution of the Exchange Agreement, the holders of approximately 18.8% of the total outstanding voting power of Skyline, as of January 5, 2018, entered into a Voting Agreement with Champion Holdings, which provide that, among other things, such shareholders will vote in favor of the above proposals and grant Champion Holdings an irrevocable proxy to vote all of their shares of Skyline Common Stock in favor of such proposals.

**Q: Am I voting to approve the Exchange itself?**

A: The Exchange itself is not subject to a vote of Skyline's shareholders, and approval of the transaction is not among the proposals being put forth in this proxy statement. However, approval of the Charter Amendment Proposals and the Shares Issuance Proposal are conditions to the consummation of the transactions contemplated by the Exchange Agreement, and the Exchange cannot be consummated unless each Charter Amendment Proposal and the Shares Issuance Proposal is approved.

**Q: Why am I being asked to cast a non-binding advisory vote on the Exchange-Related Compensation Proposal?**

A: The rules of the Securities and Exchange Commission ( *SEC* ) require Skyline to seek an advisory (non-binding) vote with respect to certain payments to be made to Skyline's named executive officers in connection with the Exchange.



**Q: What will happen if Skyline's shareholders do not approve the Exchange-Related Compensation Proposal at the Special Meeting?**

A: Approval of the Exchange-Related Compensation Proposal is not a condition to the completion of the Exchange. The vote with respect to the Exchange-Related Compensation Proposal is an advisory vote and will not be binding on Skyline (or the combined company following the closing of the Exchange). Accordingly, as such compensation is contractual, such compensation will become payable if the Exchange is completed regardless of the outcome of the advisory vote.

**Q: Why is Skyline seeking to amend the Articles to increase the number of authorized shares of its Common Stock?**

A: In addition to the shares needed to complete the Exchange, the Board desires to have additional shares of Common Stock available to provide the combined company with the flexibility to use its Common Stock for business, financial, and compensatory purposes in the future.

**Q: Why is Skyline seeking to amend the Articles to change the name of the Company to Skyline Champion Corporation?**

A: Both Skyline and Champion Holdings believe that the name change will allow for recognition of the combined company to preserve the brand and market awareness of each of Skyline and the Champion Companies following the completion of the Exchange.

**Q: What constitutes a quorum for purposes of the Special Meeting?**

A: As of [ ], 2018, the record date for the Special Meeting, there were 8,391,244 shares of Skyline Common Stock issued and outstanding. Shareholders who hold a majority of the outstanding shares of Skyline Common Stock as of the close of business on the record date for the Special Meeting must be present, either in person or by proxy, in order to constitute a quorum to conduct business at the Special Meeting.

**Q: What are the vote requirements to approve the matters that will be considered at the Special Meeting?**

A: At the Special Meeting, approval of each of the Charter Amendment Proposals requires the affirmative vote of the holders of a majority of the outstanding shares of Skyline Common Stock. If you fail to vote, either in person or by proxy, or you attend the Special Meeting or deliver a proxy but abstain from voting, or you do not instruct your broker or other nominee how to vote your shares, the resulting non-attendance, abstention, or broker non-vote will have the same effect as a vote AGAINST the approval of these proposals. None of the Charter Amendment Proposals will be adopted unless each of them is approved.

In order for each of the Shares Issuance Proposal, the advisory vote on the Exchange-Related Compensation Proposal, and the Adjournment Proposal to be approved at the Special Meeting, the votes cast by Skyline's shareholders in favor of each such proposal must exceed the votes cast opposing such proposal. Abstentions and broker non-votes will have

no impact on the outcome of the votes on these proposals.

**Q: What other conditions must be satisfied or waived to complete the Exchange?**

A: In addition to obtaining the approval by Skyline's shareholders of the Charter Amendment Proposals and Share Issuance Proposals to be voted on at the Special Meeting, each of the other closing conditions contained in the Exchange Agreement must be either satisfied or waived in order for the Exchange to be completed. Such additional closing conditions include, without limitation, (i) the receipt of all required regulatory approvals (without the imposition of any burdensome divestiture condition on the parties, as described in the Exchange Agreement); (ii) the absence of any law, order, or legal injunction which prohibits the consummation of the Exchange and the absence of certain other litigation matters; (iii) the NYSE American listing application for the Exchange Shares shall have been conditionally approved;

(iv) the accuracy of the parties' respective representations and warranties and the performance of their respective obligations; (v) the absence of the occurrence of a material adverse effect with respect to each of Skyline and Champion Holdings, and their subsidiaries, each taken as a whole, between the date of the Exchange Agreement and closing; and (vi) certain other customary conditions.

For a more complete discussion regarding the conditions to the completion of the Exchange under the Exchange Agreement, see *The Exchange Agreement - Conditions to the Completion of the Exchange* beginning on page 111.

**Q: When do Skyline and Champion Holdings currently expect to complete the Exchange?**

A: Skyline and Champion Holdings expect to complete the Exchange as soon as possible following the approval of the Skyline Exchange Proposals, assuming the satisfaction or waiver of all other closing conditions contained in the Exchange Agreement, which we currently expect to occur in the first half of 2018. It is possible, however, that factors outside of each company's control could require them to complete the Exchange at a later time or not complete it at all.

**Q: What risks should I consider in deciding whether to vote in favor of the Skyline Exchange Proposals?**

A: You should read and carefully consider the risk factors set forth in the section entitled *Risk Factors* beginning on page 25 of this proxy statement. You should also read and carefully consider the risk factors of Skyline contained in the documents that are incorporated by reference into this proxy statement. See the section entitled *Where You Can Find More Information* beginning on page 176 of this proxy statement.

**Q: What are the material U.S. federal income tax consequences of the Exchange to Skyline's shareholders?**

A: Because Skyline's shareholders will continue to own and hold their existing shares of Skyline Common Stock following the Exchange, the Exchange generally will not result in U.S. federal income tax consequences to current Skyline shareholders.

**Q: What are the material U.S. federal income tax consequences of the Pre-Closing Skyline Special Dividend to Skyline's shareholders?**

A: The Pre-Closing Skyline Special Dividend will be characterized as a dividend for U.S. federal income tax purposes to the extent paid out of Skyline's current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. The Pre-Closing Skyline Special Dividend will generally be taxed at ordinary income tax rates, but for a non-corporate U.S. shareholder, the amount of the Pre-Closing Skyline Special Dividend that is treated as a dividend for U.S. federal income tax purposes generally will be eligible under current law for a reduced tax rate if certain holding period and other requirements are satisfied. For a corporate U.S. shareholder, the amount of the Pre-Closing Skyline Special Dividend that is treated as a dividend for U.S. federal income tax purposes will be eligible for the dividends-received deduction if such shareholder meets certain holding period and other applicable requirements. Skyline does not expect that the Pre-Closing Skyline Special Dividend will exceed Skyline's current and accumulated earnings and profits. To the extent the

Pre-Closing Skyline Special Dividend exceeds Skyline's current and accumulated earnings and profits, the excess will first reduce the U.S. shareholder's basis in the Skyline Common Stock, but not below zero, and then will be treated as gain from the sale of the shareholder's Common Stock. Payment of the Pre-Closing Skyline Special Dividend may be subject to information reporting and backup withholding at the applicable rate (currently 24%) if certain requirements are not met. See *Material U.S. Federal Income Tax Consequences of the Pre-Closing Special Dividend to Holders of Skyline Common Stock* beginning on page 91.

Your tax consequences will depend on your personal situation. You should consult your tax advisor for a full understanding of the tax consequences of the Pre-Closing Skyline Special Dividend to you.

**Q: Do I have dissenters' rights with respect to the Skyline Exchange Proposals?**

A: No. Dissenters' rights of appraisal do not apply to the Exchange under the Indiana Business Corporation Law.

**Q: Who can attend and vote at the Special Meeting?**

A: All Skyline shareholders of record as of the close of business on [ ], 2018, the record date for the Special Meeting, are entitled to receive notice of, and to vote at, the Special Meeting, or any postponement of adjournment of the Special Meeting scheduled in accordance with Indiana law.

**Q: What do I need to do now, and how do I vote?**

A: After you have carefully read this proxy statement and have decided how you wish to vote your shares, please vote your shares promptly. You may vote your shares in one of four ways:

*By Mail.* You may vote by mailing your signed Skyline proxy card in the enclosed return envelope. Please provide your proxy instructions as soon as possible so that your shares can be voted at the Special Meeting.

*By Internet or Telephone.* Follow the instructions on the Skyline proxy card to vote by Internet or telephone.

*In Person at the Special Meeting.* If you attend the Special Meeting, you may deliver your completed Skyline proxy card in person or you may vote by completing a ballot, which will be available at the meeting.

If you hold your stock through a bank or broker (commonly referred to as held in street name), you may direct your bank or broker to vote in accordance with the instructions you have received from your bank or broker. Voting by proxy or directing your bank or broker to vote your shares will ensure that your shares of Common Stock are represented and voted at the Special Meeting.

**Q: If my shares of Skyline Common Stock are held in street name by my broker or other nominee, will my broker or nominee vote my shares for me?**

A: If your Skyline shares are held in street name in a brokerage account or by another nominee, your broker or nominee will not be able to vote your shares without instructions from you. Please follow the voting instructions provided by your broker or other nominee. If you hold your Skyline shares in street name with a broker or nominee and you do not provide instructions to your broker or nominee on how to vote, your broker or nominee will not be able to vote your shares, and this will have the same practical effect as a vote AGAINST the Charter Amendment Proposals, but will have no impact on the Shares Issuance Proposal, the Exchange-Related

Compensation Proposal, or the Adjournment Proposal. Please note that you may not vote shares held in street name by returning a proxy card directly to Skyline or by voting in person at the Special Meeting unless you provide a legal proxy, which you must obtain from your broker or other nominee. Obtaining a proxy from your broker or other nominee can take several days, so you are encouraged to plan accordingly.

**Q: Should I send in my Skyline stock certificates?**

A: No. Skyline shareholders are not required to tender or exchange their stock certificates in connection with the Exchange.

**Q: Can I attend the Special Meeting and vote my shares in person?**

A: Yes. All Skyline shareholders are invited to attend the Special Meeting. If your shares of Skyline Common Stock are registered directly in your name with Skyline's transfer agent, you are considered, with respect to

those shares, the shareholder of record, and the proxy materials and proxy card are being sent directly to you by Skyline. If you are a Skyline shareholder of record, you may attend the Special Meeting and vote your shares in person, rather than signing and returning your proxy card. If your shares of Skyline Common Stock are held in a brokerage account or by another nominee, you are considered the beneficial owner of shares held in street name, and these proxy materials are being forwarded to you together with a voting instruction card. As the beneficial owner, you are also invited to attend the Special Meeting. However, because a beneficial owner is not the shareholder of record, you may not vote your shares in person at the Special Meeting unless you obtain a legal proxy from the broker or other nominee that holds your shares giving you the right to vote the shares in person at the Special Meeting. Skyline reserves the right to refuse admittance to anyone without proper proof of share ownership and without proper photo identification.

**Q: What happens if I do not vote?**

A: Because the required vote of Skyline's shareholders to approve each of the Charter Amendment Proposals is based upon the number of issued and outstanding shares of Skyline Common Stock, rather than upon the number of shares actually voted, abstentions from voting and broker non-votes will have the same practical effect as a vote AGAINST the approval and adoption of each respective Charter Amendment Proposal. However, abstentions and broker non-votes will have no effect on the Shares Issuance Proposal, the Exchange-Related Compensation Proposal, or the Adjournment Proposal. If you return a properly signed proxy card but do not indicate how you want to vote, your proxy will be counted as a vote FOR the approval and adoption of each of the Skyline Exchange Proposals.

**Q: Can I change my vote before the Special Meeting?**

A: Yes. If you are a Skyline shareholder of record, there are three ways for you to revoke your proxy and change your vote. First, you may send written notice to Skyline's Corporate Secretary before the Special Meeting stating that you would like to revoke your proxy. Second, you may complete and submit a new proxy card before the Special Meeting that is dated later than the date of your prior proxy card. If you submitted your proxy by Internet or by telephone, you can change your vote by voting over the Internet or by telephone. Third, you may vote in person at the Special Meeting. Merely being present at the Special Meeting, without voting at the meeting, will not constitute a revocation of a previously given proxy. If you hold your shares in street name with a bank, broker, or other nominee, you must follow the directions you receive from your bank, broker, or nominee to change your vote.

**Q: What happens if I sell my Skyline shares after the record date but before the Special Meeting?**

A: If you sell or otherwise transfer your Skyline Common Stock after the record date but before the date of the Special Meeting, you will retain your right to vote at the Special Meeting (provided that such shares remain outstanding on the date of the Special Meeting).

**Q: Who is paying for this proxy solicitation?**

- A: Skyline will bear the cost and expense of preparing, assembling, printing, and mailing this proxy statement, any amendments thereto, the proxy card, and any additional information furnished to the Skyline shareholders, including any fees paid to the SEC. Skyline may also reimburse brokers and other custodians, nominees, and fiduciaries for their costs of soliciting and obtaining proxies from beneficial owners, including the costs of reimbursing brokers and other custodians, nominees, and fiduciaries for their costs of forwarding this proxy statement and other solicitation materials to beneficial owners. In addition, proxies may be solicited without extra compensation by directors, officers, and employees of Skyline by mail, telephone, fax, or other methods of communication. Skyline has retained Georgeson Inc. ( *Georgeson* ) to assist Skyline in the solicitation of proxies from Skyline shareholders in connection with the Special Meeting. Skyline has agreed to pay Georgeson \$12,500, plus out-of-pocket expenses, for these proxy solicitation services.



**Q: What should I do if I receive more than one proxy statement or set of voting instructions?**

A: If you hold your Skyline shares directly as a record holder and also in street name or otherwise through a bank, broker, or nominee, you may receive more than one proxy statement and/or set of voting instructions relating to the Special Meeting. These should each be voted and/or returned separately in order to ensure that all of your shares are voted.

**Q: Who should I contact if I have other questions about the Exchange Agreement or the Exchange?**

A: If you have more questions about the Exchange Agreement or the Exchange, you should contact:  
Skyline Corporation

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

Elkhart, Indiana 46515

(574) 294-6521

Attention: Jon S. Pilarski, Chief Financial Officer

You may also contact:

Georgeson, Inc.

1290 Avenue of the Americas, 9<sup>th</sup> Floor

New York, NY 10104

Toll Free: (866) 391-7007

## SUMMARY

*The following summary highlights selected information in this proxy statement and may not contain all the information that may be important to you. Accordingly, to better understand the Exchange and the proposals to be considered at the Special Meeting, we encourage you to carefully read this entire proxy statement, its appendices, and the documents referred to in this proxy statement, including the Exchange Agreement attached as Appendix A and the opinion of Jefferies LLC ( **Jefferies** ) attached as Appendix C, before you decide how to vote. You may obtain the information referred to in this proxy statement without charge by following the instructions under *Where You Can Find More Information* beginning on page 176.*

### **The Companies**

#### ***Skyline Corporation***

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

***Elkhart, Indiana 46515***

***(574) 294-6521***

Skyline Corporation was originally incorporated in Indiana in 1959, as successor to a business founded in 1951. Skyline and its consolidated subsidiaries designs, produces, and markets manufactured housing, modular housing, and park models to independent dealers and manufactured housing communities located throughout the United States and Canada. Manufactured housing is built to standards established by the U.S. Department of Housing and Urban Development ( **HUD** ), modular homes are built according to state, provincial, or local building codes, and park models are built according to specifications established by the American National Standards Institute. Skyline sold 3,679 manufactured homes, 313 modular homes, and 447 park models in fiscal 2017.

Skyline'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 18', 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.

Skyline's Common Stock is traded on the NYSE American under the trading symbol **SKY**. At March 4, 2018, Skyline had total assets of \$58.44 million and total shareholder's equity of \$31.31 million. For the year ended May 31, 2017, Skyline had net sales of \$236.50 million and net income of \$5 thousand, and for the three- and nine-months ended March 4, 2018, Skyline had net sales of \$57.98 million and \$174.21 million, respectively, and net income of \$1.22 million and \$5.79 million, respectively.

Skyline's website address is [www.skylinecorp.com](http://www.skylinecorp.com). Information contained in, or accessible through, Skyline's website does not constitute a part of this proxy statement. Additional information about Skyline and its subsidiaries is included in documents incorporated by reference into this document. For more information, please see the section entitled *Where You Can Find More Information* beginning on page 176.

#### ***Champion Enterprises Holdings, LLC***

***755 West Big Beaver Road, Suite 1000***

***Troy, Michigan 48084***

**(248) 614-8200**

Champion Enterprises Holdings, LLC was formed in 2010 as the parent company of Champion Home Builders, Inc. ( **CHB** ) which was founded in 1953. CHB specializes in a wide variety of manufactured and

modular homes, park-model RVs, and modular buildings for the multi-family, hospitality, senior, and workforce housing sectors. The company operates 28 manufacturing facilities throughout North America. Additionally, Champion Holdings operates a factory-direct retail business, Titan Factory Direct ( *Titan* ), with 21 retail locations spanning the southern U.S., and Star Fleet Trucking ( *Star Fleet* ) which provides transportation services to the manufactured housing industry from ten dispatch locations across the United States. Champion Holdings is majority owned by funds affiliated with Bain Capital Credit, Centerbridge Partners, L.P., and MAK Capital (collectively referred to as the *Sponsors* ).

### **Special Meeting of Skyline s Shareholders; Required Vote (page 44)**

The Special Meeting is scheduled to be held on [ ], [ ], 2018, at [ ] [a.m./p.m.], Eastern Time, at [ ], located at [ ], [ ], Indiana. At the Special Meeting, Skyline s shareholders will be asked to vote to approve each of the Company Charter Amendment Proposals and the Shares Issuance Proposal, as contemplated by the Exchange Agreement. You also will be asked to approve the Exchange-Related Compensation Proposal and the Adjournment Proposal. Only Skyline shareholders of record as of the close of business on [ ], 2018 are entitled to notice of, and to vote at, the Special Meeting and any adjournments or postponements of the Special Meeting.

As of [ ], 2018, the directors and executive officers of Skyline, and their affiliates, owned and were collectively entitled to vote 1,445,864 shares or approximately 17.2% of the 8,391,244 outstanding shares of Skyline Common Stock. In connection with the execution of the Exchange Agreement, all of the directors and certain executive officers of Skyline executed a Voting Agreement pursuant to which they agreed to vote all of their shares of Common Stock in favor of the Company Charter Amendment Proposals and the Shares Issuance Proposal. A copy of that Voting Agreement is attached as Appendix D to this proxy statement.

Approval of each of the Charter Amendment Proposals requires the affirmative vote of the holders of a majority of the outstanding shares of Skyline Common Stock. None of the Charter Amendment Proposals will be adopted unless each of them is approved. Approval of the Shares Issuance Proposal, Exchange-Related Compensation Proposal, and the Adjournment Proposal each require more votes to be cast in favor of the proposal than are cast against it.

### **The Exchange (page 54)**

Skyline and Champion Holdings have entered into the Exchange Agreement, which provides that, subject to the terms and conditions contained therein, at the completion of the Exchange, Champion Holdings will contribute all of the issued and outstanding shares of the Champion Companies in exchange for the issuance to Champion Holdings (or its members) of Skyline Common Stock. The Board of Skyline and the board of managers of Champion Holdings have each unanimously approved the Exchange.

### **Recommendation of the Board of Directors of Skyline; Reasons for the Exchange (page 67)**

The Board, after considering the factors described in the section entitled *The Exchange Skyline s Reasons for the Exchange; Recommendation of Skyline s Board of Directors* beginning on page 67, has approved the Exchange Agreement and the transactions contemplated thereby, including the Exchange. The Board, acting upon the unanimous recommendation of the Special Committee of the Board, has determined that the Exchange Agreement and the transactions contemplated thereby, including the Exchange, are advisable, fair to, and in the best interests of, Skyline and its shareholders, and therefore recommends that the Skyline shareholders vote **FOR** each of Charter Amendment Proposals 1A, 1B, and 1C, **FOR** the Shares Issuance Proposal, **FOR** the approval of the Exchange-Related Compensation Proposal, and **FOR** the Adjournment Proposal as described in this proxy statement. For a more complete discussion of the recommendations of the Board and its reasons for the Exchange, see the section entitled *The Exchange Skyline s Reasons for the Exchange; Recommendation of Skyline s Board of Directors* beginning on page 67.



### **Opinion of Skyline's Financial Advisor (page 71)**

Skyline retained Jefferies as its financial advisor in connection with a possible sale or other strategic transaction involving Skyline. In connection with this engagement, the Board requested that Jefferies evaluate the fairness, from a financial point of view, to Skyline of the aggregate number of Exchange Shares to be issued by Skyline (the *Exchange Consideration*) in connection with the Exchange. On January 4, 2018, Jefferies rendered its opinion to the Board to the effect that, as of that date and based upon and subject to the various assumptions made, procedures followed, matters considered and limitations and qualifications on the scope of the review undertaken by Jefferies, as described more fully in the section of this proxy statement entitled *Opinion of the Financial Advisor to the Skyline Board of Directors*, the Exchange Consideration to be issued by Skyline pursuant to the Exchange Agreement was fair, from a financial point of view, to Skyline.

**The full text of Jefferies' written opinion, dated January 4, 2018, is attached to this proxy statement as Appendix C. Jefferies' opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Jefferies in rendering its opinion. Skyline encourages you to read Jefferies' opinion carefully and in its entirety. Jefferies' opinion was directed to the Board and addresses only the fairness, from a financial point of view, as of the date of the opinion of the Exchange Consideration to be issued by Skyline pursuant to the Exchange Agreement. It does not address any other aspect of the Exchange or constitute a recommendation as to how any shareholder should vote or act with respect to the Exchange or any matter related thereto.**

### **Overview of the Exchange Agreement**

#### *The Exchange (page 54)*

Following the completion of the Exchange, Champion Holdings (or its members) is expected to receive shares of Skyline Common Stock representing 84.5% of the outstanding shares of Skyline Common Stock calculated on a fully diluted basis (as determined in the Exchange Agreement) and current shareholders of Skyline as of immediately prior to the completion of the Exchange are expected to own 15.5% of the outstanding shares of Skyline Common Stock calculated on a fully diluted basis (as determined in the Exchange Agreement). Skyline shareholders will not receive any consideration in the Exchange.

#### *Conditions to Completion of the Exchange (page 111)*

To complete the Exchange, the Skyline shareholders must approve the issuance of shares of Skyline Common Stock to Champion Holdings (or its members) in connection with the Exchange and approve amendments to the restated articles of incorporation of Skyline to provide for, among other things, the change in the name of Skyline to Skyline Champion Corporation and an increase in the number of authorized shares of Skyline Common Stock. In addition to obtaining such shareholder approvals, each of the other completion conditions set forth in the Exchange Agreement must be satisfied or waived.

***No Solicitation (page 107)***

The Exchange Agreement contains provisions requiring Skyline to cease all existing discussions or negotiations with any third parties in respect of any acquisition proposal, as defined in the Exchange Agreement, and prohibiting Skyline from seeking an acquisition proposal subject to specified exceptions described in the Exchange Agreement. Under these no-shop provisions, Skyline has agreed, subject to specified exceptions, that neither it nor its subsidiaries, if applicable, nor any of its or their respective officers, directors, employees, agents, or other representatives will, directly or indirectly:

solicit, initiate, cooperate with, knowingly encourage, induce, or facilitate any other inquiries or the making, submission or announcement of an acquisition proposal or take any action that could reasonably be expected to lead to an acquisition proposal;

furnish any nonpublic information regarding Skyline or any of its subsidiaries to any person in connection with or in response to an acquisition proposal or an inquiry or indication of interest that could reasonably be expected to lead to an acquisition proposal;

engage in discussions or negotiations with any person with respect to an acquisition proposal;

approve, endorse, or recommend any acquisition proposal;

enter into any letter of intent, memorandum of understanding, acquisition agreement, merger agreement or similar document or any agreement providing for or otherwise relating to, or that is intended to or could reasonably be expected to lead to, any acquisition transaction (other than entry into certain confidentiality agreements, as described in the Exchange Agreement); or

grant any waiver, amendment, or release under, or fail to use commercially reasonable efforts to enforce, any standstill or confidentiality agreement concerning an acquisition proposal.

***Termination of the Exchange Agreement (page 113)***

Either Skyline or Champion Holdings can terminate the Exchange Agreement under certain circumstances, which would prevent the Exchange from being completed.

***Termination Fees and Expenses (page 114)***

Upon the termination of the Exchange Agreement under specified circumstances, and upon Skyline entering into or completing another acquisition transaction within 12 months after termination of the Exchange Agreement, Skyline may be required to pay Champion Holdings a termination fee of \$10 million. Upon the termination of the Exchange Agreement under certain specified circumstances, Skyline may be required to pay Champion Holdings up to \$2 million as reimbursement for fees and expenses incurred by Champion in connection with the Exchange Agreement.

***Voting Agreement (page 89)***

In connection with the execution of the Exchange Agreement, all of the members of the Board and certain executive officers of Skyline, in their capacities as Skyline shareholders, entered into a voting agreement (the ***Voting Agreement*** ) with Champion Holdings pursuant to which each shareholder agreed, among other things, to vote his shares of Skyline Common Stock in favor of the proposals that relate to the Exchange described elsewhere in this proxy statement and not, directly or indirectly, take any action in his capacity as a shareholder



to, among other things, solicit, initiate, cooperate with, knowingly encourage, induce or facilitate any inquiries or the making, submission or announcement of any alternative acquisition proposal, or approving, endorsing or recommending any agreement, transaction or action that would reasonably be expected to impede, interfere with, delay, discourage or affect the consummation of the Exchange or result in a breach of the Exchange Agreement or the Voting Agreement. The Voting Agreement grants Champion Holdings irrevocable proxies to vote any shares of Skyline Common Stock over which such shareholder has voting power in favor of each of the proposals described elsewhere in this proxy statement and against any alternative acquisition proposal, agreement, transaction or action. The Voting Agreement does not constitute an agreement to exercise or direct the exercise of the voting power of Skyline in the election of directors of Skyline.

Under the Voting Agreement, each shareholder has made representations and warranties to Champion Holdings regarding ownership and unencumbered title to the shares thereto, such shareholder's power and authority to execute the voting agreement, and due execution and enforceability of the Voting Agreement. Unless otherwise waived, until the earlier of the completion of the Exchange or the termination of the Exchange Agreement, the Voting Agreement prohibits the sale, assignment, transfer or other disposition by each shareholder of his respective shares of Skyline Common Stock or the entrance into an agreement or commitment to do any of the foregoing, except for transfers to family members or by will or for charitable purposes, in which case the Voting Agreement will bind the transferee. The Voting Agreement restricts the ability of Arthur J. Decio from directly or indirectly acquiring, by purchase or otherwise, any additional shares of Skyline prior to the expiration of the Voting Agreement.

The Voting Agreement will terminate at the earlier of (i) the completion of the Exchange, (ii) if the Skyline Board, in accordance with the Exchange Agreement, changes its recommendation that Skyline shareholders vote in favor of the Exchange Proposals, upon such change of recommendation, (iii) termination of the Exchange Agreement in accordance with its terms, or (iv) upon mutual written consent, in respect of any shareholder, of such shareholder and Champion Holdings.

#### **Ancillary Agreements to be Entered into in Connection with the Exchange (page 116)**

##### ***Registration Rights Agreement (page 116)***

In connection with the closing, Skyline, Champion Holdings, the Sponsors, and Arthur J. Decio, Skyline's founder and a member of Skyline's Board of Directors, will enter into a registration rights agreement (the ***Registration Rights Agreement***) providing for, among other things, customary demand and piggyback registration rights in favor of Champion Holdings and the Sponsors in connection with the shares of Skyline's Common Stock received (or which they may receive) in the Exchange. Under the Registration Rights Agreement, Mr. Decio also will have piggyback registration rights with respect to the shares he holds in the combined company after the closing. See *Ancillary Agreements to be Entered into in Connection with the Exchange - Registration Rights Agreement* beginning on page 116.

##### ***Investor Rights Agreement (page 116)***

In connection with the closing, Skyline, Champion Holdings, and the Sponsors will enter into an investor rights agreement (the ***Investor Rights Agreement***) providing for, among other things, certain agreements between the parties to the agreement relating to the composition of the board of directors of the post-closing combined company, and certain rights to information regarding the post-closing combined company in favor of the Sponsors. See *Ancillary Agreements to be Entered into in Connection with the Exchange - Investor Rights Agreement* beginning on page 116.



***Transition Services Agreement (page 116)***

In connection with the closing, Skyline and Champion Holdings will enter into a transition services agreement governing, among other things, the provision of certain administrative, accounting, professional, and similar services by the combined company to Champion Holdings during a transition period commencing on the closing date of the Exchange. See *Ancillary Agreements to be Entered into in Connection with the Exchange Transition Services Agreement* beginning on page 116.

**Management Following the Exchange (page 171)**

The board of directors of the combined company following the Exchange will comprise 11 members, nine of whom will be directors designated by Champion Holdings and two of whom will be designated by the current Board. Members of the management of Champion Holdings immediately prior to the completion of the Exchange, along with any newly appointed members of management, will be responsible for the management of the combined company.

**Interests of Certain Directors, Officers, and Affiliates of Skyline (page 79)**

In considering the recommendation of the Board with respect to issuing shares of Skyline Common Stock pursuant to the Exchange Agreement and the other matters to be acted upon by Skyline's shareholders at the Special Meeting, Skyline's shareholders should be aware that the named executive officers of Skyline have interests in the Exchange that may be different from, or in addition to, interests they have as Skyline shareholders. The Board was aware of these interests and considered them, among other matters, in its decision to approve the Exchange Agreement. For example, as a result of the Exchange, Richard W. Florea, the Chief Executive Officer of Skyline, will be entitled to receive certain severance benefits, including a cash severance payment currently estimated to be \$556,200, and the accelerated vesting (immediately prior to the closing of the Exchange) of 181,400 outstanding and unvested stock options and 42,000 shares of unvested restricted stock. In addition, in connection with the closing of the Exchange, 19,800 outstanding and unvested stock options and 3,000 shares of unvested restricted stock held by Jeffrey A. Newport, the Chief Operating Officer of Skyline, will vest immediately prior to the closing of the Exchange.

The Exchange Agreement also provides that, at or prior to the closing of the Exchange, Skyline will take all actions under its 1989 Deferred Compensation Plan such that, upon the closing of the Exchange, all benefits payable under the plan to Jon S. Pilarski, the Vice President, Finance & Treasurer, Chief Financial Officer of Skyline will become fully vested. Under the terms of the plan, Mr. Pilarski is entitled to an annual retirement payment amount of \$60,000, and an annual death benefit amount of \$40,000, which will become fully vested upon the closing of the Exchange. Terrence M. Decio, Skyline's Vice President, Marketing and Sales, and Martin R. Fransted, Skyline's Corporate Controller and Secretary, are also entitled to vested annual death benefit payments and deferred compensation payments of \$75,000 each, and Mr. Fransted is entitled to an annual death benefit payment of \$30,000 and an annual deferred compensation payment of \$40,000 pursuant to the terms of the plan. Skyline's Board has approved an amendment to the 1989 Deferred Compensation Plan to prevent a termination of the plan prior to the date upon which the final payment under the plan is scheduled to occur, and preventing the amendment provision itself from being further amended without the prior consent of all the plan's participants.

Also under the Exchange Agreement, if either of Mr. Newport or Mr. Pilarski is still employed by Skyline as of the closing of the Exchange, and if the employment of either of them is terminated by the combined company, other than for cause, within 12 months after the closing of the Exchange, then the individual whose employment is terminated will be entitled to receive severance payments. Mr. Newport would be entitled to receive severance pay equal to 26 weeks of pay, at his base rate of pay in effect at the time of his termination of



employment (which is currently estimated to result in a payment of \$125,000), and Mr. Pilarski would be entitled to receive severance pay equal to 52 weeks of pay, at his base rate of pay in effect at the time of his termination of employment (which is currently estimated to result in a payment of \$229,500).

The Exchange Agreement also provides that salaried employees of Skyline or any of its subsidiaries as of the closing who are still employed by Skyline or a subsidiary as of the closing of the Exchange and whose employment with Skyline or the combined company is terminated by the combined company, other than for cause, within 12 months after closing, and who sign and deliver a termination and release agreement, would be entitled to severance pay equal to one week of pay, at their base rate of pay in effect at the time of termination, for each full year of continuous service with Skyline and the surviving company, with a minimum of four weeks and a maximum of 26 weeks. Under these provisions, Mr. Decio, Mr. Fransted, and Robert C. Davis, Skyline's Vice President, Manufacturing, would receive cash severance payments currently estimated to be \$122,400, \$77,520, and \$52,177, respectively.

#### **Indemnification of Skyline's Directors and Officers (page 110)**

Following the completion of the Exchange, the directors and executive officers of Skyline will have the right to continued indemnification to the same extent that Skyline is currently bound to indemnify such persons against certain losses pertaining to matters existing or occurring prior to the completion of the Exchange.

#### **Material U.S. Federal Income Tax Consequences of the Exchange and Pre-Closing Skyline Special Dividend (pages 90 and 91)**

Each of Skyline and Champion Holdings intends the Exchange to qualify as a transaction described in Section 351 of the Internal Revenue Code of 1986, as amended (the *Code*), existing and proposed regulations thereunder, and published rulings and decisions, all as currently in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. Because the current Skyline shareholders will continue to own and hold their existing shares of Skyline Common Stock following the Exchange, the Exchange generally will not result in U.S. federal income tax consequences to current Skyline shareholders. Current Skyline shareholders who are also owners of Champion Holdings, if any, should consult their tax advisor as to the tax consequences to them of participating in the Exchange as an owner of Champion Holdings.

The Pre-Closing Skyline Special Dividend will be characterized as a dividend for U.S. federal income tax purposes to the extent paid out of Skyline's current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. The Pre-Closing Skyline Special Dividend will generally be taxed at ordinary income tax rates, but for a non-corporate U.S. shareholder, the amount of the Pre-Closing Skyline Special Dividend that is treated as a dividend for U.S. federal income tax purposes generally will be eligible under current law for a reduced tax rate if certain holding period and other requirements are satisfied. For a corporate U.S. shareholder, the amount of the Pre-Closing Skyline Special Dividend that is treated as a dividend for U.S. federal income tax purposes will be eligible for the dividends-received deduction if such shareholder meets certain holding period and other applicable requirements. Skyline does not expect that the Pre-Closing Skyline Special Dividend will exceed Skyline's current and accumulated earnings and profits. To the extent the Pre-Closing Skyline Special Dividend exceeds Skyline's current and accumulated earnings and profits, the excess will first reduce the U.S. shareholder's basis in the Skyline Common Stock, but not below zero, and then will be treated as gain from the sale of the shareholder's Common Stock. Payment of the Pre-Closing Skyline Special Dividend may be subject to information reporting and backup withholding at the applicable rate (currently 24%) if certain requirements are not met.



### **Risk Factors (page 25)**

In evaluating the Exchange and the Exchange Agreement, you should read this proxy statement carefully, including the appendices attached hereto, and especially consider certain factors, risks, and uncertainties discussed in the section entitled *Risk Factors*.

### **Regulatory Approvals (page 88)**

Under the Exchange Agreement and the provisions of the Hart-Scott-Rodino Antitrust Improvements Act of 1976, as amended (the *HSR Act*), the Exchange may not be consummated until notification and report forms have been filed with the Federal Trade Commission (*FTC*) and Antitrust Division of the U.S. Department of Justice (*DOJ*) by Skyline and Champion Holdings, and the applicable waiting period has expired or been terminated without the imposition of a burdensome condition. The DOJ also may review the impact of the Exchange on competition and challenge it. Skyline and Champion Holdings filed their respective HSR Act notifications on January 19 and 22, 2018, respectively. Because the shares of Skyline Common Stock to be issued in the Exchange may be issued directly to the members of Champion Holdings, each of the members of Champion Holdings who would be required to file an HSR Act notification filed their respective HSR Act notifications on January 22, 2018. Subsequently, Skyline, Champion Holdings, and the members of Champion Holdings elected to voluntarily withdraw and re-file each of their Premerger Notification and Report Forms, in order to restart the initial waiting period under the HSR Act and thereby provide the FTC additional time to review the proposed transaction. Accordingly, Skyline, Champion Holdings, and certain of the members of Champion Holdings each withdrew its initial filing effective February 21, 2018 and re-filed on February 23, 2018. The applicable waiting period under the HSR Act expired on March 26, 2018 at 11:59 p.m., Eastern Time. Skyline must also comply with applicable federal and state securities laws and the rules and regulations of the NYSE American in connection with the issuance of shares of Skyline Common Stock and the filing of this proxy statement with the SEC.

### **Stock Market Listing (page 90)**

Skyline Common Stock currently is listed on the NYSE American. Under the Exchange Agreement, Skyline has agreed to use its reasonable best efforts to cause the shares of Skyline Common Stock issuable in the Exchange to be approved, at or prior to the completion of the Exchange, for listing (subject only to notice of issuance) on the NYSE American at and following the completion of the Exchange. The conditional approval of the listing application in respect of the shares of Skyline Common Stock issuable in the Exchange by the NYSE American is a condition to Skyline's and Champion Holdings' obligation to complete the Exchange. However, Skyline and Champion Holdings anticipate that the common stock of the combined company will be listed on the New York Stock Exchange (*NYSE*) following the completion of the Exchange under the trading symbol *SKY*.

In this regard, Skyline will be filing an initial listing application and listing agreement as required by the NYSE in anticipation of the closing of the Exchange.

### **Anticipated Accounting Treatment (page 90)**

This transaction will be treated as a reverse acquisition under the purchase method of accounting for business combinations in accordance with accounting principles generally accepted in the United States of America (*GAAP*). For accounting purposes, Champion Holdings is considered to be the accounting acquiror, despite Skyline issuing shares of its Common Stock in the Exchange, and Skyline is considered the acquiror for legal purposes.





**No Dissenters Rights (page 92)**

Holders of Skyline Common Stock are not entitled to dissenters rights of appraisal in connection with the Exchange.

**Additional Information (page 176)**

You can find more information about Skyline in the periodic reports and other information we file with the SEC. The information is available at the SEC's public reference facilities and at the website maintained by the SEC at [www.sec.gov](http://www.sec.gov). For a more detailed description of the additional information available, see *Where You Can Find More Information* beginning on page 176.

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**SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF SKYLINE**

The following selected historical financial data of Skyline as of and for the nine months ended March 4, 2018 and February 28, 2017 have been derived from the unaudited consolidated financial statements of Skyline that are incorporated by reference into this proxy statement. Skyline's management believes that the unaudited financial statements reflect all normal and recurring adjustments necessary for a fair presentation of the results as of and for the interim periods presented. The financial data as of and for the fiscal years ended May 31, 2017, 2016, and 2015 is derived from Skyline's audited consolidated financial statements that are incorporated by reference into this proxy statement. The financial data as of and for the fiscal years ended May 31, 2014 and 2013 is derived from Skyline's audited consolidated financial statements that are not included in or incorporated by reference into this proxy statement. This information is only a summary and should be read in conjunction with *Management's Discussion and Analysis of Financial Condition and Results of Operations* and the consolidated financial statements and the notes thereto of Skyline incorporated by reference into this proxy statement. Results for past periods are not necessarily indicative of results that may be expected for any future period.

	<b>At or for the</b>		<b>At or for the year ended May 31,</b>				
	<b>Nine Months Ended,</b>						
	<b>March 4,</b>	<b>February 28,</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>	<b>2014*</b>	<b>2013*</b>
(in thousands, except per share data)							
	<b>2018</b>	<b>2017</b>					
	<b>(unaudited)</b>	<b>(unaudited)</b>					
<b>Summary of Operations:</b>							
Net sales	\$ 174,205	\$ 177,042	\$ 236,504	\$ 211,774	\$ 186,985	\$ 153,080	\$ 177,574
Income (loss) from continuing operations before income taxes	5,988	(2,041)	5	1,873	(4,188)	(7,307)	(10,513)
Income (loss) from discontinued operations, net of taxes				(195)	(6,226)	(4,557)	
Net income (loss)	5,789	(2,298)	5	1,678	(10,414)	(11,864)	(10,513)

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Capital expenditures	1,170	1,094	1,355	1,132	473	753	75
Depreciation	558	779	1,026	1,057	1,320	1,716	2,002
Basic weighted average common shares outstanding	8,391,244	8,391,244	8,391,244	8,391,244	8,391,244	8,391,244	8,391,244
Diluted weighted average common shares outstanding	8,574,146	8,391,244	8,512,374	8,391,244	8,391,244	8,391,244	8,391,244

**Period-End Balances:**

Working capital	\$ 23,572	\$ 15,485	\$ 18,917	\$ 17,787	\$ 16,464	\$ 23,423	\$ 27,430
Property, plant and equipment, net	10,632	11,949	10,976	11,645	11,569	15,953	18,342
Total assets	58,438	54,364	55,644	54,978	50,439	65,754	67,927
Total liabilities	27,130	31,422	30,345	29,845	27,066	31,967	22,276
Shareholders equity	31,308	22,942	25,299	25,133	23,373	33,787	45,651

**Per Share Data:**

Basic income (loss) from continuing operations	\$ 0.69	\$ (0.27)	\$	\$ 0.22	\$ (0.50)	\$ (0.87)	\$ (1.25)
Basic income (loss) from discontinued operations	\$	\$	\$	\$ (0.02)	\$ (0.74)	\$ (0.54)	\$
Basic income (loss)	\$ 0.69	\$ (0.27)	\$	\$ 0.20	\$ (1.24)	\$ (1.41)	\$ (1.25)
Diluted income (loss)	\$ 0.68	\$ (0.27)	\$	\$ 0.20	\$ (1.24)	\$ (1.41)	\$ (1.25)

\* In fiscal 2015, Skyline exited the recreational vehicle industry. Skyline's Form 10-K for the fiscal year ended May 31, 2015 disclosed fiscal 2014 financial results between continuing and discontinued operations for

purposes of comparability. In fiscal 2013, both housing and recreational vehicle segments were reported as continuing operations.

## SELECTED HISTORICAL CONSOLIDATED FINANCIAL DATA OF CHAMPION HOLDINGS

The following selected historical financial data of Champion Holdings as of and for the nine months ended December 30, 2017 and for the nine months ended December 31, 2016 have been derived from the unaudited consolidated financial statements of Champion Holdings included in this proxy statement and are not necessarily indicative of the results or the financial condition to be expected for the remainder of the year or any future date or period. The management of Champion Holdings believes that the unaudited financial statements reflect all normal and recurring adjustments necessary for a fair presentation of the results as of and for the interim periods presented. The financial data as of and for the years ended April 1, 2017 and April 2, 2016 and for the year ended March 28, 2015 have been derived from the audited consolidated financial statements of Champion Holdings included in this proxy statement. The financial data as of March 28, 2015 and as of and for the years ended March 29, 2014 and March 30, 2013 have been derived from the audited consolidated financial statements of Champion Holdings not included in this proxy statement. This information is only a summary and should be read in conjunction with *Management's Discussion and Analysis of Financial Condition and Results of Operations of Champion Holdings* beginning on page 124 and the consolidated financial statements of Champion Holdings and the notes thereto included in this proxy statement.

Champion Holdings' historical financial information does not reflect changes that Skyline Champion Corporation expects to experience in the future as a result of the Exchange, including changes in the financing, operations, cost structure, and personnel needs of its business.

(Dollars in thousands)	As of and for the Nine Months Ended			As of and for the Year Ended			
	December 30, 2017	December 31, 2016	April 1, 2017	April 2, 2016	March 28, 2015	March 29, 2014 <sup>(1)</sup>	March 30, 2013 <sup>(1)</sup>
	(unaudited)						
<b>Summary of Operations</b>							
Net sales	\$ 798,443	\$ 615,926	\$ 861,319	\$ 751,703	\$ 737,230	\$ 800,271	\$ 773,788
Income (loss) from continuing operations before income taxes	40,153	17,348	28,006	12,868	(11,708)	422	5,002
(Loss) gain from discontinued operations, net of taxes	-	(3,781)	583	(10,248)	(641)	-	-
Net income (loss)	18,064	11,158	51,910	(20)	(17,367)	(1,860)	(800)
Capital expenditures	7,867	5,356	6,955	3,712	3,882	7,100	6,366
Depreciation	5,761	4,713	6,803	5,851	6,509	6,703	6,754
<b>Period-End Balances</b>							
Working Capital	\$ 91,470	\$ 52,374	\$ 64,000	\$ 54,583	\$ 48,399	\$ 46,356	\$ 87,952
Property, plant and equipment, net	68,950	68,012	66,577	58,915	61,455	79,895	81,711

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Total assets	359,598	291,883	328,021	260,913	284,348	294,894	320,071
Total liabilities	202,246	193,453	191,132	171,097	189,792	183,034	199,935
Total members equity	157,352	98,430	136,889	89,816	94,556	111,860	120,136

(1) During fiscal 2016, Champion Holdings classified its operations in the U.K. as discontinued. The results of operations for fiscal 2015 were restated to reflect that presentation. Fiscal 2014 and 2013 were not restated to reflect the U.K. operations as discontinued. If they had been presented as discontinued, sales would have been lower by \$74.5 million and \$85.2 million for fiscal 2014 and 2013, respectively. Income from continuing operations before income taxes would have been lower by \$1.2 million and \$1.6 million for fiscal 2014 and 2013, respectively.

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**SELECTED UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL DATA  
OF SKYLINE AND CHAMPION HOLDINGS**

The following selected unaudited pro forma condensed combined financial information of Skyline and Champion Holdings is being presented for illustrative purposes only, and this information should not be relied upon for purposes of making any investment or other decisions. The data assume that Champion Holdings had been owned by Skyline for all periods and at the date presented and reflect the changes that the companies expect to experience as a result of the Exchange. The unaudited pro forma condensed combined balance sheet presented reflects the pro forma effects of the Exchange as if it had occurred on March 4, 2018. The unaudited pro forma condensed combined income statements presented reflect the pro forma effects of the Exchange as if it had occurred on June 1, 2016. Skyline and Champion Holdings may have performed differently had they been combined for all periods or on the date presented. You should also not rely on the following data as being indicative of the results or financial condition that would have been achieved or existed had Champion Holdings and Skyline been combined other than during the periods or on the date presented or of the actual future results or financial condition of Skyline to be achieved following the consummation of the Exchange.

Skyline and Champion Holdings have different fiscal year ends. Skyline's most recent fiscal year end is May 31, 2017 and its most recent interim fiscal period end is the nine months ended March 4, 2018. Champion Holdings' most recent fiscal year end is April 1, 2017 and its most recent interim fiscal period end is the nine months ended December 30, 2017. Regulation S-X, Rule 11-02(c)(3) allows the combination of financial information for companies if their fiscal years end within 93 days of each other. As such, the unaudited pro forma condensed combined annual financial statements have been compiled using the financial information for Skyline for the year ended May 31, 2017 and the financial information for Champion Holdings for the year ended April 1, 2017. The interim unaudited pro forma condensed combined financial data have been compiled using the financial information for Skyline for the nine months ended March 4, 2018 and the financial information for Champion Holdings for the nine months ended December 30, 2017.

Skyline will be the legal acquirer per the terms of the Exchange, however, Champion Holdings will qualify as the accounting acquirer in accordance with Accounting Standards Codification 805, *Business Combinations*. As such, the unaudited pro forma condensed combined financial data have been prepared assuming the assets and liabilities of Skyline will be adjusted to fair market value as of the date of the Exchange. No fair value adjustments to the historical financial information for Champion Holdings, as a result of the Exchange, are expected.

This information is only a summary and should be read in conjunction with the section entitled *Unaudited Pro Forma Condensed Combined Financial Information of Skyline Champion Corporation* beginning on page 153 below.

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**Unaudited Pro Forma Condensed Combined Income Statements and Balance Sheet**

(Dollars in thousands)	As of and for the Nine Months Ended March 4, 2018	Pro Forma Nine Months Ended February 28, 2017	Year Ended May 31, 2017
<b>Statement of Operations Data</b>			
Net sales	\$ 972,648	\$ 792,968	\$ 1,097,823
Cost of sales	815,617	677,935	933,079
Gross profit	157,031	115,033	164,744
Selling, general and administrative expenses	106,925	93,104	128,878
Operating income	50,106	21,929	35,866
Interest expense, net	3,164	3,208	4,264
Other expense	105	1,636	2,380
Income before income taxes	46,837	17,085	29,222
Income tax expense (benefit)	22,403	3,121	(22,898)
Net income	\$ 24,434	\$ 13,964	\$ 52,120
<b>Balance Sheet Data</b>			
Cash and cash equivalents	\$ 60,971		
Trade accounts receivable, net	73,020		
Inventories, net	98,290		
Other current assets	10,666		
Total current assets	242,947		
Property, plant and equipment, net	112,950		
Goodwill	152,938		
Amortizable intangible assets, net	33,671		
Deferred tax assets	28,928		
Other noncurrent assets	7,158		
Total assets	\$ 578,592		
Floor plan payable	\$ 24,004		
Short-term portion of debt	406		
Accounts payable	31,509		
	21,035		



Customer deposits and receipts in excess of revenues	
Accrued volume rebates	20,093
Accrued warranty obligations	16,220
Accrued compensation and payroll taxes	22,393
Other current liabilities	23,934
<b>Total current liabilities</b>	<b>159,594</b>
Long-term debt	59,027
Deferred tax liabilities	13,727
Other	10,769
<b>Total long-term liabilities</b>	<b>83,523</b>
Total equity	335,475
<b>Total liabilities and equity</b>	<b>\$ 578,592</b>

## COMPARATIVE HISTORICAL AND UNAUDITED PRO FORMA PER SHARE DATA

The following tables set forth certain historical and pro forma per share data for Skyline and Champion Holdings. The Skyline historical data have been derived from and should be read together with the unaudited consolidated financial statements of Skyline and related notes thereto contained in Skyline's Quarterly Report on Form 10-Q for the nine months ended March 4, 2018, and the audited consolidated financial statements of Skyline and related notes thereto contained in Skyline's Annual Report on Form 10-K for the year ended May 31, 2017, each of which is incorporated by reference in this proxy statement. See *Information Incorporated by Reference* beginning on page 177. The Champion Holdings historical data have been derived from and should be read together with Champion Holdings unaudited and audited consolidated financial statements and related notes thereto included in this proxy statement. The pro forma data have been derived from the unaudited pro forma condensed combined financial statements of Skyline Champion Corporation included in this proxy statement.

These comparative historical and pro forma per share/unit data are being provided for illustrative purposes only. Skyline and Champion Holdings may have performed differently had the Exchange occurred prior to the period presented. You should not rely on the pro forma per share data presented as being indicative of the results that would have been achieved had Skyline and Champion Holdings been combined during the periods or at the dates presented or of the future results or financial condition of Skyline or Champion Holdings to be achieved following the completion of the Exchange. The summary pro forma information is preliminary, based on initial estimates of the fair value of assets acquired (including intangible assets) and liabilities assumed, and is subject to change as more information regarding the fair values are obtained, which changes could be materially different from the initial estimates.

	As of and for the Nine Months Ended March 4, 2018			As of and for the Nine Months Ended February 28, 2017		
	Historical			Historical		
	Historical Skyline	Champion Holdings (1)	Pro Forma (2)	Historical Skyline	Champion Holdings (1)	Pro Forma (2)
Basic earnings per share	\$ 0.69	\$ 0.13	\$ 0.43	\$ (0.27)	\$ 0.11	\$ 0.25
Diluted earnings per share	\$ 0.68	\$ 0.13	\$ 0.43	\$ (0.27)	\$ 0.11	\$ 0.25
Weighted average common shares outstanding basic	8,391,244	135,612,157	56,270,574	8,391,244	135,612,157	56,270,574
Weighted average common shares outstanding diluted	8,574,146	135,612,157	56,601,574	8,391,244	135,612,157	56,601,574
Book value per share of common stock	\$ 3.73	\$ 1.16		\$ 2.73	\$ 0.73	
Dividends declared per share of common stock	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00	\$ 0.00

- (1) Historical per share figures for Champion Holdings are based on the number of membership units of Champion Holdings outstanding at December 30, 2017 and December 31, 2016, respectively.
- (2) Pro forma per share figures include the number of shares of Skyline Common Stock expected to be issued to Champion Holdings (or its members) in the Exchange and the Skyline stock-based compensation shares expected to vest at the time of the Exchange. For more information, refer to Adjustments to Unaudited Pro Forma Condensed Combined Income Statement



	<b>As of and for the Year Ended</b>		
	<b>May 31, 2017</b>		
	<b>Historical</b>	<b>Historical</b>	<b>Pro</b>
	<b>Skyline</b>	<b>Champion</b>	<b>Forma (2)</b>
		<b>Holdings (1)</b>	
Basic earnings per share	\$ 0.00	\$ 0.38	\$ 0.93
Diluted earnings per share	\$ 0.00	\$ 0.38	\$ 0.92
Weighted average common shares outstanding basic	8,391,244	135,612,157	56,270,574
Weighted average common shares outstanding diluted	8,512,374	135,612,157	56,601,574
Book value per share of common stock	\$ 3.01	\$ 1.01	
Dividends declared per share of common stock	\$ 0.00	\$ 0.00	\$ 0.00

- (1) Historical per share figures for Champion Holdings are based on the number of membership units of Champion Holdings outstanding at April 1, 2017.
- (2) Pro forma per share figures include the number of shares of Skyline Common Stock expected to be issued to Champion Holdings (or its members) in the Exchange and the Skyline stock-based compensation shares expected to vest at the time of the Exchange. For more information, refer to Adjustments to Unaudited Pro Forma Condensed Combined Income Statements.

Champion Holdings is currently a private company and there is no established trading market in Champion Holdings membership units.

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**MARKET PRICE AND SHARE INFORMATION**

Skyline's Common Stock is traded on the NYSE American under the symbol SKY. Champion Holdings' limited liability company membership units do not publicly trade, and no established trading market for Champion Holdings membership units is expected to develop prior to the completion of the Exchange. Upon the completion of the Exchange, Skyline will change its name to Skyline Champion Corporation. Skyline and Champion Holdings anticipate that the common stock of the combined company will be listed on the NYSE under the trading symbol SKY. The last reported sale price per share of Skyline Common Stock on (i) January 4, 2018, the business day preceding the public announcement of the signing of the Exchange Agreement, was \$12.83, and (ii) [ ], 2018, the last practicable date prior to the mailing of this document, was \$[ ].

The following table lists the high and low sales prices per share for Skyline Common Stock and the cash dividends declared by Skyline for the periods indicated.

	High	Low	Dividends
<b>Fiscal Year 2018:</b>			
4 <sup>th</sup> quarter ended May 31, 2018 (through [ ], 2018)	\$	\$	\$0.00
3 <sup>rd</sup> quarter ended March 4, 2018	\$24.94	\$12.04	\$0.00
2 <sup>nd</sup> quarter ended December 3, 2017	\$13.85	\$10.31	\$0.00
1 <sup>st</sup> quarter ended September 3, 2017	\$12.05	\$5.28	\$0.00
<b>Fiscal Year 2017:</b>			
4 <sup>th</sup> quarter ended May 31, 2017	\$13.03	\$5.07	\$0.00
3 <sup>rd</sup> quarter ended February 28, 2017	\$17.31	\$10.19	\$0.00
2 <sup>nd</sup> quarter ended November 30, 2016	\$13.89	\$10.34	\$0.00
1 <sup>st</sup> quarter ended August 31, 2016	\$12.29	\$7.92	\$0.00
<b>Fiscal Year 2016:</b>			
4 <sup>th</sup> quarter ended May 31, 2016	\$11.86	\$4.04	\$0.00
3 <sup>rd</sup> quarter ended February 28, 2016	\$5.00	\$2.52	\$0.00
2 <sup>nd</sup> quarter ended November 30, 2015	\$3.82	\$2.17	\$0.00
1 <sup>st</sup> quarter ended August 31, 2015	\$3.43	\$2.90	\$0.00

As of [ ], 2018, the outstanding shares of Skyline's Common Stock were held by approximately 551 shareholders of record, and the limited liability company membership units of Champion Holdings were held by 22 Class A and 43 Class C members of record.

In the last two fiscal years, neither Skyline nor Champion Holdings has declared or paid any cash dividends or distributions to its shareholders or members, as applicable. Skyline and Champion Holdings have previously retained their earnings to support operations and to finance the growth and development of their respective businesses. Payment of any future dividends or distributions to Skyline's shareholders or Champion Holdings' members, as applicable, will be at the discretion of Skyline's Board and Champion Holdings' board of managers, as applicable.

Following the completion of the Exchange, the declaration of dividends will be at the discretion of the combined company's board of directors and will be determined after consideration of various factors, including earnings, cash requirements, the financial condition of the combined company, applicable state law and government regulations, and other factors deemed relevant by the combined company's board of directors.



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## RISK FACTORS

*In addition to the other information contained in or incorporated by reference into this proxy statement (see *Where You Can Find More Information* on page 176), including the risk factors included in Skyline's Annual Report on Form 10-K for the year ended May 31, 2017 and subsequent Quarterly Reports on Form 10-Q, you should consider carefully the risk factors described below in deciding how to vote. You should keep these risk factors in mind when you read forward-looking statements in this document and in the documents incorporated by reference into this document. Please refer to the section of this proxy statement titled *Cautionary Statements Concerning Forward-Looking Information* on page 42.*

### **Risks Relating to the Exchange**

***The number of shares of Skyline Common Stock issuable in connection with the Exchange is not adjustable based on the market price of Skyline Common Stock, so the Exchange consideration at the closing may have a greater or lesser value than at the time the Exchange Agreement was signed.***

The Exchange Agreement establishes an exchange ratio to fix the number of shares of Skyline Common Stock that will be issued in exchange for the Contributed Shares in the Exchange. Any changes in the market price of Skyline Common Stock before the completion of the Exchange will not affect the number of shares Champion Holdings (or its members) will be entitled to receive pursuant to the Exchange Agreement. Therefore, if before the completion of the Exchange the market price of Skyline Common Stock declines from the market price on the date of the Exchange Agreement, then Champion Holdings could receive Exchange consideration with substantially lower value than the value that would have been represented by the Exchange Shares had they been issued on the date of the Exchange Agreement. Similarly, if before the completion of the Exchange the market price of Skyline Common Stock increases from the market price on the date of the Exchange Agreement, then Champion Holdings could receive Exchange consideration with substantially more value than the value that would have been represented by the Exchange Shares had they been issued on the date of signing the Exchange Agreement. The Exchange Agreement does not include a price-based termination right. Because the exchange ratio does not adjust as a result of changes in the market value of Skyline Common Stock, for each percentage point that the market value of Skyline Common Stock rises or declines from the date of the Exchange Agreement, there is a corresponding one percentage point rise or decline in the value of the shares issued to Champion Holdings (or its members). The number of shares of Skyline Common Stock held by current Skyline shareholders, as well as their fixed percent of the total shares outstanding after the Exchange, will not vary as a result of the Exchange.

***Failure to complete the Exchange may result in Skyline paying a termination fee or reimbursing fees and expenses incurred by Champion Holdings and could harm the Common Stock price of Skyline and future business and operations of Skyline.***

If the Exchange is not completed, Skyline is subject to the following risks:

if the Exchange Agreement is terminated under certain circumstances, Skyline will be required to pay Champion Holdings a termination fee of up to \$10 million (for example, if the Board adversely changes its favorable recommendation of the Exchange-related proposals set forth in this proxy statement to Skyline's shareholders and Champion Holdings terminates the Exchange Agreement as a result of such change in recommendation, a termination fee of \$3 million in cash will be immediately due and payable by Skyline to Champion Holdings upon such termination, and if Skyline subsequently enters into or closes another acquisition transaction within 12 months following termination, an additional \$7 million cash termination fee would accrue and would become payable two business days after the date that the other acquisition

closes or is terminated);

if the Exchange Agreement is terminated by either Skyline or Champion Holdings because Skyline's shareholders do not approve the Exchange-related proposals set forth in this proxy statement, then



Skyline will be required to reimburse certain transaction fees and expenses incurred by Champion Holdings in connection with the Exchange Agreement, up to a maximum of \$2 million (which would be credited against, and thereby reduce, any termination fee that may become due and payable);

the market price of Skyline Common Stock might decline to the extent that Skyline's market price following the announcement of the Exchange reflects a market assumption that the Exchange will be completed; and

Skyline would be required to pay its own costs and expenses related to the Exchange, such as legal and accounting fees, many of which would be substantial, even if the Exchange is not completed.

***If the conditions to the Exchange are not met, the Exchange will not occur.***

Even if matters presented to the Skyline shareholders in this proxy statement are approved by the Skyline shareholders, specified conditions must be satisfied or waived to complete the Exchange. These conditions are set forth in the Exchange Agreement and described in the section entitled *The Exchange Agreement - Conditions to the Completion of the Exchange* beginning on page 111 of this proxy statement. Neither Skyline nor Champion Holdings can assure you that all of the conditions will be satisfied or waived. If the conditions are not satisfied or waived, the Exchange will not occur or will be delayed, the market price of Skyline Common Stock may decline, and Skyline and Champion Holdings each may lose some or all of the intended benefits of the Exchange.

***The Exchange may be completed even though material adverse changes may result from the announcement of the Exchange, industry-wide changes or other causes.***

In general, either Skyline or Champion Holdings can refuse to complete the Exchange if there is a material adverse change affecting the other party between January 5, 2018, the date of the Exchange Agreement, and the closing of the Exchange. However, certain types of changes do not permit either party to refuse to complete the Exchange, even if such change could be said to have a material adverse effect on Skyline or Champion Holdings, including:

any effect resulting from the execution, delivery, announcement, or performance of the obligations under the Exchange Agreement or the announcement, pendency, or anticipated closing of the Exchange;

any natural disaster or any acts of terrorism, sabotage, military action, or war or any escalation or worsening thereof;

any changes in U.S. GAAP or applicable legal requirements to the extent that such conditions do not have a disproportionate impact on Skyline and its subsidiaries or the Champion Companies and their subsidiaries relative to other companies in the same industry;

any effect resulting from conditions generally affecting the industries in which Skyline and its subsidiaries or the Champion Companies and their subsidiaries participate or the United States or global economy or capital markets as a whole, to the extent that such conditions do not have a disproportionate impact relative to other companies in the industries in which they operate;

any failure by the Champion Companies or any subsidiary to meet any estimates or expectations of its internal projections or forecasts or revenue or earnings predictions for any period (excluding any underlying effect that may have caused such failure);

general conditions in financial markets, and any changes therein (including any changes arising out of acts of terrorism, war, weather conditions, or other force majeure event), to the extent that such

conditions do not have a disproportionate impact on the Champion Companies or Skyline, taken as a whole, relative to other companies in the industry in which the Champion Companies or Skyline operate;

any failure by Skyline to meet any estimates or expectations of its internal projections or forecasts or revenue or earnings predictions for any period (excluding any underlying effect that may have caused such failure); and

with respect to Skyline, any change in the trading price or trading volume of Skyline Common Stock (excluding any underlying effect that may have caused such change).

If adverse changes occur and Skyline and Champion Holdings still complete the Exchange, the combined company's stock price may suffer. This in turn may reduce the value of the Exchange to the shareholders of Skyline, Champion Holdings, or both.

***There can be no assurance that Skyline has identified every matter that could have a material adverse effect on Champion Holdings.***

Although Skyline has conducted business, financial, and legal due diligence on Champion Holdings in connection with the Exchange, there can be no assurance that due diligence has identified every matter that could have a material adverse effect on Champion Holdings. Accordingly, there may be matters involving Champion Holdings and its operations that were not identified during Skyline's due diligence. Any of these issues could materially and adversely affect the financial condition and results of operations of the combined company after giving effect to the Exchange.

***Certain of Skyline's officers and directors have interests that are different from, or in addition to, the interests of Skyline's shareholders generally.***

Certain of Skyline's directors and executive officers have interests in the Exchange that are different from, or in addition to, the interests of Skyline's shareholders generally that may present actual or apparent conflicts of interest. Skyline's directors were aware of these interests and took them into account in approving the Exchange Agreement. For example, as a result of the Exchange, Richard W. Florea, the Chief Executive Officer of Skyline, will be entitled to receive certain severance benefits, including a cash severance payment currently estimated to be \$556,200, and the accelerated vesting (immediately prior to the closing of the Exchange) of 181,400 outstanding and unvested stock options and 42,000 shares of unvested restricted stock. In addition, in connection with the closing of the Exchange, 19,800 outstanding and unvested stock options and 3,000 shares of unvested restricted stock held by Jeffrey A. Newport, the Chief Operating Officer of Skyline, will vest immediately prior to the closing of the Exchange.

The Exchange Agreement also provides that, at or prior to the closing of the Exchange, Skyline will take all actions under its 1989 Deferred Compensation Plan such that, upon the closing of the Exchange, all benefits payable under the plan to Jon S. Pilarski, the Vice President, Finance & Treasurer, Chief Financial Officer of Skyline will become fully vested. Under the terms of the plan, Mr. Pilarski is entitled to an annual retirement payment amount of \$60,000, and an annual death benefit amount of \$40,000, which will become fully vested upon the closing of the Exchange. Terrence M. Decio, Skyline's Vice President, Marketing and Sales, and Martin R. Fransted, Skyline's Corporate Controller and Secretary, are also entitled to vested annual death benefit payments and deferred compensation payments of \$75,000 each, and Mr. Fransted is entitled to an annual death benefit payment of \$30,000 and an annual deferred compensation payment of \$40,000 pursuant to the terms of the plan. Skyline's Board has approved an amendment to the 1989 Deferred Compensation Plan to prevent a termination of the plan prior to the date upon which the final payment under the plan is scheduled to occur, and preventing the amendment provision itself from being further amended without the prior consent of all the plan's participants.



Also under the Exchange Agreement, if either of Mr. Newport or Mr. Pilarski is still employed by Skyline as of the closing of the Exchange, and if the employment of either of them is terminated by the combined company, other than for cause, within 12 months after the closing of the Exchange, then the individual whose employment is terminated will be entitled to receive severance payments. Mr. Newport would be entitled to receive severance pay equal to 26 weeks of pay, at his base rate of pay in effect at the time of his termination of employment (which is currently estimated to result in a payment of \$125,000), and Mr. Pilarski would be entitled to receive severance pay equal to 52 weeks of pay, at his base rate of pay in effect at the time of his termination of employment (which is currently estimated to result in a payment of \$229,500).

The Exchange Agreement also provides that salaried employees of Skyline or any of its subsidiaries as of the closing who are still employed by Skyline or a subsidiary as of the closing of the Exchange and whose employment with Skyline or the combined company is terminated by the combined company, other than for cause, within 12 months after closing, and who sign and deliver a termination and release agreement, would be entitled to severance pay equal to one week of pay, at their base rate of pay in effect at the time of termination, for each full year of continuous service with Skyline and the surviving company, with a minimum of four weeks and a maximum of 26 weeks. Under these provisions, Mr. Decio, Mr. Fransted, and Robert C. Davis, Skyline's Vice President, Manufacturing, would receive cash severance payments currently estimated to be \$122,400, \$77,520, and \$52,177, respectively.

In addition, John C. Firth, the current Chairman of the Skyline Board, and Richard W. Florea, the current Chief Executive Officer of Skyline and a current member of the Skyline Board, will be appointed to the combined company's board of directors shortly after the closing, and Arthur J. Decio, the founder of Skyline and a current member of the Skyline Board, will serve as a non-voting board observer on the combined company's post-closing board. Finally, the present and former officers and directors of Skyline will have the benefit of the continuation of indemnification and liability insurance protection for six years following the closing. See *Interests of the Skyline Directors and Executive Officers in the Exchange* beginning on page 79.

***The market price of the combined company's common stock may decline as a result of the Exchange.***

The market price of the combined company's common stock may decline as a result of the Exchange for a number of reasons including if:

investors react negatively to the prospects of the combined company's business and prospects from the Exchange;

the effect of the Exchange on the combined company's business and prospects is not consistent with the expectations of financial or industry analysts; or

the combined company does not achieve the perceived benefits of the Exchange as rapidly or to the extent anticipated by financial or industry analysts.

***The issuance of Skyline's Common Stock to Champion Holdings under the Exchange Agreement will substantially dilute the percentage ownership interests of Skyline's current shareholders and will give Champion Holdings (or its members) the ability to assume control of a majority of the outstanding shares of Skyline's Common Stock.***

If the Exchange is completed, Skyline will issue to Champion Holdings 47,828,330 shares of Skyline's Common Stock (based on an estimated closing date of May 1, 2018 and based on the exchange ratio of 5.4516129 as set forth in the Exchange Agreement, multiplied by 8,773,244, which is the aggregate number of shares of Skyline Common Stock,

on a fully diluted basis (as determined in the Exchange Agreement), estimated to be issued and outstanding immediately prior to the closing), and Champion Holdings (or its members) will own 84.5% of the combined company's outstanding Common Stock. The issuance of Skyline's Common Stock

to Champion Holdings will cause a significant reduction in the relative percentage interests of Skyline's current shareholders in Skyline's earnings and voting power. Because of this, Skyline's shareholders will have less influence on the management and policies of the combined company than they now have on the management and policies of Skyline. Furthermore, under Skyline's current Restated Articles of Incorporation, Skyline's shareholders do not have preemptive or similar rights, and it is not expected that shareholders of the combined company will have such rights after the closing. Therefore, the combined company will continue to have the ability to sell additional voting securities in the future without offering them to the combined company's shareholders, which would further reduce their ownership percentage in, and voting power over, the combined company.

***Skyline shareholders may not realize a benefit from the Exchange commensurate with the ownership dilution they will experience in connection with the Exchange.***

If the combined company is unable to realize the full strategic and financial benefits currently anticipated from the Exchange, Skyline shareholders will have experienced substantial dilution of their ownership interests in Skyline without receiving a fully commensurate benefit, or only receiving part of the commensurate benefit to the extent the combined company is able to realize only part of the strategic and financial benefits currently anticipated from the Exchange.

***Certain provisions of the Exchange Agreement may discourage third parties from submitting alternative takeover proposals, including proposals that may be superior to the arrangements contemplated by the Exchange Agreement.***

The terms of the Exchange Agreement prohibit Skyline from soliciting alternative takeover proposals or cooperating with persons making unsolicited takeover proposals, except in limited circumstances when the Board determines in good faith that an unsolicited alternative takeover proposal is or is reasonably expected to result in a superior proposal and that failure to cooperate with the proponent of the proposal could reasonably be considered a breach of the board's fiduciary duties. In addition, if Skyline or Champion Holdings terminate the Exchange Agreement under certain circumstances, including Champion Holdings terminating the Exchange Agreement because of a change in the Board's recommendation in favor of the Exchange, Skyline would be required to pay a termination fee of up to \$10 million, plus certain transaction fees and expenses in certain cases, to Champion Holdings. This termination fee may discourage third parties from submitting alternative takeover proposals to Skyline or its shareholders and may cause the Board to be less inclined to recommend an alternative proposal.

***Because the lack of a public market for the Contributed Shares makes it difficult to evaluate the fairness of the Exchange, the members of Champion Holdings may receive consideration in the Exchange that is more or less than the fair market value of the Contributed Shares.***

The outstanding Contributed Shares are privately held and are not traded in any public market. The lack of a public market makes it difficult to determine the fair market value of the Contributed Shares. Because the percentage of Skyline Common Stock to be issued to Champion Holdings (or its members) was determined based on negotiations between the parties, it is possible that the value of the Skyline Common Stock to be received by Champion Holdings will be more or less than the actual fair market value of the Contributed Shares.

***The combined company may become involved in securities class action litigation that could divert management's attention and harm the combined company's business, and insurance coverage may not be sufficient to cover all costs and damages.***

In the past, securities class action or shareholder derivative litigation often follows certain significant business transactions, such as the sale of a business division or announcement of a merger of publicly traded companies. The combined company may become involved in this type of litigation in the future. Litigation often





is expensive and diverts management's attention and resources, which could adversely affect the combined company's business.

***The pro forma financial statements presented are not necessarily indicative of the financial condition or results of operations of the combined company following the Exchange.***

The pro forma financial statements contained in this proxy statement are presented for illustrative purposes only and may not be indicative of the financial condition or results of operations of the combined company following the Exchange. The pro forma financial statements have been derived from the historical financial statements of Skyline and Champion Holdings, and also includes certain information regarding the Champion Companies, and many adjustments and assumptions have been made regarding the Champion Companies and Skyline after giving effect to the Exchange. The information upon which these adjustments and assumptions have been made is preliminary, and these kinds of adjustments and assumptions are difficult to make with complete accuracy. Moreover, the pro forma financial statements do not reflect all costs that are expected to be incurred by Skyline or Champion Holdings in connection with the Exchange. As a result, the actual financial condition and results of operations of the combined company following the Exchange may not be consistent with, or evident from, these pro forma financial statements.

The assumptions used in preparing the pro forma financial statements may not prove to be accurate, and other factors may affect our financial condition or results of operations following the Exchange. Any potential decline in Skyline's or Champion Holdings' financial condition or results of operations could adversely affect Skyline's or Champion Holdings' liquidity.

***The date on which the Exchange will close is uncertain.***

The date on which the Exchange will close depends on the satisfaction of the closing conditions set forth in the Exchange Agreement, or the waiver of those conditions by the parties thereto. Although Skyline and Champion Holdings expect to close the Exchange within five business days after all closing conditions are satisfied or waived, such closing may not take place as anticipated. Subject to specific exceptions, either Skyline or Champion Holdings may terminate the Exchange Agreement if the Exchange has not been completed on or before July 31, 2018.

***Following the completion of the Exchange, the combined company will continue to incur costs as a result of operating as a public company, and the management of the combined company may be required to devote substantial time to compliance initiatives.***

As a public company, Skyline currently incurs legal, accounting, and other expenses. In addition, the Sarbanes-Oxley Act, as well as rules subsequently implemented by the SEC, impose various requirements on public companies, including requiring the establishment and maintenance of effective disclosure and financial controls and changes in corporate governance practices. Skyline's management devotes both time and financial resources to these compliance initiatives. As a private company, Champion Holdings has not been subject to these regulatory requirements.

After the Exchange, the combined company will remain subject to all of Skyline's current public obligations, including the Sarbanes-Oxley Act. If, after the Exchange, the combined company fails to staff its accounting and finance functions adequately, or fails to maintain internal controls adequate to meet the demands that are placed upon it as a public company, including the requirements of the Sarbanes-Oxley Act, it may be unable to report its financial results accurately or in a timely manner and its business and stock price may suffer. The costs of being a public company, as well as diversion of management's time and attention, may have a material adverse effect on the combined company's future business, financial condition, and results of operations.



***Following the completion of the Exchange, the combined company is expected to be a controlled company under the applicable listing standards then in effect for the combined company and, as a result, will qualify for, and intends to rely on, exemptions from certain corporate governance requirements; so you will not have the same protections currently afforded to shareholders of Skyline.***

Because Champion Holdings will control a majority of the voting power of the combined company's outstanding common stock, the combined company will be a controlled company within the meaning of both the NYSE American Company Guide and the NYSE Listed Company Manual, as they may be applicable to the combined company. In addition, if, whether under the terms of the Exchange Agreement or otherwise, the Exchange Shares are issued to the members of Champion Holdings, then Champion Holdings expects and intends that certain of its members will be considered a group for purposes of the applicable corporate governance requirements of the exchange on which the combined company's shares are listed, and intends that the combined company would likewise be considered a controlled company under such rules. Under these rules, a company of which more than 50% of the voting power for the election of directors is held by an individual, group, or another company is a controlled company and may elect not to comply with certain corporate governance requirements, including the requirements that:

the combined company have a board of directors that is composed of a majority of independent directors, as defined in the NYSE American or NYSE listing rules, as applicable;

the combined company have a compensation committee that is composed entirely of independent directors; and

the combined company have a nominating and corporate governance committee that is composed entirely of independent directors.

The combined company plans to rely on all of these exemptions. Accordingly, for so long as the combined company is a controlled company, you will not have the same protections afforded to you as shareholders of companies that are subject to all of the NYSE American or NYSE requirements, including Skyline. The combined company's status as a controlled company could make its common stock less attractive to some investors or otherwise harm our stock price.

***The integration of Skyline and Champion Holdings may not be successful or the anticipated benefits from the Exchange may not be realized in their entirety.***

After the consummation of the Exchange, the combined company's management will need to integrate the operations, as well as financial and other systems of Skyline and the Champion Companies. The combined company's management will be required to devote a great deal of time and attention to the process of integrating the operations while carrying on the ongoing operations. A significant degree of difficulty and management involvement is inherent in the integration process. The integration process includes but is not limited to:

integrating the operations while carrying on the ongoing business;

creating uniform policies, procedures, standards, internal controls, and information systems and controlling the costs associated with such matters;

integrating information technology, purchasing, accounting, sales, payroll and regulatory compliance systems;

the possibility of faulty assumptions underlying expectations regarding the integration process; and

integrating two business cultures, which may prove to be incompatible.

There is no assurance that the combined company will be successful or cost effective at the integration of the two companies. The integration may cause an interruption of, or loss of momentum in the activities of the business after the consummation of the Exchange. If the combined company's management is not able to manage the integration process effectively, or any significant business activities are interrupted as a result of the integration process, the combined company's business, liquidity, financial condition and results of operations may be adversely impacted. Even if the combined company is able to combine the two business operations successfully, it may not be possible to realize the full benefits of the expected synergies, which are expected to result from the Exchange, or realize these benefits within the time frame that is expected. For example, the benefits from the Exchange may be offset by costs incurred or delays in integrating the companies. If the combined company fails to realize the benefits it anticipates from the Exchange, the business, liquidity, financial condition and results of operations may be adversely affected.

### **Risks Related to Skyline**

#### ***Skyline has incurred net losses in prior years.***

Due to negative economic conditions that impacted the manufactured housing, modular housing, and recreational vehicle industries, Skyline incurred net losses from fiscal years 2008 to 2015. Losses in future years attributable to the Skyline business could negatively affect the combined company's liquidity, financial condition, and results of operations.

#### ***Changing consumer preferences for Skyline's products could adversely affect sales and operating results.***

Consumer preferences for manufactured housing, modular housing, and park models change over time, and consequently Skyline 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.

#### ***Skyline's business depends on independent dealers.***

Skyline sells its manufactured homes, modular homes, and park models to independent dealers. These dealers are not obligated to exclusively sell Skyline'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 of Skyline and the combined company.

#### ***The cost and availability of raw materials can fluctuate significantly.***

Prices and availability of raw materials used to manufacture Skyline'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. Skyline 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 park models. There is no certainty that Skyline 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 of Skyline and the combined company.

#### ***The level of dealer inventories may affect pricing and production levels.***

As wholesale shipments of manufactured homes, modular homes, and park models exceed retail sales, dealer inventories reach 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 of Skyline and the combined company.

***The industry in which Skyline operates is highly competitive.***

The production of manufactured housing, modular housing, and park models is highly competitive with particular emphasis on price and features offered. Some of Skyline's competitors are vertically integrated by owning retail, consumer finance, and insurance operations. This integration may provide competitors with an advantage with dealers. In addition, Skyline's housing products compete with other forms of housing, such as new and existing site-built homes, apartments, condominiums, and townhouses, as well as rental housing. The inability to effectively compete in this environment could result in lower net sales, operating results, and cash flows.

***The availability of retail financing has a significant impact on Skyline's business.***

Customers who purchase Skyline'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 Skyline'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 past 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, as other forms of housing became relatively more attractive. If retail financing were to be further curtailed, net sales, operating results, and cash flows of Skyline and the combined company could be adversely affected.

***A dealer's ability to obtain wholesale financing may affect Skyline's business.***

Independent dealers of Skyline'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 past years, the industries in which Skyline operates experienced a reduction in both the number of lenders offering floor planning and the amount of money available for financing. Any further decline in wholesale financing could have a negative impact on a dealer's ability to purchase manufactured housing, modular housing, and park model products, resulting in lower net sales, operating results, and cash flows of Skyline and the combined company.

***Skyline is subject to governmental regulation.***

Skyline is subject to various governmental regulations. Implementation of new regulations or amendments to existing regulations could significantly increase the cost of Skyline'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.

***Skyline is contingently liable under repurchase agreements with financial institutions.***

Skyline is contingently liable to repurchase its products under repurchase agreements with certain financial institutions providing inventory financing for retailers of its products. Skyline could be required to fulfill some or all of the repurchase agreements, resulting in increased expense and reduced cash flows.

***Skyline's business is cyclical and seasonal in nature.***

The industries in which Skyline operates are highly cyclical, and are impacted by the following conditions, among others: the availability of wholesale and retail financing; consumer confidence; interest rates;



demographic and employment trends; the availability of used or repossessed homes or park models; the relative attractiveness of other forms of new, existing and rental housing; and the impact of inflation. Sales associated with the manufactured housing, modular housing, and park model industries are also seasonal in nature with sales being lowest in the winter months. Seasonal changes, in addition to weakness in demand in one or both of Skyline's market segments, could materially impact the net sales, operating results, and cash flows of Skyline and the combined company.

### **Risks Related to Champion Holdings**

***The factory-built housing industry is cyclical, is affected by seasonality and is sensitive to changes in general economic or other business conditions.***

The factory-built housing industry is affected by seasonality. Sales during the period from March to November are traditionally higher than in other months. As a result, Champion Holdings' sales and operating results sometimes fluctuate and may continue to fluctuate in the future.

The factory-built housing industry is also sensitive to changes in economic conditions and other factors, such as the level of employment, job growth, population growth, consumer confidence, consumer income, availability of financing, interest rate levels and an oversupply of homes for sale. Adverse changes in any of these conditions generally, or in the markets where Champion Holdings operates, could decrease demand and pricing for new factory-built homes in these areas or result in customer cancellations of pending shipments, which could adversely affect the number of shipments Champion Holdings makes or reduce the prices it can charge, either of which could result in a decrease in Champion Holdings' revenues and earnings that could adversely affect Champion Holdings' financial condition.

***Champion Holdings is subject to demand fluctuations in the housing industry. Reductions in demand could adversely affect Champion Holdings' business, results of operations, and financial condition.***

Demand for Champion Holdings' homes is subject to fluctuations, often due to factors outside of Champion Holdings' control. In a housing market downturn, Champion Holdings' sales and results of operations could be adversely affected; it may have significant inventory impairments and other write-offs; its gross margins may decline significantly from historical levels; and it may incur losses from operations. Champion Holdings cannot predict the continuation of the current housing recovery, nor can it provide assurance that should the recovery not continue its response will be successful.

***Future increases in interest rates, more stringent credit standards, tightening of financing terms, or other increases in the effective costs of owning a factory-built home (including those related to regulation or other government actions) could limit or curtail the purchasing power of Champion Holdings' potential customers and could adversely affect Champion Holdings' business and financial results.***

A large majority of Champion Holdings' customers finance their home purchases through third-party lenders. While interest rates have increased moderately, they have been near historical lows for several years, which has made purchasing new factory-built homes more affordable. Increases in interest rates or decreases in the availability of consumer financing could adversely affect the market for homes. Potential customers may be less willing or able to pay the increased monthly costs or to obtain financing. Lenders may increase the qualifications needed for financing or adjust their terms to address any increased credit risk. These factors could adversely affect the sales or pricing of Champion Holdings' factory-built homes. These developments have historically had, and may once again have, a material adverse effect on the overall demand for factory-built housing and its competitiveness with other forms of housing, and could adversely affect Champion Holdings' results of operations and financial condition.

The liquidity provided by Government-Sponsored Enterprises ( *GSEs* ) and the Federal Housing Administration ( *FHA* ) is also critical in insuring or purchasing home mortgages and creating or insuring

investment securities that are either sold to investors or held in their portfolios. The impact of the federal government's conservatorship of GSEs on the short-term and long-term demand for new housing as well as any potential restructuring of the GSEs remains unclear. Any limitations or restrictions on the availability of financing by these agencies could adversely affect interest rates, financing, and Champion Holdings sales of new homes.

The Dodd-Frank Act established the Consumer Financial Protection Bureau ( *CFPB* ) to regulate consumer financial products and services. Since 2014, the CFPB has promulgated rules concerning consumer credit transactions secured by a dwelling, which include real property mortgages and chattel loans (financed without land) secured by factory-built homes. Overall, the rules have caused some lenders to curtail underwriting such loans, and some investors are reluctant to own or participate in owning such loans because of the uncertainty of potential litigation and other costs. Consequently, such regulatory developments could cause some prospective buyers of factory-built homes to be unable to secure the financing necessary to complete purchases. In addition, compliance with the law and ongoing rule implementation has caused lenders to incur additional costs to implement new processes, procedures, controls, and infrastructure required to comply with the regulations. Compliance may constrain lenders' ability to profitably price certain loans. Failure to comply with these regulations, changes in these or other regulations, or the imposition of additional regulations, could affect Champion Holdings' earnings, limit its access to capital, and have a material adverse effect on its business and results of operations.

The CFPB rules amending the Truth in Lending Act and Real Estate Settlement Procedures Act expand the types of mortgage loans that are subject to the protections of the Home Ownership and Equity Protection Act ( *HOEPA* ), revise and expand the tests for coverage under HOEPA, and impose additional restrictions on mortgages that are covered by HOEPA. As a result, certain factory-built home loans are now subject to HOEPA limits on interest rates and fees. Loans with rates or fees in excess of the limits are deemed high cost mortgages and provide additional protections for borrowers, including with respect to determining the value of the home. Most loans for the purchase of factory-built homes have been written at rates and fees that would not appear to be considered high cost mortgages under the rule. Although some lenders may continue to offer loans that are now deemed high cost mortgages, the rate and fee limits appear to have deterred some lenders from offering loans to certain borrowers and may continue to make them reluctant to enter into loans subject to the provisions of HOEPA. As a result, some prospective buyers of factory-built homes may be unable to secure financing necessary to complete factory-built home purchases.

On December 1, 2017, the House of Representatives passed the Preserving Access to Manufactured Housing Act of 2017 (H.R. 1699). The bill has been received in the Senate and referred to the Committee on Banking, Housing, and Urban Affairs. If passed by the Senate and signed into law, the proposed legislation would amend some Dodd-Frank Act provisions that affect factory-built housing financing and its terms may affect the availability of financing for factory-built housing and the ability of prospective customers to purchase Champion Holdings' products.

***The availability of wholesale financing for retailers is limited due to a limited number of floor plan lenders and reduced lending limits.***

Factory-built housing retailers generally finance their inventory purchases with wholesale floor plan financing provided by lending institutions. The availability of wholesale financing is significantly affected by the number of floor plan lenders and their lending limits. Limited availability of floor plan lending negatively affects the inventory levels of Champion Holdings' independent retailers, the number of retail sales center locations and related wholesale demand, and adversely affects the availability of and access to capital on an ongoing basis. As a result, Champion Holdings could experience sales declines or a higher level of customer defaults and its operating results and cash flows could suffer.

***Champion Holdings has contingent repurchase obligations related to wholesale financing provided to industry retailers.***

As is customary in the factory-built housing industry, a significant portion of Champion Holdings' manufacturing sales to independent retailers are financed under floor plan agreements with financing companies. Payment for floor plan sales is generally received 5 to 15 business days from the date of invoice. In connection with the floor plan programs, Champion Holdings generally has separate agreements with the financing companies that require Champion Holdings to repurchase homes upon default by the retailer and repossession of the homes by the financing companies. These repurchase agreements are applicable for various periods of time, generally up to 24 months after the sale of the home to the retailer. However, certain homes are subject to repurchase until the home is sold by the retailer. Champion Holdings' contingent repurchase obligation as of December 30, 2017, was estimated to be approximately \$113.0 million, without reduction for the resale value of the homes. Champion Holdings may be required to honor contingent repurchase obligations in the future and may incur additional expense and reduced cash flows because of these repurchase agreements.

***If Champion Holdings is unable to establish or maintain relationships with independent distributors who sell its homes, Champion Holdings' sales could decline and its operating results and cash flows could suffer.***

Although Champion Holdings maintains its own factory direct retail business in select markets, it still conducts a significant amount of its business through independent distributors. For example, approximately 84% of Champion Holdings' fiscal year 2017 manufacturing shipments of homes were made to independent distributors throughout the United States and Western Canada. As is common in the factory-built housing industry, independent distributors may sell factory-built homes produced by competing manufacturers. Champion Holdings may not be able to establish relationships with new independent distributors or maintain good relationships with independent distributors that sell its homes. Even if Champion Holdings does establish and maintain relationships with independent distributors, these customers are not obligated to sell Champion Holdings' homes exclusively and may choose to sell competitors' homes instead. The independent distributors with whom Champion Holdings has relationships can cancel these relationships on short notice. In addition, these customers may not remain financially solvent, as they are subject to the same industry, economic, demographic and seasonal trends that Champion Holdings faces. If Champion Holdings does not establish and maintain relationships with solvent independent distributors in the markets it serves, sales in those markets could decline, and if Champion Holdings was unable to effect offsetting expansion of its factory-direct retail business, Champion Holdings' operating results and cash flows could suffer.

***Prices of certain materials can fluctuate and availability of certain materials may be limited at times.***

Prices of certain materials such as lumber, insulation, steel, drywall, oil-based products and fuel can fluctuate significantly due to changes in demand and supply. Additionally, availability of certain materials such as drywall and insulation may be limited at times resulting in higher prices and/or the need to find alternative suppliers. Champion Holdings may attempt to pass the higher material costs on to customers but it is not certain that it will be able to achieve this without affecting demand or that limited availability of materials will not impact its production capabilities and results of operations.

***Champion Holdings' results of operations can be adversely affected by labor shortages and turnover.***

The homebuilding industry has from time to time experienced labor shortages and other labor related issues. A number of factors may adversely affect the labor force available to Champion Holdings and its subcontractors in one or more of its markets, including high employment levels, construction market conditions, and government regulation, which include laws and regulations related to workers' health and safety, wage and hour practices, and immigration. Champion Holdings' direct labor has historically experienced high turnover rates, which can lead to increased spending on training and retention and, as a result, increased costs of production. An overall labor shortage or a lack

of skilled labor could cause significant increases in costs or delays in construction of homes, which could have a material adverse effect upon Champion Holdings' revenue and results of operations.

***Industry conditions and future operating results could limit Champion Holdings' sources of capital. If Champion Holdings is unable to locate suitable sources of capital when needed, it may be unable to maintain or expand its business.***

As of December 30, 2017, Champion Holdings has total indebtedness outstanding under its existing senior secured credit facility of approximately \$47.0 million (the ***Existing Credit Facility***). Champion Holdings depends on its cash balances, cash flows from operations, and its Existing Credit Facility to finance its operating requirements, capital expenditures, and other needs. The prior downturn in the factory-built housing industry beginning in 2007, combined with its operating results and other changes, adversely affected Champion Holdings, limiting its sources of financing. If Champion Holdings' cash balances, cash flows from operations, and availability under its Existing Credit Facility are insufficient to finance its operations and alternative capital is not available, Champion Holdings may not be able to expand its business and make acquisitions, or it may need to curtail or limit its existing operations.

***Factory-built housing operates in the highly competitive housing industry, and, if other home builders are more successful or offer better value to Champion Holdings' customers, its business could decline.***

Champion Holdings operates in a very competitive environment, in which it faces competition from a number of other home builders in each market in which it operates. Champion Holdings competes with large national and regional home building companies and with smaller local home builders for financing, raw materials, and skilled management and labor resources. Some of Champion Holdings' manufacturing competitors have captive retail distribution systems and consumer finance and insurance operations. In addition, there are independent factory-built housing retail locations in most areas where independent retailers sell Champion Holdings' homes and in most areas where it has retail operations. Because barriers to entry to the industry at both the manufacturing and retail levels are low, Champion Holdings believes that it is relatively easy for new competitors to enter its markets. In addition, Champion Holdings' products compete within the housing industry more broadly with other forms of low to moderate-cost housing, including site-built homes, panelized homes, apartments, townhouses, condominiums, and repossessed homes. Champion Holdings also competes with the resale homes, also referred to as previously owned or existing homes, as well as rental housing.

An oversupply of homes available for sale or the heavy discounting of home prices by some of Champion Holdings' competitors could adversely affect demand for its homes and the results of its operations. An increase in competitive conditions can have any of the following impacts on Champion Holdings: delivering fewer homes; sale of fewer homes or higher cancellations by Champion Holdings' home buyers; an increase in selling incentives and/or reduction of prices; and realization of lower gross margins due to lower selling prices or an inability to increase selling prices to offset increased costs of the homes delivered. If Champion Holdings is unable to compete effectively in its markets, its business could decline disproportionately to that of its competitors. As a result, its sales could decline and its operating results and cash flows could suffer.

***Changes in consumer preferences for Champion Holdings' products or its failure to gauge those preferences could lead to reduced sales.***

Champion Holdings cannot be certain that historical consumer preferences for factory-built homes in general, and for its products in particular, will remain unchanged. Champion Holdings' ability to remain competitive depends heavily on its ability to provide a continuing and timely introduction of innovative product offerings. Champion Holdings believes that the introduction of new features, designs, and models will be critical to the future success of its operations. Managing frequent product introductions poses inherent risks. Delays in the introduction or market acceptance of new models, designs, or product features could have a material adverse effect on Champion Holdings' business. Products may not be accepted for a number of reasons, including changes in consumer preferences or Champion Holdings' failure to properly gauge consumer preferences. Further, Champion Holdings cannot be certain that new product introductions will not reduce revenues from existing models and adversely affect its results of

operations. In addition, its revenues may be adversely affected if its new models and products are not introduced to the market on time or are not successful when introduced. Finally, Champion Holdings competitors new products may obtain better market acceptance.

***When Champion Holdings introduces new products into the marketplace, it may incur expenses that it did not anticipate, which, in turn, can result in reduced earnings.***

The introduction of new models, floor plans, and features are critical to Champion Holdings' future success. Champion Holdings may incur unexpected expenses, however, when it introduces new models, floor plans, or features. For example, it may experience unexpected engineering or design flaws that may cause increased warranty costs. The costs resulting from these types of problems could be substantial and could have a significant adverse effect on Champion Holdings' earnings. Estimated warranty costs are provided at the time of product sale to reflect Champion Holdings' best estimate of the amounts necessary to settle future and existing claims on products. An increase in actual warranty claims costs as compared to Champion Holdings' estimates could result in increased warranty reserves and expense which could have an adverse impact on Champion Holdings' earnings.

***For some of the components used in production, Champion Holdings depends on a small group of suppliers and the loss of any of these suppliers could affect Champion Holdings' ability to obtain components timely or at competitive prices, which would decrease its sales and profit margins. Some components are sourced from foreign sources and delays in obtaining these components could result in increased costs and decreased sales and profit margins.***

Champion Holdings depends on timely and sufficient delivery of components from its suppliers. Most components are readily available from a variety of sources. However, a few key components are currently produced by only a small group of quality suppliers that have the capacity to supply large quantities. If Champion Holdings cannot obtain an adequate supply of these key components its sales could decline and its operating results and cash flows could suffer.

***Champion Holdings' products and services may experience quality problems from time to time that can result in decreased sales and gross margin and could harm Champion Holdings' reputation.***

Champion Holdings' products contain thousands of parts, many of which are supplied by a network of approved vendors. As with Champion Holdings' competitors, product defects may occur, including components purchased from material vendors. Champion Holdings cannot assure that all such defects will be detected prior to the distribution of its products. In addition, although Champion Holdings endeavors to compel suppliers to maintain appropriate levels of insurance coverage, it cannot assure that if a defect in a vendor-supplied part were to occur that the vendor would have the ability to financially rectify the defect. Failure to detect defects in Champion Holdings' products, including vendor-supplied parts, could result in lost revenue, increased warranty and related costs, and could harm Champion Holdings' reputation.

***If the factory-built housing industry is not able to secure favorable local zoning ordinances, Champion Holdings sales could decline and its operating results and cash flows could suffer.***

Limitations on the number of sites available for placement of factory-built homes or on the operation of factory-built housing communities could reduce the demand for factory-built homes and, as a result, Champion Holdings' sales. Factory-built housing communities and individual home placements are subject to local zoning ordinances and other local regulations relating to utility service and construction of roadways. In the past, some property owners have resisted the adoption of zoning ordinances permitting the use of factory-built homes in residential areas, which Champion Holdings believes has restricted the growth of the industry. Factory-built homes may not receive widespread acceptance and localities may not adopt zoning ordinances permitting the development of factory-built home communities. If the factory-built housing industry is unable to secure favorable local zoning ordinances, Champion Holdings' sales could decline and its operating results and cash flows could suffer.





***Champion Holdings may not be able to manage its business effectively if it cannot retain current management team members or if it is unable to attract and motivate key personnel.***

Champion Holdings may not be able to attract or motivate qualified management and operations personnel in the future. If Champion Holdings is not able to attract and motivate necessary personnel to accomplish its business objectives, it will experience constraints that will significantly impede the achievement of its objectives. Transitions in Champion Holdings' senior management team may result in operational disruptions, and its business may be harmed as a result. Champion Holdings may also have difficulty attracting experienced personnel to its company and may be required to expend significant financial resources in its employee recruitment efforts.

***Product liability claims and litigation and warranty claims that arise in the ordinary course of business may be costly, which could adversely affect Champion Holdings' business.***

As a home builder, Champion Holdings is subject to construction defect and home warranty claims arising in the ordinary course of business. These claims are common in the home building industry and can be costly. In addition, the costs of insuring against construction defect and product liability claims are high. There can be no assurance that this coverage will not be restricted and become more costly. If the limits or coverages of Champion Holdings' current and former insurance programs prove inadequate, or Champion Holdings is not able to obtain adequate, or reasonably priced insurance against these types of claims in the future, or the amounts currently provided for future warranty or insurance claims are inadequate, Champion Holdings may experience losses that could negatively impact its financial results.

Champion Holdings records expenses and liabilities based on the estimated costs required to cover its self-insured liability under its insurance policies, and estimated costs of potential claims and claim adjustment expenses that are above its coverage limits or that are not covered by its insurance policies. These estimated costs are based on an analysis of Champion Holdings' historical claims and industry data, and include an estimate of claims incurred but not yet reported. Due to the degree of judgment required and the potential for variability in the underlying assumptions when deriving estimated liabilities, Champion Holdings' actual future costs could differ from those estimated, and the difference could be material to its consolidated financial statements.

***Security breaches and other disruptions could compromise Champion Holdings' information and expose it to liability, which would cause its business and reputation to suffer.***

In the ordinary course of Champion Holdings' business, it collects and stores sensitive data, including intellectual property, its proprietary business information and that of its suppliers and business partners, as well as personally identifiable information of its customers and employees. Champion Holdings also has outsourced elements of its information technology structure, and as a result, it is managing independent vendor relationships with third parties who may or could have access to Champion Holdings' confidential information. Similarly, Champion Holdings' business partners and other third party providers possess certain of its sensitive data. The secure maintenance of this information is critical to Champion Holdings' operations and business strategy. Despite its security measures, Champion Holdings' information technology and infrastructure may be vulnerable to attacks by hackers or breached due to employee error, malfeasance, or other disruptions. Champion Holdings, its partners, vendors, and other third party providers could be susceptible to third party attacks on Champion Holdings', and their, information security systems, which attacks are of ever-increasing levels of sophistication and are made by groups and individuals with a wide range of motives and expertise, including criminal groups. Any such breach could compromise Champion Holdings' networks and the information stored there could be accessed, publicly disclosed, lost, or stolen. Any such access, disclosure, or other loss of information could result in legal claims or proceedings, liability under laws that protect the privacy of personal information, disrupt Champion Holdings' operations, and damage its reputation, any of which could adversely affect Champion Holdings' business.



***Champion Holdings is subject to extensive regulation affecting the production and sale of factory-built housing, which could adversely affect its profitability.***

Champion Holdings is subject to a variety of federal, state, and local laws and regulations affecting the production and sale of factory-built housing. Champion Holdings' failure to comply with such laws and regulations could expose it to a wide variety of sanctions, including closing one or more manufacturing facilities. Regulatory matters affecting Champion Holdings' operations are under regular review by governmental bodies and Champion Holdings cannot predict what effect, if any, new laws and regulations would have on it or the factory-built housing industry. Failure to comply with applicable laws or regulations or the passage in the future of new and more stringent laws, may adversely affect Champion Holdings' financial condition or results of operations.

***The cost of operations could be adversely impacted by increased costs of healthcare benefits provided to employees.***

In 2010, the Affordable Care Act, was passed into law. As enacted, the health reform law changes, among other things, certain aspects of health insurance. The Affordable Care Act, coupled with the uncertainty in the insurance markets associated with the future of the Act, could increase Champion Holdings' healthcare costs, which could adversely impact Champion Holdings' earnings.

***A prolonged delay by Congress and the President to approve budgets or continuing appropriation resolutions to facilitate the operations of the federal government could delay the completion of home sales and/or cause cancellations, and thereby negatively impact Champion Holdings' deliveries and revenues.***

Congress and the President may not timely approve budgets or appropriation legislation to facilitate the operations of the federal government. As a result, many federal agencies have historically and may again cease or curtail some activities. The affected activities include Internal Revenue Service ( **IRS** ) verification of loan applicants' tax return information, the funding of orders by the Federal Emergency Management Agency ( **FEMA** ) as part of FEMA's disaster relief efforts, and approvals by the FHA and other government agencies to fund or insure mortgage loans under programs that these agencies operate. As many of Champion Holdings' home buyers use these programs to obtain financing to purchase their homes, and many lenders require ongoing coordination with these and other governmental entities to originate home loans, a prolonged delay in the performance of their activities could prevent prospective qualified buyers of their homes from obtaining the loans they need to complete such purchases, which could lead to delays or cancellations of home sales. These and other affected governmental bodies could cause interruptions in various aspects of Champion Holdings' business and investments. Depending on the length of disruption, such factors could have a material adverse impact on Champion Holdings' results of operations and financial condition.

***Increases in the after-tax costs of owning a factory-built home could prevent potential customers from buying Champion Holdings' products and adversely affect its business or financial results.***

Significant expenses of owning a factory-built home, including mortgage interest expenses and real estate taxes, generally were, under prior tax law, deductible expenses for an individual's federal, and in some cases state, income taxes, subject to certain limitations. The new tax reform law (H.R. 1) which is commonly referred to as the Tax Cuts and Jobs Act (the **TCJA**) was signed into law on December 22, 2017. The TCJA includes provisions which would impose limitations with respect to these income tax deductions. Increases in property tax rates or fees on developers by local governmental authorities, as experienced in response to reduced federal and state funding or to fund local initiatives, such as funding schools or road improvements, or increases in insurance premiums can adversely affect the ability of potential customers to obtain financing or their desire to purchase new homes, and can have an adverse impact on Champion Holdings' business and financial results.



***The transportation industry is subject to government regulation, and regulatory changes could have a material adverse effect on Champion Holdings' operating results or financial condition.***

Champion Holdings' Star Fleet Trucking subsidiary provides transportation services. The transportation industry is subject to legislative or regulatory changes, including potential limits on carbon emissions under climate change legislation and Department of Transportation regulations regarding, among other things, driver breaks, classification of independent drivers, restart rules, and the use of electronic logging devices that can affect the economics of the industry by requiring changes in operating practices or influencing the demand for, and cost of providing, transportation services. Champion Holdings may become subject to new or more restrictive regulations relating to fuel emissions or limits on vehicle weight and size. Future laws and regulations may be more stringent and require changes in operating practices, influence the demand for transportation services or increase the cost of providing transportation services, any of which could adversely affect Champion Holdings' business and results of operations.

***Natural disasters and severe weather conditions could delay deliveries, increase costs, and decrease demand for new factory-built homes in affected areas.***

Champion Holdings' operations are located in many areas that are subject to natural disasters and severe weather. The occurrence of natural disasters or severe weather conditions can delay factory-built home deliveries, increase costs by damaging inventories, reduce the availability of materials, and negatively impact the demand for new factory-built homes in affected areas. Furthermore, if Champion Holdings' insurance does not fully cover business interruptions or losses resulting from these events, Champion Holdings' earnings, liquidity, or capital resources could be adversely affected.

***Changes in foreign exchange rates could adversely affect the value of Champion Holdings' investments in Canada and cause foreign exchange losses related to intercompany loans.***

Champion Holdings has substantial investments in businesses in Canada. Unfavorable changes in foreign exchange rates could adversely affect the value of Champion Holdings' investments in these businesses. Champion Holdings uses intercompany loans between its U.S. and foreign subsidiaries to provide funds for acquisitions and other purposes. Fluctuations in the relative exchange rates between the U.S. dollar and Canadian dollar could result in foreign exchange transaction losses that will be reported in Champion Holdings' statement of operations until such loans are repaid.

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## CAUTIONARY STATEMENTS CONCERNING FORWARD-LOOKING INFORMATION

This proxy statement contains forward-looking statements that have been made pursuant to the provisions of, and in reliance on the safe harbor under, the Private Securities Litigation Reform Act of 1995. Forward-looking statements include statements with respect to management's beliefs, plans, objectives, goals, expectations, assumptions, estimates, intentions, and future performance, and involve known and unknown risks, uncertainties and other factors, which may be beyond the control of Skyline and Champion Holdings, and which may cause actual results, performance, or achievements to be materially different from future results, performance, or achievements expressed or implied by such forward-looking statements.

All statements other than statements of historical fact are statements that could be forward-looking statements. Words such as believe, contemplate, seek, estimate, plan, project, anticipate, assume, expect, intend, ta, remain, will, should, indicate, would, may and other similar expressions are intended to identify forward-look statements but are not the exclusive means of identifying such statements. Forward-looking statements provide current expectations or forecasts of future events and are not guarantees of future performance, nor should they be relied upon as representing management's views as of any subsequent date. The forward-looking statements are based on management's expectations and are subject to a number of risks and uncertainties.

All written or oral forward-looking statements that are made by or attributable to Skyline, Champion Holdings, or the proposed Skyline Champion Corporation are expressly qualified in their entirety by this cautionary notice. Skyline and Champion Holdings have no obligation and do not undertake to update, revise, or correct any of the forward-looking statements after the date of this proxy statement, or after the respective dates on which such statements otherwise are made. Skyline and Champion Holdings do not make any assurances that their expectations, beliefs, or projections will be achieved or accomplished. Factors, risks, and uncertainties that may cause the expectations reflected or indicated by forward-looking statements not to be realized, include, without limitation, the following:

local, regional, national, and international economic and financial market conditions and the impact they may have on Skyline, Champion Holdings, and their customers and their assessment of that impact;

availability of wholesale and retail financing;

the health of the U.S. and North American housing market as a whole;

demand fluctuations in the U.S. and North American housing industry;

the impact of customer preferences;

regulations pertaining to the housing and park model industries;

the cyclical nature of the manufactured housing and park model industries;

general or seasonal weather conditions affecting sales;

the potential impact of natural disasters on sales and raw material costs;

the prices and availability of materials sourced from both foreign and domestic sources;

periodic inventory adjustments by independent retailers;

changes in interest rates;



changes in foreign exchange rates;

more stringent credit standards or financing terms may be imposed by lenders to Skyline, Champion Holdings, the combined company, or their dealers or customers;

the impact of inflation;

the impact of labor costs, shortage, and turnover;

competitive pressures on pricing and promotional costs;

catastrophic events impacting insurance costs;

the availability of insurance coverage for various risks to Skyline and Champion Holdings;

the timely development and acceptance of new products and services and perceived overall value of these products and services by others;

changes in consumer spending, borrowings, and savings habits;

maintaining relationships with independent distributors;

acquisitions and the integration of acquired businesses;

the effect of changes in laws and regulations (including laws and regulations concerning taxes, health care, housing, consumer credit, the transportation industry, banking, securities, and insurance) with which Skyline and Champion Holdings must comply;

the effect of changes in accounting policies and practices and auditing requirements, as may be adopted by the regulatory agencies, including the SEC, as well as the Public Company Accounting Oversight Board, the Financial Accounting Standards Board, and other regulatory entities;

changes in the organization, compensation, and benefit plans of Skyline, Champion Holdings, or both;

greater than expected costs or difficulties related to the integration of new products and lines of business;

the ability to service debt;

the impact, and extent, of contingent obligations;

market demographics;

management's ability to attract and retain executive officers and key personnel;

the timing and terms of regulatory review and approval in connection with the Exchange;

unforeseen actions by third parties that may delay the Exchange; and

the amount of expenses to be incurred by Skyline and Champion Holdings in connection with the Exchange or otherwise prior to the consummation of the Exchange.

Additional factors that could cause Skyline's results to differ materially from those described in the forward-looking statements can be found in Skyline's Annual Report on Form 10-K, Quarterly Reports on Form 10-Q, and Current Reports on Form 8-K filed with the SEC.

## THE SPECIAL MEETING OF SKYLINE S SHAREHOLDERS

### General

This document is being delivered to Skyline s shareholders in connection with the solicitation of proxies by the Board to be voted at the Special Meeting of Skyline s shareholders. This document and enclosed form of proxy are being sent to Skyline s shareholders on or about [ ], 2018.

### Date, Time, and Place

We will hold the Special Meeting at [ ] [a.m./p.m.], Eastern Time, on [ ], [ ], 2018, at the [ ], located at [ ], [ ], Indiana [ ]. If you plan to attend the Special Meeting, please note that you may be asked to present valid photo identification, such as a driver s license or passport. Shareholders owning stock in brokerage accounts must bring a copy of a brokerage statement reflecting stock ownership as of the record date. Cameras, recording devices, and other electronic devices will not be permitted to be used at the meeting.

### Purpose of the Special Meeting

The Special Meeting is being held for the following purposes:

To approve and adopt the three Charter Amendment Proposals, which, if approved, will amend and restate the Restated Articles of Incorporation of Skyline. Such proposals are as follows:

- o A proposal to amend the Articles to change the name of the Company to Skyline Champion Corporation;
- o A proposal to amend the Articles to increase the number of authorized shares of Skyline s Common Stock from 15,000,000 to 115,000,000; and
- o A proposal to amend the Articles to provide that the number of directors to serve on the Company s board of directors shall be as specified in the Company s Amended and Restated By-Laws, as may be amended from time to time;

To approve the Shares Issuance Proposal;

To approve, on a non-binding advisory basis, the Exchange-Related Compensation Proposal;

To approve the Adjournment Proposal; and

To transact such other business as may properly come before the Special Meeting or any adjournment of the Special Meeting.

The Board and management is not aware of any other matters to be presented at the meeting other than those mentioned above and has not received notice from any shareholders requesting that other matters be considered. However, if any other business is properly presented before the Special Meeting and may properly be voted upon, the proxies solicited hereby will be voted on such matters in accordance with the best judgment of the proxy holders named therein.

A copy of the Exchange Agreement is attached as Appendix A to this proxy statement.

**Recommendation of Skyline s Board of Directors**

The Board unanimously voted in favor of the Exchange and the proposals set forth above. Based on the reasons discussed elsewhere in this proxy statement, the Board has determined that the Exchange Agreement, the

Exchange, and the transactions contemplated thereby are in the best interests of Skyline and its shareholders and unanimously recommends that its shareholders vote:

**FOR** the approval of each of Charter Amendment Proposals;

**FOR** the approval of the Shares Issuance Proposal;

**FOR** the approval of the non-binding Exchange-Related Consideration Proposal; and

**FOR** the approval of the Adjournment Proposal.

**Record Date and Voting; Quorum**

The close of business on [ ], 2018 has been selected as the record date for the determination of Skyline's shareholders entitled to notice of and to vote at the Special Meeting. On that date, 8,391,244 shares of Skyline's Common Stock were outstanding. Shareholders will be entitled to one vote for each share of Skyline's Common Stock held by them of record at the close of business on the record date on any matter that may be presented for consideration and action by the shareholders. The presence, in person or represented by proxy, of the holders of a majority of the outstanding shares of Skyline's Common Stock will constitute a quorum for the transaction of business at the Special Meeting.

You may vote in one of four ways: (1) by mail (by completing and signing the proxy card that accompanies this proxy statement/prospectus); (2) by telephone; (3) by using the Internet; and (4) in person (by either delivering the completed proxy card or by casting a ballot if attending the Special Meeting). If your shares are held by a broker or other nominee, you must obtain a proxy from the broker or nominee giving you the right to vote the shares at the Special Meeting. If you plan to attend the Special Meeting, you must hold your shares in your own name or have a letter from the record holder of your shares confirming your ownership and you must bring photo identification with you in order to be admitted. We reserve the right to refuse admittance to anyone without proper proof of share ownership and without proper photo identification.

All proxies properly submitted in time to be counted at the Special Meeting will be voted in accordance with the instructions contained in the proxy. If you submit a proxy without voting instructions, the proxies named in the proxy will vote on your behalf for each matter described above in accordance with the recommendations of the Board on all the proposals as set forth in this proxy statement and on any other matters in accordance with their best judgment.

If you have shares held by a broker or other nominee, you may instruct the broker or other nominee to vote your shares by following the instructions the broker or other nominee provides to you. Proxies solicited by this proxy statement may be exercised only at the Special Meeting and any adjournment or postponement thereof and will not be used for any other meeting.

**Vote Required**

The following votes will be required to approve the proposals:

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The approval of each of the Charter Amendment Proposals (Proposals No. 1A, 1B, and 1C) requires the affirmative vote of the holders of a majority of the outstanding shares of Skyline Common Stock;

The approval of the Shares Issuance Proposal (Proposal No. 2), the Exchange-Related Compensation Proposal (Proposal No. 3), and the Adjournment Proposal (Proposal No. 4) each requires that more votes be cast in favor of the proposal than against the proposal.

Abstentions and broker non-votes (described below) are counted to determine the presence or absence of a quorum but are not considered votes cast. **The required vote of Skyline's shareholders on each of the Charter Amendment Proposals is based on the number of outstanding shares of Skyline Common Stock and not the number of shares that are actually voted. Accordingly, the failure to submit a proxy card or to vote in person at the Special Meeting, or the abstention from voting by a Skyline shareholder, or the failure of any Skyline shareholder who holds shares in street name through a bank or broker to give voting instructions to such bank or broker (thereby resulting in a broker non-vote), will have the same effect as a vote AGAINST the applicable Charter Amendment Proposal.** Abstentions and broker non-votes will not be included in the vote count on the Shares Issuance Proposal, the Exchange-Related Compensation Proposal, or the Adjournment Proposal.

A broker non-vote occurs when a broker submits a proxy that does not indicate a vote on a proposal because the broker has not received instructions from the beneficial owners on how to vote on such proposal and the broker does not have discretionary authority to vote in the absence of instructions. Brokers generally have the authority to vote, even though they have not received instructions, on matters that are considered routine. However, under relevant stock exchange rules, the Charter Amendment Proposals, the Shares Issuance Proposal, the Exchange-Related Compensation Proposal, and the Adjournment Proposal to be considered at the Special Meeting are not considered routine matters and brokers are not entitled to vote shares held for a beneficial owner on these matters without instructions from the beneficial owner of the shares. **To avoid a broker non-vote of your shares held in street name, you must provide voting instructions to your broker or other nominee.**

### **Shares Held by Officers and Directors**

As of the record date:

Skyline's directors and executive officers and their affiliates owned and were entitled to vote 1,445,864 shares of Skyline Common Stock, representing approximately 17.2% of the outstanding shares of Skyline Common Stock; and

Champion Holdings' managers and executive officers and their affiliates do not own, and are not entitled to vote any outstanding shares of Skyline Common Stock. Champion Holdings owns no shares of Skyline Common Stock, but has an irrevocable proxy in connection with the voting of approximately 17.2% of the outstanding shares of Skyline Common Stock in accordance with the terms of the Voting Agreement.

### **Voting Procedures**

**Ensure that your shares of Common Stock can be voted at the Special Meeting by submitting your proxy or contacting your broker, dealer, commercial bank, trust company, or other nominee.**

*If your shares of Common Stock of Skyline are registered in the name of a broker, dealer, commercial bank, trust company, or other nominee, check the voting instruction card forwarded by your broker, dealer, commercial bank, trust company, or other nominee to see which voting options are available or contact your broker, dealer, commercial bank, trust company, or other nominee in order to obtain directions as to how to ensure that your shares of Common Stock are voted at the Special Meeting.*

*If your shares of Common Stock of Skyline are registered in your name, submit your proxy as soon as possible by telephone, via the Internet, or by signing, dating, and returning the enclosed proxy card in the enclosed postage-paid envelope, so that your shares of Common Stock can be voted at the Special Meeting. Instructions regarding telephone and Internet voting are included on the proxy card.*

**The failure to vote will have the same effect as a vote against the Charter Amendment Proposals.** If you sign, date, and mail your proxy card without indicating how you wish to vote, your proxy will be voted



**FOR** approval of the Charter Amendment Proposals, the Shares Issuance Proposal, the non-binding advisory Exchange-Related Compensation Proposal, and, if necessary, the Adjournment Proposal.

For additional questions about the Exchange or for assistance in submitting proxies or voting shares of Common Stock of Skyline, or to request additional copies of this proxy statement or the enclosed proxy card, please call Georgeson at (866) 391-7007.

***Voting by Proxy or in Person at the Special Meeting***

Holders of record can ensure that their shares of Common Stock are voted at the Special Meeting by completing, signing, dating, and delivering the enclosed proxy card in the enclosed postage-paid envelope. Submitting by this method or voting by telephone or the Internet as described below will not affect your right to attend the Special Meeting and to vote in person. If you plan to attend the Special Meeting and wish to vote in person, you will be given a ballot at the Special Meeting. Please note, however, that if your shares of Common Stock are held in street name by a broker, dealer, commercial bank, trust company, or other nominee and you wish to vote at the Special Meeting, you must bring to the Special Meeting a proxy from the record holder of those shares of Common Stock authorizing you to vote at the Special Meeting.

You should return a proxy by mail, by telephone, or via the Internet even if you plan to attend the Special Meeting in person. If you vote your shares of Common Stock by submitting a proxy, your shares will be voted at the Special Meeting as you indicated on your proxy card or Internet or telephone proxy. If no instructions are indicated on your signed proxy card, all of your shares of Common Stock will be voted:

**FOR** approval of each of the Charter Amendment Proposals;

**FOR** approval of the Shares Issuance Proposal;

**FOR** approval of the non-binding advisory Exchange-Related Compensation Proposal; and

**FOR** approval of the Adjournment Proposal.

***Electronic Voting***

Our holders of record and many shareholders who hold their shares of Common Stock through a broker, dealer, commercial bank, trust company, or other nominee will have the option to submit their proxy cards or voting instruction cards electronically by telephone or the Internet. Please note that there are separate arrangements for voting by telephone and Internet depending on whether your shares of Common Stock are registered in our records in your name or in the name of a broker, dealer, commercial bank, trust company, or other nominee. If you hold your shares of Common Stock through a broker, bank, or other nominee, you should check your voting instruction card forwarded by your broker, dealer, commercial bank, trust company, or other nominee to see which options are available. Please read and follow the instructions on your proxy card or voting instruction card carefully.

**Other Business**

We do not expect that any matter will be brought before the Special Meeting other than the Charter Amendment Proposals, the Shares Issuance Proposal, the Exchange-Related Compensation Proposal, and the Adjournment

Proposal. If, however, other matters are properly presented at the Special Meeting, the persons named as proxies will vote in accordance with their best judgment with respect to those matters.

## Revocation of Proxies

Submitting a proxy on the enclosed form or proxy does not preclude a shareholder from voting in person at the Special Meeting. You may change your vote or revoke your proxy at any time before your vote is counted at the meeting by:

notifying our Corporate Secretary in writing at P.O. Box 743, 2520 By-Pass Road, Elkhart, Indiana 46515, that you wish to revoke your proxy;

submitting a later dated proxy card; or

attending the Special Meeting and voting in person.

Attending the Special Meeting will not automatically revoke your proxy. You must comply with one of the methods indicated above to revoke your proxy. If you hold your shares in street name, you must contact your broker or other nominee to change your vote or obtain a proxy from your broker to vote your shares if you wish to cast your vote in person at the meeting.

## Solicitation of Proxies; Expenses

The proxy solicitation of Skyline's shareholders is being made by Skyline on behalf of the Board and will be paid for by Skyline. In addition to solicitation by mail, directors, officers, and employees of Skyline may solicit proxies for the Special Meeting from Skyline's shareholders personally or by telephone, the Internet, or other electronic means. However, Skyline's directors, officers, and employees will not be paid any special or extra compensation for soliciting such proxies, although they may be reimbursed for out-of-pocket expenses incurred in connection with the solicitation. Upon request, Skyline will reimburse brokers, dealers, banks, trustees, and other fiduciaries for the reasonable expenses they incur in forwarding proxy materials to beneficial owners of Skyline's Common Stock.

In addition, Skyline has made arrangements with Georgeson to assist in soliciting proxies for the Special Meeting and has agreed to pay them \$12,500, plus out-of-pocket expenses, for these services.

**YOUR VOTE IS VERY IMPORTANT.** The Charter Amendment Proposals must be approved by the affirmative vote of the holders of a majority of the issued and outstanding shares of Skyline Common Stock, and the Shares Issuance Proposal must be approved by more votes of the Skyline shareholders cast in favor of the proposal than against it, in order for the proposed Exchange to be consummated. Holders of Skyline Common Stock are urged to read and carefully consider the information in this proxy statement. **IF YOU DO NOT RETURN YOUR PROXY CARD, VOTE BY TELEPHONE OR BY INTERNET, OR DO NOT VOTE IN PERSON AT THE SPECIAL MEETING, THE EFFECT WILL BE A VOTE AGAINST THE CHARTER AMENDMENT PROPOSALS.**

## Assistance

If you need assistance in completing your proxy card or have questions regarding the Special Meeting, please contact Skyline Corporation, P.O. Box 743, 2520 By-Pass Road, Elkhart, Indiana 46515, Attention: Corporate Secretary, (574) 294-6521. In addition, a representative of Crowe Horwath LLP, Skyline's independent registered public accounting firm, plans to be present at the Special Meeting and will be given an opportunity to make a statement if he or she desires to do so and will be available to respond to appropriate questions from shareholders.

**SEND ONLY YOUR PROXY CARD. PLEASE DO NOT SEND IN ANY SHARE CERTIFICATES WITH YOUR PROXY CARD.**

**SECURITY OWNERSHIP OF CERTAIN BENEFICIAL HOLDERS AND MANAGEMENT OF SKYLINE**

As of [ ], 2018, the record date for the Special Meeting, our directors and executive officers beneficially owned, in the aggregate, 1,540,664 shares of Skyline Common Stock (or collectively approximately 18.4% of the outstanding shares of Common Stock) and 51,000 shares of restricted stock (with respect to which the directors and executive officers do not have voting power), which means that our directors and executive officers held, in the aggregate, 1,591,664 shares of Skyline Common Stock, including both Common Stock and restricted stock. All of the directors and certain executive officers of Skyline have executed a Voting Agreement pursuant to which they agreed to vote all their shares in favor of the Charter Amendment Proposals and the Shares Issuance Proposal.

Certain members of our management and the board have interests that may be different from, or in addition to, those of our shareholders generally. For more information, see *Interests of the Skyline Directors and Executive Officers in the Exchange* beginning on page 79 for additional information.

The following table describes the shares of Skyline Common Stock that each of the following persons beneficially owned as of [ ], 2018:

each of Skyline's current directors;

Skyline's Chief Executive Officer, Chief Financial Officer, and each of Skyline's three most highly compensated executive officers serving at the end of the fiscal year ended May 31, 2017 (other than the Chief Executive Officer and Chief Financial Officer) whose total compensation during fiscal 2017 exceeded \$100,000 (together as a group, the *Named Executive Officers*);

all of Skyline's current directors and executive officers as a group; and

each other person known by Skyline to beneficially own more than five percent of the outstanding shares of Skyline Common Stock.

Information with respect to the directors and Named Executive Officers is based on our records and data supplied by each of the directors and Named Executive Officers. Information with respect to beneficial owners of more than five percent of the outstanding shares of our Common Stock is based on filings those persons have made with the SEC.

Name	Position	Shares of Common Stock Beneficially Owned	Percent of Class <sup>(1)</sup>
<b>DIRECTORS:</b>			
Arthur J. Decio	Director	1,377,784 <sup>(2)</sup>	16.4%
Richard W. Florea	President and Chief Executive Officer; Director	107,100 <sup>(3)</sup>	1.3%
John C. Firth	Director	10,500	*
Samuel S. Thompson	Director	3,000	*
John W. Rosenthal, Sr.	Director	1,000	*
Matthew W. Long	Director		*
Thomas L. Eisele	Director		*



Name	Position	Shares of Common Stock Beneficially Owned	Percent of Class <sup>(1)</sup>
<b>EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS:</b>			
Jon S. Pilarski	Chief Financial Officer		*
Jeffrey A. Newport	Chief Operating Officer	11,200 <sup>(4)</sup>	*
Terence M. Decio	Vice President, Marketing and Sales	30,080	*
Robert C. Davis	Vice President, Manufacturing		*
All executive officers and directors of Skyline as a group (11 persons)		1,540,664	18.4%
<b>GREATER THAN 5% SHAREHOLDERS:</b>			
Champion Enterprises Holdings, LLC		1,490,864 <sup>(5)</sup>	17.8%
755 West Big Beaver Road, Suite 1000 Troy, Michigan 48084			
Tontine Asset Associates, LLC		1,216,527 <sup>(6)</sup>	14.5%
1 Sound Shore Drive, Suite 304 Greenwich, Connecticut 06830-7251			

\* Indicates less than 1.0% of the total number of outstanding shares of Skyline Common Stock calculated in accordance with Rule 13d-3 under the Exchange Act. See footnote (1) below.

- (1) For each individual or group disclosed in the table above, the figures in this column are based on 8,391,244 shares of Skyline Common Stock issued and outstanding as of [ ], 2018, which is the record date, plus the number of shares of Common Stock each such individual or group has the right to acquire on or within 60 days after [ ], 2018, computed in accordance with Rule 13d-3(d)(1) under the Exchange Act. In accordance with this rule, a person is deemed to be the beneficial owner for purposes of this table, of any shares of Skyline Common Stock if he or she has shared voting or investment power with respect to such security, or has a right to acquire beneficial ownership at any time within 60 days from the record date. As used herein, "voting power" is the power to vote or direct the voting of shares, and "investment power" is the power to dispose or direct the disposition of shares. The shares set forth above for directors and executive officers include all shares held directly, as well as by spouses and minor children, in trust and other indirect ownership, over which shares the named individuals effectively exercise sole or shared voting and investment power.
- (2) Includes 3,500 shares held directly by The Arthur J. Decio Foundation, of which Mr. Decio is a trustee. Mr. Decio disclaims beneficial ownership of the shares held directly by The Arthur J. Decio Foundation.
- (3) Includes 83,600 shares that can be acquired by Mr. Florea through presently exercisable stock options and stock options that are exercisable within 60 days after [ ], 2018.
- (4) Amount represents 11,200 shares that can be acquired by Mr. Newport through presently exercisable stock options and stock options that are exercisable within 60 days after [ ], 2018.
- (5) This information is based on a Schedule 13D filed by Champion Enterprises Holdings, LLC with the SEC as of January 5, 2018. The address of Champion Holdings is 755 West Big Beaver Road, Suite 1000, Troy, Michigan 48084. On January 5, 2018, Champion Holdings entered into the Voting Agreement pursuant to which each

individual shareholder of Skyline signatory to the Voting Agreement appointed Champion Holdings as irrevocable proxy and attorney-in-fact to vote such shareholder's shares of Skyline Common Stock in favor of the Charter Amendment and Shares Issuance Proposals. As a result, Champion Holdings may be deemed, for purposes of Section 13(d) of the Exchange Act, to share beneficial ownership of the 1,490,864 shares of Common Stock that are beneficially owned by the Skyline shareholders signatory to the Voting Agreement. Champion Holdings has not admitted to having, or claimed to have, beneficial ownership for any purpose over such shares.

- (6) This information is based solely on a Schedule 13G/A filed by Tontine Asset Associates, LLC ( *Tontine* ) with the SEC as of December 31, 2017. The address of Tontine is 1 Sound Shore Drive, Suite 304, Greenwich, Connecticut 06830-7251. Tontine is a limited liability company organized under Delaware law and serves as the general partner of Tontine Capital Overseas Master Fund II, LP ( *TCOM II* ), which is the direct owner of the subject shares. Jeffrey L. Gendell is the managing member of Tontine and in that capacity directs its operations. Tontine and Mr. Gendell have shared voting and dispositive power with respect to all of the reported shares.



**COMBINED COMPANY SECURITY OWNERSHIP**

Upon the completion of the Exchange, existing Skyline shareholders immediately prior to the closing of the Exchange will own 15.5% of the combined company's common stock, and Champion Holdings (or its members) will own 84.5% of the combined company's common stock on a fully diluted basis (as determined in the Exchange Agreement). Upon the closing, the combined company is expected to have a total of 56,270,574 issued and outstanding shares of Common Stock. This amount does not reflect shares reserved for issuance under equity compensation plans of Skyline. As of [ ], 2018, Skyline had 318,000 shares reserved for future issuance under Skyline's equity compensation plans.

The following table describes the shares of the combined company's common stock that each of the following persons will beneficially own after the Exchange is completed (assuming that the Exchange had closed on [ ], 2018):

each of Champion Holdings' appointees to the Skyline Champion Corporation board of directors;

each of Skyline's appointees to the Skyline Champion Corporation board of directors;

the combined company's Chief Executive Officer, Chief Financial Officer, and the remaining contemplated executive officer of the combined company (the *Surviving Corporation Executive officers*);

all of Champion Holdings' director appointees, Skyline's director appointees, and the Surviving Corporation Executive officers as a group; and

each other person known by Skyline or Champion Holdings to be expected to beneficially own more than five percent of the outstanding shares of the combined company's common stock.

Information with respect to Champion Holdings' appointees to the Skyline Champion Corporation board of directors, Skyline's appointees to the Skyline Champion Corporation board of directors, and the Surviving Corporation Executive officers is based on Skyline's and Champion Holdings' records and data supplied by each such person. Information with respect to beneficial owners of more than five percent of the outstanding shares of the combined company's common stock is based on Skyline's and Champion Holdings' records and data supplied by such beneficial owners and filings those persons have made with the SEC.

Name	Position	Shares of Common Stock Beneficially Owned	Percent of Class <sup>(1)</sup>
<b>DIRECTORS:</b>			
Keith Anderson	Chief Executive Officer; Board of Directors Appointee		
Timothy Bernlohr	Board of Directors Appointee		

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Michael Bevacqua	Board of Directors Appointee		
Michael Kaufman	Board of Directors Appointee		
Daniel R. Osnoss	Board of Directors Appointee		
Gary Robinette	Board of Directors Appointee		
Ian Samuels	Board of Directors Appointee		
David Smith	Board of Directors Appointee		
Michael Treisman	Board of Directors Appointee		
John C. Firth	Board of Directors Appointee	10,500	*
Richard W. Florea	Board of Directors Appointee	107,100 <sup>(2)</sup>	*

Name	Position	Shares of Common Stock Beneficially Owned	Percent of Class <sup>(1)</sup>
<b>EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS:</b>			
Laurie Hough	Chief Financial Officer		
Mark Yost	Executive Vice President		
All executive officers and directors of the combined company as a group (13 persons)		117,600	*
<b>GREATER THAN 5% SHAREHOLDERS:</b>			
Champion Enterprises Holdings, LLC <sup>(3)</sup>		47,828,330	84.5%
755 West Big Beaver Road			
Suite 1000			
Troy, Michigan 48084			

\* Indicates less than 1.0% of the outstanding shares of the combined company's common stock to be outstanding post-Exchange calculated in accordance with Rule 13d-3 under the Exchange Act. See footnote (1) below.

(1) For each individual or group disclosed in the table above, the figures in this column are based on shares of the combined company's common stock outstanding post-Exchange, assuming the Exchange was completed on [ ], 2018, plus the number of shares of Common Stock each such individual or group has the right to acquire on or within 60 days after [ ], 2018, computed in accordance with Rule 13d-3(d)(1) under the Exchange Act. The shares set forth above for directors and executive officers include all shares held directly, as well as by spouses and minor children, in trust and other indirect ownership, over which shares the named individuals effectively exercise sole or shared voting and investment power.

(2) Includes 83,600 shares that can be acquired by Mr. Florea through presently exercisable stock options and stock options that are exercisable within 60 days after [ ], 2018.

(3) This table assumes that 47,828,330 shares of Common Stock are issued in the Exchange to Champion Holdings. Champion Holdings may request that such shares are delivered directly to the members of Champion Holdings in accordance with the terms of the Exchange Agreement.

## THE EXCHANGE

*This section and the section entitled [The Exchange Agreement](#) beginning on page 93 describe the material aspects of the Exchange, including the Exchange Agreement. While Skyline believes that this description covers the material terms of the Exchange and the Exchange Agreement, it may not contain all of the information that is important to you. You should read carefully this entire proxy statement for a more complete understanding of the Exchange and the Exchange Agreement, including the Exchange Agreement itself, which is attached as [Appendix A](#) and the opinion of Jefferies LLC, which is attached as [Appendix C](#).*

### General Description of the Exchange

Skyline's Board and Champion Holdings' board of managers have approved and adopted the Exchange Agreement, the Exchange, and the transactions contemplated thereby. Under the Exchange Agreement, Champion Holdings will contribute, transfer, and convey to Skyline all of the issued and outstanding shares of common stock of Champion Holdings' wholly-owned operating subsidiaries through the contribution of 200 shares of CIBV and 1,000 shares of common stock of CHB, representing all of the issued and outstanding equity interests of each of CHB and CIBV, in exchange for the Exchange Shares, calculated to be equal to (i) an exchange ratio of 5.4516129, multiplied by (ii) the total number of shares of Skyline Common Stock on a fully diluted basis (as determined in the Exchange Agreement) as determined immediately prior to the closing of the transactions contemplated by the Exchange Agreement. Upon the closing of the Exchange, Champion Holdings (or its members) will hold 84.5%, and Skyline's shareholders as of immediately prior to the Exchange will hold 15.5%, of the Common Stock of the combined company on a fully-diluted basis.

All of the directors and certain executive officers of Skyline have entered into a Voting Agreement pursuant to which they agreed to vote all their shares of Skyline Common Stock in favor of the Charter Amendment Proposals and the Shares Issuance Proposal. Under the Exchange Agreement, the persons serving on the board of directors and as the executive officers of Skyline will be changed to be those persons as designated by Champion Holdings and Skyline, as described further in this proxy statement.

Please see [The Exchange Agreement](#) beginning on page 93 for additional and more detailed information regarding the legal documents that govern the Exchange, including information about the conditions to the closing of the Exchange and the provisions for terminating and amending the Exchange Agreement.

Below is an illustration of the combined company's anticipated structure following the Exchange.

\* Includes Star Fleet Trucking, Inc. and Titan Factory Direct Homes, Inc.

### **Background of the Exchange**

Skyline's Board and senior management regularly review and assess its long-term strategy and objectives in light of developments in the markets in which Skyline operates, including strategic alternatives available to Skyline to enhance shareholder value. As part of this process, Skyline's Board and management regularly consider opportunities that could complement, enhance or expand its current business or products or that might otherwise offer growth opportunities for Skyline.

In early 2017, the Board decided to cease operations at and seek a buyer for Skyline's manufactured housing facility located in the City of Mansfield, Tarrant County, Texas consisting of approximately 79,000 square feet situated on 10 acres (the ***Mansfield Property***). In January 2017, Richard W. Florea, Chief Executive Officer and President of Skyline inquired of Keith Anderson, Chief Executive Officer of Champion Holdings whether Champion Holdings would have any interest in purchasing the Mansfield Property. Thereafter, Messrs. Florea and Anderson began to negotiate the terms of an agreement for the sale of the Mansfield Property to CHB. On February 24, 2017, Skyline entered into a Real Estate Purchase Agreement with CHB to sell the Mansfield Property and certain of Skyline's equipment located at the Mansfield Property. The agreement was amended on February 28, 2017 to substitute Skyline's wholly-owned subsidiary, Homette Corporation, for Skyline as the seller under the agreement, and to provide for Homette Corporation to continue to receive royalties under a certain oil and gas lease related to the Mansfield Property for a period of 60 months following the closing of the Mansfield Property purchase and sale.

In mid-March, Mr. Florea reached out to Mr. Anderson to raise the prospect of collaboration generally between Skyline and Champion Holdings on mutually beneficial strategic initiatives.

On April 11, 2017, the parties completed the sale of the Mansfield Property.

Also on April 11, 2017, Skyline and Champion Holdings entered into a mutual confidentiality agreement.

The following day, Mr. Florea, John C. Firth, the Chairman of Skyline's Board, and John W. Rosenthal, a member of Skyline's Board, met with Mr. Anderson and Laurie Hough, Chief Financial Officer of Champion Holdings, in Mr. Firth's offices in Mishawaka, Indiana. During the meeting, Mr. Anderson and Ms. Hough indicated that Champion Holdings was considering certain strategic transactions, including an initial public offering or a sale of the Champion Holdings business, and they raised the possibility of an alternative transaction whereby the businesses of Skyline and Champion Holdings would be combined. The parties agreed to further explore a potential combination and other strategic alternatives.

Throughout April and early May of 2017, Messrs. Firth, Florea, and Anderson and Ms. Hough continued discussions regarding the possibility of a strategic combination. On May 16, 2017, Messrs. Firth, Florea, Anderson and Ms. Hough held a teleconference to further discuss a potential strategic combination.

Mr. Firth had briefed several members of the Board during May concerning the existence and nature of the preliminary discussions with Champion Holdings and planned to discuss the possibility generally with the Board, among other matters, at its regular meeting on June 2, 2017. On June 1, 2017, Mr. Firth and Mr. Florea held a teleconference with Mr. Anderson and representatives of RBC Capital Markets, LLC ( *RBC* ), financial advisor to Champion Holdings, in which Mr. Firth and Mr. Florea requested further information concerning Champion Holdings in anticipation of discussions with the full Board.

On June 2, 2017, the Board met in Mishawaka, Indiana. During the course of the meeting, the Board discussed Skyline's market positioning and reviewed its strategic plan. As a part of these discussions, the Board considered Skyline's current position in the factory-built housing industry, the ongoing contraction of independent dealers, the consolidation of manufactured housing communities and the implications these trends had upon Skyline. At the meeting, Skyline's Board also unanimously approved the creation of a Special Committee of the Board, consisting of three independent directors, Messrs. Firth, Rosenthal and Samuel Thompson, and charged the Special Committee with the authority to further consider strategic possibilities with Champion Holdings and to explore alternative strategic initiatives to the extent deemed appropriate by the Special Committee. The Special Committee held its initial planning meeting on June 9, 2017.

On June 29, 2017, the full Board held a regular meeting. Mr. Firth briefed the Board concerning the initial activities of the Special Committee. The Board authorized compensation for the Special Committee members consisting of a special fee of \$15,000 plus \$1,000 for each meeting of the Special Committee.

On July 7, 2017, the Special Committee formally engaged Ice Miller LLP ( *Ice Miller* ) as independent counsel to provide legal advice to the Special Committee concerning fiduciary and governance matters and strategic considerations.

On July 12, 2017, representatives of Jefferies and two other investment banking firms made separate presentations to the Special Committee regarding the pursuit of strategic alternatives. On July 13, 2017, the Special Committee reached a consensus to engage Jefferies, in view of Jefferies' industry expertise, national reputation and the quality and experience of the individuals who would be supporting Jefferies' work for Skyline. The Special Committee understood that Jefferies' engagement terms would provide that a significant fee for Jefferies would be contingent on the closing of a potential strategic transaction and also understood that Jefferies could participate in subsequent financing and investment banking activities with respect to the successor or combined company after any strategic transaction. The Special Committee understood such potential would exist regardless which financial advisor it chose to engage. Mr. Firth notified Jefferies of the Special Committee's decision and asked Jefferies to prepare a formal engagement letter.

On July 17, 2017, representatives of RBC and Jefferies held an introductory teleconference to discuss the proposed combination.

On July 25, 2017, Skyline and Jefferies executed a letter agreement engaging Jefferies as financial advisor to Skyline in connection with a potential strategic transaction and to advise the Board, if requested, with respect to the fairness from a financial point of view, of any transaction that might be proposed.

Throughout August 2017, the Special Committee, Skyline management and Jefferies considered potential alternative strategic partners, including a particular party ( *Company X* ) which had made strategic overtures to Skyline several years earlier. Concurrently, representatives of Champion Holdings and Skyline and their respective advisors engaged in further discussions concerning a potential business combination.

On August 1, 2017, Champion Holdings submitted to the Board and Mr. Florea and Mr. Firth a written, non-binding indication of interest for a combination of Skyline and Champion Holdings which would have resulted in shareholders of Skyline holding 10% to 13% of the pro forma combined entity.

On August 2, 2017, the members of the Special Committee, Mr. Florea and Jefferies held a call to discuss Champion Holdings' indication of interest, including, among other matters, the fairness of the proposed ownership split of the combined entity and other considerations in Skyline's interest in connection with a proposed transaction with Champion Holdings.

On August 3, 2017, representatives of each of Jefferies and RBC held a teleconference to discuss diligence and other related matters.

On August 8, 2017, at the authorization of the Special Committee, Mr. Firth contacted the chief executive officer of Company X to indicate Skyline's willingness to entertain strategic discussions. On August 14, 2017, Skyline entered into a mutual confidentiality agreement with Company X.

On August 14 and 15, 2017, Messrs. Firth and Florea and other members of Skyline's management team met with Mr. Anderson, Ms. Hough and other members of Champion Holdings' management team, as well as representatives from each of Jefferies and RBC for meetings and presentations in Chicago to discuss Champion Holdings' and Skyline's respective business operations, historical and budgeted financial results and synergy opportunities. The parties also discussed various other considerations relating to the interests of Skyline's existing shareholders, employees and communities, including whether Skyline would be the surviving entity in the combination, representation on the continuing board of directors, Skyline's headquarters in Elkhart, Indiana, Skyline's name, and executive leadership of the combined entity (these and related considerations are sometimes referred to in this discussion as "social considerations"). Art Decio, Skyline's founder, joined the group for dinner the evening of August 14, 2017. Thereafter, at a meeting of the Special Committee, Mr. Firth provided a detailed briefing on the meetings. Representatives of each of Jefferies and RBC held a follow-up call on August 16, 2017 to discuss next steps in light of the discussions held on August 14, 2017.

On August 17, 2017, at the authorization of the Special Committee, representatives of Jefferies met in Phoenix, Arizona, with the chief executive officer of Company X to share Jefferies' perspective on Skyline and the potential benefits of a combination of Skyline and Company X and to further gauge Company X's interest in a business transaction with Skyline.

On August 21, 2017, representatives of Jefferies, Skyline management and Mr. Firth initiated efforts to respond to certain due diligence requests from both Champion Holdings and Company X. Such efforts continued through late August.

On August 22, 2017, the Special Committee held a teleconference during which Mr. Firth updated the committee on progress and the status of discussions and diligence considerations with each of Champion Holdings and Company X.

On August 31, 2017, representatives of Jefferies presented telephonically to Skyline's Special Committee regarding Champion Holdings' proposed business combination, social considerations and next steps. Thereafter, on September 2, 2017, Skyline submitted a written response to Champion Holdings' indication of interest, which response outlined a transaction in which (i) Skyline shareholders would retain a 17% equity interest in the pro forma combined entity,



(ii) the initial board of the combined entity would include no less than two Skyline representatives and Mr. Decio would be afforded the opportunity to serve on the board should he so choose as a third Skyline representative, (iii) Elkhart, Indiana would serve as the combined entity's headquarters and (iv) the combined entity name would remain Skyline Corporation and its ticker symbol SKY would be retained.

In response to Skyline's proposal, on September 12, 2017, Champion Holdings submitted to Skyline a further modified non-binding proposal, pursuant to which (i) Skyline's shareholders would retain a 15% equity interest in the pro forma combined entity, with CHB and CIBV being contributed to Skyline on a cash-free, debt-free basis, (ii) the combined entity would be named Skyline Champion Corporation with the ticker symbol SKY, (iii) the initial board would include two Skyline designees (one of whom would be independent) and Mr. Decio, if not one of the Skyline designees, would have the option to serve as a board observer, (iv) the combined entity would remain domiciled in Indiana with its principal office in Elkhart, Indiana, (v) Champion Holdings would appoint the senior management of the combined company, and (vi) Champion Holdings or its unitholders would be afforded customary registration rights to provide for resale of Skyline shares acquired in the proposed transaction.

Also on September 12, 2017, Messrs. Firth, Florea, Jeff Newport, Skyline's Chief Operating Officer, and representatives of Jefferies made a formal presentation to management of Company X. The next day, the Special Committee met by teleconference to discuss developments since August 22, 2017, receive a report on the meeting with Company X and further discuss the most recent proposal by Champion Holdings.

On September 15, 2017, the Special Committee met to review Champion Holdings' most recent proposal, and the terms of a potential Company X proposal, including key considerations similar to those outlined in Champion Holdings' nonbinding proposal. Representatives of Jefferies and Mr. Florea participated in the initial portion of the meeting and the Special Committee convened in executive session. The Special Committee then convened a second time later in the day to formulate Skyline's counterproposal that would later be communicated to Champion Holdings on September 19, 2017.

On September 19, 2017, the chief executive officer of Company X submitted to Jefferies by telephone an informal indication of interest to acquire Skyline. The informal proposal from Company X provided for consideration to Skyline shareholders of \$13.50 per share, which represented a 10.5% premium to the prior day's closing share price of \$12.22 per share, to be paid one-half in cash and one-half in publicly traded stock of Company X. The Company X proposal did not include any other proposed terms for Company X's acquisition of Skyline, or specify how the stock of Company X would be valued for purposes of a transaction. However, based on the share prices for Company X common stock and Skyline Common Stock at the time Company X's informal proposal was made, the stock portion of the consideration proposed by Company X would have represented less than 5% of the pro forma combined company. Also on September 19, 2017, Skyline submitted a revised non-binding proposal to Champion Holdings with terms substantially consistent with Champion Holdings' proposal of September 12, but increasing the retained equity position of Skyline shareholders in the pro forma combined entity to 15.5%, and further providing for payment of a pre-closing cash dividend to Skyline's shareholders to provide for the combination of both Skyline and the Champion Holdings subsidiaries on a cash-free and debt-free basis.

The Special Committee and Skyline management continued to deliberate over the respective September 19, 2017 proposals over the next several days. Despite Jefferies extensive work with Company X to illustrate the potential value of a combination with Skyline, including through structuring alternatives that could optimize returns to Company X, the Special Committee did not believe the indication of interest from Company X was competitive from a value perspective with the Champion Holdings proposal. The Company X proposal was also inferior from a tax perspective. After consultation with Jefferies, the Special Committee determined that further negotiation with Company X would not be constructive, and did not make a counteroffer in response to Company X's September 19, 2017 indication of interest.

In the judgment of Skyline's management, the Special Committee, and Jefferies, there were no other potentially viable transaction partners that could afford strategic advantages akin to those available in a combination with Champion Holdings or Company X. In consultation with Jefferies, the Special Committee concluded that the chance a financial buyer could deliver more value from a financial point of view than the proposal made by Champion Holdings was extremely remote. The Special Committee further concluded, in



consultation with Jefferies that a transaction with a financial buyer would neither be as tax efficient, nor as likely to offer the social considerations reflected in the Champion Holdings proposal. Accordingly, Skyline's board determined not to seek out other potential transaction partners and, other than as described herein, none were contacted by Jefferies.

On September 24, 2017, representatives of RBC communicated by telephone to representatives of Jefferies that Skyline's September 19 non-binding proposal would be acceptable to Champion Holdings. Representatives of RBC promptly provided to Jefferies a full due diligence request list and a draft exclusivity agreement providing that each of Skyline and Champion Holdings would negotiate exclusively with the other party while the agreement remained in effect.

On September 27, 2017, at the authorization of the Special Committee, Skyline engaged Crowe Horwath LLP, Skyline's regular independent auditors, to provide advice and assistance in connection with the financial due diligence evaluation of Champion Holdings.

On September 29, 2017, the Board held a regularly scheduled meeting. In the course of the meeting, Mr. Firth reported to the Board regarding the activities of the Special Committee and the status of discussions with Champion Holdings and the telephonic proposal from Company X. The Special Committee provided its recommendation to the Board that Skyline enter into an agreement to negotiate exclusively with Champion Holdings, in view of the stage to which discussions had progressed and that such exclusivity agreement should be mutual since it was apparent Champion Holdings itself was considering a variety of strategic options. The Board authorized Skyline to enter into a 30-day agreement to negotiate exclusively with Champion Holdings if and when the Special Committee deemed appropriate. Later on September 29, 2017, a representative of Jefferies communicated to Company X on behalf of the Special Committee that its proposal was not competitive because it was significantly less favorable from a financial point of view than other strategic alternatives available to Skyline (without identifying the Champion Holdings offer).

Also on September 29, 2017, an introductory teleconference occurred among Ms. Hough, and Jon Pilarski, Chief Financial Officer of Skyline, Mr. Florea, and representatives of each of Jefferies and RBC to discuss accounting matters.

After consultation with Jefferies, and based upon the attractiveness of Champion Holdings' proposal, the absence of any more favorable offer from Company X or any other party, and the Special Committee's review of the limited available alternatives, including the merits of Skyline's existing plans to remain independent, the Special Committee determined to negotiate with Champion Holdings on an exclusive basis, and on October 2, 2017, Skyline and Champion Holdings entered into a mutual exclusivity agreement restricting both parties from engaging in negotiations of any alternative transaction with a third party for a period expiring November 1, 2017.

During the weeks of October 2 and October 9, 2017, the parties and their respective advisors conducted due diligence, established confidential virtual data rooms, exchanged confidential information through their respective financial advisors and began negotiating a clean team nondisclosure agreement to facilitate protected disclosure to the parties' advisors of competitively sensitive information. Representatives of management of Skyline and Champion Holdings held due diligence meetings in Mishawaka, Indiana on October 4, 2017.

On October 12, 2017, the Special Committee contacted representatives of Barnes & Thornburg LLP ( *Barnes & Thornburg* ), Skyline's regular outside corporate and securities counsel, and engaged Barnes & Thornburg to serve as transaction counsel for the Company in a proposed transaction with Champion Holdings. Ice Miller would continue to serve as independent counsel to the Special Committee.

On October 13, 2017, representatives of Barnes & Thornburg and Ropes & Gray LLP ( *Ropes & Gray* ), Champion Holdings' transaction counsel, had a teleconference with representatives of each of Jefferies, RBC and Champion

Holdings to discuss the scope of Skyline's due diligence evaluation of Champion Holdings and its subsidiaries.

On October 16, 2017, Mr. Firth and Mr. Anderson had a teleconference to discuss the draft Exchange Agreement that Ropes & Gray would be providing to Barnes & Thornburg on behalf of Champion Holdings.

On October 17, 2017, representatives of Ropes & Gray provided the initial draft of the proposed Exchange Agreement to representatives of Barnes & Thornburg on behalf of Champion Holdings and representatives of Ropes & Gray and Barnes & Thornburg had an initial teleconference.

On October 19, 2017, a clean team agreement was signed by Skyline, Champion Holdings and PricewaterhouseCoopers ( *PwC* ), the accounting firm Champion Holdings engaged to conduct financial due diligence.

On October 23, 2017, representatives of Ropes & Gray provided to representatives of Barnes & Thornburg an initial draft of a proposed Voting Agreement on behalf of Champion Holdings, which Voting Agreement obligated Skyline's directors and certain other shareholders, including Arthur J. Decio, to vote their Skyline common shares in favor of the proposed transaction with Champion Holdings and against any competing proposals.

The initial draft of the Exchange Agreement contained a number of provisions that may have inhibited the ability of the Board to abandon the Champion Holdings transaction to accept a superior offer. Such provisions are generally referred to in this discussion as transaction protection provisions. Among other transaction protection provisions, the initial draft of the Exchange Agreement provided that Skyline would be obligated to pay Champion Holdings a termination fee equal to \$25.0 million (less the amount of transaction expenses, if any, previously reimbursed by Skyline (up to a cap of \$2.5 million)) in the event that the Exchange Agreement was terminated in certain specified circumstances. Such fee would have become payable if Champion Holdings were to terminate the Exchange Agreement because the Board changed, qualified, withheld, withdrew or otherwise modified its recommendation that the Skyline's shareholders vote to approve the transaction with Champion Holdings at the special meeting of the Skyline shareholders, if the Board failed to include its recommendation in this proxy statement or failed to publicly reaffirm such recommendation upon a material development, or if the Board adopted, approved or recommended to Skyline shareholders an alternative acquisition proposal (any such action is referred to as a *change in recommendation* ). The fee also would have become payable in the case of termination of the Exchange Agreement for certain other reasons if, within 18 months following termination, Skyline entered into a definitive agreement with respect to an alternative transaction. The initial draft of the Exchange Agreement also provided that Skyline would commit to divest assets or take similar actions to the extent necessary or advisable in Champion Holdings' discretion to obtain all necessary regulatory approvals (including under the HSR Act). The Special Committee deemed the transaction protection provisions initially proposed by Champion Holdings to be unacceptable and directed Barnes & Thornburg to request that Champion Holdings propose modified transaction protection provisions before Skyline would respond to Champion Holdings' initial draft.

On October 30, 2017, in a teleconference between representatives of Ropes & Gray and Barnes & Thornburg, representatives of Ropes & Gray inquired concerning Skyline's response to the draft Exchange Agreement. Representatives of Barnes & Thornburg indicated that the transaction protection provisions proposed by Champion Holdings were unacceptable to the Special Committee and that the Special Committee was awaiting a modified proposal from Champion Holdings.

On November 1, 2017, the Special Committee participated in an update meeting via teleconference with representatives of Crowe Horwath, and received and reviewed reports on the status of due diligence processes, including Skyline's diligence review of Champion Holdings.

In response to a November 1, 2017 request from Champion Holdings, on November 2, 2017 the mutual exclusivity agreement was extended to November 15, 2017. In a teleconference between Messrs. Firth and Anderson, Mr. Anderson affirmed Champion Holdings' commitment to the proposed transaction with Skyline, including the proposed pro forma retained ownership of Skyline's shareholders in the combined entity. Mr. Anderson acknowledged

that the Special Committee had requested an updated proposal from Champion Holdings on the transaction protection provisions Champion Holdings had initially proposed. However, he

advised that Champion Holdings declined to propose modified transaction protection provisions without considering a counterproposal from Skyline and requested that Skyline respond to the initial draft Exchange Agreement as it deemed appropriate.

On November 3, 2017, a representative of Barnes & Thornburg provided a revised draft of the Exchange Agreement to representatives of Ropes & Gray on behalf of Skyline reflecting the comments of the Special Committee. The revised draft would have permitted Skyline to terminate the Exchange Agreement to enter into an alternative transaction that the Board determined to be a superior offer, subject to payment by Skyline of a termination fee to Champion Holdings of \$3.5 million (less the amount of any Champion Holdings expenses previously reimbursed by Skyline). The November 3, 2017 draft of the Exchange Agreement would have also permitted the Board to make a change in recommendation upon a material development or change in circumstance that arose after the date of the Exchange Agreement (an *intervening event*). The Exchange Agreement also contemplated that the Voting Agreement of Skyline's directors and other shareholders would terminate if the Board were to make a change in recommendation. The November 3, 2017 draft of the Exchange Agreement provided that each of Skyline and Champion Holdings would commit to making any required divestitures or similar actions to the extent necessary or advisable to obtain all regulatory approvals (including under the HSR Act), but also provided that Skyline would have a right to consent to all actions (including divestitures), filings and submissions in connection with obtaining such regulatory approvals and that Skyline's consent would be reasonably withheld if the Board determined in good faith that any action would constitute an intervening event or impair the value of Skyline's common shares following the closing or the expected strategic benefits of the proposed transaction. The representatives of each of RBC and Jefferies engaged in ongoing discussions over the next several days regarding the transaction protection provisions.

On November 5, 2017, Mr. Anderson proposed to Mr. Firth that the parties' executives, the special committee, representatives of Champion Holdings and the parties' advisors meet in Chicago to negotiate key issues. RBC likewise proposed such a meeting to Jefferies.

On November 6, 2017, the Special Committee met by teleconference with representatives of each of Barnes & Thornburg and Jefferies to review the status of the negotiations and agreed to meet with Champion Holdings and its representatives in Chicago on November 8.

On November 7, 2017, Barnes & Thornburg provided to the Special Committee a further report on Skyline's due diligence investigation of Champion Holdings. Later that evening, representatives of RBC, on behalf of Champion Holdings, provided to Jefferies a list of issues and positions proposed for discussion at the meeting on November 8, 2017, including modified transaction protection provisions, board composition provisions and various pre-closing covenants. In particular, Champion Holdings proposed a termination fee of \$18 million to be paid by Skyline to Champion Holdings in certain circumstances, with \$8 million due in the event of termination by Champion Holdings due to a change in recommendation by the Board, and an additional \$10 million payable upon Skyline entering into an alternative transaction.

On November 8, 2017, a meeting of the parties and their representatives was held in Chicago. Multiple negotiation sessions focused primarily on the transaction protection provisions, provisions that would permit the Board to terminate the Exchange Agreement for fiduciary reasons and the mutuality of provisions binding the parties to the transaction. The Special Committee expressed willingness to consider alternative termination fee structures and amounts if appropriately structured to protect Skyline, but firmly maintained that the amount of the termination fee proposed by Champion Holdings was excessive and not acceptable to the Special Committee and that the Voting Agreement should afford an exception to the obligation to vote in favor of the Champion Holdings transaction if the Board no longer recommended it. Champion Holdings firmly maintained that the signatories to the Voting Agreement should be bound to vote in support of the transaction even in the event of the Board's change in recommendation. The parties agreed to conclude the November 8 discussions because the parties were at an impasse on key issues.



In the afternoon of November 9, 2017, the Special Committee and representatives of Barnes & Thornburg and Jefferies convened by teleconference to consider next steps in light of the exchanges and positions expressed

at the meeting on November 8. That evening, Mr. Firth and Daniel Osness, a Champion Holdings board member who was authorized to speak on behalf of Champion Holdings, had a teleconference in which Mr. Osness shared, on behalf of Champion Holdings, that Champion Holdings was considering a counterproposal which Champion Holdings was hopeful the Special Committee would find acceptable.

On November 15, 2017, the Special Committee met with Skyline management to review management projections and financial modeling to provide to Jefferies in anticipation of requesting that Jefferies deliver a fairness opinion to Skyline's Board with respect to the proposed transaction.

On November 16, 2017, representatives of Ropes & Gray provided a revised draft of the Exchange Agreement on behalf of Champion Holdings to representatives of Barnes & Thornburg. The revised Champion Holdings draft provided Skyline with the flexibility to participate in negotiations or discussions with a third party in response to an unsolicited bona fide written acquisition proposal received after the date of the Exchange Agreement and furnish information to any such party if the Board determined such proposal constituted or would reasonably be expected to result in a superior offer but only after advance notice of such action were provided to Champion Holdings. (Such permitted discussions and furnishing of information were referred to as *Permitted Actions*.) This draft provided, however, that were Skyline to take a Permitted Action prior to the date on which the Skyline shareholders approved of the proposed transaction, Champion Holdings would have the ability to terminate the Exchange Agreement (but such termination would not trigger an obligation of either party to pay a termination fee). This revised draft of the Exchange Agreement also provided for a total termination fee of \$10 million (less the amount of any Champion Holdings expenses previously reimbursed by Skyline), with \$3 million payable immediately by Skyline if Champion Holdings were to terminate the Exchange Agreement following a change of recommendation and the remaining \$7 million due if an agreement with respect to an alternative transaction that was proposed prior to termination was signed by Skyline within 12 months following termination. A termination fee of \$10 million (less the amount of any Champion Holdings expenses previously reimbursed by Skyline) would otherwise be payable by Skyline to Champion Holdings in one payment were the Exchange Agreement to be terminated for certain other specified reasons. The November 16 draft also provided that each of Champion Holdings and Skyline would commit to divest or take other actions necessary or advisable to obtain regulatory approvals (including under the HSR Act), if Champion Holdings consented to such actions, provided that such actions were contingent upon the closing and would not, individually or in combination, materially undermine or impair any of the benefits that Champion Holdings reasonably expects from the proposed transaction or materially limit or impair Skyline's or Champion Holdings' rights or ability to conduct its businesses after the closing. The November 16 draft Exchange Agreement did not provide for the termination of the Voting Agreement upon a change in recommendation. Mr. Firth had separate telephone calls with Messrs. Osness and Anderson in which Mr. Firth provided initial feedback and raised questions regarding the draft agreement. Mr. Firth emphasized that inclusion of such a termination provision or similar fiduciary exception in the Voting Agreement remained an important issue for the Special Committee. Mr. Anderson made a request to Mr. Firth that the parties exclusivity agreement be further extended.

On November 18, a representative of RBC provided a draft extension of the exclusivity agreement through November 30, 2017 to representatives of Jefferies and Barnes & Thornburg.

On November 20, 2017, representatives of Barnes & Thornburg provided to the Special Committee a summary comparison of the parties' most recent positions on key agreement provisions, particularly those addressing transaction protection provisions. Also on this date, Champion Holdings and Skyline executed an extension of the mutual exclusivity agreement through November 30, 2017.

On November 21, 2017, a representative of Barnes & Thornburg provided a revised draft of the Exchange Agreement to representatives of Ropes & Gray on behalf of Skyline reflecting Skyline's proposed compromise on transaction protection provisions and other matters developed by the Special Committee after consultation with representatives of each of Jefferies and Barnes & Thornburg. In particular, the November 21, 2017 draft Exchange Agreement would

have permitted Skyline to terminate the agreement before the Skyline shareholders approved of the proposed transaction at the special meeting to enter into an agreement in respect of a superior offer and provided for the termination of the Voting Agreement upon a change of recommendation. The

November 21, 2017 draft reflected the same basic termination fee structure previously proposed by Champion Holdings. It provided that the \$3 million initial fee would be paid if Champion Holdings terminated the Exchange Agreement because the Board made a change of recommendation or if Skyline terminated the Exchange Agreement to enter into a superior offer, but further provided that, in either such case, the incremental \$7 million fee would only be payable if an alternative transaction made known prior to termination were actually consummated by Skyline within 12 months following termination.

On November 29, 2017, representatives of Ropes & Gray provided a further revised draft of the proposed Exchange Agreement to representatives of Barnes & Thornburg on behalf of Champion Holdings reflecting Champion Holdings response to Skyline's proposals of November 21. The November 29 draft reflected Champion Holdings' willingness to discuss the termination of the Voting Agreement in the event of a change of recommendation, but did not permit Skyline to terminate the Exchange Agreement to accept a superior offer. The November 29 draft Exchange Agreement retained the total \$10 million termination fee (less the amount of any Champion Holdings expenses previously reimbursed by Skyline), but provided that the second tranche of \$7 million would become payable if Skyline signed an agreement with respect to an alternative transaction made known to Skyline or the Board prior to termination within 12 months of termination or consummated an acquisition transaction, and, in that event, such second tranche would have to be paid when the alternative transaction was either consummated or terminated. Messrs. Osness and Firth discussed by telephone Champion Holdings' proposed compromise position with respect to transaction protection provisions. Mr. Osness affirmed Champion Holdings' commitment to the transaction with Skyline.

On December 1, 2017, a special meeting of the full Board was held at Skyline's offices in Elkhart, Indiana, with representatives of each of Jefferies, Crowe Horwath and Barnes & Thornburg in attendance. Representatives of Barnes & Thornburg reviewed the fiduciary duties of Skyline's directors in the context of the contemplated transaction. Representatives of Jefferies reviewed the background of the negotiations with Champion Holdings and presented a detailed analysis of the proposed transaction from a financial point of view. Representatives of Crowe Horwath provided an overview of the results of that firm's analysis with respect to the quality of Champion Holdings' earnings. Representatives of Barnes & Thornburg provided a detailed overview of the material terms of the current draft of the Exchange Agreement and related transaction agreements as then proposed. The Board discussed the merits of the Champion Holdings' proposal at length and reviewed the earlier communications with Company X from the summer of 2017. The Board discussed the possibility of allowing the exclusivity arrangement with Champion Holdings to lapse and contacting other alternative bidders. The Board decided to accept the Special Committee's recommendation to continue negotiating with Champion Holdings on an exclusive basis because (i) the economic and strategic benefits of the Champion Holdings' proposal to Skyline and all of its constituents were compelling, (ii) it was highly unlikely that another strategic bidder would be both competitive and offer comparable strategic benefits, (iii) a financial bidder would be unable to offer comparable strategic benefits and very unlikely to make an offer that was economically superior, (iv) there was some risk that Champion Holdings might decide to pursue other alternatives that might be available to them, and (v) the Special Committee and Skyline management, in consultation with Jefferies, had previously considered potential alternative strategic partners prior to contacting Company X in August 2017.

A teleconference between representatives of Barnes & Thornburg and Ropes & Gray occurred on December 4, 2017 to discuss certain matters relating to compensation to be paid to executives in connection with the transaction and the status of other legal matters.

On December 5, 2017, representatives of each of Barnes & Thornburg, Ropes & Gray and Taft Stettinius & Hollister LLP ( *Taft* ), Champion Holdings' Indiana counsel for the transaction, had a teleconference to discuss certain matters specific to the Indiana Business Corporation Law. The parties executed an extension of the mutual exclusivity agreement through December 15, 2017.

On December 6, 2017, representatives of Barnes & Thornburg provided a revised draft of the Exchange Agreement to representatives of Ropes & Gray on behalf of Skyline reflecting acceptance in all material respects of the transaction

protection provisions reflected in Champion Holdings November 29 draft of the Exchange Agreement. Consistent with Champion Holdings November 21 draft, the December 6, 2017 draft of the

Exchange Agreement would have permitted either party to terminate if Skyline shareholders failed to approve the Exchange at the Special Meeting, but it excluded provisions permitting Skyline to terminate the Agreement to enter into a superior offer prior to the approval of the proposed transaction by the Skyline shareholders. Skyline made clear that its willingness to exclude such provision was conditioned on the Voting Agreement terminating upon a change in recommendation. The December 6, 2017 draft would have also permitted Skyline to object to a divestiture or other action deemed necessary by Champion Holdings to obtain regulatory approval (including under the HSR Act) if the Board determined that such action would impair the value of the common shares relative to the value the common shares otherwise would be expected to have after closing, or would impair the strategic benefits to Skyline that would otherwise be expected to result from the transaction.

On December 8, 2017, representatives of Ropes & Gray and Barnes & Thornburg spoke by teleconference to discuss issues remaining to be negotiated in the Exchange Agreement. Also on December 8, 2017, Barnes & Thornburg provided comments on the draft Voting Agreement to representatives of Ropes & Gray on behalf of Skyline, which draft provided that the Voting Agreement would terminate upon the earlier to occur of the closing date, the termination of the Exchange Agreement in accordance with its terms, or upon a change in recommendation.

On December 12, 2017, Mr. Firth had separate telephone conversations with Mr. Anderson and Mr. Osness to discuss the importance the Special Committee had assigned to the provision for termination of the Voting Agreement if the Board made a change in recommendation.

Also on December 12, 2017, representatives of Ropes & Gray provided further revised drafts of the Exchange Agreement and the Voting Agreement to representatives of Barnes & Thornburg on behalf of Champion Holdings. Barnes & Thornburg also provided to Ropes & Gray revised drafts of the transition services agreement and Champion Holdings disclosure schedules on behalf of Skyline. The December 12, 2017 draft Exchange Agreement provided that both Skyline and Champion Holdings would take any required divestiture actions to obtain all necessary regulatory approvals (including under the HSR Act), provided that neither Champion Holdings nor Skyline nor their respective subsidiaries or affiliates would be required to take any action that would, in the good faith opinion of such entity's board, materially impair the economic benefit of the transaction or the aggregate economic profile of the combined company after the transaction or the ability to conduct the business of the combined company.

On December 13, 2017, Ropes & Gray provided Barnes & Thornburg an initial draft of the registration rights agreement on behalf of Champion Holdings.

On December 14, 2017, the Special Committee met by teleconference with a representative of Ice Miller to review the status of the transaction negotiations and draft agreements and possible timing for execution and announcement of the transaction. The representative of Ice Miller reviewed the fiduciary duties of directors in the context of the pending negotiations. Representatives of Barnes & Thornburg joined the later portion of the teleconference. Also on December 14, 2017, representatives of Barnes & Thornburg and Ropes & Gray held a teleconference to discuss the latest draft of the Exchange Agreement.

In the evening of December 15, 2017, a teleconference was held including management of both parties, Mr. Firth, representatives of Champion Holdings, and the parties' financial and legal advisors. The parties reviewed remaining issues requiring resolution and discussed the proposed timing of execution and announcement of the proposed transaction. Also on December 15, 2017, representatives of Ropes & Gray provided an initial draft of the investor rights agreement to representatives of Barnes & Thornburg on behalf of Champion Holdings. Representatives of Barnes & Thornburg also suggested to representatives of Ropes & Gray revisions to the proposed amendments of the charter and by-laws of the combined company.

On December 16, 2017, Messrs. Firth and Anderson held a teleconference to discuss the matters relating to Skyline's obligations under its supplemental retirement plan (the *deferred compensation plan*), the extent to which such plan

would remain in place after closing and, if so, the value of Skyline's obligations under such plan. Representatives of Barnes & Thornburg provided a revised draft of the Exchange Agreement and Voting Agreement to representatives of Ropes & Gray on behalf of Skyline.

On December 17, 2017, representatives of Barnes & Thornburg provided revised drafts of the proposed investors rights agreement and registration rights agreement to representatives of Ropes & Gray on behalf of Skyline.

On December 18, 2017, Mr. Firth advised Mr. Anderson that the Special Committee intended to recommend to the Board that the two directors to be appointed by Skyline to the post-transaction board of directors should be Mr. Firth and Mr. Florea, with Mr. Decio serving as a board observer. Also on December 18, 2017, representatives of Skyline provided Skyline's preliminary November financials to Champion Holdings. Discussions continued among the parties advisors with respect to the valuation and status following closing of the deferred compensation plan, and Mr. Firth and Mr. Anderson held a teleconference during which they discussed valuation of the deferred compensation plan obligation and Mr. Firth further explained the importance the Special Committee placed on continuance of the deferred compensation plan following closing.

On December 19, 2017, representatives of Ropes & Gray provided a revised draft of the Exchange Agreement to representatives of Barnes & Thornburg on behalf of Champion Holdings. In view of the work still required to resolve remaining issues, Mr. Firth advised Mr. Osness, who was authorized to speak on behalf of Champion Holdings, by telephone that the Board would not be in a position to formally authorize the transaction at its regular meeting the following day. Messrs. Firth and Osness further discussed valuation and post-closing continuity of Skyline's deferred compensation plan.

A regular meeting of the Board was held at Skyline's Elkhart, Indiana offices on December 20, 2017. The Board was fully briefed by Mr. Firth on the status of the transaction and open issues. No formal action was taken.

In the afternoon of December 20, 2017, Ropes & Gray communicated a proposal on behalf of Champion Holdings to representatives of Barnes & Thornburg, which proposal represented Champion Holdings' final position on all open issues. A teleconference was held later that evening with Mr. Firth, representatives of Champion Holdings and representatives of the parties' respective counsel and financial advisors to discuss Champion Holdings' package proposal. The parties concluded that due to scheduled end-of-year holidays at each of Skyline and Champion Holdings, the parties would resolve all open issues and sign and announce the transaction in early January 2018.

At Champion Holdings' request, on December 21, 2017, Skyline and Champion Holdings executed a further extension of the mutual exclusivity agreement through January 5, 2018. Discussions continued between the parties and counsel over the next several days to evaluate and seek to address unresolved issues.

On December 25, 2017, representatives of Ropes & Gray provided a revised draft of the Exchange Agreement to representatives of Barnes & Thornburg on behalf of Champion Holdings, which revised draft addressed several ancillary matters but did not resolve all open issues, particularly open issues potentially impacting the Skyline special dividend.

On December 27, 2017, Mr. Firth spoke by telephone with Mr. Osness regarding the open valuation items affecting the Skyline special dividend and the post-closing status of the deferred compensation plan. Mr. Firth suggested a compromise proposal and Mr. Osness requested that Skyline provide a draft of the Exchange Agreement reflecting Mr. Firth's proposal. Later that day representatives of Barnes & Thornburg provided a revised draft of the Exchange Agreement, along with supplemental information concerning status of the deferred compensation plan, and revised drafts of the disclosure schedules for each of Champion Holdings and Skyline to representatives of Ropes & Gray on behalf of Skyline. Skyline also proposed an amendment to its deferred compensation plan precluding early termination without approval of all participants.

Representatives of Ropes & Gray and Barnes & Thornburg spoke by teleconference on December 28, 2017 to review the proposed changes to the Exchange Agreement. Mr. Osness requested additional information regarding the deferred compensation plan and related insurance arrangements from Mr. Firth and Mr. Firth arranged for a call between



Skyline s and Champion Holdings chief financial officers to address Champion Holdings further questions, which call was held later that day.

On a teleconference on December 29, 2017, between representatives of each of Barnes & Thornburg and Ropes & Gray, representatives of Ropes & Gray and Barnes & Thornburg discussed further potential compromises with respect to the proposed treatment of certain executive compensation matters, including the deferred compensation plan.

On December 30, 2017, Mr. Firth and Mr. Osness had a further teleconference in which Mr. Firth responded to additional questions from Champion Holdings related to the deferred compensation plan and related insurance arrangements. Mr. Osness proposed, on behalf of Champion Holdings, a compromise similar in terms of value to Skyline to the compromise Mr. Firth had proposed, but providing for a different allocation of certain anticipated post-closing costs between Skyline (pre-closing) and the combined company (post-closing). On December 31, 2017, representatives of Ropes & Gray provided a revised draft of the Exchange Agreement to representatives of Barnes & Thornburg on behalf of Champion Holdings reflecting Champion Holdings' proposal.

On January 2, 2018, Mr. Florea received a written unsolicited, general expression of interest from a private investment firm, which expression of interest broadly suggested interest in acquiring Skyline or any of its business divisions but which did not contain any proposed values or terms. Mr. Florea shared the letter with Mr. Firth who, in turn shared it with the other members of the Special Committee and with representatives of Barnes & Thornburg and Jefferies. In consultation with Barnes & Thornburg, Mr. Florea and Jefferies, Mr. Firth concluded the unsolicited communication did not reflect any serious consideration of a proposed transaction with Skyline and was merely an untailed effort to identify a potential acquisition candidate. Following the evaluation of the communication, the Special Committee determined that the proposed transaction would not provide a strategic advantage for Skyline and pursuing it would have disrupted or delayed the transaction with Champion Holdings. Accordingly, the Special Committee determined not to respond to this solicitation and the private investment firm did not submit an additional inquiry to Skyline.

Also on the morning of January 2, 2018, representatives of Ropes & Gray and Barnes & Thornburg had a teleconference to finalize the transaction documents. Mr. Firth and Mr. Osness, on behalf of Champion Holdings, also spoke by telephone regarding communication plans for signing and announcement and certain changes to the terms of the Exchange Agreement that Champion Holdings expected to propose.

On January 3, 2018, Mr. Osness, on behalf of Champion Holdings, advised Mr. Firth by phone that revised drafts of the transaction documents would be forthcoming from Champion Holdings' counsel. Around midday, representatives of Ropes & Gray provided a revised draft of the Exchange Agreement to representatives of Barnes & Thornburg on behalf of Champion Holdings providing that Champion Holdings could elect in connection with the closing to cause Skyline to issue the Exchange Shares directly to the members of Champion Holdings. Further dialog between counsel regarding the revised draft of the Exchange Agreement followed and Ropes & Gray provided further proposed clarifying revisions to the Exchange Agreement. Later that day, Ropes & Gray also provided further proposed revisions to the ancillary agreements to Barnes & Thornburg on behalf of Champion Holdings, which included a new provision that if Mr. Firth should fail to remain independent following the closing of the transaction, he would be required to resign from the combined company board.

The Special Committee convened by telephone with a representative from Ice Miller (the committee's independent counsel) on the morning of January 3, 2018 to review the status of the transaction. In view of the revisions to the Exchange Agreement proposed by Champion Holdings, the Special Committee took no formal action but resolved to convene the Board that afternoon with legal and financial advisors to provide a full review and update to the Board concerning all aspects of the transaction. The Board met at Skyline's executive offices in Elkhart, Indiana that afternoon with certain members attending by teleconference. Representatives of Jefferies attended in person and representatives of Barnes & Thornburg attended by phone. Representatives of Barnes & Thornburg reviewed the transaction terms and provided a detailed summary of the transaction documents and developments since the Board had last convened. Representatives of Jefferies provided a full presentation on its financial evaluation of the transaction but were not requested to deliver its fairness opinion. Representatives of Barnes & Thornburg again reviewed the fiduciary duties of the Board of directors under Indiana law in the context of the pending transaction.

The directors engaged in a detailed discussion, reviewing the anticipated benefits of the transaction and related considerations discussed below in this proxy statement under *The*

*Exchange Skyline s Reasons for the Exchange; Recommendation of Skyline s Board of Directors.* While the directors continued to express support for the transaction, discussions of various matters with Champion Holdings were still pending, so the Board took no formal action at that time.

Early that evening, a teleconference was held including management of both parties, Mr. Firth, representatives of Champion Holdings, and the parties' respective financial and legal advisors to review the status of the draft press release and logistics and timing for announcement of the transaction.

On January 4, 2018, representatives of Ropes & Gray provided revised drafts of the Exchange Agreement and ancillary agreements to representatives of Barnes & Thornburg on behalf of Champion Holdings. The Special Committee convened by phone at 3:00 p.m. with a representative of Ice Miller, representatives of Barnes & Thornburg and Jefferies. After discussion of the most recent communications with representatives of Champion Holdings, the committee members determined to defer action pending final confirmation of agreement on all remaining issues. The Special Committee reconvened at 8:00 p.m. by teleconference with a representative of Ice Miller, and representatives of Barnes & Thornburg and Jefferies. Jefferies reviewed its evaluation of the transaction which it had fully presented the preceding day and delivered its fairness opinion orally to the Special Committee. The Special Committee resolved to unanimously recommend the Champion Holdings transaction to the full Board. The Board then convened in a conference room in Notre Dame, Indiana with certain directors and representatives of Barnes & Thornburg and Jefferies participating by phone. Representatives of Barnes & Thornburg reviewed developments since the preceding day and minor changes that had been made to the draft agreements. Mr. Firth provided the report of the Special Committee orally to the Board confirming that the committee unanimously recommended that the Board approve the transaction and recommend that the Skyline shareholders approve the related matters requiring shareholder approval. Jefferies again reviewed its evaluation of the transaction which it had fully presented to the Board the preceding day. The representatives of Jefferies then delivered its fairness opinion orally to the Board (which was confirmed by delivery of a written opinion dated January 4, 2018), that, as of such date, and based upon and subject to the assumptions, procedures, matters and limitations set forth therein, issuance of the Exchange Shares pursuant to the Exchange Agreement was fair to Skyline from a financial point of view, as more fully described in the section entitled *The Exchange Opinion of the Financial Advisor to the Skyline Board of Directors*. The directors present at the meeting in person or by phone unanimously approved the Exchange Agreement and related transactions and adopted resolutions recommending that the shareholders of Skyline vote in favor of the Exchange and the other matters requiring shareholder approval. The action of the Board was affirmed by unanimous written consent of the Skyline directors to confirm the concurring approval of one of the directors who was unable to participate by phone.

Representatives of Jefferies and RBC confirmed to one another that both parties had formally approved the transaction and were prepared to proceed to execute the Exchange Agreement. Counsel for the parties mutually tendered signatures of the parties to be held in escrow pending confirmation of execution of the transaction and release for delivery the following morning.

The Exchange Agreement and other transaction agreements were executed and delivered by the parties at 7:00 a.m. on January 5, 2018. A joint press release announcing the transaction was issued at approximately 9:00 a.m. that morning.

### **Skyline s Reasons for the Exchange; Recommendation of Skyline s Board of Directors**

After extensive review and discussion and careful consideration, and after receiving the favorable recommendation of the Special Committee regarding the Exchange, Skyline s Board, at a meeting held on January 4, 2018, affirmed by written consent, unanimously determined that the Exchange Agreement is advisable, fair, and in the best interests of Skyline, its shareholders, and other important constituents. Accordingly, the Board adopted and approved the Exchange Agreement and unanimously recommends that Skyline shareholders vote FOR the approval of the Charter Amendment Proposals and FOR the approval of the Shares Issuance Proposal.



In reaching its decision to approve the Exchange Agreement and to recommend that its shareholders approve the Skyline Exchange Proposals, the Board consulted extensively with Skyline management, the Special Committee, as well as Skyline's financial and legal advisors. The Board considered Skyline's current position in the manufactured housing segment of the housing industry as a strong, established brand with relatively modest share and the challenges presented by the ongoing contraction of independent manufactured housing dealers and the consolidation of manufactured housing communities. While the Board was confident in its strategic plans that contemplated continued independent operations, the Board determined that the strategic opportunity to combine with the Champion Companies on favorable terms was compelling for Skyline. Among the benefits the Board anticipated would likely arise from the combination with the Champion Companies were the following:

the combined company should be better positioned to build stronger relationships with and provide greater geographic coverage to serve its customers;

increased scale of the business should provide for greater flexibility through market cycles;

likely economic advantages of being part of a larger entity, including the expectation of cost savings and operating efficiencies and the ability of a larger combined company to compete more effectively by leveraging overhead costs;

the expected cash dividend to be paid to Skyline's shareholders prior to the closing of the transaction.

greater scale and a substantially increased market capitalization appeared likely to generate more focus and attention from the public markets, which should have the salutary effects of leading to (i) enhanced liquidity in Skyline's stock for those shareholders desiring liquidity, and (ii) enhanced prospects for increasing long term shareholder value for these shareholders desirous of maintaining their investment in a tax-advantaged transaction; and

the percentage of ownership in the combined company to be allocated to Skyline's shareholders in the exchange is equitable to Skyline, which led the Board to expect that the combination could lead to an increase in Skyline's public valuation, benefiting shareholders.

Among other factors considered by the Board were the following:

the extensive work of the Special Committee over a period of months, acting in consultation with Skyline's and the Special Committee's financial and legal advisors, to evaluate alternatives and develop the terms of the transaction with Champion Holdings and its recommendation to the Board that the Board move forward with the exchange;

a review of the prospects, challenges and risks of Skyline remaining independent and its projected financial results versus combining with the Champion Companies given the current and prospective environment in the manufactured housing segment of the housing industry, including national and local economic

conditions, competition and consolidation in the manufactured housing industry;

the fact that the structure of the combination affords Skyline shareholders the opportunity to remain invested in a leading manufactured housing company with no adverse income tax effects on shareholders;

the financial and other terms of the exchange, including the fixed exchange ratio, the social considerations described under *Background of the Exchange*, and the final transaction protection provisions, which Skyline reviewed with its outside financial and legal advisors;

the financial analyses and other information presented by Jefferies to the Board with respect to the Exchange and the opinion delivered to the Board by Jefferies on January 4, 2018 to the effect that, as

of the date of that opinion, the Exchange Consideration to be issued by Skyline pursuant to the Exchange Agreement was fair to Skyline from a financial point of view;

the value of the Champion Companies' operations and information concerning their financial performance and condition, business operations and prospects of the Champion Companies, taking into account the results of Skyline's due diligence investigation of the Champion Companies;

the considerable experience of Champion Holdings' management and confidence that Skyline and Champion Holdings shared similar guiding principles of quality, honesty and integrity which should facilitate the effective integration and collaboration of Skyline's and the Champion Companies' management teams;

the provision for two Skyline appointees to remain on the combined company's board of directors and for the combined company to have the benefit of Mr. Decio's extraordinary knowledge and understanding of the industry as a nonvoting participant in board meetings;

the compatibility of Skyline's business, operations and culture with those of the Champion Companies;

the possible effects of the proposed exchange on Skyline's employees and customers;

Skyline's and Champion Holdings' similar commitment to their communities and the assurance that the combined company's principal office would remain in Elkhart, Indiana; and

the likelihood that the Exchange will be completed on a timely basis, including the likelihood that the Exchange will receive all necessary regulatory clearance and approvals in a timely manner.

The Board also considered the risks and potential negative factors outlined below, but concluded that the anticipated benefits of combining with the Champion Companies were likely to outweigh substantially these risks and factors. These factors included:

the fact that certain of Skyline's directors and officers have interests in the Exchange that are in addition to their interests generally as Skyline shareholders, which have the potential to influence such directors' and officers' views and actions in connection with the Exchange;

the fact that, following the Exchange, the Sponsors of Champion Holdings will effectively control the combined company and will have the ability to cause the combined company to pursue strategic directions not previously discussed and without approval by the Skyline Board's appointees;

the challenges of integrating Skyline's business, operations and employees with those of the Champion Companies;



the risk that the Exchange would be delayed pending regulatory approval or would not be consummated;

the effect of the public announcement of the Exchange on Skyline's customer relationships, its ability to retain employees and the potential for disruption of Skyline's ongoing business;

the risk that the benefits and cost savings sought in the Exchange would not be fully realized;

the risk of diverting management attention and resources from the operation of Skyline's business and towards the completion of the Exchange;

that, while the Exchange is pending, Skyline will be subject to restrictions on how it conducts business that could delay or prevent Skyline from pursuing business opportunities or preclude it from taking actions that would be advisable if it were to remain independent; and

the termination fee payable, under certain circumstances, by Skyline to Champion Holdings, and the risk that the termination fee might discourage third parties from offering to acquire Skyline by increasing the cost of a third party acquisition.

The foregoing discussion of the information and factors considered by the Board is not exhaustive, but includes the material factors that the Board considered and discussed in approving and recommending the Exchange. In view of the wide variety of factors considered and discussed by the Board in connection with its evaluation of the Exchange and the complexity of these factors, the Board did not quantify, rank, or assign any relative or specific weight to the foregoing factors. Rather, it considered all of the factors as a whole. The Board discussed the foregoing factors, including asking questions of Skyline's management and legal and financial advisors, and reached general consensus that the Exchange was in the best interests of Skyline, its shareholders, and other important constituents. In considering the foregoing factors, individual directors may have assigned different weights to different factors. The Board did not undertake to make any specific determination as to whether any factor, or particular aspect of any factor, supported or did not support its ultimate decision to approve the Exchange Agreement and the Exchange.

The foregoing explanation of Skyline's Board's reasoning and all other information presented in this section is forward-looking in nature and, therefore, should be read in light of the factors discussed in the section entitled *Cautionary Statements Concerning Forward-Looking Information* beginning on page 42.

### **Champion Holdings' Reasons for the Exchange**

After extensive review and discussion and careful consideration, Champion Holdings' board of managers, on January 5, 2018, executed a unanimous written consent in which they determined that the Exchange Agreement was advisable, fair, and in the best interests of Champion Holdings and its members. Accordingly, Champion Holdings' board of managers adopted and approved the Exchange Agreement and related transactions. Following approval by Champion Holdings' board of managers, a majority of the members of Champion Holdings approved, by written consent, the Exchange Agreement and related transactions.

In reaching its decision to approve the Exchange Agreement and related transactions, members of Champion Holdings' board of managers consulted extensively with Champion Holdings' management, as well as Champion Holdings' financial and legal advisors. The board of managers considered Champion Holdings' current position in the manufactured housing segment of the housing industry and determined that the strategic opportunity to join forces with Skyline on favorable terms was compelling for Champion Holdings and would position the combined company for growth in the coming years that would benefit employees, shareholders, and customers.

### **Negotiations, Transactions, or Material Contacts**

On February 24, 2017, Skyline entered into a Real Estate Purchase Agreement with CHB to sell the Mansfield Property and certain of Skyline's equipment used in the production of product to CHB. In consideration, CHB paid Skyline \$2,225,000 in cash. On February 28, 2017, Skyline and CHB novated and amended the Real Estate Purchase Agreement to substitute Skyline's wholly-owned subsidiary, Homette Corporation, for Skyline as the seller under the agreement, and to provide for Homette Corporation to continue to receive royalties under a certain oil and gas lease related to the Mansfield Property for a period of 60 months following the closing of the Real Estate Purchase Agreement.

Except as set forth above or elsewhere in this proxy statement, none of Champion Holdings, CHB, CIBV, nor any of their respective managers, directors, executive officers, or other affiliates, had any negotiations,

transactions, or material contacts with Skyline or any of our directors, executive officers, or other affiliates since March 29, 2014 that would require disclosure under the rules and regulations of the SEC applicable to this proxy statement.

### **Opinion of the Financial Advisor to the Skyline Board of Directors**

Skyline retained Jefferies in July 2017 as its financial advisor in connection with a possible sale or other strategic transaction involving Skyline. In connection with this engagement, Skyline's Board requested that Jefferies evaluate the fairness, from a financial point of view, to Skyline of the Exchange Consideration to be issued by Skyline in connection with the Exchange. At the meeting of Skyline's Board on January 4, 2018, Jefferies rendered an oral opinion, which was subsequently confirmed by delivery of a written opinion dated the same date, to the Board to the effect that, as of that date and based upon and subject to the various assumptions made, procedures followed, matters considered and limitations and qualifications on the scope of the review undertaken by Jefferies as set forth in its opinion, the Exchange Consideration to be issued by Skyline pursuant to the Exchange Agreement was fair, from a financial point of view, to Skyline.

**The full text of Jefferies' written opinion, dated January 4, 2018, is attached to this proxy statement as Appendix C. Jefferies' opinion sets forth, among other things, the assumptions made, procedures followed, matters considered and limitations on the scope of the review undertaken by Jefferies in rendering its opinion. Skyline encourages you to read Jefferies' opinion carefully and in its entirety. Jefferies' opinion was directed to Skyline's Board and addresses only the fairness, from a financial point of view, as of the date of the opinion of the Exchange Consideration to be issued by Skyline pursuant to the Exchange Agreement. It does not address any other aspect of the Exchange or constitute a recommendation as to how any shareholder should vote or act with respect to the Exchange or any matter related thereto. The summary of Jefferies' opinion set forth below is qualified in its entirety by reference to the full text of the opinion.**

In arriving at its opinion, Jefferies, among other things:

reviewed a draft of the Share Contribution & Exchange Agreement dated January 4, 2018;

reviewed certain publicly available financial and other information about Skyline;

reviewed certain information furnished to Jefferies by Skyline's management and Champion Holdings management, including financial forecasts and analyses, relating to the business, operations and prospects of Skyline and the Champion Companies;

reviewed certain estimates of, and related information prepared by, Skyline's management as to the strategic implications and operational benefits, including cost savings (collectively, *synergies*), anticipated by Skyline's management to result from the Exchange;

held discussions with members of Skyline's senior management concerning the matters described in the second through fourth bullet points above;

reviewed the stock trading price history and implied trading multiples for Skyline Common Stock and compared them with those of another publicly traded company that Jefferies deemed relevant in evaluating Skyline;

considered the potential pro forma impact of the Exchange;

compared the relative contributions of Skyline and the Champion Companies to certain financial metrics of the pro forma combined company; and

conducted such other financial studies, analyses and investigations as Jefferies deemed appropriate.

In Jefferies' review and analysis and in rendering its opinion, Jefferies assumed and relied upon, but did not assume any responsibility to investigate independently or verify, the accuracy and completeness of all financial and other information that was supplied or otherwise made available by Skyline or Champion Holdings or that was publicly available to Jefferies (including, without limitation, the information described above), or that was otherwise reviewed by Jefferies. In its review, Jefferies relied on assurances of Skyline's management that it was not aware of any facts or circumstances that would make such information inaccurate or misleading. Jefferies did not obtain any independent evaluation or appraisal of any of the assets or liabilities of, or conduct a physical inspection of any of the properties or facilities of, Skyline, the Champion Companies or any other entity. Jefferies was not furnished with any such evaluations or appraisals of such physical inspections and did not assume any responsibility to obtain any such evaluations or appraisals.

With respect to the financial forecasts provided to and examined by Jefferies, Jefferies' opinion noted that projecting future results of any company is inherently subject to uncertainty. Skyline and Champion Holdings informed Jefferies, however, and Jefferies assumed, that such financial forecasts and estimates (including potential synergies) were reasonably prepared on bases reflecting the best currently available estimates and good faith judgments of the respective management of Skyline and Champion Holdings as to the future financial performance of Skyline and the Champion Companies and the amount and timing of synergies that could result from the Exchange. Jefferies expressed no opinion as to Skyline's or the Champion Companies' financial forecasts, estimates (including potential synergies) or the assumptions on which they were made.

Jefferies' opinion was based on economic, monetary, regulatory, market and other conditions existing and which could be evaluated as of the date of its opinion. Jefferies expressly disclaimed any undertaking or obligation to advise any person of any change in any fact or matter affecting Jefferies' opinion of which Jefferies becomes aware after the date of its opinion.

Jefferies made no independent investigation of any legal, accounting or tax matters affecting Skyline, the Champion Companies or the Exchange. Jefferies assumed the correctness in all respects material to Jefferies' analysis of all legal, accounting and tax advice given to Skyline and its Board to the extent disclosed to Jefferies, including, without limitation, advice as to the legal, accounting and tax consequences of the terms of, and transactions contemplated by, the Exchange Agreement to Skyline and its shareholders. In addition, in preparing its opinion, Jefferies did not take into account any tax consequences of the Exchange to any holder of Skyline or the Champion Companies' stock. Jefferies assumed that in the course of obtaining the necessary regulatory or third party approvals, consents and releases for the Exchange, no delay, limitation, restriction or condition would be imposed that would have an adverse effect on Skyline, the Champion Companies or the contemplated benefits of the Exchange.

Jefferies' opinion was for the use and benefit of the Board in its consideration of the Exchange. Jefferies' opinion did not address the relative merits of the Exchange as compared to any alternative transaction or opportunity that might be available to Skyline, nor did it address the underlying business decision by Skyline to engage in the Exchange or the terms of the Exchange Agreement or the documents referred to therein. Jefferies' opinion does not constitute a recommendation as to how any shareholder should vote on the Exchange or any matter related thereto. In addition, Jefferies was not asked to address, and its opinion did not address, the fairness to, or any other consideration of, the holders of any class of securities, creditors or other constituencies of Skyline; Jefferies did not express an opinion as to the value of the Exchange Consideration when issued in the Exchange or the price at which shares of Skyline Common Stock will trade at any time. Furthermore, Jefferies did not express any view or opinion as to the fairness, financial or otherwise, of the amount or nature of any compensation to be received by any officers, directors or employees of Skyline or the Champion Companies, or any class of such persons, in connection with the Exchange relative to the Exchange Consideration or otherwise. Jefferies agreed that its opinion may be reproduced in full and summarized in this proxy statement. Jefferies' opinion was authorized by the Fairness Committee of Jefferies.

In preparing its opinion, Jefferies performed a variety of financial and comparative analyses. The preparation of a fairness opinion is a complex process involving various determinations as to the most

appropriate and relevant quantitative and qualitative methods of financial analysis and the applications of those methods to the particular circumstances and, therefore, is not necessarily susceptible to partial analysis or summary description. Jefferies believes that its analyses must be considered as a whole. Considering any portion of Jefferies analyses or the factors considered by Jefferies, without considering all analyses and factors, could create a misleading or incomplete view of the process underlying the conclusion expressed in Jefferies' opinion. In addition, Jefferies may have given various analyses more or less weight than other analyses, and may have deemed various assumptions more or less probable than other assumptions, so that the range of valuations resulting from any particular analysis described below should not be taken to be Jefferies' view of Skyline's, the Champion Companies' or the pro forma combined company's actual value. Accordingly, the conclusions reached by Jefferies are based on all analyses and factors taken as a whole and also on the application of Jefferies' own experience and judgment.

In performing its analyses, Jefferies made numerous assumptions with respect to industry performance, general business, economic, monetary, regulatory, market and other conditions and other matters, many of which are beyond Skyline's and Jefferies' control. The analyses performed by Jefferies are not necessarily indicative of actual values or actual future results, which may be significantly more or less favorable than suggested by such analyses. In addition, analyses relating to the per share value of Skyline's Common Stock do not purport to be appraisals or to reflect the prices at which shares of Skyline Common Stock may actually be sold. The analyses performed were prepared solely as part of Jefferies' analysis of the fairness, from a financial point of view, of the Exchange Consideration to be issued by Skyline pursuant to the Exchange Agreement, and were provided to the Board in connection with the delivery of Jefferies' opinion.

The following is a summary of the material financial and comparative analyses performed by Jefferies in connection with Jefferies' delivery of its opinion and presentation to Skyline's Board at its meeting on January 4, 2018. The financial analyses summarized below include information presented in tabular format. In order to fully understand Jefferies' financial analyses, the tables must be read together with the text of each summary. The tables alone do not constitute a complete description of the financial analyses. Considering the data described below without considering the full narrative description of the financial analyses, including the methodologies and assumptions underlying the analyses, could create a misleading or incomplete view of Jefferies' financial analyses.

For purposes of the financial analyses summarized below: (i) earnings before interest, taxes, depreciation and amortization ( *EBITDA* ) and earnings before interest and taxes ( *EBIT* ) exclude certain one-time non-recurring expenses and other costs and adjustments; (ii) adjusted EBITDA for Skyline was calculated to remove from EBITDA the impact of Skyline's sale of certain assets and Skyline's stock-based compensation, and adjusted EBITDA for the Champion Companies was calculated to remove from EBITDA the impact of certain non-operating expenses; (iii) total enterprise values ( *TEV* ) were calculated as fully-diluted equity values plus total debt, preferred stock and non-controlling interests (as applicable), less cash and cash equivalents; and (iv) certain financial information for Skyline was recalculated to align with the Champion Companies' April 1 to March 31 fiscal year.

### ***Selected Public Companies Analysis***

Jefferies performed a selected public company analysis by reviewing publicly available financial information of Cavco Industries, Inc., the only publicly traded company that Jefferies in its professional judgment considered generally relevant to Skyline and the Champion Companies for purposes of its financial analysis. Jefferies reviewed, among other information, the selected company's TEV as a multiple of the selected company's estimated EBITDA for its fiscal year ending March 31, 2018. The selected company's estimated EBITDA was based on publicly available research analysts' estimates. Jefferies derived a TEV/2018E EBITDA multiple of 20.0x for the selected company based on the closing price of the selected company's common stock on December 29, 2017. Jefferies noted that it derived a TEV/2018E EBITDA multiple of 11.3x for Skyline based on the closing price of Skyline's Common Stock on the same date.





Based on Jefferies' professional judgment and its review of the selected company, including the selected company's business operations, larger scale and greater historic profitability and growth relative to each of Skyline and the Champion Companies, Jefferies applied a reference range of TEV/2018E EBITDA multiples of 11.0x to 14.0x to Skyline management's forecast of Skyline's estimated adjusted EBITDA for the twelve months ending March 31, 2018 and a reference range of TEV/2018E EBITDA multiples of 14.0x to 17.0x to Champion Holdings management's forecast of the Champion Companies' estimated adjusted EBITDA for its fiscal year ending March 31, 2018. These analyses indicated approximate implied equity values ranging from \$109 million to \$136 million, for Skyline, and from \$718 million to \$865 million, for the Champion Companies.

Jefferies then calculated the following approximate implied relative ownership percentage reference range for holders of Skyline Common Stock in the combined company using the approximate implied equity values derived from the analyses described above, and compared that reference range to the 15.5% pro forma ownership by holders of Skyline's Common Stock pursuant to the terms of the Exchange Agreement:

	<b>Skyline Pro Forma Ownership in</b>
	<b>Combined Company Pursuant to the</b>
<b>Implied Skyline Relative Ownership Percentage Reference Range</b>	<b>Exchange Agreement</b>
11.2% - 15.9%	15.5%

The selected company utilized in Jefferies' selected public company analysis is not identical to Skyline, the Champion Companies or the pro forma combined company. In evaluating the selected company, Jefferies made numerous judgments and assumptions with regard to industry performance, general business, economic, market and financial conditions and other matters, many of which are beyond Skyline's, the Champion Companies' and Jefferies' control. Mathematical analysis is not in itself a meaningful method of using the selected company's data.

#### ***Standalone Discounted Cash Flow Analyses***

Jefferies performed a standalone discounted cash flow analysis of each of Skyline and the Champion Companies by calculating the estimated present value of the standalone unlevered, after-tax free cash flows that (i) Skyline was forecasted by Skyline's management to generate during the last seven months of Skyline's fiscal year ending May 31, 2018 through Skyline's fiscal year ending May 31, 2022 and (ii) the Champion Companies were forecasted by Skyline's management, using financials provided by Champion Holdings to generate during the last five months of the Champion Companies' fiscal year ending March 31, 2018 through the Champion Companies' fiscal year ending April 2, 2022. Jefferies calculated a range of terminal values for Skyline and the Champion Companies by applying perpetuity growth rates ranging from 2.0% to 3.0% to Skyline's estimated adjusted EBITDA for its fiscal year ending May 31, 2022 and to the Champion Companies' estimated adjusted EBITDA for its fiscal year ending April 2, 2022, respectively. The present values of the cash flows and terminal values as of October 31, 2017 were then calculated using discount rates ranging from 15.5% to 17.0%, in the case of Skyline, and from 12.0% to 13.5%, in the case of the Champion Companies, which discount rates were based on each company's weighted average cost of capital. These analyses indicated approximate implied equity values ranging from \$96 million to \$110 million, for Skyline, and from \$608 million to \$767 million, for the Champion Companies.

Jefferies then calculated the following approximate implied relative ownership percentage reference range for holders of Skyline Common Stock in the combined company using the approximate implied equity values derived from the standalone discounted cash flow analyses described above, and compared that reference range to the 15.5% pro forma

ownership by holders of Skyline's Common Stock pursuant to the terms of the Exchange Agreement:

	<b>Skyline Pro Forma Ownership in</b>
	<b>Combined Company Pursuant to the</b>
<b>Implied Skyline Relative Ownership Percentage Reference Range</b>	<b>Exchange Agreement</b>
11.1% 15.4%	15.5%

**Relative Contributions Analysis**

Jefferies reviewed the relative contributions of Skyline and the Champion Companies to net revenue, gross profit, EBIT and adjusted EBITDA of the pro forma combined company for the twelve months ended March 31, 2017 and to estimated net revenue, gross profit, EBIT and adjusted EBITDA for the twelve months ending March 31, 2018. This review indicated the following implied relative contributions of Skyline and the Champion Companies to the pro forma combined company:

	<b>Skyline</b>	<b>Champion</b>
	<b>Implied Contribution</b>	<b>Implied Contribution</b>
2017 Net Revenue	21%	79%
2018E Net Revenue	19%	81%
2017 Gross Profit	13%	87%
2018E Gross Profit	17%	83%
2017 EBIT	(1%)	101%
2018E EBIT	15%	85%
2017 Adjusted EBITDA	1%	99%
2018E Adjusted EBITDA	16%	84%

Jefferies then compared the implied relative contribution percentages noted above for Skyline to the 15.5% pro forma ownership of the combined company by holders of Skyline's Common Stock pursuant to the terms of the Exchange Agreement.

**Additional Information**

For reference purposes only, Jefferies observed certain additional information, including:

*Historical Stock Price Performance.* Jefferies observed the historical stock price performance of Skyline Common Stock for the latest three-month, six-month, one-year, two-year and three-year periods ended December 29, 2017, which indicated an approximate overall low to high average price for Skyline Common Stock over such periods of \$7.50 to \$12.29 per share, and an overall low to high 52-week closing price for Skyline Common Stock of \$5.07 to \$15.98 per share, as compared to the closing price of Skyline Common Stock on December 29, 2017 of \$12.85 per share.

*Implied Pro Forma Per Share Premiums.* Jefferies observed the approximate implied equity values of the pro forma combined company, taking into account the estimated synergies from the Exchange forecasted by Skyline's management, that were indicated by the following analyses:

*Pro Forma Combined Company Discounted Cash Flow Analysis.* Jefferies calculated the estimated present values of the pro forma combined company's unlevered, after-tax free cash flows for the five months ending March 31, 2018 through the twelve months ending April 2, 2022 and for the estimated after-tax synergies that Skyline's management forecasted would result from the Exchange during the same period. Jefferies calculated a range of terminal values for the pro forma combined company by applying perpetuity growth rates ranging from 2.0% to 3.0% to the pro forma combined company's estimated adjusted EBITDA for the twelve months ending April 2, 2022. For purposes of calculating a range of terminal values for the

estimated after-tax synergies, Jefferies assumed a 0.0% perpetuity growth rate for estimated after-tax synergies for periods subsequent to April 2, 2022. The present values of the cash flows, including the estimated after-tax synergies, and terminal values as of October 31, 2017 were then calculated using discount rates ranging from 12.0% to 13.5%, which discount rates were based on the estimated weighted average cost of capital for the pro forma combined company. This analysis indicated an approximate implied equity value of the pro forma combined company, including estimated after-tax synergies, ranging from \$689 million to \$965 million.

*Pro Forma Combined Company Trading Multiples Analysis.* Jefferies also calculated a range of approximate implied equity values for the pro forma combined company by applying TEV/2018E EBITDA multiples ranging from 11.0x to 17.0x to Skyline management's forecast of the pro forma combined company's estimated adjusted EBITDA for the twelve months ending March 31, 2018, including the estimated synergies that Skyline's management forecasted would have resulted from the Exchange had the Exchange been consummated at the beginning of that period. The TEV/2018E EBITDA multiples used in this calculation were selected by Jefferies in its professional judgement and represented the low and high end of the range of TEV/2018E EBITDA multiples used by Jefferies in its selected public company analysis summarized above. This analysis indicated an approximate implied equity value of the pro forma combined company including estimated synergies, ranging from \$643 million to \$1,334 million.

Using the ranges of approximate implied equity value derived from the analyses described in the two bullet points above, Jefferies then calculated an approximate implied range of per share equity values with respect to the 15.5% pro forma ownership of the combined company by holders of Skyline's Common Stock pursuant to the terms of the Exchange Agreement. For purposes of this calculation, Jefferies assumed that Skyline would pay an estimated \$0.68 per share one-time special dividend to the holders of Skyline Common Stock immediately prior to the consummation of the Exchange pursuant to the terms of the Exchange Agreement. The estimated amount of such one-time special dividend was calculated based on Skyline management's forecasts. Jefferies noted that this analysis indicated the following approximate implied per share equity values and approximate premiums or discount to the \$12.85 per share closing price of Skyline Common Stock on December 29, 2017:

	<b>Implied Equity Value Per Share of Skyline Common Stock</b>		<b>Implied Premium (Discount) to December 29, 2017 Skyline Closing Price</b>	
Pro Forma Combined Company DCF Analysis	\$ 13.03	\$17.99	1.4%	40.0%
Pro Forma Combined Company TEV/2018E EBITDA Analysis	\$ 12.22	\$24.61	(4.9)%	91.5%

### **General**

The Exchange Consideration was determined through arms-length negotiation between Skyline and Champion Holdings. Jefferies' opinion was one of many factors taken into consideration by Skyline's Board in making its determination to approve the Exchange and should not be considered determinative of the views of Skyline's Board or management with respect to the Exchange or the Exchange Consideration to be issued by Skyline in connection with the Exchange.

Jefferies was selected by Skyline's Board based on Jefferies' qualifications, expertise and reputation. Jefferies is an internationally recognized investment banking and advisory firm. Jefferies, as part of its investment banking business, is regularly engaged in the valuation of businesses and securities in connection with mergers and acquisitions, negotiated underwritings, competitive biddings, secondary distributions of listed and unlisted securities, private placements, financial restructurings and other financial services.

Skyline has agreed to pay Jefferies a fee of \$4.0 million for its services as Skyline's financial advisor in connection with the Exchange, \$625,000 of which was payable upon delivery of Jefferies' opinion and \$3.375 million of which is contingent upon the closing of the Exchange. Skyline has also agreed to reimburse Jefferies for certain expenses incurred and to indemnify Jefferies against liabilities arising out of or in connection with the services rendered and to be rendered by Jefferies under its engagement. In the two years prior to the date of its opinion, Jefferies did not provide financial advisory or financing services to Skyline or Champion Holdings. Subsequent to the date on which Jefferies delivered its opinion and the Exchange Agreement was executed, an affiliate of Jefferies (*Jefferies Finance*)

and Royal Bank of Canada entered into the Commitment Letter described in the section entitled *Debt Financing* beginning on page 169 below. The Commitment Letter contemplates that Jefferies Finance will be a lender, lead arranger, and joint bookrunner with respect to a

revolving credit facility for the combined company that is expected to be completed at the closing of the Exchange. If the financing is completed, the combined company will pay Jefferies Finance and the other lenders thereunder a customary closing fee and will also pay interest to Jefferies Finance and the other lenders from time to time on any outstanding balances under the revolving credit facility, at the interest rate described under *Debt Financing Pricing* (the portion of such amounts reasonably expected to be paid to Jefferies Finance are expected to be multiples less than the fees paid to Jefferies in connection with the Exchange).

In the ordinary course of Jefferies' business, Jefferies and its affiliates may trade or hold securities of Skyline and its affiliates for Jefferies' own account and for the accounts of Jefferies' customers and, accordingly, may at any time hold long or short positions in those securities. In addition, Jefferies may seek to, in the future, provide financial advisory and financing services to Skyline, Champion Holdings, or entities that are affiliated with Skyline or Champion Holdings, for which Jefferies would expect to receive compensation.

### **Certain Projected Financial Information**

Skyline does not, as a matter of course, publicly disclose forecasts or internal projections as to future performance, earnings, or other results due to, among other reasons, the uncertainty of the underlying assumptions and estimates. However, Skyline's management provided Skyline's Board, Skyline's financial advisor, Jefferies, and Champion Holdings with certain nonpublic unaudited prospective financial information regarding Skyline, the Champion Companies and the estimated synergies anticipated by Skyline's management to result from the Exchange that was considered by Skyline's Board and by Jefferies for the purpose of rendering its fairness opinion, as described in this proxy statement under the heading *Opinion of the Financial Advisor to the Skyline Board of Directors* beginning on page 71. This nonpublic unaudited prospective financial information was prepared as part of Skyline's overall process of analyzing various strategic initiatives, and was not prepared for the purposes of, or with a view toward, public disclosure or with a view toward complying with the guidelines established by the American Institute of Certified Public Accountants for preparation and presentation of prospective financial information, published guidelines of the SEC regarding forward-looking statements, or GAAP, but in the view of Skyline's management, this prospective financial information was reasonably prepared on bases reflecting the best estimates and judgments as of the date of its preparation. A summary of certain significant elements of this information is set forth below.

Although presented with numeric specificity, the financial forecasts reflect numerous estimates and assumptions of Skyline's management made at the time they were prepared, and assume execution of various strategic initiatives that are no longer being pursued in light of the Exchange. These and the other estimates and assumptions underlying the financial forecasts involve judgments with respect to, among other things, the future interest rate environment and other economic, competitive, regulatory, and financial market conditions and future business decisions that may not be realized and that are inherently subject to significant business, economic, competitive, and regulatory uncertainties and contingencies, including, among other things, the inherent uncertainty of the business and economic conditions affecting the industry in which Skyline and Champion Holdings operate, and the risks and uncertainties described under *Risk Factors* beginning on page 25 and *Cautionary Statements Concerning Forward-Looking Information* beginning on page 42, all of which are difficult to predict and many of which are outside the control of Skyline and Champion Holdings and will be beyond the control of the combined company. There can be no assurance that the underlying assumptions will prove to be accurate or that the projected results will be realized, and actual results likely will differ materially from those reflected in the financial forecasts, whether or not the Exchange is completed. Further, these assumptions do not include all potential actions that management of Skyline or Champion Holdings could or might have taken during the relevant time periods.

The inclusion in this proxy statement of the nonpublic unaudited prospective financial information below should not be regarded as an indication that Skyline, Champion Holdings, their respective boards of directors or managers, as the case may be, or Jefferies considered, or now consider, these projections and forecasts to be a reliable predictor of future results. The financial forecasts are not fact and should not be relied upon as being necessarily indicative of



future results, and this information should not be relied on as such.

No assurances can be given that these financial forecasts and the underlying assumptions will be achieved or that, if the financial forecasts had been prepared as of the date of this proxy statement, similar assumptions would be used. In addition, the financial forecasts may not reflect the manner in which the combined company will actually operate after the Exchange. **Champion Holdings and Skyline do not intend to, and each disclaims any obligation to, make publicly available any update or other revision to this unaudited prospective financial information to reflect circumstances occurring since its preparation or to reflect the occurrence of unanticipated events, even in the event that any or all of the underlying assumptions are shown to be in error, or to reflect changes in general economic or industry conditions.**

The financial forecasts summarized in this section were prepared by and are the responsibility of the management of Skyline. No independent registered public accounting firm has examined, compiled, or otherwise performed any procedures with respect to the prospective financial information contained in these financial forecasts and, accordingly, no independent registered public accounting firm has expressed any opinion or given any other form of assurance with respect thereto and no independent registered public accounting firm assumes any responsibility for the prospective financial information.

Further, the unaudited prospective financial information does not take into account the effect on Skyline or Champion Holdings of any possible failure of the Exchange to occur. Neither Skyline nor Champion Holdings, nor their respective affiliates, officers, directors, advisors (including Jefferies) or other representatives, has made, makes, or is authorized in the future to make any representation to any shareholder of Skyline, or to any other person, regarding Skyline's or Champion Holdings' ultimate performance compared to the information contained in the unaudited prospective financial information or that the projected results will be achieved. The inclusion of the unaudited prospective financial information herein should not be deemed an admission or representation by Skyline or Champion Holdings that it is viewed as material information, particularly in light of the inherent risks and uncertainties associated with such projections.

In light of the foregoing, and taking into account that the Special Meeting will be held several months after the unaudited prospective financial information was prepared, as well as the uncertainties inherent in any forecasted information, Skyline shareholders are cautioned not to place unwarranted reliance on such information.

For purposes of the financial projections summarized below: (i) earnings before interest, taxes, depreciation and amortization (EBITDA) and earnings before interest and taxes (EBIT) exclude certain one-time non-recurring expenses and other costs and adjustments; and (ii) adjusted EBITDA for Skyline was calculated to remove from EBITDA the impact of Skyline's sale of certain assets and Skyline's stock-based compensation, and adjusted EBITDA for the Champion Companies was calculated to remove from EBITDA the impact of certain non-operating expenses.

### *Skyline*

Set forth below is a summary of the financial projections regarding Skyline on a stand-alone basis that were provided by Skyline's management to the Board and Jefferies:

#### **Summary of Skyline Stand-Alone Financial Projections** (all amounts are in millions and are approximate)

	Skyline's Fiscal Year Ending May 31				
	2018*	2019	2020	2021	2022
Net Revenue	\$135.7	\$249.0	\$266.6	\$285.4	\$305.5
Adjusted EBITDA	\$6.4	\$13.5	\$16.4	\$19.6	\$23.2

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EBIT	\$5.4	\$11.8	\$14.6	\$17.7	\$21.2
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\* For the seven-month period from November 1, 2017 through May 31, 2018.

**Champion Companies**

Set forth below is a summary of the financial projections regarding the Champion Companies on a stand-alone basis that were provided by Skyline's management to the Board and Jefferies:

**Summary of Champion Companies Stand-Alone Financial Projections**

(all amounts are in millions and are approximate)

	Champion Companies Fiscal Year Ending March 31				
	2018*	2019	2020	2021	2022
Net Revenue	\$416.2	\$1,144.3	\$1,346.5	\$1,564.6	\$1,740.7
Adjusted EBITDA	\$20.6	\$61.0	\$83.9	\$105.9	\$127.7
EBIT	\$16.5	\$50.3	\$72.3	\$93.5	\$114.7

\* For the five-month period from November 1, 2017 through March 31, 2018.

The summary financial projections regarding Skyline and the Champion Companies presented in the tables above were not prepared for the purpose of representing financial forecasts for the combined company. The projections assume, among other things, execution of various strategic and growth initiatives that were contemplated by each of Skyline and Champion Holdings on a standalone basis without giving effect to the potential impact of the Exchange. No assurance can be given as to whether or not such strategic and growth initiatives will be pursued or remain feasible following the consummation of the Exchange. Therefore, no assurance can be given about these financial projections reflecting the anticipated results of the combined company on a forward-looking basis.

**Estimated Synergies**

The prospective financial information prepared by Skyline's management also included an estimate of synergies for the combined company. Skyline's management expected most of the synergies from the Exchange would be in the form of cost savings through procurement activities and the sharing of best practices. These synergies were projected to result in approximately \$15.0 million of pre-tax earnings per year for the combined company. The synergies from the Exchange were projected to be achieved over a period of 24 months following the closing of the Exchange and did not include estimated one-time integration expenses.

**Interests of the Skyline Directors and Executive Officers in the Exchange**

When Skyline's shareholders are considering the recommendation of the Board in connection with the Skyline Exchange Proposals, you should be aware that some of the executive officers and directors of Skyline have interests that are in addition to, or different from, the interests of Skyline's shareholders generally, which are described below. Board was aware of these interests and considered them, among other matters, in approving the Exchange Agreement and the transactions contemplated by the Exchange Agreement. Except as described below, to the knowledge of Skyline, the executive officers and directors of Skyline do not have any material interest in the Exchange apart from their interests as shareholders of Skyline.

**Payments Under Employment Agreement with Richard W. Florea**

Skyline maintains an executive employment agreement (the *Employment Agreement*) with Richard W. Florea, the Chief Executive Officer of Skyline. The Employment Agreement provides for the following severance benefits to be paid to Mr. Florea in the event of a termination of employment by Skyline without cause in contemplation of a change

in control (each as defined in the Employment Agreement) or a termination by Skyline without cause within six months following a change in control, such as the Exchange (the following does not include benefits that Mr. Florea would be vested in without regard to the occurrence of a

change in control): (i) Skyline will continue to pay Mr. Florea his then-current base salary for an 18-month period; and (ii) all stock options granted to Mr. Florea pursuant to his June 2015 stock option award agreement that have not already vested will vest. Under the Exchange Agreement, Skyline will accelerate the vesting of stock options as described in the immediately preceding sentence pursuant to and in accordance with the terms of the Employment Agreement. See below under *Treatment of Stock Options* for a description of the vesting of stock options, pursuant to the terms of the Exchange Agreement, which were granted to Mr. Florea under the Company Incentive Plan (defined below) and not his Employment Agreement. Skyline shall pay Mr. Florea severance as described in the Employment Agreement if terminated in connection with the Exchange in the amount described above. Immediately prior to closing all outstanding and unvested Skyline stock options held by Mr. Florea will become fully vested and exercisable so long as Mr. Florea enters into the Termination Agreement (as defined below). Mr. Florea has been granted stock options to purchase 265,000 shares of Skyline Common Stock, of which 181,400 are currently outstanding and unvested. Mr. Florea's base salary severance benefit is payable in equal quarterly installments with the first quarterly severance benefit payable on the first business day of the seventh month immediately after the date of Mr. Florea's termination of employment, with each subsequent quarterly severance benefit to be payable to Mr. Florea on the first day of the first month of each subsequent calendar quarter thereafter. All payments of severance benefits will be less all applicable withholding taxes. The Employment Agreement also requires that the base salary severance benefit be offset by the total amount (if any) of the base salary earned by or paid on Mr. Florea's behalf in connection with his subsequent employment or services as a consultant during the severance period.

The total amount of Mr. Florea's base salary continuation payment under the Employment Agreement in connection with the occurrence of the events and satisfaction of the conditions described within the immediately preceding paragraph, is currently estimated to be \$556,200. In addition, immediately prior to the closing of the Exchange, Mr. Florea's 181,400 currently outstanding and unvested stock options would be immediately vested. The payment of any severance amounts and the vesting of Mr. Florea's outstanding and unvested stock options are contingent upon the consummation of the Exchange and Mr. Florea entering into a mutual termination of employment agreement (the ***Termination Agreement***) in a form reasonably acceptable to Champion Holdings, which will provide, among other provisions, for the termination of Mr. Florea's employment with Skyline, the combined company, or any of their subsidiaries, as the case may be, and which will include restrictive covenants and a release of claims reasonably acceptable to Champion Holdings.

In addition, under the Exchange Agreement, if the after-tax benefit for Mr. Florea of all his parachute payments (as defined in Section 280G of the Code) with respect to or in connection with the transactions contemplated by the Exchange Agreement, as calculated by Skyline in good faith after consultation with Champion Holdings, with the imposition of the excise tax under Sections 280G and 4999 of the Code, is equal to or less than the after-tax benefit if such parachute payments were to be reduced such that they did not equal or exceed Mr. Florea's safe harbor amount under Section 280G of the Code (as calculated by Skyline in good faith, after consultation with Champion Holdings pursuant to Treas. Reg. 1.280G-1,Q&A 30 (the ***Safe Harbor Amount***)), then Mr. Florea's employment agreement will be amended with the written consent of Mr. Florea no later than two business days prior to the date that Skyline must deliver the closing statement to Champion Holdings that it is required to deliver pursuant to the terms of the Exchange Agreement, if necessary, to ensure and expressly provide that no parachute payment will be made that would constitute an excess parachute payment (as such term is defined in Section 280G of the Code), and to the extent any such parachute payment would trigger the excise tax under Sections 280G and 4999 of the Code, the parachute payment will be reduced to the maximum level that would not trigger the excise tax. If any such amendment to the employment agreement needs to be prepared, Mr. Florea will be given the discretion to choose which parachute payments would be subject to reduction, and by how much, to achieve the greatest Safe Harbor Amount that would not trigger the excise tax. For purposes of clarity, if the after-tax benefit for Mr. Florea, with the imposition of the excise tax, is greater than the after-tax benefit if his total parachute payments were reduced such that they did not equal or exceed the Safe Harbor Amount, then Mr. Florea may decide in his sole discretion for the parachute payments to not be subject to any reduction and to receive the full payments and benefits due to him. Any decision by Mr. Florea not to reduce parachute payments due to him must be communicated in writing to Champion



Holdings no later than two business days prior to the date that Skyline must deliver the closing statement to Champion Holdings that it is required to deliver pursuant to the terms of the Exchange Agreement.

### ***Treatment of Stock Options***

The Exchange Agreement provides that, prior to the closing of the Exchange, the board of directors of Skyline will take all necessary actions pursuant to the terms of the Skyline Corporation 2015 Stock Incentive Plan (the ***Company Incentive Plan***) such that upon the closing, all options to purchase shares of Skyline Common Stock held by Jeffrey A. Newport that are outstanding and unvested immediately prior to the closing of the Exchange will become fully vested and exercisable. All options to purchase Skyline Common Stock have been granted under the Company Incentive Plan. As disclosed above, all of Richard W. Florea's outstanding and unvested stock options also will vest immediately prior to the closing of the Exchange provided that Mr. Florea enters into the Termination Agreement. Upon vesting, all such stock options held by Messrs. Newport and Florea will remain in full force and effect and will continue to be governed by the same terms and conditions as were applicable to such stock options immediately prior to the closing of the Exchange. The accelerated vesting of Mr. Newport's stock options is subject to Mr. Newport executing and delivering to Skyline prior to the occurrence of the accelerated vesting a release of claims substantially in the form as was attached to the Exchange Agreement (the ***Release of Claims***).

As of April 3, 2018, Richard W. Florea, the current President and Chief Executive Officer of Skyline, holds outstanding and unvested options to purchase 181,400 shares of Skyline Common Stock at a weighted average exercise price of \$4.84 per share, and Jeffrey A. Newport, the current Chief Operating Officer of Skyline, holds outstanding and unvested options to purchase 19,800 shares at a weighted average exercise price of \$6.45 per share. All such stock options will become vested and exercisable upon the closing of the Exchange. Notes 4 (for Mr. Florea) and 8 (for Mr. Newport) to the table included in the section below titled "Exchange-Related Executive Compensation for Skyline's Named Executive Officers" provide the values associated with the accelerated vesting of the stock options discussed in this section.

### ***Treatment of Restricted Stock***

The Exchange Agreement provides that, prior to the closing of the Exchange, the board of directors of Skyline will take all necessary actions pursuant to the terms of the Company Incentive Plan such that upon the closing, all shares of Skyline restricted stock granted under the Company Incentive Plan to Mr. Florea and Mr. Newport that are outstanding immediately prior to the closing will fully vest and no longer be subject to any lapse restrictions. Upon vesting, all such shares will remain outstanding and will be held free of restrictions by Mr. Florea and Mr. Newport, respectively. The accelerated vesting of the restricted stock is subject to each of Mr. Florea and Mr. Newport executing and delivering to Skyline a release of claims substantially in the form of the Release of Claims.

Mr. Florea holds 42,000 shares of unvested restricted stock, and Mr. Newport holds 3,000 shares of unvested restricted stock. All such shares of restricted stock will fully vest and no longer be subject to any lapse restrictions upon the closing of the Exchange. Notes 4 (for Mr. Florea) and 8 (for Mr. Newport) to the table included in the section below titled "Exchange-Related Executive Compensation for Skyline's Named Executive Officers" provide the values associated with the accelerated vesting of restricted stock discussed in this section.

### ***Accelerated Vesting of Benefits Under 1989 Deferred Compensation Plan***

Skyline has established the 1989 Deferred Compensation Plan (the ***Deferred Compensation Plan***), under which certain executive officers and directors of Skyline are entitled to receive payments of deferred compensation to provide a level of retirement income complimentary to the income level of those participants, such income levels and amounts as set forth in an appendix to the Deferred Compensation Plan. Under the terms of the Deferred Compensation Plan, participants (or their estates or beneficiaries) will commence receiving





payments of deferred compensation in fixed amounts no later than ninety (90) days following the participant's retirement, permanent disability, or death. If a participant's employment with Skyline is terminated due to retirement (as defined in the Deferred Compensation Plan) on or after the participant's eligibility date that is listed in Exhibit A to the Deferred Compensation Plan, Skyline will begin paying in monthly installments to the participant a fixed annual deferred compensation amount as set forth in the Deferred Compensation Plan, such annual amount to be paid for a period of 10 years following the participant's retirement. If a participant experiences a permanent disability (as defined in the Deferred Compensation Plan) while still employed by Skyline, Skyline will begin paying in monthly installments to the participant a fixed annual deferred compensation amount as set forth in the Deferred Compensation Plan, less any amount the participant is entitled to receive under Skyline's disability insurance policy then in effect. If such disability insurance benefits expire prior to the date that is 10 years after the original disability date, Skyline will pay the annual deferred compensation amounts under the Deferred Compensation Plan until 10 years after the original disability date. If the participant dies while still employed by Skyline, Skyline will pay to the participant's beneficiaries the fixed deferred compensation amount set forth in the Deferred Compensation Plan, and such payments will be made monthly for a period of 10 years following the participant's death. If a participant dies after having retired from Skyline or after having terminated employment because of a permanent disability, the maximum duration of payments under the Deferred Compensation Plan for retirement or permanent disability and death benefits will be 10 years from the date of retirement or permanent disability (whichever is applicable). In the event of the participant's death, the participant's beneficiary will receive a fixed annual death benefit (the amount of which is set forth in the Deferred Compensation Plan, and which is in addition to the annual deferred compensation amount discussed above) for the remaining portion of the 10-year payout period. Under the general terms of the Deferred Compensation Plan, Jon S. Pilarski will become eligible to receive amounts deferred under the plan which are due to him as a result of his retirement when he reaches age 62. However, notwithstanding the foregoing vesting provisions, under the terms of the Deferred Compensation Plan if there is a change in control of Skyline (defined as a change in ownership of more than 50% of Skyline's Common Stock in one transaction, such as the Exchange) the rights of participants will vest at the time of the closing of such transaction.

The Exchange Agreement similarly provides that, at or prior to the closing of the Exchange, Skyline will take all actions under the Deferred Compensation Plan such that, upon the closing of the Exchange, all benefits payable under the plan to Jon S. Pilarski, the current Vice President, Finance & Treasurer, Chief Financial Officer of Skyline will become fully vested. Under the terms of the Deferred Compensation Plan, Mr. Pilarski is entitled to an annual retirement payment amount of \$60,000, and an annual death benefit amount of \$40,000. Mr. Pilarski's rights to these benefits will become fully vested upon the closing of the Exchange. The table included in the section below titled

Exchange-Related Executive Compensation for Skyline's Named Executive Officers provides the aggregate value associated with the accelerated vesting of Mr. Pilarski's benefits under the Deferred Compensation Plan.

Terrence M. Decio and Martin R. Fransted are also participants in the Deferred Compensation Plan. Mr. Decio is entitled to annual death benefit payments and deferred compensation payments of \$75,000 each, and Mr. Fransted is entitled to an annual death benefit payment of \$30,000 and an annual deferred compensation payment of \$40,000 pursuant to the terms of the Deferred Compensation Plan. However, all of these benefits have already vested (not in connection with the Exchange), and accordingly, Mr. Decio's benefits are not listed in the table included in the section below titled Exchange-Related Executive Compensation for Skyline's Named Executive Officers.

On January 4, 2018, the Board approved an amendment to the Deferred Compensation Plan which provides that, notwithstanding any contrary provision in the plan, Skyline and its successors and assigns will not terminate the Deferred Compensation Plan prior to the date upon which the final payment under the plan is scheduled to occur, and that the amendment provision itself shall not be further amended without the prior consent of all the Deferred Compensation Plan's participants.



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***Severance Payments to Certain Executive Officers of Skyline***

Under the Exchange Agreement, if any of Jeffrey A. Newport or Jon S. Pilarski is still employed by Skyline as of the closing of the Exchange, and if the employment of either of them is terminated by the combined company, other than for cause, within 12 months after the closing of the Exchange, then the individual whose employment is terminated will be entitled to receive severance payments. Upon the occurrence of the scenario set forth in the immediately preceding sentence, Mr. Newport would be entitled to receive severance pay equal to 26 weeks of pay, at his base rate of pay in effect at the time of his termination of employment, and Mr. Pilarski would be entitled to receive severance pay equal to 52 weeks of pay, at his base rate of pay in effect at the time of his termination of employment. In the case of each of Messrs. Newport and Pilarski, it is a condition to receiving such severance payments that they sign and deliver a termination and release agreement substantially similar to Champion Holdings' form termination and release agreement for similarly situated employees, which form may include restrictive covenants at the combined company's discretion. The table included in the section below titled "Exchange-Related Executive Compensation for Skyline's Named Executive Officers" provides the aggregate value of severance benefits payable to Messrs. Newport and Pilarski.

In addition, other than the severance payments to be made to Messrs. Florea, Newport, and Pilarski as described above, the Exchange Agreement also provides that those salaried employees of Skyline or any of its subsidiaries as of the closing who are still employed by Skyline or a subsidiary as of the closing of the Exchange and whose employment with Skyline or the combined company is terminated by the combined company, other than for cause, within 12 months after closing, and who sign and deliver a termination and release agreement in a form substantially similar to Champion Holdings' form termination and release agreement for similarly situated employees, would, upon the occurrence of the foregoing scenario set forth in this sentence, be entitled to severance pay equal to one week of pay, at their base rate of pay in effect at the time of termination, for each full year of continuous service with Skyline and the surviving company, with a minimum of four weeks and a maximum of 26 weeks. As a result, the following current executive officers of Skyline (other than Messrs. Florea, Newport, and Pilarski) will be entitled to severance benefits under these provisions: Terrence M. Decio, Vice President, Marketing and Sales; Robert C. Davis, Vice President, Manufacturing; and Martin R. Fransted, Corporate Controller and Secretary. The table included in the section below titled "Exchange-Related Executive Compensation for Skyline's Named Executive Officers" provides the aggregate value of severance benefits payable to Messrs. Decio and Davis. The total amount of Mr. Fransted's severance benefits in connection with the occurrence of the events and satisfaction of conditions that would give rise to the payment of such benefits is currently estimated to be \$77,520.

***John C. Firth and Richard W. Florea Being Appointed as Directors of the Combined Company***

The Exchange Agreement provides that Skyline and the Board, as applicable, will take all actions necessary (including amending the By-Laws), in consultation with Champion Holdings, to cause the board of directors of the combined company, effective as of the second day following the closing, to consist of two members to be designated by Skyline's pre-closing board of directors (both of whom are current Skyline directors), and nine members to be designated by Champion Holdings. In accordance with this provision, Skyline has designated John C. Firth, the current Chairman of the Board, and Richard W. Florea, the current Chief Executive Officer of Skyline and a current member of the Board, to be Skyline's designees to be appointed to the combined company's board of directors. Messrs. Firth's and Florea's appointments to the board will become effective as of the second day following the closing of the Exchange. It is expected that Messrs. Firth and Florea will be entitled to receive customary compensation from the combined company for their service on the board after the closing, which compensation has not yet been determined.

Under the Investor Rights Agreement, which will be executed in connection with the closing, as long as the combined company is a controlled company (as defined under applicable stock exchange rules), the two Skyline designees pursuant to the terms of the Exchange Agreement (i.e., Messrs. Firth and Florea) will continue to serve on the post-closing board of the combined company.



**Arthur J. Decio Being Appointed as Board Observer**

Under the Investor Rights Agreement, which will be executed in connection with the closing of the Exchange, until the second anniversary of the closing, Arthur J. Decio, the founder of Skyline and a current member of the Board, will serve as a non-voting observer of the board of directors of the post-closing combined company.

**Indemnification and Insurance of Directors and Officers**

Skyline and Champion Holdings have agreed that all rights to indemnification and exculpation from liabilities arising out of or pertaining to matters existing or occurring on or prior to the effective time of the Exchange in favor of the present and former officers and directors of Skyline and any of the Champion Companies, as provided under the articles of incorporation, bylaws, or other organizational documents of Skyline or the Champion Companies, as the case may be, or permitted under applicable law, will survive the closing of the Exchange and continue for six years following the closing.

In addition, Skyline has agreed to maintain a directors and officers liability insurance policy for up to six years following the closing of the Exchange to cover the present officers and directors of Skyline with respect to claims against such directors and officers arising from facts or events that occurred on or before the closing date of the Exchange; *provided that*, Skyline is not obligated to pay each year more than 250% of Skyline's current annual premiums for such coverage.

**Exchange-Related Executive Compensation for Skyline's Named Executive Officers**

This section sets forth the information required by Item 402(t) of Regulation S-K regarding the compensation for each of Skyline's named executive officers that is based on or otherwise relates to the Exchange. The Exchange-related compensation payable to these individuals is subject to a non-binding advisory vote of Skyline's shareholders, as described below in the section entitled *Proposal # 3 Non-Binding Advisory Vote on Exchange-Related Compensation* beginning on page 151.

The following table sets forth the amount of payments and benefits that each of Skyline's applicable named executive officers would receive in connection with the Exchange, assuming the following: (i) that the effective time of the Exchange is May 1, 2018; and (ii) except as otherwise disclosed in the footnotes to the table below, that each of Messrs. Florea's, Newport's, and Pilarski's employment is terminated by the combined company without cause immediately following the closing of the Exchange. This table does not include the value of benefits that the named executive officers are vested in without regard to the occurrence of a change in control. The amounts below are based on certain assumptions that may or may not actually occur. As a result, the actual amounts to be received by a named executive officer may materially differ from the amounts set forth below.

<b>Executive</b>	<b>Cash (\$)</b>	<b>Equity<sup>(1)</sup> (\$)</b>	<b>Pension/ NQDC<sup>(2)</sup> (\$)</b>	<b>Total (\$)</b>
Richard W. Florea	556,200 <sup>(3)</sup>	3,830,368 <sup>(4)</sup>		4,386,568
Jon S. Pilarski	229,500 <sup>(5)</sup>		374,536 <sup>(6)</sup>	604,036
Jeffrey A. Newport	125,000 <sup>(7)</sup>	352,811 <sup>(8)</sup>		477,811
Robert C. Davis	52,177 <sup>(9)</sup>			52,177
Terrence M. Decio	122,400 <sup>(10)</sup>			122,400

- (1) The shares disclosed in this paragraph are valued at \$21.08, which is the average closing price of Skyline's Common Stock, as quoted on the NYSE American, over the first five business days following the first public announcement of the Exchange. The dollar value of in-the-money option awards disclosed in this column are computed based on the difference between \$21.08 and the exercise price of the options.

- (2) The amount in this column represents the net present value of nonqualified deferred compensation benefit enhancements with respect to the accelerated vesting of benefits for Mr. Pilarski under the Deferred Compensation Plan, based on the assumptions disclosed in the paragraph preceding this table.
- (3) The amount in this column for Mr. Florea represents the aggregate amount of Mr. Florea's base salary for an 18-month period after termination. Mr. Florea's current base salary is \$370,800 per year. Mr. Florea's base salary severance benefit will be payable in equal quarterly installments with the first quarterly severance benefit payable on the first business day of the seventh month immediately after the date of Mr. Florea's termination of employment, with each subsequent quarterly severance benefit to be payable to Mr. Florea on the first day of the first month of each subsequent calendar quarter thereafter. The cash severance payable to Mr. Florea is considered a "double trigger" benefit, since the payment is triggered by a termination of employment by Skyline without cause in contemplation of a change in control or a termination by Skyline without cause within six months following a change in control.
- (4) The amount in this column for Mr. Florea represents (i) the dollar value (\$885,192) of restricted stock awards granted to Mr. Florea for 42,000 shares of Common Stock which will become fully vested upon the closing of the Exchange; and (ii) the dollar value (\$2,945,176) of in-the-money options to purchase 181,400 shares of Common Stock which will become fully vested and exercisable upon the closing of the Exchange. These amounts are considered "double-trigger" benefits, since the payment is triggered by a termination of employment by Skyline and the consummation of the Exchange.
- (5) The amount in this column represents severance pay equal to 52 weeks of pay, at Mr. Pilarski's base rate of pay in effect at the time of termination. Mr. Pilarski's current base salary is \$229,500 per year. The cash severance payable to Mr. Pilarski is considered a "double trigger" benefit, since the payment is triggered by a change in control for which payment is conditioned upon the combined company's termination of Mr. Pilarski's employment without cause following the change in control.
- (6) The amount in this column for Mr. Pilarski assumes his employment with Skyline is terminated due to retirement immediately following the closing of the Exchange and his benefits are paid in accordance with the terms of the Deferred Compensation Plan. This amount is considered a "double trigger" benefit, since the vesting of Mr. Pilarski's benefit will be triggered by a change in control, and after which payment is conditioned upon Mr. Pilarski's termination of employment upon his retirement, death or permanent disability.
- (7) The amount in this column represents severance pay equal to 26 weeks of pay, at Mr. Newport's base rate of pay in effect at the time of termination. Mr. Newport's current base salary is \$250,000 per year. The cash severance payable to Mr. Newport is considered a "double trigger" benefit, since the payment is triggered by a change in control for which payment is conditioned upon the combined company's termination of Mr. Newport's employment without cause following the change in control.
- (8) The amount in this column for Mr. Newport includes (i) the dollar value (\$63,228) of restricted stock awards granted to Mr. Newport for 3,000 shares of Common Stock which will become fully vested upon the closing of the Exchange; and (ii) the dollar value (\$289,583) of in-the-money options to purchase 19,800 shares of Common Stock which will become fully vested and exercisable upon the closing of the



Exchange. These amounts are considered single-trigger benefits triggered in connection with the consummation of the Exchange, and for which the benefits are not conditioned upon a termination of employment.

- (9) The amount in this column represents severance pay equal to 14 weeks of pay, at Mr. Davis' base rate of pay in effect at the time of termination. Mr. Davis' current base salary is \$193,800 per year. The cash severance payable to Mr. Davis is considered a double trigger benefit, since the payment

is triggered by a change in control for which payment is conditioned upon the combined company's termination of Mr. Davis's employment without cause following the change in control.

(10) The amount in this column represents severance pay equal to 26 weeks of pay, at Mr. Decio's base rate of pay in effect at the time of termination. Mr. Decio's current base salary is \$244,800 per year. The cash severance payable to Mr. Decio is considered a double-trigger benefit, since the payment is triggered by a change in control for which payment is conditioned upon the Company's termination of Mr. Decio's employment without cause following the change in control.

(11) The following table quantifies, for each named executive officer of Skyline, the portion of the total amount of Exchange-related compensation that is payable attributable to a double-trigger arrangement (i.e., amounts triggered by a change in control for which payment is conditioned upon the executive officer's termination of employment by Skyline or the combined company, as applicable, without cause) and a single-trigger arrangement (i.e., amounts triggered by a change in control for which payment is not conditioned upon termination of employment).

Name	Double Trigger (\$)	Single Trigger (\$)
Richard W. Florea	4,386,568	
Jon S. Pilarski	604,036	
Jeffrey A. Newport	125,000	352,811
Robert C. Davis	52,177	
Terrence M. Decio	122,400	

#### Plans for Skyline After the Exchange

Following the consummation of the Exchange, the combined company will own all of the issued and outstanding equity securities of the Champion Companies and will continue to hold the direct and indirect subsidiaries of Skyline. The combined company will continue the primary business strategy of Skyline and Champion Holdings, which is the design, production, and marketing of manufactured housing, modular housing, and park models to independent dealers and manufactured housing communities located throughout the United States and Canada, augmented by Champion Holdings' business strategy of specializing in a wide variety of manufactured and modular homes, park-model RVs, and modular buildings for the multi-family, hospitality, senior, and workforce housing sectors.

We anticipate that Skyline's combination with Champion Holdings will provide the combined company with access to other acquisition, investment, and business opportunities. The combined company may review acquisition and investment proposals and opportunities, including those presented by third parties and those sought out by the combined company. There can be no assurance that any of these discussions will result in a definitive agreement and if they do, what the terms or timing of any agreement would be.

#### Ownership of Skyline After the Exchange

Following the consummation of the Exchange, the combined company will own all of the issued and outstanding equity interests of the Champion Companies, and Champion Holdings (or its members) will own 84.5% of the issued and outstanding shares of the combined company's common stock. Champion Holdings (or its members) will have actual and effective control of the combined company following the Exchange, and will be able to approve any action that requires a majority vote of all outstanding shares of capital stock of the combined company.



### **Effects on Skyline if the Exchange is Not Consummated**

If the Exchange is not consummated for any reason, Champion Holdings will not receive any shares of Skyline Common Stock pursuant to the Exchange Agreement and Skyline will not receive the Contributed Shares of the Champion Companies. Instead, Skyline will remain an independent publicly-traded company and continue to execute upon its business strategy, as discussed elsewhere in this proxy statement and the documents Skyline files with the SEC which are incorporated by reference herein. The Champion Companies will remain wholly-owned subsidiaries of Champion Holdings if the Exchange is not consummated.

### **Changes to the Rights of Skyline's Shareholders**

Please see the section entitled *Comparison of the Material Terms of Skyline's Current Restated Articles of Incorporation and Amended and Restated Articles of Incorporation* beginning on page 117 for a description of the proposed changes under the Amended and Restated Articles of Incorporation.

### **Limitations of Liability and Indemnification of the Skyline and Champion Holdings Officers and Directors**

Pursuant to the Exchange Agreement, upon the completion of the Exchange, all rights to indemnification or advancement of expenses now existing in favor of, and all limitations on the personal liability of each present and former director or officer of Skyline or the Champion Companies and any of their respective subsidiaries and each present and former officer or member of the board of managers of Champion Holdings, as provided for in their respective organizational documents, will continue to be honored and in full force and effect after the completion of the Exchange.

The Exchange Agreement also provides that Skyline will purchase or maintain a six-year tail policy under its existing directors and officers liability insurance policy, with an effective date as of the completion of the Exchange.

### **Exchange Consideration**

At the completion of the Exchange, Champion Holdings will contribute, transfer and convey to Skyline the Contributed Shares free from all encumbrances. In exchange for the contribution by Champion Holdings of the Contributed Shares, Skyline will issue to Champion Holdings (or its members), that number of duly authorized, validly issued, fully-paid and non-assessable shares of Skyline Common Stock equal to the (i) exchange ratio, as defined in the Exchange Agreement, times (ii) the total number of outstanding shares of Skyline Common Stock calculated on a fully diluted basis (as determined in the Exchange Agreement) as of immediately prior to the completion of the Exchange. As a result, Champion Holdings or members of Champion Holdings are expected to receive shares of Skyline Common Stock representing in the aggregate approximately 84.5% of the outstanding shares of Common Stock of the combined company calculated on a fully diluted basis (as determined in the Exchange Agreement).

### **The Exchange Shares**

The number of Exchange Shares issued to Champion Holdings (or its members) will be based on the number of shares of Skyline Common Stock outstanding (including all shares of Skyline Common Stock issuable upon conversion of any securities convertible into or exercisable or exchangeable for shares of Skyline Common Stock), calculated on a fully diluted basis (as determined in the Exchange Agreement) immediately prior to the completion of the Exchange, and will not be determined until that time. Accordingly, any changes in the number of shares of outstanding capital stock of Skyline, as a result of option grants, option expirations, or issuance of new share capital, prior to the completion of the Exchange would result in a corresponding change to the number of Exchange Shares.



For illustrative purposes only, based on the number of shares of Skyline Common Stock, calculated on a fully diluted basis (as determined in the Exchange Agreement), as of [ ], 2018, the last practicable date before the printing of this proxy statement, the total number of Exchange Shares would have been 47,828,330.

The Exchange Agreement uses an exchange ratio based on the fully diluted outstanding shares of Skyline Common Stock to fix the number of shares of Skyline Common Stock that will be issued in exchange for the capital stock of the Champion Companies in the Exchange. Any changes in the market price of Skyline Common Stock before the completion of the Exchange will not affect the total number of Exchange Shares that Champion Holdings or the members of Champion Holdings will be entitled to receive pursuant to the Exchange Agreement. Changes in stock price or value may result from a variety of factors, including, among others, general market and economic conditions, changes in Skyline's or Champion Holdings' respective businesses, operations, and prospects, the market assessment of the likelihood that the Exchange will be completed as anticipated or at all, and regulatory considerations. Many of these factors are beyond Skyline's or Champion Holdings' control.

As a result of any such changes in the price of the Skyline Common Stock, the aggregate market value of the shares of Skyline Common Stock that Champion Holdings or the members of Champion Holdings will be entitled to receive at the completion of the Exchange could vary significantly from the value of such shares on the date of this proxy statement, the date of the Special Meeting, or the date on which Champion Holdings or the members of Champion Holdings actually receive their shares of Skyline Common Stock.

### **Completion of the Exchange**

The Exchange Agreement requires the parties to complete the Exchange after all of the conditions to the completion of the Exchange contained in the Exchange Agreement are satisfied or waived, including, among others, the approval by the Skyline shareholders of the issuance of the Exchange Shares and the amendments to Skyline's Restated Articles of Incorporation to, among other things, increase Skyline's authorized shares which will permit for the issuance of the Exchange Shares. Neither Skyline nor Champion Holdings can predict the exact timing of the completion of the Exchange.

### **Regulatory Approvals**

#### ***HSR Act and U.S. Antitrust Matters***

Under the HSR Act and the rules and regulations promulgated thereunder, Skyline and Champion Holdings are required to make certain filings with the DOJ and the FTC. The Exchange may not be consummated until the applicable waiting period under the HSR Act has expired or has been terminated.

Skyline and Champion Holdings each filed their respective notification and report forms with the DOJ and the FTC under the HSR Act on January 19 and 22, 2018, respectively. Because the shares of Skyline Common Stock to be issued in the Exchange may be issued directly to the members of Champion Holdings, each of the members of Champion Holdings who would be required to file an HSR Act notification filed their respective HSR Act notifications as well on January 22, 2018. Subsequently, Skyline, Champion Holdings, and the members of Champion Holdings elected to voluntarily withdraw and re-file each of their Premerger Notification and Report Forms, in order to restart the initial waiting period under the HSR Act and thereby provide the FTC additional time to review the proposed transaction. Accordingly, Skyline, Champion Holdings, and certain of the members of Champion Holdings each withdrew its initial filing effective February 21, 2018 and re-filed on February 23, 2018. The applicable waiting period under the HSR Act expired on March 26, 2018 at 11:59 p.m., Eastern Time.

During or after the statutory waiting periods and clearance of the Exchange, and even after completion of the Exchange, either the DOJ, the FTC or other U.S. governmental authorities could take action under the antitrust laws

with respect to the Exchange as they deem necessary or desirable in the public interest, including

seeking to enjoin the completion of the Exchange, to rescind the Exchange, or to conditionally approve the Exchange upon the divestiture of assets of Skyline or Champion Holdings or to impose restrictions on the operation of the combined company after the completion of the Exchange. Moreover, in some jurisdictions, a competitor, customer, state Attorney General or other third party could initiate a private action under the antitrust laws challenging or seeking to enjoin the Exchange, before or after it is completed.

The Exchange Agreement provides that Skyline and Champion Holdings will use their commercially reasonable efforts to obtain any consents, authorizations, expiration or termination of applicable waiting periods, order and approvals from all governmental bodies that may be or become necessary for its execution and delivery of the Exchange Agreement; *provided that*, neither Skyline or its subsidiaries nor Champion Holdings or any of its subsidiaries or their respective affiliates shall be required to take any divestiture action that individually or in the aggregate would reasonably be expected to materially undermine the economic benefits or value which Skyline or Champion Holdings expects to derive from the Exchange or materially limit or impair the aggregate economic profile of the combined company. The Exchange Agreement also provides that Skyline and Champion Holdings will cooperate fully with the other and its affiliates in promptly seeking to obtain all such consents, authorizations, expiration, or termination of applicable waiting periods, orders and approvals, in connection with the transactions contemplated by the Exchange Agreement and the distribution of the Exchange Shares to the members of Champion Holdings.

#### ***Other Regulatory Matters***

In the United States, Skyline must also comply with applicable federal and state securities laws and the rules and regulations of the NYSE American in connection with the issuance of shares of Skyline Common Stock and the filing of this proxy statement with the SEC.

#### **Voting Agreement**

In connection with the signing of the Exchange Agreement, on January 5, 2018, all of the members of the Board and certain executive officers of Skyline, in their capacities as Skyline shareholders, entered into a Voting Agreement with Champion Holdings pursuant to which each shareholder agreed, among other things, to vote his shares of Skyline Common Stock in favor of the proposals that relate to the Exchange described elsewhere in this proxy statement and not, directly or indirectly, take any action in his capacity as a shareholder to, among other things, solicit, initiate, cooperate with, knowingly encourage, induce or facilitate any inquiries or the making, submission or announcement of any alternative acquisition proposal, or approving, endorsing or recommending any agreement, transaction or action that would reasonably be expected to impede, interfere with, delay, discourage or affect the consummation of the Exchange or result in a breach of the Exchange Agreement or the Voting Agreement. The Voting Agreement grants Champion Holdings irrevocable proxies to vote any shares of Skyline Common Stock over which such shareholder has voting power in favor of each of the proposals described elsewhere in this proxy statement and against any alternative acquisition proposal, agreement, transaction or action. The Voting Agreement does not constitute an agreement to exercise or direct the exercise of the voting power of Skyline in the election of directors of Skyline.

Under the Voting Agreement, each shareholder has made representations and warranties to Champion Holdings regarding ownership and unencumbered title to the shares thereto, such shareholder's power and authority to execute the Voting Agreement, and due execution and enforceability of the Voting Agreement. Unless otherwise waived, until the earlier of the completion of the Exchange or the termination of the Exchange Agreement, the Voting Agreement prohibits the sale, assignment, transfer or other disposition by each shareholder of his respective shares of Skyline Common Stock or the entrance into an agreement or commitment to do any of the foregoing, except for transfers to family members or by will or for charitable purposes, in which case the Voting Agreement will bind the transferee. The Voting Agreement restricts the ability of Arthur Decio from directly or indirectly acquiring, by purchase or otherwise, any additional shares of Skyline prior to the expiration of the Voting Agreement.





The voting agreement will terminate at the earlier of (i) the completion of the Exchange, (ii) upon the occurrence of any change in recommendation made by the Skyline Board, in accordance with the Exchange Agreement, that Skyline's shareholders vote in favor of the Exchange Proposals, (iii) the termination of the Exchange Agreement in accordance with its terms, or (iv) upon mutual written consent, in respect of any shareholder, of such shareholder and Champion Holdings.

### **Accounting Treatment**

Prior to the closing of the transactions contemplated by the Exchange Agreement, Champion Holdings will hold no shares of Skyline's Common Stock. In connection with the closing of the Exchange, Champion Holdings will contribute all of the issued and outstanding equity interests in the Champion Companies to Skyline. After the consummation of the transactions contemplated by the Exchange Agreement, the shares of the combined company's common stock owned by Champion Holdings (or its members) will represent 84.5% of the total voting power of all issued and outstanding shares of the combined company's common stock, while the common stock of the combined company owned by the current Skyline shareholders will represent 15.5% of the total voting power of all the issued and outstanding shares of the combined company's common stock. Consequently, although Skyline is the legal acquiror and will issue shares of its Common Stock to effect the Exchange Agreement, the business combination will be treated as an acquisition of the business of Skyline by Champion Holdings under the acquisition method of accounting. In this regard, the Exchange is expected to be accounted for as a reverse acquisition under the acquisition method of accounting, which requires determination of the accounting acquiror. The accounting guidance for business combinations, Accounting Standards Codification 805, *Business Combinations*, provides that in identifying the acquiring entity in a combination effected through an exchange of equity interests, all pertinent facts and circumstances must be considered. See the section entitled *Unaudited Pro Forma Condensed Combined Financial Information of Skyline Champion Corporation* beginning on page 153 for more detail regarding the accounting treatment of the Exchange.

### **Stock Market Listing**

Skyline's Common Stock currently is listed on the NYSE American under the symbol SKY. Under the Exchange Agreement, Skyline has agreed to use its reasonable best efforts to cause the shares of Skyline Common Stock issuable in the Exchange to be approved, at or prior to the completion of the Exchange, for listing (subject only to notice of issuance) on the NYSE American at and following the completion of the Exchange. The conditional approval of the listing application in respect of the shares of Skyline Common Stock issuable in the Exchange by the NYSE American is a condition to Skyline's and Champion Holdings' obligations to complete the Exchange. However, despite the express provisions of the Exchange Agreement, Skyline and Champion Holdings anticipate that the common stock of the combined company will be approved for listing on the NYSE following the completion of the Exchange under the trading symbol SKY.

In this regard, Skyline will be filing an initial listing application and listing agreement as required by the NYSE in anticipation of the closing of the Exchange.

### **Material U.S. Federal Income Tax Consequences of the Exchange to Holders of Skyline Common Stock**

This section describes the material United States federal income tax consequences of the exchange of all of the capital stock of the Champion Companies for Skyline Common Stock to current Skyline shareholders. The following discussion is based on the Code, existing and proposed regulations thereunder, and published rulings and decisions, all as currently in effect as of the date hereof, and all of which are subject to change, possibly with retroactive effect. Any such change could affect the continuing validity of this discussion.

Skyline and Champion Holdings intend the Exchange to qualify as a transaction described in Section 351 of the Code. Section 351 generally provides that a party contributing property to a corporation in exchange for stock of the corporation does not recognize gain or loss on the exchange for federal income tax purposes if, after

the exchange, the contributing party controls the corporation issuing the stock. Because the current Skyline shareholders will not participate in the Exchange and will continue to own and hold their existing shares of Skyline Common Stock following the Exchange, the Exchange generally will not result in U.S. federal income tax consequences to current Skyline shareholders. Current Skyline shareholders who are also owners of Champion Holdings should consult their tax advisor as to the tax consequences to them of participating in the Exchange as an owner of Champion Holdings.

### **Material U.S. Federal Income Tax Consequences of the Pre-Closing Special Dividend to Holders of Skyline Common Stock**

The following is a discussion of the material U.S. federal income tax consequences of the Pre-Closing Skyline Special Dividend to holders of Skyline Common Stock, but does not purport to be a complete analysis of all potential tax effects. The effects of other U.S. federal tax laws, such as estate and gift tax laws, and any applicable state, local, or foreign tax laws are not discussed. This discussion is based on the Code, U.S. Treasury Regulations promulgated thereunder, judicial decisions, and published rulings and administrative pronouncements of the IRS in effect as of the date of this document. These authorities may change or be subject to differing interpretations. Any such change may be applied retroactively in a manner that could adversely affect a holder of Skyline Common Stock.

This discussion is limited to holders who hold their Skyline Common Stock as a capital asset within the meaning of Section 1221 of the Code (generally, property held for investment). This discussion does not address all U.S. federal income tax consequences relevant to the particular circumstances of a Skyline common shareholder, including the impact of the Medicare contribution tax on net investment income. In addition, it does not address consequences relevant to holders of Skyline Common Stock that are subject to particular rules, including, without limitation: (i) persons subject to the alternative minimum tax; (ii) persons whose functional currency is not the U.S. dollar; (iii) persons holding Skyline Common Stock as part of a hedge, straddle, or other risk reduction strategy or as part of a conversion transaction or other integrated investment; (iv) banks, insurance companies, and other financial institutions; (v) real estate investment trusts or regulated investment companies; (vi) brokers, dealers, or traders in securities; (vii) partnerships or other entities or arrangements treated as partnerships for U.S. federal income tax purposes (and investors therein); (viii) tax-exempt organizations or governmental organization; (ix) persons deemed to sell Skyline Common Stock under the constructive sale provisions of the Code; (x) persons who hold or receive Skyline Common Stock pursuant to the exercise of any employee stock options or otherwise as compensation; and (xi) tax-qualified retirement plans.

Except where specified, this discussion is limited to holders of Skyline Common Stock that are U.S. Holders. For purposes of this discussion, a U.S. Holder is a beneficial owner of Skyline Common Stock that, for U.S. federal income tax purposes, is or is treated as: (i) an individual who is a citizen or resident of the United States; (ii) a corporation created or organized under the laws of the United States, any state thereof, or the District of Columbia; (iii) an estate, the income of which is subject to U.S. federal income tax regardless of its source; or (iv) a trust if either a court within the United States is able to exercise primary supervision over the administration of such trust and one or more United States persons (within the meaning of Section 7701(a)(30) of the Code) have the authority to control all substantial decisions of such trust, or the trust has a valid election in effect under applicable Treasury Regulations to be treated as a United States person for U.S. federal income tax purposes.

If an entity treated as a partnership for U.S. federal income tax purposes holds Skyline Common Stock, the tax treatment of a partner in the partnership will depend on the status of the partner, the activities of the partnership, and certain determinations made at the partner level. Accordingly, partnerships holding Skyline Common Stock and the partners in such partnerships should consult their tax advisors regarding the U.S. federal income tax consequences to them.

In addition, the following discussion does not address the tax consequences of the Pre-Closing Skyline Special Dividend under state, local, and foreign tax laws. Furthermore, the following discussion does not address any tax consequences of transactions effectuated before, after, or at the same time as the Pre-Closing Skyline Special Dividend, whether or not they are in connection with the Pre-Closing Skyline Special Dividend.

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**INVESTORS SHOULD CONSULT THEIR TAX ADVISORS WITH RESPECT TO THE APPLICATION OF THE U.S. FEDERAL INCOME TAX LAWS TO THEIR PARTICULAR SITUATIONS AS WELL AS ANY TAX CONSEQUENCES OF THE PRE-CLOSING SKYLINE SPECIAL DIVIDEND ARISING UNDER THE U.S. FEDERAL ESTATE OR GIFT TAX LAWS OR UNDER THE LAWS OF ANY STATE, LOCAL, OR NON-U.S. TAXING JURISDICTION OR UNDER ANY APPLICABLE INCOME TAX TREATY.**

The Pre-Closing Skyline Special Dividend will be characterized as a dividend for U.S. federal income tax purposes to the extent paid out of Skyline's current or accumulated earnings and profits, as determined for U.S. federal income tax purposes. Such dividends are taxed at ordinary income tax rates; provided, however, that for a non-corporate U.S. Holder, the amount of the Pre-Closing Skyline Special Dividend that is treated as a dividend for U.S. federal income tax purposes generally will be eligible under current law for a reduced rate of taxation if certain holding period and other requirements are satisfied. For a corporate U.S. Holder, the amount of the Pre-Closing Skyline Special Dividend that is treated as a dividend for U.S. federal income tax purposes will be eligible for the dividends-received deduction if such Holder meets certain holding period and other applicable requirements. Skyline does not expect that the Pre-Closing Skyline Special Dividend will exceed Skyline's current and accumulated earnings and profits.

To the extent that the Pre-Closing Skyline Special Dividend exceeds Skyline's current and accumulated earnings and profits, the excess will first reduce the U.S. Holder's basis in the Skyline Common Stock, but not below zero, and then will be treated as gain from the sale of the U.S. Holder's Common Stock.

Payment of the Pre-Closing Skyline Special Dividend may be subject to information reporting, and may be subject to backup withholding at the applicable rate (currently 24%) if the U.S. Holder of Skyline Common Stock fails to provide a valid taxpayer identification number and comply with certain certification procedures or otherwise establish an exemption. Backup withholding is not an additional tax. Rather, any amounts withheld may be credited against the U.S. Holder's U.S. federal income tax liability, and if backup withholding results in an overpayment of taxes, a refund may be obtained, provided that the required information is timely furnished to the Internal Revenue Service.

### **Federal Securities Law Consequences**

The Exchange Shares to be issued by Skyline to Champion Holdings pursuant to the Exchange and the Contributed Shares of the Champion Companies to be contributed to Skyline will not be registered under the Securities Act. In this regard, the Exchange Shares will be issued by Skyline to Champion Holdings in a private placement, in reliance on the exemption from registration set forth in Section 4(a)(2) of the Securities Act. Accordingly, these shares will be restricted securities under the Securities Act. Champion Holdings may not sell the Exchange Shares acquired under the Exchange Agreement, except pursuant to: (i) an effective registration statement under the Securities Act covering the resale of those shares; (ii) Rule 144 under the Securities Act, which requires a specified holding period and limits the manner and volume of sales; or (iii) any other applicable exemption under the Securities Act.

In connection with the Exchange Agreement, Skyline, Champion Holdings, the Sponsors, and Arthur J. Decio will enter into the Registration Rights Agreement pursuant to which, after the consummation of the Exchange, Champion Holdings and the Sponsors will have, among other things, customary demand and piggyback registration rights with respect to the Exchange Shares. Under the Registration Rights Agreement, Mr. Decio also will have piggyback registration rights with respect to the shares he holds in the combined company after the closing. For more information, see the section entitled *Ancillary Agreements to Be Entered into in Connection With the Exchange Registration Rights Agreement*, beginning on page 116.

### **No Dissenters or Appraisal Rights**

Skyline's shareholders do not have dissenters' rights of appraisal under Indiana law in connection with the Exchange.



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## THE EXCHANGE AGREEMENT

*This section of the proxy statement describes the material provisions of the Exchange Agreement but does not purport to describe all of the terms of the Exchange Agreement. The following summary is qualified in its entirety by reference to the complete text of the Exchange Agreement, a copy of which is attached as Appendix A to this proxy statement and is incorporated into this proxy statement by reference. We urge you to read the full text of the Exchange Agreement because it is the legal document that governs the Exchange.*

*Additionally, the representations, warranties, and covenants described in this section and contained in the Exchange Agreement have been made only for the purpose of the Exchange Agreement and, as such, are intended solely for the benefit of Skyline and Champion Holdings. In many cases, these representations, warranties, and covenants are subject to limitations agreed upon by the parties and are qualified by certain disclosures exchanged by the parties in connection with the execution of the Exchange Agreement. Furthermore, many of the representations and warranties in the Exchange Agreement are the result of a negotiated allocation of contractual risk among the parties and, taken in isolation, do not necessarily reflect facts about Skyline or Champion Holdings, their respective subsidiaries and affiliates, or any other party. Likewise, any references to materiality contained in the representations and warranties may not correspond to concepts of materiality applicable to investors or shareholders. Finally, information concerning the subject matter of the representations and warranties may have changed since the date of the Exchange Agreement or may change in the future and these changes may not be fully reflected in the public disclosures made by Skyline or Champion Holdings. As a result of the foregoing, you are strongly encouraged not to rely on the representations, warranties, and covenants contained in the Exchange Agreement, or any descriptions thereof, as accurate characterizations of the state of facts or condition of Skyline, Champion Holdings, or any other person, nor as forward-looking statements.*

### **Terms of the Exchange**

The Exchange Agreement provides that, subject to the terms and conditions of the Exchange Agreement, at the completion of the Exchange, Champion Holdings will contribute all of the issued and outstanding shares of the Champion Companies in exchange for the issuance to Champion Holdings (or its members) of Skyline Common Stock. Upon completion of the Exchange, the Champion Companies will be wholly owned subsidiaries of Skyline. The Exchange is intended to constitute a tax-free transfer within the meaning of Section 351 of the Code.

### **Completion of the Exchange**

The completion of the Exchange will take place as soon as possible after the satisfaction or waiver of the conditions to the completion of the Exchange, other than the conditions which by their terms can be satisfied only as of the completion of the Exchange or on such other day as Skyline or Champion Holdings may mutually agree. For a more complete discussion of the conditions to the completion of the Exchange, see the section entitled *Conditions to the Completion of the Exchange* beginning on page 111.

### **Directors and Officers**

In connection with the Exchange, all of the directors of Skyline, other than the two designees selected by the current Skyline board to serve on the board of directors of the combined company after the closing, will resign following the completion of the Exchange. Following the completion of the Exchange, the directors of Skyline will consist of the two designees selected by the Skyline board prior to the completion of the Exchange, who are John C. Firth and Richard W. Florea, and nine designees selected by Champion Holdings, who are Keith Anderson, Timothy Bernlohr, Michael Bevacqua, Michael Kaufman, Daniel R. Osness, Gary E. Robinette, Ian Samuels, David Smith, and Michael Treisman.



Certain members of the management of Champion Holdings immediately prior to the completion of the Exchange, along with any newly appointed members of management, will be responsible for the management of the combined company.

### **Amendments to the Restated Articles of Incorporation of Skyline**

The shareholders of record of Skyline Common Stock on the record date for the Special Meeting will be asked to approve and adopt the amendments to the Restated Articles of Incorporation of Skyline to (i) change the name of Skyline to Skyline Champion Corporation, (ii) increase the number of authorized shares of Common Stock of Skyline from 15,000,000 to 115,000,000 shares, and (iii) provide that the number of directors of Skyline shall be as specified in Skyline's Amended and Restated By-Laws.

### **Representations and Warranties**

The Exchange Agreement contains customary representations and warranties made by Champion Holdings and/or its subsidiaries to Skyline as of the date of the Exchange Agreement and as of the closing date of the Exchange, and generally reciprocal representations and warranties made by Skyline to Champion Holdings. Specifically, the representations and warranties of each of Skyline and Champion Holdings and/or its subsidiaries in the Exchange Agreement (many of which are qualified by concepts of knowledge, materiality and/or dollar thresholds and are further modified and limited by confidential disclosure schedules exchanged by Skyline and Champion Holdings as may or may not be specifically indicated in the text of the Exchange Agreement) relate to the following subject areas, among other things:

organization, good standing and qualification to do business;

no violation of the constitutive documents of the applicable company;

corporate power and authority to enter into the Exchange Agreement and to complete the transactions contemplated by the Exchange Agreement;

valid authorization to enter into and execution of the Exchange Agreement;

the required consents and approvals of governmental entities and third parties in connection with the transactions contemplated by the Exchange Agreement;

capitalization, including valid authorization and issuance of outstanding capital stock;

the capitalization of each of Skyline's and Champion Holdings' subsidiaries;

financial statements;

the absence of undisclosed liabilities;

the conduct of each party's business, and the absence of certain changes or events since a specified date;

tax matters;

intellectual property matters;

compliance with legal requirements;

litigation, investigations, proceedings and the absence of orders or judgments;

matters relating to its employee benefit plans;

title to property;

environmental matters;

employment and labor matters;

matters relating to material contracts, including the absence of certain defaults under or breaches or violations of material contracts and that the contracts identified as material contracts are valid, binding and enforceable obligations;

books and records of the subject company;

insurance policies and claims against such policies;

customers and suppliers;

product liability and warranty claims;

transactions with affiliates and other interested parties;

regulatory matters; and

the absence of undisclosed brokers' fees.

The Exchange Agreement contains additional representations and warranties of Skyline regarding, among other things, the inapplicability of anti-takeover statutes to the Exchange and the other transactions contemplated by the Exchange Agreement; the approval of the Exchange Agreement and the Exchange by the Board; Skyline's SEC filings and internal controls over financial reporting; compliance with the listing requirements of the NYSE American; the due authorization and valid issuance with respect to the Exchange Shares to be issued to Champion Holdings (or its members) (other than as may be imposed pursuant to rules 144 or 145 under the Securities Act), and Jefferies' opinion to the Board in respect of the Exchange.

### **Material Adverse Effect**

Several of the representations, warranties, covenants and completion conditions contained in the Exchange Agreement refer to the concept of *Skyline Material Adverse Effect* or *Champion Holdings Material Adverse Effect*.

#### ***Skyline Material Adverse Effect***

For purposes of the Exchange Agreement, a *Skyline Material Adverse Effect* means any event, development, circumstance, change, effect or occurrence that, considered together with all other events, developments, circumstances, changes, effects and/or occurrence, has, or is reasonably expected to have, a material adverse effect on (i) the ability of Skyline to consummate the Exchange or to perform its covenants or obligations under the Exchange Agreement or (ii) the business, financial condition, operations or results of operations of the Skyline and its

subsidiaries, which we refer to as the *Skyline Companies*, taken as a whole; provided, however, that in no event shall any of the following, alone or in combination, be deemed to constitute, nor shall any of the following be taken into account in determining whether there has occurred, a Skyline Material Adverse Effect in respect of this clause (ii): any event, development, circumstance, change, effect or occurrence resulting from:

conditions generally affecting the industries in which the Skyline Companies participate or the United States or global economy or capital markets as a whole, to the extent that such conditions do not have a disproportionate impact on the Skyline Companies, taken as a whole, relative to other companies in the industry in which the Skyline Companies operate;

any failure by Skyline to meet any estimates or expectations of its internal projections or forecasts or revenue or earnings predictions for any period ending (or for which revenues or earnings are released) on or after the date of the Exchange Agreement (however, any event, development, circumstance, change, effect or occurrence causing or contributing to such failures to meet projections or predictions may constitute a Skyline Material Adverse Effect and may be taken into account in determining whether a Skyline Material Adverse Effect has occurred);

changes in the trading price or trading volume of Skyline Common Stock (however, any event, development, circumstance, change, effect or occurrence causing or contributing to such changes in the trading price or trading volume of Skyline Common Stock may constitute a Skyline Material Adverse Effect and may be taken into account in determining whether a Skyline Material Adverse Effect has occurred);

the execution, delivery, announcement or performance of the obligations under the Exchange Agreement or the announcement, pendency or anticipated consummation of the Exchange;

any natural disaster or any acts of terrorism, sabotage, military action, or war or any escalation or worsening thereof;

any changes (after the date of the Exchange Agreement) in U.S. GAAP or applicable legal requirements to the extent that such conditions do not have a disproportionate impact on the Skyline Companies, taken as a whole, relative to other companies in the industry in which the Skyline Companies operate; or

general conditions in financial markets, and any changes therein (including any changes arising out of acts of terrorism, war, weather conditions or other force majeure event), to the extent that such conditions do not have a disproportionate impact on the Skyline Companies, taken as a whole, relative to other companies in the industry in which the Skyline Companies operate.

***Champion Holdings Material Adverse Effect***

For purposes of the Exchange Agreement, a ***Champion Holdings Material Adverse Effect*** means any event, development, circumstance, change, effect or occurrence that, considered together with all other events, developments, circumstances, changes, effects and/or occurrences, has, or is reasonably expected to have, a material adverse effect on (i) the ability of Champion Holdings to consummate the Exchange or (ii) to perform its covenants or obligations under the Exchange Agreement or the business, financial condition, operations or results of operations of the Champion Companies taken as a whole; provided, however, that, in no event shall any of the following, alone or in combination, be deemed to constitute, nor shall any of the following be taken into account in determining whether there has occurred a Champion Holdings Material Adverse Effect in respect of this clause (ii): any event, development, circumstance, change, effect or occurrence resulting from:

conditions generally affecting the industries in which the Champion Companies participate or the United States or global economy or capital markets as a whole, to the extent that such conditions do not have a disproportionate impact on the Champion Companies, taken as a whole, relative to other companies in the industry in which the Champion Companies operate;

any failure by a Champion Company to meet any estimates or expectations of its internal projections or forecasts or earnings predictions for any period ending (or for which revenues or earnings are released) on or after the date of the Exchange Agreement (however, any event, development, circumstance, change, effect or occurrence causing or contributing to such failures to meet projections or predictions may constitute a Champion Holdings Material Adverse Effect and may be taken into account in determining whether a Champion Holdings Material Adverse Effect has occurred);

the execution, delivery, announcement or performance of the obligations under the Exchange Agreement or the announcement, pendency or anticipated consummation of the Exchange;

any natural disaster or any acts of terrorism, sabotage, military action or war or any escalation or worsening thereof;

any changes (after the date of the Exchange Agreement) in U.S. GAAP or applicable legal requirements to the extent that such conditions do not have a disproportionate impact on the Champion Companies, taken as a whole, relative to other companies in the industry in which the Champion Companies operate; or

general conditions in financial markets, and any changes therein (including any changes arising out of acts of terrorism, war, weather conditions or other force majeure event), to the extent that such conditions do not have a disproportionate impact on the Champion Companies, taken as a whole, relative to other companies in the industry in which the Champion Companies operate.

### **Certain Covenants of the Parties**

#### *Affirmative Covenants*

Each of Skyline and Champion Holdings has undertaken certain covenants in the Exchange Agreement relating to the conduct of its business between the date of the Exchange Agreement and the earlier of the completion of the Exchange or the termination of the Exchange Agreement. In general, except as contemplated or required by the Exchange Agreement, including in the confidential disclosures that accompany the Exchange Agreement, each of Skyline and Champion Holdings has agreed to, and Skyline has agreed to cause its subsidiaries to, and Champion Holdings has agreed to cause the Champion Companies to:

conduct its operations according to its ordinary course of business;

use its reasonable best efforts to preserve intact its business, to keep available the services of its officers and employees and to maintain existing relationships with licensors, licensees, suppliers, distributors, consultants, customers and others having material business relationships with it, except in each case, to the extent that the termination of any such services or relationships is in the ordinary course of business;

not take any action with respect to its accounting books and records that are not consistent with past practice;

not take any action that would reasonably be expected to adversely affect its ability to consummate the Exchange or the other transactions contemplated by the Exchange Agreement;

provide the other party and its representatives, reasonable access to all its properties, books, contracts, commitments and records and furnish promptly all information concerning its business, properties and personnel as the other party may reasonably request, and make available the appropriate individuals for



discussion of its business, properties and personnel as the other party may reasonably request;

in the case of Skyline, prepare and file this proxy statement with the SEC. Each party shall promptly notify the other party of receipt of all comments from the SEC with respect to this proxy statement and any request by the SEC for any amendment or supplement hereto or for additional information and shall promptly provide the other party with copies of all correspondence between such party and/or any of its representatives and the SEC with respect to this proxy statement;

use commercially reasonable efforts to promptly give all notices to, and obtain all consents from, certain third parties;

cooperate on all tactics and strategies, with regard to obtaining consents, authorizations, expiration or termination of applicable waiting periods, orders and approvals from all governmental bodies that may be or become necessary for its execution and delivery of the Exchange Agreement;

cooperate fully with the other party and its affiliates in promptly seeking to obtain all such consents, authorizations, expiration or termination of applicable waiting periods, orders and approvals from all governmental entities in connection with the transactions contemplated by the Exchange Agreement and the distribution of Exchange Shares to the members of Champion Holdings;

cooperate fully with the other party and execute and deliver such further documents, certificates, agreements and instruments and to take such other actions as may be reasonably requested by the other party or necessary or advisable under the Exchange Agreement and applicable legal requirements to consummate the Exchange and the transactions contemplated by the Exchange Agreement and to evidence or reflect the transactions contemplated by the Exchange Agreement and to carry out the intent and purposes of the Exchange Agreement;

before issuing any press release or otherwise making any public statements with respect to the Exchange or the Exchange Agreement, consult with each other, and provide each other the opportunity to review and comment upon such statement;

provide the other party with prompt notice of certain events, including:

the occurrence or non-occurrence of any event which would be likely to cause any representation or warranty contained in the Exchange Agreement to be untrue or inaccurate;

any failure to materially comply with or satisfy any covenant, condition or agreement to be complied with or satisfied under the Exchange Agreement;

any notice or other communication from any person alleging that the consent of such person is or may be required in connection with the Exchange or other transactions contemplated by the Exchange Agreement;

any notice or other communication from any governmental body in connection with the Exchange or other transactions contemplated by the Exchange Agreement;

any litigation relating to or involving or otherwise affecting Skyline or Champion Holdings that relates to the Exchange or other transactions contemplated by the Exchange Agreement;

the occurrence of a default or event that, with notice or lapse of time or both, will become a default under a material contract; and

any change that would be considered reasonably likely to result in a Skyline Material Adverse Effect or a Champion Holdings Material Adverse Effect;

in the case of Skyline, use its reasonable best efforts to cause the Exchange Shares to be approved, at or prior to the completion of the Exchange, for listing (subject only to notice of issuance) on the NYSE American at and after the completion of the Exchange, including paying any required fees and submitting any listing application and listing agreement, if any, required by the NYSE American at least sixty days prior to the completion of the Exchange (see *Stock Market Listing* on page 90 regarding anticipated listing on the NYSE);

agree to cooperate in all reasonable respects to structure the Exchange in a manner that qualifies with Section 351 of the Code;

in the case of Skyline, cooperate with Champion Holdings and the Champion Companies in connection with Champion's existing debt financing arrangements or the arrangement, syndication and consummation of any new third party debt financing;

take all reasonable action necessary to ensure that no takeover statute is or becomes applicable to the Exchange Agreement or the transactions contemplated thereby; and if any takeover statute becomes applicable to the Exchange Agreement or the transactions contemplated thereby, take all reasonable action necessary to ensure that the transactions contemplated by the Exchange Agreement, may be consummated as promptly as practicable on the terms contemplated by the Exchange Agreement and otherwise to minimize the effect of such takeover statute on the Exchange Agreement or the transactions contemplated thereby;

in the case of Skyline, give Champion Holdings the opportunity to participate in, and if Champion Holdings so elects, shall reasonably cooperate with respect to, the defense or settlement of any shareholder litigation against Skyline or its directors or executive officers relating to the Exchange, the Exchange Agreement or any transaction contemplated by the Exchange Agreement, whether commenced prior to or after the execution and delivery of the Exchange Agreement; and

in the case of Skyline, immediately prior to the completion of the Exchange, and subject to obtaining the requisite shareholder approval of the Charter Amendment Proposals, file the Amended and Restated Articles of Incorporation with the Secretary of State of Indiana to effect the Charter Amendment Proposals.

***Skyline Special Dividend***

In addition, if Skyline has Net Cash available for distribution to its shareholders prior to the Exchange and elects to declare a dividend, Skyline has agreed to prepare in good faith and deliver to Champion Holdings a written statement setting forth, in each case, an estimate as of the close of business on the day immediately prior to the date that Skyline is to deliver to the NYSE American notice of its intent to declare a special cash dividend to its shareholders, which we refer to as the ***Listing Notice Date***, of its Net Cash, Cash, Transaction Expenses and Indebtedness, each as defined below, together with all documentation supporting such calculations. Skyline and Champion Holdings will seek in good faith to resolve any disagreements on such statement and Champion Holdings and its representatives shall have reasonable access to Skyline's books and records relevant to calculation of the amounts set forth on the statement. At least one business day prior to the Listing Notice Date, Skyline may declare a cash dividend to the Skyline shareholders in an aggregate amount up to the Net Cash to be paid at least one business day prior to the completion of the Exchange. However, Skyline may not declare a dividend if as a result thereof, the Skyline Companies will not have a positive Cash balance after giving effect thereto. If the actual Net Cash as of the close of business on the day immediately prior to the Listing Notice Date differs from the estimated Net Cash set forth in the statement by more than \$500,000, Skyline will deliver to Champion Holdings a revised statement, setting forth its actual Net Cash, Cash, Transaction Expenses and Indebtedness, in each case, as of the close of business on the day immediately prior to the Listing Notice Date, together with documentation supporting such calculations and Champion Holdings shall have an opportunity to review the calculation and the parties shall seek in good faith to resolve any disagreements in respect of such calculations prior to the payment of the special cash dividend.



For the purposes of the Exchange Agreement, *Net Cash* of Skyline means, as of the close of business on the day immediately prior to the Listing Notice Date for the Skyline Companies on a consolidated basis:

*Cash*, which is the aggregate amount for the Skyline Companies on a consolidated basis, equal to:

cash, bank deposits, cash equivalents (calculated in accordance with U.S. GAAP) (including wire and deposits in transit or checks for deposit received or deposited by a Skyline Company, in each case, but not yet credited to an account of a Skyline Company) and short term marketable investments of the Skyline Companies convertible into cash within 90 days (but excluding cash or the value of Skyline Common Stock received with respect to the exercise of any option to purchase Skyline Common Stock granted under the Skyline Corporation 2015 Stock Incentive Plan, which we refer to as *Skyline Options* ); less

any checks or drafts written by any Skyline Company but, as of the time of determination, not yet cleared; less

*Transaction Expenses*, which is, without duplication, the aggregate amount equal to:

all out-of-pocket fees, expenses, costs, charges, payments and expenditures incurred by any Skyline Company or for which any Skyline Company is liable in connection with the Exchange Agreement or the consummation of the transactions contemplated thereby, whether to be incurred or accrued on, after or prior to the completion of the Exchange, whether or not invoiced (including any fees, costs, expenses, payments and expenditures of legal counsel, accountants, brokers, financial advisors, investment bankers or similar persons), solely to the extent unpaid as of immediately prior to the completion of the Exchange and required to be paid or reimbursed by any Skyline Company on or after the completion of the Exchange;

the amount of severance, retention, any change in control, transaction expenses, incentive, success or other bonus payments or similar amounts incurred or accrued by any Skyline Company to current or former directors or employees of any Skyline Company upon the consummation of the transactions contemplated by the Exchange Agreement or that are otherwise made at the discretion of any Skyline Company or similar amounts payable and all other compensatory payments, in each case, payable by any Skyline Company as a result of the execution of the Exchange Agreement and/or in connection with the transactions contemplated by the Exchange Agreement (or in the case of severance payments that become payable to a current or former employee upon voluntary cessation of service, whether or not actually paid or payable at the time of completion of the Exchange), other than, in each case, any such payments payable as a result of any action (including a resulting termination or constructive termination) taken by any Skyline Company following the completion of the Exchange (other than bonuses or other compensation paid to employees in the ordinary course consistent with past practice);

the amount of any change in control fees, termination fees or similar payments that are required to be paid by any Skyline Company pursuant to the terms of any contract with customers, suppliers, lenders, vendors, landlords or any other party as a result of the consummation of the transactions contemplated by the Exchange Agreement;

other than amounts that would otherwise be included in Indebtedness, amounts paid in connection with the acceleration, termination or liquidation of all deferred compensation arrangements;

all amounts owing in respect of directors and officers liability insurance to cover the liability of directors and officers of Skyline for acts, errors, omissions, facts or events occurring on or before the completion of the Exchange; and

the employer portion of all taxes required to be withheld by any Skyline Company as a result of payments set forth in the 2<sup>nd</sup> and 4<sup>th</sup> bullets of the Transaction Expenses definition, and as a result of payments made or to be made under the Deferred Compensation Plan, as defined in the definition of Indebtedness below; less

*Indebtedness*, which is the aggregate amount equal to:

the aggregate positive amount (if any) equal to all of the Skyline Companies' outstanding obligations (including principal, accrued and unpaid interest, fees, expenses and other payment obligations, any prepayment penalties, premiums, costs, breakage or other amounts payable assuming discharge thereof at or prior to the completion of the Exchange) for indebtedness for borrowed money as of immediately prior to the date of the completion of the Exchange, including any indebtedness owed under Skyline's credit agreement with JPMorgan Chase Bank, N.A.; and

the aggregate positive amount (if any) of:

the amount equal to the sum of: the net present value of all payments that the Skyline Companies are obligated to make under the Deferred Compensation Plan, as set forth in the monthly financial statements of the Skyline as of and for the fiscal month ending immediately prior to the Listing Notice Date, which we refer to as the *Net Present Value*; plus the full gross value of all payments that the Skyline Companies are obligated to make under the Deferred Compensation Plan (determined as of the end of the fiscal month immediately prior to the Listing Notice Date), less the Net Present Value, multiplied by 0.5, of all payments that the Skyline Companies are obligated to make under (x) Skyline's 1989 Deferred Compensation Plan, as amended from time to time and (y) the death benefit owed by Skyline to Art Decio's estate pursuant to that certain written agreement by and between Skyline and Art Decio (the items in clauses (x) and (y), the Deferred Compensation Plan ) determined without regard to vesting or any other factor that could reduce such obligation; and

all obligations under the Skyline Companies' loans with respect to the Skyline Companies' life insurance policies (including principal, accrued and unpaid interest, fees, expenses and other payment obligations, any prepayment penalties, premiums, costs, breakage or other amounts payable assuming discharge thereof at or prior to the completion of the Exchange); less

the amount equal to the sum of:

the surrender value of the life insurance policy asset of any Skyline Company (including fees, expenses and other payment obligations, any prepayment penalties, premiums, costs, breakage or other amounts payable assuming surrender thereof at or prior to the completion of the Exchange); and



without duplication, in the event any such life insurance policy asset of a Skyline Company has matured prior to the completion of the Exchange, the amount receivable by Skyline (but not yet actually received prior to the completion of the Exchange) in respect of such policy.

***Champion Holdings Special Dividend***

If Champion Holdings has net cash available for distribution to its members prior to the Exchange (for purposes of the Exchange Agreement, the ***CHB Net Cash*** as defined below), and elects to declare a dividend, Champion Holdings has agreed to prepare in good faith and deliver to Skyline a written statement setting forth, in each case, an estimate as of the close of business on the day immediately prior to the date of Champion

Holdings payment of the special dividend to its members of the CHB Net Cash, CHB Cash, CHB Indebtedness, and CHB Transaction Expenses (each as defined below), together with all documentation supporting such calculation. Champion Holdings and Skyline will seek in good faith to resolve any disagreements on such statement, and Skyline and its representatives shall have reasonable access to Champion Holdings books and records relevant to the calculation of the amounts set forth in the statement. At least one business day prior to completion of the Exchange, Champion Holdings may declare and pay a cash dividend to the Champion Holdings members in an aggregate amount up to the CHB Net Cash. However, if the CHB Net Cash as of the close of business on the day immediately prior to the date of Champion Holdings payment of the special dividend differs from the estimated CHB Net Cash set forth in the statement by more than \$5,000,000, Champion Holdings will deliver to Skyline a revised statement, setting forth the actual CHB Net Cash, CHB Cash, CHB Indebtedness, and CHB Transaction Expenses, in each case, as of the close of business on the day immediately prior to the date of Champion Holdings payment of the special dividend, together with documentation supporting such calculations. Skyline will have the opportunity to review the calculation, and the parties will seek in good faith to resolve any disagreements in respect of such calculations prior to the payment of the special dividend. Champion Holdings will not pay the special dividend to its members if, as a result thereof, the Champion Companies and their subsidiaries (collectively, the **CHB Entities**) will not have a positive CHB Cash balance after giving effect thereto.

For the purposes of the Exchange Agreement, **CHB Net Cash** means, as of the close of business on the day immediately prior to the date of Champion Holdings payment of the special dividend to its members:

**CHB Cash**, which is the aggregate amount for the CHB Entities on a consolidated basis, equal to:

cash (including restricted cash of the CHB Entities pledged pursuant to CHB's credit agreement with Champion Holdings, the subsidiary guarantors party thereto, the various financial institutions and other persons from time to time party thereto and Wells Fargo Bank, N.A. or similar arrangements), bank deposits, cash equivalents (calculated in accordance with U.S. GAAP) (including wire deposits in transit or checks for deposit received or deposited by a CHB Entity, in each case, but not yet credited to an account of a CHB Entity) and short-term marketable investments of the CHB Entities convertible into cash within 90 days; less

any checks or drafts written by any CHB Entity but, as of the time of determination, not yet cleared; less

**CHB Indebtedness**, which is the aggregate positive amount (if any) equal to:

all of the CHB Entities outstanding obligations (including principal, accrued and unpaid interest, fees, expenses, and other payment obligations, any prepayment penalties, premiums, costs, breakage, or other amounts payable assuming discharge thereof at or prior to the completion of the Exchange) under:

- (i) CHB's loan agreement with The Industrial Development Authority of the County of Maricopa and Redman Homes, Inc., as assigned to CHB pursuant to the assignment and assumption agreement between The Industrial Development Authority of the County of

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Maricopa, Redman Homes, Inc., CHB, and the Bank of New York Mellon Trust Company, N.A., and (ii) Champion Enterprises, Inc. s credit agreement with the guarantors and banks set forth therein and PNC Bank National Association in connection with the Variable Rate Demand Industrial Development Revenue Bonds, Series 1999 (Champion Home Builders Co. Facility), as amended; and

CHB's credit agreement with Champion Holdings, the subsidiary guarantors party thereto, the various financial institutions and other persons from time to time party thereto and Wells Fargo Bank, N.A.; less

***CHB Transaction Expenses***, which is, without duplication, the aggregate amount equal to:

all out-of-pocket fees, expenses, costs, charges, payments, and expenditures incurred by a CHB Entity or for which a CHB Entity is liable in connection with the Exchange Agreement or the consummation of the transactions contemplated thereby, whether to be incurred or accrued on, after, or prior to the completion of the Exchange, whether or not invoiced (including any fees, costs, expenses, payments, and expenditures of legal counsel, accountants, brokers, financial advisors, investment bankers, or similar persons), solely to the extent unpaid as of immediately prior to the completion of the Exchange and required to be paid or reimbursed by any of the CHB Entities on or after the completion of the Exchange;

the amount of severance, retention, any change in control, transaction expenses, incentive, success, or other bonus payments or similar amounts incurred or accrued by a CHB Entity to current or former directors or employees of a CHB Entity upon the consummation of the transactions contemplated by the Exchange Agreement or that are otherwise made at the discretion of Champion Holdings or similar amounts payable and all other compensatory payments, in each case, payable by a CHB Entity as a result of the execution of the Exchange Agreement and/or in connection with the transactions contemplated by the Exchange Agreement (or in the case of severance payments that become payable to a current or former employee upon voluntary cessation of service, whether or not actually paid or payable at the time of completion of the Exchange), other than, in each case, any such payments payable as a result of any action (including a resulting termination or constructive termination) taken by Skyline or any subsidiary of Skyline or by Champion Holdings or a CHB Entity following the completion of the Exchange (other than bonuses or other compensation paid to employees in the ordinary course consistent with past practices);

the amount of any change in control fees, termination fees, or similar payments that are required to be paid by a CHB Entity pursuant to the terms of any contract with customers, suppliers, lenders, vendors, landlords, or any other party as a result of the consummation of the transactions contemplated by the Exchange Agreement other than, in each case, any such payments payable as a result of any action taken by Skyline or any subsidiary of Skyline or by Champion Holdings or a CHB Entity following the completion of the Exchange; and

the employer portion of all taxes required to be held by any CHB Entity as a result of payments set forth in the 2<sup>nd</sup> bullet-point of the CHB Transaction Expenses definition above; *provided, however, that*, expenses incurred by the CHB Entities in connection with any Champion Holdings and CHB Entities debt financing and any amendment to CHB's credit agreement with Champion Holdings, the subsidiary guarantors party thereto, the various financial institutions and other persons from time to time party thereto and Wells Fargo Bank, N.A. in connection therewith that will be in place after completion of the Exchange shall not be considered a CHB Transaction Expense.

*Negative Covenants*

Prior to the completion of the Exchange or the earlier termination of the Exchange Agreement, each of Skyline and Champion Holdings have agreed, with respect to itself and its subsidiaries, not to (unless consented

to in writing by the other party), among other things (subject to, in some cases, exceptions or qualifications specified in the Exchange Agreement or set forth in the confidential disclosure schedules exchanged by Skyline and Champion Holdings):

in the case of Skyline, take any actions with respect to the accounting books and records of the Skyline Companies that are not consistent with the Skyline Companies' past practice;

take any action which would reasonably be expected to adversely affect its ability to consummate the Exchange or the other transactions contemplated by the Exchange Agreement;

issue any press release or make any such public statement without the prior consent of the other party, except on the advice of outside legal counsel that it is required by legal requirements;

amend or otherwise change any of its organizational documents, or otherwise alter its corporate structure through merger, liquidation, reorganization or otherwise;

issue, sell, pledge, dispose of or encumber, or authorize the issuance, sale, pledge, disposition or encumbrance of, any shares of capital stock of any class, or any options, warrants, convertible securities or other rights of any kind to acquire any shares of capital stock, or any other ownership interest (including any phantom interests and profits interests), except, in the case of Skyline, pursuant to the exercise of any Skyline Options outstanding as of the date of the Exchange Agreement;

in the case of Skyline, redeem, repurchase or otherwise acquire, directly or indirectly, any Skyline Common Stock (including, for the avoidance of doubt, any Skyline Options and restricted Skyline Common Stock) (other than pursuant to a currently outstanding repurchase right in favor of Skyline with respect to invested shares, at no more than cost);

incur any indebtedness or guarantee any indebtedness for borrowed money or issue or sell any debt securities or guarantee any debt securities or other obligations of others;

sell, pledge, dispose of or create an encumbrance with respect to any assets, except for (i) sales of assets in the ordinary course of business and in a manner consistent with past practice, (ii) sales of assets not in the ordinary course of business and not exceeding \$500,000, in the case of Skyline, and \$1,000,000, in the case of Champion Holdings, individually or in the aggregate, and (iii) dispositions of worthless assets. However, in the case of Skyline, in no event shall any Skyline Company sell, pledge, dispose of or create an encumbrance with respect to any asset or assets that are material to the operation of the business of the Skyline Companies, taken as a whole (including any of the Skyline Companies' plant assets);

in the case of Skyline, except as otherwise permitted by the Exchange Agreement, accelerate, amend or change the period (or permit any acceleration, amendment or change) of exercisability of options or

warrants or authorize cash payments in exchange for any options;

in the case of Skyline, except as otherwise permitted by the Exchange Agreement, accelerate the vesting of or amend any Skyline Common Stock granted under the Skyline Corporation 2015 Stock Incentive Plan that is subject to a risk of forfeiture or restrictions on transfer, or both a risk of forfeiture and restrictions on transfer;

(i) except as otherwise permitted by the Exchange Agreement, declare, set aside, make or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of any of its capital stock, except that a wholly owned subsidiary may declare and pay a dividend to its parent, (ii) split, combine or reclassify any of its capital stock or issue or authorize or

propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock, or (iii) amend the terms of, repurchase, redeem or otherwise acquire, or permit any subsidiary to repurchase, redeem or otherwise acquire, any of its securities or any securities of its subsidiaries, or propose to do any of the foregoing;

sell, assign, transfer, license, sublicense or otherwise dispose of any intellectual property rights (other than non-exclusive licenses in the ordinary course of business consistent with past practice);

acquire or agree to acquire (by merger, consolidation, or acquisition of stock or assets in or a portion of) any corporation, partnership, joint venture, association or other business organization or division thereof or any securities, rights, properties or assets thereof that are, individually or in the aggregate, in excess of \$1,000,000, in the case of Skyline, and \$5,000,000, in the case of Champion Holdings, or enter into any joint venture or similar arrangement;

dispose or agree to dispose (by merger, consolidation, or acquisition of stock or assets in or a portion of) of any corporation, partnership, joint venture, association or other business organization or division thereof or any securities, rights, properties or assets thereof;

enter into or amend any material terms of any material contract or any contract that would be a material contract if in existence on the date of the Exchange Agreement, grant any release or relinquishment of any material rights under any material contract, terminate any material contract, or assign or sublet any lease;

in the case of Skyline, forgive any loans to any person, including its employees, officers, directors or affiliates;

in the case of Skyline, enter into any contract or agreement with any affiliate;

enter into any new line of business, and in the case of Skyline, modify any existing lines of business;

take any action, other than as required by applicable legal requirements or U.S. GAAP, to change accounting policies or procedures or write-down or write-up the value of any asset or write-off any accounts receivable or notes receivable or accelerate or delay the payment of accounts payable, accelerate or delay the collection of any notes or accounts receivable or fail to timely pay accounts payable and other business obligations or to collect accounts receivable, or otherwise deviate from historical practices in respect of recurring accrued liabilities, including, but not limited to, warranties, insurance, compensation, marketing accruals and customer deposits;

make or change any tax election, change any tax accounting period or method, settle or compromise any material federal, state, local or foreign tax liability, or take any other action with which could increase the tax liability of the Skyline Companies or Champion Companies, as applicable, after the completion of the Exchange or compromise any tax assets of the Skyline Companies or Champion Companies, as applicable;



pay, discharge, settle, compromise or satisfy any pending claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than (i) the payment, discharge or satisfaction in the ordinary course of business and consistent with past practice of liabilities reflected or reserved against in the financials, or incurred in the ordinary course of business and consistent with past practice or (ii) any payment, discharge, settlement, compromise or satisfaction of any claims, liabilities or obligations which payment, discharge, settlement, compromise or satisfaction does not provide for, and is not contingent upon, any order, injunction or other equitable relief or relief other than money damages, and with monetary damages not exceeding \$50,000, in the case of Skyline, and \$250,000, in the case of Champion Holdings;

authorize, solicit, propose or announce an intention to authorize, recommend or propose, or enter into any contract with respect to, any plan of liquidation or dissolution;

initiate any litigation, action, suit, proceeding, claim or arbitration or settle or agree to settle any action (except for any action arising out of or related to the Exchange Agreement or the Exchange);

in the case of Skyline, certain prohibited acts related to employee benefits, including:

increase the compensation or other benefits payable or to become payable to directors, executive officers, key employees or independent contractors of the Skyline Companies, except for increases in cash compensation in the ordinary course of business in amounts not exceeding 3% of each such person's annual cash compensation as of the date of the Exchange Agreement in connection with normal periodic performance reviews, except as required pursuant to an existing employee plan of Skyline in effect on the date of the Exchange Agreement or pursuant to legal requirements;

grant any severance or termination pay to, or enter into any severance agreement with any director, executive officer, employee or independent contractor of the Skyline Companies;

enter into any employment, severance, retention or change of control agreement with any employee or new hire of the Skyline Companies;

establish, adopt, enter into, amend or terminate any Skyline employee plan or other plan, trust, fund, policy, agreement or arrangement for the benefit of any current or former directors, officers, employees or independent contractors or any of their beneficiaries, except for amendments in the ordinary course of business consistent with past practice that do not in any manner materially increase the cost to the Skyline Companies;

take any action to fund or accelerate the payment of compensation or benefits under any Skyline employee plan;

adopt, enter into, establish, amend or terminate any collective bargaining agreement or other arrangement relating to union or organized employees;

terminate the employment of any executive officer of Skyline, other than for cause;

hire or promote any employee other than hires or promotions in the ordinary course of business consistent with past practice below the level of Vice President with a total annual compensation (base salary plus annual target bonus opportunity) below \$200,000; or

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take any action that could reasonably be expected to give rise to any liability or obligation of any Skyline Company under the Worker Adjustment and Retraining Notification Act, as amended, or any similar state or local statute;

fail to maintain in full force and effect insurance policies of Skyline or the Champion Companies, as applicable, and their respective properties, businesses, assets and operations in a form and amount consistent with past practice in all material respects or in the case of Skyline, surrender all or any portion of any of the Skyline Companies' life insurance policies;

in the case of Skyline, make or agree to make, or permit any of its subsidiaries to make or agree to make, capital expenditures totaling in the aggregate more than \$250,000 other than those capital expenditures contemplated by Skyline's operating budget as of the date of the Exchange Agreement; or

take, or agree in writing or otherwise to take, any of the actions described above.

## **No Solicitation**

The Exchange Agreement contains provisions requiring Skyline to cease all existing discussions or negotiations with any third parties in respect of any acquisition proposal, as defined in the Exchange Agreement, prohibiting Skyline from seeking an Acquisition Proposal, as defined below, and subject to specified exceptions described in the Exchange Agreement. Under these no-shop provisions, Skyline has agreed, subject to specified exceptions, that neither it nor its subsidiaries, if applicable, nor any of its officers, directors, employees, agents, or other representatives will, directly or indirectly:

solicit, initiate, cooperate with, knowingly encourage, induce, or facilitate any inquiries or the making, submission or announcement of an Acquisition Proposal or take any action that could reasonably be expected to lead to an Acquisition Proposal;

furnish any nonpublic information regarding any Skyline Company to any person in connection with or in response to an Acquisition Proposal or an inquiry or indication of interest that could reasonably be expected to lead to an Acquisition Proposal;

engage in discussions or negotiations with any person with respect to any Acquisition Proposal;

approve, endorse or recommend any Acquisition Proposal;

enter into any letter of intent, memorandum of understanding, acquisition agreement, merger agreement or similar document or any agreement providing for or otherwise relating to, or that is intended to or could reasonably be expected to lead to, any acquisition transaction (other than entry into certain confidentiality agreements, as described in the Exchange Agreement); or

grant any waiver, amendment or release under, or fail to use commercially reasonable efforts to enforce, any standstill or confidentiality agreement concerning an acquisition proposal.

In addition, Skyline has agreed to cease and cause its subsidiaries and representatives to cause to be terminated all existing discussions or negotiations with any third parties that may be ongoing with respect to an Acquisition Proposal.

## ***Permitted Actions***

Prior to obtaining the shareholder approval of the Skyline Exchange Proposals, the Board, directly or indirectly through any representative or agent of Skyline, may, in response to an unsolicited bona fide written Acquisition Proposal of a third party that was received after the date of the Exchange Agreement (and not withdrawn) that the Board concludes in good faith, after consultation with its outside legal counsel and its financial advisor, did not result from or arise in connection with a violation of the restrictions set forth above and constitutes or would reasonably be expected to result in a Superior Offer, as defined below, (A) participate in negotiations or discussions with such third party who has made (and not withdrawn) such Acquisition Proposal regarding such Acquisition Proposal and (B) furnish to such third party who has made (and not withdrawn) such Acquisition Proposal non-public information relating to the Skyline Companies pursuant to an acceptable confidentiality agreement, if the Board determines in

good faith after consultation with its outside legal counsel and financial advisors that the failure to take such action would cause the Board to be in breach of its fiduciary duties. We refer to the actions described in the previous sentence as the Permitted Actions. Skyline shall not take any of the above permitted action unless it has notified Champion Holdings in writing at least two business days prior to taking such action that it intends to take such action and the basis therefor.

In addition, Skyline will promptly (and in no event later than twenty-four (24) hours after receipt of any Acquisition Proposal, any inquiry or indication of interest that could reasonably be expected to lead to an Acquisition Proposal or any request for nonpublic information) advise Champion orally and in writing of any

Acquisition Proposal, inquiry or indication of interest that could reasonably be expected to lead to an Acquisition Proposal or any request for non-public information relating to any Skyline Company that is made or submitted by any person prior to the completion of the Exchange, including all documents relating thereto. Skyline will keep Champion informed of any and all discussions, negotiations or developments in respect of and the status and details of any such Acquisition Proposal, inquiry, indication of interest or request and all discussions, modifications, developments or proposed modification thereto, and provide Champion with copies of all correspondence and all drafts and other versions of all letters of intent, memorandums of understanding, acquisition agreements, merger agreements, joint venture agreements, partnership agreements, commitment letters or similar or related documents or agreements, in each case, on a current basis (and in any event, within twenty-four (24) hours).

An **Acquisition Proposal** means any offer, proposal, inquiry or indication of interest contemplating or otherwise relating to any transaction or series of transactions involving:

any merger, consolidation, amalgamation, share exchange, business combination, issuance of securities, acquisition of securities, tender offer, exchange offer or other similar transaction (i) in which a Skyline Company is a constituent corporation, (ii) in which a person or group (as defined in the Exchange Act and the rules promulgated thereunder) of persons directly or indirectly acquires beneficial or record ownership of securities representing more than fifteen percent of the outstanding securities of any class of voting securities of a Skyline Company, or (iii) in which a Skyline Company issues securities representing more than fifteen percent of the outstanding securities of any class of voting securities of any such entity (other than as contemplated under the Exchange Agreement);

any sale, lease, exchange, transfer, license, acquisition or disposition of any business or businesses or assets that constitute or account for fifteen percent or more of the consolidated net revenues, net income or assets of a Skyline Company; or

any liquidation or dissolution of any of a Skyline Company.

A **Superior Offer** means a bona fide unsolicited written Acquisition Proposal from any person (other than Champion Holdings or its affiliates) made after the date of the Exchange Agreement which did not result from a breach of the Exchange Agreement, substituting in the definition thereof fifty percent for fifteen percent in each place it appears, that (i) was not solicited in violation of the non-solicitation provisions of the Exchange Agreement, and (ii) the Board determines in good faith, after consultation with the Skyline's outside financial and legal advisors, (x) is reasonably likely to be consummated in accordance with its terms without undue delay, taking into account all financial, regulatory, legal and other aspects of the proposal, including to the extent debt financing is required, the likelihood of obtaining necessary financing, the identity of the Person making such Acquisition Proposal, and whether such proposal is fully financed by means of an executed customary debt commitment letter from one or more reputable U.S. financial institutions that has agreed to provide or cause to be provided the amounts set forth therein and terms and conditions of such Acquisition Proposal and the implications thereof on Skyline, including all relevant legal, regulatory, tax and financial aspects of such Acquisition Proposal, and the person making the proposal, and (y) if completed, would be more favorable to, and in the best interest of, Skyline from a financial point of view than the transactions contemplated by the Exchange Agreement taking in to account all the other terms and conditions of the Exchange Agreement (after giving effect to any adjustments to the terms and provisions of the Exchange Agreement agreed to in writing by Champion Holdings in response to such Acquisition Proposal).

#### **Champion Holdings Strategic Transactions**

The Exchange Agreement does not restrict Champion Holdings and its subsidiaries from negotiating, soliciting, discussing, or cooperating with any other person or taking similar actions regarding (i) an initial public offering of Champions Holdings or its subsidiaries securities, or (ii) a change in control transaction involving

Champion Holdings or its subsidiaries; *provided that*, Champion Holdings may not enter into or close such alternate transaction unless Skyline has received an unsolicited third-party acquisition proposal and Skyline has begun engaging in discussions with or has furnished confidential information to such third party, and Champion Holdings terminates the Exchange Agreement, in each case, as provided in the Exchange Agreement. If Champion Holdings terminates the Exchange Agreement under these circumstances, and the Skyline Board has not made an adverse change in its recommendation of the Exchange to its shareholders as provided in the Exchange Agreement, no termination fee is payable by Skyline to Champion Holdings.

### **Board Recommendations**

Under the Exchange Agreement, subject to the exceptions set forth below, the Board has agreed to recommend that Skyline shareholders vote in favor of the Skyline Exchange Proposals, which we refer to as the **Board Recommendation**. Subject to the exceptions described below, the Exchange Agreement provides that the Board (and each committee thereof) will not:

fail to include the recommendation of the Board that the Skyline shareholders vote in favor of the Skyline Exchange Proposals at the Special Meeting (or any adjournment or postponement thereof) in this proxy statement;

change, qualify, withhold, withdraw or modify, or authorize or publicly propose to change, qualify, withhold, withdraw or modify, in a manner adverse to Champion Holdings, the Board Recommendation;

adopt, approve or recommend to the Skyline shareholders, or resolve to or publicly propose or announce its intention to adopt, approve or recommend to the Skyline shareholders, an Acquisition Proposal;

fail to publicly reaffirm the Board Recommendation within two business days of the occurrence of a material event or development and after Champion Holdings so requests in writing (or if the Special Meeting is scheduled to be held within fifteen business days, then within one business day after Champion Holdings so requests); or

take or fail to take any formal action or make or fail to make any recommendation in connection with a tender or exchange offer, other than a recommendation against such offer or a stop, look and listen communication or similar communication by the Board, or a committee thereof, to the Skyline shareholders pursuant to Rule 14d-9(f) of the Exchange Act.

Each of the foregoing actions is referred to as a **Change in Recommendation**. In addition, the Board and each committee thereof shall not approve, adopt, recommend or authorize, or cause or permit any Skyline Company to enter into, any letter of intent, memorandum of understanding, agreement, commitment or agreement in principle with respect to any Acquisition Proposal.

The restrictions set forth above will not prohibit the Board, at any time prior to the Company Shareholder Approval, from making a Change in Recommendation if the Board concludes in good faith, after consultation with Skyline's outside legal counsel and financial advisors, that an unsolicited bona fide written Acquisition Proposal of a third party that was received after the date of the Exchange Agreement (and not withdrawn) that was not the result of a breach of the Exchange Agreement constitutes a Superior Offer and a failure to make a Change in Recommendation would be



inconsistent with the fiduciary duties of the Board under applicable legal requirements, and all of the following conditions are met:

Skyline has provided Champion Holdings with five business days prior written notice advising Champion Holdings that it intends to make a Change in Recommendation, which notice shall include certain required information, including all material terms and conditions of the Acquisition Proposal

that is the basis for the proposed action, including the identity of the person making the Acquisition Proposal and a copy of the most current version of the proposed definitive agreement for such Acquisition Proposal, and shall specify, in reasonable detail, the reasons for the Board's action;

During such five business day period, if requested by Champion Holdings, Skyline met and negotiated, and caused its representatives to negotiate, with Champion Holdings in good faith (to the extent Champion Holdings wished to negotiate) to enable Champion Holdings to propose revisions to the terms of the Exchange Agreement such that it would obviate the need for a Change in Recommendation;

Skyline considered in good faith any proposed modifications by Champion Holdings to amend the terms and conditions of the Exchange Agreement in a manner that would make Champion Holdings' modified proposal at least as favorable to Skyline as the Superior Offer; and

the Board concludes in good faith, after consultation with its outside legal counsel and financial advisors that any amendment or modification to the terms of such Superior Proposal makes it more favorable than the latest modified proposal of Champion Holdings; and

Skyline provides a new notice and Champion Holdings receives a new three day business period, as described above, with respect to any amendment or modification to the terms of such Superior Offer that makes it more favorable than the latest modified proposal by Champion Holdings.

If, however, the Board concluded in good faith, after consultation with Skyline's outside legal counsel and financial advisors that, Champion Holdings' modified is at least as favorable to Skyline as the Superior Offer (after taking account any amendment or modification to the terms of the Superior Offer), then the Board may not effect a Change in Recommendation and will instead recommend that the Skyline shareholders vote in favor of the modified proposal of Champion Holdings.

### **Special Meeting of Shareholders**

Skyline and the Board have agreed to take all action necessary to duly call, convene and hold a meeting of its shareholders for the purpose of obtaining the required shareholder approval of the Skyline Exchange Proposals, as promptly as practicable, including the mailing of this proxy statement to Skyline shareholders as promptly as reasonably practicable following clearance of the proxy statement by the SEC. Skyline's obligation to hold its shareholder meeting will not be affected by any Change in Recommendation (unless such Change in Recommendation leads to a termination of the Exchange Agreement).

### **Indemnification of Directors and Officers**

Upon the completion of the Exchange, the parties agreed that all rights to indemnification or advancement of expenses now existing in favor of, and all limitations on the personal liability of each present and former director or officer of Skyline or the Champion Companies and any of their respective subsidiaries and each present and former officer or member of the board of managers of Champion Holdings, or served as a director, officer or in any other fiduciary capacity of any other corporation, partnership, limited liability company, employee benefit plan or similar entity or organization at the request of Skyline or Champion Holdings, as the case may be, as provided for in their respective organizational documents, will continue to be honored and in full force and effect after the completion of the Exchange. Skyline will continue to indemnify and hold harmless each present and former director or officer of Skyline or any of its subsidiaries, with respect to acts or omissions occurring or alleged to have occurred before or at

the completion of the Exchange, to the fullest extent permitted under applicable law and in Skyline's organizational documents.

The Exchange Agreement also provides that Skyline will purchase or maintain a six-year tail policy under its existing directors and officers liability insurance policy, to cover the liability of directors and officers

of Skyline for acts, errors, omissions, facts or events occurring on or before the completion of the Exchange. Such policy must contain benefits and levels of coverage not less favorable as provided in Skyline's existing policies.

### **Governance Matters Upon Completion of the Exchange**

The board of directors of the combined company following the completion of the Exchange will be comprised of 11 members, nine of which will be directors designated by Champion Holdings and two of which will be directors designated by the current Board.

The Board will have adopted a resolution removing each officer of Skyline from their respective positions as officers of Skyline effective upon or prior to the completion of the Exchange. Certain members of the management of Champion Holdings immediately prior to the completion of the Exchange, along with any newly appointed members of management, will be responsible for the management of the combined company.

### **Conditions to the Completion of the Exchange**

The obligations of each of Skyline and Champion Holdings to complete the Exchange and the other transactions contemplated by the Exchange Agreement are subject to the satisfaction or waiver in writing of the following conditions:

No temporary restraining order, preliminary or permanent injunction or other order (whether temporary, preliminary or permanent) issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Exchange will be in effect; and there will not be any action taken, or any statute, rule, regulation or order enacted, entered, enforced or deemed applicable to the Exchange, which makes the consummation of the Exchange illegal;

The Skyline shareholders shall have approved the Skyline Exchange Proposals at the Special Meeting (or at any adjournment or postponement thereof);

No order enjoining the distribution of this proxy statement shall have been issued by the SEC or any securities administrator of any state or country and remain in effect, nor shall proceedings seeking an order enjoining the distribution of this proxy statement have been initiated or, to the knowledge of Skyline or Champion Holdings, as the case may be, be threatened by the SEC or any securities administrator of any state or country;

Any filings with or consents, authorizations and approvals of any governmental bodies required by applicable legal requirements shall have been made and obtained without the imposition of a burdensome divestiture condition, as such term is defined in the Exchange Agreement, and the applicable waiting period and any extensions thereof shall have expired or been terminated; and

The listing application filed with the NYSE American covering the Exchange Shares will have been conditionally approved by the NYSE American, and the Exchange Shares issuable to Champion Holdings shall have been conditionally approved for listing on NYSE American, subject to official notice of issuance (see *Stock Market Listing* on page 90 for a description of the anticipated listing on the NYSE).

The obligations of Champion Holdings to complete the Exchange and the other transactions contemplated by the Exchange Agreement are subject to the satisfaction or waiver in writing of the following conditions:

(i) The representations and warranties of Skyline contained in certain fundamental representations, as set forth in the Exchange Agreement, shall be true and correct in all respects as if made at completion of the Exchange (or, in the case of those representations and warranties that are made as of a particular date or period, as of such date or period), and (ii) the other representations and warranties of Skyline contained in the Exchange Agreement or in any certificate or other agreement delivered by Skyline pursuant to the Exchange Agreement shall be true and correct in all material respects

(disregarding all qualifications or limitations as to materiality) at and as of the date of the Exchange Agreement and as of the completion of the Exchange as if made at and as of the completion of the Exchange (or, in the case of those representations and warranties that are made as of a particular date or period, as of such date or period), except, in the case of clause (ii), where the failure of such representations and warranties to be true and correct (disregarding all qualifications or limitations as to materiality) has not had a Skyline Material Adverse Effect;

Skyline shall have performed or complied with in all material respects all agreements and covenants required by the Exchange Agreement to be performed or complied with by it on or prior to the completion of the Exchange;

Since the date of the Exchange Agreement, there shall have been no event, development, circumstance, change, effect or occurrence having a Skyline Material Adverse Effect;

Skyline shall have furnished to Champion Holdings a certificate executed by a duly authorized officer of Skyline to evidence compliance with the foregoing three conditions and Champion Holdings shall have received a duly authorized, certified and apostilled power of attorney on behalf of Skyline for it to be represented before the Dutch notary instructed to execute the notarial deed of share transfer with regard to the capital stock of CHB International B.V. at the completion of the Exchange;

Skyline shall have delivered to Champion Holdings executed counterparts to each of the ancillary agreements to which any Skyline Company or any affiliate thereof, is a party;

Champion Holdings shall have received a duly executed copy of a resignation letter from each of the resigning members of the Board, following the completion of the Exchange, and the Board will have adopted a resolution removing each departing officer of Skyline from their respective positions as officers of the Skyline effective upon or prior to the completion of the Exchange; and

The Champion Holdings director appointees shall have been appointed to the Board following the completion of the Exchange and the persons set forth on Schedule II of the Exchange Agreement will have been appointed officers of Skyline effective as of the completion of the Exchange.

The obligations of Skyline to complete the Exchange and the other transactions contemplated by the Exchange Agreement are subject to the satisfaction or waiver in writing of the following conditions:

(i) The representations and warranties of contained in certain fundamental representations, as set forth in the Exchange Agreement, shall be true and correct in all respects and (ii) the other representations and warranties of Champion Holdings contained in the Exchange Agreement or in any certificate or other agreement delivered by Champion Holdings pursuant to the Exchange Agreement shall be true and correct at and as of the date of the Exchange Agreement and as of the completion of the Exchange as if made at and as of the completion of the Exchange (or, in the case of those representations and warranties that are made as of a particular date or period, as of such date or period), except, in the case of clause (ii), where the failure of such representations and warranties to be true and correct (disregarding all qualifications or

limitations as to materially) has not had a Champion Holdings Material Adverse Effect;

Champion Holdings shall have performed or complied with in all material respects all agreements and covenants required by the Exchange Agreement to be performed or complied with by it on or prior to the completion of the Exchange;

Since the date of the Exchange Agreement, there shall have been no event, development, circumstance, change, effect or occurrence having a Champion Holdings Material Adverse Effect;

Champion Holdings shall have furnished to Skyline a certificate executed by a duly authorized officer of Champion Holdings to evidence compliance with the foregoing three conditions and Skyline shall have received a duly authorized, certified and apostilled power of attorney on behalf of Champion Holdings and a duly authorized power of attorney for CHB International B.V. to be represented before the Dutch notary instructed to execute the notarial deed of share transfer with regard to the capital stock of CHB International B.V. as well as a signed shareholders resolution signed on behalf of Champion Holdings as shareholder of CHB International B.V. authorizing the transfer of shares on the completion of the Exchange; and

Champion Holdings shall have delivered to Skyline executed counterparts to each of the ancillary agreements to which Champion Holdings or any affiliate thereof, is a party.

### **Termination of the Exchange Agreement**

The Exchange Agreement provides that, at any time prior to the completion of the Exchange, either before or after the approval of the Skyline Exchange Proposals has been obtained, the Exchange Agreement may be terminated:

by mutual written consent of Skyline and Champion Holdings;

by either Skyline or Champion Holdings if the Exchange has not been completed by July 31, 2018; provided that (i) in the event that this proxy statement is still being reviewed or commented on by the SEC on April 30, 2018 or (ii) in the event that the conditions related to filings and approvals of any governmental bodies required by applicable legal requirements is not satisfied by the July 31, 2018, upon the election of Champion Holdings at any time prior such date, Champion Holdings may provide written notice to Skyline that such date shall be extended for one 30 day period or one 60 day period. A party whose action or failure to act in breach of the Exchange Agreement has been the principal cause of or resulted in the failure of the Exchange to occur on or before such date may not terminate the Exchange Agreement for this reason;

by either Skyline or Champion Holdings if a court of competent jurisdiction or governmental, regulatory or administrative agency or commission will have issued a non-appealable final order, decree or ruling or taken any other action, in each case having the effect of permanently restraining, enjoining or otherwise prohibiting the Exchange;

by either Skyline or Champion Holdings if (i) the Special Meeting (including any adjournments and postponements thereof) shall have been held and completed and the Skyline shareholders shall have taken a final vote on the Skyline Exchange Proposals and (ii) the Skyline Exchange Proposals shall not have been approved by the requisite shareholder approval threshold. This reason shall not be available to a party where the failure to obtain the approval of the Skyline Exchange Proposals shall have been caused by the action or failure to act of such party and such action or failure to act constitutes a breach by such party of the Exchange Agreement;

subject to certain cure provisions, by Champion Holdings upon breach of any of the representations, warranties, covenants or agreements on the part of Skyline, or if any representation or warranty of Skyline



will have become inaccurate, in either case such that the conditions to the completion of the Exchange relating to the accuracy of the Skyline's representations and warranties would not be satisfied (see the section entitled *Conditions to the Completion of the Exchange* beginning on page 111). Champion Holdings may not terminate the Exchange Agreement for this reason if Champion Holdings is itself in breach or has failed to perform any of its representations, warranties, covenants or other agreements contained in the Exchange Agreement, which breach or failure to perform would give rise to the failure of the conditions to the completion of the Exchange relating to the accuracy of Skyline's representations and warranties;

subject to certain cure provisions, by Skyline upon breach of any of the representations, warranties, covenants or agreements on the part of Champion Holdings, or if any representation or warranty of Champion Holdings will have become inaccurate, in either case such that the conditions to the completion of the Exchange relating to the accuracy of the Champion Holdings representations and warranties would not be satisfied (see the section entitled *Conditions to the Completion of the Exchange* beginning on page 111). Skyline may not terminate the Exchange Agreement for this reason if Skyline is itself in breach or has failed to perform any of its representations, warranties, covenants or other agreements contained in the Exchange Agreement, which breach or failure to perform would give rise to the failure of the conditions to the completion of the Exchange relating to the accuracy of Champion Holdings representations and warranties;

subject to certain cure provisions, by Skyline, if there will have occurred any Champion Holdings Material Adverse Effect since the date of the Exchange Agreement;

subject to certain cure provisions, by Champion Holdings, if there will have occurred any Skyline Material Adverse Effect since the date of the Exchange Agreement;

by Champion Holdings, prior to obtaining the approval of the Skyline Exchange Proposals, if the Board has (i) effected any Change in Recommendation; (ii) failed to publicly reaffirm the Board Recommendation within three business days of Champion Holdings request; or (iii) failed to recommend against, or taken a neutral position with respect to, a tender or exchange offer related to any Acquisition Proposal in any position taken pursuant to Rules 14d-9 and 14e-2 under the Exchange Act; or

by Champion Holdings, prior to obtaining the approval of the Skyline Exchange Proposals, if Skyline has taken any Permitted Actions (see the section entitled *No Solicitation* beginning on page 107).

### **Termination Fees and Expenses**

Subject to the conditions described below, Skyline may become obligated to pay Champion Holdings a termination fee of up to \$10 million if the Exchange Agreement is terminated in certain circumstances described below.

The termination fee payable in certain circumstances depends on whether and when Skyline signs a previously disclosed alternative Acquisition Proposal within 12 months. Specifically, these alternative fee conditions will occur if (i) at the time of termination, an Acquisition Proposal had been made known to Skyline or an Acquisition Proposal had been made to the Skyline shareholders generally or any person shall have publicly announced an intention (whether or not conditional) to make an Acquisition Proposal after the date of the Exchange Agreement and before the Exchange Agreement is terminated, and (ii) within 12 months after the date of such termination, Skyline enters into a definitive agreement with respect to an Acquisition Transaction (as defined in the Exchange Agreement) or consummates an Acquisition Transaction, with all references in the definition of Acquisition Transaction to 15% being replaced with 50%, Skyline's obligation to pay the termination fee will be triggered (these conditions are referred to herein as the *Alternative Fee Conditions* ).

If Champion Holdings terminates the Exchange Agreement in connection with the Skyline Board effecting any change in recommendation to Skyline's shareholders regarding the Skyline Exchange Proposals (a *Change in Recommendation* ), failing to publicly reaffirm the board's recommendation within three

business days of Champion Holdings request, or failing to recommend against, or taking a neutral position with respect to, a tender or exchange offer related to any Acquisition Proposal in any position taken pursuant to Rules 14d-9 and 14e-2 under the Exchange Act, Skyline must pay Champion Holdings a termination fee of \$3 million upon such termination,

regardless whether the Alternative Fee Conditions occur. Nevertheless, if Champion Holdings terminates the Exchange Agreement in these circumstances and the \$3 million fee is payable, an incremental fee of \$7 million must also be paid if the Alternative Fee Conditions occur.

The full \$10 million termination fee will become payable only upon the occurrence of the Alternative Fee Conditions if the Exchange Agreement is terminated:

by either Skyline or Champion Holdings based on the failure to complete the Exchange on or before July 31, 2018, subject to any extension elected by Champion Holdings (see *Termination of the Exchange Agreement* beginning on page 113), unless either party fails to receive a required regulatory approval in connection with the Exchange and such failure is not due to a breach of the Exchange Agreement by Skyline;

By either Skyline or Champion Holdings based on the Skyline shareholders having taken a final vote on the Skyline Exchange Proposals and not approving the Skyline Exchange Proposals; or

by Champion Holdings in the event of a breach of the Exchange Agreement or representations or warranties by Skyline.

The termination fee payable due to the occurrence of the Alternative Fee Conditions must be paid not later than two business days after the date on which, as applicable, an Acquisition Transaction contemplated by an agreement is consummated or such agreement is terminated or an Acquisition Transaction is consummated.

Skyline must reimburse Champion Holdings up to \$2 million for expenses incurred in connection with the Exchange Agreement and the transactions contemplated by the Exchange Agreement if the Exchange Agreement is terminated by either Skyline or Champion Holdings based on the Skyline shareholders having taken a final vote on the Skyline Exchange Proposals and not approving the Skyline Exchange Proposals. If a termination fee is also payable, Skyline will receive a credit against the termination fee to the extent of such reimbursed expenses.

### **Amendments**

The Exchange Agreement may be amended only by the written agreement of Skyline and Champion Holdings at any time prior to the completion of the Exchange. However, following the approval of the Skyline Exchange Proposals, any amendment that pursuant to applicable law requires further shareholder approval may not be made without shareholder approval.

### **Governing Law**

The Exchange Agreement is governed by the laws of the State of Indiana.

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## ANCILLARY AGREEMENTS TO BE ENTERED INTO IN CONNECTION WITH THE EXCHANGE

In connection with the closing of the Exchange, Champion Holdings and certain other parties will enter into various ancillary agreements governing activities of the parties after closing.

### Registration Rights Agreement

Skyline, Champion Holdings, the Sponsors, Arthur J. Decio and certain other parties will enter into a registration rights agreement (the *Registration Rights Agreement*) providing, among other things, the Sponsors, with demand registration rights in respect of the shares of our Common Stock held by them. In addition, in the event that Skyline Champion Corporation after the closing registers additional shares of Common Stock for sale to the public, Skyline Champion Corporation is required to give notice of such registration to the Sponsors and the other shareholders party to the Registration Rights Agreement of the intention to effect such a registration, and, subject to certain limitations, the Sponsors and such holders have piggyback registration rights providing them with the right to require Skyline Champion Corporation to include shares of Common Stock held by them in such registration. Skyline Champion Corporation is required to bear the registration expenses, other than underwriting discounts and commissions and transfer taxes, associated with any registration of shares by the holders described above. The Registration Rights Agreement also includes customary indemnification provisions and does not provide for any liquidated damages, cash or other specific penalties under the registration rights agreement, including any that would result from delays in registering the combined company's common stock.

### Investor Rights Agreement

Skyline, Champion Holdings, and certain other parties will also enter into an investor rights agreement (the *Investor Rights Agreement*) providing for, among other things, certain agreements relating to the composition of the board of directors of Skyline Champion Corporation, and certain information rights regarding Skyline Champion Corporation in favor of the Sponsors. The Investor Rights Agreement will provide, among other things, that, as long as Skyline Champion Corporation is a controlled company (as defined under applicable stock exchange rules), two members of the initial post-closing board will consist of directors designated by Skyline pursuant to the Exchange Agreement and nine members of the post-closing board will consist of directors nominated by Champion Holdings. After the second anniversary of the Exchange, and following the completion of certain events, the board of directors will be reduced to nine members (up to six of whom may be nominated by the Sponsors). Each Sponsor may appoint a non-voting observer of the board of directors so long as such Sponsor holds at least five percent (5%) of all securities of Skyline Champion Corporation then outstanding. Furthermore, until the second anniversary of the closing of the Exchange, Arthur J. Decio shall be a non-voting observer of the board of directors. The Investor Rights Agreement also includes customary information and consultation rights as well as a provision granting each Sponsor and their affiliates the freedom to pursue corporate opportunities.

### Transition Services Agreement

Skyline and Champion Holdings will enter into a transition services agreement (the *TSA*) pursuant to which after the closing Skyline Champion Corporation will provide certain services to Champion Holdings until the earlier of the last date indicated for the termination of services provided for in the TSA, Champion Holdings' delivery of a written notice of termination, the eighth (8<sup>th</sup>) anniversary of the dissolution of Champion Holdings or the eighth (8<sup>th</sup>) anniversary of the closing of the Exchange. These services include accounting and financial reporting; tax reporting and preparation of returns; IT support; cash and capital management; investor relations; maintenance of corporate records and liquidation procedures.

## INFORMATION ABOUT SKYLINE'S BUSINESS

For a description of Skyline's business and properties, please refer to the sections entitled "Item 1. Business" and "Item 2. Properties" set forth in Skyline's Annual Report on Form 10-K for the year ended May 31, 2017, which is incorporated by reference herein. See *Where You Can Find More Information* beginning on page 176.

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**COMPARISON OF THE MATERIAL TERMS OF SKYLINE S CURRENT RESTATED ARTICLES OF INCORPORATION AND AMENDED AND RESTATED ARTICLES OF INCORPORATION**

The table below presents a comparison of the material terms of (i) Skyline s current Restated Articles of Incorporation, and (ii) the proposed Amended and Restated Articles of Incorporation which, if approved by Skyline s shareholders at the Special Meeting, would be filed with the Indiana Secretary of State and become effective immediately prior to the closing of the Exchange. Please see [Appendix B](#) to this proxy statement for the full text of the proposed Amended and Restated Articles of Incorporation of Skyline.

<b>Provision</b>	<b>Current Restated Articles of Incorporation</b>	<b>Proposed Amended and Restated Articles of Incorporation</b>
Name	Skyline Corporation	Skyline Champion Corporation
Authorized Shares	15,000,000 shares of common stock, par value \$0.0277 per share	115,000,000 shares of common stock, par value \$0.0277 per share
Determination of Size of Board of Directors	Skyline shall have the number of directors as specified in the By-Laws, but in no event shall such number be less than three nor more than ten. In the event the By-Laws do not state the number of directors, the number of directors shall be nine.	Skyline shall have the number of directors as specified in the By-Laws.

**INFORMATION ABOUT CHAMPION HOLDINGS BUSINESS**

**Overview**

Champion Holdings is a leading producer of manufactured and modular homes, as well as factory-built structures for commercial use, across the United States and Western Canada. We believe that Champion Holdings is the second largest factory-built housing company in North America based on revenue. Champion Holdings serves as a complete solutions provider across complementary businesses including factory-built housing, company-owned retail locations, and transportation logistics services for the factory-built housing industry. Champion Holdings offers manufactured homes that are built according to HUD Code, in addition to single-family and multi-family modular homes, and park models for resorts and campgrounds. Champion Holdings also offers factory-built units for commercial projects such as hotels, student, and workforce housing. Additionally, Champion Holdings operates a factory-direct retail business, Titan and Star Fleet which provides transportation services to the manufactured housing and recreational vehicles industries.

Champion Holdings operates 28, and owns or leases an additional seven, manufacturing facilities located in 16 states across the United States and three provinces in Western Canada. Champion Holdings modular homes and factory-built structures are built in sections within a controlled factory environment, then transported to the construction site and installed on foundations. Champion Holdings believes that its assembly-line process provides significant competitive advantages versus site-built housing due to an enhanced ability to control costs, ensure quality, and reduce time to complete construction. Champion Holdings products are distributed through a network of independent and company-owned retailers, planned community operators, government agencies, and commercial developers. Champion Holdings markets its products under a strong portfolio of twelve brands, including Redman Homes, Dutch Housing, Excel Homes, Silvercrest, Titan Homes, Moduline, and SRI Homes, that have reputations for quality and

affordability. Champion Holdings maintains its company-owned retail presence through Titan's 21 retail sales centers in Florida, Georgia, Louisiana, North Carolina, Oklahoma, Texas, and Virginia. Star Fleet's logistics business operates out of ten dispatch terminals in Colorado, Indiana, Oklahoma, and Pennsylvania.



For the last twelve months ended December 30, 2017, Champion Holdings generated net sales of \$1,043.8 million, net income of \$64.4 million, and Adjusted EBITDA of \$66.2 million. For the definition of Adjusted EBITDA, see *Management's Discussion and Analysis of Financial Condition and Results of Operations of Champion Holdings* on page 124 of this proxy statement.

The following map shows Champion Holdings' geographic footprint as of December 30, 2017.

## **Products and Services**

Champion Holdings designs, produces, markets, and transports a range of manufactured and modular homes, park models, and commercial solutions. Champion Holdings believes the broad scope of its product and service offering advantages it relative to other factory-built construction companies.

### ***Factory-Built Housing***

A majority of Champion Holdings' manufactured products are constructed in accordance with the HUD code. Champion Holdings produces a broad range of manufactured and modular homes under a variety of brand names and in a variety of floor plans and price ranges. While most of the homes Champion Holdings builds are single-family, multi-section, ranch-style homes, it also builds two-story, single-section, and Cape Cod style homes as well as multi-family units such as town homes, apartments, duplexes, and triplexes. The single-family homes that Champion Holdings manufactures generally range in size from 400 to 4,000 square feet and typically include two to four bedrooms, a living room and/or family room, a dining room, a kitchen and typically two full bathrooms. Champion Holdings also builds park models for resorts and campgrounds and commercial modular structures, including hotels, student and workforce housing.

Champion Holdings regularly introduces homes with new floor plans, exterior designs and elevations, decors and features. Champion Holdings' corporate marketing and engineering departments work with its manufacturing facilities to design homes that appeal to consumers' changing tastes at appropriate price points for

its markets. Champion Holdings designs and builds homes with a traditional residential or site-built appearance through the use of, among other features, dormers and higher pitched roofs. Champion Holdings also designs and builds energy efficient homes, and several of its U.S. manufacturing facilities are qualified to produce Energy Star<sup>®</sup> rated homes.

Champion Holdings constructs homes in indoor facilities using an assembly-line process employing approximately 100 to 200 production employees at each facility. Factory-built homes are constructed in one or more sections (also known as floors) on an affixed steel support frame that allows the sections to be moved through the assembly line and transported upon sale. The sections of many of the modular homes Champion Holdings produces are built on wooden floor systems and transported on carriers that are removed upon placement of the home at the home site. Each section or floor is assembled in stages, beginning with the construction of the frame and the floor, then adding the walls, ceiling and roof assembly, and other constructed and purchased components, and ending with a final quality control inspection. The efficiency of the assembly-line process, protection from the weather, and favorable pricing of materials resulting from Champion Holdings' substantial purchasing power enables it to produce homes more quickly and often at a lower cost than a conventional site-built home of similar quality.

### ***Retail***

Champion Holdings offers a wide selection of manufactured and modular homes as well as park models at company-owned retail locations across Texas and the Southeast marketed under the Titan brand. Champion Holdings maintains company-owned retail presence through 21 retail sales centers in Florida, Georgia, Louisiana, North Carolina, Oklahoma, Texas, and Virginia. Champion Holdings has benefited from the strategic expansion of its captive distribution to enhance the reach of its factory-built housing products directly to the homebuyer.

Each of Champion Holdings' full-service retail sales centers has a sales office and a variety of display model homes of various sizes, floor plans, features, and prices that are displayed in a residential setting with sidewalks and landscaping. Customers may purchase a home from an inventory of homes maintained at the location, including a model home, or may order a home that will be built at a manufacturing facility. The collective benefits of Champion Holdings' retail organization provide industry leadership with the expertise to be proactive to local economic conditions and ultimately providing affordable homes to value-conscious homebuyers.

### ***Logistics***

Champion Holdings operates a logistics business, Star Fleet, specializing in the transportation of manufactured homes and recreational vehicles from manufacturing facilities to retailers. Star Fleet's delivery logistics are coordinated through ten dispatch terminals located in Colorado, Indiana, Oklahoma, and Pennsylvania. Star Fleet has strong relationships with its customer base, which consists of some of the largest manufactured housing companies (including Champion Holdings' own factory-built housing products) and related product manufacturers in the United States.

## **Champion Holdings' Competitive Strengths**

### ***Leading Market Positions Across Geographies***

Champion Holdings believes that it is the second largest factory-built housing company in North America, based on revenue. Champion Holdings maintains a top-3 market position in nearly every major region in the United States due to the strong reputation of its brands, its broad manufacturing footprint, and its complementary retail and logistics businesses. Champion Holdings believes that it is the largest factory-built homebuilder in Western Canada based on volume of units sold, and offer a full product suite in that market.



### ***Diversified, Vertically Integrated Business***

Champion Holdings is an integrated provider with three vertically integrated, complementary business lines. Champion Holdings' factory-built housing business, its largest business line, maintains a national footprint to service local customer preferences and to diversify against regional fluctuations in demand. Titan serves as a retail outlet in geographies with a smaller network of independent retailers and an avenue for Champion Holdings to expand its factory-built housing business into new markets. Star Fleet provides the manufacturing business fast access to affordable transportation, improving service levels for Champion Holdings' relationships.

### ***Strategic North American Manufacturing Footprint***

Champion Holdings currently operates 28, and owns or leases an additional seven, manufacturing facilities located in 16 states and three provinces across the United States and Western Canada. Champion Holdings tailors the manufacturing capacity at each plant to the needs of the surrounding geography but also retains the ability to meet demand for customized products. Champion Holdings has a proven ability to distribute orders efficiently across its manufacturing footprint based on market demand, workforce availability, and its surrounding distribution capabilities. Champion Holdings has standardized its manufacturing processes and employs metrics-driven accountability at its facilities. Champion Holdings believes its plant network is equipped to handle additional capacity as the factory-built housing market accelerates.

### ***Initiatives to Grow Earnings***

Champion Holdings started as a single location in rural Michigan and has grown to become what Champion Holdings believes is the second largest factory-built housing company in North America. In recent years Champion Holdings has achieved improved margins through selective, company-wide efforts focused on standardizing and simplifying its operations. Champion Holdings expects to continue these efforts and that sales growth will be supported by a combination of both organic growth and acquisitions. Champion Holdings believes that demand for manufactured housing is increasing and intends to capitalize on this trend by leveraging its underutilized capacity within its manufacturing plant footprint, a pipeline of operational initiatives, product expansion and manufacturing and retail sales center acquisition opportunities.

### ***Effective Management Team***

Champion Holdings' management team has significant industry and operational experience. Champion Holdings appointed a new management team led by Keith Anderson in 2015. Mr. Anderson brought with him extensive knowledge of manufactured housing finance, having served as Executive Vice President of Walter Investment and President and CEO of Green Tree Servicing. Since beginning to work together in 2015, the Champion Holdings management team has dramatically grown net sales and increased profitability. Key strategies for improvement include close evaluation of pricing and costs, the replacement of selected custom product offerings with standardized offerings, and the expansion of Champion Holdings' presence through acquisitions and de novo plants, among other tactics.

### **Champion Holdings' Strategy**

Champion Holdings intends to profitably grow its sales and improve its operating margins by employing the following strategic initiatives.

### ***Utilize Champion Holdings' Strong Manufacturing Base to Capitalize on Favorable U.S. and Canadian Demand Drivers***

There are a number of favorable demographic trends and demand drivers in the United States and Western Canada that Champion Holdings expects to benefit from in the near future. Champion Holdings expects

strong growth trends in key homebuyer groups, such as the population over 65 years of age, the population of first-time home buyers and the population of households earning less than \$50,000 per year, to support sustained growth in its business. Champion Holdings anticipates continued manufactured and modular construction market recovery, driven by these demographics trends, construction labor shortages in specific markets (which tends to adversely impact supply and cost of site-built homes) and increased affordability of factory-built homes as compared to site-built homes. Champion Holdings also expects improvements in the chattel financing market, increasing the number of prospective customers who qualify for home loans. Finally, Champion Holdings is an approved vendor to FEMA for disaster-relief housing.

### ***Increase Champion Holdings Sales***

Champion Holdings has a track record of expanding sales and has demonstrated its ability to expand its manufacturing and retail presence organically and through acquisitions. Champion Holdings is focused on meeting increasing demand by using additional capacity within its existing operating footprint, by opening idle plants, and by expanding existing plants in selected geographies into campus layouts with increased plant capacity. Champion Holdings also continues to expand its commercial platform and to develop partnerships with manufactured housing finance market participants to further grow its sales. Champion Holdings has recently pioneered large-scale commercial construction projects in the hospitality sector, increasing its commercial construction visibility nationwide. Champion Holdings intends to acquire additional retail locations, plants, and factory-built housing competitors to meet its goals.

### ***Expand Champion Holdings Product Line through Innovation and Development***

Champion Holdings continuously innovates its home designs and home products to meet the needs of new customers and has regularly received awards from the Manufactured Housing Institute, the National Association of Home Builders, and others for its leadership in manufactured and modular home designs. In 2016, Champion Holdings product design initiative led to the launch of a line of contemporary cottages for homebuyers seeking a small footprint without compromising modern amenities as well as a new line of cost-effective homes for the value-minded homebuyer. Champion Holdings maintains an active dialogue with developers to identify demand trends and anticipate the needs of prospective homeowners. Champion Holdings also partners with its suppliers to pilot new products, such as in-home smart technologies and luxury kitchen and bath selections.

### ***Continue to Implement Operational Initiatives to Further Enhance Margins***

Champion Holdings has a proven track record of enhancing margins through selective, company-wide efforts focused on standardizing and simplifying its operations. Currently, Champion Holdings has a number of operational initiatives in process to reduce labor turnover, simplify the production of products it manufactures, and enhance the product value it provides to customers. Champion Holdings also has several future initiatives in the pipeline. Among other initiatives, Champion Holdings plans to further develop its modular platform, expand its commercial lines, standardize its engineering and design platform, and better leverage fixed costs from underutilized plants by routing additional demand to plants with excess capacity.

### **Sales and Marketing**

Champion Holdings factory-built sales team is organized at each of its manufacturing facilities which offers a more local perspective to its customers. Champion Holdings sales teams throughout the country and in Western Canada are equipped to quickly respond to the ever-changing needs of its customers and the local and regional economic and demographic trends in the areas surrounding our facilities. The sales teams are supported through a nationally unified marketing and business development team provided through Champion Holdings corporate support services. The support staff offers marketing and advertising support, lead management tools, internet applications, and support and national promotional campaigns.



Champion Holdings maintains a retail sales presence across Texas and the Southeast marketed under the Titan brand. Champion Holdings began expanding its captive retail base in 2011 with a concentrated effort in the Texas market and then more recently expanded into the Southeast region with locations in Florida, Georgia, Louisiana, North Carolina, Oklahoma, Texas, and Virginia. Champion Holdings' retail segment continues to grow through strong marketing and lead management. Since implementing its current lead management process in fiscal 2016, Champion Holdings has increased the number of leads it generates on an annual basis by more than 77%.

### **Purchasing**

Champion Holdings purchases building products from multiple manufacturers and suppliers and no single supplier accounted for more than 12% of Champion Holdings' total purchases for fiscal year 2017. Champion Holdings uses similar materials to those used in site-built housing to construct manufactured and modular units. Champion Holdings maintains strong relationships with its suppliers and partners with them on product development trends, piloting newly developed products within homes, for example.

### **Customers**

Champion Holdings serves a diverse mix of customers across North America. Champion Holdings has a broad go-to-market strategy that includes retail sales centers, community developers, and builders. Champion Holdings has strong relationships with large manufactured housing community developers which have acquired several smaller companies in recent years. Champion Holdings also has a strong relationship with FEMA, which provides manufactured housing units to victims of floods, fires, and other natural disasters. Champion Holdings' largest customer for fiscal year 2017 accounted for approximately 9% of net sales.

### **Competition**

The factory-built housing industry is highly competitive at both the manufacturing and retail levels, with competition based upon several factors including price, product features, reputation for service and quality, and retail customer financing. Champion Holdings competes with other producers of factory-built housing for both residential and commercial end-markets. Additionally, factory-built housing competes with new and existing site-built homes, as well as apartments, townhouses, condominiums, and commercial buildings, as well as rental housing. There are a number of other national manufacturers competing for a significant share of manufactured housing sales in the United States, including Clayton Homes, Inc., and Cavco Industries, Inc.

### **Employees**

As of December 30, 2017, Champion Holdings employed approximately 5,300 individuals. Champion Holdings' facilities' leadership teams are highly experienced, with over 500 years of collective industry experience amongst U.S. plant general managers.

### **Properties**

Champion Holdings is headquartered in Troy, Michigan. Champion Holdings maintains 28 manufacturing facilities located throughout the U.S. and Western Canada, 21 retail locations spanning the southern U.S., and ten transportation dispatch locations within the U.S. Champion Holdings currently operates within 28 of its 35 manufacturing plants. Champion Holdings owns 25 of its plants and the remaining ten are leased. Champion Holdings' plants range in size from approximately 60,000 square feet to 220,000 square feet. Champion Holdings' properties are in strong operating condition and Champion Holdings believes they provide adequate capacity to meet the current needs of the business.





**Corporate Information**

Champion Holdings is a Delaware corporation. Champion Holdings predecessor began operations in 1953. Champion Holdings principal executive offices are located at 755 West Big Beaver Road, Suite 1000, Troy, Michigan 48084, and Champion Holdings telephone number at that address is (248) 614-8200. Champion Holdings website is located at [www.championhomes.com](http://www.championhomes.com). Champion Holdings website and the information contained on Champion Holdings website are not incorporated by reference and are not a part of this proxy statement.

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## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS OF CHAMPION HOLDINGS

The following should be read in conjunction with the sections of this proxy statement entitled *Risk Factors*, *Cautionary Statements Concerning Forward-Looking Information*, *Selected Historical Consolidated Financial Data of Champion Holdings*, *Comparative Historical and Unaudited Pro Forma Per Share Data*, *Information About Champion Holdings Business*, and Champion Holdings' historical consolidated financial statements and related notes thereto included in this proxy statement.

Champion Holdings is a leading producer of factory-built housing in the United States ( *U.S.* ) and Canada. Champion Holdings serves as a complete solutions provider across complementary and vertically integrated businesses including manufactured construction, company-owned retail locations, and transportation logistics services. Champion Holdings is the second largest factory-built solutions provider in North America based on revenue and markets its homes under several nationally recognized brand names including Redman Homes, Dutch Housing, Excel Homes, Silvercrest, Titan Homes, Moduline and SRI Homes. Champion Holdings operates 23 manufacturing facilities throughout the U.S. and five manufacturing facilities in Western Canada that primarily construct factory-built, timber-framed manufactured and modular houses that are sold primarily to independent retailers and builders/developers, including manufactured home community operators. Champion Holdings' retail operations consist of 21 sales centers that sell manufactured homes to consumers primarily in the Southern U.S. Champion Holdings' transportation business primarily engages independent owners/drivers to transport manufactured homes and recreational vehicles throughout the U.S. and Canada.

Over the last several years, market demand for Champion Holdings' products, primarily affordable housing in the U.S., has continued to improve. As a result, Champion Holdings has focused on operational improvements to make existing manufacturing facilities more profitable as well as executing measured expansion of its manufacturing and retail footprint.

In response to the increasing demand for factory-built housing in the U.S., Champion Holdings has increased capacity through strategic acquisitions and expansions of its manufacturing footprint. Champion Holdings focused on growing its HUD sales across the U.S. as well as further expanding into modular housing in the Northeastern and Midwestern U.S. In October 2017, Champion Holdings entered into a long-term lease for two factory-built housing plants in Leesville, Louisiana that are currently providing an opportunity for further growth. In April 2017, Champion Holdings completed the purchase of a factory-built housing plant in Mansfield, Texas, from Skyline. In September 2016, Champion Holdings, through a series of transactions, completed the purchase of the assets of Innovative Building Systems, LLC and Subsidiaries ( *IBS* or *IBS Acquisition* ), which included five modular manufacturing facilities and two retail sales centers in the Northeast and Midwest U.S. In January 2017, Champion Holdings restarted operations at the Liverpool, Pennsylvania location, one of the acquired modular facilities. In addition to these strategic acquisitions, during fiscal 2017, Champion Holdings leased and opened a manufacturing facility in Benton, Kentucky as well as reopening a previously idled facility in Topeka, Indiana. The Topeka facility began operations in February 2017. Production at the Benton facility began in August 2016.

Champion Holdings also focused on expansion of its company-owned retail operations over the last several years. Champion Holdings opened three additional retail sales centers during fiscal 2018, five during fiscal 2017 and three during fiscal 2016. Management believes retail expansion provides an opportunity to increase Champion Holdings' presence in market segments that are not currently served through the independent retail network, which will provide for expansion and increased utilization of the existing manufacturing operations.

These acquisitions and investments are part of a strategy to grow and diversify revenue with a focus on increasing Champion Holdings' HUD and modular homebuilding presence in the U.S. as well as improve the results of operations. These acquisitions and investments are included in the consolidated results for periods subsequent to their

respective acquisition dates.

Approximately 75% of Champion Holdings' U.S. and Canadian manufacturing sales are generated from the manufacture of homes that comply with the Federal HUD-code construction standard in the U.S. In calendar 2017, annual industry shipments of HUD-code homes were 92,891, a 14.4% improvement over 81,169 in calendar 2016. Sales of HUD-code homes have been increasing steadily since 2009, when 50,000 HUD-code homes were sold. That year represented the worst period of factory-built housing sales since 1959. While HUD-code, factory-built home shipments have improved modestly over the past few years, the industry continues to operate at relatively low levels compared to historical shipment statistics. For instance, in 1998, approximately 373,000 HUD-code homes were sold.

Industry shipments of modular homes in the U.S. for the first nine months of calendar 2017 totaled almost 11,000 homes, a 2.8% increase from shipments in the comparable period of 2016. Modular home sales have generally been stable since 2009. During fiscal 2017, approximately 15% of Champion Holdings' U.S. manufacturing sales were modular. Champion Holdings' modular home presence has improved due to the IBS acquisition mentioned previously.

Champion Holdings is headquartered in Troy, Michigan and was formed in 2010 as a Delaware limited liability company. Champion Holdings' predecessor began operations in 1953.

### Consolidated Financial Data

(Dollars in thousands)	Nine Months Ended		Year Ended		
	December 30, 2017 (unaudited)	December 31, 2016 (unaudited)	April 1, 2017	April 2, 2016	March 28, 2015
<b>Statement of Operations Data</b>					
Net sales	\$ 798,443	\$ 615,926	\$ 861,319	\$ 751,703	\$ 737,230
Cost of sales	664,824	515,035	717,364	638,571	649,798
Gross profit	133,619	100,891	143,955	113,132	87,432
Selling, general and administrative expenses	87,439	78,699	109,305	95,974	99,032
Operating income (loss)	46,180	22,192	34,650	17,158	(11,600)
Interest expense, net	3,164	3,208	4,264	3,658	2,848
Other expense (income)	2,863	1,636	2,380	632	(2,740)
Income (loss) from continuing operations before income taxes	40,153	17,348	28,006	12,868	(11,708)
Income tax expense (benefit)	22,089	2,409	(23,321)	2,640	5,018
Net income (loss) from continuing operations	18,064	14,939	51,327	10,228	(16,726)
(Loss) gain from discontinued operations	-	(3,781)	583	(10,248)	(641)
Net income (loss)	\$ 18,064	\$ 11,158	\$ 51,910	\$ (20)	\$ (17,367)

(Dollars in thousands)	Nine Months Ended		Year Ended		
	December 30, 2017 (unaudited)	December 31, 2016 (unaudited)	April 1, 2017	April 2, 2016	March 28, 2015
<b>Reconciliation of Adjusted EBITDA</b>					
Net income (loss)	\$ 18,064	\$ 11,158	\$ 51,910	\$ (20)	\$ (17,367)
Loss (gain) from discontinued operations	-	3,781	(583)	10,248	641
Income tax expense (benefit)	22,089	2,409	(23,321)	2,640	5,018
Interest expense, net	3,164	3,208	4,264	3,658	2,848
Depreciation and amortization	6,126	5,018	7,245	6,258	6,953
Foreign currency (gains) losses	(1,140)	3,941	3,688	3,173	11,309
Transaction costs	2,831	1,620	2,356	118	(2,740)
Equity based compensation	450	450	608	516	480
Restructuring charges	-	-	-	35	2,114
Insured property losses	-	-	24	514	-
Lower of cost or market adjustment of development inventory	-	-	-	3,000	4,993
Other	33	(728)	(744)	(1)	(268)
<b>Adjusted EBITDA</b>	<b>\$ 51,617</b>	<b>\$ 30,857</b>	<b>\$ 45,447</b>	<b>\$ 30,139</b>	<b>\$ 13,981</b>

**As a percent of net sales:**

Gross profit	16.7%	16.4%	16.7%	15.1%	11.9%
Selling, general and administrative expenses	11.0%	12.8%	12.7%	12.8%	13.4%
Operating income (loss)	5.8%	3.6%	4.0%	2.3%	(1.6%)
Net income (loss)	2.3%	1.8%	6.0%	(0.0%)	(2.4%)
Adjusted EBITDA	6.5%	5.0%	5.3%	4.0%	1.9%

**Nine Months ended December 30, 2017 as Compared to Nine Months ended December 31, 2016**

*Net Sales:* The following table summarizes net sales for the nine months ended December 30, 2017 and December 31, 2016:

(Dollars in thousands)	Nine Months Ended		Change	% Change
	December 30, 2017 (unaudited)	December 31, 2016 (unaudited)		
Net sales	\$ 798,443	\$ 615,926	\$ 182,517	29.6%
U.S. manufacturing and retail sales	641,878	481,928	159,950	33.2%
U.S. homes sold	12,038	9,436	2,602	27.6%
U.S. manufacturing and retail average home selling price	53.3	51.1	2.2	4.4%
Canada manufacturing sales	74,006	67,951	6,055	8.9%
Canada homes sold	988	930	58	6.2%
Canada manufacturing average home selling price	74.9	73.1	1.8	2.5%
Manufacturing facilities in operation at period end	28	25		
	21	18		

Retail sales centers in operation at period  
end

Net sales for the nine months ended December 30, 2017 were \$798.4 million, an increase of \$182.5 million when compared to the nine months ended December 31, 2016. The increase was driven primarily by an increase in factory-built housing demand in the U.S., Champion Holdings' additional manufacturing and retail capacity and improved production output. In calendar 2017, annual industry shipments of HUD-code homes were 92,891, a 14.4% improvement over 81,169 in calendar 2016.

New manufacturing facilities and retail sales centers accounted for approximately \$79.8 million of the year-over-year net sales increase during the nine months ended December 30, 2017. As a result of the expanded manufacturing footprint and plant operating improvements to increase output, Champion Holdings was able to increase total U.S. homes sold by over 2,600 units or 27.6% and improved its share of HUD and modular home sales during the period. The increase in average home selling price was mainly the result of price adjustments and material surcharges in response to increasing raw material and direct labor inflation as well as a shift in product mix. During the nine months ended December 30, 2017, Champion Holdings benefited from delivering 239 more units to FEMA compared to the nine months ended December 31, 2016. Although FEMA units were a significant driver of the overall increase in units during the year, a portion of the FEMA sales would have been replaced by core business sales depending on the geographic disbursement of backlog. Champion Holdings Canadian operations saw a 58 unit or 6.2% increase in home sales volume primarily due to an increase in demand in the British Columbia market, as well as a 2.5% increase in average home selling price.

Although orders from customers can be cancelled at any time without penalty and unfilled orders are not necessarily an indication of future business, Champion Holdings unfilled U.S. and Canadian manufacturing orders for homes at December 30, 2017 totaled approximately \$169 million compared to \$94 million at December 31, 2016.

*Gross Profit:* The following table summarizes gross profit for the nine months ended December 30, 2017 and December 31, 2016:

(Dollars in thousands)	Nine Months Ended		Change	% Change
	December 30, 2017 (unaudited)	December 31, 2016 (unaudited)		
Gross profit	\$ 133,619	\$ 100,891	\$ 32,728	32.4%
Gross profit as a % of net sales	16.7%	16.4%		

Gross profit as a percent of net sales increased 0.3 percentage points for the nine months ended December 30, 2017 when compared to the nine months ended December 31, 2016. That increase was the result of an overall increase in average home selling price as well as an increase in consolidated sales volumes. U.S. manufacturing and retail margins improved as Champion Holdings continued to standardize product design and material purchases which allowed for more seamless production for its supply chain and helped to mitigate some of the commodity inflation occurring in the marketplace. In the same effort to streamline production, Champion Holdings continued to focus on better understanding its cost structure and discontinued models and options that customers did not value. Finally, the U.S. manufacturing plants have increased output which allowed for better leverage of fixed costs, which in turn improved gross profit. The improved margins in the U.S. helped to offset Canadian margins which decreased 250 basis points to 18.7%, due to general oil-related economic conditions in the Alberta and Saskatchewan provinces.

*Selling, General and Administrative Expenses:* The following table summarizes selling, general and administrative expenses for the nine months ended December 30, 2017 and December 31, 2016:

(Dollars in thousands)	Nine Months Ended		Change	% Change
	December 30, 2017 (unaudited)	December 31, 2016 (unaudited)		
	\$ 87,439	\$ 78,699	\$ 8,740	11.1%



Total selling, general and administrative expenses

Selling, general and administrative

expense as a percent of net sales

11.0%

12.8%

Selling, general and administrative expenses for the nine months ended December 30, 2017 were \$87.4 million, an increase of \$8.7 million as compared to the nine months ended December 31, 2016. The increase in expenses was a result of an increase in salaries and benefits of \$5.7 million during 2017 due to increased compensation and administrative headcount to facilitate Champion Holdings' manufacturing and retail

growth strategy. In addition, incentive compensation, which is generally based on profitability, was \$5.0 million higher for the nine months ended December 30, 2017. Those increases were partially offset by a \$5.1 million reduction in expense recognized for the effect of certain currency translation gains and losses.

As a percent of net sales, selling, general and administrative expenses for the nine months ended December 30, 2017 were 11.0%, a 1.8 percentage point improvement over the same period of 2016. Administrative expenses did not increase at the same rate as net sales, in part due to better operating efficiencies and performance in the U.S. manufacturing plants, as well as better leverage of fixed costs.

*Interest Expense, net:* The following table summarizes the components of interest expense, net for the nine months ended December 30, 2017 and December 31, 2016:

(Dollars in thousands)	Nine Months Ended		Change	% Change
	December 30, 2017 (unaudited)	December 31, 2016 (unaudited)		
Interest expense	\$ 3,783	\$ 3,465	\$ 318	9.2%
Interest income	(619)	(257)	(362)	(140.9%)
Interest expense, net	\$ 3,164	\$ 3,208	\$ (44)	(1.4%)
Average outstanding floor plan payable	\$ 21,739	\$ 16,552	\$ 5,187	31.3%
Average outstanding long-term debt	\$ 59,604	\$ 60,034	\$ (430)	(0.7%)

Interest expense for the nine months ended December 30, 2017 was higher than the prior year as a result of a \$5.2 million increase in average outstanding floor plan payables. Floor plan payables are used to finance retail inventory at company-owned retail sales centers. The increase in floor plan payables was consistent with the addition of display inventory during the ramp-up period for retail sales centers opened in 2016 and 2017. Increased interest income in 2017 generally offset the impact of incremental floor plan payables. Interest income was higher due to increased average cash balances on hand. See *Contractual Obligations and Commitments* on page 139 below for more information related to interest bearing obligations.

*Other expense:* The following table summarizes other expense for the nine months ended December 30, 2017 and December 31, 2016:

(Dollars in thousands)	Nine Months Ended		Change	% Change
	December 30, 2017 (unaudited)	December 31, 2016 (unaudited)		
Other expense	\$ 2,863	\$ 1,636	\$ 1,227	75.0%

Other expense for the nine months ended December 30, 2017 primarily consists of legal and accounting costs related to the Exchange. Other expense for the nine months ended December 31, 2016 consists of \$0.4 million of legal and accounting fees related to the disposition of Champion Holdings operations in the United Kingdom ( *U.K.* ) and \$1.2 million of costs for the IBS Acquisition and the acquisition and start-up of new retail sales centers. See *Loss from Discontinued Operations* on page 129 below for more information related to the disposition of Champion

Holdings U.K. operations.

*Income tax expense:* The following table summarizes income tax expense for the nine months ended December 30, 2017 and December 31, 2016:

(Dollars in thousands)	Nine Months Ended		Change	% Change
	December 30, 2017 (unaudited)	December 31, 2016 (unaudited)		
Income tax expense	\$ 22,089	\$ 2,409	\$ 19,680	816.9%
Effective tax rate	55.0%	13.9%		

The increase in income tax expense for the nine months ended December 30, 2017 as compared to the nine months ended December 31, 2016 is due to the increase in net income between the periods and the impact of certain other tax adjustments. For 2017, the effective tax rate includes an \$8.4 million charge for the re-measurement of U.S. deferred income tax assets and liabilities at the new corporate income tax rate of 21%, from 35%, under the 2017 Tax Cuts and Jobs Act signed into law on December 22, 2017. The 2016 effective tax rate was favorably impacted due to Champion Holdings continuing to provide a full valuation allowance on its U.S. net deferred tax assets. As such, the tax expense reported for fiscal 2016 is predominately from the Canadian operations.

*Loss from Discontinued Operations:* The following table summarizes loss from discontinued operations for the nine months ended December 30, 2017 and December 31, 2016:

(Dollars in thousands)	Nine Months Ended		Change	% Change
	December 30, 2017 (unaudited)	December 31, 2016 (unaudited)		
Loss from discontinued operations	\$ -	\$ (3,781)	\$ 3,781	100.0%

Loss from discontinued operations for the nine months ended December 31, 2016 includes a loss of \$3.8 million related to Champion Holdings' former operations in the U.K. During fiscal 2016, Champion Holdings committed to a plan to dispose of its U.K. operations, and therefore, classified the results of its U.K. subsidiaries as discontinued and the assets and liabilities as held for sale. The disposition of the U.K. operations was finalized on January 20, 2017, and as a result, no income or loss from discontinued operations was recognized during the nine months ended December 30, 2017.

*Adjusted EBITDA:* The following table reconciles net income, the most directly comparable U.S. GAAP measure, to Adjusted EBITDA, a non-GAAP financial measure, for the nine months ended December 30, 2017 and December 31, 2016:

(Dollars in thousands)	Nine Months Ended		Change	% Change
	December 30, 2017 (unaudited)	December 31, 2016 (unaudited)		
Net income	\$ 18,064	\$ 11,158	\$ 6,906	61.9%
Loss from discontinued operations	-	3,781	(3,781)	(100.0%)

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Income tax expense	22,089	2,409	19,680	816.9%
Interest expense, net	3,164	3,208	(44)	(1.4%)
Depreciation and amortization	6,126	5,018	1,108	22.1%
Foreign currency (gains) losses	(1,140)	3,941	(5,081)	(128.9%)
Transaction costs	2,831	1,620	1,211	74.8%
Equity based compensation	450	450	-	-%
Other	33	(728)	761	104.5%
Adjusted EBITDA	\$ 51,617	\$ 30,857	\$ 20,760	67.3%

Adjusted EBITDA for the nine months ended December 30, 2017 was \$51.6 million, an increase of \$20.8 million over the nine months ended December 31, 2016. The primary driver of the increase was a \$24.0 million increase in operating income in 2017 generated by the increase in net sales as well as the reduction in direct and indirect costs as a percent of net sales as discussed previously.

Adjusted EBITDA is presented as a supplemental measure of Champion Holdings' financial performance that management believes is useful to investors because the excluded items may vary significantly in timing or amounts and/or may obscure trends useful in evaluating and comparing Champion Holdings' operating activities across reporting periods. Not all companies use identical calculations and, accordingly, Champion Holdings' presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

### Year ended April 1, 2017 as Compared to Year ended April 2, 2016

*Net Sales:* The following table summarizes net sales for the years ended April 1, 2017 and April 2, 2016:

(Dollars in thousands)	Year Ended		Change	% Change
	April 1, 2017	April 2, 2016		
Net sales	\$ 861,319	\$ 751,703	\$ 109,616	14.6%
U.S. manufacturing and retail sales	678,296	573,945	104,351	18.2%
U.S. homes sold	13,187	11,109	2,078	18.7%
U.S. manufacturing and retail average home selling price	51.4	51.7	(0.3)	(0.6%)
Canada manufacturing sales	92,631	96,881	(4,250)	(4.4%)
Canada homes sold	1,261	1,340	(79)	(5.9%)
Canada manufacturing average home selling price	73.5	72.3	1.2	1.6%
Manufacturing facilities in operation at year end	27	24		
Retail sales centers in operation at year end	18	13		

Net sales for fiscal 2017 were \$861.3 million, an increase of \$109.6 million or 14.6% over fiscal 2016. The increase was primarily the result of 2,078 unit or 18.7% increase in U.S. homes sold driven by an increase in factory-built housing demand in the U.S., the addition of manufacturing capacity at three new manufacturing facilities and five new retail sales centers as well as Champion Holdings' ability to generate additional output at its existing facilities to meet increasing market demand.

The factory-built HUD market segment grew by over 15% from fiscal 2016 to 2017. In addition to market growth, Champion Holdings was able to increase U.S. HUD market share in fiscal 2017 to 12.7% from 12.1% in 2016. Net sales earned at the new manufacturing facilities added \$12.1 million in fiscal 2017. Champion Holdings added five retail sales centers in the U.S. in fiscal 2017 to further expand its retail presence in market segments that are not currently served by independent retailers. New retail sales centers accounted for approximately \$13.8 million of net sales in fiscal 2017. Champion Holdings also benefited from delivering 1,330 units to FEMA during fiscal 2017. Although FEMA units were a significant driver of the overall increase in units during the year, a portion of the FEMA sales would have been replaced by core business sales depending on the geographic disbursement of backlog.

The Canadian manufacturing operations had a \$4.3 million decrease in net sales in fiscal 2017. The decrease was the result of a 5.9% decline in the volume of floors sold directly correlated to a decrease in housing demand in the Alberta

and Saskatchewan markets. The economic impact of the reduction in oil prices in recent years had the effect of reducing demand at Champion Holdings Canadian plants that command a higher average home selling price.

*Gross Profit:* The following table summarizes gross profit for the years ended April 1, 2017 and April 2, 2016:

(Dollars in thousands)	Year Ended		Change	% Change
	April 1, 2017	April 2, 2016		
Gross profit	\$ 143,955	\$ 113,132	\$ 30,823	27.2%
Gross profit as a % of net sales	16.7%	15.1%		

Gross profit as a percent of sales was 16.7% in fiscal 2017 compared to 15.1% in fiscal 2016. In 2017, U.S. manufacturing and retail margins improved due to a higher percentage of FEMA units, park-model RVs and modular home product mix in 2017 versus 2016. In addition, Champion Holdings standardized product design and material purchases which allowed for more seamless production for our supply chain and helped to mitigate some of the commodity inflation occurring in the marketplace. In the same effort to streamline production, Champion Holdings focused on better understanding its cost structure and discontinued both models and options that customers did not value.

*Selling, General and Administrative Expenses:* The following table summarizes selling, general and administrative expenses for the years ended April 1, 2017 and April 2, 2016:

(Dollars in thousands)	Year Ended		Change	% Change
	April 1, 2017	April 2, 2016		
Selling, general and administrative expenses	\$ 109,305	\$ 95,974	\$ 13,331	13.9%
Selling, general and administrative expense as a percent of net sales	12.7%	12.8%		

Selling, general and administrative expenses were \$109.3 million in fiscal 2017, an increase of \$13.3 million from fiscal 2016. The increase was a result of (i) an increase in salaries and benefits of \$6.0 million, generally a result of increased compensation and administrative headcount to facilitate expanding capacity (ii) incentive compensation, which is generally based on profitability, which was \$4.2 million higher in fiscal 2017 than in fiscal 2016, and (iii) other administrative costs, including professional fees, IT and sales and marketing, which were \$3.3 million higher in fiscal 2017 to support growth.

As a percent of net sales, selling, general and administrative expenses for fiscal 2017 were 12.7%, a slight decrease from the same period in fiscal 2016. Administrative expenses for the year did not increase at the same rate as net sales, in part a result of better operating efficiencies and performance in the U.S. manufacturing plants, as well as better leverage of fixed costs.

*Interest Expense, net:* The following table summarizes the components of interest expense, net for the years ended April 1, 2017 and April 2, 2016:

(Dollars in thousands)	Year Ended		Change	% Change
	April 1, 2017	April 2, 2016		
Interest expense	\$ 4,646	\$ 3,976	\$ 670	16.9%
Interest income	(382)	(318)	(64)	(20.1%)



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Interest expense, net	\$ 4,264	\$ 3,658	\$ 606	16.6%
Average outstanding floor plan payable	\$ 16,975	\$ 9,016	\$ 7,959	88.3%
Average outstanding long-term debt	\$ 59,980	\$ 64,398	\$ (4,418)	(6.9%)

130

Interest expense, net was \$4.3 million in fiscal 2017, an increase of \$0.6 million from fiscal 2016. The primary drivers of the increase were the increase in average outstanding floor plan payables and the exchange in fiscal 2016 of long-term debt instruments at a higher rate of interest. Floor plan payables are used to finance retail inventory at company-owned retail sales centers. The increase in floor plan payables was consistent with the continued ramp-up of operations for retail sales centers opened in 2017 and 2016. Average outstanding long-term debt decreased from fiscal 2016 as a result of the net repayment in September 2015 of \$9.5 million of previously outstanding notes. In addition, at the time of repayment, an additional \$12.5 million of notes were exchanged for term notes that carried a higher rate of interest, 6.5% for the new term notes compared to 1.7% for the previous notes. See *Contractual Obligations and Commitments* on page 139 below for more information related to interest bearing obligations.

*Other expense:* The following table summarizes other expense for the years ended April 1, 2017 and April 2, 2016:

(Dollars in thousands)	Year Ended		Change	% Change
	April 1, 2017	April 2, 2016		
Other expense	\$ 2,380	\$ 632	\$ 1,748	276.6%

Other expense for fiscal 2017 primarily consists of \$1.7 million of costs for the IBS Acquisition and the acquisition or start-up of new retail sales centers, and \$0.4 million of legal and accounting fees related to the disposition of Champion Holdings operations in the U.K. Fiscal 2016 includes \$0.5 million related to the deductible on an insured loss at one of the U.S. manufacturing plants. See *Gain (loss) from Discontinued Operations* on page 132 below for more information related to the disposition of Champion Holdings U.K. operations.

*Income tax (benefit) expense:* The following table summarizes income tax (benefit) expense for the years ended April 1, 2017 and April 2, 2016:

(Dollars in thousands)	Year Ended		Change	% Change
	April 1, 2017	April 2, 2016		
Income tax (benefit) expense	\$ (23,321)	\$ 2,640	\$ (25,961)	(983.4%)
Effective tax rate	(83.3%)	20.5%		

The negative effective tax rate in fiscal 2017 was primarily a result of a \$35.9 million tax benefit due to the release of the valuation allowance on deferred tax assets in the U.S. During fiscal 2017, Champion Holdings evaluated the realizability of its deferred tax assets and determined it was more likely than not that its net deferred tax assets would be realized. The effective tax rate in fiscal 2016 was lower than the federal statutory rate of 35% because, prior to fiscal 2017, Champion Holdings maintained a full valuation allowance on its deferred tax assets in the U.S., consisting primarily of net operating loss carry-forwards. Tax expense in fiscal 2016 primarily reflects the taxable impact of Champion Holdings operations in Canada.

*Gain (loss) from Discontinued Operations:* The following table summarizes Gain (loss) from discontinued operations for the years ended April 1, 2017 and April 2, 2016:

(Dollars in thousands)	Year Ended		Change	% Change
	April 1, 2017	April 2, 2016		

Gain (loss) from discontinued operations	\$ 583	\$ (10,248)	\$ 10,831	105.7%
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During fiscal 2016, Champion Holdings committed to a plan to dispose of its U.K. operations, and therefore, classified the results of operations of its U.K. subsidiaries as discontinued and the assets and liabilities as held for sale. The loss from discontinued operations in fiscal 2016 reflects the operating activities of the U.K.

subsidiaries for the year. Champion Holdings recognized a net gain on discontinued operations in fiscal 2017 of \$0.6 million. The net gain includes the U.K. operating losses for the period up to the disposition, a loss of \$5.6 million and the net impact of recognizing historical cumulative adjustments upon the final disposition. The sale of the U.K. operations was completed on January 20, 2017. Prior to the disposition, Champion Holdings had accounted for cumulative currency translation adjustments on invested assets and liabilities, and pension actuarial losses in accumulated other comprehensive income. Upon final disposition, \$8.3 million of net cumulative gains for these items were reclassified from accumulated other comprehensive income to net income.

*Adjusted EBITDA:* The following table reconciles net income (loss), the most directly comparable U.S. GAAP measure, to Adjusted EBITDA, a non-GAAP financial measure, for the years ended April 1, 2017 and April 2, 2016:

(Dollars in thousands)	Year Ended		Change	% Change
	April 1, 2017	April 2, 2016		
Net income (loss)	\$51,910	\$(20)	\$51,930	N/M
Gain (loss) from discontinued operations	(583)	10,248	(10,831)	(105.7%)
Income tax (benefit) expense	(23,321)	2,640	(25,961)	983.4%
Interest expense, net	4,264	3,658	606	16.6%
Depreciation and amortization	7,245	6,258	987	15.8%
Foreign currency losses	3,688	3,173	515	16.2%
Transaction costs	2,356	118	2,238	N/M
Equity based compensation	608	516	92	17.8%
Restructuring charges	-	35	(35)	(100.0%)
Insured property losses	24	514	(490)	(95.3%)
Lower of cost or market adjustment of development inventory	-	3,000	(3,000)	(100.0%)
Other	(744)	(1)	(743)	N/M
<b>Adjusted EBITDA</b>	<b>\$45,447</b>	<b>\$30,139</b>	<b>\$15,308</b>	<b>50.8%</b>

N/M indicates the calculated percentage is not meaningful.

Adjusted EBITDA for fiscal 2017 was \$45.4 million, an increase of \$15.3 million over fiscal 2016. The primary driver of the increase was a \$17.5 million increase in operating income generated by the increase in manufacturing output and net sales as well as the reduction in direct and indirect costs as a percent of net sales, as discussed previously.

Adjusted EBITDA is presented as a supplemental measure of Champion Holdings' financial performance that management believes is useful to investors because the excluded items may vary significantly in timing or amounts and/or may obscure trends useful in evaluating and comparing Champion Holdings' operating activities across reporting periods. Not all companies use identical calculations and, accordingly, Champion Holdings' presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

**Year ended April 2, 2016 as Compared to Year ended March 28, 2015**

*Net Sales:* The following table summarizes net sales for the years ended April 2, 2016 and March 28, 2015:

(Dollars in thousands)	Year Ended		Change	% Change
	April 2, 2016	March 28, 2015		
Net sales	\$ 751,703	\$ 737,230	\$ 14,473	2.0%
U.S. manufacturing and retail sales	573,945	535,739	38,206	7.1%
U.S. homes sold	11,109	10,378	731	7.0%
U.S. manufacturing and retail average home selling price	51.7	51.6	0.1	0.1%
Canada manufacturing sales	96,881	114,670	(17,789)	(15.5%)
Canada homes sold	1,340	1,489	(149)	(10.0%)
Canada manufacturing average home selling price	72.3	77.0	(4.7)	(6.1%)
Manufacturing facilities at year end	24	24		
Retail lots at year end	13	10		

Consolidated net sales increased 2.0% in fiscal 2016 as compared to fiscal 2015, primarily from a 731 unit or 7.0% increase in homes sold from Champion Holdings U.S. manufacturing and retail operations, partially offset by a decline in sales at Champion Holdings Canadian operations. During fiscal 2016 and 2015, the U.S. market segment for factory-build housing continued to rebound from the industry's low point in 2009. The decline in the Canadian to U.S. dollar exchange rate was the primary contributor to the decline in Champion Holdings Canadian operations net sales. Net sales for Canada were \$15.4 million lower as a result of the reduction in the average exchange rate. The Canadian market was impacted by economic factors caused by a decrease in oil prices starting in mid-2014.

The addition of three retail sales centers did not take place until late fiscal 2016, and therefore, did not materially contribute to fiscal 2016 net sales.

*Gross Profit:* The following table summarizes gross profit for the years ended April 2, 2016 and March 28, 2015:

(Dollars in thousands)	Year Ended		Change	% Change
	April 2, 2016	March 28, 2015		
Gross profit	\$ 113,132	\$ 87,432	\$ 25,700	29.4%
Gross profit as a % of net sales	15.1%	11.9%		

Gross profit for fiscal 2016 increased to 15.1% of net sales compared to 11.9% in fiscal 2015. The increase was a result of improved market conditions, higher net sales and reductions in the components of cost of sales achieved through operating efficiencies. The U.S. operations were the primary driver of the overall increase, consistent with the U.S. increase in net sales discussed previously. Beginning in fiscal 2016, Champion Holdings focused on understanding the value of product offerings and adjusted the pricing and selection on base models and options to be more comparable and competitive in the market. Champion Holdings made improvements in the design and manufacturing processes, including certain standardized practices, to better manage plant operating efficiencies and

throughput. Champion Holdings was able to generate improvements in better material management resulting in lower obsolescence and rework, and value engineering of products while maintaining consistent labor and benefit rates.

*Selling, General and Administrative Expenses:* The following table summarizes selling, general and administrative expenses for the years ended April 2, 2016 and March 28, 2015:

(Dollars in thousands)	Year Ended		Change	% Change
	April 2, 2016	March 28, 2015		
Selling, general and administrative expenses	\$ 95,974	\$ 99,032	\$ (3,058)	(3.1%)
Selling, general and administrative expenses as a percent of net sales	12.8%	13.4%		

Selling, general and administrative expenses in fiscal 2016 decreased by \$3.1 million from fiscal 2015. The decrease was primarily a result of the impact of currency translation adjustments recognized in income, the majority of which was on intercompany debt. Champion Holdings had currency losses of \$11.3 million in fiscal 2015 which were a result of the decline in the exchange rates of the British pound and Canadian dollar. Currency translation losses in fiscal 2016 were \$3.2 million. In addition, Champion Holdings recognized restructuring expenses of \$1.7 million in fiscal 2015. Those reductions were offset by a \$6.9 million increase in incentive compensation in fiscal 2016.

*Interest Expense, net:* The following table summarizes the components of interest expense, net for the years ended April 2, 2016 and March 28, 2015:

(Dollars in thousands)	Year Ended		Change	% Change
	April 2, 2016	March 28, 2015		
Interest expense	\$ 3,976	\$ 3,747	\$ 229	6.1%
Interest income	(318)	(899)	581	64.6%
Interest expense, net	\$ 3,658	\$ 2,848	\$ 810	28.4%
Average outstanding floor plan payable	\$ 9,016	\$ 1,266	\$ 7,750	N/M
Average outstanding long-term debt	\$ 64,398	\$ 72,297	\$ (7,899)	(10.9%)

N/M indicates the calculated percentage is not meaningful.

The increase in interest expense in fiscal 2016 as compared to fiscal 2015, was a result of an increase in average outstanding floor plan payables. Floor plan payables are used to finance company-owned inventory after delivery to company-owned retail operations, before final sale to a customer. Before fiscal 2015, Champion Holdings internally financed the majority of its retail inventory. The \$7.7 million increase in average outstanding floor plan borrowings was offset by a net paydown of long-term debt of \$10.0 million.

The decrease in interest income in fiscal 2016 as compared to fiscal 2015 was the result of a reduction of cash investments due to the paydown of debt during fiscal 2015 and a one-time interest benefit of \$0.3 million recognized during fiscal 2015 in conjunction with the settlement of the contractual claim discussed below. During fiscal 2015, Champion Holdings Canadian subsidiary paid a \$24.7 million dividend, and repaid intercompany interest to Champion Holdings. The cash invested in Canada prior to repayment was earning interest at a higher rate than after being invested in the U.S. See *Contractual Obligations and Commitments* on page 139 below for more information

related to interest bearing obligations.

*Other expense:* The following table summarizes other expense for the years ended April 2, 2016 and March 28, 2015:

<b>(Dollars in thousands)</b>	<b>Year Ended</b>		<b>Change</b>	<b>% Change</b>
	<b>April 2, 2016</b>	<b>March 28, 2015</b>		
Other expense (income)	\$ 632	\$ (2,740)	\$ 3,372	(123.1%)



Other expense for fiscal 2016 consists mainly of a \$0.5 million charge related to the deductible on an insured loss at one of the U.S. manufacturing facilities. Other income for fiscal 2015 is comprised of a benefit recognized for contractual claims of the pre-bankruptcy entities U.S. income tax net operating loss carryback for specified liability losses.

*Income tax expense:* The following table summarizes income tax expense for the years ended April 2, 2016 and March 28, 2015:

(Dollars in thousands)	Year Ended		Change	% Change
	April 2, 2016	March 28, 2015		
Income tax expense	\$ 2,640	\$ 5,018	\$ (2,378)	(47.4%)
Effective tax rate	20.5%	(42.9%)		

The effective tax rate in fiscal 2016 was lower than the federal statutory rate of 35% because Champion Holdings maintained a full valuation allowance on its deferred tax assets in the U.S., consisting primarily of net operating loss carry-forwards. Tax expense in fiscal 2016 and fiscal 2015 primarily reflects the taxable impact of Champion Holdings operations in Canada including Canadian withholding taxes on the dividend distribution in fiscal 2015.

*Loss from Discontinued Operations:* The following table summarizes loss from discontinued operations for the years ended April 2, 2016 and March 28, 2015:

(Dollars in thousands)	Year Ended		Change	% Change
	April 2, 2016	March 28, 2015		
Loss from discontinued operations	\$ (10,248)	\$ (641)	\$ (9,607)	N/M

N/M indicates the calculated percentage is not meaningful.

During fiscal 2016, Champion Holdings committed to a plan to dispose of its U.K. operations, and therefore, classified the results of operations of its U.K. subsidiaries as discontinued and the assets and liabilities as held for sale. The loss from discontinued operations in fiscal 2016 and 2015 reflects the operating activities of the U.K. subsidiaries for the year. The sale of the U.K. operations was completed on January 20, 2017.

*Adjusted EBITDA*: The following table reconciles net loss, the most directly comparable U.S. GAAP measure to Adjusted EBITDA, a non-GAAP financial measure, for the years ended April 2, 2016 and March 28, 2015:

(Dollars in thousands)	Year Ended		Change	% Change
	April 2, 2016	March 28, 2015		
Net loss	\$ (20)	\$ (17,367)	\$ 17,347	99.9%
Loss from discontinued operations	10,248	641	9,607	N/M
Income tax expense	2,640	5,018	(2,378)	(47.4%)
Interest expense, net	3,658	2,848	810	28.4%
Depreciation and amortization	6,258	6,953	(695)	(10.0%)
Foreign currency losses	3,173	11,309	(8,136)	(71.9%)
Transaction costs	118	(2,740)	2,858	104.3%
Equity based compensation	516	480	36	7.5%
Restructuring charges	35	2,114	(2,079)	(98.3%)
Insured property losses	514	-	514	100.0%
Lower of cost or market adjustment of development inventory	3,000	4,993	(1,993)	(39.9%)
Other	(1)	(268)	267	99.6%
<b>Adjusted EBITDA</b>	<b>\$ 30,139</b>	<b>\$ 13,981</b>	<b>\$ 16,158</b>	<b>115.6%</b>

N/M indicates the calculated percentage is not meaningful.

Adjusted EBITDA for fiscal 2016 was \$30.1 million, an increase of \$16.2 million over fiscal 2015. The primary driver of the increase was a \$28.8 million increase in operating income generated by the increase in manufacturing output and sales as well as the reduction in direct and indirect costs as a percent of sales, as discussed previously. The improvement in operating income also includes an \$8.1 million reduction in foreign currency losses which are included in selling, general and administrative expense. Foreign currency losses are included as an adjustment to calculate Adjusted EBITDA, and as such, the adjustment offsets a portion of the increase in operating income.

Adjusted EBITDA is presented as a supplemental measure of Champion Holdings' financial performance that management believes is useful to investors because the excluded items may vary significantly in timing or amounts and/or may obscure trends useful in evaluating and comparing Champion Holdings' operating activities across reporting periods. Not all companies use identical calculations and, accordingly, Champion Holdings' presentation of Adjusted EBITDA may not be comparable to other similarly titled measures of other companies.

## Liquidity and Capital Resources

The following table presents summary cash flow information for the nine months ended December 30, 2017 and December 31, 2016, and for the years ended April 1, 2017, April 2, 2016 and March 28, 2015:

(Dollars in thousands)	Nine Months Ended		April 1, 2017	Year Ended	
	December 30, 2017	December 31, 2016		April 2, 2016	March 28, 2015
	(unaudited)				
Net cash (used in) provided by:					
Operating activities	\$ (671)	\$ 16	\$ 34,289	\$ 37,258	\$ 13,595
Investing activities	(7,610)	(16,037)	(17,624)	(4,001)	(95)
Financing activities	4,618	4,886	3,694	(8,624)	(22,545)
Effect of exchange rate changes on cash and cash equivalents	1,557	(845)	(586)	(1,377)	(6,078)
Net (decrease) increase in cash and cash equivalents continuing operations	(2,106)	(11,980)	19,773	23,256	(15,123)
Net (decrease) increase in cash and cash equivalents discontinued operations	-	(990)	(1,943)	(16,857)	1,804
Net (decrease) increase in cash and cash equivalents	\$ (2,106)	\$ (12,970)	\$ 17,830	\$ 6,399	\$ (13,319)
Cash and cash equivalents at end of period	\$ 78,906	\$ 50,212	\$ 81,012	\$ 63,182	\$ 56,783

At December 30, 2017, total liquidity was \$78.9 million, consisting of unrestricted cash and cash equivalents. Champion Holdings also had restricted cash of \$22.8 million which is maintained as collateral for letters of credit issued to support industrial revenue bonds, repurchase obligations, self-insurance programs and bonding facilities. Cash balances and cash flow from operations for the next year are expected to be adequate to fund capital expenditures as well as any scheduled debt payments due during that period. The level of cash availability is projected to be in excess of cash needed to operate the business for the next year. In the event that operating cash flow is inadequate and one or more capital resources were to become unavailable, Champion Holdings would revise operating strategies accordingly.

Cash and cash equivalents decreased by \$2.1 million during the nine months ended December 30, 2017. The reduction was a result of the working capital impact of the FEMA orders discussed below and investments in capital improvements totaling \$7.9 million, even though operating income for the period was \$24.0 million higher than in the prior year. During 2017, Champion Holdings also began paying cash for taxes in the U.S. after utilizing its remaining net operating loss carryforwards. Payments for taxes in the U.S. and Canada totaling \$10.5 million were made during the nine months ended December 30, 2017.

During the nine months ended December 30, 2017, Champion Holdings entered into various task orders with FEMA to supply homes to be used for housing assistance for people impacted by recent natural disasters. The agreement with FEMA had a short-term negative impact on working capital because Champion Holdings is required to incur all

material and labor costs until the units are inspected and accepted by FEMA. FEMA payment terms are generally longer than terms for traditional customers. At December 30, 2017, Champion Holdings estimated the working capital impact of FEMA to be \$29.3 million, which was comprised primarily of accounts receivable of \$26.7 million, which FEMA paid subsequent to December 30, 2017.

Cash and cash equivalents increased by \$17.8 million during fiscal 2017. The increase in cash was primarily driven by operating income of \$34.7 million and less cash used for discontinued operations. Cash used for discontinued operations was \$1.9 million, \$14.9 million less than fiscal 2016 due to the disposition of the U.K. operations during the year. In addition, Champion Holdings used cash for capital improvements of \$7.0 million and for acquisitions of \$14.7 million. Champion Holdings received cash of \$5.1 million for the sale of fixed assets, primarily idled facilities, and \$4.1 million for increased advances on floor plan facilities.

Changes in working capital items for fiscal 2017 provided less cash than in the prior year as a result of an increase in accounts receivable of \$9.8 million, inventory of \$13.6 million and accounts payable and other liabilities of \$25.7 million resulting from the increase in sales, timing of cash receipts and disbursements and expanded operations.

Cash and cash equivalents increased by \$6.4 million during fiscal 2016 compared to a decrease of \$13.3 million in fiscal 2015. The primary driver of the increase between years was the \$24.6 million increase in operating income from continuing operations, offset in part by \$16.9 million of a use of cash in fiscal 2016 by Champion Holdings discontinued operations. Champion Holdings also had negative cash flows of \$2.8 million and \$20.4 million in fiscal 2015 related to the refinancing of certain debt and an increase of restricted cash, respectively. Cash flows in fiscal 2015 were also negatively impacted by \$6.1 million of fluctuations in foreign currencies, primarily the Canadian dollar and the British pound.

In the last two fiscal years, Champion Holdings has neither declared nor paid any cash dividends to its members. Champion Holdings has previously retained earnings to support operations and to finance the growth and development of its business. Payment of any future dividends will be at the discretion of Champion Holdings board of managers and, if applicable, in accordance with the terms of the Exchange Agreement.

### Contractual Obligations and Commitments

The following table presents a summary of payments due by period for Champion Holdings contractual obligations for long-term debt, capital leases and operating leases as of December 30, 2017:

(Dollars in thousands)	Payments due by period: After December 30, 2017 (1)				
	Total	< 1 Year	1 to 3 Years	3 to 5 Years	> 5 Years
Term Notes due March 2020	\$ 46,997	\$ 400	\$ 46,597	\$ -	\$ -
Obligations under industrial revenue bonds due 2029	12,430	-	-	-	12,430
Capital lease obligations and other debt	6	6	-	-	-
Operating leases	18,616	4,929	6,662	4,658	2,367
<b>Total</b>	<b>\$ 78,049</b>	<b>\$ 5,335</b>	<b>\$ 53,259</b>	<b>\$ 4,658</b>	<b>\$ 14,797</b>

(1) The variable interest on outstanding debt obligations is not included in the repayment information.

(2) Based on the outstanding debt obligations and variable rates in effect at December 30, 2017, estimated annual interest expense on Champion Holdings term notes and industrial revenue bonds would be \$3.5 million. Interest on outstanding debt obligations is paid quarterly.

### Credit Facility

On March 19, 2010, Champion Holdings entered into a credit agreement (the *Credit Agreement*) with lenders that primarily included Champion Holdings equity holders and certain of their affiliates. On March 19, 2015 (the *Amendment Effective Date*), the Credit Agreement was amended and restated (the *Amendment*), and the Credit Agreement amended and restated pursuant to the Amendment, the *Amended Credit Agreement*). Immediately prior to

the closing of the Amendment, Champion Holdings had outstanding term notes under the existing credit agreement (the *Existing Term Notes* ) of \$37.8 million, reimbursement notes of \$22.0 million, and synthetic deposits of \$22.1 million. Under the terms of the Amended Credit Agreement, on the Amendment effective date, (i) \$23.8 million of the Existing Term Notes, and (ii) \$11.9 million of synthetic deposits were exchanged for term notes under the Amended Credit Agreement, due March 19, 2020. The remaining \$14.0 million of Existing Term Notes and \$10.2 million synthetic deposits were repaid to non-participating lenders on the Amendment effective date. Following the Amendment effective date, on September 19, 2015, Champion Holdings exchanged \$12.5 million of the outstanding reimbursement notes for term notes under the Amended Credit Agreement, and repaid the remaining \$9.5 million of outstanding balance of the reimbursement notes to non-participating lenders.

As of December 30, 2017, the aggregate principal amount of the term notes outstanding under the Amended Credit Agreement was \$47.0 million. Indebtedness under the Amended Credit Agreement is secured by substantially all assets of Champion Holdings U.S. operations and a pledge of 65% of Champion Holdings equity interests in its foreign operations. The term notes require quarterly principal payments of \$0.1 million and mature on March 19, 2020. Obligations under the Amended Credit Agreement bear interest, based on Champion Holdings discretion, at either (i) a base rate plus a margin, or (ii) the London Interbank Offered Rate ( *LIBOR* ) plus a margin. The base rate is the greater of the administrative agent's prime interest rate or the federal funds rate plus 0.5%. LIBOR is based on monthly LIBOR interest periods of up to one year, at Champion Holdings discretion. For term notes priced using the base rate, the margin is 4.5%. Term notes priced using LIBOR require that LIBOR cannot be less than 1.0%, and the margin is 5.5%.

The Amended Credit Agreement contains covenants that restrict the amount of additional debt, liens and certain payments, including equity buybacks, investments, dispositions, mergers and consolidations, among other things. Champion Holdings was in compliance with all covenants of the Amended Credit Agreement as of December 30, 2017.

#### ***Letter of Credit Facility***

Champion Holdings provides letters of credit issued by a commercial bank under a separate stand-alone facility (the *L/C Facility* ) collateralized with restricted cash equaling 101% of the issued letters of credit. At December 30, 2017, letters of credit issued under the stand-alone facility totaled \$22.6 million and were secured by \$22.8 million of restricted cash. Champion Holdings is required to pay annual fronting and administrative fees of approximately 1.1% of the outstanding letters of credit under the L/C Facility.

#### ***Industrial Revenue Bonds***

Obligations under industrial revenue bonds are supported by letters of credit and bear interest based on a municipal bond index rate. The industrial revenue bonds require lump-sum payments of principal upon maturity in 2029.

#### ***Floor Plan Payable***

At December 30, 2017, Champion Holdings had outstanding borrowings on floor plan financing arrangements of \$24.0 million. Champion Holdings retail operations utilize floor plan financing to fund the acquisition of manufactured homes for display or resale. Total available borrowings under the arrangements as of December 30, 2017 were \$43.0 million. Borrowings are secured by the homes acquired and are required to be repaid when Champion Holdings sells the home to a customer.

#### ***Contingent Obligations***

Champion Holdings had contingent liabilities and obligations at December 30, 2017, including surety bonds and letters of credit totaling \$42.5 million and \$22.6 million respectively. Additionally, Champion Holdings is contingently obligated under repurchase agreements with certain lending institutions that provide floor plan financing to independent retailers. The contingent repurchase obligation as of December 30, 2017 was approximately \$113.0 million, without reduction for the resale value of the homes. See *Critical Accounting Policies Reserve for Repurchase Commitments* discussed on page 143 below.

Champion Holdings has provided various representations, warranties and other standard indemnifications in the ordinary course of its business in agreements to acquire and sell business assets and in financing arrangements. Champion Holdings is subject to various legal proceedings and claims that arise in the ordinary course of its business.





In the normal course of business, Champion Holdings' subsidiaries historically provided certain parent company guarantees to two Champion Holdings U.K. customers. These guarantees provide contractual liability for proven construction defects up to 12 years from the date of delivery of the units. The guarantees remain a contingent liability of Champion Holdings, subsequent to the disposition of the U.K. operations, which declines over time through October 2027. As of the date of this report, no claims have been reported under the terms of the guarantees.

Management believes the ultimate liability with respect to these contingent obligations will not have a material effect on Champion Holdings' consolidated financial position, results of operations or cash flows.

### **Adjusted EBITDA**

Champion Holdings defines Adjusted Earnings Before Interest Taxes and Depreciation and Amortization ( *Adjusted EBITDA* ) as net income or loss plus (a) the provision for income taxes, (b) interest expense, net, (c) depreciation and amortization, (d) gain or loss from discontinued operations, (e) foreign currency gains and losses, (f) equity based compensation, (g) non-cash restructuring charges and impairment of assets, and (h) other non-operating costs including those for the acquisition or disposition of businesses and idle facilities. Adjusted EBITDA is not a measure of earnings calculated in accordance with U.S. GAAP, and should not be considered an alternative to, or more meaningful than, net income or loss prepared on a U.S. GAAP basis. Adjusted EBITDA does not purport to represent cash flow provided by, or used in, operating activities as defined by U.S. GAAP, which is presented in the Statement of Cash Flows. In addition, Adjusted EBITDA is not necessarily comparable to similarly titled measures reported by other companies.

Champion Holdings believes Adjusted EBITDA is useful to an investor in evaluating operating performance for the following reasons:

Adjusted EBITDA is widely used by investors to measure a company's operating performance without regard to items such as interest income and expense, taxes, depreciation and amortization and equity-based compensation, which can vary substantially from company to company depending upon accounting methods and the book value of assets, capital structure and the method by which assets were acquired; and

analysts and investors use Adjusted EBITDA as a supplemental measure to evaluate the overall operating performance of companies in our industry.

Champion Holdings' management uses Adjusted EBITDA:

for planning purposes, including in the preparation of our internal annual operating budget and periodic forecasts;

in communications with the board of managers and investors concerning our financial performance;

as a significant factor in determining bonuses under management's annual incentive compensation program; and

as a measure of operating performance used to determine our ability to provide cash flows to support investments in capital assets, acquisitions and working capital requirements for operating expansion and large construction projects.

**Critical Accounting Policies**

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent

assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates. Assumptions and estimates of future earnings and cash flow are used in the periodic analyses of the recoverability of goodwill, intangible assets, deferred tax assets and property, plant and equipment. Historical experience and trends are used to estimate reserves, including reserves for self-insured risks, warranty costs and wholesale repurchase losses. Following is a description of each accounting policy requiring significant judgments and estimates.

### ***Revenue Recognition***

For manufacturing shipments to independent retailers and builders/developers, sales revenue is generally recognized when wholesale floor plan financing or retailer credit approval has been received, the home is shipped, and title is transferred. As is customary in the factory-built housing industry, a significant portion of Champion Holdings manufacturing sales to independent retailers are financed under floor plan agreements with financing companies ( ***Floor Plan Lenders*** ). Payment for floor plan sales is generally received 5 to 15 business days from the date of invoice.

In connection with the floor plan programs, Champion Holdings generally has separate agreements with the Floor Plan Lenders that require Champion Holdings to repurchase homes upon default by the retailer and repossession of the homes by the Floor Plan Lender. These repurchase agreements are applicable for various periods of time, generally up to 24 months after the sale of the home to the retailer. However, certain homes are subject to repurchase until the home is sold by the retailer. The repurchase price is generally equal to the lesser of (i) the unpaid balance of the floor plan loans or (ii) the original loan amount less any contractual installment payments made prior to the repurchase, plus certain administrative costs incurred by the Floor Plan Lender to repossess the homes, less the cost of any damage, missing parts or accessories, which are the responsibility of the Floor Plan Lender. Champion Holdings accrues estimated losses for these repurchase obligations at the time a home is sold. For additional information, see *Reserve for Repurchase Commitments* on page 143 below.

For retail sales to consumers from company-owned retail sales centers, sales revenue is recognized when the home has been delivered, set up and accepted by the consumer; title has transferred; and either funds have been received from the finance company or directly from the home buyer, depending on the nature of the transaction.

Champion Holdings recognizes revenue and related cost of sales for long-term construction contracts under the percentage-of-completion method. Management estimates the stage of completion on each construction project based on contract milestones and costs incurred. Billed and unbilled revenue on long-term construction contracts is included in trade accounts receivable.

Sales revenue is reported net of applicable sales tax.

### ***Reserves for Self-Insured Risks***

Champion Holdings is self-insured for a significant portion of its general insurance, product liability, workers compensation, auto, health and property insurance. Insurance coverage is maintained for catastrophic exposures and those risks required to be insured by law. Champion Holdings has a \$150,000 deductible for incurred losses for workers compensation and auto liability and is responsible for losses up to the first \$500,000 per occurrence for general, product liability, and property insurance. Generally catastrophic losses are insured up to \$100 million. The health plan is subject to a stop-loss limit of \$300,000 per occurrence. Estimated self-insurance costs are accrued for all expected future expenditures for reported and unreported claims based on historical experience.

### ***Warranty Reserves***

Champion Holdings factory-built housing operations generally provide each retail homebuyer or builder/developer with a 12-month warranty from the date of retail purchase. Estimated warranty costs are accrued as

cost of sales at the time of sale. Warranty provisions and reserves are based on estimates of the amounts necessary to settle existing and future claims on homes sold as of the balance sheet date. Factors used to calculate the warranty obligation include the estimated number of homes still under warranty and the amount and timing of historical costs incurred to service homes.

Champion Holdings has recorded a liability for estimated future warranty costs relating to homes sold, based upon assessment of historical experience factors. Factors used in the estimation of the warranty liability include the estimated amount of homes still under warranty including homes in retailer inventories, homes purchased by consumers still within the 12-month warranty period, the timing in which work orders are completed and the historical average costs incurred to service a home.

Construction defect claims may arise during a significant period of time after product completion. Although general liability insurance and reserves for such claims are maintained, based on assessments as described previously, which to date have been adequate, there can be no assurance that warranty and construction defect claims will remain at current levels or that such reserves will continue to be adequate. A large number of warranty and construction defect claims exceeding current levels could have a material adverse effect on the results of operations.

### ***Impairment of Long-Lived Assets***

It is Champion Holdings' policy to evaluate the recoverability of property, plant and equipment whenever events and changes in circumstances indicate that the carrying amount of assets may not be recoverable, primarily based on estimated selling price, appraised value or projected undiscounted future cash flows.

### ***Income Taxes and Deferred Tax Assets***

Champion Holdings is not subject to income taxes but is treated as a partnership for U.S. tax purposes, and therefore, its income or loss is passed through to its equity members. Champion Holdings' U.S. and foreign subsidiaries are subject to income taxes in their respective tax jurisdictions.

Deferred tax assets and liabilities are determined based on temporary differences between the financial statement amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. A valuation allowance is provided when Champion Holdings determines that it is more likely than not that some or all of the deferred tax assets will not be realized. During fiscal 2017, considering all available evidence, Champion Holdings concluded that it was more likely than not that its U.S. deferred tax assets would be realized. As a result, the valuation allowance that had previously been provided with respect to the net deferred tax assets in the U.S. was released.

### ***Reserve for Repurchase Commitments***

As is customary in the factory-built housing industry, a significant portion of the manufacturing operations' sales to independent retailers are made pursuant to repurchase agreements with lending institutions that provide wholesale floor plan financing to the retailers. Certain homes sold pursuant to repurchase agreements are subject to repurchase, generally up to 24 months after the sale of the home to the retailer. Certain other homes sold pursuant to repurchase agreements are subject to repurchase until the home is sold by the retailer. For those homes with an unlimited repurchase period, Champion Holdings' risk of loss upon repurchase declines due to required monthly principal payments by the retailer. After 24 or 30 months from the date of Champion Holdings' sale of the home, the risk of loss on these homes is low, and by the 46th month, most programs require that the home be paid in full, at which time Champion Holdings no longer has risk of loss. Pursuant to these agreements, during the repurchase period, generally upon default by the retailer and repossession by the financial institution, Champion Holdings is obligated to repurchase the homes from the Floor Plan Lender. The contingent repurchase obligation as of December 30, 2017,

was estimated to be approximately

142

\$113.0 million, without reduction for the resale value of the homes. Losses under repurchase obligations represent the difference between the repurchase price and net proceeds from the resale of the homes, less accrued rebates, which will not be paid. Losses incurred on homes repurchased have been insignificant in recent periods. The reserve for estimated losses under repurchase agreements was \$0.7 million at December 30, 2017.

Champion Holdings guarantees a portion of its customers' floor plan obligations beyond the customary repurchase arrangements discussed previously. Champion Holdings has agreed to guarantee from 2.9% to 50% of certain retailers' outstanding loans to a Floor Plan Lender. At December 30, 2017, those guarantees totaled \$1.6 million, of which, \$1.5 million was outstanding.

### ***Retailer Volume Rebates***

Champion Holdings' factory-built housing operations sponsor volume-based rebate programs under which sales to retailers and builders/developers can qualify for cash rebates. Rebates are generally based on the level of sales attained during a 12-month period and are accrued at the time of sale. Rebates are included as a reduction of net sales in the consolidated statements of operations.

### **Off Balance Sheet Arrangements**

Off balance sheet arrangements at December 30, 2017 consist of the contingent repurchase obligation totaling approximately \$113.0 million, letters of credit totaling \$22.6 million, and surety bonds totaling \$42.5 million. The letters of credit are backed by restricted cash included in Champion Holdings' consolidated balance sheet. See *Contractual Obligations and Commitments*, *Contingent Obligations* and *Critical Accounting Policies*, *Reserve for Repurchase Commitments* on pages 140 and 143, respectively, above for more information related to off balance sheet arrangements.

### **Related Party Transactions**

Champion Holdings is a party to a management agreement with its Sponsors pursuant to which it pays an annual management fee to the Sponsors of \$1.5 million plus reimbursable expenses. Under the agreement, the Sponsors provide management, consulting, financial, and other advisory services to Champion Holdings. The management agreement will be terminated in connection with the completion of the Exchange. No fees will be due or payable under the management fee agreement following its termination.

### **Inflation**

Inflation has not had a material effect on profitability during the past three years. Commodity prices, including lumber, have fluctuated over the past few years, but increases have generally been passed on to customers or mitigated through working with supply chain partners. However, sudden increases in specific costs, as well as price competition, can affect the ability to pass on costs and adversely impact results of operations. Therefore, there is no assurance that inflation or the impact of rising material costs will not have a significant impact on revenue or results of operations in the future.

### **Seasonality**

The housing industry is affected by seasonality, which includes factory-built homes. Sales during the period from March to November are traditionally higher than other months. As a result, quarterly results of a particular period are not necessarily representative of the results expected for the year.

### **Recently Issued Accounting Standards**

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance prescribes a single, common revenue standard that replaces most existing revenue recognition guidance



in U.S. GAAP. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The standard also requires new, expanded disclosures regarding revenue recognition. Several ASUs have been issued since the issuance of ASU 2014-09. These ASUs, which modify certain sections of ASU 2014-09, are intended to promote a more consistent interpretation and application of the principles outlined in the standard. This guidance is effective for annual reporting periods beginning after December 15, 2017, or Champion Holdings' fiscal year commencing April 1, 2018, and is to be applied retrospectively at Champion Holdings' election either to each prior reporting period presented or with the cumulative effect of application recognized at the date of initial application. Early adoption is permitted. Champion Holdings is currently assessing the impact the adoption of this standard will have on its operations and its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. A lessee should recognize in the consolidated balance sheet a liability to make lease payments (the lease liability) and an asset representing its right to use the underlying asset for the lease term. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous requirements. This ASU is effective for fiscal years beginning after December 31, 2018, or Champion Holdings' fiscal year commencing April 1, 2019. Modified retrospective application and early adoption is permitted. Champion Holdings is currently assessing the impact the adoption of this standard will have on its operations and its consolidated financial statements.

In November 2016, the FASB issued ASU 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash*, which provides guidance on the presentation of restricted cash or restricted cash equivalents in the statement of cash flows. ASU 2016-18 will be effective beginning with the first quarter of Champion Holdings' fiscal year 2019. The adoption of ASU 2016-18 is not expected to have a material impact on the consolidated financial statements and will only change the presentation of the Consolidated Statement of Cash Flows.

## **Quantitative and Qualitative Disclosures about Market Risk**

### ***Interest Rate Risk***

Debt obligations under the Amended Credit Agreement are currently subject to variable rates of interest based on LIBOR, the administrative agent's prime rate or the U.S. federal funds rate. A 100 basis point increase in the underlying interest rate would result in an additional annual interest expense of approximately \$0.5 million, assuming average related debt of \$47.0 million, which was the amount of outstanding borrowings on the term notes at December 30, 2017.

Obligations under industrial revenue bonds are subject to variable rates of interest based on a municipal bond index rate. A 100 basis point increase in the underlying interest rates would result in additional annual interest expense of approximately \$0.1 million, assuming average related debt of \$12.4 million, which was the amount of outstanding borrowings on industrial revenue bonds at December 30, 2017.

Obligations under floor plan financing arrangements are subject to variable rates of interest based on terms negotiated with the Floor Plan Lenders. A 100 basis point increase in the underlying interest rates would result in additional annual interest expense of approximately \$0.2 million, assuming average related floor plan borrowings of \$24.0 million, which was the amount of outstanding borrowings on floor plan financing at December 30, 2017.

Champion Holdings' approach to interest rate risk is to balance borrowings between fixed rate and variable rate debt as management deems appropriate. At December 30, 2017, Champion Holdings' borrowings under the Term Loans, industrial revenue bonds and floor plan financing arrangements were all at variable rates.



***Foreign Exchange Risk***

Champion Holdings is exposed to foreign exchange risk with its factory-built housing operations in Canada. The Canadian operations had fiscal 2017 net sales of \$121.5 million Canadian dollars. Assuming future annual Canadian net sales equal to fiscal 2017, a change of 1.0% in exchange rates between the U.S. and Canadian dollars would change consolidated sales by \$1.2 million. Net income of the Canadian operations would also be affected by changes in exchange rates. Champion Holdings also has foreign exchange risk for cash balances maintained in Canadian dollars that are subject to fluctuating values when exchanged into U.S. dollars. Champion Holdings does not financially hedge its investment in the Canadian operations.

## PROPOSAL #1

### APPROVAL OF CHARTER AMENDMENT

*The following is a summary of the proposed amendments to the current Restated Articles of Incorporation of Skyline to be voted upon by Skyline's shareholders at the Special Meeting. The following summary is qualified in its entirety by reference to the full text of the proposed Amended and Restated Articles of Incorporation of Skyline attached as Appendix B to this proxy statement. Appendix B shows the portions of the current Restated Articles of Incorporation that will be deleted or changed and provisions that will be added once all the proposals described in this section are approved and the Amended and Restated Articles of Incorporation become effective. We urge you to read Appendix B to this proxy statement in its entirety.*

Skyline's Board, upon the recommendation of the Special Committee, has determined that it is advisable to, fair, and in the best interests of Skyline and its shareholders to amend and restate the Restated Articles of Incorporation of Skyline, which contain the material changes set forth in the following three proposals, on which Skyline's shareholders will vote separately.

**Proposal #1A:** Approval of an amendment to the Articles to change the name of Skyline to Skyline Champion Corporation.

**Proposal #1B:** Approval of an amendment to the Articles to increase the number of authorized shares of Skyline's Common Stock from 15,000,000 to 115,000,000.

**Proposal #1C:** Approval of an amendment to the Articles to provide that the number of directors to serve on the Company's board of directors shall be as specified in the Company's Amended and Restated By-Laws, as may be amended from time to time (the **By-Laws**).

Each of Proposals #1A, #1B, and #1C are collectively referred to in the following proposal descriptions as the **Charter Amendment Proposals**.

#### **Description of Proposal #1A**

The Board has approved and is recommending to Skyline's shareholders for approval at the Special Meeting an amendment and restatement of the Restated Articles of Incorporation, which includes the change of Skyline's name from Skyline Corporation to Skyline Champion Corporation.

#### **Description of Proposal #1B**

The Board has approved and is recommending to Skyline's shareholders for approval at the Special Meeting an amendment and restatement of the Restated Articles of Incorporation, which includes the terms of Skyline's authorized Common Stock. The Restated Articles of Incorporation currently authorizes 15,000,000 shares of Common Stock. The proposed Amended and Restated Articles of Incorporation would increase the authorized Common Stock from 15,000,000 shares to 115,000,000 shares of Common Stock. The shares of Common Stock authorized by the Amended and Restated Articles of Incorporation would have the same rights and privileges as the shares of Common Stock currently authorized under the Restated Articles of Incorporation. No new class of capital stock of Skyline is being created or authorized as a result of the amendments being made in the Amended and Restated Articles of Incorporation. In addition to the shares needed to complete the Exchange, additional shares would be available to provide the combined company with the flexibility to use its common stock for business, financial, and compensatory purposes in the future.

**Description of Proposal #1C**

The Board has approved and is recommending to Skyline's shareholders for approval at the Special Meeting an amendment and restatement of the Restated Articles of Incorporation, which includes a provision

stating that the number of directors to serve on the Company's board of directors shall be as specified in the By-Laws. The Restated Articles of Incorporation currently provides that Skyline shall have the number of directors as specified in the By-Laws, but that in no event shall the number of directors be less than three nor more than ten, and that in the event the By-Laws do not state the number of directors, the number of directors shall be nine. The proposed Amended and Restated Articles of Incorporation would remove the language in the current provision specifying the number of directors to serve on the board, resulting in a simple provision in the Amended and Restated Articles of Incorporation that the number of directors will be as specified in the By-Laws. This amendment would streamline the Amended and Restated Articles of Incorporation and remove the potential for any inconsistencies in the organizational documents of the combined company regarding the size and composition of the board of directors, resulting in all such provisions being contained in the By-Laws. This amendment also would provide flexibility to the board of directors of the combined company to make changes to the size of the board in an efficient, straightforward, and cost-effective manner without having to seek and obtain shareholder approval for such changes, which in many cases would prove to be time-consuming and costly. This change also is consistent with modern corporate governance practices.

### **Purpose and Effect of Approving the Charter Amendment Proposals**

As discussed above under the section captioned *The Exchange* beginning on page 54, on January 5, 2018 Skyline entered into the Exchange Agreement with Champion Holdings. For the reasons discussed above under the section captioned *The Exchange Skyline's Reasons for the Exchange; Recommendation of Skyline's Board of Directors*, the Board, upon the recommendation of the Special Committee, has unanimously determined that the Exchange Agreement and the transactions contemplated thereby are advisable to, fair, and in the best interests of Skyline and its shareholders. The purpose of amending and restating Skyline's Restated Articles of Incorporation, as set forth in the Charter Amendment Proposals above and more fully set forth in the proposed Amended and Restated Articles of Incorporation attached hereto as Appendix B, is to make all necessary changes to allow Skyline to complete the Exchange in accordance with the Exchange Agreement and perform its obligations thereunder. The Exchange is described in greater detail in this proxy statement. The completion of the Exchange is conditioned on the approval of the Charter Amendment Proposals, which compose the Amended and Restated Articles of Incorporation. If all of the Charter Amendment Proposals are not approved, the Exchange may not occur.

### **Vote Required**

Approval of each of the Charter Amendment Proposals requires the affirmative vote of the holders of a majority of the outstanding shares of Skyline Common Stock. If you fail to vote, either in person or by proxy, or you attend the Special Meeting or deliver a proxy but abstain from voting, or you do not instruct your broker or other nominee how to vote your shares, the resulting non-attendance, abstention, or broker non-vote will have the same effect as a vote AGAINST the approval of Proposals #1A, #1B, and #1C. If a quorum is not present at the Special Meeting, the shareholders entitled to vote at the Special Meeting may adjourn the Special Meeting until a quorum is present. Any signed proxies received by Skyline in which no voting instructions are provided on these Proposals #1A, #1B, and #1C will be voted FOR each of Proposals #1A, #1B, and #1C.

Implementation of the Amended and Restated Articles of Incorporation as set forth in each separate proposal above is conditioned upon the approval of each Charter Amendment Proposal, which together comprise the Amended and Restated Articles of Incorporation. If all the Charter Amendment Proposals are approved, such proposals, in the form of the Amended and Restated Articles of Incorporation, will not take effect until immediately prior to the closing of the Exchange under the Exchange Agreement. Conversely, if all of the Charter Amendment Proposals are not approved, then none of the changes set forth in Proposals #1A, #1B, and #1C will occur.

**Board of Directors Recommendation**

**Skyline s Board unanimously recommends that shareholders vote FOR the approval Charter Amendment Proposal #1A, FOR the approval of Charter Amendment Proposal #1B, and FOR the approval of Charter Amendment Proposal #1C, which together compose the Amended and Restated Articles of Incorporation of Skyline.**

**PROPOSAL #2**

**SHARES ISSUANCE PROPOSAL**

**Shares Issuance**

Pursuant to the terms of the Exchange Agreement and the rules of the NYSE American, Skyline is also asking its shareholders to consider and vote on the proposal to issue to Champion Holdings (or its members), in connection with the Exchange, the number of shares of Skyline Common Stock equal to (i) an exchange ratio of 5.4516129, multiplied by (ii) the total number of outstanding shares of Skyline Common Stock on a fully diluted basis as determined immediately prior to the closing of the transactions contemplated by the Exchange. Based on the number of shares of Skyline Common Stock, calculated on a fully diluted basis (as determined in the Exchange Agreement), as of [ ], 2018, the number of shares that would be issued pursuant to the foregoing calculation is 47,828,330 shares.

Under the Exchange Agreement, for purposes of the foregoing calculation the number of outstanding shares of Skyline Common Stock on a fully diluted basis (as determined in the Exchange Agreement) is comprised of (i) the total number of shares of Skyline Common Stock issued and outstanding; plus (ii) all shares of Skyline Common Stock that Skyline may be required to issue or deliver (regardless of the conversion or exercise price, method of settlement or form of payment, whether vested or unvested, and any other terms or conditions) pursuant to any outstanding subscription, option, call, warrant, preemptive right, restricted stock unit, or right to acquire Skyline Common Stock, or security or material contract that is or may become convertible into or exchangeable for Skyline Common Stock.

Approval of the Shares Issuance Proposal is a condition to the closing of the Exchange. If Skyline's shareholders do not approve the Shares Issuance Proposal, the Exchange cannot be completed.

**Vote Required**

Approval of the Shares Issuance Proposal requires that the votes cast by Skyline's shareholders in favor of the proposal exceed the votes cast opposing the proposal. Abstentions and broker non-votes will have no impact on the outcome of the vote on this proposal. If a quorum is not present at the Special Meeting, the shareholders entitled to vote at the Special Meeting may adjourn the Special Meeting until a quorum is present. Any signed proxies received by Skyline in which no voting instructions are provided on the Shares Issuance Proposal will be voted **FOR** the Shares Issuance Proposal.

**Board of Directors Recommendation**

**Skyline's Board unanimously recommends that shareholders vote **FOR** the approval of the Shares Issuance Proposal.**



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## PROPOSAL #3

### NON-BINDING ADVISORY VOTE ON EXCHANGE-RELATED COMPENSATION

#### General

As required by Section 14A of the Exchange Act and Rule 14a-21(c) promulgated thereunder, Skyline is required to submit a proposal to its shareholders for a non-binding advisory vote to approve the payment of certain compensation to the named executive officers of Skyline that is based on or otherwise relates to the Exchange. This proposal gives Skyline shareholders the opportunity to express their views on the compensation that Skyline's named executive officers may be entitled to receive that is based on or otherwise relates to the Exchange.

The compensation that Skyline's named executive officers may be entitled to receive that is based on or otherwise relates to the Exchange is summarized in *Interests of the Skyline Directors and Executive Officers in the Exchange*, beginning on page 79. This summary and the related table include all compensation and benefits that may be paid or provided in connection with the completion of the Exchange.

Therefore, Skyline is requesting the approval of Skyline's shareholders, on a non-binding advisory basis, of the compensation of the named executive officers of Skyline based on or related to the Exchange and the agreements and understandings concerning such compensation. As required by Rule 14a-21(c) of the Exchange Act, Skyline is asking its shareholders to adopt the following resolution:

RESOLVED, that the compensation to be paid or become payable to the named executive officers of Skyline Corporation that is based on or otherwise relates to the share contribution and exchange transaction between Skyline Corporation and Champion Enterprises Holdings, LLC, and the agreements and understandings concerning such compensation, as disclosed in the section captioned *Interests of the Skyline Directors and Executive Officers in the Exchange* beginning on page 79 and the related table and narratives pursuant to Item 402(t) of Regulation S-K and the associated narrative discussion, are hereby APPROVED.

The vote on this Proposal 3 is a vote separate and apart from the vote on Proposal 1 to approve the Charter Amendment Proposals and Proposal 2 to approve the Shares Issuance Proposal. Because this proposal is advisory in nature only, a vote for or against approval will not be binding on Skyline, Champion Holdings, or the combined company regardless of whether the Charter Amendment Proposals and Shares Issuance Proposal are approved. Accordingly, as the compensation to be paid to the named executive officers of Skyline based on or related to the Exchange is contractual with the executives, regardless of the outcome of this vote, such compensation will be payable, subject only to the conditions applicable thereto, if the Exchange is completed. This proposal includes compensation that would be paid or provided by Skyline if paid or provided prior to or upon the closing of the Exchange, and which would be paid or provided by the combined company if paid or provided following closing of the Exchange. If the Exchange is not completed, the Board will consider the results of the vote in making future executive compensation decisions.

#### Vote Required

Approval of the Exchange-Related Compensation Proposal requires that the votes cast by Skyline's shareholders in favor of the proposal must exceed the votes cast opposing the proposal. Abstentions and broker non-votes will have no impact on the outcome of the vote on this proposal. Any signed proxies received by Skyline in which no voting instructions are provided on the Exchange-Related Compensation Proposal will be voted **FOR** the Exchange-Related Compensation Proposal.

#### Board of Directors Recommendation

**Skyline's Board unanimously recommends that shareholders vote FOR the approval of the non-binding advisory resolution approving the Exchange-related compensation of Skyline's named executive officers, and the agreements or understandings concerning such compensation.**

**PROPOSAL #4**

**ADJOURNMENT OF THE SPECIAL MEETING**

In addition to the proposals set forth elsewhere in this proxy statement, the shareholders of Skyline are being asked to approve a proposal to adjourn or postpone the Special Meeting to permit further solicitation of proxies in the event that an insufficient number of shares of Common Stock is present in person or by proxy to approve the Charter Amendment Proposals, Shares Issuance Proposal, or Exchange-Related Compensation Proposal.

A majority of the outstanding shares of Skyline Common Stock is required to be represented at the Special Meeting, in person or by proxy, for a quorum to be present. In the event that shareholder participation at the Special Meeting is lower than expected, Skyline would like the flexibility to postpone or adjourn the meeting in order to attempt to secure broader shareholder participation. If Skyline desires to adjourn the Special Meeting, Skyline will request a motion that the Special Meeting be adjourned, and delay the vote on the Charter Amendment Proposals, Shares Issuance Proposal, and Exchange-Related Compensation Proposal described herein until the Special Meeting is reconvened. If Skyline adjourns the Special Meeting for 120 days or less, Skyline will not set a new record date and will announce prior to adjournment the date, time, and location at which the Special Meeting will be reconvened. No other notice will be provided. Unless revoked prior to its use, any proxy solicited for the Special Meeting will continue to be valid for any adjourned or postponed Special Meeting, and will be voted in accordance with the shareholder's instructions and, if no contrary instructions are given, for the Charter Amendment Proposals, Shares Issuance Proposal, and Exchange-Related Compensation Proposal.

Any adjournment will permit Skyline to solicit additional proxies and will permit a greater expression of the views of Skyline's shareholders with respect to the Exchange. Such an adjournment would be disadvantageous to shareholders who are against the aforementioned proposals because an adjournment will give Skyline additional time to solicit favorable votes and increase the chances of approving those proposals. Skyline has no reason to believe that an adjournment of the Special Meeting will be necessary at this time.

**Skyline's Board unanimously recommends that shareholders vote FOR the proposal to adjourn or postpone the Special Meeting, if necessary.**

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**UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION  
OF SKYLINE CHAMPION CORPORATION**

The following unaudited pro forma condensed combined balance sheet of Skyline and Champion Holdings as of March 4, 2018, and the unaudited pro forma condensed combined income statements of Skyline and Champion Holdings for the nine months ended March 4, 2018, February 28, 2017 and for the year ended May 31, 2017, are based upon the combined historical financial statements of Skyline, which are incorporated by reference into this proxy statement, and Champion Holdings included elsewhere in this proxy statement, after giving effect to the Exchange and the Financing (as defined below in the *Debt Financing* section of this proxy statement), through the pro forma adjustments described in the accompanying notes. Subsequent to completion of the Exchange, the company will be named Skyline Champion Corporation.

The unaudited pro forma condensed combined balance sheet reflects the pro forma effects of the Exchange and the Financing as if they had occurred on March 4, 2018. The unaudited pro forma condensed combined income statements for the year ended May 31, 2017, the nine months ended March 4, 2018 and the nine months ended February 28, 2017, combine the historical income statements of Skyline and the historical statements of operations of Champion Holdings, adjusted to reflect the pro forma effects of the Exchange and the Financing as if they had occurred on June 1, 2016, the beginning of the earliest period presented. The unaudited pro forma condensed combined financial information includes certain pro forma adjustments that are intended to provide information about the continuing impact of the Exchange and the Financing on the financial position and results of operations of the combined companies subsequent to the completion of the Exchange. The historical financial information has been adjusted in the unaudited pro forma condensed combined financial statements to give effect to unaudited pro forma adjustments that are (i) directly attributable to the Exchange and the Financing, (ii) factually supportable, and (iii) with respect to the unaudited pro forma condensed combined income statements, expected to have a continuing impact on the consolidated operating results. The pro forma adjustments set forth in the unaudited pro forma condensed combined financial information reflect the following:

the exchange of Champion Holdings' interests in its wholly-owned operating subsidiaries for Skyline Common Stock;

the changes in depreciation and amortization expense following the Exchange resulting from the fair value adjustments to the identifiable net tangible assets and amortizable intangible assets and other Exchange related adjustments;

the anticipated release of restrictions on cash which currently serves as collateral for certain letters of credit issued under CHB's stand-alone letter of credit facility resulting in the issuance of backstop or replacement letters of credit as a result of the Financing; and

payment of the special cash dividends provided for in the Exchange Agreement.

The unaudited pro forma condensed combined financial information should be read in conjunction with the unaudited and audited consolidated historical financial statements of Champion Holdings and the notes thereto included in this proxy statement, and in Skyline's Quarterly Reports on Form 10-Q for the nine months ended March 4, 2018 and February 28, 2017 and its Annual Report on Form 10-K for the year ended May 31, 2017, each of which is incorporated by reference into this proxy statement, as well as the disclosures contained in each company's

Management's Discussion and Analysis of Financial Condition and Results of Operations. Additional information about the basis of presentation of this information is provided in *Note 1. Basis of Presentation* below.

**Description of the Exchange Transaction**

On January 5, 2018, Skyline and Champion Holdings announced that they had entered into the Exchange Agreement, which provides for the combination of Skyline and Champion Holdings' respective businesses.

In accordance with the Transaction, (i) Champion Holdings will contribute to Skyline all of the issued and outstanding shares of common stock of the Champion Companies, and (ii) Skyline will issue to Champion Holdings (or its members) a number of shares of Skyline Common Stock, such that at the completion of the Exchange, Champion Holdings (or its members) will hold 84.5%, and Skyline's shareholders will hold 15.5%, on a fully diluted basis (as determined in the Exchange Agreement), of the common stock of the combined company.

Based on the number of shares of Skyline Common Stock, calculated on a fully diluted basis, (as determined in the Exchange Agreement) as of April 13, 2018, Skyline will issue 47.8 million shares of Skyline Common Stock in the Exchange to Champion Holdings (or its members). Based upon the reported closing price of \$25.75 per share for Skyline Common Stock on the NYSE American on April 13, 2018, the total value of the shares to be issued by Skyline is approximately \$1.2 billion. In addition, based on that closing price, the total estimated Purchase Price, as defined further below, is \$219.9 million and will be allocated to the assets and liabilities of Skyline assumed in the Exchange. The actual value of the consideration will depend on the market price of Skyline Common Stock at the time of the completion of the Exchange. Therefore, the Purchase Price will fluctuate with the market price of Skyline Common Stock until the completion of the Exchange.

The terms of the Exchange Agreement provide that each entity may pay a dividend prior to completion of the Exchange to the extent each entity has cash in excess of debt and other debt-like items and unpaid Exchange fees and expenses, as defined in the Exchange Agreement, subject to certain requirements. Each entity intends to declare and pay the respective dividends, to the extent permissible. In addition, Skyline has repaid its existing life insurance loans. Skyline Champion Corporation expects to enter into a revolving credit facility that will be used for working capital needs and as support for outstanding letters of credit. After the revolving credit facility is in place, and CHB's outstanding cash collateralized letters of credit are backstopped or replaced by letters of credit under the new revolving credit facility, the current restrictions on cash are anticipated to be removed, as reflected in the pro forma adjustments below. Champion Holdings is exploring a possible refinancing of its Existing Term Loans of \$47.0 million, but has not determined whether to do so; its alternatives with respect to the Existing Term Loans include: (i) repaying all or a portion of the Existing Term Loans, (ii) refinancing the Existing Term Loans including with new term loans or an upsized revolving credit facility, or (iii) leaving the Existing Term Loans in place. The final amount of debt and the amount of the respective company's dividend will fluctuate based on cash generated from operations prior to the completion of the Exchange. The accompanying unaudited pro forma condensed combined financial information was prepared assuming that the new revolving credit facility will be consummated, that the Existing Term Loans will remain in place and that there will be no change in total outstanding debt, including draws under the revolving credit facility, other than the repayment of the Skyline life insurance loans, which is management's best estimate of the amount of cash and debt for Skyline Champion Corporation after the Exchange.

Champion Holdings has granted awards to certain members of its management, employees and other service providers under an equity-classified management incentive plan ( *MIP* ). Champion Holdings has also granted awards to certain members of management of a subsidiary under a liability-based plan ( *Liability Award* ). The MIP provides the right to receive distributions of cash or property on the same terms as other holders of equity in Champion Holdings if the awards under the MIP vest. A portion of the MIP awards to management vest over time, and the remainder of the awards vest upon satisfaction of a performance condition. The Liability Award, if vested, will provide cash distributions to the participants in the Liability Award upon the occurrence of certain specified events. The Exchange is not expected to result in the vesting of awards under the MIP or the Liability Award, and as such, the portion of the awards under each of the MIP and Liability Award with a performance condition are not considered probable of vesting. Champion Holdings is contemplating changes to the MIP and Liability Awards to preserve the current underlying economics while better aligning the vesting provisions with those of a public company.

It is being contemplated that shortly following the Exchange, the equity interests underlying the MIP awards would be liquidated and the award holders will receive unregistered restricted shares of Skyline



Champion Corporation (the *Restricted Shares* ), and that the Restricted Shares would be subject to vesting terms that are comparable to the current vesting terms (with modifications to reflect the status of a public company). In this case, the Restricted Shares would be allocated from the 47.8 million shares issued to Champion Holdings (or its members) shortly following the completion of the Exchange with no dilutive impact on current Skyline shareholders. It is further contemplated that any Restricted Shares that are forfeited prior to vesting will be returned to Skyline Champion Corporation under the terms of the modified agreements. The fair value of the MIP awards at the time of the Exchange cannot be determined until the terms of the plan are final. However, in a hypothetical scenario under which all performance-based MIP awards were to vest concurrently with or following the Exchange, Skyline Champion Corporation would recognize non-cash compensation expense of \$46 million at such time. Non-cash compensation expense under the hypothetical scenario set forth in the immediately preceding sentence was estimated using a Monte Carlo price simulation assuming the maximum estimated number of shares to be issued to employees. The actual remeasured fair value, resulting non-cash compensation expense and timing of recognition of expense would be based on the final terms of the modified MIP awards, the probability of the awards vesting and the fair value as determined on the modification date using an estimate of the number of awards expected to vest. If the MIP awards are not modified, then the resulting fair value non-cash compensation expense and timing of recognition may differ from what is described above.

A modification to the terms of the Liability Award is also being contemplated. Possible compensation expense to be recognized by Skyline Champion Corporation will depend on the final terms and the probability of participants in such plan achieving the performance conditions. In a hypothetical scenario under which the performance conditions become probable concurrently with or following the Exchange, Skyline Champion Corporation would recognize compensation expense to the extent of the fair value of the awards over a derived service period. Champion Holdings did not include an adjustment for the MIP or Liability Award in the unaudited pro forma condensed combined income statements included in this proxy, because management does not expect the Exchange to result in the vesting of awards under the MIP or the Liability Award, and as such, the portion of the awards under each of the MIP and Liability Award with a performance condition are not considered probable of vesting.

After the completion of the Exchange, Skyline Champion Corporation will own and operate the Champion Holdings operations through CHB and CIBV, which will be Skyline Champion Corporation's wholly owned subsidiaries, and will also continue their current businesses. Skyline and Champion Holdings anticipate that the common stock of the combined company will be listed on the NYSE following the completion of the Exchange under the trading symbol SKY. The shares of Skyline Common Stock issued to Champion Holdings (or its members) will not be registered at the time of the completion of the Exchange.

The Exchange is expected to be accounted for as a reverse acquisition under the acquisition method of accounting, which requires determination of the accounting acquirer. The accounting guidance for business combinations, Accounting Standards Codification ( ASC ) 805, *Business Combinations*, provides that in identifying the acquiring entity in a combination effected through an exchange of equity interests, all pertinent facts and circumstances must be considered, including the following:

*The relative voting interests of Skyline Champion Corporation after the completion of the Exchange.* Champion Holdings (or its members) are expected to receive approximately 84.5% of the equity ownership and associated voting rights in Skyline Champion Corporation after the completion of the Exchange.

*The size of the combining companies in the Exchange.* The relative sizes are measured in terms of assets, revenues, net income and other applicable metrics. Champion Holdings would represent 85%,



78% and 100%, and Skyline would represent 15%, 22% and 0%, of the combined assets, revenues and net income, as of their respective years ended April 1, 2017 and May 31, 2017, as applicable.

*The composition of the governing body of the company after the completion of the Exchange.* The composition of the combined company's board of directors following the completion of the Exchange will be comprised of two directors selected by Skyline and nine directors selected by Champion Holdings.

Based on the foregoing analysis, Champion Holdings will be considered the accounting acquirer. Upon the completion of the Exchange, Champion Holdings will apply the acquisition method of accounting to the assets and liabilities of Skyline.

Under U.S. GAAP, consideration transferred in a business combination shall be measured at fair value. Since membership units of Champion Holdings are not publicly traded and do not have a readily observable market price, the per share value used in these unaudited pro forma condensed combined financial statements equals the closing per share market price of Skyline Common Stock on April 13, 2018. U.S. GAAP provides that in an exchange of equity interests, an acquiree's stock may be a more reliable measure of fair value. The quoted per share price of Skyline Common Stock has been determined to be the most factually supportable measure available in the determination of the fair value of the consideration transferred (the **Purchase Price**), given the market participant element of stock traded in an active market. The number of shares of Skyline Common Stock used to calculate the Purchase Price in these unaudited pro forma condensed combined financial statements is based on the outstanding equity capitalization of Skyline as of March 4, 2018.

The unaudited pro forma condensed combined financial information was prepared in accordance with Article 11 of Regulation S-X. As discussed above, the unaudited pro forma adjustments reflecting the completion of the Exchange have been prepared in accordance with the acquisition method of ASC 805, and reflect the preliminary allocation of the Purchase Price to the acquired assets and liabilities based upon their estimated fair values, using the assumptions set forth in the notes to the unaudited pro forma condensed combined financial information.

The unaudited pro forma condensed combined financial information is provided for informational purposes only and is not necessarily indicative of the operating results or financial position that would have occurred if the Exchange had been completed as of the dates set forth above, nor is it indicative of the future results or financial position of the combined company. In connection with the unaudited pro forma condensed combined financial information, Champion Holdings allocated the Purchase Price using its best estimates of fair value of Skyline's assets and liabilities. These estimates are based on the most recently available information. The allocation is dependent upon certain valuation and other analyses that are not yet final. Accordingly, the pro forma Purchase Price allocations are preliminary and subject to further adjustments as additional information becomes available and as additional analyses are performed. There can be no assurances that the final valuations will not result in material changes to these preliminary Purchase Price allocations.

The unaudited pro forma condensed combined financial information also does not give effect to the potential impact of current financial conditions, any anticipated synergies, operating efficiencies or cost savings that may result from the Exchange or any integration costs.

## Skyline Champion Corporation

## Unaudited Pro Forma Condensed Combined Balance Sheet

As of March 4, 2018

(Dollars in thousands)	Historical Skyline	Historical Champion Holding	Reclassifications	Pro Forma Adjustments (to Exchange)	(Notes)	Pro Forma Adjustments for Financing (Notes)	Pro Forma Condensed Combined
<b>Assets</b>							
<b>Current assets</b>							
Cash and cash equivalents	\$ 14,090	\$ 78,906	\$ -	\$ (22,842)	b, k	\$ (9,183)	b, e \$ 60,971
Trade accounts receivable, net	14,345	58,675	-	-		-	73,020
Inventories, net	13,046	84,894	-	350	c	-	98,290
Workers compensation security deposit	800	-	(800)	-		-	-
Other current assets	820	9,046	800	-		-	10,666
<b>Total current assets</b>	<b>43,101</b>	<b>231,521</b>	<b>-</b>	<b>(22,492)</b>		<b>(9,183)</b>	<b>242,947</b>
<b>Noncurrent assets</b>							
Restricted cash	-	22,841	-	-		(22,841)	e -
Property, plant and equipment	10,632	68,950	-	33,368	d	-	112,950
Goodwill	-	3,179	-	149,759	f	-	152,938
Amortizable intangible assets, net	-	1,671	-	32,000	g	-	33,671
Deferred tax assets	-	28,928	-	-		-	28,928
Other noncurrent assets	4,705	2,508	-	(55)	i	-	7,158
<b>Total assets</b>	<b>\$ 58,438</b>	<b>\$ 359,598</b>	<b>\$ -</b>	<b>\$ 192,580</b>		<b>\$ (32,024)</b>	<b>\$ 578,592</b>
<b>Liabilities and Equity</b>							
<b>Current liabilities</b>							
Floor plan payable	\$ -	\$ 24,004	\$ -	\$ -		\$ -	\$ 24,004
Short-term portion of debt	-	406	-	-		-	406
Accounts payable	5,240	26,269	-	-		-	31,509
Customer deposits and receipts in excess of revenues	1,480	19,555	-	-		-	21,035
Accrued volume rebates	3,306	16,787	-	-		-	20,093
Accrued warranty obligations	3,811	12,409	-	-		-	16,220
	3,350	18,479	-	564	l	-	22,393

Accrued compensation and payroll taxes								
Other current liabilities	2,342	22,142	-	(550)	k	-		23,934
<b>Total current liabilities</b>	<b>19,529</b>	<b>140,051</b>	<b>-</b>	<b>14</b>		<b>-</b>		<b>159,594</b>
<b>Long-term liabilities</b>								
Long-term debt	-	59,027	-	-		-		59,027
Deferred compensation expense	4,801	-	(4,801)	-		-		-
Accrued warranty	2,800	-	(2,800)	-		-		-
Deferred tax liabilities	-	-	-	13,727	h	-		13,727
Other	-	3,168	7,601	-		-		10,769
<b>Total noncurrent liabilities</b>	<b>7,601</b>	<b>62,195</b>	<b>-</b>	<b>13,727</b>		<b>-</b>		<b>83,523</b>
<b>Equity</b>								
Contributed capital	-	140,772	-	(140,772)	j	-		-
Common stock	312	-	-	1,325	j	-		1,637
Additional paid-in capital	5,391	-	-	431,424	j	(22,012)	b	414,803
Retained earnings	91,349	24,778	-	(106,115)	j, k	(10,012)	b	-
Treasury stock	(65,744)	-	-	(7,023)	j	-		(72,767)
Accumulated other comprehensive loss	-	(8,198)	-	-		-		(8,198)
<b>Total equity</b>	<b>31,308</b>	<b>157,352</b>	<b>-</b>	<b>178,839</b>		<b>(32,024)</b>		<b>335,475</b>
<b>Total liabilities and equity</b>	<b>\$ 58,438</b>	<b>\$ 359,598</b>	<b>\$ -</b>	<b>\$ 192,580</b>		<b>\$ (32,024)</b>		<b>\$ 578,592</b>

*The accompanying notes are an integral part of, and should be read together with, this unaudited pro forma condensed combined financial information.*

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**Skyline Champion Corporation**
**Unaudited Pro Forma Condensed Combined Income Statement****For the Nine Months Ended March 4, 2018**

(except share and per share amounts)	Historical Skyline	Historical Champion Holdings	Reclassifications (m)	Pro Forma Adjustments for Exchange	(Notes)	Pro Forma Adjustments for Financing	(Notes)
	\$ 174,205	\$ 798,443	\$ -	\$ -		\$ -	
	149,762	664,824	-	1,031	n	-	
	24,443	133,619	-	(1,031)		-	
and administrative expenses	19,157	87,439	(1,905)	2,234	n, o, r, s	-	
sale of property, plant and equipment	(702)	-	702	-		-	
ne	5,988	46,180	1,203	(3,265)		-	
e, net	199	3,164	-	-		(199)	p
	-	2,863	1,203	(3,961)	q	-	
income taxes	5,789	40,153	-	696		199	
ense	-	22,089	-	244	t	70	t
	\$ 5,789	\$ 18,064	\$ -	\$ 452		\$ 129	
ge number of common shares							
	8,391,244			47,879,330	u		
	8,574,146			48,027,428	u		
share applicable to common							
	\$ 0.69						u
	\$ 0.68						u

*The accompanying notes are an integral part of, and should be read together with, this unaudited pro forma condensed combined financial information.*

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**Skyline Champion Corporation**
**Unaudited Pro Forma Condensed Combined Income Statement****For the Nine Months Ended February 28, 2017**

(except share and per share amounts)	Historical Skyline	Historical Champion Holdings	Reclassifications (m)	Pro Forma Adjustments for Exchange	(Notes)	Pro Forma Adjustments for Financing	(Notes)
	\$ 177,042	\$ 615,926	\$ -	\$ -		\$ -	
	162,013	515,035	-	887	n	-	
	15,029	100,891	-	(887)		-	
and administrative expenses	17,070	78,699	-	(2,665)	n, o, r, s	-	
ne	(2,041)	22,192	-	1,778		-	
, net	257	3,208	-	-		(257)	p
	-	1,636	-	-		-	
income taxes	(2,298)	17,348	-	1,778		257	
ense	-	2,409	-	622	t	90	t
	\$ (2,298)	\$ 14,939	\$ -	\$ 1,156		\$ 167	
ge number of common shares							
	8,391,244			47,879,330	u		
	8,391,244			48,210,330	u		
share applicable to common							
	\$ (0.27)						u
	\$ (0.27)						u

*The accompanying notes are an integral part of, and should be read together with, this unaudited pro forma condensed combined financial information.*

## Skyline Champion Corporation

## Unaudited Pro Forma Condensed Combined Income Statement

For the Year Ended May 31, 2017

Items, except share and per share	Historical Skyline	Historical Champion Holdings	Reclassifications (m)	Pro Forma Adjustments for Exchange	(Notes)	Pro Forma Adjustments for Financing (Notes)	Pro Forma Adjustments for Financing (Notes)
	\$ 236,504	\$ 861,319	\$ -	\$ -		\$ -	\$ -
	214,527	717,364	-	1,188	n	-	-
	21,977	143,955	-	(1,188)		-	-
General and administrative expenses	22,908	109,305	(1,280)	(2,055)	n, o, r, s	-	-
Gain on sale of property, plant and equipment	(1,280)	-	1,280	-		-	-
Income	349	34,650	-	867		-	-
Expense, net	344	4,264	-	-		(344)	p
Expense	-	2,380	-	-		-	-
Income before income taxes	5	28,006	-	867		344	
(Benefit) expense	-	(23,321)	-	303	t	120	t
	\$ 5	\$ 51,327	\$ -	\$ 564		\$ 224	\$ -
Average number of common shares							
	8,391,244			47,879,330	u		5
	8,512,374			48,089,200	u		5
Per share applicable to common							
Income	\$ 0.00						u \$
Expense	\$ 0.00						u \$

*The accompanying notes are an integral part of, and should be read together with, this unaudited pro forma condensed combined financial information.*

## Notes to Unaudited Pro Forma Condensed Combined Financial Information

## 1. Basis of Presentation

Skyline and Champion Holdings have different fiscal year ends and the unaudited pro forma condensed combined financial information combines the accounting periods of Skyline and Champion Holdings following the legal form of the Exchange in which Skyline is the legal acquirer. Regulation S-X, Rule 11-02(c)(3) allows the combination of financial information for companies if their fiscal years end within 93 days of each other. As such, Skyline's historical

results for the unaudited pro forma condensed combined financial statements are derived from Skyline's unaudited consolidated balance sheet as of March 4, 2018, unaudited consolidated income statements for the nine months ended March 4, 2018 and February 28, 2017 and audited consolidated income statement for the year ended May 31, 2017. Champion Holdings' historical results are derived from Champion Holdings' unaudited consolidated balance sheet as of December 30, 2017, unaudited consolidated statement of operations for the nine months ended December 30, 2017 and December 31, 2016 and audited consolidated statement of operations for the year ended April 1, 2017.

Certain financial information of Skyline, as presented in its historical consolidated financial statements, has been reclassified to conform to the historical presentation in Champion Holdings' consolidated financial statements, for purposes of preparing the unaudited pro forma condensed combined financial statements. Refer to note 4 of this unaudited pro forma condensed combined financial information for an explanation of these reclassifications.

No fair value adjustments to the historical financial information for Champion Holdings, as a result of the Exchange, are expected as Champion Holdings was determined to be the accounting acquirer.



**2. Calculation of Estimated Purchase Price**

The Purchase Price is determined with reference to the value of equity of the accounting acquiree (in this case, Skyline, the legal acquirer). The fair value of Skyline Common Stock is based on the closing stock price on April 13, 2018 of \$25.75. The Purchase Price is calculated as follows:

(In thousands, except number of shares and stock price)	<b>Purchase Price</b>
Number of Skyline shares outstanding (1)	8,391,244
Skyline Common Stock price (2)	\$25.75
Estimated fair value of Skyline Common Stock consideration	\$ 216,075
Estimated fair value of Skyline stock-based compensation (3)	\$3,814
<b>Estimated Purchase Price</b>	<b>\$ 219,889</b>

(1) Number of shares of Skyline Common Stock issued and outstanding as of March 4, 2018.

(2) Closing price of Skyline Common Stock on the NYSE American on April 13, 2018.

(3) Estimated fair value of Skyline stock-based compensation represents the portion of the estimated aggregate fair value of Skyline's accelerated stock-based compensation awards (restricted stock and stock options) attributable to the service periods prior to the Exchange. The remaining estimated aggregate fair value of the awards totaling approximately \$5.0 million that was accelerated as a result of the Exchange will be recognized as non-cash stock-based compensation expense by Skyline Champion Corporation immediately post-Exchange. The fair value of Skyline's stock-based compensation was determined using the Black-Scholes model for the stock options and the stock price of Skyline's Common Stock at April 13, 2018 times the number of restricted shares that will be vested at the time of the Exchange.

For pro forma purposes, the fair value of the consideration given and thus the estimated Purchase Price was determined based on the \$25.75 per share closing price of Skyline Common Stock on April 13, 2018. The final Purchase Price could significantly differ from the amounts presented in the unaudited pro forma condensed combined financial information due to movements in the market price of Skyline Common Stock as of the completion of the Exchange. A sensitivity analysis related to fluctuations in the market price of Skyline Common Stock was performed to assess the impact that a hypothetical 10% change in the market price of Skyline Common Stock on April 13, 2018 would have on the estimated Purchase Price and goodwill as of the completion of the Exchange.

The following table shows the stock price with a 10% positive and a 10% negative change in the market price of Skyline Common Stock and the effect on estimated consideration transferred and goodwill.

**(Dollars in thousands, except stock price)**

**Goodwill**

	<b>Stock Price</b>	<b>Estimated Purchase Price</b>	
Change in stock price:			
Increase of 10%	\$ 28.33	\$ 241,893	\$ 171,434
Decrease of 10%	23.18	197,968	128,166

***Preliminary Purchase Price Allocation***

Under the acquisition method of accounting, the identifiable assets acquired and liabilities assumed of Skyline are recorded at the acquisition date fair values and added to those of Champion Holdings. The pro forma adjustments are preliminary and based on estimates of the fair value and useful lives of the assets acquired and liabilities assumed as of March 4, 2018 and have been prepared to illustrate the estimated effect of the Exchange.

The final determination of Purchase Price allocation upon the completion of the Exchange will be based on Skyline's net assets acquired as of that date and will depend on a number of factors, which cannot be predicted with any certainty at this time. The Purchase Price allocation may change materially based on the receipt of more detailed information; therefore, the actual allocations will differ from the pro forma adjustments presented. There can be no assurances that these additional analyses and final valuations will not result in significant changes to the estimates of fair value set forth below.

The preliminary Purchase Price was allocated as follows, based on Skyline's assets and liabilities as of March 4, 2018.

(Dollars in thousands)	Purchase Price
<b>Purchase Price</b>	
Estimated fair value of Skyline Common Stock consideration	\$ 216,075
Estimated fair value of Skyline stock-based compensation awards	3,814
<b>Estimated Purchase Price</b>	<b>\$ 219,889</b>
<b>Historical Book Value of Net Assets Acquired</b>	
Book value of Skyline's historical net assets as of March 4, 2018	\$ 31,308
Less Skyline's Exchange related costs expected to be incurred	(4,567)
Less retirement of Skyline's debt issuance costs	(55)
Less Skyline dividend declared before the Exchange	(7,983)
Less accrued compensation and payroll taxes	(564)
<b>Net assets to be acquired</b>	<b>\$ 18,139</b>
<b>Allocation of Purchase Price</b>	
Net assets to be acquired	\$ 18,139
Inventory	350
Property, plant and equipment	33,368
Intangibles	32,000
Deferred tax liabilities	(13,727)
Goodwill	149,759
<b>Total allocation of Purchase Price</b>	<b>\$ 219,889</b>

The goodwill expected to be recognized is primarily attributed to expected synergies from combining Skyline with Champion Holdings existing business, including, but not limited to, expected cost synergies through procurement activities and sharing of best practices. These cost synergies will help Skyline Champion Corporation become more operationally efficient and improve the accuracy and quality of products produced. Based on management's assessment of the geographic locations, operations and product offerings at each of Skyline Champion Corporation's facilities, management believes that there is a strategic opportunity to streamline overlapping functions and production mix via campus clusters.

### 3. Conforming Accounting Policies

Following the Exchange, management will conduct a review of Skyline's accounting policies in an effort to determine if differences in accounting policies require reclassification of Skyline's results of operations or reclassification of assets or liabilities to conform to Champion Holdings' accounting policies and classifications. As a result of that review, management may identify differences between the accounting policies of the two companies that, when conformed, could have a material impact on these unaudited pro forma condensed combined financial statements. During the preparation of these unaudited pro forma condensed combined

financial statements, management was not aware of any material differences between the accounting policies of the two companies and accordingly, these unaudited pro forma condensed combined financial statements do not assume any material differences in accounting policies between the two companies, other than certain financial statement reclassifications described in Note 4.

#### 4. Pro Forma Adjustments

##### *Adjustments to Unaudited Pro Forma Condensed Combined Balance Sheet*

(a) Represents reclassifications to conform to Champion Holdings' basis of presentation, which have no effect on the net equity of Skyline. The balance sheet adjustments relate to the worker's compensation security deposit which was reclassified to other current assets, and deferred compensation expense and accrued warranty which were reclassified to other noncurrent liabilities.

<b>(Dollars in thousands)</b>	<b>March 4, 2018</b>
Increase/(Decrease)	
Workers' compensation security deposit	\$ (800)
Other current assets	800
Increase/(Decrease)	
Deferred compensation expense	\$(4,801)
Accrued warranty	(2,800)
Other noncurrent liabilities	7,601

(b) Represents estimated dividends to be paid prior to the completion of the Exchange. The Exchange Agreement provides for dividends to be paid prior to the completion of the Exchange to both the Skyline shareholders and the Champion Holdings members. For purposes of the pro forma statements, the dividends are estimated, using cash and debt balances to be \$8.0 million for Skyline and \$32.0 million for Champion Holdings. The dividends have been calculated using each Company's respective cash less transaction expenses to be incurred prior to the completion of the Exchange and indebtedness. Cash, transaction expenses and indebtedness are defined in the Exchange Agreement. The amount of the dividends will be adjusted depending on the final values of cash and debt outstanding at the time such dividends are declared.

The dividends were calculated as follows:

<b>(Dollars in thousands)</b>	<b>Skyline</b>	<b>Champion Holdings</b>
Cash, as defined	\$ 14,090	\$ 101,747
Less transaction expenses, as defined	(5,131)	(10,290)
Less indebtedness, as defined	(976)	(59,433)
Dividends	\$7,983	\$32,024

(c) Represents the estimated adjustment to step-up Skyline inventories to fair value of approximately \$13.4 million, an increase of \$0.4 million from the carrying value. The fair value calculation is preliminary and subject to change. Fair value was based on the estimated selling price of the inventory, less the remaining manufacturing and selling costs and a normal profit margin on those manufacturing and selling efforts. After the Exchange, the step-up inventory value of \$0.4 will increase cost of sales over approximately nine months as the inventory is sold. That increase is not reflected in the unaudited pro forma condensed combined income statements because it does not have a continuing impact on the combined entity.

(d) Represents an adjustment of \$33.4 million to increase the basis of acquired property, plant and equipment to estimated fair value of \$44.0 million. The acquisition date fair value of property, plant and equipment was estimated using a combination of the cost and sales comparison approaches. The final determination of the fair value of property, plant and equipment will depend on the result of site inspections, detailed comparison to market data, and a review of fixed asset registers as of the completion of the Exchange.

(e) Represents the removal of the restriction on Champion Holdings' restricted cash of \$22.8 million and reclassification to cash as a result of the Financing. This adjustment assumes the restriction on cash is removed as a result of Champion Holdings' ability to replace or backstop existing cash collateralized letters of credit through utilization of the letter of credit facility under the new revolving credit facility.

(f) Represents goodwill associated with the Exchange.

(g) Represents the fair value of Skyline's identifiable intangible assets, including trade names of \$5.0 million and customer relationships of \$27.0 million. The fair value of the trade name intangible asset was estimated using the relief-from-royalty method of the income approach. The final determination of the trademark intangible asset will depend on changes to assumptions used for the expected life of the intangible asset, the royalty rate and the discount rate that reflects the level of risk associated with the future cash flows as determined at the time of the final valuation.

The fair value of the customer relationship intangible asset was estimated using the multi-period excess earnings method of the income approach. The final determination of the customer relationship intangible asset will depend on changes to the assumptions used for projected cash flows attributable to the acquired customer relationships, the annual attrition rate of existing customer relationships, the contributory asset charges attributable to the assets that support the customer relationships, such as net working capital, property, plant and equipment, trade name, and workforce, the economic life and the discount rate as determined at the time of the final valuation.

(h) Represents an increase in deferred tax liabilities of \$13.7 million which reflects the establishment of deferred taxes for the stepped-up assets of Skyline. The tax balance sheet of Skyline will not be adjusted for the fair value of the tangible and intangible assets discussed above. As a result, deferred tax liabilities will be recorded in the opening balance sheet to offset the effect, for tax purposes, of the increase in depreciation and amortization expense in the income statements of Skyline after the Exchange is complete. The deferred tax liabilities were determined using the Federal Statutory Rate of 21% which was the rate in effect at March 4, 2018.

(i) Represents the elimination of deferred financing fees of \$0.1 million for the Skyline revolving credit agreement. The revolving credit agreement will be terminated in conjunction with the completion of the Exchange.

(j) Represents adjustments to total equity for the following:

- i. elimination of the historical equity balances of Skyline since Skyline is considered the accounting acquiree in the Exchange;
- ii. recording 2.8 million shares of Treasury Stock at fair value of \$25.75 per share;
- iii. recharacterization of Champion Holdings' historical contributed capital to common stock and additional paid-in capital for the issuance of 47.8 million shares of Skyline Common Stock to Champion Holdings (or its members) at a par value of \$0.0277 per share;
- iv. recording the portion of fair value of Skyline's accelerated stock-based compensation of \$3.8 million attributable to services performed pre-Exchange; and
- v. recording one-time stock-based compensation charge of \$5.0 million for the portion of fair value of Skyline's accelerated stock compensation awards attributable to services performed post-Exchange.





(k) Represents estimated Exchange fees for Skyline and Champion Holdings to be incurred prior to the completion of the Exchange, of which \$0.6 million were accrued by Champion Holdings as of March 4, 2018. The remaining Skyline Exchange fees of \$5.1 million, expected to be paid prior to the completion of the Exchange, are included as an adjustment to goodwill. Champion Holdings remaining Exchange fees of \$9.7 million, expected to be paid prior to the completion of the Exchange, are included as an adjustment to retained earnings.

(l) Represents the accrual of severance payments of \$0.6 million to be paid after the completion of the Exchange.

***Adjustments to Unaudited Pro Forma Condensed Combined Income Statements***

(m) Represents reclassifications to conform to Champion Holdings' basis of presentation, which have no effect on net income of Skyline. The income statement adjustments include the reclassification of the gain on sale of property and equipment to selling, general and administrative expenses and the reclassification of fees related to the Exchange to other expense from selling, general and administrative expenses.

(Dollars in thousands)	Nine Months Ended		Year Ended May 31, 2017
	March 4, 2018	February 28, 2017	
Increase/(Decrease)			
Selling, general and administrative expenses	\$(1,905)	\$ -	\$(1,280)
Gain on sale of property and equipment	702	-	1,280
Other expense - Exchange fees	1,203	-	-

(n) Represents pro forma depreciation expense for the stepped-up basis of Skyline's property, plant and equipment. Estimated useful lives of 3 to 7 years were used for machinery and equipment and 20 years for buildings and improvements. The fair value and useful life calculations are preliminary and subject to change. The following table summarizes estimated depreciation expense as recorded in cost of sales and selling, general and administrative expenses:

(Dollars in thousands)	Nine Months Ended		Year Ended May 31, 2017
	March 4, 2018	February 28, 2017	
Estimated depreciation expense			
COGS	\$ 1,558	\$ 1,558	\$ 2,078
Historical depreciation expense - COGS	(527)	(671)	(890)
Estimated depreciation expense			
SG&A	92	92	122
Historical depreciation expense			
SG&A	(31)	(107)	(136)
Pro forma adjustment to depreciation expense	\$ 1,092	\$ 872	\$ 1,174

(o) The following table summarizes the estimated fair values of Skyline's amortizable intangible assets, their estimated useful lives and related amortization expense:

(Dollars in thousands)	Estimated Fair Value	Estimated Useful Life in Years	Amortization Expense		
			Nine Months Ended March 4, 2018	February 28, 2017	Year Ended May 31, 2017
Trade names	\$ 5,000	10	\$ 375	\$ 375	\$ 500
Customer relationships	27,000	10	2,025	2,025	2,700
Total identifiable intangible assets	\$ 32,000		\$ 2,400	\$ 2,400	\$ 3,200

(p) Reflects the change in interest expense for the repayment of the Skyline life insurance loans and the elimination of deferred financing fees for the existing Skyline revolving credit agreement to be retired upon completion of the Exchange. There were no borrowings on the revolving credit agreement at March 4, 2018. The net impact on interest expense is as follows:

(Dollars in thousands)	Nine Months Ended		Year Ended May 31, 2017
	March 4, 2018	February 28, 2017	
Historical interest expense	\$ (100)	\$ (180)	\$ (241)
Historical amortization of debt issuance costs	(99)	(77)	(103)
Proforma adjustments to interest expense	\$ (199)	\$ (257)	\$ (344)

The final amount of debt to be incurred by the combined entity, the amount of new deferred financing fees, and the related impact on interest expense has not yet been determined. The unaudited pro forma condensed combined financial statements do not include adjustments for any changes to Champion Holdings' variable rate term loans or industrial revenue bonds. Assuming the principal amount of new debt is the same as Champion Holdings' Existing Term Loans, a 100-basis point increase/decrease in the interest rate on the new debt would have the effect of increasing/decreasing interest expense by \$0.5 million, respectively.

(q) Represents the removal of \$4.0 million of expenses incurred directly related to the Exchange by both Skyline and Champion Holdings during the nine months ended March 4, 2018. No Exchange expenses were incurred during the nine months ended February 28, 2017 or the year ended May 31, 2017. Exchange expenses will not have a recurring effect on the financial statements of Skyline Champion Corporation subsequent to the completion of the Exchange.

(r) Represents the elimination of the net currency translation loss recognized by Champion Holdings of \$3.6 million for the year ended May 31, 2017 and \$3.9 million for the nine months ended February 28, 2017. Also represents the elimination of the net currency translation gain recognized by Champion Holdings of \$0.9 million for the nine months ended March 4, 2018 on the translation of certain intercompany debt. The intercompany debt has been retired subsequent to March 4, 2018 per the terms of the Exchange Agreement, and as such, Skyline Champion will not be subject to these currency translation gains and losses in future periods.

(s) Represents the elimination of the management fee, plus reimbursable expenses, paid by Champion Holdings to its primary investors under a management service agreement. Management fees were \$1.1 million and \$1.2 million for the nine months ended March 4, 2018 and February 28, 2017, respectively, and \$1.6 million for the year ended May 31, 2017. The management fee agreement will be terminated in connection with the completion of the Exchange.

(t) Represents the adjustment to income taxes to reflect the unaudited pro forma adjustments. The federal statutory tax rate of 35% was used to calculate the income tax effect since that was the rate in effect for the historical pro forma periods for Champion Holdings as the accounting acquirer.

(u) The unaudited pro forma weighted average number of basic common shares outstanding is calculated by adding the 47.8 million shares to be issued to Champion Holdings (or its members), the historical weighted average number of basic common shares outstanding of Skyline and 51,000 shares for Skyline's restricted stock assumed to be fully vested as a result of the Exchange. The unaudited pro forma weighted average basic common shares outstanding have been calculated as if the shares to be issued in the Exchange had been issued and outstanding as of June 1, 2016. The

unaudited pro forma weighted average number of diluted common shares outstanding is calculated by adding the effect of dilutive stock options to the unaudited pro forma weighted average number of basic common shares outstanding. As discussed above, all 331,000 Skyline stock options will be accelerated as a result of the Exchange and were considered fully dilutive for purposes of the unaudited

pro forma condensed combined financial statements. The use of the treasury stock method for Skyline's options would not produce different earnings per share results. Champion Holdings does not have any dilutive securities. If awards are earned under the Champion Holdings equity-based award program discussed above, they will be settled with shares of Skyline Champion Corporation from the allocation of the 47.8 million shares provided to Champion Holdings (or its members) in the Exchange.

#### ***5. Deferred Tax Assets***

At March 4, 2018, Skyline had a valuation allowance for 100% of its deferred tax assets totaling \$32.0 million. Skyline performed a review of its deferred tax assets, primarily net operating losses (NOLs), to assess their utilization after the completion of the Exchange. Based on the expected tax structure of Skyline Champion Corporation, future projected income, limitations as a result of the change of control and applicable expiration dates, management determined certain deferred tax assets are more likely than not to be realized. However, that determination is based primarily on management's estimate of future profitability, which is not considered factually supportable for purposes of pro forma financial disclosures. As a result, a reduction in the valuation allowance was not reflected in the accompanying unaudited pro forma condensed combined financial statements. The final amount of the valuation allowance that may be utilized by Skyline Champion Corporation will be determined at the time of the completion of the Exchange.

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## DEBT FINANCING

CHB, Royal Bank of Canada ( *RBC* ) and Jefferies Finance (together with RBC the *Initial Revolving Lenders* ) have entered into a commitment letter (the *Commitment Letter* ) in respect of a revolving credit facility which is contemplated to be completed at the closing of the Exchange (the *Financing* ). The obligations of the Initial Revolving Lenders under the Commitment Letter are subject to certain conditions, including the accuracy of the representations and warranties specified in the Exchange Agreement to the extent material to the interests of the Initial Revolving Lenders and the consummation of the Exchange. The obligations of the Initial Revolving Lenders under the Commitment Letter terminate on October 31, 2018, if the closing has not occurred by such date.

CHB has agreed to pay a customary closing fee to the Initial Revolving Lenders at the closing of the Financing.

In connection with the Financing, CHB and Skyline Champion Corporation (the *Borrowers* ) expect to become party to an amendment and restatement of CHB's existing credit agreement which provides for:

CHB's existing \$47.0 million term facility (the *Existing Term Loan Facility*, and such term loans, the *Existing Term Loans* ), which is predominantly held by affiliates of the Sponsors, to remain in place on the same economic terms as are currently applicable to the Existing Term Loans;

the addition of a new senior secured revolving credit facility with an aggregate commitment amount of at least \$35 million provided by the Initial Revolving Lenders and up to a further \$15 million provided by additional lenders (the *Revolving Credit Facility*, and together with the Existing Term Loan Facility, the *Credit Facilities* );

the Credit Facilities will include a sub-limit for letters of credit, and it is contemplated that letters of credit issued under the Credit Facility will replace or backstop the approximately \$22.6 million of existing cash collateralized letters of credit outstanding under CHB's existing stand-alone letter of credit facility.

**In addition to the Financing describe above, Champion Holdings is exploring a possible repayment or refinancing of the Existing Term Loans, but has not yet determined whether or not to do so. Its alternatives with respect to the Existing Term Loans include (i) repaying all or a portion of the Existing Term Loans, (ii) refinancing the Existing Term Loans including with new term loans or an upsized revolving credit facility, or (iii) leaving the Existing Term Loans in place. In the event that the Existing Term Loans are refinanced or otherwise repaid, this would have an impact on the maturity date and economics of the Revolving Credit Facility under the terms of the Commitment Letter, as discussed below. The following summary is of the arrangements contemplated in the existing Commitment Letter and does not reflect any such potential repayment or refinancing of the Existing Term Loan Facility or any other modification to the terms of the Credit Facilities contemplated in the Commitment Letter.**

### **Maturity and Amortization**

The Existing Term Loans mature on March 19, 2020 (the *Term Loan Maturity Date* ), and are subject to quarterly amortization of \$0.1 million, with the balance due and payable in full on the Term Loan Maturity Date. The Revolving Credit Facility will mature on the earliest to occur of (i) the fifth anniversary of the closing date and (ii) 45 days prior to the Term Loan Maturity Date, unless the Existing Term Loans have been refinanced or otherwise repaid prior to such date. In the event that the Existing Term Loans are refinanced with a term loan A facility that is pari

passu with the Revolving Credit Facility, the maturity date of the Revolving Credit Facility will be the earliest to occur of (i) the fifth anniversary of the closing date and (ii) the maturity date of such term

loan A facility. If the Existing Term Loans are refinanced with any other type of debt, the maturity date of the Revolving Credit Facility will be the earliest to occur of (i) the fifth anniversary of the closing date and (ii) 90 days prior to the maturity date of such other debt.

### **Pricing**

The Existing Term Loans bear interest at an annual rate equal to either (i) LIBOR plus 5.50% or (ii) a prime rate subject to a floor of 1.00% ( ABR ), plus 4.50%.

Loans under the Revolving Credit Facility ( *Revolving Loans* ) and, together with the Existing Term Loans, the *Loans* ) will bear interest at an annual rate equal to either (i) LIBOR plus 4.75% or (ii) ABR plus 3.75%, subject to reductions in the interest rate spreads in the event of a refinancing or repayment of the Existing Term Loans.

### **Guarantee and Collateral**

Each material wholly owned U.S. restricted subsidiary of the Borrowers will jointly and severally guarantee the amounts owing under the Credit Facilities, subject to customary exceptions.

Amounts owing under the Credit Facilities will be secured by a typical security package granted by the Borrowers and the guarantors, subject to customary exceptions.

### **Prepayment**

Optional prepayments of the Loans will be permitted, and the Loans are subject to certain customary mandatory prepayment events, in each case, with no premium.

### **Covenants; Events of Default**

The definitive documentation with respect to the Credit Facilities will contain customary representations and warranties, affirmative and negative covenants, including restrictions (subject to customary exceptions, qualifications and baskets) on the ability of the Borrowers and their subsidiaries to incur additional indebtedness, issue disqualified stock, pay dividends or distributions on, redeem, repurchase or retire capital stock, make payments on, or redeem, repurchase or retire indebtedness, make investments, loans, advances or acquisitions, enter into sale and leaseback transactions, engage in transactions with affiliates, create liens, transfer or sell assets, guarantee indebtedness, create restrictions on the payment of dividends or other amounts from their subsidiaries, and consolidate, merge or transfer all or substantially all of their assets and the assets of their subsidiaries and events of default.

In addition, the Credit Facilities will include a maximum senior secured net leverage ratio for the benefit of the Revolving Credit Facility lenders set at a level of 3.00 to 1.00 through the first anniversary of the closing date, and 2.75 to 1.00 thereafter.



## EXECUTIVE OFFICERS AND DIRECTORS FOLLOWING THE EXCHANGE

### Executive Officers and Directors

#### *Termination of Current Executive Officers and Certain Directors of Skyline*

The employment of the current executive officers of Skyline is expected to be terminated upon the consummation of the Exchange. In this regard, Skyline's Board, in connection with the closing, will adopt a resolution removing each departing executive officer of Skyline from their respective positions with Skyline effective upon the completion of the Exchange. In addition, each member of the Board, except for the current directors of Skyline set forth below who will be continuing their service on the board of directors of the combined company after the closing, will resign from the Skyline Board effective as of the second day following the closing date.

#### *Executive Officers and Directors of the Combined Company Following the Exchange*

The Exchange Agreement provides that Skyline and its Board, as applicable, will take all actions necessary (including amending the By-Laws), in consultation with Champion Holdings, to cause the board of directors of the combined company, effective as of the second day following the closing, to consist of two members to be designated by Skyline's pre-closing board of directors (both of whom are current Skyline directors), and nine members to be designated by Champion Holdings. The remaining directors of Skyline will resign from the board, effective as of the second day following the closing date.

The combined company's board of directors will initially be fixed at eleven members. Skyline currently does not have a staggered board of directors, and following the closing the combined company is not expected to have a staggered board. Therefore, all of the members of the board of directors will be subject to re-election each year, unless and until a staggered board structure is adopted by the combined company after closing.

The following table lists the names and ages as of [ ], 2018, and positions of the individuals who are expected to serve as executive officers and directors of the combined company upon consummation of the Exchange:

Name	Age	Position(s)
<b><i>Executive Officers</i></b>		
Keith Anderson	56	President, Chief Executive Officer; Director
Laurie Hough	48	Senior Vice President, Chief Financial Officer and Treasurer
<b><i>Non-Employee Directors</i></b>		
Timothy Bernlohr	59	Director
Michael Bevacqua	51	Director
John C. Firth	59	Director
Richard W. Florea	55	Director
Michael Kaufman	46	Director
Daniel R. Osnoss	36	Director
Gary E. Robinette	68	Director
Ian Samuels	33	Director
David Smith	54	Director
Michael Treisman	45	Director
<b><i>Executive Officers</i></b>		

*Keith Anderson* is currently the President and Chief Executive Officer of Champion Holdings and is the CEO of CHB. He has held such positions since June 2015. Mr. Anderson has been a member of Champion

Holdings board of managers since June 2013. Since 2016 he has served on the board of managers of Southwest Stage Funding, LLC d/b/a Cascade Financial Services. He has also been a director of the non-profit Manufactured Housing Institute since 2015. Prior to joining Champion Holdings, Mr. Anderson was EVP and COO of Walter Investment Management Corp. from June 2012 to November 2014. From November 1995 to June 2012, Mr. Anderson held various executive management positions at GreenTree Servicing, LLC and was President and CEO when he left. Mr. Anderson holds a B.S. in Accounting from Illinois State, and an M.B.A. from Depaul University.

*Laurie Hough* is currently the Senior Vice President and Chief Financial Officer of both Champion Holdings and CHB and has served in such capacities since October 2016. Previously, Ms. Hough served as VP and Controller of Champion Holdings and CHB from July 2013 to October 2016, and VP of Accounting & Financial Reporting from October 2010 to July 2013. Prior to her time at Champion Holdings, Ms. Hough was Manager of Financial Consolidations at Chrysler Group LLC and Audit Manager at PwC. Ms. Hough is a licensed CPA and obtained her B.S. in Accounting from Oakland University.

### ***Non-Employee Directors***

*Timothy Bernlohr* is currently Chairman of the Board of Managers of Champion Holdings and has been a member of the Champion Holdings board since 2010. Mr. Bernlohr is the founder and managing member of TJB Management Consulting, LLC, which he founded 2005. Previously, Mr. Bernlohr was President and Chief Executive Officer of RBX Industries, Inc until the company was sold in 2005. Prior to joining RBX in 1997, Mr. Bernlohr spent 16 years in the International and Industry Products division of Armstrong World Industries, where he served in a variety of management positions. Mr. Bernlohr currently serves as a director and the chairman of the audit committee of Atlas Air Worldwide Holdings, Inc.; a director and the chairman of the compensation committee of International Seaways. Mr. Bernlohr holds a B.A. in Arts and Sciences from Pennsylvania State University.

*Michael Bevacqua* is currently a member of the Champion Holdings board of managers and has served in such capacity since 2010. Mr. Bevacqua joined Bain Capital Credit, LP in 1999. He is a Managing Director in Distressed and Special Situations and the head of the Restructuring team. Prior to his current role, he was responsible for investments in the Automotive, Building Products, Transportation, Equipment Rental, Waste Services and Aerospace & Defense sectors at Bain Capital Credit, LP. Previously, Mr. Bevacqua was a Vice President at First Union Capital Markets, an Associate in Corporate Finance at NationsBanc Capital Markets and an officer in the United States Marine Corps. Mr. Bevacqua received an M.B.A. from Pennsylvania State University and a B.S. from Ithaca College.

*John C. Firth* has served as a director of Skyline since 2006. Mr. Firth currently serves as President of Quality Dining, Inc. and is a member of its Board of Directors. Quality Dining operates over 200 restaurants in seven states and employs over 8,000 people. From March 1994 through April 2005, Quality Dining's shares were traded on the NASDAQ. Prior to being named President, Mr. Firth served in a variety of capacities including Executive Vice President, Principal Financial Officer and General Counsel. Before joining Quality Dining in 1996, Mr. Firth was a partner in a South Bend, Indiana law firm. He was appointed to the Indiana Corporate Law Commission by Indiana Governor Joseph E. Kernan (2004 to 2006). Mr. Firth served on the Board of Directors of Smart Temps, LLC, a start-up company which offers industry-leading, cloud-based solutions for real-time temperature management and monitoring from February 2010 until the company was sold to a public company in January 2017. The Board benefits from his executive management experience, strategic vision, corporate governance acumen, business judgment and financial expertise.

*Richard W. Florea* has served as a director and as President and Chief Executive Officer of Skyline since July 2015. Prior to joining Skyline, Mr. Florea served as President and Chief Operating Officer for Truck Accessories Group, LLC, a producer of fiberglass caps and tonneaus for light and mid-sized trucks. From 1998 through 2009, he was President and Chief Operating Officer of Dutchmen Manufacturing, Inc., a maker of travel



trailers. Mr. Florea was a division sales manager for Skyline from 1994 to 1998. Mr. Florea has substantial knowledge of the manufactured housing and recreational vehicle industries, and his demonstrated ability to grow businesses and develop value creation strategies is expected to benefit Skyline's dealer partners and customers, all of which he brings to his Board participation.

*Michael Kaufman* is the Chief Executive Officer of MAK Capital, a financial investment advisory firm based in New York, New York, which he founded in 2002. Mr. Kaufman holds a B.A. degree in Economics from the University of Chicago, where he also received his M.B.A. He also earned a law degree from Yale University.

*Daniel R. Osness* is currently a member of the Champion Holdings board of managers and has served in such capacity since 2012. Mr. Osness is a Senior Managing Director at Centerbridge Partners, which he joined in 2009. Mr. Osness currently serves as a director of Superior Vision Corp. and Davis Vision, Inc. (and related entities), as well as Visionworks of America, Inc. Previously, Mr. Osness was an Associate at Berkshire Partners, a private equity firm. Prior to Berkshire Partners, he was an Investment Banking Analyst in the Leveraged Finance Group at Goldman Sachs. Mr. Osness received an M.B.A. from Harvard Business School and a B.A. from Yale College.

*Gary E. Robinette* is currently a member of the Champion Holdings board of managers and has served in such capacity since 2010. Mr. Robinette has been the President and Chief Executive Officer of Ply Gem Industries Inc. since October 2006, at which time he was also elected to Champion Holdings' Board of Directors. Mr. Robinette was elected Vice Chairman of the Ply Gem Board of Directors in May 2013 and was appointed Chairman of the Ply Gem Board of Directors in 2015. Prior to joining Ply Gem, Mr. Robinette served as Executive Vice President and COO at Stock Building Supply, formerly a Wolseley company, since September 1998, and was also a member of the Wolseley North American Management board of directors. Mr. Robinette held the position of President of Erb Lumber Inc., a Wolseley company, from 1993 to 1998 and served as Chief Financial Officer and Vice President of Carolina Holdings which was the predecessor company of Stock Building Supply. Mr. Robinette received a B.S. in accounting from Tiffin University and a M.B.A. from Xavier University, where he is a member of the board of trustees. He is also a member of the Policy Advisory Board of Harvard University's Joint Center for Housing Studies and serves on the board of directors for three companies sponsored by private equity firms.

*Ian Samuels* is a principal at Centerbridge Partners and has served in such capacity since September 2014. Prior to joining Centerbridge Partners, Mr. Samuels served as a Senior Policy Advisor at the U.S. Department of the Treasury. Mr. Samuels holds a B.S. degree in Economics from the Wharton School of the University of Pennsylvania.

*David Smith* is a Managing Director at MAK Capital, a financial investment advisory firm based in New York, New York that he joined in 2008. Since 2010 Mr. Smith has sat on the Champion board. In that capacity he has gained a considerable understanding of the company's operations and has developed a significant knowledge of the broader modular and manufactured housing industry. Mr. Smith has held professional positions in the financial services industry for over thirty years, and has previously worked with JP Morgan (Chase), Mellon Bank and Hambletonian Partners LP. Mr. Smith holds a B.S. degree in economics from the Wharton School of the University of Pennsylvania and an M.B.A. from Columbia University.

*Michael Treisman* is a deputy general counsel at Bain Capital Credit, LP and has served in such capacity since September 2015. Prior to joining Bain Capital Credit, LP, Mr. Treisman served as general counsel of Tiger Management L.L.C. Mr. Treisman holds a B.A. in English from the University of Pennsylvania and a J.D. from Duke University School of Law.

### **Family Relationships**

There are no family relationships among any of the proposed combined company directors and executive officers. There are no arrangements or understandings with another person under which the directors and executive officers of

the combined company was or is to be selected as a director or executive officer, other than

as set forth in the Exchange Agreement, as described in this proxy statement. Additionally, no director or executive officer of the combined company is involved in legal proceedings which require disclosure under Item 401 of Regulation S-K.

### **Director Independence**

Section 803 of the NYSE American Company Guide and Section 303A.01 of the NYSE Listed Company Manual each require a majority of a listed company's board of directors to be comprised of independent directors. In addition, both the NYSE American Company Guide and NYSE Listed Company Manual require that, subject to specified exceptions, each member of a listed company's audit, compensation, and nominating and corporate governance committees be independent under the Exchange Act. Audit committee members must also satisfy the independence criteria set forth in Rule 10A-3 under the Exchange Act, and compensation committee members must also satisfy the independence criteria set forth in Rule 10C-1 under the Exchange Act. Under Section 803A.(2) of the NYSE American Company Guide and Section 303A.02 of the NYSE Listed Company Manual, a director will only qualify as an independent director if, Skyline's Board affirmatively determines that the director does not have a relationship that would interfere with the exercise of independent judgment in carrying out the responsibilities of a director. In order to be considered independent for purposes of Rule 10A-3, a member of an audit committee of a listed company may not, other than in his or her capacity as a member of the audit committee, the board of directors, or any other board committee, accept, directly or indirectly, any consulting, advisory, or other compensatory fee from the listed company or any of its subsidiaries or otherwise be an affiliated person of the listed company or any of its subsidiaries. In order to be considered independent for purposes of Rule 10C-1, the board must consider, for each member of a compensation committee of a listed company, all factors specifically relevant to determining whether a director has a relationship to such company which is material to that director's ability to be independent from management in connection with the duties of a compensation committee member, including, but not limited to: (1) the source of compensation of the director, including any consulting advisory or other compensatory fee paid by such company to the director; and (2) whether the director is affiliated with the company or any of its subsidiaries or affiliates.

Notwithstanding the foregoing, following the completion of the Exchange, Champion Holdings will control a majority of the voting power of the combined company's common stock and, as such, the combined company would be a controlled company within the meaning of the NYSE American Company Guide and NYSE Listed Company Manual. If, whether under the terms of the Exchange Agreement or otherwise, the Exchange Shares are issued to the members of Champion Holdings, then Champion Holdings expects and intends that certain of its members will be considered a group for purposes of the NYSE American Company Guide and NYSE Listed Company Manual corporate governance requirements, and under such circumstances Champion Holdings expects and intends that the combined company would likewise be considered a controlled company under the NYSE American Company Guide and NYSE Listed Company Manual. Under these rules, a company of which more than 50% of the voting power for the election of directors is held by an individual, group, or another company is a controlled company and may elect not to comply with certain corporate governance requirements, including the requirements that such company (i) have a board of directors that is composed of a majority of independent directors, as defined in the NYSE American Company Guide and NYSE Listed Company Manual, (ii) have a compensation committee that is composed entirely of independent directors, and (iii) have a nominating and corporate governance committee that is composed entirely of independent directors. Skyline and Champion Holdings currently intend that the combined company will rely on all of these exemptions for so long as the combined company is a controlled company.

Based upon information requested from and provided by each director concerning his or her background, employment, and affiliations, including family relationships, it is expected that each of the following directors of the combined company will be an independent director as defined under Section 803 of the NYSE American Company Guide and Section 303A.01 of the NYSE Listed Company Manual following the consummation of the Exchange: Timothy Bernlohr, John C. Firth, and Gary E. Robinette.





**Executive and Director Compensation**

During each of the past three fiscal years, none of the Surviving Corporation Executive Officers or Champion Holdings appointees to the combined company board of directors provided services to, or received compensation from or on behalf of, Skyline, or any of its subsidiaries.

## WHERE YOU CAN FIND MORE INFORMATION

Skyline files annual, quarterly, and current reports, proxy statements, and other information with the SEC. You can find, copy, and inspect information Skyline files at the SEC's public reference room at 100 F Street, N.E., Room 1580, Washington, D.C. 20549. You can call the SEC at 1-800-SEC-0330 for further information about the public reference room. You can review Skyline's electronically filed reports and proxy statements on the SEC's website at <http://www.sec.gov> or on Skyline's website at <http://www.skylinecorp.com>. Information included on Skyline's website is not a part of this proxy statement. Shares of Skyline Common Stock are listed on the NYSE American under the symbol SKY.

You should rely only on the information contained in this proxy statement or on information to which Skyline has referred you. Skyline has not authorized anyone else to provide you with any information. Skyline provided the information concerning Skyline, and Champion Holdings provided the information concerning Champion Holdings and the Champion Companies, appearing in this proxy statement.

## HOUSEHOLDING

Shareholders residing in the same household who hold their Skyline stock through a bank or broker may receive only one set of proxy materials in accordance with a notice sent earlier by their bank or broker unless Skyline has received contrary instructions from one or more of the shareholders. This practice will continue unless instructions to the contrary are received by your bank or broker from one or more of the shareholders within the household. Skyline will promptly deliver a separate copy of the proxy materials to such shareholders if you make a written or oral request to our corporate secretary at P.O. Box 743, 2520 By-Pass Road, Elkhart, Indiana 46515, or by calling (574) 294-6521.

If you have more questions about this proxy statement, the Exchange, or how to submit your proxy, or if you need additional copies of this proxy statement or the enclosed proxy card or voting instructions, please contact our proxy solicitor at:

Georgeson Inc.

1290 Avenue of the Americas, 9th Floor

New York, NY 10104

Shareholders Call Toll-Free: (866) 391-7007

If you hold your Skyline shares in street name and reside in a household that received only one copy of the proxy materials, you can request to receive a separate copy in the future by following the instructions sent by your bank or broker. If your household is receiving multiple copies of the proxy materials, you may request that only a single set of materials be sent by following the instructions sent by your bank or broker.

## FUTURE SHAREHOLDER PROPOSALS

Skyline currently plans to delay its 2018 annual shareholders meeting and only hold an annual meeting in 2018 as Skyline if the Exchange is not completed. If the Exchange is completed, the combined company will distribute information regarding an annual meeting in 2018. You may submit proposals for consideration at the 2018 annual shareholders meeting, in the event Skyline holds a 2018 annual meeting. Such proposals must comply with SEC regulations under Rule 14a-8 regarding the inclusion of shareholder proposals in company-sponsored proxy materials. To be considered for inclusion in the proxy statement for the 2018 annual meeting, shareholder proposals must be received at Skyline's principal executive offices not earlier than the close of business on June 1, 2018, nor later than

the close of business on July 1, 2018. If a shareholder wishes to submit a proposal for consideration at the 2018 annual meeting of shareholders, or if a shareholder wishes to recommend a candidate for election to the board, Skyline's By-Laws require the shareholder to provide Skyline with written notice of such proposal or recommendation no less than 90 days, nor more than 120 days, in advance of the first

anniversary of the 2017 Annual Meeting (in the event that the date of the 2018 Annual Meeting of Shareholders is advanced by more than 30 days or delayed by more than 30 days from such anniversary date, the shareholder must provide Skyline with written notice of such proposal or recommendation no less than 90 days, nor more than 120 days, in advance of the meeting or, if later, the 10<sup>th</sup> day following the first public announcement of the date of the 2018 annual meeting). Shareholder proposals should be addressed to the Corporate Secretary of Skyline, c/o Skyline Corporation, P.O. Box 743, 2520 By-Pass Road, Elkhart, Indiana 46515. Skyline reserves the right to reject, rule out of order, or take other appropriate action with respect to any proposal that does not comply with these and other applicable requirements.

In addition, any shareholder proposal intended to be included in the proxy statement for Skyline's next annual shareholders' meeting must also satisfy the SEC regulations under Rule 14a-8 of the Exchange Act, and be received not later than April 24, 2018. Under Rule 14a-8, Skyline is not required to include shareholder proposals in the proxy materials unless this condition is satisfied. Accordingly, any notice of shareholder proposals received after this date will be considered untimely. If the date of the annual meeting is moved by more than 30 days from the date contemplated at the time of the previous year's proxy statement, then notice must be received within a reasonable time before Skyline begins to print and send proxy materials. If that happens, Skyline will publicly announce the deadline for submitting a proposal in a press release or in a document filed with the SEC. Nothing in this paragraph shall be deemed to require Skyline to include in its proxy statement and proxy card for such meeting any shareholder proposal which does not meet the requirements of the SEC in effect at the time. Any such proposal will be subject to Rule 14a-8 of the Exchange Act.

#### **INFORMATION INCORPORATED BY REFERENCE**

The SEC allows Skyline to incorporate by reference the information filed by Skyline with the SEC, which means that Skyline can disclose important information to you by referring you to those documents. The information incorporated by reference is an important part of this proxy statement.

Skyline incorporates by reference the following documents and information that it has filed previously with the SEC (excluding any Form 8-K reports that have not been filed but instead have been furnished to the SEC):

Skyline's Annual Reports on Form 10-K for the years ended May 31, 2017 and May 31, 2016;

Skyline's Quarterly Reports on Form 10-Q for the quarters ended September 3 and December 3, 2017, and March 4, 2018;

Skyline's Current Reports on Form 8-K filed on June 14, July 18, July 27, August 11 (except for the information furnished under Item 2.02 thereof), and October 3, 2017, and January 5, January 24, January 25, and January 29, 2018;

The description of Skyline's Common Stock set forth in the registration statement on Form 8-A filed pursuant to Section 12 of the Exchange Act on August 30, 2013, including any amendment or report filed with the SEC for the purpose of updating such description.

Skyline is also incorporating by reference additional documents that it files with the SEC pursuant to Sections 13(a), 13(c), 14, or 15(d) of the Exchange Act between the date of this proxy statement and the date of the Special Meeting. Any statement contained in a document that is incorporated by reference will be deemed to be modified or superseded

for all purposes to the extent that a statement contained in this document (or in any other document that is subsequently filed with the SEC and incorporated by reference) modifies or is contrary to that previous statement. Notwithstanding the foregoing, unless specifically stated to the contrary, none of the information Skyline discloses under Items 2.02 or 7.01 of any Current Report on Form 8-K that Skyline may from time to time furnish to the SEC will be incorporated by reference into, or otherwise included in, this proxy statement.

These documents may be obtained as explained above, or you may request a free copy of any or all of these documents, including exhibits that are specifically incorporated by reference into these documents, by writing or calling Skyline at the following address or telephone number or via the Internet at:

Skyline Corporation

Attn: Corporate Secretary

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

Elkhart, Indiana 46515

Phone: (574) 294-6521

[www.skylinecorp.com](http://www.skylinecorp.com)

**This proxy statement does not constitute an offer to sell, or a solicitation of an offer to buy, any securities, or the solicitation of a proxy, in any jurisdiction to or from any person to whom it is not lawful to make any offer or solicitation in that jurisdiction. The information contained in this proxy statement speaks only as of the date indicated on the cover of this proxy statement unless the information specifically indicates that another date applies.**

All information regarding Skyline in this proxy statement has been provided by Skyline, and all information regarding Champion Holdings and the Champion Companies in this proxy statement has been provided by Champion Holdings. Skyline is not responsible for, and can provide no assurances as to the reliability of, any information other than the information contained or incorporated by reference in this proxy statement.

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**CHAMPION ENTERPRISES HOLDINGS, LLC AND SUBSIDIARIES**

**INDEX TO CONSOLIDATED FINANCIAL STATEMENTS**

	<b>Page</b>
<u>Report of Independent Auditors</u>	F-2
<u>Consolidated Balance Sheets as of December 30, 2017 (unaudited), April 1, 2017, and April 2, 2016</u>	F-3
<u>Consolidated Statements of Operations for the Nine Months Ended December 30, 2017 (unaudited) and December 31, 2016 (unaudited), and for the Years Ended April 1, 2017, April 2, 2016, and March 28, 2015</u>	F-4
<u>Consolidated Statements of Comprehensive Income (Loss) for the Nine Months Ended December 30, 2017 (unaudited) and December 31, 2016 (unaudited), and for the Years Ended April 1, 2017, April 2, 2016, and March 28, 2015</u>	F-5
<u>Consolidated Statements of Cash Flows for the Nine Months Ended December 30, 2017 (unaudited) and December 31, 2016 (unaudited), and for the Years Ended April 1, 2017, April 2, 2016, and March 28, 2015</u>	F-6
<u>Consolidated Statements of Changes in Members' Equity for the Nine Months Ended December 30, 2017 (unaudited) and December 31, 2016 (unaudited), and for the Years Ended April 1, 2017, April 2, 2016, and March 28, 2015</u>	F-7
<u>Notes to Consolidated Financial Statements</u>	F-8

Report of Independent Auditors

The Board of Directors and Shareholders

Champion Enterprises Holdings, LLC and Subsidiaries

We have audited the accompanying consolidated financial statements of Champion Enterprises Holdings, LLC and Subsidiaries, which comprise the consolidated balance sheets as of April 1, 2017 and April 2, 2016, the related consolidated statements of operations, comprehensive income (loss), changes in members' equity and cash flows for each of the fiscal years ended April 1, 2017, April 2, 2016, and March 28, 2015, and the related notes to the consolidated financial statements.

**Management's Responsibility for the Financial Statements**

Management is responsible for the preparation and fair presentation of these financial statements in conformity with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free of material misstatement, whether due to fraud or error.

**Auditor's Responsibility**

Our responsibility is to express an opinion on these financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the 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.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

**Opinion**

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Champion Enterprises Holdings, LLC and Subsidiaries at April 1, 2017 and April 2, 2016, and the consolidated results of their operations and their cash flows for the fiscal years then ended April 1, 2017, April 2, 2016, and March 28, 2015, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Detroit, Michigan

June 19, 2017



F-2

## Champion Enterprises Holdings, LLC and Subsidiaries

## Consolidated Balance Sheets

(dollars in thousands)

	<b>December 30, 2017 (unaudited)</b>	<b>April 1, 2017</b>	<b>April 2, 2016</b>
<b>ASSETS</b>			
Current assets:			
Cash and cash equivalents	\$ 78,906	\$ 81,012	\$ 63,182
Restricted cash	-	-	1,010
Trade accounts receivable, net	58,675	29,360	19,562
Inventories	84,894	74,182	57,581
Assets held for sale	-	-	16,634
Other current assets	9,046	8,087	4,840
<b>Total current assets</b>	<b>231,521</b>	<b>192,641</b>	<b>162,809</b>
Property, plant and equipment:			
Land and improvements	21,993	21,010	18,026
Buildings and improvements	57,003	54,260	48,380
Machinery and equipment	30,659	28,082	23,220
Construction in progress	2,586	593	272
	112,241	103,945	89,898
Less accumulated depreciation	43,291	37,368	30,983
<b>Total property, plant and equipment, net</b>	<b>68,950</b>	<b>66,577</b>	<b>58,915</b>
Restricted cash	22,841	21,680	20,670
Goodwill	3,179	3,179	2,730
Amortizable intangible assets, net	1,671	2,013	1,758
Deferred tax assets	28,928	39,517	13,295
Other noncurrent assets	2,508	2,414	736
<b>Total assets</b>	<b>\$ 359,598</b>	<b>\$ 328,021</b>	<b>\$ 260,913</b>
<b>LIABILITIES AND MEMBERS</b>			
<b>EQUITY</b>			
Current liabilities:			
Floor plan payable	\$ 24,004	\$ 17,814	\$ 12,029
Short-term portion of debt	406	418	437
Accounts payable	26,269	29,029	21,266
Customer deposits and receipts in excess of revenues	19,555	14,991	8,347
Accrued volume rebates	16,787	14,784	13,450
Accrued warranty obligations	12,409	11,934	10,999

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Accrued compensation and payroll taxes	18,479	21,724	15,859
Liabilities held for sale	-	-	11,070
Other current liabilities	22,142	17,947	14,769
<b>Total current liabilities</b>	<b>140,051</b>	<b>128,641</b>	<b>108,226</b>
Long-term liabilities:			
Long-term debt	59,027	59,331	59,749
Deferred tax liabilities	-	-	206
Other	3,168	3,160	2,916
<b>Total long-term liabilities</b>	<b>62,195</b>	<b>62,491</b>	<b>62,871</b>
Contingent liabilities (Note 8)			
Members' equity:			
Contributed capital	140,772	140,322	139,714
Retained earnings (accumulated deficit)	24,778	6,714	(45,196)
Accumulated other comprehensive loss	(8,198)	(10,147)	(4,702)
<b>Total Champion members' equity</b>	<b>157,352</b>	<b>136,889</b>	<b>89,816</b>
Noncontrolling interest	-	-	-
<b>Total members' equity</b>	<b>157,352</b>	<b>136,889</b>	<b>89,816</b>
<b>Total liabilities and members' equity</b>	<b>\$ 359,598</b>	<b>\$ 328,021</b>	<b>\$ 260,913</b>

See accompanying Notes to Consolidated Financial Statements.

## Champion Enterprises Holdings, LLC and Subsidiaries

## Consolidated Statements of Operations

(dollars in thousands)

	Nine Months Ended			Year Ended	
	December 30, 2017 (unaudited)	December 31, 2016 (unaudited)	April 1, 2017	April 2, 2016	March 28, 2015
Net sales	\$ 798,443	\$ 615,926	\$ 861,319	\$ 751,703	\$ 737,230
Cost of sales	664,824	515,035	717,364	638,571	649,798
Gross profit	133,619	100,891	143,955	113,132	87,432
Selling, general and administrative expenses	88,214	74,453	105,175	92,394	85,566
Restructuring charges	-	-	-	-	1,713
Foreign currency transaction (gains) losses	(1,140)	3,941	3,688	3,173	11,309
Amortization of intangible assets	365	305	442	407	444
Operating income (loss)	46,180	22,192	34,650	17,158	(11,600)
Interest expense	3,783	3,465	4,646	3,976	3,747
Interest income	(619)	(257)	(382)	(318)	(899)
Other expense (income)	2,863	1,636	2,380	632	(2,740)
Income (loss) from continuing operations before income taxes	40,153	17,348	28,006	12,868	(11,708)
Income tax expense (benefit)	22,089	2,409	(23,321)	2,640	5,018
Net income (loss) from continuing operations	18,064	14,939	51,327	10,228	(16,726)
(Loss) gain from discontinued operations	-	(3,781)	583	(10,248)	(641)
Net income (loss)	\$ 18,064	\$ 11,158	\$ 51,910	\$ (20)	\$ (17,367)

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Net income (loss)						
attributable to:						
Champion members	\$ 18,064	\$ 11,158	\$ 51,910	\$ 51	\$ (17,073)	
Noncontrolling interest	-	-	-	(71)	(294)	

See accompanying Notes to Consolidated Financial Statements.

F-4

Champion Enterprises Holdings, LLC and Subsidiaries  
Consolidated Statements of Comprehensive Income (Loss)

(dollars in thousands)

	<b>Nine Months Ended</b>		<b>April 1, 2017</b>	<b>Year Ended</b>	
	<b>December 30, 2017 (unaudited)</b>	<b>December 31, 2016 (unaudited)</b>		<b>April 2, 2016</b>	<b>March 28, 2015</b>
Net income (loss)	\$ 18,064	\$ 11,158	\$ 51,910	\$ (20)	\$ (17,367)
Other comprehensive income (loss):					
Foreign currency translation gains	1,949	2,569	2,117	531	996
Pension actuarial gain (loss)	-	-	-	103	(278)
Amounts reclassified from accumulated other comprehensive income to discontinued U.K. operations:					
Foreign currency translation adjustments	-	-	(7,776)	-	-
Pension actuarial loss	-	-	214	-	-
Total other comprehensive income (loss)	1,949	2,569	(5,445)	634	718
Total comprehensive income (loss)	\$ 20,013	\$ 13,727	\$ 46,465	\$ 614	\$ (16,649)
Total comprehensive income (loss) attributable to:					
Champion members	\$ 20,013	\$ 13,727	\$ 46,465	\$ 685	\$ (16,355)
Noncontrolling interest	-	-	-	(71)	(294)

See accompanying Notes to Consolidated Financial Statements.

## Champion Enterprises Holdings, LLC and Subsidiaries

## Consolidated Statements of Cash Flows

(dollars in thousands)

	<b>Nine Months Ended</b>			<b>Year Ended</b>	
	<b>December 30,</b>	<b>December 31,</b>	<b>April 1,</b>	<b>April 2,</b>	<b>March 28,</b>
	<b>2017</b>	<b>2016</b>	<b>2017</b>	<b>2016</b>	<b>2015</b>
	<b>(unaudited)</b>	<b>(unaudited)</b>			
<b>Cash flows from operating activities</b>					
Net income (loss)	\$ 18,064	\$ 11,158	\$ 51,910	\$ (20)	\$ (17,367)
Loss (gain) from discontinued operations	-	3,781	(583)	10,248	641
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:					
Depreciation and amortization	6,126	5,018	7,245	6,258	6,953
Equity-based compensation	450	450	608	516	480
Deferred taxes	11,335	364	(26,707)	(150)	101
Gain on disposal of property, plant and equipment	(1)	(960)	(985)	(109)	(297)
Gain on disposal of unconsolidated affiliate	-	-	-	-	(199)
Foreign currency transaction (gains) losses	(1,140)	3,941	3,688	3,173	11,309
Lower of cost or market adjustment of development inventory	-	-	-	3,000	4,993
Increase/decrease in:					
Accounts receivable	(29,867)	(14,689)	(9,774)	2,955	2,006
Floor plan receivables	3,059	(2,319)	(3,100)	193	582
Inventories	(10,113)	(17,953)	(13,559)	2,631	681
Other assets	(3,210)	(2,410)	(257)	3,369	(2,456)
Accounts payable	(2,871)	7,098	7,789	1,374	(1,282)
Accrued expenses and other liabilities	7,452	6,492	17,955	3,760	7,434
Other	45	45	59	60	16
Net cash (used in) provided by operating activities - continuing operations	(671)	16	34,289	37,258	13,595
Net cash (used in) provided by operating activities - discontinued operations	-	(997)	(830)	(16,339)	2,049

Net cash (used in) provided by operating activities	(671)	(981)	33,459	20,919	15,644
<b>Cash flows from investing activities</b>					
Additions to property, plant and equipment	(7,867)	(5,356)	(6,955)	(3,712)	(3,882)
Business acquisitions	-	(14,699)	(14,705)	(437)	-
Proceeds from disposal of property, plant and equipment	424	5,025	5,053	148	3,587
Increase in note receivable	(167)	(1,000)	(1,000)	-	-
(Investment in) distributions from unconsolidated affiliates	-	(7)	(17)	-	200
Net cash used in investing activities - continuing operations	(7,610)	(16,037)	(17,624)	(4,001)	(95)
Net cash provided by (used in) investing activities - discontinued operations	-	7	(1,113)	(518)	(245)
Net cash used in investing activities	(7,610)	(16,030)	(18,737)	(4,519)	(340)
<b>Cash flows from financing activities</b>					
Proceeds from synthetic deposit exchange	-	-	-	-	11,916
Changes in floor plan financing, net	6,190	5,214	4,131	8,510	1,844
Payments on debt	(317)	(328)	(437)	(10,027)	(14,441)
Payments for deferred financing fees	(93)	-	-	-	(297)
Increase in restricted cash	(1,162)	-	-	(1,238)	(20,432)
Members' capital repurchases	-	-	-	(5,869)	(1,135)
Net cash provided by (used in) financing activities - continuing operations	4,618	4,886	3,694	(8,624)	(22,545)
Effect of exchange rate changes on cash and cash equivalents	1,557	(845)	(586)	(1,377)	(6,078)
Net (decrease) increase in cash and cash equivalents	(2,106)	(12,970)	17,830	6,399	(13,319)
Cash and cash equivalents at beginning of period	81,012	63,182	63,182	56,783	70,102
Cash and cash equivalents at end of period	\$ 78,906	\$ 50,212	\$ 81,012	\$ 63,182	\$ 56,783



**Additional cash flow  
information**

Cash paid for interest	\$ 2,773	\$ 2,624	\$ 3,431	\$ 3,722	\$ 3,487
Cash paid for income taxes	\$ 10,472	\$ 2,445	\$ 3,306	\$ 3,395	\$ 2,868

See accompanying Notes to Consolidated Financial Statements.

## Champion Enterprises Holdings, LLC and Subsidiaries

## Consolidated Statements of Changes in Members' Equity

(dollars in thousands)

	Contributed Capital		Retained Earnings (Accumulated Deficit)	Accumulated Other Comprehensive Income (Loss)	Non-controlling Interest	Total
	Class A Units	Class C Units				
Balance at March 30, 2014	\$ 143,033	\$ 2,690	\$ (28,174)	\$ (6,054)	\$ 365	\$ 111,860
Members' capital repurchases	(865)	(270)	-	-	-	(1,135)
Net loss	-	-	(17,073)	-	(294)	(17,367)
Equity-based compensation	-	480	-	-	-	480
Foreign currency translation adjustments	-	-	-	996	-	996
Pension actuarial loss, net of income tax benefit of \$70	-	-	-	(278)	-	(278)
Balance at March 28, 2015	\$ 142,168	\$ 2,900	\$ (45,247)	\$ (5,336)	\$ 71	\$ 94,556
Members' capital repurchases	(5,869)	-	-	-	-	(5,869)
Net loss	-	-	51	-	(71)	(20)
Equity-based compensation	-	515	-	-	-	515
Foreign currency translation adjustments	-	-	-	531	-	531
Pension actuarial gain, net of income tax expense of \$-	-	-	-	103	-	103
Balance at April 2, 2016	\$ 136,299	\$ 3,415	\$ (45,196)	\$ (4,702)	\$ -	\$ 89,816
Net income	-	-	51,910	-	-	51,910
Equity-based compensation	-	608	-	-	-	608
Foreign currency translation adjustments	-	-	-	2,117	-	2,117

Amounts reclassified from accumulated other comprehensive income to discontinued U.K. operations:						
Foreign currency translation adjustments	-	-	-	(7,776)	-	(7,776)
Pension actuarial loss	-	-	-	214	-	214
Balance at April 1, 2017	\$ 136,299	\$ 4,023	\$ 6,714	\$ (10,147)	\$ -	\$ 136,889
Net income (unaudited)	-	-	18,064	-	-	18,064
Equity-based compensation (unaudited)	-	450	-	-	-	450
Foreign currency translation adjustments (unaudited)	-	-	-	1,949	-	1,949
Balance at December 30, 2017 (unaudited)	\$ 136,299	\$ 4,473	\$ 24,778	\$ (8,198)	\$ -	\$ 157,352

Components of accumulated other comprehensive loss consisted of the following:

	<b>December 30, 2017 (unaudited)</b>	<b>April 1, 2017</b>	<b>April 2, 2016</b>
Foreign currency translation adjustments	\$ (8,198)	\$ (10,147)	\$ (4,488)
Pension actuarial loss, net of income taxes	-	-	(214)
	\$ (8,198)	\$ (10,147)	\$ (4,702)

See accompanying Notes to Consolidated Financial Statements.

Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 1. Background and Nature of Operations**

The accompanying consolidated financial statements include the accounts of Champion Enterprises Holdings, LLC, its wholly owned subsidiaries ( Champion ) and a variable interest entity in which Champion is deemed to be the primary beneficiary (collectively CEH or the Company ).

***Background***

The Company was formed on January 20, 2010, as a Delaware limited liability company. The rights, powers, duties, obligations and liabilities of the Company s members are determined pursuant to the Delaware Limited Liability Company Act and the Company s Amended and Restated Limited Liability Company Agreement.

***Nature of Operations***

The Company s operations consist of manufacturing, retail and transportation activities. At December 30, 2017, the Company operated 23 manufacturing facilities throughout the United States ( U.S. ) and five manufacturing facilities in Western Canada that primarily construct factory-built, timber-framed manufactured and modular houses that are sold primarily to independent retailers and builders/developers. The Company s retail operations consist of 21 sales centers that sell manufactured houses to consumers primarily in the Southern U.S. The Company s transportation business primarily engages independent owners/drivers to transport recreational vehicles throughout the U.S. and Canada and manufactured houses in certain regions of the U.S. The Company also has holding companies located in the Netherlands.

***Disposition***

The Company completed the sale of its operations in the United Kingdom ( Champion U.K. ) on January 20, 2017. During fiscal 2016, the Company committed to a plan to dispose of those operations and, as a result, classified the Champion U.K. assets and liabilities as held for sale. The results of the Champion U.K. operations have been presented as discontinued operations through the date of sale in the accompanying consolidated financial statements. For additional information, see Note 3, *Discontinued Operations*.

***Acquisitions***

On April 11, 2017, the Company completed the purchase of a manufactured housing plant in Mansfield, Texas, from Skyline Corporation ( Skyline ) for cash consideration of \$2.2 million (unaudited). The purchase included the land, building and equipment previously used by Skyline to build manufactured homes. The purchase will enable the Company to expand its manufacturing capacity in Texas.

Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 1. Background and Nature of Operations (continued)**

On September 29, 2016, the Company, through a series of transactions, completed the purchase of the assets of Innovative Building Systems, LLC and Subsidiaries ( IBS ) for cash consideration of \$14.3 million. IBS operated five modular manufacturing facilities and two retail sales centers in the Northeast and Midwest. Prior to the acquisition, IBS filed for Chapter 7 bankruptcy protection with the United States Bankruptcy Court ( Bankruptcy Court ) and ceased operations. As a result, the purchase of the business was facilitated by a Sec. 363 sale with the Bankruptcy Court. Significant acquired assets included inventory of \$1.5 million, land and four manufacturing facilities of \$10.2 million, machinery and equipment of \$1.5 million and tradename intangibles of \$0.7 million. The Company also assumed the lease of a fifth manufacturing facility. There were no additional liabilities assumed in the transaction. The Company recognized goodwill of \$0.1 million related to this acquisition. During January 2017, the Company began operations at one of the acquired facilities.

The Company incurred \$1.7 million of fees and expenses related to the purchase of IBS, including legal, advisory and environmental inspection fees, inclusive of a \$0.7 million loss on the acquisition of debt acquired from the IBS secured creditors that was settled by proceeds from the bankruptcy sale. Those expenses are included in other expense in the accompanying consolidated financial statements.

On January 29, 2016, the Company purchased substantially all of the assets and business of Gideon Housing, LLC ( Gideon ), for cash consideration of approximately \$0.4 million. At the date of acquisition, Gideon operated three retail sales centers in Louisiana, Georgia and Florida, which enabled the Company to expand its retail presence in the Southern and Southeastern U.S. The purchase included \$1.7 million of manufactured homes and \$1.7 million of assumed floor plan payables. The Company recognized goodwill of \$0.4 million related to this acquisition.

On April 4, 2016, the Company purchased substantially all of the assets and business of Skyco, LLC, for cash consideration of \$0.3 million. On July 28, 2016, the Company purchased substantially all of the assets and business of MLK of Panama City, Inc., for cash consideration of \$0.1 million. Combined, the acquired entities operated three retail sales centers in Florida and Louisiana, allowing the Company to further expand its retail presence in those areas. The purchases included \$2.1 million of new manufactured homes, \$1.9 million of assumed floor plan payables and \$0.2 million of other net liabilities. The Company recognized goodwill of \$0.4 million from these acquisitions.

The results of operations of the acquired entities are included in the accompanying consolidated financial statements since the date of acquisition.

Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 2. Summary of Significant Accounting Policies**

***Year-End***

The Company's fiscal year is a 52- or 53-week period that ends on the Saturday nearest March 31. Fiscal 2017 includes the 52 weeks ended April 1, 2017, fiscal 2016 includes the 53 weeks ended April 2, 2016 and fiscal 2015 includes the 52 weeks ended March 28, 2015. The nine months ended December 30, 2017 and December 31, 2016 each consisted of 39 weeks.

***Principles of Consolidation***

The accompanying consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles ( U.S. GAAP ). All significant intercompany accounts and transactions have been eliminated in consolidation.

***Variable Interest Entities***

The Company analyzes its investments to determine whether they are variable interest entities ( VIEs ) and, if so, whether the Company is the primary beneficiary. If the Company is determined to be the primary beneficiary of a VIE, it must consolidate the VIE. A VIE is an entity with an insufficient equity investment or in which the equity investors lack some of the characteristics of a controlling financial interest. In determining whether it is the primary beneficiary, the Company considers, among other things, whether it has the power to direct the activities of the VIE that most significantly impact the entity's economic performance, including, but not limited to, determining or limiting the scope or purpose of the VIE, selling or transferring property owned or controlled by the VIE, or arranging financing for the VIE. The Company also considers whether it has the obligation to absorb losses of, or the right to receive benefits from, the VIE.

The Company has a 90% equity interest in an entity formed in March 2012 to acquire and develop land into a subdivision of modular homes to be sold to homebuyers. The Company is responsible for the development of the subdivision and marketing the lots for sale, and to provide, install and set up modular homes on the lots. The Company has determined it is the primary beneficiary of this VIE and has therefore consolidated it in the accompanying consolidated financial statements. At December 30, 2017, the VIE was primarily comprised of development inventory of \$1.9 million (unaudited), debt payable to the Company of \$2.3 million (unaudited) and an equity deficit of \$0.6 million (unaudited). At April 1, 2017, the VIE was primarily comprised of development inventory of \$1.5 million, debt payable to the Company of \$2.1 million and an equity deficit of \$0.6 million. At April 2, 2016, the VIE was primarily comprised of development inventory of \$1.0 million, debt payable to the Company of \$1.3 million, accounts payable of \$0.3 million and an equity deficit of \$0.6 million. After considering the effect of eliminating the intercompany activity, the net

Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 2. Summary of Significant Accounting Policies (continued)**

investment in development inventory was \$1.4 million (unaudited), \$1.2 million and \$1.0 million at December 30, 2017, April 1, 2017 and April 2, 2016, respectively.

***Noncontrolling Interest***

The amounts reflected in the accompanying consolidated financial statements under Noncontrolling interest represent the equity interest and results of operations attributable to the minority partner in the VIE discussed above.

***Use of Estimates***

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Significant estimates made in preparing the accompanying consolidated financial statements include, but are not limited to, reserves for obsolete inventory, accrued warranty costs, depreciable lives of property and equipment, long-lived asset and intangible asset impairment analyses, insurance reserves, legal reserves, repurchase reserves, share-based compensation and deferred tax valuation allowances. Actual results could differ from those estimates, making it reasonably possible that a change in these estimates could occur within one year.

***Revenue Recognition and Repurchase Agreements***

For manufacturing shipments to independent retailers and builders/developers, sales revenue is generally recognized when wholesale floor plan financing or retailer credit approval has been received, the home is shipped, and title is transferred. As is customary in the factory-built housing industry, a significant portion of the Company's manufacturing sales to independent retailers are financed under floor plan agreements with financing companies (lenders). Payment for floor plan sales is generally received 5 to 15 business days from the date of invoice.

In connection with the floor plan programs, the Company generally has separate agreements with the lenders that require the Company to repurchase homes upon default by the retailer and repossession of the homes by the lender. These repurchase agreements are applicable for various periods of time, generally up to 24 months after the sale of the home to the retailer. However, certain homes are subject to repurchase until the home is sold by the retailer. The repurchase price is generally equal to the lesser of (i) the unpaid balance of the floor plan loans or (ii) the original loan amount less any contractual installment payments made prior to the repurchase, plus certain administrative costs incurred by the lender to repossess the homes,

Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 2. Summary of Significant Accounting Policies (continued)**

less the cost of any damage, missing parts or accessories, which are the responsibility of the lender. The Company accrues estimated losses for these repurchase obligations at the time the home is sold. For additional information, see Note 8, *Commitments, Contingencies and Concentrations*.

For retail sales to consumers from Company-owned retail sales centers, sales revenue is recognized when the home has been delivered, set up and accepted by the consumer; title has transferred; and either funds have been received from the finance company or directly from the home buyer, depending on the nature of the transaction.

Revenue for the Company's transportation operations is recognized when a shipment has been delivered to its final destination. For the nine months ended December 30, 2017 and December 31, 2016, revenue from transportation operations was 10% and 11%, respectively. For the years ended April 1, 2017, April 2, 2016 and March 28, 2015, revenue from transportation operations was 10%, 11%, and 12%, respectively.

The Company recognizes revenue and related cost of sales for long-term construction contracts under the percentage-of-completion method. Management estimates the stage of completion on each construction project based on contract milestones and costs incurred. Billed and unbilled revenue on long-term construction contracts is included in trade accounts receivable in the accompanying consolidated balance sheets. The company recognized approximately 2% (unaudited) of its net sales under the percentage-of-completion method during both the nine months ended December 30, 2017 and December 31, 2016. The Company recognized approximately 2%, 1% and 2% of net sales under the percentage-of-completion method during fiscal 2017, 2016 and 2015, respectively.

Sales revenue is reported net of applicable sales tax.

***Cost of Sales***

Cost of sales includes manufacturing costs such as (i) materials, (ii) compensation and employee benefits for direct and indirect labor, (iii) fixed and variable manufacturing overhead costs, (iv) warranty costs, (v) inbound delivery costs and (vi) depreciation of buildings and equipment. Manufacturing overhead costs include costs such as (i) utilities, (ii) workers' compensation and product liability self-insurance, (iii) real and personal property taxes on buildings and equipment, (iv) manufacturing supplies, (v) repairs and maintenance and (vi) rents and leases for buildings and equipment. Cost of sales also includes certain post-manufacturing costs, to the extent such costs are the Company's responsibility. Post-manufacturing costs may include delivery and setup, foundations, craning, roofing, exterior cladding, interior finishing, utility connections and other miscellaneous site costs. Generally, subcontractors are engaged to perform post-manufacturing activities.



Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 2. Summary of Significant Accounting Policies (continued)**

***Selling, General and Administrative Expenses***

Selling, general and administrative expenses include costs such as (i) salaries, wages, incentives and employee benefits for executive, management, sales, engineering, accounting, information technology ( IT ) and administrative employees; (ii) sales commissions; (iii) marketing and advertising costs; (iv) legal and professional fees; (v) depreciation, rents and leases for administrative facilities, office equipment, IT equipment and computer software; and (vi) postage, office supplies, travel and telephone expenses.

***Advertising Costs and Delivery Costs and Revenue***

Advertising costs are expensed as incurred and are included in selling, general and administrative expenses. Total advertising expense was \$0.8 million (unaudited) and \$0.7 million (unaudited) for the nine months ended December 30, 2017 and December 31, 2016, respectively. Total advertising expense was \$1.0 million, \$0.7 million and \$0.8 million for fiscal 2017, 2016 and 2015, respectively. Delivery costs are included in cost of sales, and delivery revenue is included in net sales.

***Restructuring Charges***

Restructuring charges are accounted for in accordance with Financial Accounting Standards Board ( FASB ) Accounting Standards Codification ( ASC ) 420, *Exit or Disposal Cost Obligations*. During fiscal 2015, the Company incurred restructuring charges of \$1.7 million. The charges consisted of severance and termination benefits related to an organizational reporting structure change and workforce downsizing. In addition to incurring the restructuring amounts, the Company recorded inventory write-downs of \$0.1 million in fiscal 2015 related to a previously closed manufacturing facility. The inventory write-downs were included in cost of sales in the accompanying consolidated statements of operations. There were no payments expected for the restructuring actions after December 30, 2017. Restructuring charges during the other periods presented were not significant.

***Foreign Currency***

The Company has intercompany loans between its U.S. and foreign subsidiaries for long-term and short-term financing purposes. The foreign exchange impact on these transactions is reported in the consolidated statements of operations under foreign currency transaction gains and losses. The financial statement impact is based on fluctuations in the relative exchange rates between the U.S. dollar, Canadian dollar and British pound.

Translation adjustments of the Company's international subsidiaries for which the local currency is the functional currency are reflected in the accompanying consolidated balance sheets as a component of accumulated other comprehensive income or loss.

Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 2. Summary of Significant Accounting Policies (continued)**

***Cash and Cash Equivalents***

Cash and cash equivalents include investments that have original maturities of less than 90 days at the time of their purchase. These investments are carried at cost, which approximates market value because of their short maturities.

***Restricted Cash***

Restricted cash primarily represents collateral for letters of credit issued to support industrial revenue bonds, repurchase obligations, self-insurance programs and bonding facilities.

***Trade Accounts Receivable***

The Company extends credit terms on a customer-by-customer basis in the normal course of business, as such, trade accounts receivable are subject to customary credit risk. The Company provides for reserves against trade accounts receivable for estimated losses that may result from customers' inability to pay. As of December 30, 2017, the Company had an allowance for doubtful accounts of \$0.3 million (unaudited). As of April 1, 2017 and April 2, 2016, the Company had an allowance for doubtful accounts of \$0.9 million and \$0.8 million, respectively.

***Inventories***

Inventories are stated at the lower of cost or market, with cost determined under the first-in, first-out method for raw materials and the specific identification method for work-in-process, finished goods and other inventory. Capitalized manufacturing costs include the cost of materials, labor and manufacturing overhead. Retail inventories of new manufactured homes built by the Company are valued at manufacturing cost, including materials, labor and manufacturing overhead, or net purchase price if acquired from unaffiliated third parties.

Inventories also include the Company's investment in the community development owned by the consolidated VIE, net of applicable impairments. These costs include land acquisition and development expenditures, as well as interest, real estate taxes and direct overhead costs related to development and construction. These costs are capitalized to inventory during the period beginning with the commencement of development and ending with the completion of construction.

***Property, Plant and Equipment***

Property, plant and equipment are stated at cost. Depreciation is provided principally on the straight-line method, generally over the following estimated useful lives: land improvements

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Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 2. Summary of Significant Accounting Policies (continued)**

3 to 10 years; buildings and improvements 8 to 25 years; and machinery and equipment 3 to 8 years. Depreciation expense, including depreciation of assets under capital lease, was \$5.8 million (unaudited) and \$4.7 million (unaudited) for the nine months ended December 30, 2017 and December 31, 2016, respectively. Depreciation expense, including depreciation of assets under capital lease, was \$6.8 million, \$5.9 million and \$6.5 million for fiscal 2017, 2016 and 2015, respectively.

At December 30, 2017, the Company had six idle manufacturing facilities and two idle retail sales centers with a net book value of \$10.5 million (unaudited). Two of the manufacturing facilities and one of the retail sales centers with a combined net book value of \$1.8 million (unaudited), were permanently closed and generally available for sale. However, they are accounted for as long-lived assets to be held and used due to the uncertainty of completing a disposal within one year. The Company's other idle facilities are accounted for as long-lived assets to be held and used. During fiscal 2017, the Company acquired three idle manufacturing facilities and two idle retail sales centers, with a combined book value of \$8.6 million, as part of the acquisition of IBS. During fiscal 2017, the Company sold four previously idled manufacturing facilities for net proceeds of \$5.0 million. The Company recognized a net gain on the sale of \$0.9 million.

It is the Company's policy to evaluate the recoverability of property, plant and equipment whenever events and changes in circumstances indicate that the carrying amount of assets may not be recoverable, primarily based on estimated selling price, appraised value or projected undiscounted future cash flows in accordance with ASC 360, *Property, Plant, and Equipment*.

***Goodwill***

The Company had goodwill of \$3.2 million (unaudited) as of December 30, 2017. The Company had goodwill of \$3.2 million and \$2.7 million as of April 1, 2017 and April 2, 2016, respectively. The increase in goodwill during fiscal 2017 and 2016 was a result of the acquisitions discussed in Note 1, *Background and Nature of Operations*. Goodwill was primarily related to the Company's North American reporting unit. The Company tests goodwill for impairment in accordance with ASC 350, *Intangibles - Goodwill and Other*. The Company evaluates qualitative factors to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount, including goodwill. If the qualitative factors indicate impairment is more likely than not, the Company then performs a two-step test to determine if the fair value of the reporting unit is less than the carrying value. When estimating fair value, the Company calculates the present value of future cash flows based on forecasted sales volumes, current industry and economic conditions, historical results and inflation. The Company also uses market value information, where available, to evaluate fair value. The Company's qualitative evaluation, during the fourth quarters of fiscal 2017 and

Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 2. Summary of Significant Accounting Policies (continued)**

2016, indicated that goodwill was not likely impaired, and therefore, the two-step test was not necessary.

***Amortizable Intangible Assets***

Amortizable intangible assets consist primarily of customer relationships and trade names for the Company's U.S. and Canadian operations. At the time acquired, trade names were valued based on the relief from royalty method, and customer relationships were valued based on the excess earnings method. Amortization is provided over the useful lives of the intangible assets, generally four to ten years, using the straight-line method. Amortization expense totaled \$0.4 million (unaudited) and \$0.3 million (unaudited) for the nine months ended December 30, 2017 and December 31, 2016, respectively. Amortization expense totaled \$0.4 million for each of the fiscal years 2017, 2016 and 2015. The recoverability of amortizable intangible assets is evaluated whenever events or changes in circumstances indicate that the carrying amount of the assets may not be recovered, primarily based on projected undiscounted future cash flows, in accordance with the recognition and measurement provisions of ASC 360.

***Dealer Volume Rebates***

The Company's manufactured housing operations sponsor volume-based rebate programs under which sales to retailers and builders/developers can qualify for cash rebates. Rebates are generally based on the level of sales attained during a 12-month period and are accrued at the time of sale. Rebates are included as a reduction of net sales in the accompanying consolidated statements of operations.

***Warranty Obligations***

The Company's manufactured housing operations generally provide each retail homebuyer or builder/developer with a 12-month warranty from the date of retail purchase. Estimated warranty costs are accrued as cost of sales at the time of sale. Warranty provisions and reserves are based on estimates of the amounts necessary to settle existing and future claims on homes sold as of the balance sheet date. Factors used to calculate the warranty obligation include the estimated number of homes still under warranty and the amount and timing of historical costs incurred to service homes.

***Accrued Self-Insurance***

The Company is self-insured for a significant portion of its general insurance, product liability, workers compensation, auto, health and property insurance. Insurance coverage is

Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 2. Summary of Significant Accounting Policies (continued)**

maintained for catastrophic exposures and those risks required to be insured by law. Estimated self-insurance costs are accrued for all expected future expenditures for reported and unreported claims based on historical experience.

***Other Income and Expense***

During the nine months ended December 30, 2017, the Company incurred \$2.8 million (unaudited) of legal, accounting and advisory expenses related to the merger with Skyline. See additional information on the merger in Note 15, *Subsequent Events*. During the nine months ended December 30, 2016, the Company incurred \$1.0 million (unaudited) of expenses for the acquisition of IBS and \$0.4 million (unaudited) for the disposition of Champion U.K. During fiscal 2017, the Company incurred expenses for the acquisition of IBS of \$1.7 million and for the disposition of Champion U.K. of \$0.4 million. During fiscal 2016, the Company recorded a charge of \$0.5 million related to the deductible on an insured loss at one of its U.S. manufacturing facilities. During fiscal 2015, the Company recognized other income of \$2.7 million, net of fees, for a contractual claim of the pre-bankruptcy entities' U.S. income tax net operating loss carryback for specified liability losses.

***Income Taxes***

CEH is not subject to income taxes but is treated as a partnership for U.S. tax purposes, and therefore, its income or loss is passed through to its equity members. The Company's U.S. and foreign subsidiaries are subject to income taxes in their respective tax jurisdictions.

Deferred tax assets and liabilities are determined based on temporary differences between the financial statement amounts and the tax bases of assets and liabilities using enacted tax rates in effect in the years in which the differences are expected to reverse. A valuation allowance is provided when the Company determines that it is more likely than not that some or all of the deferred tax assets will not be realized. During the fourth fiscal quarter of 2017, considering all available evidence, the Company concluded that it was more likely than not that its U.S. deferred tax assets would be realized. As a result, the valuation allowance that had previously been provided with respect to the net deferred tax assets in the U.S. was released. At December 30, 2017, the Company's Netherlands deferred tax assets had a valuation allowance because their realizability was uncertain.

During the nine months ended December 30, 2017, the Company recorded an \$8.4 million (unaudited) charge to reflect the estimate of the re-measurement of U.S. deferred income tax assets and liabilities at the new corporate income tax rate of 21%. Under the 2017 Tax Cuts and Jobs Act signed into law on December 22, 2017, the corporate rate was decreased from 35% to 21%. This amount is included in income tax expense in the accompanying consolidated statements of operations for the nine months ended December 30, 2017.

Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 2. Summary of Significant Accounting Policies (continued)**

In November 2015, the FASB issued Accounting Standards Update ( ASU ) 2015-17, *Income Taxes (Topic 740): Balance Sheet Classification of Deferred Taxes*. The standard requires that deferred tax assets and liabilities be classified as noncurrent on the balance sheet rather than separately as current and noncurrent. ASU 2015-17 was effective for annual periods beginning after December 15, 2016, with early adoption permitted. The standard may be applied either retrospectively or on a prospective basis to all deferred tax assets and liabilities. The Company adopted ASU 2015-17 prospectively during fiscal 2016.

***Equity-Based Compensation***

The Company accounts for equity-based compensation in accordance with ASC 718, *Compensation - Stock Compensation*, under which the Company measures the cost of employee services received in exchange for an award of equity units based on the grant date fair value of the equity award. For awards with graded vesting, compensation cost is generally recognized on a straight-line basis over the period an employee is required to provide service in exchange for the award. For awards that vest only upon a qualifying event such as a change in control or an initial public offering, no compensation cost is recognized until the occurrence of the qualifying event.

***Comprehensive Income and Loss***

Components of comprehensive income and loss are changes in equity other than those resulting from investments by owners and distributions to owners. Net income or loss is the primary component of comprehensive income. The aggregate amount of such changes to equity that have not yet been recognized in net income or loss are reported in the equity section of the accompanying consolidated balance sheets as accumulated other comprehensive income or loss. During fiscal 2017, the Company reclassified \$7.6 million of net accumulated other comprehensive income to net income, which is included in discontinued operations in the accompanying consolidated statements of operations. There were no amounts reclassified from accumulated other comprehensive income or loss during either of the nine months ended December 30, 2017 or December 31, 2016 (unaudited), or during either fiscal 2016 or 2015.

***Fair Value***

The Company estimates the fair value of its financial instruments in accordance with ASC 820, *Fair Value Measurement*, which establishes a fair value hierarchy and requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. As such, the fair value of financial instruments is estimated using available market information and other valuation methods.

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Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 2. Summary of Significant Accounting Policies (continued)**

The Company groups assets and liabilities at fair value in three levels, based on the markets in which the assets and liabilities are traded, and the reliability of the assumptions used to determine fair value. These levels are:

- Level 1 - Fair value determined based on quoted prices in active markets for identical assets and liabilities.
- Level 2 - Fair value determined using significant observable inputs, generally either quoted prices in active markets for similar assets or liabilities or quoted prices in markets that are not active.
- Level 3 - Fair value determined using significant unobservable inputs, such as pricing models, discounted cash flows, or similar techniques.

The carrying value of the Company's financial assets and liabilities approximates the book value.

***Recently Issued Accounting Pronouncements***

In February 2016, the FASB issued ASU 2016-02, *Leases (Topic 842)*, to increase transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. A lessee should recognize in the consolidated balance sheet a liability to make lease payments (the lease liability) and an asset representing its right to use the underlying asset for the lease term. The recognition, measurement and presentation of expenses and cash flows arising from a lease by a lessee have not significantly changed from previous requirements. This ASU is effective for fiscal years beginning after December 31, 2018, or the Company's fiscal year commencing April 1, 2019. Modified retrospective application and early adoption is permitted. The Company is currently assessing the impact the adoption of this standard will have on its operations and its consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The guidance prescribes a single, common revenue standard that replaces most existing revenue recognition guidance in U.S. GAAP. The standard outlines a five-step model whereby revenue is recognized as performance obligations within a contract are satisfied. The standard also requires new, expanded disclosures regarding revenue recognition. Several ASUs have been issued since the issuance of ASU 2014-09. These ASUs, which modify certain sections of ASU 2014-09, are intended to promote a more consistent interpretation and application of the principles outlined in the standard. This guidance is effective for annual reporting periods beginning after December 15, 2017, or the Company's fiscal year commencing April 1, 2018, and is to be applied retrospectively at the Company's election.

Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 2. Summary of Significant Accounting Policies (continued)**

either to each prior reporting period presented or with the cumulative effect of application recognized at the date of initial application. The Company is currently assessing the impact the adoption of this standard will have on its operations and its consolidated financial statements.

**Note 3. Discontinued Operations**

During fiscal 2016, the Company shifted strategy to focus on growth of its North American manufacturing and retail operations. This decision, coupled with a continued decline in the U.K. operation's revenue and operating results, competitive industry conditions, reduced margins and lower sales backlogs, drove the Company's Board of Managers to approve a plan to exit the Company's operations in the U.K. In March 2016, the Company initiated a plan to explore strategic alternatives for disposition of Champion U.K. and identify potential buyers. The Company believed a disposition within a 12-month period subsequent to April 2, 2016, was likely and therefore disclosed the Champion U.K. operations as discontinued and the associated assets and liabilities as held for sale in the accompanying consolidated financial statements.

As a result of the classification as held for sale during fiscal 2016, the Company performed an impairment analysis of the U.K. disposal group in order to determine the fair value of assets and liabilities. Fair value was determined, based on the income approach, using a discounted cash flow model less expected costs to sell. The cash flow model used management's forecast of future operating results and long-term growth rates, discounted using a rate of 20%, which are inputs from Level 3 of the fair value hierarchy. As a result of that analysis, the Company determined the Champion U.K. net assets were not impaired.

On January 20, 2017, the Company completed the disposition of Champion U.K.. Champion U.K. consisted of five manufacturing facilities that primarily constructed steel-framed modular buildings for military accommodations, hotels, residential accommodations and health and educational units, among other applications. The Company retained no direct interest in Champion U.K.; however, it did receive contingent consideration that will become payable to the Company, subject to certain limitations, if Champion U.K. is subsequently sold by, or a dividend is paid to, the buyer. The Company has not recognized an asset related to the contingent consideration.



## Champion Enterprises Holdings, LLC and Subsidiaries

## Notes to Consolidated Financial Statements

**Note 3. Discontinued Operations (continued)**

The following is a reconciliation of the carrying amounts of major classes of assets and liabilities of discontinued operations classified as held for sale in the accompanying consolidated balance sheets (dollars in thousands):

	<b>April 2, 2016</b>
Carrying amounts of assets of disposal group not included as part of discontinued operations	
Cash and cash equivalents	\$ 2,082
Carrying amounts of major classes of assets included as part of discontinued operations	
Trade accounts receivable, net	\$ 5,286
Inventories	642
Property, plant and equipment, net	8,493
Amortizable intangible assets, net	953
Other assets	1,260
 Total assets classified as held for sale	 \$ 16,634
 Carrying amounts of major classes of liabilities included as part of discontinued operations	
Accounts payable	\$ 8,824
Accrued compensation and payroll taxes	539
Customer deposits and receipts in excess of revenues	665
Other liabilities	1,042
 Total liabilities classified as held for sale	 \$ 11,070

There were no remaining carrying amounts of assets or liabilities classified as held for sale at December 30, 2017 (unaudited) or April 1, 2017, as a result of the completed disposition of Champion U.K. in January 2017.

## Champion Enterprises Holdings, LLC and Subsidiaries

## Notes to Consolidated Financial Statements

**Note 3. Discontinued Operations (continued)**

Following is a reconciliation of the components constituting pretax income (loss) of discontinued operations to the after-tax income (loss) of discontinued operations as presented in the accompanying consolidated statements of operations (dollars in thousands):

	<b>Nine Months Ended December 31, 2016 (unaudited)</b>	<b>April 1, 2017</b>	<b>Year Ended April 2, 2016</b>	<b>March 28, 2015</b>
Major line items constituting pretax (loss) income of discontinued operations				
Revenue	\$ 20,189	\$ 21,137	\$ 39,009	\$ 89,757
Cost of sales	(17,341)	(18,306)	(39,117)	(80,401)
Selling, general and administrative expenses	(6,638)	(5,016)	(9,455)	(9,235)
Reclassifications from accumulated other comprehensive income	-	7,562	-	-
Other	9	10	(659)	(799)
Pretax (loss) income of discontinued operations	(3,781)	5,387	(10,222)	(678)
Pretax loss on sale of U.K. operations	-	(4,803)	-	-
Total pretax (loss) gain on discontinued operations	(3,781)	584	(10,222)	(678)
Income tax (expense) benefit	-	(1)	(26)	37
(Loss) gain on discontinued operations, net of tax	\$ (3,781)	\$ 583	\$ (10,248)	\$ (641)

The gain on discontinued operations recognized in fiscal 2017 was primarily the result of the net effect of the reclassification of cumulative translation adjustment gains and defined benefit pension plan losses of \$7.6 million from accumulated other comprehensive loss. The translation gains were only recognizable in net income when the transaction to dispose of Champion U.K. was complete. The disposition of Champion U.K. included all asset and liabilities of the disposed entities, including the defined benefit pension plan which had an accumulative benefit obligation and plan assets of \$3.4 million and \$3.8 million, respectively, at April 2, 2016. The Company no longer has any obligations to fund the pension plan. As a result, the accumulated pension actuarial loss, previously included in accumulated other comprehensive income, was recognized as a component of discontinued operations.



## Champion Enterprises Holdings, LLC and Subsidiaries

## Notes to Consolidated Financial Statements

**Note 3. Discontinued Operations (continued)**

Following is a summary of certain cash and noncash items related to discontinued operations (dollars in thousands):

	<b>April 1, 2017</b>	<b>Year Ended April 2, 2016</b>	<b>March 28, 2015</b>
Depreciation and amortization	\$ -	\$ 1,395	\$ 1,848
Capital expenditures	-	164	321
Loss on sale of U.K. operations	(4,803)	-	-

The Company ceased investing in capital assets and recording depreciation and amortization upon classification of Champion U.K. as held for sale. As a result, there were no cash and noncash items to be disclosed for the nine months ended December 30, 2017 or December 31, 2016.

**Note 4. Inventories and Long-Term Construction Contracts***Inventories*

Inventories consisted of the following (dollars in thousands):

	<b>December 30, 2017 (unaudited)</b>	<b>April 1, 2017</b>	<b>April 2, 2016</b>
Raw materials	\$ 36,116	\$ 31,598	\$ 25,377
Work-in-process	9,995	8,583	7,474
Finished Goods	36,792	32,369	23,027
Development inventory	1,429	1,150	1,030
Other	562	482	673
	\$ 84,894	\$ 74,182	\$ 57,581

Development inventory includes land acquisition, land development and home construction costs, including interest, real estate taxes, and certain direct and indirect overhead costs related to development and construction, net of recognized impairments. Development inventory is stated at cost unless the carrying value is determined to not be recoverable, in which case the affected inventory is written down to net realizable value.

During fiscal 2017, 2016 and 2015, the Company performed an impairment analysis of development inventory, primarily land and land improvements, held by the Company's majority-owned VIE discussed in Note 2. The Company recorded an impairment charge of \$1.3 million and \$2.9 million in fiscal 2016 and 2015, respectively, as a

result of the analysis. During fiscal 2015, the Company obtained an appraisal of a portion of the development inventory, which used inputs from Level 2 and Level 3 of the fair value hierarchy.

## Champion Enterprises Holdings, LLC and Subsidiaries

## Notes to Consolidated Financial Statements

**Note 4. Inventories and Long-Term Construction Contracts (continued)**

During both fiscal 2016 and 2015, the Company also performed an impairment analysis of homes and home improvements included in development inventory on the property being developed by the VIE. The net realizable value of those homes and improvements was determined to be less than the carrying value, and the Company recorded an impairment charge of \$1.7 million and \$2.0 million during fiscal 2016 and 2015, respectively. The Company determined the net realizable value of home and home improvement development inventory using a discounted cash flow analysis, which used inputs from Level 3 of the fair value hierarchy. The impairments were included in cost of sales in the accompanying consolidated statements of operations. No impairment analysis was considered necessary during the nine months ended December 30, 2017 (unaudited) or during fiscal 2017.

***Long-Term Construction Contracts***

Uncollected billings related to long-term construction contracts totaled \$4.3 million (unaudited), \$1.4 million and \$0.3 million at December 30, 2017, April 1, 2017 and April 2, 2016, respectively. The Company also included unbilled revenue related to long-term construction contracts in trade accounts receivable of \$0.9 million (unaudited) and \$0.7 million at December 30, 2017 and April 1, 2017, respectively. The Company had no unbilled revenue related to long-term construction contracts at April 2, 2016.

**Note 5. Debt and Floor Plan Payable**

Long-term debt consisted of the following (dollars in thousands):

	<b>December 30, 2017 (unaudited)</b>	<b>April 1, 2017</b>	<b>April 2, 2016</b>
Term Notes due March 2020	\$ 46,997	\$ 47,301	\$ 47,706
Obligations under industrial revenue bonds due 2029	12,430	12,430	12,430
Capital lease obligations and other debt	6	18	50
Total debt	59,433	59,749	60,186
Less current portion	(406)	(418)	(437)
Long-term debt	\$ 59,027	\$ 59,331	\$ 59,749

On March 19, 2010, the Company entered into a credit agreement (the *Credit Agreement*) with lenders that primarily included the Company's equity holders and certain of their affiliates. In March 2015, the *Credit Agreement* was amended and restated (the *Amended Credit Agreement*). At the time of the amendment, the Company had outstanding Reimbursement Notes of \$22.0 million. Under the terms of the *Amended Credit Agreement*,

F-24

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Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 5. Debt and Floor Plan Payable (continued)**

on September 19, 2015, \$12.5 million of the then outstanding Reimbursement Notes were exchanged for Term Notes due in March 2020. The remaining \$9.5 million of outstanding Reimbursement Notes were repaid upon original maturity.

Indebtedness under the Amended Credit Agreement is secured by substantially all assets of the Company's U.S. operations and a pledge of 65% of the Company's equity interests in its foreign operations. The Term Notes require quarterly principal payments of \$0.1 million and mature on March 19, 2020. Obligations under the Amended Credit Agreement bear interest, based on the Company's discretion, at either (i) a base rate plus a margin or (ii) the London Interbank Offered Rate ( LIBOR ) plus a margin. The base rate is the greater of the administrative agent's prime interest rate or the federal funds rate plus 0.5%. LIBOR is based on monthly LIBOR interest periods of up to one year, at the Company's discretion. During the nine months ended December 30, 2017, fiscal 2017 and fiscal 2016, the Company elected to pay interest on indebtedness under the Amended Credit Agreement at LIBOR plus the applicable margin.

For Term Notes priced using the base rate, the margin is 4.5%. Term Notes priced using LIBOR require that LIBOR cannot be less than 1.0%, and the margin is 5.5%. At December 30, 2017, the base rate for the Term Notes was 4.5% (unaudited), and the LIBOR rate was 1.4% (unaudited). At December 30, 2017, the weighted average interest rate on the Term Notes, based on the LIBOR option, was 6.9% (unaudited), and at April 1, 2017 and April 2, 2016 was 6.5%. For the period outstanding during fiscal 2016 and fiscal 2015, the weighted average interest rate on the Reimbursement Notes, based on the LIBOR option, was approximately 1.7%.

The Company provides letters of credit issued by a commercial bank under a separate stand-alone facility collateralized with restricted cash of 101% of the issued letters of credit. At December 30, 2017, letters of credit issued under the stand-alone facility totaled \$22.6 million (unaudited) and were secured by \$22.8 million (unaudited) of restricted cash. At both April 1, 2017 and April 2, 2016 letters of credit issued under the stand-alone facility totaled \$21.5 million and were secured by \$21.7 million of restricted cash. The Company paid annual fronting and administrative fees of approximately 1.1% of the outstanding letters of credit for each of the nine months ended December 30, 2017 (unaudited) and December 31, 2016 (unaudited), as well as during fiscal 2017, 2016 and 2015.

The Amended Credit Agreement contains covenants that restrict the amount of additional debt, liens and certain payments, including equity buybacks, investments, dispositions, mergers and consolidations, among other things as defined. The Company was in compliance with all covenants of the Amended Credit Agreement as of December 30, 2017 (unaudited), April 1, 2017 and April 2, 2016.



## Champion Enterprises Holdings, LLC and Subsidiaries

## Notes to Consolidated Financial Statements

**Note 5. Debt and Floor Plan Payable (continued)**

Obligations under industrial revenue bonds are supported by letters of credit and bear interest based on a municipal bond index rate. The interest rate at December 30, 2017 and the average rate for the nine months then ended was approximately 1.1% (unaudited). The interest rate at April 1, 2017, April 2, 2016 and March 28, 2015, and the average rate for the fiscal years then ended was approximately 1.0%, 0.5% and 0.3%, respectively, which included related costs and fees. The industrial revenue bonds require lump-sum payments of principal upon maturity in 2029.

Future maturities of debt as of December 30, 2017, were as follows (dollars in thousands):

	(unaudited)
Remainder of Fiscal 2018	\$ 106
Fiscal 2019	400
Fiscal 2020	46,497
Fiscal 2021	-
Fiscal 2022	-
Thereafter	12,430
	\$ 59,433

***Floor Plan Payable***

At December 30, 2017, April 1, 2017 and April 2, 2016, the Company had outstanding borrowings on floor plan financing arrangements of \$24.0 million (unaudited), \$17.8 million and \$12.0 million, respectively. The Company's retail operations utilize floor plan financing to fund the acquisition of manufactured homes for display or resale. Total available borrowings under the arrangements as of December 30, 2017 were \$43.0 million (unaudited). Borrowings are secured by the homes acquired and are required to be repaid when the Company sells the home to a customer. During the nine months ended December 30, 2017 and December 31, 2016, the weighted average interest rate on floor plan payables was 6.1% (unaudited) and 6.4% (unaudited), respectively. During fiscal 2017, 2016 and 2015, the weighted average interest rate on floor plan payables was 6.3%, 5.7% and 7.5%, respectively.

**Note 6. Income Taxes**

CEH is not subject to income taxes but is treated as a partnership for U.S. tax purposes, and therefore, its income is passed through to its equity members. The Company's subsidiaries are subject to U.S. federal income taxes as well as income taxes in various state and foreign jurisdictions.

## Champion Enterprises Holdings, LLC and Subsidiaries

## Notes to Consolidated Financial Statements

**Note 6. Income Taxes (continued)**

Pretax income from continuing operations was attributable to the following tax jurisdictions (dollars in thousands):

	<b>April 1, 2017</b>	<b>Year Ended April 2, 2016</b>	<b>March 28, 2015</b>
Domestic	\$ 19,200	\$ 3,278	\$ (3,008)
Foreign	8,806	9,590	(8,700)
Income before income taxes	\$ 28,006	\$ 12,868	\$ (11,708)

The income tax provision from continuing operations by jurisdiction was as follows (dollars in thousands):

	<b>April 1, 2017</b>	<b>Year Ended April 2, 2016</b>	<b>March 28, 2015</b>
Current:			
U.S. federal	\$ -	\$ -	\$ -
Foreign	2,702	2,496	4,661
State	684	293	324
Total current	3,386	2,789	4,985
Deferred:			
U.S. federal	(24,492)	62	63
Foreign	373	(211)	(30)
State	(2,588)	-	-
Total deferred	(26,707)	(149)	33
Total income tax (benefit) expense	\$ (23,321)	\$ 2,640	\$ 5,018

## Champion Enterprises Holdings, LLC and Subsidiaries

## Notes to Consolidated Financial Statements

**Note 6. Income Taxes (continued)**

Income tax (benefit) expense from continuing operations differs from the amount of income tax determined by applying the applicable U.S. statutory federal income tax rate to income before income taxes from continuing operations as a result of the following differences (dollars in thousands):

	<b>April 1, 2017</b>	<b>Year Ended April 2, 2016</b>	<b>March 28, 2015</b>
Tax expense at U.S. federal statutory rate	\$ 9,802	\$ 4,504	\$ (4,098)
Increase (decrease) in rate resulting from:			
Other permanent differences	1,236	695	790
Uncertain tax positions	679	23	24
Net utilization (increase) in U.S. tax credits	564	(415)	-
State taxes, net of U.S. federal benefit	445	377	(117)
Foreign withholding taxes	133	-	1,634
Deferred tax rate changes	87	(152)	1
Recognition of foreign investment basis difference	-	(14,512)	-
Foreign financing structure and nondeductible interest	(7)	71	2,392
Foreign tax rate differences	(722)	(865)	(1,087)
Change in deferred tax valuation allowance	(35,470)	12,798	5,325
Other	(68)	116	154
Total income tax (benefit) expense	\$ (23,321)	\$ 2,640	\$ 5,018

The Company's domestic pretax income is composed of amounts that are passed through to its equity members and amounts subject to U.S. taxation at the C-corporation level. The Company had domestic pretax income (loss) at the C-corporation level for fiscal 2017, 2016 and 2015 of \$20.0 million, \$3.4 million and \$(15.4) million, respectively.

For periods up to and including April 2, 2016, the Company provided a valuation allowance for 100% of its U.S. net deferred tax assets. The Company evaluates the realizability of its deferred tax assets annually. Concluding that a valuation allowance is not required is difficult when there is significant negative evidence, such as cumulative losses in recent years, which is objective and verifiable. When measuring cumulative losses in recent years, the Company uses a rolling three-year period of pretax book income, adjusted for permanent differences between book and taxable income. Through fiscal 2015, the Company's U.S. operations taxed at the C-corporation level incurred significant pretax losses. The Company's U.S. operations were profitable in fiscal 2016 but remained in a cumulative loss position. As of April 1, 2017,

Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 6. Income Taxes (continued)**

the Company's U.S. operations were no longer in a cumulative loss position. Based on three years of profitability in the U.S., as well as a forecast of taxable income in the U.S. in fiscal 2018 and future years, management concluded that it was more likely than not that its net deferred tax assets would be realized. As a result, the valuation allowance of \$35.9 million that had been provided with respect to net deferred tax assets in the U.S. was released during the fourth fiscal quarter of 2017. The Company continues to maintain a valuation allowance of \$15.0 million with respect to its deferred tax assets in the Netherlands.

As of April 1, 2017 and April 2, 2016, the Company had U.S. federal and state net operating loss ( NOL ) carryforwards for tax purposes to offset future taxable income of approximately \$10.3 million and \$37.8 million, respectively. The federal NOL carryforwards expire, beginning in 2033, through 2035. State NOL carryforwards expire primarily in 2018 through 2037.

## Champion Enterprises Holdings, LLC and Subsidiaries

## Notes to Consolidated Financial Statements

**Note 6. Income Taxes (continued)**

Deferred tax assets and liabilities consisted of the following (dollars in thousands):

	<b>April 1, 2017</b>	<b>April 2, 2016</b>
<b>ASSETS</b>		
Foreign tax basis difference in investments	\$ 14,512	\$ 14,512
Intangible assets	12,004	12,468
Warranty reserves	5,387	4,973
Employee compensation	5,331	3,512
Inventory reserves and impairments	4,903	5,643
Self-insurance reserves	3,640	2,720
U.S. federal net operating loss carryforwards	3,020	13,331
Dealer volume discounts	1,861	1,197
Property, plant and equipment	1,306	1,638
Capitalized transaction costs	919	855
State net operating loss carryforwards	542	1,330
Foreign net operating loss carryforwards	491	-
U.S. tax credit carryforwards	186	750
Foreign currency translation adjustments	182	369
Other	1,060	971
Gross deferred tax assets	55,344	64,269
<b>LIABILITIES</b>		
Property, plant and equipment	365	361
Intangible assets	285	204
Other	192	160
Gross deferred tax liabilities	842	725
Valuation allowance	(14,985)	(50,455)
Net deferred tax assets	\$ 39,517	\$ 13,089

The Company's policy is that all undistributed earnings of its foreign subsidiaries in the Netherlands and Canada are permanently reinvested.

As discussed in Note 3, during fiscal 2016 the Company committed to a plan to dispose of its U.K. operations. As of April 2, 2016, the Company recorded a deferred tax asset of \$14.5 million for its investment in the U.K., which was subject to a full valuation allowance due to anticipated unrealizability in the U.K.'s parent company's tax jurisdiction. On January 20, 2017, the Company completed the sale of its operations in the U.K. through a stock sale. The

Company did not recognize a tax benefit or tax expense as a result of the sale.

F-30

Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 6. Income Taxes (continued)**

As of April 1, 2017, the Company maintained the deferred tax asset of \$14.5 million for its investment in the U.K. holding company which was subject to a full valuation allowance due to anticipated unrealizability in the U.K.'s parent company's tax jurisdiction.

As a result of the Company's structure, CEH, as the parent company, is generally not subject to tax, so there is no additional tax expense to the Company beyond the withholding tax for any dividends paid. The Company does not anticipate additional dividends being paid from its foreign subsidiaries in the foreseeable future.

With few exceptions, the Company is no longer subject to foreign tax examinations by tax authorities for years prior to 2009. The Company's U.S. subsidiaries are subject to U.S. federal and state tax examinations by tax authorities for 2010 through 2017 and for the period from March 19, 2010 to April 3, 2010. The Company's total unrecognized tax benefits were \$1.3 million and \$0.6 million at April 1, 2017 and April 2, 2016, respectively, which if recognized, would affect the effective rate on income from continuing operations. The Company classifies interest and penalties on income tax uncertainties as a component of income tax expense. Accrued interest and penalties as of April 1, 2017 and April 2, 2016, were not significant.

## Champion Enterprises Holdings, LLC and Subsidiaries

## Notes to Consolidated Financial Statements

**Note 7. Intangible Assets**

The components of amortizable intangible assets were as follows (dollars in thousands):

	December 30, 2017			April 1, 2017		
	Customer Relationships	Trade Names	Total	Customer Relationships	Trade Names	Total
		(unaudited)				
Gross carrying amount	\$ 5,890	\$ 4,329	\$ 10,219	\$ 5,573	\$ 4,200	\$ 9,773
Accumulated amortization	(5,753)	(2,795)	(8,548)	(5,414)	(2,346)	(7,760)
Amortizable intangibles, net	\$ 137	\$ 1,534	\$ 1,671	\$ 159	\$ 1,854	\$ 2,013
Weighted average amortization period, in years	4.5	5.2	5.2	5.3	6.0	5.9

	April 2, 2016		
	Customer Relationships	Trade Names	Total
Gross carrying amount	\$ 5,689	\$ 3,537	\$ 9,226
Accumulated amortization	(5,500)	(1,968)	(7,468)
Amortizable intangibles, net	\$ 189	\$ 1,569	\$ 1,758
Weighted average amortization period, in years	6.3	4.8	4.9

Amortization expense of intangible assets for the next five years was as follows (dollars in thousands):

	As of December 30, 2017 (unaudited)
Remainder of Fiscal 2018	\$ 117
Fiscal 2019	478
Fiscal 2020	236
Fiscal 2021	236
Fiscal 2022	236





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Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 8. Commitments, Contingencies and Concentrations**

As is customary in the manufactured housing industry, a significant portion of the manufacturing operations' sales to independent retailers are made pursuant to repurchase agreements with lending institutions that provide wholesale floor plan financing to the retailers. Certain homes sold pursuant to repurchase agreements are subject to repurchase, generally up to 24 months after the sale of the home to the retailer. Certain other homes sold pursuant to repurchase agreements are subject to repurchase until the home is sold by the retailer. For those homes with an unlimited repurchase period, the Company's risk of loss upon repurchase declines due to required monthly principal payments by the retailer. After 24 or 30 months from the date of the Company's sale of the home, the risk of loss on these homes is low, and by the 46th month, most programs require that the home be paid in full, at which time the Company no longer has risk of loss. Pursuant to these agreements, during the repurchase period, generally upon default by the retailer and repossession by the financial institution, the Company is obligated to repurchase the homes from the lender. The contingent repurchase obligation as of December 30, 2017, was estimated to be approximately \$113.0 million (unaudited), without reduction for the resale value of the homes. Losses under repurchase obligations represent the difference between the repurchase price and net proceeds from the resale of the homes, less accrued rebates, which will not be paid. Losses incurred on homes repurchased were insignificant during each of the nine months ended December 30, 2017 (unaudited) and December 31, 2016 (unaudited), fiscal 2017, 2016 and 2015. The total reserve for estimated losses under repurchase agreements was \$0.7 million (unaudited) at December 30, 2017. The total reserve for estimated losses under repurchase agreements was \$0.6 million at both April 1, 2017 and April 2, 2016.

The Company guarantees a portion of its customers' floor plan obligations beyond the customary repurchase arrangements discussed above. The Company has agreed to guarantee from 2.9% to 50.0% of certain retailers' outstanding loans to a floor plan lender. At December 30, 2017, those guarantees totaled \$1.6 million (unaudited) of which \$1.5 million (unaudited) was outstanding.

At December 30, 2017, the Company was contingently obligated for approximately \$22.6 million (unaudited) under letters of credit, primarily consisting of \$1.8 million (unaudited) to support repurchase obligations, \$12.6 million (unaudited) to support long-term debt, \$0.3 million (unaudited) to support bonding agreements, and \$7.9 million (unaudited) to support the casualty insurance program. The letters of credit are backed by restricted cash included in the accompanying consolidated balance sheets. The Company was also contingently obligated for \$42.5 million (unaudited) under surety bonds, generally to support performance on long-term construction contracts and license and service bonding requirements.

Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 8. Commitments, Contingencies and Concentrations (continued)**

The Company has provided various representations, warranties and other standard indemnifications in the ordinary course of its business in agreements to acquire and sell business assets and in financing arrangements. The Company is subject to various legal proceedings and claims that arise in the ordinary course of its business.

In the normal course of business, the Company's subsidiaries historically provided certain parent company guarantees to two Champion U.K. customers. These guarantees provide contractual liability for proven construction defects up to 12 years from the date of delivery of the units. The guarantees remain a contingent liability of Champion which declines over time through October 2027. As of the date of this report, no claims have been reported under the terms of the guarantees.

Management believes the ultimate liability with respect to these contingent obligations will not have a material effect on the Company's consolidated financial position, results of operations or cash flows.

***Concentrations***

For the both the nine months ended December 30, 2017 and December 31, 2016, approximately 86% (unaudited) of the Company's sales were attributable to its factory-built housing operation in the U.S. and Western Canada. In fiscal 2017, 2016 and 2015, those U.S. and Canadian operations accounted for 86%, 85% and 84% of the Company's sales, respectively. For each of the nine months ended December 30, 2017 and December 31, 2016, one customer accounted for approximately 7% (unaudited) of total factory-built housing sales. During fiscal 2017, one customer accounted for approximately 9% of total factory-built housing sales. During both fiscal 2016 and 2015, no one customer accounted for more than 5% of total factory-built housing sales.

The components and products used in the factory-built housing operations are presently available from a variety of vendors, and the Company is not dependent upon any single supplier. Prices of certain materials, such as lumber, insulation, steel and drywall, can fluctuate significantly due to changes in demand and supply. Additionally, availability of certain materials, such as drywall and insulation, has sometimes been limited, resulting in higher prices and/or the need to find alternative suppliers. The Company generally has been able to pass higher material costs on to its retailers and builders/developers in the form of surcharges and price increases.

For the nine months ended December 30, 2017 and December 31, 2016, sales from the Company's Canadian operations were approximately 9% (unaudited) and 11% (unaudited), respectively, of consolidated sales. For fiscal 2017, 2016 and 2015, sales from the Company's Canadian operations were approximately 11%, 13% and 16%, respectively, of consolidated

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Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 8. Commitments, Contingencies and Concentrations (continued)**

sales. As of December 30, 2017, April 1, 2017 and April 2, 2016, the Company's net assets in Canada totaled approximately \$54.0 million (unaudited), \$46.0 million and \$41.0 million, respectively. The increases in net assets in Canada were a result of positive cash generated by operating activities offset in part by a 2.2% decline from fiscal 2016 to fiscal 2017 and a 3.2% decline from fiscal 2015 to fiscal 2016 in the Canadian dollar to U.S. dollar exchange rate.

As of December 30, 2017, the Company had approximately 5,300 (unaudited) employees. Approximately 800 (unaudited) were employed at the Company's manufacturing facilities in Canada, of which approximately 700 (unaudited) are subject to five separate collective bargaining agreements. At December 30, 2017, one agreement covering approximately 110 (unaudited) employees had expired and was being renegotiated. Two agreements expire in June 2018 covering approximately 325 (unaudited) employees. The other two agreements expire in November 2019 and June 2020, respectively.

***Incentive Compensation Plan (unaudited)***

The Company has a liability-based award for certain members of management that is payable upon achievement of defined performance conditions. At December 30, 2017, the achievement of the performance conditions had not been deemed probable, and therefore, the Company has not recorded a liability. Under the terms of the award, a cash-based benefit will materialize pursuant to the terms of the award based on the achievement of certain metrics, which will be recognized as compensation expense if the performance conditions become probable.

**Note 9. Leases**

The Company's trucking and retail sales locations, nine of its active manufacturing facilities, its corporate offices, certain of its other facilities, and certain equipment and vehicles are leased under operating leases with original terms that generally range from 3 to 15 years. For the nine months ended December 30, 2017 and December 31, 2016, rent expense was \$4.2 million (unaudited) and \$3.7 million (unaudited), respectively. Rent expense was \$5.0 million, \$4.5 million and \$4.4 million for fiscal 2017, 2016 and 2015, respectively. Certain real property leases have renewal options or escalation clauses.

Rent expense for minimum lease payments under leases that contain escalation clauses is recognized on a straight-line basis over the terms of the leases. The annual minimum lease payments and aggregate total minimum lease payments for these leases were \$0.4 million (unaudited) and \$8.0 million (unaudited), respectively, at December 30, 2017. The remaining terms of these leases range from one to six years, and lease payment adjustments generally occur at intervals from one to five years. For operating leases that contain escalation clauses, based on the consumer price index or similar indices, minimum lease payments are based on

## Champion Enterprises Holdings, LLC and Subsidiaries

## Notes to Consolidated Financial Statements

**Note 9. Leases (continued)**

the index at December 30, 2017. Certain leases for land and buildings contain renewal options and/or purchase options.

Future minimum lease payments under non-cancellable operating leases were as follows (dollars in thousands):

	<b>As of December 30, 2017 (unaudited)</b>
Remainder of Fiscal 2018	\$ 1,295
Fiscal 2019	4,593
Fiscal 2020	3,440
Fiscal 2021	2,941
Fiscal 2022	2,336
Thereafter	4,011
	<b>\$ 18,616</b>

As of December 30, 2017, the gross amount of assets recorded under capital leases was \$4.1 million (unaudited), and accumulated amortization totaled \$1.8 million (unaudited). At December 30, 2017, future minimum lease payments under capital leases primarily consisted of interest-only payments through 2029 and a lump-sum payment of \$6.8 million (unaudited) in 2029, which was included in obligations under industrial revenue bonds in long-term debt. Annual interest payments under capital leases were less than \$0.1 million for both the nine months ended December 30, 2017 (unaudited) and December 31, 2016 (unaudited), as well as during fiscal 2017, 2016 and 2015.

**Note 10. Members Equity**

The Champion Enterprises Holdings, LLC Amended and Restated Limited Liability Company Agreement (the LLC Agreement ) governs the rights and privileges associated with the membership interests held by the Company s members; arrangements of the issuance of additional membership interests; contributions by, allocations of, and distributions to holders of the Company s membership interests; management and oversight of the business and operations; and restrictions and transferability of membership interests. The LLC Agreement designates the composition and duties of the Board of Managers, including managing the business and affairs of the Company.

The Company has 142.4 million Class A units authorized. At December 30, 2017 (unaudited), April 1, 2017 and April 2, 2016 the Company had 135.6 million Class A units of membership



## Champion Enterprises Holdings, LLC and Subsidiaries

## Notes to Consolidated Financial Statements

**Note 10. Members Equity (continued)**

interests issued and outstanding. All Class A members have the same relative per unit economic interests and voting rights, subject to the terms of the LLC Agreement. No member is liable for the debts, liabilities, commitments or any other obligations of the Company or for any losses of the Company.

During 2011, the LLC Agreement was amended and restated to authorize the issuance of nonvoting Class C units of membership interest in the Company. Under the Company's 2011 Management Incentive Plan ( Incentive Plan ), a maximum of 14.3 million Class C units may be awarded to the Company's officers, management employees and certain members of the Board of Managers in exchange for services provided or to be provided. Awards totaling 0.4 million (unaudited) and 0.3 million (unaudited) Class C units were granted during the nine months ended December 30, 2017 and December 31, 2016, respectively. Awards totaling 1.0 million, 7.1 million and 0.3 million Class C units were granted during fiscal 2017, 2016 and 2015, respectively. As of December 30, 2017, April 1, 2017 and April 2, 2016, awards totaling 12.8 million (unaudited), 12.5 million and 11.8 million Class C units were outstanding, respectively. See Note 13, *Equity Incentive Plan*, for additional information.

Distributions to unit holders will generally be made in the following order of priority: first, to the holders of Class A units until the cumulative amount distributed to such holders equals their capital contribution per such Class A units; second, to the holders of Class A units and Class C units pro rata in proportion to the number of units held, subject to the following limitation. Distributions to holders of unvested Class C units will be held back and distributed only if such Class C units vest and a distribution threshold, as defined in the Incentive Plan, is met. If any condition to the vesting of such unvested Class C units becomes incapable of being satisfied, held-back distributions for such units will be distributed pro rata to all other unit holders.

**Note 11. Accrued Product Warranty Obligations**

Changes in accrued product warranty obligations were as follows (dollars in thousands):

	<b>December 30, 2017</b>	<b>April 1, 2017</b>	<b>April 2, 2016</b>
	(unaudited)		
Balance, at beginning of period	\$ 14,534	\$ 13,449	\$ 13,386
Warranty expense	17,441	22,529	20,496
Cash warranty payments	(16,966)	(21,444)	(20,433)
Balance, at end of period	15,009	14,534	13,449
Less noncurrent portion	(2,600)	(2,600)	(2,450)
Total current portion	\$ 12,409	\$ 11,934	\$ 10,999





Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 12. Retirement Plans**

The Company's U.S. subsidiary sponsors a defined contribution savings plan covering most U.S. employees. Full-time employees covered by the plan are eligible to participate after completing three months of service. Participating employees may contribute from 1% to 25% of their compensation to the plan. The Company made no matching contributions to this plan.

Full-time employees of the Company's subsidiaries in Canada are generally covered by employer-sponsored defined contribution plans that require employee contributions and employer matching contributions. The Company recognized expense of \$0.4 million (unaudited) and \$0.3 million (unaudited) for these plans during the nine months ended December 30, 2017 and December 31, 2016, respectively. The Company recognized expense of \$0.5 million, \$0.4 million and \$0.3 million for these plans during fiscal 2017, 2016 and 2015, respectively.

**Note 13. Equity Incentive Plan**

The 2011 Management Incentive Plan provides for awards of up to a maximum of 14.3 million Class C units of membership interests in the Company. These units are accounted for as equity-classified awards and are stated at fair value as of the grant dates. Grant date fair value of \$0.75 to \$1.39 per Class C unit was determined based primarily on the issuance and repurchase of Class A units throughout the period of the grants adjusted for the lower distribution rights for Class C units versus that of Class A units, see Note 10, *Members' Equity*, for additional information.

The awards of Class C units consist of two tranches. For Tranche 1 awards, vesting occurs pro rata over a five-year period based on vesting start date and subject to continued service with the Company through the vesting period. Compensation cost is recognized for Tranche 1 awards over the service periods, based on the number of units that are expected to vest, based on grant date fair value. For Tranche 2 awards, vesting occurs only upon a change in control and/or other conditions, as defined in the Incentive Plan, subject to continued employment through the vesting date. No compensation expense will be recognized for Tranche 2 awards until a change in control is determined to be probable. The ability to complete a change in control is subject to outside market conditions that are beyond the Company's control, as such, a change in control is not considered probable under U.S. GAAP until it occurs.

## Champion Enterprises Holdings, LLC and Subsidiaries

## Notes to Consolidated Financial Statements

**Note 13. Equity Incentive Plan (continued)**

The following table summarizes activity for awards of Class C units (dollars in thousands):

	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Total</b>	<b>Total Fair Value</b>
	<i>(Number of units in thousands)</i>			
Outstanding at March 30, 2014	5,706	7,694	13,400	\$ 10,128
Granted	100	169	269	215
Forfeited	(1,342)	(4,558)	(5,900)	(4,425)
Units repurchased	(2,701)	-	(2,701)	(2,025)
Outstanding at March 28, 2015	1,763	3,305	5,068	3,893
Granted	2,825	4,305	7,130	5,918
Forfeited	(177)	(257)	(434)	(337)
Units repurchased	(10)	-	(10)	(8)
Outstanding at April 2, 2016	4,401	7,353	11,754	9,466
Granted	325	663	988	895
Forfeited	(50)	(188)	(238)	(188)
Outstanding at April 1, 2017	4,676	7,828	12,504	\$ 10,173
Granted (unaudited)	50	301	351	489
Forfeited (unaudited)	-	(100)	(100)	(83)
Outstanding at December 30, 2017 (unaudited)	4,726	8,029	12,755	\$ 10,579

## Champion Enterprises Holdings, LLC and Subsidiaries

## Notes to Consolidated Financial Statements

**Note 13. Equity Incentive Plan (continued)**

The following table summarizes the vested and unvested outstanding Class C units (dollars in thousands):

	<b>Tranche 1</b>	<b>Tranche 2</b>	<b>Total</b>	<b>Total Fair Value</b>
	<i>(Number of units in thousands)</i>			
At December 30, 2017 (unaudited)				
Vested	2,576	-	2,576	\$ 2,053
Unvested	2,150	8,029	10,179	8,526
Total outstanding	4,726	8,029	12,755	\$ 10,579
At April 1, 2017				
Vested	1,851	-	1,851	\$ 1,456
Unvested	2,825	7,828	10,653	8,717
Total outstanding	4,676	7,828	12,504	\$ 10,173
At April 2, 2016				
Vested	1,136	-	1,136	\$ 867
Unvested	3,265	7,353	10,618	8,599
Total outstanding	4,401	7,353	11,754	\$ 9,466

Compensation expense of \$0.5 million (unaudited) was recognized for Tranche 1 awards during both the nine months ended December 30, 2017 and December 31, 2016, respectively. Compensation expense of \$0.6 million, \$0.5 million and \$0.5 million was recognized for Tranche 1 awards during fiscal 2017, 2016 and 2015, respectively. All expenses related to these Tranche 1 awards were included in selling, general and administrative expenses in the accompanying consolidated statements of operations. As of December 30, 2017, future compensation expense yet to be recognized for Tranche 1 awards totaled \$1.4 million (unaudited), and the weighted average period over which such compensation costs will be recognized was 2.6 years (unaudited).

No compensation expense will be recognized for Tranche 2 awards until a qualifying event occurs and only for the portion of the Tranche 2 awards that vest. The maximum future compensation expense yet to be recognized for Tranche 2 awards as of December 30, 2017 was \$6.7 million (unaudited), and the weighted average period over which such compensation costs will be recognized was indeterminate.



Champion Enterprises Holdings, LLC and Subsidiaries

Notes to Consolidated Financial Statements

**Note 14. Transactions with Related Parties**

The Company is party to a Management Advisory Services Agreement ( Services Agreement ) with Centerbridge Advisors, LLC; MAK Management L.P. ( MAK ); and Sankaty Advisors, LLC (collectively, the Managers ), each principal owners of the Company, whereby the Managers provide management, consulting, financial and other advisory services to the Company in exchange for an annual management fee totaling \$1.5 million plus reimbursable expenses. The management fee is included in selling, general and administrative expenses in the accompanying consolidated statements of operations. The Services Agreement renews automatically each year.

Owners of a substantial portion of the Company s equity interest are also holders of a substantial portion of the Company s Term Notes.

On January 20, 2017, the Company completed the sale of Champion U.K. to an entity controlled by one of the principal owners of CEH. See additional discussion on the disposition in Note 3, *Discontinued Operations*.

**Note 15. Subsequent Events**

The Company has evaluated subsequent events through June 19, 2017, the date the accompanying consolidated financial statements were available to be issued.

**SHARE CONTRIBUTION & EXCHANGE AGREEMENT**

**BY AND AMONG**

**SKYLINE CORPORATION,**

**AND**

**CHAMPION ENTERPRISES HOLDINGS, LLC**

**Dated as of January 5, 2018**

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**TABLE OF CONTENTS**

<b><u>ARTICLE 1 THE CONTRIBUTION AND EXCHANGE</u></b>	A-2
1.1 <u>The Contribution and Exchange</u>	A-2
1.2 <u>Closing</u>	A-2
1.3 <u>Directors and Officers</u>	A-3
1.4 <u>Company Name Change; Company Domicile and Principal Office</u>	A-3
1.5 <u>Delivery of Certificates</u>	A-3
1.6 <u>Additional Actions</u>	A-5
<b><u>ARTICLE 2 REPRESENTATIONS AND WARRANTIES OF CONTRIBUTOR AND CHB ENTITIES</u></b>	A-6
2.1 <u>Organization and Qualification; Charter Documents</u>	A-6
2.2 <u>Capital Structure</u>	A-7
2.3 <u>Authority; Non-Contravention; Approvals</u>	A-7
2.4 <u>Contributor Financial Statements; No Undisclosed Liabilities</u>	A-8
2.5 <u>Absence Of Certain Changes Or Events</u>	A-9
2.6 <u>Taxes</u>	A-10
2.7 <u>Intellectual Property</u>	A-11
2.8 <u>Compliance with Legal Requirements</u>	A-12
2.9 <u>Legal Proceedings; Orders</u>	A-13
2.10 <u>Brokers and Finders Fees</u>	A-13
2.11 <u>Employee Benefit Plans</u>	A-13
2.12 <u>Title to Assets</u>	A-15
2.13 <u>Real Property</u>	A-16
2.14 <u>Environmental Matters</u>	A-17
2.15 <u>Labor Matters</u>	A-17
2.16 <u>Contributor Contracts</u>	A-18
2.17 <u>Books and Records</u>	A-19
2.18 <u>Insurance</u>	A-20
2.19 <u>Customers; Suppliers; Effect of Transaction</u>	A-20
2.20 <u>Product Liability; Product Warranties</u>	A-21
2.21 <u>Interested Party Transactions</u>	A-21
2.22 <u>Disclosure; Company Information</u>	A-21
2.23 <u>Acquisition for Own Account</u>	A-21
2.24 <u>Ownership of Company Common Shares</u>	A-22
2.25 <u>No Other Representations and Warranties</u>	A-22
<b><u>ARTICLE 3 REPRESENTATIONS AND WARRANTIES OF COMPANY</u></b>	A-22
3.1 <u>Organization and Qualification; Charter Documents</u>	A-23
3.2 <u>Capital Structure</u>	A-24
3.3 <u>Authority; Non-Contravention; Approvals</u>	A-25
3.4 <u>Anti-Takeover Statutes Not Applicable</u>	A-26
3.5 <u>SEC Filings; Company Financial Statements; No Undisclosed Liabilities</u>	A-26
3.6 <u>Absence Of Certain Changes Or Events</u>	A-29
3.7 <u>Taxes</u>	A-30

---

3.8	<u>Intellectual Property</u>	A-31
3.9	<u>Compliance with Legal Requirements</u>	A-32
3.10	<u>Legal Proceedings: Orders</u>	A-32
3.11	<u>Brokers and Finders Fees</u>	A-33
3.12	<u>Employee Benefit Plans</u>	A-33
3.13	<u>Real Property</u>	A-35
3.14	<u>Environmental Matters</u>	A-36
3.15	<u>Labor Matters</u>	A-37
3.16	<u>Company Contracts</u>	A-38
3.17	<u>Books and Records</u>	A-39
3.18	<u>Insurance</u>	A-39
3.19	<u>Opinion of Financial Advisor</u>	A-40
3.20	<u>Shell Company Status</u>	A-40
3.21	<u>Customers; Suppliers; Effect of Transaction</u>	A-40
3.22	<u>Title to Assets</u>	A-40
3.23	<u>Product Liabilities; Product Warranties</u>	A-41
3.24	<u>Related Party Transactions</u>	A-41
3.25	<u>Valid Issuance</u>	A-41
3.26	<u>Disclosure: Company Information</u>	A-41
3.27	<u>No Other Representations and Warranties</u>	A-42
	<u>ARTICLE 4 CONDUCT OF BUSINESS PENDING THE CLOSING</u>	A-42
4.1	<u>Conduct of Company Business</u>	A-42
4.2	<u>Conduct of CHB Business</u>	A-46
4.3	<u>Contributor Strategic Transactions</u>	A-49
	<u>ARTICLE 5 ADDITIONAL AGREEMENTS</u>	A-50
5.1	<u>Proxy Statement</u>	A-50
5.2	<u>Company Shareholders Meeting</u>	A-51
5.3	<u>Access to Information: Confidentiality</u>	A-53
5.4	<u>Regulatory Approvals and Related Matters</u>	A-54
5.5	<u>Director Indemnification and Insurance</u>	A-56
5.6	<u>Notification of Certain Matters</u>	A-58
5.7	<u>Public Announcements</u>	A-59
5.8	<u>Conveyance Taxes</u>	A-60
5.9	<u>Board of Directors and Officers</u>	A-60
5.10	<u>Non-Solicitation by Company</u>	A-60
5.11	<u>[Reserved]</u>	A-62
5.12	<u>Listing</u>	A-62
5.13	<u>Assistance with Financing</u>	A-62
5.14	<u>Tax Cooperation</u>	A-63
5.15	<u>Takeover Statutes</u>	A-63
5.16	<u>Stockholder Litigation</u>	A-63
5.17	<u>Company Charter Amendment</u>	A-64
5.18	<u>Employees; Benefit Plans</u>	A-64
5.19	<u>Special Company Dividend</u>	A-68



5.20	<u>Special Contributor Dividend</u>	A-69
	<b><u>ARTICLE 6 CONDITIONS TO THE CLOSING</u></b>	A-70
6.1	<u>Conditions to Obligation of Each Party to Effect the Exchange</u>	A-70
6.2	<u>Additional Conditions to Obligations of Contributor</u>	A-71
6.3	<u>Additional Conditions to Obligations of Company</u>	A-72
	<b><u>ARTICLE 7 TERMINATION</u></b>	A-73
7.1	<u>Termination</u>	A-73
7.2	<u>Notice of and Effect Of Termination</u>	A-75
7.3	<u>Expenses: Termination Fee</u>	A-75
	<b><u>ARTICLE 8 GENERAL PROVISIONS</u></b>	A-77
8.1	<u>Notices</u>	A-77
8.2	<u>Amendment</u>	A-78
8.3	<u>Headings</u>	A-78
8.4	<u>Severability</u>	A-78
8.5	<u>Entire Agreement</u>	A-79
8.6	<u>Successors and Assigns</u>	A-79
8.7	<u>Parties In Interest</u>	A-79
8.8	<u>Waiver</u>	A-79
8.9	<u>Remedies Cumulative: Specific Performance</u>	A-80
8.10	<u>Governing Law; Venue; Waiver of Jury Trial</u>	A-80
8.11	<u>Counterparts and Exchanges by Electronic Transmission or Facsimile</u>	A-81
8.12	<u>Cooperation</u>	A-81
8.13	<u>Non-Survival</u>	A-82
8.14	<u>Construction</u>	A-82
8.15	<u>Non- Recourse</u>	A-82

**Exhibits**

Exhibit A	Certain Definitions
Exhibit B	Form of Company Voting Agreement
Exhibit C	Form of Registration Rights Agreement
Exhibit D	Form of Investor Rights Agreement
Exhibit E	Form of Transition Services Agreement
Exhibit F	Company Charter Amendment
Exhibit G	Company Bylaw Amendment

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## SHARE CONTRIBUTION & EXCHANGE AGREEMENT

**THIS SHARE CONTRIBUTION & EXCHANGE AGREEMENT** is made and entered into as of January 5, 2018 (this *Agreement* ), by and among Skyline Corporation, an Indiana corporation ( *Company* ), and Champion Enterprises Holdings, LLC, a Delaware limited liability company ( *Contributor* ). Company and Contributor are each a *Party* and referred to collectively herein as the *Parties*. Certain capitalized terms used in this Agreement are defined in Exhibit A.

### RECITALS

**WHEREAS**, Contributor owns all of the issued and outstanding shares of (i) capital stock, par value of \$352,314 per share (the *CHB BV Shares* ), in the capital of CHB International B.V., a Dutch private limited liability company (*besloten vennootschap met beperkte aansprakelijkheid*) ( *CHB BV* ) and (ii) capital stock, par value \$0.001 per share (the *CHB DE Shares* and together with the CHB BV Shares, the *CHB Shares* ), of Champion Home Builders, Inc., a Delaware corporation ( *CHB US*, and together with CHB BV, the *CHB Entities* );

**WHEREAS**, each of Contributor and Company desire to enter into a strategic business combination pursuant to which Contributor desires to contribute the CHB Shares to Company, and Company desires to transfer to Contributor common shares, \$0.0277 par value per share of Company (the *Company Common Shares* ), in exchange for all of the CHB Shares, on the terms and conditions set forth herein;

**WHEREAS**, the board of directors of Company, acting upon the unanimous recommendation of the special committee of the board of directors (the *Special Committee* ) formed to evaluate this transaction, has (i) determined that it is fair and advisable and in the best interests of the Company and the Company Shareholders to enter into this Agreement and to consummate the transactions contemplated hereby, including the Exchange, (ii) approved the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, including the Exchange, and (iii) recommended that the Company Shareholders vote to approve the Company Shareholder Approval Matters;

**WHEREAS**, the board of managers of Contributor has (i) determined that it is fair and advisable and in the best interests of the Contributor and its members to enter into this Agreement and to consummate the transactions contemplated hereby, including the Exchange, and (ii) approved the execution, delivery and performance of this Agreement and the consummation of the transactions contemplated hereby, including the Exchange;

**WHEREAS**, as a condition to the willingness of Contributor to enter into this Agreement, concurrently with the execution and delivery of this Agreement, each of the officers, directors and other shareholders of Company listed on Schedule I (together, the *Supporting Shareholders* ), is entering into a voting agreement in substantially the form of Exhibit B attached hereto (the *Company Voting Agreement* ), in favor of Contributor, pursuant to which such officers, directors and shareholders have agreed, among other things,

to vote their Company Common Shares in favor of the Company Shareholder Approval Matters;

**WHEREAS**, the Parties intend that Contributor's contribution of CHB Shares to Company in exchange for Company Common Shares will be tax-free to the Contributor under Section 351 of the Code; and

**WHEREAS**, it is intended that, at the Closing, each Ancillary Agreement shall be entered into by the applicable parties thereto.

**AGREEMENT:**

**NOW, THEREFORE**, in consideration of the foregoing and the representations, warranties and covenants herein contained, and for other good and valuable consideration, the receipt, adequacy and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, hereby agree as follows:

**ARTICLE 1**

**THE CONTRIBUTION AND EXCHANGE**

**1.1 The Contribution and Exchange.** Upon the terms and subject to the conditions of this Agreement, at the Closing, Contributor shall contribute, transfer and convey to Company, all of the issued and outstanding CHB Shares free from all Encumbrances. In exchange for the contribution by Contributor of the CHB Shares, upon the terms and subject to the conditions of this Agreement, at the Closing, the Company shall issue to Contributor, that number of duly authorized, validly issued, fully-paid and non-assessable Company Common Shares equal to the Exchange Shares, which Exchange Shares shall be free from all Encumbrances. The contribution of the CHB Shares in exchange for the issuance to Contributor of the Exchange Shares is referred to in this Agreement as the *Exchange*.

**1.2 Closing.** Unless this Agreement has been terminated and the transactions herein contemplated have been abandoned pursuant to Section 7.1, and subject to the satisfaction or waiver of the conditions set forth in Article 6, the consummation of the Exchange (the *Closing*) will take place at the offices of Ropes & Gray LLP, 800 Boylston Street, Boston, Massachusetts, as soon as possible (but in any event no later than five (5) Business Days) after satisfaction or waiver of the conditions set forth in Article 6 (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of each such condition at the Closing), or at such other time, date and place as Contributor and Company may mutually agree in writing; provided, however, that if the last day of any fiscal month shall be no later than seven (7) Business Days after the satisfaction or waiver of the conditions set forth in Article 6 (other than those conditions that by their nature are to be satisfied at the Closing, but subject to the satisfaction or waiver of each such condition at the Closing), the Closing shall occur on the last Business Day of such fiscal month or on the first Business Day of the following fiscal month, at the Contributor's election, and, if such date is not the last day of such fiscal month, the Closing will be deemed

to be effective, solely for accounting purposes, as of the last day of such fiscal month or the first day of the following fiscal month, at the Contributor's election. The date on which the Closing actually takes place is referred to as the **Closing Date**. Immediately prior to the Closing, subject to obtaining the Company Shareholder Approval, Company shall file the Company Charter Amendment in accordance with the relevant provisions of the Indiana Business Corporation Law, and make all other filings, recordings or publications required by Legal Requirements in connection with the Exchange.

**1.3 Directors and Officers.** Unless otherwise mutually agreed in writing by Contributor and Company, the Company, the board of directors of the Company and, pursuant to the Company Voting Agreement, the Supporting Shareholders will, take all action necessary to ensure that:

(a) Effective as of the second day following the Closing Date, the size of the board of directors of the Company shall be expanded to consist of eleven (11) members, consisting of two (2) members identified as Company Appointees (one of whom shall be Independent as of the Closing Date) to be designated by the Company's pre-closing board of directors pursuant to written notice provided by the Company to Contributor as soon as reasonably practicable after the date hereof but in no event later than ten Business Days after the date hereof (together, the **Company Appointees**), and nine (9) members identified as Contributor Appointees to be designated by Contributor pursuant to written notice provided by Contributor to the Company as soon as reasonably practicable after the date hereof but in no event later than ten Business Days after the date hereof (the **Contributor Appointees** and together with the Company Appointees, the **Appointees**); and

(b) Effective immediately following the Closing, the Persons set forth on **Schedule II** shall serve as the officers of Company in the respective capacities shown on **Schedule II** together with such other officers as shall be designated by Contributor pursuant to written notice provided by Contributor to the Company as soon as reasonably practicable after the date hereof but in no event later than ten Business Days after the date hereof.

**1.4 Company Name Change; Company Domicile and Principal Office.**

(a) Effective immediately following the Closing, and subject to the approval of the Company Charter Amendment by the shareholders of the Company, the Company's name shall be Skyline Champion Corporation (Ticker: SKY).

(b) Effective immediately following the Closing, the Company's principal offices shall be located in Elkhart, Indiana.

**1.5 Delivery of Certificates.**

(a) **Exchange Procedure.** At or prior to the Closing, Company will issue and cause to be deposited with Computershare Trust Company, N.A. (the **Transfer Agent**), for the benefit of Contributor and for exchange in accordance with this **Article 1** through the Transfer Agent, the certificates (or uncertificated book-entries, as applicable) representing the

Exchange Shares, and, immediately after the Closing, the Transfer Agent shall be authorized by Company to issue the Exchange Shares to Contributor in accordance with this Agreement. Each certificate representing the Exchange Shares shall (unless the securities evidenced by such certificate shall have been registered under the Securities Act or sold pursuant to Rule 144 thereunder) initially bear a legend in the following form (in addition to any legend required under applicable state securities laws):

THE SECURITIES REPRESENTED BY THIS CERTIFICATE HAVE NOT BEEN REGISTERED UNDER THE SECURITIES ACT OF 1933, AS AMENDED (THE SECURITIES ACT ), OR THE SECURITIES LAWS OF ANY STATE OR OTHER JURISDICTION. THESE SECURITIES MAY NOT BE REOFFERED, SOLD, ASSIGNED, TRANSFERRED, DISTRIBUTED, PLEDGED, ENCUMBERED OR OTHERWISE DISPOSED OF IN THE ABSENCE OF AN EFFECTIVE REGISTRATION STATEMENT UNDER THE SECURITIES ACT AND ANY APPLICABLE STATE SECURITIES LAW OR PURSUANT TO AN EXEMPTION FROM SUCH REGISTRATION REQUIREMENTS.

The Exchange Shares will be issued from Company to Contributor in a private placement transaction, pursuant to the exemption from registration set forth in Section 4(a)(2) of the Securities Act. The offering and issuance of the Exchange Shares hereunder will not be registered with the SEC, and accordingly, the Exchange Shares will be restricted securities under the Securities Act. Any subsequent offer, sale or disposition of the Exchange Shares by Contributor must be either registered under the Securities Act and applicable state securities laws or exempt from such registration requirements (including pursuant to the safe harbor provided by Rule 144 promulgated under the Securities Act). Except as set forth in the Registration Rights Agreement, Company has no obligation to register the offering or issuance of the Exchange Shares with the SEC or the securities regulatory authority of any other state or jurisdiction. On or prior to the Closing, Contributor, as a condition to receiving the Exchange Shares, will deliver to Company (i) duly executed stock transfer forms in favor of Company in customary form in respect of the CHB DE Shares, (ii) duly executed Dutch notarial deed of transfer of shares in customary form in respect of the CHB BV Shares and (iii) the CHB Share certificate(s) or register or an indemnity for any lost certificates in favor of the Company in such form as the Company may reasonably require. Notwithstanding the foregoing, upon Contributor's prior written request, the Company shall cause the Exchange Shares to be delivered on behalf of Contributor directly to Contributor's members at the Closing, provided that the Company shall have received, no less than five Business Days prior to the Closing Date, and as a condition to being obligated to issue the Exchange Shares to the Contributor's members, a written opinion of Ropes & Gray LLP, in a form reasonably acceptable to the Company and its legal counsel, to the effect that the delivery of the Exchange Shares to Contributor's members at Contributor's instruction does not require registration under the Securities Act and does not cause the Exchange or the Exchange Shares Issuance to require registration under the Securities Act. In the event the Exchange Shares are issued to the Contributor's members as provided pursuant to the foregoing sentence, the

provisions of this Section 1.5(a) related to the issuance of the Exchange Shares shall be deemed to apply to an issuance to such members, rather than the Contributor.

**(b) Withholding Rights.** Each of the Transfer Agent, Company and Contributor will be entitled to deduct and withhold from any consideration payable or otherwise deliverable pursuant to this Agreement any amounts as may be required to be deducted or withheld under the Code, Treasury Regulations promulgated under the Code or any provisions of applicable state, local or foreign Tax law or under any other applicable Legal Requirement. To the extent such amounts are so deducted or withheld and paid over to the applicable Governmental Body, such amounts will be treated for all purposes under this Agreement as having been paid to the Person to whom such amounts would otherwise have been paid. Company and Contributor shall use commercially reasonable efforts to avoid the imposition of any requirement to deduct or withhold amounts.

**1.6 Additional Actions.** If, at any time after the Closing, Company or Contributor shall consider or be advised that any deeds, bills of sale, assignments or assurances or any other acts or things are necessary, desirable or proper (a) to vest, perfect or confirm, of record or otherwise, its right, title and interest in, to or under any of the rights, privileges, powers or franchises of the CHB Shares or the Exchange Shares, respectively, or (b) otherwise to carry out the purposes of this Agreement, Company, Contributor and their respective proper officers and directors or designees shall be authorized (i) to execute and deliver, in the name and on behalf of Contributor or Company, as applicable, all such deeds, bills of sale, assignments and assurances and (ii) to do, in the name and on behalf of Contributor and Company, as applicable, all such other acts and things as may be necessary, desirable or proper to vest, perfect or confirm Company's or Contributor's right, title and interest in, to and under any of the rights, privileges, powers or franchises of CHB Shares or Exchange Shares, as applicable, and otherwise to carry out the purposes of this Agreement; provided that, prior to executing and delivering any deed, bill of sale, assignment or assurance or doing any other act or thing in the name of and on behalf of Contributor or Company pursuant to this Section 1.6, Company and Contributor shall use reasonable efforts to request that Contributor or Company, as applicable, execute and deliver such deed, bill of sale, assignment or assurance or do such other act or thing.

ARTICLE 2

**REPRESENTATIONS AND WARRANTIES OF**

**CONTRIBUTOR AND CHB ENTITIES**

Contributor represents and warrants on its own behalf and, where the context indicates, on behalf of the CHB Entities, to Company as of the date hereof and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date as follows, in each case subject to the exceptions set forth in the Contributor Disclosure Schedule delivered to the Company and dated as of the date hereof:

**2.1 Organization and Qualification; Charter Documents.**

(a) Part 2.1(a) of the Contributor Disclosure Schedule identifies each CHB Company and indicates its jurisdiction of organization. No CHB Company owns any capital stock of, or any equity interest of any nature in, any other Entity, other than the Entities identified in Part 2.1(a) of the Contributor Disclosure Schedule. None of the CHB Companies has agreed or is obligated to make, or is bound by any Contract under which it may become obligated to make, any future investment in or capital contribution to any other Entity.

(b) Each of the CHB Companies is duly organized and validly existing under the laws of the jurisdiction of its organization and has all necessary organizational power and authority: (i) to conduct its business in the manner in which its business is currently being conducted; (ii) to own and use its assets in the manner in which its assets are currently owned and used; and (iii) to perform its obligations under all CHB Contracts by which it is bound, except where the failure to have such organizational power and authority would not, individually or in the aggregate, have a CHB Material Adverse Effect.

(c) Each of the CHB Companies (in jurisdictions that recognize the following concepts) is qualified to do business as a foreign corporation, and is in good standing, under the laws of all jurisdictions where the nature of its business requires such qualification, except where the failure to be so qualified and in good standing would not, individually or in the aggregate, have a CHB Material Adverse Effect.

(d) Contributor has made available to Company accurate and complete copies of: (i) the Organizational Documents of each CHB Company, including all amendments thereto; (ii) the stock records of each CHB Company; and (iii) the minutes and other records of the meetings and other proceedings (including any actions taken by written consent or otherwise without a meeting) of the members or stockholders, as applicable, of each CHB Company, the board of directors or managers, as applicable, of each CHB Company and all committees of the board of directors or managers of each CHB Company. The books of account, stock records, minute books and other records of the CHB Companies are accurate, current and complete in all material respects.

**2.2 Capital Structure.**

(a) As of the date of this Agreement, the authorized capital stock of (i) CHB BV consists of 200 shares and (ii) CHB US consists of 1,000 shares of common stock. As of the date of this Agreement, the issued capital stock of (i) CHB BV consists of 200 shares and (ii) CHB US consists of 1,000 shares of common stock. All CHB Shares are duly authorized, validly issued, fully paid and non-assessable and were issued in compliance with all applicable Legal Requirements. Part 2.2(a) of the Contributor Disclosure Schedule sets forth the complete and accurate capitalization of the CHB Subsidiaries as of the date of this Agreement. There are no outstanding rights, options, warrants, preemptive rights, rights of first offer, or similar rights for the purchase or acquisition from any CHB Company of any securities of such CHB Company, nor are there any commitments or binding arrangements to issue or execute any such rights, options, warrants, preemptive rights or rights of first offer.

(b) Except as set forth on Part 2.2(b) of the Contributor Disclosure Schedule: (i) none of the outstanding CHB Shares or shares of capital stock of any of the CHB Subsidiaries are entitled or subject to any preemptive right, right of repurchase or forfeiture, right of participation, right of maintenance or any similar right; (ii) none of the outstanding CHB Shares or shares of capital stock of any CHB Subsidiary are subject to any right of first refusal; (iii) there are no outstanding bonds, debentures, notes or other indebtedness of the CHB Companies having a right to vote on any matters on which the holders of CHB Shares or shares of capital stock of any CHB Subsidiary have a right to vote; (iv) there is no Contract to which a CHB Company is a party relating to the voting or registration of, or restricting any Person from purchasing, selling, pledging or otherwise disposing of (or from granting any option or similar right with respect to), any CHB Shares or shares of capital stock of any CHB Subsidiary; and (v) no CHB Company is under any obligation, or is bound by any Contract pursuant to which it may become obligated, to repurchase, redeem or otherwise acquire any outstanding CHB Shares or shares of capital stock of any CHB Subsidiary or other securities. As of the date of this Agreement, there are no CHB Shares that are subject to a repurchase option, risk of forfeiture or other condition under any applicable restricted stock purchase agreement or other Contract with Contributor or under which Contributor has any rights.

**2.3 Authority; Non-Contravention; Approvals.**

(a) Contributor has the requisite limited liability company power and authority to enter into this Agreement and to perform its obligations hereunder and to consummate the transactions contemplated hereby. The execution and delivery by Contributor of this Agreement, the performance by Contributor of its obligations hereunder and the consummation by Contributor of the transactions contemplated hereby have been duly and validly authorized by all necessary organizational action on the part of Contributor. This Agreement has been duly and validly executed and delivered by Contributor and, assuming the due authorization, execution and delivery of this Agreement by Company, this Agreement constitutes the valid and binding obligation of Contributor, enforceable in accordance with its terms.



(b) Except as set forth on Part 2.3(b) of the Contributor Disclosure Schedule, the execution and delivery of this Agreement by Contributor does not, and the performance of this Agreement by Contributor will not, (i) conflict with or violate Organizational Documents of Contributor or any CHB Subsidiary, (ii) subject to compliance with the requirements set forth in Section 2.3(c) below, conflict with or violate any Legal Requirement, order, judgment or decree upon which any of the properties of Contributor of any CHB Subsidiary are bound or affected, except for any such conflicts or violations that would not, individually or in the aggregate, have a CHB Material Adverse Effect or would not prevent or materially delay the consummation of the Exchange, or (iii) require Contributor or a CHB Subsidiary to make any filing with or give any notice to a Person, or to obtain any Consent from a Person, or result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or impair any CHB Company's rights or alter the rights or obligations of any third party under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of an Encumbrance on any of the properties or assets of the CHB Companies pursuant to, any CHB Contract to which a CHB Company is a party or by which any CHB Company or any of its properties are bound or affected (except, for purposes of this clause (iii) as would not, individually or in the aggregate, have a CHB Material Adverse Effect or prevent or materially delay the Exchange).

(c) No material consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Body is required by or with respect to Contributor in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except for any filings contemplated by Section 5.4(a).

#### **2.4 Contributor Financial Statements; No Undisclosed Liabilities.**

(a) The audited consolidated financial statements (including any related notes thereto) representing the financial condition and results of operations of Contributor as of and for the years ended March 28, 2015, April 2, 2016 and April 1, 2017 (collectively, the *Contributor Audited Financials* ) previously delivered to the Company (i) have been prepared in accordance with United States generally accepted accounting principles ( *GAAP* ) applied on a consistent basis throughout the periods involved (except as may be indicated in the notes thereto), (ii) fairly present in all material respects the consolidated financial position of Contributor as at the respective dates thereof and the consolidated results of its operations and cash flows for the periods indicated and (iii) are consistent with, and have been prepared from, the books and records of Contributor.

(b) The unaudited consolidated financial statements (including any related notes thereto) representing the financial condition and results of operations of Contributor as of and for the three-month period ending September 30, 2017 (the *Contributor Unaudited Financials* ) and, together with the Contributor Audited Financials, the *Contributor Financials* ) previously delivered to the Company, and Contributor financial statements as of and for the period ending on any fiscal quarter end or annual period

after the date of this Agreement and prior to the Closing that are required to be included in the Proxy Statement, if any, in each case together with the notes thereto, will, when delivered to Company, (i) have been prepared in accordance with GAAP applied on a consistent basis through the periods involved (except as may be indicated in the notes thereto), (ii) fairly present in all material respects the consolidated financial position of Contributor as at the respective dates thereof and the consolidated results of Contributor operations and cash flows for the periods indicated and (iii) be consistent with, and have been prepared from, the books and records of Contributor; in each case, subject to normal reoccurring year-end audit adjustments.

(c) Except as disclosed on Part 2.4(c) of the Contributor Disclosure Schedule, as of September 30, 2017, no CHB Company has any liabilities (other than valuation adjustments in relation to financial instruments), absolute, accrued, contingent or otherwise of a nature required to be disclosed on a balance sheet or in the related notes to the consolidated financial statements prepared in accordance with GAAP, except liabilities (i) provided for or referenced in the Contributor Financials, (ii) incurred in connection with the transactions contemplated in this Agreement, (iii) disclosed in Part 2.4(c) of the Contributor Disclosure Schedule, or (iv) incurred since September 30, 2017 in the ordinary course of business consistent with past practice that are not, individually or in the aggregate, material to the business, results of operations or financial condition of Contributor and the CHB Companies taken as a whole.

(d) Since the beginning of the earliest fiscal year covered by the Contributor Audited Financials, there have been no formal investigations regarding financial reporting or accounting policies and practices discussed with, reviewed by or initiated at the direction of the chief executive officer, chief financial officer or general counsel of Contributor, the board of managers of Contributor or any committee thereof.

(e) Since the beginning of the earliest fiscal year covered by the Contributor Audited Financials, neither Contributor nor, to the knowledge of Contributor, its Representatives, have identified any fraud, whether or not material, that involves Contributor's management or other employees who have a role in the preparation of financial statements, the internal accounting controls utilized by Contributor, any material illegal act or fraud related to the business of the CHB Companies, or any claim or allegation regarding the foregoing.

**2.5 Absence Of Certain Changes Or Events.** From October 1, 2017 through the date of this Agreement, each of the CHB Companies has conducted its business only in the ordinary course of business consistent with past practice in all material respects, and there has not been: (a) any event that has had a CHB Material Adverse Effect, (b) any material change, by Contributor in its accounting methods, principles or practices, except as required by concurrent changes in GAAP or as disclosed in the notes to the Contributor Financials, (c) any revaluation by Contributor of any of its assets having a CHB Material Adverse Effect, or writing off notes or accounts receivable that are, individually or in the aggregate, material to the CHB Companies, taken as a whole, other than in the ordinary course

of business, or (d) any other action, event or occurrence that would have required the consent of Company pursuant to Section 4.2 had such action, event or occurrence taken place after the execution and delivery of this Agreement.

## **2.6 Taxes.**

(a) The Contributor, on behalf of each CHB Company, has duly and timely filed, all U.S. federal income Tax Returns and all other material Tax Returns required to be filed by it with respect to the CHB Companies (taking into account any extension of time within which to file), and all such Tax Returns are true, complete and accurate in all material respects.

(b) All material Taxes owed by each CHB Company (whether or not shown on any Tax Return) have been timely paid in full.

(c) No claim has ever been made by an authority in a jurisdiction where a CHB Company does not file Tax Returns that such CHB Company is or may be subject to any material taxation by that jurisdiction.

(d) No CHB Company has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency, and no request has been made by any CHB Company in writing for any such extension or waiver.

(e) There are no liens for any material Taxes on any asset of any CHB Company other than liens for Taxes not yet due and payable.

(f) No dispute, audit, investigation, proceeding or claim concerning any material Tax liability of any CHB Company has been raised by a Governmental Body in writing, and to the knowledge of Contributor, no such dispute, audit, investigation, proceeding, or claim is pending, being conducted, or claimed.

(g) Each CHB Company has deducted, withheld and timely paid to the appropriate Governmental Body all material Taxes required to be deducted, withheld or paid in connection with amounts paid or owing to any employee, independent contractor, creditor, stockholder or other third party, and each CHB Company has complied with all reporting and recordkeeping requirements in all material respects.

(h) No closing agreements, private letter rulings or advance tax rulings, Tax holidays, technical advice memoranda or similar agreements or rulings related to any material Taxes have been entered into, issued or requested from any Governmental Body with or in respect of any CHB Company.

(i) No CHB Company has ever been a member of an affiliated group within the meaning of Code section 1504(a) filing a consolidated federal income Tax Return (other than the affiliated group as defined in Code section 1504(a) the common parent of which is one of the CHB Entities). No CHB Company is a party to any material contractual

obligation relating to Tax sharing or Tax allocation. No CHB Company has any liability for the Taxes of any person under Treasury Regulations section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise.

(j) No CHB Company has participated in any listed transaction within the meaning of Treasury regulations section 1.6011-4 or any tax shelter within the meaning of Code section 6662.

(k) Within the past five (5) years, no CHB Company has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Sections 355 or 361 of the Code.

(l) Contributor has provided or made available to the Company copies of all Tax Returns, examination reports, and statements of deficiencies filed, assessed against, or agreed to by any CHB Company for any taxable year beginning on or after January 1, 2013, and in each case such copies are true, correct and complete in all material respects.

## **2.7 Intellectual Property.**

(a) Part 2.7(a) of the Contributor Disclosure Schedule lists all of the patents, patent applications, domain names, registered trademarks and registered copyrights, applications for trademark and copyright registrations ( **CHB Registered Intellectual Property** ) along with the respective application, registration or filing number that are owned by or exclusively licensed to a CHB Company. Unless otherwise indicated on Part 2.7(a) of the Contributor Disclosure Schedule, Contributor exclusively owns all rights, title and interests in such CHB Registered Intellectual Property free and clear of all Encumbrances other than the Permitted Encumbrances.

(b) Part 2.7(b)(1) of the Contributor Disclosure Schedule lists all Contracts in effect as of the date of this Agreement under which any third party has licensed, granted or conveyed to any CHB Company any material right, title or interest in or to any Intellectual Property Rights (the **CHB In Licenses** ). Part 2.7(b)(2) of the Contributor Disclosure Schedule lists all Contracts in effect as of the date of this Agreement under which a CHB Company has licensed, granted or conveyed to any third party any right, title or interest in or to any material CHB Owned IP (collectively, **CHB Out Licenses** and together with the CHB In Licenses, the **CHB IP Contracts** ).

(c) Except as set forth on Part 2.7(c)(1) of the Contributor Disclosure Schedule, the CHB Companies own, co-own or otherwise possess the right to use all material CHB IP Rights, free, to Contributor's knowledge, of any infringement or other violation of third party Intellectual Property Rights. Except as set forth on Part 2.7(c)(1) of the Contributor Disclosure Schedule, no CHB Company is, to Contributor's knowledge, infringing upon or misappropriating any Intellectual Property Rights of any Person. During the three-year period prior to the date of this Agreement, none of the CHB Companies has received any complaint, claim or demand alleging such infringement or misappropriation. Except as set forth in Part 2.7(c)(2) of the Contributor Disclosure Schedule, to Contributor's knowledge, no Person is infringing upon or misappropriating any CHB Owned IP.

(d) To Contributor's knowledge, in the past three (3) years, no CHB Company has had (i) any security breaches, or (ii) material violations of any security policy of such CHB Company, relating to the unauthorized use of Sensitive Data. Each CHB Company is in material compliance with all Legal Requirements regarding the privacy, protection, storage, use and disclosure of Sensitive Data collected by such CHB Company.

## **2.8 Compliance with Legal Requirements.**

(a) No CHB Company has been or is in conflict with, or in default or violation of, (i) any Legal Requirement, order, judgment or decree applicable to a CHB Company or by which any of its material properties is bound or affected, or (ii) any CHB Contract to which a CHB Company is a party or by which a CHB Company or any of its properties is bound or affected, except for any conflicts, defaults or violations which would not, individually or in the aggregate, have a CHB Material Adverse Effect. No investigation or review by any Governmental Body is pending or, to the knowledge of Contributor, threatened against any CHB Company that could reasonably be expected to result in material liability to the CHB Companies, taken as a whole, nor has any Governmental Body indicated to Contributor or any CHB Company in writing an intention to conduct the same.

(b) Except as would not, individually or in the aggregate, have or reasonably be expected to have a CHB Material Adverse Effect, the CHB Companies hold all material permits, licenses, authorizations, variances, exemptions, orders and approvals from Governmental Bodies which are necessary to the operation of the business of the CHB Companies taken as a whole (collectively, the **CHB Permits**). The CHB Companies are in compliance in all material respects with the terms of the CHB Permits. Except as would not, individually or in the aggregate, have or reasonably be expected to have a CHB Material Adverse Effect, no action, proceeding, revocation proceeding, amendment procedure, writ, injunction or claim is pending or, to the knowledge of Contributor, threatened in writing, which seeks to revoke or materially limit any material CHB Permit. Except as prohibited by applicable Legal Requirements and as would not, individually or in the aggregate, have or reasonably be expected to have a CHB Material Adverse Effect, the rights and benefits of each material CHB Permit will be available to the Group Companies immediately following the Closing.

(c) None of the CHB Companies and, to the knowledge of Contributor, no director or officer of any CHB Company or Person acting in concert with or on behalf of the CHB Companies, or any officers, employees of the same with respect to any matter relating to any of the CHB Companies, has: (i) used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity; (ii) made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns or violated any provision of the Foreign Corrupt Practices Act of 1977, as amended, or any other analogous legislation in any jurisdiction; or (iii) made any other unlawful payment.

**2.9 Legal Proceedings; Orders.**

(a) There is no, and there has not been in the past three (3) years, any pending, or threatened in writing, Legal Proceeding and, to the knowledge of Contributor, no Person has threatened to commence any Legal Proceeding: (i) that involves any of the CHB Companies, any business of any of the CHB Companies or any of the assets owned, leased or used by any of the CHB Companies; and (ii) that challenges, or that may have the effect of preventing, materially delaying, making illegal or otherwise materially interfering with, the Exchange or any of the other transactions contemplated by this Agreement, in each case as a claimant, defendant or in any other capacity. None of the Legal Proceedings identified in Part 2.9(a) of the Contributor Disclosure Schedule has had or, if adversely determined, would have or result in, either individually or in the aggregate, a CHB Material Adverse Effect. To the knowledge of Contributor, as of the date hereof, no event has occurred, and no claim, dispute or other condition or circumstance exists, that would reasonably be expected to give rise to or serve as a basis for the commencement of any Legal Proceeding of the type described in clause (i) and clause (ii) of the first sentence of this Section 2.9(a).

(b) There is no Order to which any of the CHB Companies, or any of the assets owned or used by any of the CHB Companies, is subject that has had or would have or result in, either individually or in the aggregate, a CHB Material Adverse Effect. To the knowledge of Contributor, no director, officer or other key employee of any of the CHB Companies is subject to any Order that prohibits such director, officer or other employee from engaging in or continuing any conduct, activity or practice relating to the business of any of the CHB Companies.

**2.10 Brokers and Finders Fees.** Except as set forth on Part 2.10 of the Contributor Disclosure Schedule, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Exchange or any of the other transactions contemplated by this Agreement based upon arrangements made by or on behalf of any of the CHB Companies. Contributor has furnished to Company accurate and complete copies of all agreements under which any such fees, commissions or other amounts have been paid or may become payable and all indemnification and other agreements related to the engagement of any Persons listed on Part 2.10 of the Contributor Disclosure Schedule.

**2.11 Employee Benefit Plans.**

(a) Part 2.11(a) of the Contributor Disclosure Schedule sets forth, as of the date of this Agreement, a complete and accurate list of each material plan, program, policy, contract or agreement or other arrangement providing for employment, compensation, retirement, pension, deferred compensation, severance, separation, relocation, termination pay, performance awards, bonus, incentive compensation, stock option, stock purchase, stock bonus, phantom stock, stock appreciation right, other equity-based award, supplemental retirement, profit sharing, material fringe benefits, cafeteria benefits, medical benefits, life insurance, disability benefits, accident benefits, salary continuation, accrued leave, vacation, or other material employee benefits, whether written or unwritten, and each other *employee*

**benefit plan** within the meaning of Section 3(3) of the Employee Retirement Income Security Act of 1974, as amended ( **ERISA** ), in each case, for current, retired or former employees, directors or consultants of any CHB Company, which is sponsored, maintained, contributed to, or required to be contributed to by any CHB Company or with respect to which a CHB Company has any material liability, but which does not include plans or programs in which a CHB Company is obligated to participate by Legal Requirements (collectively, the **Contributor Employee Plans** ).

(b) Contributor has made available to Company true and complete copies of each Contributor Employee Plan (or, to the extent that a Contributor Employee Plan is unwritten, a reasonably detailed written description of such plan) and all material related plan documents, including, as applicable, trust documents, plan amendments, Insurance Policies or contracts, summary plan descriptions, and compliance and nondiscrimination tests (including 401(k) and 401(m) tests) for the last three plan years. Contributor has also made available to Company true and complete copies of all material non-routine correspondence from a Governmental Body with respect to a Contributor Employee Plan. No Contributor Employee Plan is subject to Title IV of ERISA. Contributor has made available to Company copies of the Form 5500 reports filed for each applicable Contributor Employee Plan for the most recent plan year. Each Contributor Employee Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service or is entitled to rely on a favorable opinion letter from the Internal Revenue Service on the form of such Contributor Employee Plan, and to Contributor's knowledge, nothing has occurred since the issuance of each such letter that would reasonably be expected to cause the loss of the tax-qualified status of any Contributor Employee Plan subject to Section 401(a) of the Code. Contributor has made available to Company the most recent Internal Revenue Service determination or opinion letter issued with respect to each such Contributor Employee Plan, as applicable.

(c) Each Contributor Employee Plan has been maintained and administered in all material respects in accordance with its terms and in material compliance with the requirements prescribed by applicable Legal Requirements (including, where applicable, ERISA and the Code). No Contributor Employee Plan promises or provides retiree medical or other retiree welfare benefits to any person, except to the extent required by Section 4980B of the Code or any similar state, local or non-U.S. Legal Requirement. No material suit or material administrative proceeding or action is pending, or to the knowledge of Contributor is threatened, against or with respect to any Contributor Employee Plan, including, as applicable, any audit by the Internal Revenue Service or the United States Department of Labor (other than routine claims for benefits arising under the applicable Contributor Employee Plan) or participation in any voluntary correction or amnesty program of the Internal Revenue Service or the United States Department of Labor.

(d) Neither Contributor nor any ERISA Affiliate of Contributor has ever maintained, established, sponsored, participated in or contributed to, or is or has been obligated to contribute to, or otherwise incurred any obligation or liability (including any contingent liability) under, any **multiemployer plan** (as defined in Section 3(37) of ERISA),

any *multiple employer welfare arrangement* (as defined in Section 3(40) of ERISA) or any *pension plan* (as defined in Section 3(2) of ERISA) that is subject to Title IV of ERISA or Section 412 of the Code.

(e) Other than as specifically contemplated by this Agreement or as set forth in Part 2.11(e) of the Contributor Disclosure Schedule, the consummation of the Exchange will not, either alone or in combination with another event, (i) entitle any current or former employee or other service provider of any CHB Company to severance benefits or any other payment (including golden parachute or bonus payments); (ii) accelerate the time of payment or vesting of any payments or benefits or increase the amount of compensation or benefits due any current or former employee or service provider of any CHB Company; (iii) result in the forgiveness of any indebtedness between any CHB Company and any current or former employee or service provider or any such entity; or (iv) result in any obligation to fund future benefits under any Contributor Employee Plan. No benefit payable or that may become payable by Contributor in connection with the transactions contemplated by this Agreement or as a result of or arising under this Agreement (either alone or in combination with another event) is reasonably likely to result in the imposition of an excise Tax under Section 4999 of the Code or the disallowance of any deduction by reason of Section 280G of the Code.

(f) Each Contributor Employee Plan that provides benefits principally to persons outside of the United States is in material compliance with applicable Legal Requirements.

**2.12 Title to Assets.** Except as set forth on Part 2.12 of the Contributor Disclosure Schedule, the CHB Companies own, and have good, valid and marketable title to, all material tangible assets purported to be owned by them, including all material assets reflected in the books and records of the CHB Companies as being owned by the CHB Companies. All of said assets are owned by the CHB Companies free and clear of any Encumbrances, except for (i) any lien for current Taxes not yet due and payable, (ii) liens that have arisen in the ordinary course of business and that do not (individually or in the aggregate) materially detract from the value of the assets subject thereto or materially impair the operations of any CHB Company, and (iii) Encumbrances described in Part 2.12 of the Contributor Disclosure Schedule collectively, (i) through (iii), *Permitted Encumbrances*. As of the date of this Agreement, Contributor is the sole record and beneficial owner of all the CHB Shares, and, as of the Closing, Contributor shall be the sole record and beneficial owner of all such CHB Shares. Notwithstanding any contrary provision herein, Contributor has, as of the date of this Agreement, and will have as of the Closing, good and marketable title to the CHB Shares, free and clear of all Encumbrances. The CHB Companies are the lessees of, and hold valid leasehold interests in, all material assets purported to have been leased by them, including all material assets reflected in the books and records of the CHB Companies as being leased to the CHB Companies, and the CHB Companies enjoy undisturbed possession of such leased assets.



**2.13 Real Property.**

(a) Part 2.13(a) of the Contributor Disclosure Schedule sets forth the address and a description of the use of (i) each parcel of real property that is owned in fee simple by any CHB Company (each being **CHB Owned Real Property**) and (ii) each parcel of real property that is leased, subleased, licensed or otherwise occupied by any CHB Company (each agreement to occupy property, whether written or oral, being hereinafter referred to as a **CHB Real Property Lease** and any real property leased by any CHB Company under any CHB Real Property Lease being hereinafter referred to as **CHB Leased Real Property**) with an aggregate annual payment obligation exceeding \$50,000. The CHB Owned Real Property and the CHB Leased Real Property may collectively be hereinafter referred to as the **CHB Real Property**. Part 2.13(a) of the Contributor Disclosure Schedule sets forth a complete list of the CHB Real Property and the applicable CHB Company's interest therein. The CHB Real Property listed in Part 2.13(a) of the Contributor Disclosure Schedule comprises all material real property interests used in the conduct of the business and operations of the CHB Companies now conducted. To the knowledge of Contributor, (i) each CHB Real Property Lease is valid, binding and enforceable against the applicable CHB Company in accordance with its terms and is in full force and effect and (ii) each CHB Company that leases CHB Leased Real Property as shown on Part 2.13(a) of the Contributor Disclosure Schedule holds a valid leasehold interest under each applicable CHB Real Property Lease.

(b) Each CHB Company that owns CHB Real Property as shown on Part 2.13(a) of the Contributor Disclosure Schedule has good and marketable, indefeasible, fee simple title to such parcel of CHB Owned Real Property, free and clear of all Encumbrances, except (a) liens for Taxes, assessments or other similar governmental charges that are not yet due or that are being contested in good faith by appropriate proceedings and that are fully and properly reserved for in the Contributor Financials in accordance with GAAP; (b) any mechanics', workmen's, repairmen's and other similar liens arising or incurred in the ordinary course in respect of obligations that are not overdue and that are not, individually or in the aggregate, material to the business of Contributor or any CHB Company taken as a whole, or that are being contested in good faith by appropriate proceedings and that are fully and properly reserved for in the Contributor Financials in accordance with GAAP; (c) liens relating to equipment leases entered into in the ordinary course; (d) any right of way or easement which does not materially impair the occupancy or use of such CHB Real Property for the purposes for which it is currently used in connection with the applicable CHB Company's business and (e) liens set forth in Part 2.13(b) of the Contributor Disclosure Schedule. No CHB Company has leased or otherwise granted to any Person, the right to use or occupy all or any material portion of any CHB Owned Real Property. To the knowledge of Contributor, there are no outstanding options, rights of first offer or rights of first refusal to purchase all or any portion of any CHB Owned Real Property or any interest therein.

(c) No CHB Company has received written notice of a pending, proposed or threatened condemnation or other taking of any CHB Real Property, and to Contributor's knowledge, and except as disclosed in Part 2.13(c) of the Contributor Disclosure Schedule, no

part of any CHB Owned Real Property is subject to any pending suit for condemnation or other taking by any Governmental Body.

**2.14 Environmental Matters.** Except as set forth on Part 2.14 of the Contributor Disclosure Schedule:

(a) Each of the CHB Companies is, and since January 1, 2015 has been, in material compliance with all Environmental Laws.

(b) To the knowledge of the Contributor, no Hazardous Materials have been released on, at or from the CHB Real Property by any CHB Company (or, to Contributor's knowledge, as a result of any actions of any third party or otherwise), or, to Contributor's knowledge, on, at or from any other real property that any CHB Company has at any time owned, operated, occupied or leased, in any case in violation of Environmental Laws or in a manner that requires reporting, investigation or remediation or otherwise reasonably could be expected to result in material liability for the CHB Companies, taken as a whole, under Environmental Law.

(c) To the knowledge of the Contributor, each CHB Company currently holds and has complied in all material respects with all material governmental approvals and permits necessary for the conduct of its respective businesses under Environmental Laws, as such businesses are currently being conducted (the *CHB Environmental Permits*). No action or proceeding is pending or, to the knowledge of Contributor, threatened to revoke, materially modify or not renew any CHB Environmental Permits.

(d) No claim, action, request for information or other proceeding is pending, (or to Contributor's knowledge, threatened) alleging that any CHB Company has violated or has potential liability under Environmental Law.

(e) No CHB Company is subject to any unresolved obligations pursuant to any judgment, order, consent order or agreement resolving any alleged violation of or liability under any Environmental Laws.

(f) Contributor has provided or made available to the Company copies of any and all material environmental studies, investigations and audit reports in the possession of Contributor and related to the environmental condition of the CHB Real Property, or to the compliance or liabilities of the CHB Companies with or under Environmental Law.

**2.15 Labor Matters.**

(a) No employee of a CHB Company is currently represented by a labor union or other representative body with respect to the employee's employment with a CHB Company. No CHB Company is a party to or bound by any collective bargaining agreement or other agreement with any labor organization, works council, or other representative body with respect to any employee of a CHB Company; there are no collective bargaining agreements or other agreements with a labor union, works council or other employee representative

organization otherwise applicable or binding on a CHB Company pursuant to Legal Requirements; and no such arrangement is presently being negotiated by any CHB Company. There are no organizing activities, strikes, material grievances, claims of unfair labor practices or other collective bargaining disputes, pending, or to the knowledge of Contributor, threatened against or involving a CHB Company, and there have not been any such activities, strikes, grievances, claims or disputes in the last three (3) years.

(b) The CHB Companies are in compliance in all material respects with all Legal Requirements relating to employment practices, terms and conditions of employment, and the employment of former, current, and prospective employees, individual independent contractors and leased employees (within the meaning of Section 414(n) of the Code in the United States and other Legal Requirements in any jurisdiction in which the CHB Companies employ interim employees), including all such Legal Requirements and contracts relating to wages, hours, collective bargaining, classification of employees, employment discrimination, immigration, disability, civil rights, fair labor standards and employment standards, human rights, occupational safety and health, and workers compensation, and have timely prepared and, as applicable, filed all employment-related forms (including United States Citizenship and Immigration Services Form I-9) to the extent required by any relevant Governmental Body.

## **2.16 Contributor Contracts.**

(a) Except as set forth on Part 2.16 of the Contributor Disclosure Schedule, no CHB Company is a party to or is bound by:

(i) any Contract for the sale of goods or performance of services by any CHB Company having (or expected to have) an actual or anticipated value of at least \$1,000,000 in any twelve (12) month-period;

(ii) any Contract for the purchase of goods or services by a CHB Company from any vendor or supplier having (or expected to have) an actual or anticipated cost of at least \$1,000,000 in any twelve (12) month-period;

(iii) any Contract with a CHB Material Supplier or CHB Material Customer not included in clauses (i) and (ii) above;

(iv) any Contract incorporating or relating to any guaranty, any warranty, any sharing of liabilities or any indemnity not entered into in the ordinary course of business, including any indemnification agreements between a CHB Company and any of its officers or directors;

(v) any Contract imposing any material restriction on the right or ability of any CHB Company: (A) to compete with any other Person; (B) to acquire any product or other asset or any services from any other Person; (C) to develop, sell, supply, distribute, offer, support or service any material product or any material technology or other material asset to or for any other Person; (D) to

perform services for any other Person; or (E) to otherwise transact business with any other Person;

(vi) any Contract currently in force relating to the disposition or acquisition of assets not in the ordinary course of business or any ownership interest in any corporation, partnership, joint venture or other business enterprise;

(vii) any Contract relating to the borrowing of money or extension of credit;

(viii) any real property lease, sublease, license or other agreement relating to the grant, by any CHB Company to any other Person, of any right of possession or use of, or access to, any CHB Real Property with aggregate lease payments exceeding \$50,000 in any twelve (12) month period;

(ix) any Contract that provides for: (A) any right of first refusal, right of first negotiation, right of first notification or similar right with respect to any securities or assets of any CHB Company; or (B) any no shop provision or similar exclusivity provision with respect to any securities or assets of any CHB Company; or

(x) any Contract not entered into in the ordinary course of business that contemplates or involves the payment or delivery of cash or other consideration in an amount or having a value in excess of \$1,000,000 in the aggregate, or contemplates or involves the performance of services having a value in excess of \$1,000,000 in the aggregate, other than any arrangement or agreement expressly contemplated by or provided for in this Agreement, that does not allow a CHB Company to terminate the Contract for convenience with no more than sixty (60) days prior notice to the other party and without the payment of any rebate, chargeback, penalty or other amount to such third party in connection with any such termination.

(b) Contributor has made available to Company an accurate and complete copy of each Contract listed or required to be listed in Part 2.16 of the Contributor Disclosure Schedule and each CHB IP Contract (any such Contract, a **CHB Contract** ). No CHB Company and, to the knowledge of Contributor, no other party to a CHB Contract has breached or violated in any material respect or materially defaulted under, or received notice in writing that it has breached, violated or defaulted under, any of the terms or conditions in any material respect of any of the CHB Contracts. Each CHB Contract is valid, binding, enforceable obligation of Contributor, and to the knowledge of Contributor, of the other party or parties thereto, and is in full force and effect.

**2.17 Books and Records.** The minute books of the CHB Companies made available to Company or its counsel are the only minute books of the CHB Companies and contain accurate summaries, in all material respects, of all meetings of directors (or committees thereof) and stockholders or actions by written consent since the time of

incorporation of the CHB Companies, as the case may be. The books and records of the CHB Companies accurately reflect in all material respects the assets, liabilities, business, financial condition and results of operations of the CHB Companies and have been maintained in accordance with good business and bookkeeping practices.

**2.18 Insurance.**

(a) Part 2.18(a) of the Contributor Disclosure Schedule sets forth each of the CHB Companies' insurance policies or policies maintained on behalf of the CHB Companies (including, as applicable, fire, theft, casualty, general liability, workers compensation, business interruption, environmental, directors and officers liability, product liability and automobile insurance policies and bond and surety arrangements, collectively ***Insurance Policies*** ). Each Insurance Policy is in full force and effect and is maintained with reputable companies against loss relating to the business, operations and properties and such other risks as companies engaged in similar business as the CHB Companies would, in accordance with good business practice, customarily insure. All premiums due and payable under such Insurance Policies have been paid on a timely basis and each CHB Company is in compliance in all material respects with all other terms thereof. True, complete and correct copies of such Insurance Policies have been made available to Company.

(b) Except as set forth on Part 2.18(b) of the Contributor Disclosure Schedule, there are no material claims pending, under any Insurance Policy to which any CHB Company is a party, as to which coverage has been questioned, denied or disputed. No CHB Company has been refused insurance for which it has applied or had any policy of insurance terminated (other than at its request), nor has any CHB Company received notice from any insurance carrier that: (i) such insurance will be canceled or that coverage thereunder will be reduced or eliminated; or (ii) premium costs with respect to such insurance will be increased, other than premium increases in the ordinary course of business applicable on their terms to all holders of similar policies.

**2.19 Customers; Suppliers; Effect of Transaction.** Except as set forth on Part 2.19 of the Contributor Disclosure Schedule, since April 1, 2017, there has not been: (i) any adverse change in the business relationship of the CHB Companies, taken as a whole, with any (A) supplier who is one of the fifteen (15) largest suppliers of the CHB Companies, taken as a whole, measured by dollar value for products or services purchased in each of the two most recent fiscal years (each, a ***CHB Material Supplier*** ) or (B) customer who is one of the fifteen (15) largest customers of the CHB Companies, taken as a whole, measured by dollar value for goods or services rendered in each of the two most recent fiscal years (each, a ***CHB Material Customer*** ); or (ii) any adverse change in any material term (including credit terms) of the sales or related agreements with any CHB Material Supplier or CHB Material Customer, in the case of each of clauses (i) and (ii), that would be material to the business, results of operations or financial condition of Contributor and the CHB Companies taken as a whole. To the knowledge of Contributor, as of the date hereof, no creditor, supplier, employee, client, customer or other Person having a material business relationship with any CHB Company has provided any CHB Company with written notice of its intent to adversely

change its relationship with such CHB Company because of the transactions contemplated by this Agreement. Part 2.19 of the Contributor Disclosure Schedule sets forth, for each CHB Material Supplier and CHB Material Customer, the identity of such supplier or customer and amount of annual consideration paid or received, as applicable, during each of the past two (2) fiscal years, from such supplier or customer.

**2.20 Product Liability; Product Warranties.** Except as set forth on Part 2.20 to the Contributor Disclosure Schedule, to the knowledge of the Contributor, the products sold or manufactured by the CHB Companies in connection with the business and the services provided by the CHB Companies have complied with and are in compliance with, in all material respects, all applicable (i) Legal Requirements, (ii) industry and self-regulatory organization standards, (iii) contractual commitments, and (iv) express or implied warranties. Except as set forth on Part 2.20 to the Contributor Disclosure Schedule, since January 1, 2015, there has been no determination of any serious defects or imminent safety hazards pursuant to Subpart I of the HUD-Code (24 CFR 3282.401-418) with respect to any product produced, manufactured, marketed, distributed or sold in connection with the business of any CHB Company (including any predecessor entity). To the knowledge of the Contributor, there are not, and there have not been, any material defects or deficiencies in any products or services of the CHB Companies that could reasonably be expected to give rise to or serve as a basis for any determination of any serious defects or imminent safety hazards pursuant to Subpart I of the HUD-Code (24 CFR 3282.401-418) by any CHB Company.

**2.21 Interested Party Transactions.** Except as set forth on Part 2.21 of the Contributor Disclosure Schedule, no event has occurred since April 3, 2016 that would be required to be reported by any CHB Company as a transaction with a related person pursuant to Item 404(a) of Regulation S-K, if such CHB Company were required to report such information in periodic reports pursuant to the Securities Exchange Act of 1934, as amended (the *Exchange Act* ).

**2.22 Disclosure; Company Information.** The information regarding Contributor and the CHB Companies supplied or to be supplied by or on behalf of Contributor for inclusion in the Proxy Statement will, at the time the Proxy Statement (and any amendment or supplement thereto) is first mailed to the Company Shareholders, or at the time of the Company Shareholders Meeting (or any adjournment or postponement thereof), not contain any untrue statement of a material fact or omit to state any material fact required to be stated therein or necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. The representations and warranties contained in this Section 2.22 will not apply to statements or omissions included in the Proxy Statement (and, in each case, any amendment or supplement thereto) based upon information regarding Company or any Group Company supplied to Contributor in writing by Company for use therein.

**2.23 Acquisition for Own Account.** The Exchange Shares to be issued to Contributor or its members in the Exchange are being acquired for Contributor s or each of its members , as applicable, own account and with no intention of distributing or reselling such

Exchange Shares or any part thereof in any transaction that would be in violation of the securities laws of the United States and any state of the United States, without prejudice, however, to the rights of Contributor and its members at all times to sell or otherwise dispose of all or any part of such Exchange Shares in a transaction that does not violate the Securities Act, under an effective registration statement under the Securities Act or under an exemption from such registration requirements available under the Securities Act, and in compliance with other applicable state and federal securities laws.

**2.24 Ownership of Company Common Shares.** Other than as a result of this Agreement, neither Contributor nor any CHB Company is, and neither Contributor nor any CHB Company has been a member of a group (for purposes of Rule 13d-3 under the Exchange Act) that is, or at any time during the last five years, was an interested shareholder of Company as defined in Section 23-1-43-10 of the Indiana Business Corporation Law.

**2.25 No Other Representations and Warranties.** Except for the representations and warranties expressly set forth in this Agreement, none of Contributor, any CHB Company, or any other Person acting on their behalf has made or is making any express or implied representation or warranty of any nature to Company, any Group Company or their respective Affiliates and Representatives, at law or in equity, with respect to matters relating to Contributor, the CHB Companies, their respective businesses or any other matter related to or in connection with the transactions contemplated hereby, and any such other representations or warranties are hereby expressly disclaimed. Without limiting the generality of the foregoing, none of Contributor, any CHB Company, or any other Person acting on their behalf has made or is making any representation or warranty with respect to (i) any projections, estimates or budgets delivered to or made available to Company, any Group Company or any of their respective Affiliates and Representatives of future revenues, future results of operations (or any component thereof), future cash flows or future financial condition (or any component thereof) of the CHB Companies or the future business and operations of the CHB Companies or (ii) any other information or documents made available to Company, the Group Companies or their counsel, accountants or advisors with respect to Contributor, the CHB Companies or their respective businesses or operations, except as expressly set forth in this Agreement or the Contributor Disclosure Schedules.

### ARTICLE 3

#### **REPRESENTATIONS AND WARRANTIES OF COMPANY**

Company represents and warrants on its own behalf and, where the context indicates, on behalf of the Group Companies, to Contributor as of the date hereof and as of the Closing Date as though such representations and warranties were made on and as of the Closing Date as follows, except (i) as otherwise disclosed or incorporated by reference in the SEC Documents filed on or before the date of this Agreement (other than any forward looking disclosures set forth in any risk factor section or forward looking statement disclaimer and any other disclosure that is similarly nonspecific and predicative or forward looking in nature) and

(ii) except as set forth in the Company Disclosure Schedule delivered to Contributor and dated as of the date hereof:

**3.1 Organization and Qualification; Charter Documents.**

(a) Part 3.1(a) of the Company Disclosure Schedule identifies each Subsidiary of the Company and indicates its jurisdiction of organization. No Group Company owns any capital stock of, or any equity interest of any nature in, any other Entity, other than the Entities identified in Part 3.1(a) of the Company Disclosure Schedule. No Group Company has agreed or is obligated to make, or is bound by any Contract under which it may become obligated to make, any future investment in or capital contribution to any other Entity.

(b) Each of the Group Companies is duly organized and validly existing under the laws of the jurisdiction of its incorporation and has all necessary organizational power and authority: (i) to conduct its business in the manner in which its business is currently being conducted; (ii) to own and use its assets in the manner in which its assets are currently owned and used; and (iii) to perform its obligations under all Company Contracts by which it is bound, except where the failure to have such corporate power and authority would not, individually or in the aggregate, have a Company Material Adverse Effect.

(c) Each of the Group Companies (in jurisdictions that recognize the following concepts) is qualified to do business as a foreign corporation, and is in good standing, under the laws of all jurisdictions where the nature of its business requires such qualification, except where the failure to be so qualified and in good standing would not, individually or in the aggregate, have a Company Material Adverse Effect.

(d) Company has made available to Contributor accurate and complete copies of: (i) the Organizational Documents of each Group Company, including all amendments thereto; (ii) the stock records of each Group Company; and (iii) the minutes and other records of the meetings and other proceedings (including any actions taken by written consent or otherwise without a meeting) of the shareholders of each Group Company, the board of directors of each Group Company and all committees of the board of directors of each Group Company. The books of account, stock records, minute books and other records of the Group Companies are accurate, current and complete in all material respects.

(e) The copies of the Company's Articles of Incorporation (filed as Exhibit 3.1 of the Company's Annual Report on Form 10-K filed on August 26, 2015) and Company's Amended and Restated Bylaws (filed as Exhibit 3(ii) of the Company's Current Report on Form 8-K filed on April 17, 2017) are complete and correct copies of such documents and contain all amendments thereto as in effect on the date of this Agreement.

(f) Neither Company nor any entity (as defined in the Investment Canada Act) controlled, directly or indirectly, by Company (as provided in in the Investment Canada Act) carries on a business in Canada that (i) has a place of business in Canada, (ii) an individual or individuals employed or self-employed in connection with the business, and (iii) assets in Canada used in carrying on the business.



**3.2 Capital Structure.**

(a) The authorized capital stock of Company consists of 15,000,000 Company Common Shares, of which 8,391,244 shares are issued and outstanding as of the close of business on the day prior to the date hereof, and no shares of preferred stock. 2,825,900 shares of capital stock are held in Company's treasury. All outstanding Company Common Shares are duly authorized, validly issued, fully paid and non-assessable and were issued in compliance with all applicable Legal Requirements.

(b) As of the date of this Agreement, Company had reserved an aggregate of 700,000 Company Common Shares for issuance under the Company Incentive Plan, under which Company Options were outstanding for an aggregate of 331,000 Company Common Shares, and 51,000 Company Restricted Stock Awards were outstanding. All Company Common Shares subject to issuance as aforesaid, upon issuance on the terms and conditions specified in the instruments pursuant to which they are issuable, would be duly authorized, validly issued, fully paid and non-assessable. Part 3.2(b) of the Company Disclosure Schedule lists each outstanding Company Option and Company Restricted Stock Award, the name of the holder of such option or award, the number of shares subject to such option or award, the exercise price of such option, the vesting schedule and termination date of such option or award, and whether the exercisability of such option or vesting or settlement of such award will be accelerated in any way by the transactions contemplated by this Agreement. Each Company Option was granted with an exercise price not less than the fair market value of a Company Common Share on the date such option was approved by the board of directors of Company or an authorized committee thereof. All outstanding options to purchase Company Common Shares and all outstanding Company Restricted Stock Awards with respect to Company Common Shares were granted under the Company Incentive Plan. There are no other outstanding rights, options, warrants, preemptive rights, rights of first offer, or similar rights for the purchase or acquisition from any Group Company of any securities of such Group Company, nor are there any commitments or binding arrangements to issue or execute any such rights, options, warrants, preemptive rights or rights of first offer.

(c) Except as set forth on Part 3.2(c) of the Company Disclosure Schedule: (i) none of the outstanding Company Common Shares are entitled or subject to any preemptive right, right of repurchase or forfeiture, right of participation, right of maintenance or any similar right; (ii) none of the outstanding Company Common Shares are subject to any right of first refusal; (iii) there are no outstanding bonds, debentures, notes or other indebtedness of the Group Companies having a right to vote on any matters on which the Company Shareholders have a right to vote; (iv) there is no Contract to which the Group Companies are a party relating to the voting or registration of, or restricting any Person from purchasing, selling, pledging or otherwise disposing of (or from granting any option or similar right with respect to), any Company Common Shares; and (v) no Group Company is under any obligation, or is bound by any Contract pursuant to which it may become obligated, to repurchase, redeem or otherwise acquire any outstanding Company Common Shares or other securities, and there are no Company Common Shares outstanding that are subject to a repurchase option, risk of forfeiture or other condition under any applicable restricted stock

purchase agreement or other Contract. Part 3.2(c) of the Company Disclosure Schedule accurately and completely lists all repurchase rights held by Company with respect to Company Common Shares (including shares issued pursuant to the exercise of stock options) and specifies each holder of such Company Common Shares, the date of purchase and number of such shares, the purchase price paid by such holder, the vesting schedule under which such repurchase rights lapse, and whether the holder of such shares filed an election under Section 83(b) of the Code with respect to such shares within thirty (30) days of purchase.

### **3.3 Authority; Non-Contravention; Approvals.**

(a) Company has the requisite corporate power and authority to enter into this Agreement and, subject to Company Shareholder Approval, to perform its obligations hereunder and, assuming the approval of the Company Shareholder Approval Matters, to consummate the transactions contemplated hereby, including the Exchange. The execution and delivery of this Agreement by Company, the performance by Company of its obligations hereunder and the consummation by Company of the transactions contemplated hereby have been duly and validly authorized by all necessary corporate action on the part of Company, subject only to Company Shareholder Approval. The Company Shareholder Approval Threshold is the only vote of the holders of any class or series of Company Common Shares necessary to approve the Company Shareholder Approval Matters (collectively, ***Company Shareholder Approval*** ). No Company Shareholder is entitled to any dissenters' rights, appraisal rights, or any comparable rights as a result of the Exchange under applicable Legal Requirements. This Agreement has been duly and validly executed and delivered by Company and, assuming the due authorization, execution and delivery of this Agreement by Contributor, constitutes the valid and binding obligation of Company, enforceable in accordance with its terms.

(b) Company's board of directors, by resolutions duly adopted by all directors of Company has (i) approved, adopted and declared advisable this Agreement and the Exchange, and determined that this Agreement and the transactions contemplated by this Agreement, including the Exchange, are fair to and in the best interests of the Company, and (ii) approved the Company Shareholder Approval Matters that require board approval, including (1) the Company Charter Amendment to effect an increase in the number of authorized Company Common Shares to 115,000,000 Company Common Shares, a change of the name of Company to Skyline Champion Corporation and duly proposed to the Company Shareholders entitled to vote in respect of the Company Charter Amendment that such provisions of the Company Charter Amendment be adopted at the Company Shareholders' Meeting, and (2) the Exchange Share Issuance, (iii) recommended that the Company Shareholders approve the Company Shareholder Approval Matters, and directed that such matters be submitted for consideration of the Company Shareholders and (iv) approved and adopted the Company Bylaw Amendment.

(c) The execution and delivery of this Agreement by Company does not, and the performance of this Agreement by Company will not, (i) conflict with or violate the Organizational Documents of any Group Company, (ii) subject to obtaining the Company

Shareholder Approval and compliance with the requirements set forth in Section 3.3(d) below, conflict with or violate any Legal Requirement, order, judgment or decree upon which any of the properties of Company or any Group Company are bound or affected, except for any such conflicts or violations that would not, individually or in the aggregate, have a Company Material Adverse Effect or would not prevent or materially delay the consummation of the Exchange, or (iii) except for the matters set forth in Section 3.3(d) below, require a Group Company to make any filing with or give any notice to a Person, or to obtain any Consent from a Person, or result in any breach of or constitute a default (or an event that with notice or lapse of time or both would become a default) under, or impair Company's rights or alter the rights or obligations of any third party under, or give to others any rights of termination, amendment, acceleration or cancellation of, or result in the creation of an Encumbrance on any of the properties or assets of the Group Companies pursuant to, any Company Contract to which a Group Company is a party or by which any Group Company or any of its properties are bound or affected (except, for purposes of this clause (iii), as would not, individually or in the aggregate, have a Company Material Adverse Effect or prevent or materially delay the Exchange). As of the Closing Date, the provisions of the Control Share Acquisition law of the Indiana Business Corporation Law will not be applicable to the Company or the Exchange.

(d) No material consent, approval, order or authorization of, or registration, declaration or filing with, any Governmental Body is required by or with respect to Company in connection with the execution and delivery of this Agreement or the consummation of the transactions contemplated hereby, except for (i) the filing of the Proxy Statement with the SEC in accordance with the Exchange Act, (ii) any filings contemplated by Section 5.4(a), (iii) the filing of Current Reports on Form 8-K with the SEC within four (4) Business Days after the execution of this Agreement and the Closing Date, (iv) such approvals as may be required under applicable state securities or blue sky laws or the rules and regulations of NYSE.

**3.4 Anti-Takeover Statutes Not Applicable.** The board of directors of Company has taken, or will have taken prior to Closing, all actions necessary so that no Takeover Statute or similar Legal Requirement, or any other restrictions on business combinations, applies or purports to apply to the execution, delivery or performance of this Agreement or to the consummation of the Exchange or the other transactions contemplated by this Agreement. Company does not have any shareholder rights plan, poison pill or similar plan or arrangement in effect.

**3.5 SEC Filings; Company Financial Statements; No Undisclosed Liabilities.**

(a) All SEC Documents have been timely filed with the SEC and, as of the time the SEC Documents were filed with the SEC (or, if amended or superseded by a filing prior to the date of this Agreement, then on the date of such filing): (i) each of the SEC Documents complied as to form, when filed (or, if amended or superseded by a filing prior to the date of this Agreement, on the date of such subsequent filing), in all material respects with applicable Legal Requirements, including the applicable provisions of the Securities Act, the

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Exchange Act and the Sarbanes-Oxley Act of 2002 (the *Sarbanes-Oxley Act* ) and in each case, any rules and regulations promulgated thereunder, each as in effect on the date so filed (or, if amended or superseded by a filing prior to the date of this Agreement, on the date of such subsequent filing) and (ii) as of their respective dates (or, if amended or superseded by a filing prior to the date of this Agreement, on the date of such subsequent filing, or, if a registration statement, as amended and supplemented, if applicable, by a filing prior to the date of this Agreement pursuant to the Securities Act, on the date such registration statement or amendment became effective), none of the SEC Documents contained any untrue statement of a material fact or omitted to state a material fact required to be stated or incorporated by reference therein or necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading. Each of the certifications and statements relating to SEC Documents required by Rule 13a-14 or 15d-14 under the Exchange Act or 18 U.S.C. §1350 (Section 906 of the Sarbanes-Oxley Act) is accurate and complete, and complied as to form and content with all applicable Legal Requirements in effect at the time such certification was filed with or furnished to the SEC by Company. No Group Company, other than the Company, is required to file any statements, reports, schedules, forms or other documents with the SEC. As used in this [Section 3.5](#), the term *file* and variations thereof will be broadly construed to include any manner in which a document or information is furnished, supplied or otherwise made available to the SEC. Accurate and complete copies of the SEC Documents have been made available (including via EDGAR) to Contributor. As of the date of this Agreement, there are no outstanding or unresolved comments received from SEC staff with respect to the SEC Documents. To the Company's knowledge, none of the SEC Documents is the subject of ongoing SEC review or investigation, other than any review or investigation initiated as a result of the transactions contemplated by this Agreement.

**(b)** The Group Companies have established and maintain disclosure controls and procedures (as defined in Rule 13a-15 under the Exchange Act) as required by Rule 13a-15 under the Exchange Act. Such disclosure controls and procedures are designed to ensure that all information required to be disclosed by Company in the reports that it is required to file, submit or furnish under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the rules and forms of the SEC (and such disclosure controls and procedures are effective) and all such information is made known to Company's principal executive officer and principal financial officer. The Company maintains a system of internal controls over financial reporting (as defined in Rule 13a-15 under the Exchange Act) that is designed to ensure the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with GAAP, in each case, with respect to the Group Companies, taken as a whole and includes policies and procedures that (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of the assets of Company and the Group Companies, (ii) ensure that transactions are recorded as necessary to permit preparation of financial statements in accordance with GAAP, and that receipts and expenditures of Company and the Group Companies are being made only in accordance with authorizations of management and directors of Company, and (iii) ensure prevention or timely detection of unauthorized acquisition, use or disposition of the assets of the Company and the Group

Companies that could have a material effect on its financial statements, and such system of internal controls over financial report is effective. Company has disclosed, based on its most recent evaluation prior to the date of this Agreement, to Company's outside auditors and the audit committee of Company's board of directors: (i) any significant deficiencies and material weaknesses in the design or operation of internal controls over financial reporting (as defined in Rule 13a-15 under the Exchange Act) which are reasonably likely to adversely affect Company's ability to record, process, summarize and report financial information; and (ii) any fraud, within the knowledge of Company, that involves management or other employees who have a role in Company's internal controls over financing reporting. The Company is in compliance with the applicable provisions of the Sarbanes-Oxley Act and the applicable listing and corporate governance rules and regulations of the NYSE. There is no reason to believe that Company's independent auditors, chief executive officer and chief financial officer will not be able to give the certifications and attestations required pursuant to the rules and regulations adopted pursuant to Section 404 of the Sarbanes-Oxley Act, without qualification, when required. Neither Company nor any Group Company nor Company's independent auditors nor any other Person has identified or been made aware of: (i) any significant deficiency or material weakness in the design or operation of Company's internal controls; (ii) any illegal act or fraud or allegation of fraud, whether or not material, that involves Company's management or other employees; or (iii) any claim or allegation regarding any of the foregoing or in respect of any other accounting or auditing matters of the Company. Company is, and has at all times since January 1, 2013 been, in compliance in all material respects with the applicable listing requirements of NYSE, and has not since January 1, 2008 received any notice asserting any non-compliance with the listing requirements of NYSE. Since June 1, 2014, there have been no formal investigations regarding financial reporting or accounting policies and practices discussed with, reviewed by or initiated at the direction of the chief executive officer, chief financial officer or general counsel of Company, the board of directors of Company or any committee thereof. Company has not had any material dispute with any of its auditors regarding accounting matters or policies during any of its past three (3) full fiscal years or during the current fiscal year that is currently outstanding or that resulted (or would reasonably be expected to result) in an adjustment to, or any restatement of, the Company Financials. No current or former independent auditor for Company has resigned or been dismissed from such capacity as a result of or in connection with any disagreement with Company on a matter of accounting practices.

(c) Each of the principal executive officer of Company and the principal financial officer of Company (or each former principal executive officer of Company and each former principal financial officer of Company, as applicable) has made all certifications required by Rule 13a-14 or 15d-14 under the Exchange Act and Sections 302 and 906 of the Sarbanes-Oxley Act, in each case, with respect to the SEC Documents, and the statements contained in such certifications were complete, correct and accurate on the date such certifications were made. For purposes of this section, principal executive officer and principal financial officer shall have the meanings given to such terms in the Sarbanes-Oxley Act.

(d) The financial statements (including any related notes thereto) contained or incorporated by reference in the SEC Documents (the **Company Financials**): (i) complied as to form with the published rules and regulations of the SEC applicable thereto; (ii) were prepared in accordance with GAAP applied on a consistent basis throughout the periods involved (except as may be indicated in the notes to such financial statements or, in the case of unaudited financial statements, as permitted the SEC, and except that the unaudited financial statements may not contain footnotes and are subject to normal and recurring year-end adjustments that are not reasonably expected, either individually or in the aggregate, to be material) applied on a consistent basis unless otherwise noted therein throughout the periods indicated; and (iii) fairly present the consolidated financial position of Group Companies as of the respective dates thereof and the consolidated results of operations and cash flows of Company for the periods covered thereby. The audited balance sheet of Company as of May 31, 2017 is hereinafter referred to as the **Company Balance Sheet**. No financial statements of any Person other than Company and the Group Companies actually included in the Company Financials are required by GAAP to be included in the Company Financials. Except as required by GAAP, Company has not, between the last day of its most recently ended fiscal year and the date of this Agreement, made or adopted any material change in its accounting methods, practices or policies in effect on such last day of its most recently ended fiscal year.

(e) Except as disclosed in the Company Financials, no Group Company has any liabilities (other than valuation adjustments in relation to financial instruments), absolute, accrued, contingent or otherwise of a nature required to be disclosed on a consolidated balance sheet or in the related notes to the consolidated financial statements prepared in accordance with GAAP, except liabilities (i) provided for or referenced in the Company Financials, (ii) incurred in connection with the transactions contemplated in this Agreement, (iii) disclosed in Part 3.5(e) of the Company Disclosure Schedule or (iv) incurred since December 3, 2017 in the ordinary course of business consistent with past practice that are not, individually or in the aggregate, material to the business, results of operations or financial condition of Company and the Group Companies taken as a whole.

(f) There are no Encumbrances on any cash or cash equivalents held by any Group Company.

**3.6 Absence Of Certain Changes Or Events.** From the date of the Company Balance Sheet through the date of this Agreement, each of the Group Companies has conducted its business only in the ordinary course of business consistent with past practice in all material respects, and there has not been: (a) any event that has had a Company Material Adverse Effect, (b) any material change by Company in its accounting methods, principles or practices, except as required by concurrent changes in GAAP or as disclosed in the notes to the Company Financials, (c) any revaluation by Company of any of its assets having a Company Material Adverse Effect, or writing off notes or accounts receivable that are, individually or in the aggregate, material to the Group Companies, taken as a whole, other than in the ordinary course of business, or (d) any other action, event or occurrence that would

have required the consent of Contributor pursuant to Section 4.1 had such action, event or occurrence taken place after the execution and delivery of this Agreement.

**3.7 Taxes.**

(a) Each Group Company has duly and timely filed, all U.S. federal income Tax Returns and all other material Tax Returns required to be filed by it (taking into account any extension of time within which to file), and all such Tax Returns are true, complete and accurate in all material respects.

(b) All material Taxes owed by each Group Company (whether or not shown on any Tax Return) has been timely paid in full.

(c) No claim has ever been made by an authority in a jurisdiction where any Group Company does not file Tax Returns that such Group Company is or may be subject to any material taxation by that jurisdiction.

(d) No Group Company has waived any statute of limitations in respect of Taxes or agreed to any extension of time with respect to a Tax assessment or deficiency, and no request has been made by any Group Company in writing for any such extension or waiver.

(e) There are no liens for any material Taxes on any asset of any Group Company other than liens for Taxes not yet due and payable.

(f) No dispute, audit, investigation, proceeding or claim concerning any material Tax liability of any Group Company has been raised by a Governmental Body in writing, and to the knowledge of Company, no such dispute, audit, investigation, proceeding, or claim is pending, being conducted, or claimed.

(g) Each Group Company has deducted, withheld and timely paid to the appropriate Governmental Body all material Taxes required to be deducted, withheld or paid in connection with amounts paid or owing to any employee, independent contractor, creditor, shareholder or other third party, and each Group Company has complied with all reporting and recordkeeping requirements in all material respects.

(h) No closing agreements, private letter rulings or advance tax rulings, Tax holidays, technical advice memoranda or similar agreements or rulings related to any material Taxes have been entered into, issued or requested from any Governmental Body with or in respect of any Group Company.

(i) No Group Company has ever been a member of an affiliated group within the meaning of Code section 1504(a) filing a consolidated federal income Tax Return (other than the affiliated group as defined in Code section 1504(a) the common parent of which is the Company). No Group Company is a party to any material contractual obligation relating to Tax sharing or Tax allocation. No Group Company has any liability for the Taxes of any person under Treasury Regulations section 1.1502-6 (or any similar provision of state, local or foreign law), as a transferee or successor, by contract or otherwise.

(j) No Group Company has participated in any listed transaction within the meaning of Treasury regulations section 1.6011-4 or any tax shelter within the meaning of Code section 6662.

(k) Within the past five years, no Group Company has distributed stock of another Person, or has had its stock distributed by another Person, in a transaction that was purported or intended to be governed in whole or in part by Sections 355 or 361 of the Code.

(l) Company has provided or made available to Contributor copies of all Tax Returns, examination reports, and statements of deficiencies filed, assessed against, or agreed to by any Group Company for any taxable year beginning on or after January 1, 2013, and in each case such copies are true, correct and complete in all material respects.

### **3.8 Intellectual Property.**

(a) Part 3.8(a) of the Company Disclosure Schedule lists all of the patents, patent applications, domain names, registered trademarks and registered copyrights, applications for trademark and copyright registrations ( *Company Registered Intellectual Property* ) along with the respective application, registration or filing number that are owned by or exclusively licensed to the Company. Unless otherwise indicated on Part 3.8(a) of the Company Disclosure Schedule, the Company exclusively owns all rights, title and interests in such Company Registered Intellectual Property free and clear of all Encumbrances other than the Permitted Encumbrances.

(b) Part 3.8(b)(1) of the Company Disclosure Schedule lists all Contracts in effect as of the date of this Agreement under which any third party has licensed, granted or conveyed to Company any material right, title or interest in or to any Intellectual Property Rights (the *Company In Licenses* ). Part 3.8(b)(2) of the Company Disclosure Schedule lists all Contracts in effect as of the date of this Agreement under which the Company has licensed, granted or conveyed to any third party any right, title or interest in or to any material Company Owned IP (collectively, *Company Out Licenses* and together with the Company In Licenses, the *Company IP Contracts* ).

(c) Except as set forth on Part 3.8(c)(1) of the Company Disclosure Schedule, the Company owns, co-owns or otherwise possesses the right to use all material Company IP Rights, free, to the Company's knowledge, of any infringement or other violation of third party Intellectual Property Rights. Except as set forth on Part 3.8(c)(1) of the Company Disclosure Schedule, no Group Company is, to the Company's knowledge, infringing upon or misappropriating any Intellectual Property Rights of any Person. During the three-year period prior to the date of this Agreement, the Company has not received any complaint, claim or demand alleging such infringement or misappropriation. Except as set forth in Part 3.8(c)(2) of the Company Disclosure Schedule, to the Company's knowledge, no Person is infringing upon or misappropriating any Company Owned IP.

(d) To the Company's knowledge, in the past three (3) years, the Company has had no (i) security breaches, or (ii) material violations of any security policy of



Company, relating to the unauthorized use of Sensitive Data. The Company is in material compliance with all Legal Requirements regarding the privacy, protection, storage, use and disclosure of Sensitive Data collected by the Company.

### **3.9 Compliance with Legal Requirements.**

(a) No Group Company has been or is in conflict with, or in default or violation of, (i) any Legal Requirement, order, judgment or decree applicable to a Group Company or by which its or any of its material properties is bound or affected, or (ii) any Company Contract to which a Group Company is a party or by which a Group Company or its properties is bound or affected, except for any conflicts, defaults or violations which would not, individually or in the aggregate, have a Company Material Adverse Effect. No investigation or review by any Governmental Body is pending or, to the knowledge of Company, threatened against any Group Company that could reasonably be expected to result in material liability to the Group Companies, taken as a whole, nor has any Governmental Body indicated to a Group Company in writing an intention to conduct the same.

(b) Except as would not, individually or in the aggregate, have or reasonably be expected to have a Company Material Adverse Effect, the Group Companies hold all material permits, licenses, authorizations, variances, exemptions, orders and approvals from Governmental Bodies which are necessary to the operation of the business of the Group Companies taken as a whole (collectively, the *Company Permits* ). The Group Companies are in compliance in all material respects with the terms of the Company Permits. Except as would not, individually or in the aggregate, have or reasonably be expected to have a Company Material Adverse Effect, no action, proceeding, revocation proceeding, amendment procedure, writ, injunction or claim is pending or, to the knowledge of Company, threatened in writing, which seeks to revoke or materially limit any material Company Permit. Except as prohibited by applicable Legal Requirements and as would not, individually or in the aggregate, have or reasonably be expected to have a Company Material Adverse Effect, the rights and benefits of each Company Permit will be available immediately following the Closing.

(c) No Group Company and, to the knowledge of Company, no Representative of any Group Company or Person acting in concert with or on behalf of the Group Companies, or any officers, employees or Representatives of the same with respect to any matter relating to any of the Group Companies, has: (i) used any funds for unlawful contributions, gifts, entertainment or other unlawful expenses relating to political activity; (ii) made any unlawful payment to foreign or domestic government officials or employees or to foreign or domestic political parties or campaigns or violated any provision of the Foreign Corrupt Practices Act of 1977, as amended, or any other analogous legislation in any jurisdiction; or (iii) made any other unlawful payment.

### **3.10 Legal Proceedings; Orders.**

(a) There is no, and there has not been in the past three (3) years, any pending, or threatened in writing, Legal Proceeding and, to the knowledge of Company, no

Person has threatened to commence any Legal Proceeding: (i) that involves any of the Group Companies, any business of any of the Group Companies or any of the assets owned, leased or used by any of the Group Companies; and (ii) that challenges, or that may have the effect of preventing, materially delaying, making illegal or otherwise materially interfering with, the Exchange or any of the other transactions contemplated by this Agreement, in each case as a claimant, defendant or in any other capacity. None of the Legal Proceedings identified in Part 3.10(a) of the Company Disclosure Schedule has had or, if adversely determined, would have or result in, either individually or in the aggregate, a Company Material Adverse Effect. To the knowledge of Company, as of the date hereof, no event has occurred, and no claim, dispute or other condition or circumstance exists, that would reasonably be expected to give rise to or serve as a basis for the commencement of any Legal Proceeding of the type described in clause (i) and clause (ii) of the first sentence of this Section 3.10(a).

(b) There is no Order to which any of the Group Companies, or any of the assets owned or used by any of the Group Companies, is subject that has had or would have or result in, either individually or in the aggregate, a Company Material Adverse Effect. To the knowledge of Company, no director, officer or other key employee of any of the Group Companies is subject to any Order that prohibits such director, officer or other employee from engaging in or continuing any conduct, activity or practice relating to the business of any of the Group Companies.

**3.11 Brokers and Finders Fees.** Except as set forth on Part 3.11 of the Company Disclosure Schedule, no broker, finder or investment banker is entitled to any brokerage, finder's or other fee or commission in connection with the Exchange or any of the other transactions contemplated by this Agreement based upon arrangements made by or on behalf of any of the Group Companies. Company has furnished to Contributor accurate and complete copies of all agreements under which any such fees, commissions or other amounts have been paid or may become payable and all indemnification and other agreements related to the engagement of any Persons listed on Part 3.11 of the Company Disclosure Schedule.

**3.12 Employee Benefit Plans.**

(a) Part 3.12(a) of the Company Disclosure Schedule sets forth, as of the date of this Agreement, a complete and accurate list of each material plan, program, policy, contract or agreement or other arrangement providing for employment, compensation, retirement, pension, deferred compensation, severance, separation, relocation, termination pay, performance awards, bonus, incentive compensation, stock option, stock purchase, stock bonus, phantom stock, stock appreciation right, other equity-based award, supplemental retirement, profit sharing, material fringe benefits, cafeteria benefits, medical benefits, life insurance, disability benefits, accident benefits, salary continuation, accrued leave, vacation, or other material employee benefits, whether written or unwritten, and each other employee benefit plan within the meaning of Section 3(3) of ERISA, in each case, for current, retired or former employees, directors or consultants of any Group Company, which is sponsored, maintained, contributed to, or required to be contributed to by such Group Company or with respect to which such Group Company has any material liability, but which does not include

plans or programs in which any Group Company is obligated to participate in by Legal Requirements (collectively, the *Company Employee Plans* ).

(b) Company has made available to Contributor true and complete copies of each Company Employee Plan (or, to the extent that a Company Employee Plan is unwritten, a reasonably detailed written description of such plan) and all material related plan documents, including, as applicable, trust documents, plan amendments, Insurance Policies or contracts, summary plan descriptions, and compliance and nondiscrimination tests (including 401(k) and 401(m) tests) for the last three plan years. Company has also made available to Contributor true and complete copies of all material non-routine correspondence from a Governmental Body with respect to a Company Employee Plan. No Company Employee Plan is subject to Title IV of ERISA. Company has made available to the Contributor copies of the Form 5500 reports filed for each applicable Company Employee Plan for the most recent plan year. Each Company Employee Plan that is intended to be qualified under Section 401(a) of the Code has received a favorable determination letter from the Internal Revenue Service or is entitled to rely on a favorable opinion letter from the Internal Revenue Services on the form of such Company Employee Plan, and to Company's knowledge, nothing has occurred since the issuance of each such letter that would reasonably be expected to cause the loss of the tax-qualified status of any Company Employee Plan subject to Section 401(a) of the Code. Company has made available to the Contributor the most recent Internal Revenue Service determination or opinion letter issued with respect to each such Company Employee Plan, as applicable.

(c) Each Company Employee Plan has been maintained and administered in all material respects in accordance with its terms and in material compliance with the requirements prescribed by applicable Legal Requirements (including, where applicable, ERISA and the Code). None of the Company Employee Plans promises or provides retiree medical or other retiree welfare benefits to any person, except to the extent required by Section 4980B of the Code or any similar state, local or non-U.S. Legal Requirement. No material suit or material administrative proceeding or action is pending, or to the knowledge of Company, is threatened, against or with respect to any Company Employee Plan, including, as applicable, any audit by the Internal Revenue Service or the United States Department of Labor (other than routine claims for benefits arising under the applicable Company Plan) or participation in any voluntary correction or amnesty program of the Internal Revenue Service or the United States Department of Labor.

(d) Neither Company nor any ERISA Affiliate of Company has ever maintained, established, sponsored, participated in or contributed to, or is or has been obligated to contribute to, or otherwise incurred any obligation or liability (including any contingent liability) under, any *multiemployer plan* (as defined in Section 3(37) of ERISA), any *multiple employer welfare arrangement* (as defined in Section 3(40) of ERISA) or any *pension plan* (as defined in Section 3(2) of ERISA) that is subject to Title IV of ERISA or Section 412 of the Code.

(e) Other than as specifically contemplated by this Agreement or as set forth on Part 3.12(e) of the Company Disclosure Schedule, the consummation of the Exchange

will not, either alone or in combination with another event, (i) entitle any current or former employee or other service provider of any Group Company to severance benefits or any other payment (including golden parachute or bonus payments); (ii) accelerate the time of payment or vesting of any payments or benefits or increase the amount of compensation or benefits due any current or former employee or service provider of any Group Company; (iii) result in the forgiveness of any indebtedness between any Group Company and any current or former employee or service provider or any such entity; or (iv) result in any obligation to fund future benefits under any Company Employee Plan. Other than as set forth on Part 3.12(e) of the Company Disclosure Schedule, no benefit payable or that may become payable by the Company in connection with the transactions contemplated by this Agreement or as a result of or arising under this Agreement (either alone or in combination with another event) is reasonably likely to result in the imposition of an excise Tax under Section 4999 of the Code or the disallowance of any deduction by reason of Section 280G of the Code.

(f) The Group Companies do not sponsor, contribute to or have any liability with respect to any employee benefit plan, program or arrangement that provides benefits to non resident aliens with no United States source income outside of the United States.

### **3.13 Real Property.**

(a) Part 3.13(a) of the Company Disclosure Schedule sets forth the address and a description of the use of (i) each parcel of real property that is owned in fee simple by any Group Company (each being **GC Owned Real Property** ) and (ii) each parcel of real property that is leased, subleased, licensed or otherwise occupied by any Group Company (each agreement to occupy property, whether written or oral, being hereinafter referred to as a **GC Real Property Lease** and any real property leased by any Group Company under any GC Real Property Lease being hereinafter referred to as **GC Leased Real Property** ) with an aggregate annual payment obligation exceeding \$50,000. The GC Owned Real Property and the GC Leased Real Property may collectively be hereinafter referred to as the **GC Real Property**. Part 3.13(a) of the Company Disclosure Schedule sets forth a complete list of the GC Real Property and the applicable Group Company's interest therein. The GC Real Property listed in Part 3.13(a) of the Company Disclosure Schedule comprises all material real property interests used in the conduct of the business and operations of the Group Companies now conducted. Each GC Real Property Lease is valid, binding and enforceable against the applicable Group Company in accordance with its terms and is in full force and effect. Each Group Company that leases GC Leased Real Property as shown on Part 3.13(a) of the Company Disclosure Schedule holds a valid leasehold interest under each applicable GC Real Property Lease.

(b) Each Group Company that owns GC Real Property as shown on Part 3.13(a) of the Company Disclosure Schedule has good and marketable, indefeasible, fee simple title to such parcel of GC Owned Real Property, free and clear of all Encumbrances, except (a) liens for Taxes, assessments or other similar governmental charges that are not yet due or that are being contested in good faith by appropriate proceedings and that are fully and

properly reserved for on the Company Balance Sheet in accordance with GAAP; (b) any mechanics , workmen s, repairmen s and other similar liens arising or incurred in the ordinary course in respect of obligations that are not overdue and that are not, individually or in the aggregate, material to the business of the Company or any Group Company, or that are being contested in good faith by appropriate proceedings and that are fully and properly reserved for on the Company Balance Sheet in accordance with GAAP; (c) liens relating to equipment leases entered into in the ordinary course; (d) any right of way or easement which does not materially impair the occupancy or use of such GC Real Property for the purposes for which it is currently used in connection with the applicable Group Company s business; and (e) liens set forth in Part 3.22 of the Company Disclosure Schedule. No Group Company has leased or otherwise granted to any Person, the right to use or occupy all or any portion of any GC Owned Real Property. There are no outstanding options, rights of first offer or rights of first refusal to purchase all or any portion of any GC Owned Real Property or any interest therein.

(c) No Group Company has received written notice of a pending, proposed or threatened condemnation or other taking of any GC Real Property, and to the Company s knowledge, and except as disclosed in Part 3.13(c) of the Company Disclosure Schedule, no part of any GC Owned Real Property is subject to any pending suit for condemnation or other taking by any Governmental Body.

(d) The Company, after reasonable investigation, has delivered or made available to Contributor, copies of all material documents contained in the Company s books and records related to the GC Owned Real Property, including without limitation, vesting deeds, owner s title insurance policies (and underlying documents), existing surveys, property condition reports, any mortgages, deeds of trust, loan agreements, notes, security agreements or related documents. There has been no material casualty with respect to any parcel of GC Owned Real Property. No Group Company is obligated to purchase any of the GC Leased Real Property or any portion thereof or interest therein, or to purchase any real property.

**3.14 Environmental Matters.** Except as set forth on Part 3.14 of the Company Disclosure Schedule:

(a) Each of the Group Companies is, and since January 1, 2015 have been, in material compliance with all Environmental Laws.

(b) To the knowledge of the Company, no Hazardous Materials have been released on, at or from the GC Real Property by any Group Company (or, to the Company s knowledge, as a result of any actions of any third party or otherwise), or, to the Company s knowledge, on, at or from any other real property that any Group Company have at any time owned, operated, occupied or leased, in any case in violation of Environmental Laws or in a manner that requires reporting, investigation or remediation or otherwise reasonably could be expected to result in material liability for the Group Companies, taken as a whole, under Environmental Law.

(c) To the knowledge of the Company, the Group Companies currently hold and have complied in all material respects with all material governmental approvals and

permits necessary for the conduct of their respective businesses under Environmental Laws, as such businesses are currently being conducted (the *Company Environmental Permits* ). No action or proceeding is pending or, to the knowledge of the Company, threatened to revoke, materially modify or not renew any Company Environmental Permits.

(d) No claim, action, request for information or other proceeding is pending, (or to the Company's knowledge, threatened) alleging that any Group Company has violated or has potential liability under Environmental Law.

(e) No Group Company has or is subject to any unresolved obligations pursuant to any judgment, order, consent order or agreement resolving any alleged violation of or liability under any Environmental Laws.

(f) The Company has provided or made available to Contributor copies of any and all material environmental studies, investigations and audit reports in the possession of any Group Company and related to the environmental condition of the GC Real Property, or to the compliance or liabilities of the Group Companies with or under Environmental Law.

### **3.15 Labor Matters.**

(a) No employee of a Group Company is currently represented by a labor union or other representative body with respect to the employee's employment with a Group Company. No Group Company is a party to or bound by any collective bargaining agreement or other agreement with any labor organization, works council, or other representative body with respect to any employee of a Group Company; there are no collective bargaining agreements or other agreements with a labor union, works council or other employee representative organization otherwise applicable or binding on a Group Company pursuant to Legal Requirements; and no such arrangement is presently being negotiated by any Group Company. There are no organizing activities, strikes, material grievances, claims of unfair labor practices or other collective bargaining disputes, pending, or to the knowledge of the Company, threatened against or involving a Group Company, and there have not been any such activities, strikes, grievances, claims or disputes in the last three (3) years.

(b) The Group Companies are in compliance in all material respects with all Legal Requirements relating to employment practices, terms and conditions of employment, and the employment of former, current, and prospective employees, individual independent contractors and *leased employees* (within the meaning of Section 414(n) of the Code in the United States and other Legal Requirements in any jurisdiction in which the Group Companies employ interim employees), including all such Legal Requirements and contracts relating to wages, hours, collective bargaining, classification of employees, employment discrimination, immigration, disability, civil rights, fair labor standards and employment standards, human rights, occupational safety and health, and workers' compensation, and have timely prepared and, as applicable, filed all employment-related forms (including United States Citizenship and Immigration Services Form I-9) to the extent required by any relevant Governmental Body.

**3.16 Company Contracts.**

(a) Except as set forth in the exhibit list to Company's Annual Report on Form 10-K for the year ended May 31, 2017 or Part 3.16 of the Company Disclosure Schedule, no Group Company is a party to or is bound by:

(i) any Contract for the sale of goods or performance of services by any Group Company having (or expected to have) an actual or anticipated value of at least \$250,000 in any twelve (12) month-period;

(ii) any Contract for the purchase of goods or services by a Group Company from any vendor or supplier having (or expected to have) an actual or anticipated cost of at least \$250,000 in any twelve (12) month-period;

(iii) any Contract with a Company Material Supplier or Company Material Customer not included in clauses (i) and (ii) above;

(iv) any Contract incorporating or relating to any guaranty, any warranty, any sharing of liabilities or any indemnity not entered into in the ordinary course of business, including any indemnification agreements between a Group Company and any of its officers or directors;

(v) any Contract imposing any material restriction on the right or ability of any Group Company: (A) to compete with any other Person; (B) to acquire any product or other asset or any services from any other Person; (C) to develop, sell, supply, distribute, offer, support or service any material product or any material technology or other material asset to or for any other Person; (D) to perform services for any other Person; or (E) to otherwise transact business with any other Person;

(vi) any Contract currently in force relating to the disposition or acquisition of assets not in the ordinary course of business or any ownership interest in any corporation, partnership, joint venture or other business enterprise;

(vii) any Contract relating to the borrowing of money or extension of credit;

(viii) any real property lease, sublease, license or other agreement relating to the grant, by any Group Company to any other Person, of any right of possession or use of, or access to, any GC Real Property with aggregate lease payments exceeding \$250,000 in any twelve (12) month period;

(ix) any Contract that provides for: (A) any right of first refusal, right of first negotiation, right of first notification or similar right with respect to any securities or assets of any Group Company; or (B) any no shop provision or similar exclusivity provision with respect to any securities or assets of any Group Company;

(x) any Contract not entered into in the ordinary course of business that contemplates or involves the payment or delivery of cash or other

consideration in an amount or having a value in excess of \$250,000 in the aggregate, or contemplates or involves the performance of services having a value in excess of \$250,000 in the aggregate, other than any arrangement or agreement expressly contemplated by or provided for in this Agreement, that does not allow a Group Company to terminate the Contract for convenience with no more than sixty (60) days prior notice to the other party and without the payment of any rebate, chargeback, penalty or other amount to such third party in connection with any such termination; or

(xi) any Contract that would otherwise be required to be filed as an exhibit to a periodic report under the Exchange Act, as provided by Item 601 of Regulation S-K promulgated under the Exchange Act.

(b) Company has made available to Contributor an accurate and complete copy of each Contract listed or required to be listed in Part 3.16 of the Company Disclosure Schedule and each Company IP Contract (any such Contract, including copies of any Contract that would be listed in Part 3.16 of the Company Disclosure Schedules but for its inclusion in the most recent exhibit list of Company's Form 10-K for the year ended May 31, 2017, a **Company Contract**). No Group Company and, to the Company's knowledge, no other party to a Company Contract has breached or violated in any material respect or materially defaulted under, or received notice that it has breached, violated or defaulted under, any of the terms or conditions of any of the Company Contracts in any material respect. Each Company Contract is valid, binding, enforceable obligation of Company, and to the knowledge of Company, of the other party or parties thereto, and is in full force and effect and in full force and effect.

**3.17 Books and Records.** The minute books of the Group Companies made available to Contributor or its counsel are the only minute books of Company and contain accurate summaries, in all material respects, of all meetings of directors (or committees thereof) and shareholder or actions by written consent since the time of incorporation of such Group Company, as the case may be. The books and records of Company accurately reflect in all material respects the assets, liabilities, business, financial condition and results of operations of Group Companies and have been maintained in accordance with good business and bookkeeping practices.

**3.18 Insurance.**

(a) Part 3.18(a) of the Company Disclosure Schedule sets forth each Insurance Policy to which any Group Company is a party. Each Insurance Policy is in full force and effect, maintained with reputable companies against loss relating to the business, operations and properties and such other risks as companies engaged in similar business as the Group Companies would, in accordance with good business practice, customarily insure. All premiums due and payable under such Insurance Policies have been paid on a timely basis and each Group Company is in compliance in all material respects with all other terms thereof. True, complete and correct copies of such Insurance Policies have been made available to Contributor.



(b) Except as set forth on Part 3.18(b) of the Company Disclosure Schedule, there are no material claims pending, under any Insurance Policy to which any Group Company is a party, as to which coverage has been questioned, denied or disputed. No Group Company has been refused insurance for which it has applied or had any policy of insurance terminated (other than at its request), nor has any Group Company received notice from any insurance carrier that: (i) such insurance will be canceled or that coverage thereunder will be reduced or eliminated; or (ii) premium costs with respect to such insurance will be increased, other than premium increases in the ordinary course of business applicable on their terms to all holders of similar policies.

**3.19 Opinion of Financial Advisor.** The board of directors of Company has received an opinion of Jefferies LLC, financial advisor to Company, dated the date of this Agreement, to the effect that the issuance of the Exchange Shares to Contributor is fair to Company from a financial point of view. Company will furnish an accurate and complete copy of said opinion to Contributor for informational purposes only promptly after the date hereof.

**3.20 Shell Company Status.** Company is not an issuer identified in Rule 144(i)(1) of the Securities Act.

**3.21 Customers; Suppliers; Effect of Transaction.** Except as set forth on Part 3.21 of the Company Disclosure Schedule, since May 31, 2017, there has not been: (i) any adverse change in the business relationship of any Group Company with any (A) supplier who is one of the fifteen (15) largest suppliers of the Group Companies, taken as a whole, measured by dollar value for products or services purchased in each of the two most recent fiscal years (each, a *Company Material Supplier* ) or (B) customer who is one of the fifteen (15) largest customers of the Group Companies measured by dollar value for goods or services rendered in the two most recent fiscal years (each, a *Company Material Customer* ); or (ii) any adverse change in any material term (including credit terms) of the sales or related agreements with any Company Material Supplier or Company Material Customer, in the case of each of clauses (i) and (ii), that would be material to the business, results of operations or financial condition of Company and the Group Companies taken as a whole. To the knowledge of Company, no creditor, supplier, employee, client, customer or other Person having a material business relationship with any Group Company has provided any Group Company with written notice of its intent to adversely change its relationship with any Group Company because of the transactions contemplated by this Agreement. Part 3.21 of the Company Disclosure Schedule sets forth, for each Company Material Supplier and Company Material Customer, the identity of such supplier or customer and amount of annual consideration paid or received, as applicable, during each of the past two fiscal years, from such supplier or customer.

**3.22 Title to Assets.** Except as set forth on Part 3.22 of the Company Disclosure Schedule, the Group Companies own, and have good, valid and marketable title to, all material tangible assets purported to be owned by them, including all material assets reflected in the books and records of the Group Companies as being owned by the Group

Companies. All of said assets are owned by the Group Companies free and clear of any Encumbrances, except for (i) any lien for current Taxes not yet due and payable, (ii) liens that have arisen in the ordinary course of business and that do not (individually or in the aggregate) materially detract from the value of the assets subject thereto or materially impair the operations of any Group Company, and (iii) Encumbrances described in Part 3.22 of the Company Disclosure Schedule. The Group Companies are the lessees of, and hold valid leasehold interests in, all material assets purported to have been leased by them, including all material assets reflected in the books and records of the Group Companies as being leased to the Group Companies, and the Group Companies enjoy undisturbed possession of such leased assets.

**3.23 Product Liabilities; Product Warranties.** Except as set forth on Part 3.23 to the Company Disclosure Schedule, to the knowledge of the Company, the products sold or manufactured by the Group Companies in connection with the business and the services provided by the Group Companies have complied with and are in compliance with, in all material respects, all applicable (i) Legal Requirements, (ii) industry and self-regulatory organization standards, (iii) contractual commitments, and (iv) express or implied warranties. Except as set forth on Part 3.23 to the Company Disclosure Schedule, since January 1, 2015, there has been no determination of any serious defects or imminent safety hazards pursuant to Subpart I of the HUD-Code (24 CFR 3282.401-418) with respect to any product produced, manufactured, marketed, distributed or sold in connection with the business of any Group Company (including any predecessor entity). To the knowledge of the Company, there are not, and there have not been, any material defects or deficiencies in any products or services of the Group Companies that could reasonably be expected to give rise to or serve as a basis for any determination of any serious defects or imminent safety hazards pursuant to Subpart I of the HUD-Code (24 CFR 3282.401-418) by any Group Company.

**3.24 Related Party Transactions.** Part 3.24 of the Company Disclosure Schedule contains a complete and correct list of all agreements, contracts, transfers of assets or liabilities or other commitments or transactions, whether or not entered into in the ordinary course of business, to or by which Company or any Group Company, on the one hand, and any of their respective Affiliates (other than Company or any Group Company), directors, executive officers and/or any Company shareholders known by the Company to beneficially own more than 5% of outstanding Company Common Shares, on the other hand, are or have been a party or otherwise bound or affected, other than any such agreements, contracts, transfers of assets or liabilities or other commitments or transactions disclosed in the SEC Documents.

**3.25 Valid Issuance.** The Exchange Shares to be issued pursuant to this Agreement, subject to the Company Shareholder Approval and filing of the Company Charter Amendment with the Indiana Secretary of State, will be duly authorized and will, when issued in accordance with the provisions of this Agreement, be validly issued, fully paid and non-assessable.

**3.26 Disclosure; Company Information.** None of the information supplied or to be supplied by or on behalf of Company for inclusion or incorporation by reference in

the Proxy Statement will, at the time the Proxy Statement (and any amendment or supplement thereto) is first mailed to the Company Shareholders, or at the time of the Company Shareholders Meeting (or any adjournment or postponement thereof), contain any statement that, in light of the circumstances under which it was made, is false or misleading with respect to any material fact or omit to state any material fact necessary in order to correct any statement of a material fact in any earlier communication with respect to the solicitation of proxies for the Company Shareholders Meeting which has become false or misleading. The Proxy Statement will comply as to form in all material respects with the applicable Legal Requirements. Notwithstanding the foregoing, no representation is made by Company with respect to the information that has been or will be supplied by any of the CHB Companies, any Contributor or any of their respective Representatives for inclusion in the and Proxy Statement.

**3.27 No Other Representations and Warranties.** Except for the representations and warranties expressly set forth in this Agreement, none of Company, any Group Company, or any other Person acting on their behalf has made or is making any express or implied representation or warranty of any nature to Contributor, any CHB Company or their respective Affiliates and Representatives, at law or in equity, with respect to matters relating to Company, the Group Companies, their respective businesses or any other matter related to or in connection with the transactions contemplated hereby, and any such other representations or warranties are hereby expressly disclaimed. Without limiting the generality of the foregoing, none of Company, any Group Company, or any other Person acting on their behalf has made or is making any representation or warranty with respect to (i) any projections, estimates or budgets delivered to or made available to Contributor, any CHB Company or any of their respective Affiliates and Representatives of future revenues, future results of operations (or any component thereof), future cash flows or future financial condition (or any component thereof) of Company or any Group Company or the future business and operations of Company and the Group Companies or (ii) any other information or documents made available to Contributor, the CHB Companies or their counsel, accountants or advisors with respect to Company, the Group Companies or their respective businesses or operations, except as expressly set forth in this Agreement or the Contributor Disclosure Schedules and the SEC Documents.

## ARTICLE 4

### CONDUCT OF BUSINESS PENDING THE CLOSING

**4.1 Conduct of Company Business.** Except as set forth on Part 4.1 of the Company Disclosure Schedule, during the period from the date of this Agreement and continuing until the earlier of the termination of this Agreement pursuant to its terms or the Closing (the *Pre-Closing Period*), Company agrees, except to the extent permitted by the terms of this Agreement or otherwise to the extent Contributor consents in writing, to (i) conduct its operations according to its ordinary course of business; (ii) use its reasonable best efforts to preserve intact its business, to keep available the services of its officers and employees and to maintain existing relationships with licensors, licensees, suppliers,

distributors, consultants, customers and others having material business relationships with it, except in each case, to the extent that the termination of any such services or relationships is in the ordinary course of business; (iii) not take any actions with respect to the accounting books and records of the Group Companies that are not consistent with the Group Companies' past practice and (iv) not take any action which would reasonably be expected to adversely affect its ability to consummate the Exchange or the other transactions contemplated hereby. Without limiting the generality of the foregoing, and except as otherwise expressly provided in this Agreement or as set forth on Part 4.1 of the Company Disclosure Schedule, during the Pre-Closing Period, Company will not, and will not permit any Group Company to, without the prior written consent of Contributor (which consent shall not be unreasonably withheld, delayed or conditioned), directly or indirectly, do any of the following:

(a) amend or otherwise change any of its Organizational Documents, or otherwise alter its corporate structure through merger, liquidation, reorganization or otherwise;

(b) except pursuant to the exercise of any Company Options outstanding as of the date hereof, issue, sell, pledge, dispose of or encumber, or authorize the issuance, sale, pledge, disposition or encumbrance of, any shares of capital stock of any class, or any options, warrants, convertible securities or other rights of any kind to acquire any shares of capital stock, or any other ownership interest (including any phantom interests and profits interests);

(c) redeem, repurchase or otherwise acquire, directly or indirectly, any Company Common Shares (including, for the avoidance of doubt, Company Options and restricted Company Common Shares) (other than pursuant to a currently outstanding repurchase right in favor of Company with respect to unvested shares, at no more than cost);

(d) incur any indebtedness or guarantee any indebtedness for borrowed money or issue or sell any debt securities or guarantee any debt securities or other obligations of others;

(e) sell, pledge, dispose of or create an Encumbrance with respect to any assets, except for (i) sales of assets in the ordinary course of business and in a manner consistent with past practice, (ii) sales of assets not in the ordinary course of business and not exceeding \$500,000, individually or in the aggregate, and (iii) dispositions of worthless assets; provided, however, that notwithstanding the foregoing, in no event shall the Company or any Group Company sell, pledge, dispose of or create an Encumbrance with respect to any asset or assets that are material to the operation of the business of the Company and the Group Companies, taken as a whole (including, for the avoidance of doubt, any plant assets);

(f) except as contemplated pursuant to Section 5.18 of this Agreement, accelerate, amend or change the period (or permit any acceleration, amendment or change) of exercisability of options or warrants or authorize cash payments in exchange for any options;

(g) except as contemplated pursuant to Section 5.18 of this Agreement, accelerate the vesting of or amend any Company Restricted Stock Award;

**(h)** (i) except as otherwise provided in Section 5.19 of this Agreement, declare, set aside, make or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of any of its capital stock, except that a wholly owned Subsidiary may declare and pay a dividend to its parent, (ii) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of its capital stock or (iii) amend the terms of, repurchase, redeem or otherwise acquire, or permit any Subsidiary to repurchase, redeem or otherwise acquire, any of its securities or any securities of its Subsidiaries, or propose to do any of the foregoing;

**(i)** sell, assign, transfer, license, sublicense or otherwise dispose of any Intellectual Property Rights (other than non-exclusive licenses in the ordinary course of business consistent with past practice);

**(j)** acquire or agree to acquire (by merger, consolidation, or acquisition of stock or assets in or a portion of) any corporation, partnership, joint venture, association or other business organization or division thereof or any securities, rights, properties or assets thereof that are, individually or in the aggregate, in excess of \$1,000,000, or enter into any joint venture or similar arrangement;

**(k)** dispose or agree to dispose (by merger, consolidation, or acquisition of stock or assets in or a portion of) of any corporation, partnership, joint venture, association or other business organization or division thereof or any securities, rights, properties or assets thereof;

**(l)** enter into or amend any material terms of any Company Contract or any contract that would be a Company Contract if in existence on the date hereof, grant any release or relinquishment of any material rights under any Company Contract, terminate any Company Contract, or assign or sublet any lease;

**(m)** forgive any loans to any Person, including its employees, officers, directors or Affiliates;

**(n)** enter into any Contract with any Affiliate;

**(o)** enter into any new line of business or modify any existing lines of business;

**(p)** take any action, other than as required by applicable Legal Requirements or GAAP, to change accounting policies or procedures or write-down or write-up the value of any asset or write-off any accounts receivable or notes receivable or accelerate or delay the payment of accounts payable, accelerate or delay the collection of any notes or accounts receivable or fail to timely pay accounts payable and other business obligations or to collect accounts receivable, or otherwise deviate from historical practices in respect of recurring accrued liabilities, including, but not limited to, warranties, insurance, compensation, marketing accruals and customer deposits;

(q) (i) make or change any Tax election, (ii) change any Tax accounting period or method, (iii) settle or compromise any material federal, state, local or foreign Tax liability, or (iv) take any other action with which could increase the Tax liability of the Group Companies after the Closing Date or compromise any Tax assets of the Group Companies;

(r) pay, discharge, settle, compromise or satisfy any pending claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than (i) the payment, discharge or satisfaction in the ordinary course of business and consistent with past practice of liabilities reflected or reserved against in the Company Financials, or incurred in the ordinary course of business and consistent with past practice or (ii) any payment, discharge, settlement, compromise or satisfaction of any claims, liabilities or obligations which payment, discharge, settlement, compromise or satisfaction does not provide for, and is not contingent upon, any order, injunction or other equitable relief or relief other than money damages, and with monetary damages not exceeding \$50,000;

(s) authorize, solicit, propose or announce an intention to authorize, recommend or propose, or enter into any contract with respect to, any plan of liquidation or dissolution;

(t) initiate any litigation, action, suit, proceeding, claim or arbitration (each, an *Action* ) or settle or agree to settle any Action (except for any Action arising out of or related to this Agreement or the transactions contemplated hereby in accordance with Section 5.16);

(u) except as required pursuant to any Company Employee Plan in effect as of the date hereof or as required by applicable Legal Requirements, (i) increase the compensation or other benefits payable or to become payable to directors, executive officers, key employees or independent contractors of the Company or any of its Subsidiaries, except for increases in cash compensation in the ordinary course of business in amounts not exceeding 3% of each such person's annual cash compensation as of the date hereof in connection with normal periodic performance reviews, (ii) grant any severance or termination pay to, or enter into any severance agreement with any director, executive officer, employee or independent contractor of the Company or any of its Subsidiaries, (iii) enter into any employment, severance, retention or change of control agreement with any employee or new hire of the Company or any of its Subsidiaries, (iv) establish, adopt, enter into, amend or terminate any Company Employee Plan or other plan, trust, fund, policy, agreement or arrangement for the benefit of any current or former directors, officers, employees or independent contractors or any of their beneficiaries, except for amendments in the ordinary course of business consistent with past practice that do not in any manner materially increase the cost to the Company or its Subsidiaries, (v) take any action to fund or accelerate the payment of compensation or benefits under any Company Employee Plan, (vi) adopt, enter into, establish, amend or terminate any collective bargaining agreement or other arrangement relating to union or organized employees, (vii) terminate the employment of any executive officer of the Company, other than for cause, (viii) hire or promote any employee other than hires or promotions in the ordinary course of business consistent with past practice below the

level of Vice President with a total annual compensation (base salary plus annual target bonus opportunity) below \$200,000 or (ix) take any action that could reasonably be expected to give rise to any liability or obligation of the Company or any Group Company under the Worker Adjustment and Retraining Notification Act, as amended, or any similar state or local statute;

(v) (i) fail to maintain in full force and effect insurance policies of the Company and its properties, businesses, assets and operations in a form and amount consistent with past practice in all material respects or (ii) surrender all or any portion of any of the Group Companies' life insurance policies;

(w) make or agree to make, or permit any of its Subsidiaries to make or agree to make, capital expenditures totaling in the aggregate more than \$250,000 other than those capital expenditures contemplated by the Company operating budget as of the date hereof previously provided to Contributor; or

(x) take, or agree in writing or otherwise to take, any of the actions described in Section 4.1(a) through Section 4.1(w) above, or any action which would make any of the representations or warranties of Company contained in this Agreement untrue or incorrect or would prevent Company from performing, or cause Company not to perform, its covenants hereunder or would result in any of the conditions to the Exchange set forth herein not being satisfied.

The Parties acknowledge and agree that (i) nothing contained in this Agreement shall give Contributor, directly or indirectly, the right to control or direct the operations of any Group Company prior to the Closing, (ii) prior to the Closing, each Group Company shall exercise, consistent with the terms and conditions of this Agreement, complete control over its operations and (iii) notwithstanding anything to the contrary set forth in this Agreement, no consent of Contributor will be required with respect to any matter set forth in this Agreement to the extent the requirement of such consent would violate any applicable Legal Requirements. Prior to the Closing, the Group Companies will exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over their respective operations.

**4.2 Conduct of CHB Business.** Except as set forth on Part 4.2 of the Contributor Disclosure Schedule and Section 4.3 of this Agreement, during the Pre-Closing Period, Contributor agrees, with respect to the CHB Companies, to, except to the extent permitted by the terms of this Agreement or otherwise to the extent Company consents in writing, (i) conduct the operations of the CHB Companies according to its ordinary course of business; (ii) use its reasonable best efforts to preserve intact the business of the CHB Companies, to keep available the services of its officers and employees and to maintain existing relationships with licensors, licensees, suppliers, distributors, consultants, customers and others having material business relationships with the CHB Companies, except in each case, to the extent that the termination of any such services or relationships is in the ordinary course of business; (iii) not take any actions with respect to the accounting books and records of the CHB Companies that are not consistent with the CHB Companies' past practice and

(iv) not take any action which would reasonably be expected to adversely affect Contributor's ability to consummate the Exchange or the other transactions contemplated hereby. Without limiting the generality of the foregoing, and except as otherwise expressly provided in this Agreement or as set forth on Part 4.2 of the Contributor Disclosure Schedule, during the Pre-Closing Period, Contributor will not, and will not permit any CHB Company to, without the prior written consent of Company (which consent shall not be unreasonably withheld, delayed or conditioned), directly or indirectly, do any of the following:

**(a)** amend or otherwise change any of the Organizational Documents of any CHB Company, or otherwise alter the corporate structure of any CHB Company through merger, liquidation, reorganization or otherwise;

**(b)** issue, sell, pledge, dispose of or encumber, or authorize the issuance, sale, pledge, disposition or encumbrance of, any shares of capital stock of any class, or any options, warrants, convertible securities or other rights of any kind to acquire any shares of capital stock, or any other ownership interest (including any phantom interests and profits interests) of any CHB Company;

**(c)** incur any indebtedness or guarantee any indebtedness for borrowed money of any CHB Company or issue or sell any debt securities or guarantee any debt securities of any CHB Company or other obligations of others with respect to any CHB Company;

**(d)** sell, pledge, dispose of or create an Encumbrance with respect to any assets of any CHB Company, except for (i) sales of assets in the ordinary course of business and in a manner consistent with past practice, (ii) sales of assets not in the ordinary course of business and not exceeding \$1,000,000, individually or in the aggregate, and (iii) dispositions of worthless assets;

**(e)** (i) declare, set aside, make or pay any dividend or other distribution (whether in cash, stock or property or any combination thereof) in respect of any of the capital stock of any CHB Company, except that a wholly owned Subsidiary may declare and pay a dividend to its parent, (ii) split, combine or reclassify any of its capital stock or issue or authorize or propose the issuance of any other securities in respect of, in lieu of or in substitution for shares of any capital stock of any CHB Company or (iii) amend the terms of, repurchase, redeem or otherwise acquire, or permit any Subsidiary to repurchase, redeem or otherwise acquire, any of its securities or any securities of its Subsidiaries, or propose to do any of the foregoing;

**(f)** sell, assign, transfer, license, sublicense or otherwise dispose of any material CHB IP Rights (other than non-exclusive licenses in the ordinary course of business consistent with past practice);

**(g)** acquire or agree to acquire (by merger, consolidation, or acquisition of stock or assets in or a portion of) any corporation, partnership, joint venture, association or other business organization or division thereof or any securities, rights, properties or assets



thereof that are, individually or in the aggregate, in excess of \$5,000,000, or enter into any joint venture or similar arrangement;

**(h)** dispose or agree to dispose (by merger, consolidation, or acquisition of stock or assets in or a portion of) of any corporation, partnership, joint venture, association or other business organization or division thereof or any securities, rights, properties or assets thereof;

**(i)** enter into any new line of business that is material to the CHB Companies, taken as a whole;

**(j)** enter into or amend any material terms of a CHB Contract or any contract that would be a CHB Contract if in existence on the date hereof, in each case, outside of the ordinary course of business, or grant any release or relinquishment of any material rights under any CHB Contract, terminate any CHB Contract, or assign or sublet any CHB Real Property Lease;

**(k)** take any action, other than as required by applicable Legal Requirements or GAAP to change accounting policies or procedures of any CHB Company or write-down or write-up the value of any asset or write-off any accounts receivable or notes receivable or accelerate or delay the payment of accounts payable, accelerate or delay the collection of any notes or accounts receivable or fail to timely pay accounts payable and other business obligations or to collect accounts receivable, or otherwise deviate from historical practices in respect of recurring accrued liabilities, including, but not limited to, warranties, insurance, compensation, marketing accruals and customer deposits;

**(l)** (i) make or change any Tax election, (ii) change any Tax accounting period or method, (iii) settle or compromise any material federal, state, local or foreign Tax liability, or (iv) take any other action which could increase the Tax liability of a CHB Company after the Closing Date, in each case, in respect of a CHB Company;

**(m)** pay, discharge, settle, compromise or satisfy any pending claims, liabilities or obligations (absolute, accrued, asserted or unasserted, contingent or otherwise), other than (i) the payment, discharge or satisfaction in the ordinary course of business and consistent with past practice of liabilities reflected or reserved against in the Contributor Financials, or incurred in the ordinary course of business and consistent with past practice or (ii) any payment, discharge, settlement, compromise or satisfaction of any claims, liabilities or obligations which payment, discharge, settlement, compromise or satisfaction does not provide for, and is not contingent upon, any order, injunction or other equitable relief or relief other than money damages, and with monetary damages not exceeding \$250,000;

**(n)** authorize, solicit, propose or announce an intention to authorize, recommend or propose, or enter into any contract with respect to, any plan of liquidation or dissolution;

(o) initiate any Action or settle or agree to settle any Action (except for any Action arising out of or related to this Agreement or the transactions contemplated hereby);

(p) fail to maintain in full force and effect all material insurance policies in respect of the CHB Entities and their respective properties, businesses, assets and operations in a form and amount consistent with past practice in all material respects; or

(q) take, or agree in writing or otherwise to take, any of the actions described in Section 4.2(a) through Section 4.2(p) above, or any action which would make any of the representations or warranties of Contributor contained in this Agreement untrue or incorrect or would prevent Contributor from performing, or cause Contributor not to perform, its covenants hereunder or would result in any of the conditions to the Closing set forth herein not being satisfied. For the avoidance of doubt, nothing in this Section 4.2 shall prohibit the CHB Companies from declaring, setting aside, making or paying any cash dividend or other cash distribution in respect of any of its capital stock.

The Parties acknowledge and agree that (i) nothing contained in this Agreement shall give Company, directly or indirectly, the right to control or direct the operations of any CHB Company prior to the Closing, (ii) prior to the Closing, each CHB Company shall exercise, consistent with the terms and conditions of this Agreement, complete control over its operations and (iii) notwithstanding anything to the contrary set forth in this Agreement, no consent of Company will be required with respect to any matter set forth in this Agreement to the extent the requirement of such consent would violate any applicable Legal Requirements. Prior to the Closing, the CHB Companies will exercise, consistent with the terms and conditions of this Agreement, complete control and supervision over their respective operations.

**4.3 Contributor Strategic Transactions.** Notwithstanding anything to the contrary in Section 4.2 of this Agreement, the Parties hereby agree that nothing in Section 4.2 hereof shall or shall be deemed to prohibit, limit, impair or restrict Contributor, any CHB Company or any of its and their respective Affiliates, Representatives, officers, directors, employees or agents from engaging, negotiating, discussing or cooperating with, or providing information to, any Person, or considering, soliciting, initiating, encouraging, inducing, negotiating, facilitating or taking any other actions, in each case, in respect of any Contributor Strategic Transaction; provided, however, that Contributor shall not enter into a definitive agreement in respect of any Contributor Strategic Transaction unless (i) the Company has taken a Permitted Action and, (ii) substantially contemporaneously with entering into such definitive agreement Contributor provides notice of its termination of this Agreement pursuant to Section 7.1(j) hereof; and provided further that Contributor shall take no action in connection with the foregoing that would (absent a valid termination of this Agreement) cause any condition precedent to Closing to fail to be satisfied; provided further, that notwithstanding the foregoing, nothing in this Section 4.3 shall prohibit, limit, impair or restrict Contributor or any CHB Company from taking any action that is not otherwise prohibited by Section 4.2.

**4.4 Control Share Acquisition.** Promptly upon the request of Contributor and, in any event, prior to the Closing, the board of directors of the Company shall take all necessary actions so that the provisions of the Control Share Acquisition law of the Indiana Business Corporation Law will not be applicable to the Company and the Exchange.

## ARTICLE 5

### ADDITIONAL AGREEMENTS

#### **5.1 Proxy Statement.**

(a) As promptly as practicable after the date of this Agreement and subject to the obligations of Contributor in this Section 5.1(a), Company shall prepare and cause to be filed with the SEC a proxy statement (together with any amendments thereof or supplements thereto, the *Proxy Statement* ), in preliminary form, relating to a meeting of the holders of Company Common Shares (the *Company Shareholders Meeting* ) to be held to approve the Company Shareholder Approval Matters, which Proxy Statement shall comply with the rules and regulations promulgated by the SEC. Contributor shall promptly furnish all information concerning itself as Company may reasonably request in connection with such actions and the preparation of the Proxy Statement. Company shall provide Contributor and its Representatives an opportunity to participate in the drafting of the Proxy Statement and any amendment or supplement thereto and any related correspondence, and the Company shall obtain Contributor's consent to all such filings and correspondence (such consent not to be unreasonably withheld, conditioned or delayed) prior to any such filing with the SEC. Company will cause the Proxy Statement to be mailed to the Company Shareholders as of the record date for the Company Shareholders Meeting as promptly as practicable after the Proxy Statement is cleared by the SEC (which shall include upon the expiration of the 10-day period after filing the preliminary Proxy Statement in the event the SEC does not review the Proxy Statement), and the Proxy Statement, in definitive form, is filed with the SEC.

(b) In connection with the foregoing, each Party shall promptly notify the other of the receipt of all comments of the SEC with respect to the Proxy Statement and of any request by the SEC for any amendment or supplement thereto or for additional information and shall promptly provide to the other Party copies of all correspondence between such Party and/or any of its Representatives and the SEC with respect to the Proxy Statement. Company and Contributor shall each use its reasonable best efforts to promptly provide responses to the SEC with respect to all comments received on the Proxy Statement from the SEC. Each of Company and Contributor shall promptly furnish to each other all information, and take all such other actions (including using its reasonable best efforts to obtain any required consents of their respective independent auditors), as may reasonably be requested in connection with any action by any of them in connection with this Section 5.1. Whenever any Party hereto learns of the occurrence of any event or the existence of any fact which is required to be set forth in an amendment or supplement to the Proxy Statement pursuant to applicable Legal Requirements, such Party shall promptly inform the other of such event or fact and comply with all of its obligations pursuant to this Section 5.1 relating to effecting such amendment or

supplement to the Proxy Statement. No filing of, or revision, amendment or supplement to, or correspondence to the SEC or its staff with respect to, the Proxy Statement shall be made by any Group Company, without providing Contributor a reasonable opportunity to review and comment thereon. Contributor will promptly furnish Company with all information concerning Contributor and the CHB Companies that may be required or reasonably requested in connection with any action contemplated by this [Section 5.1](#). If Contributor becomes aware of any information that should be disclosed in an amendment or supplement to the Proxy Statement, then Contributor will promptly inform Company thereof. If Company becomes aware of any information that should be disclosed in a revision, amendment or supplement to the Proxy Statement, then Company will: (i) promptly inform Contributor thereof; (ii) provide Contributor (and its counsel) with a reasonable opportunity to review and comment on any revision, amendment or supplement to the Proxy Statement, as applicable, prior to it being filed with the SEC; (iii) provide Contributor with a copy of such revision, amendment or supplement promptly after it is filed with the SEC; and (iv) to the extent Company or Contributor deems necessary in order to be in compliance with SEC rules and regulations, mail such revision, amendment or supplement to the Company Shareholders.

## **5.2 Company Shareholders Meeting.**

(a) Company and the board of directors of the Company, as applicable, will take all action necessary under applicable Legal Requirements and its Organizational Documents to duly call, give notice of, convene and hold as promptly as practicable the Company Shareholders Meeting to approve the Company Shareholder Approval Matters, including mailing the Proxy Statement to the Company Shareholders as promptly as reasonably practicable following clearance of the Proxy Statement by the SEC. Company will engage Georgeson Inc. (or such other proxy solicitor reasonably acceptable to Contributor) as proxy solicitor to assist in the solicitation of proxies in connection with the Company Shareholders Meeting and will ensure that such proxies are solicited in compliance with all applicable Legal Requirements. Company's obligation to call, convene and hold the Company Shareholders Meeting shall not be affected by a Change in Recommendation, unless the Agreement is terminated pursuant to [Article 7](#). Company will use its reasonable best efforts to solicit from the Company Shareholders proxies in favor of the Company Shareholder Approval Matters. Notwithstanding anything to the contrary contained in this Agreement, Company may adjourn or postpone the Company Shareholders Meeting to the extent necessary to ensure that any necessary supplement or amendment to the Proxy Statement (as determined by Company in good faith and upon the advice of outside counsel) is provided to the Company Shareholders a reasonable time in advance of the Company Shareholders Meeting (or at any adjournment or postponement thereof), or if as of the time for which the Company Shareholders Meeting (or any adjournment or postponement thereof) is scheduled there are insufficient Company Common Shares represented in person or by proxy to constitute a quorum necessary to conduct the business of the Company Shareholders Meeting or to adopt the Company Shareholder Approval Matters, in each case to the extent permitted under applicable Legal Requirements.

(b) The board of directors of the Company (and each committee thereof) shall not (i) (A) fail to include the recommendation of the board of directors of the Company that the Company Shareholders vote in favor of the Company Shareholder Approval Matters at the Company Shareholders Meeting (or any adjournment or postponement thereof) (the **Company Board Recommendation**) in the Proxy Statement, (B) change, qualify, withhold, withdraw or modify, or authorize or publicly propose to change, qualify, withhold, withdraw or modify, in a manner adverse to Contributor, the Company Board Recommendation, (C) adopt, approve or recommend to the Company Shareholders, or resolve to or publicly propose or announce its intention to adopt, approve or recommend to the Company Shareholders, an Acquisition Proposal, (D) fail to publicly reaffirm the Company Board Recommendation within two (2) Business Days of the occurrence of a material event or development and after Contributor so requests in writing (or if the Company Shareholders Meeting is scheduled to be held within fifteen (15) Business Days, then within one (1) Business Day after Contributor so requests) or (E) take or fail to take any formal action or make or fail to make any recommendation in connection with a tender or exchange offer, other than a recommendation against such offer or a stop, look and listen communication or similar communication by the board of directors of Company, or a committee thereof, to the Company's Shareholders pursuant to Rule 14d-9(f) of the Exchange Act (any action described in this clause (i) being referred to as a **Change in Recommendation**), or (ii) approve, adopt, recommend or authorize, or cause or permit the Company or any of its Subsidiaries to enter into, any letter of intent, memorandum of understanding, agreement (including an acquisition agreement, merger agreement, joint venture agreement or other agreement), commitment or agreement in principle with respect to any Acquisition Proposal.

(c) Notwithstanding anything to the contrary contained in Section 5.2(a), at any time prior to the Company Shareholder Approval, the board of directors of Company may make a Change in Recommendation if the board of directors of Company concludes in good faith, after consultation with Company's outside legal counsel and financial advisors, that an unsolicited bona fide written Acquisition Proposal of a third party that was received after the date hereof (and not withdrawn) that was not the result of a breach of Section 5.10(a) constitutes a Superior Offer and a failure to make a Change in Recommendation would be inconsistent with the fiduciary duties of the board of directors of Company under applicable Legal Requirements; provided, however, that prior to Company taking any action permitted under this Section 5.2(c), Company shall provide Contributor with five (5) Business Days prior written notice (the **Notice Period**) advising Contributor that it intends to make a Change in Recommendation, which notice shall include all material terms and conditions of the Acquisition Proposal that is the basis for the proposed action. Such notice shall include the information required by Section 5.10(c), including the identity of the Person making the Acquisition Proposal and a copy of the most current version of the proposed definitive agreement for such Acquisition Proposal, and shall specify, in reasonable detail, the reasons for the board's action, and during such Notice Period, (A) if requested by Contributor, Company shall meet and negotiate, and cause its Representatives to negotiate, with Contributor in good faith (to the extent Contributor wishes to negotiate) to enable Contributor to propose revisions to the terms of this Agreement such that it would obviate the need for

Change in Recommendation, and (B) Company shall consider in good faith any proposed modifications by Contributor to amend the terms and conditions of this Agreement in a manner that would make Contributor's modified proposal at least as favorable to Company as the Superior Offer. If the board of directors of Company concludes in good faith, after consultation with Company's outside legal counsel and financial advisors that, in accordance with clause (B) of the immediately preceding sentence, Contributor's modified proposal is at least as favorable to Company as the Superior Offer (after taking account any amendment or modification to the terms of such Superior Offer), then the board of directors of Company shall not effect a Change in Recommendation and shall instead recommend that the Company's shareholders vote in favor of the modified proposal of Contributor; provided, however, that in the event that the board of directors of Company concludes in good faith, after consultation with Company's outside legal counsel and financial advisors that any amendment or modification to the terms of such Superior Offer makes it more favorable than the latest modified proposal by Contributor, the notification provisions above shall again apply in respect of all subsequent amendments or modifications, except that the Notice Period shall be three (3) Business Days rather than five (5) Business Days. It is expressly understood and agreed by all Parties that a stop, look and listen or similar communication by the board of directors of Company, or a committee thereof, to the Company's Shareholders pursuant to Rule 14d-9(f) of the Exchange Act shall not be deemed a Change in Recommendation.

Nothing contained in this Agreement will prohibit Company or its board of directors from making any disclosure or statement pursuant to Rules 14d-9 and 14e-2(a) promulgated under the Exchange Act; provided, however, that no Change in Recommendation shall be made except in accordance with Section 5.2(c).

**5.3 Access to Information; Confidentiality.** From the date of this Agreement until the earlier of the Closing or the termination of this Agreement in accordance with Article 7, and upon reasonable notice and subject to restrictions contained in confidentiality agreements to which such Party is subject as of the date hereof and, to the extent applicable, the procedures set forth on Part 5.3 of the Company Disclosure Schedule, Company and Contributor will each afford to the officers, employees, accountants, counsel and other Representatives of the other, reasonable access, during the Pre-Closing Period, to all its properties, books, contracts, commitments and records (including Tax records) and, during such period, Company and Contributor each will furnish promptly to the other all information concerning its business, properties and personnel as such other Party may reasonably request, and each will make available to the other the appropriate individuals (including attorneys, accountants and other professionals) for discussion of the other's business, properties and personnel as either Party may reasonably request; provided that each of Company and Contributor reserves the right to withhold any information if access to such information could adversely affect the attorney-client privilege between it and its counsel (it being agreed that each Party shall inform the other of the fact that it is withholding such information, and thereafter the Parties shall reasonably cooperate to cause such information to be provided in a manner that would not reasonably be expected to waive the applicable privilege or protection or violate the applicable restriction). Without limiting the generality of the foregoing, during the Pre-Closing Period: (a) Company and Contributor will promptly provide the other with

copies of (i) any notice, report or other document filed with or sent to any Governmental Body in connection with the Exchange or any of the other transactions contemplated by this Agreement; (ii) any material notice, report or other document received from any Governmental Body (it being understood and agreed that the foregoing clauses (i) and (ii) shall not apply to communications with or from any Governmental Body in its capacity as a customer of Company or Contributor); and (iii) any material notice, document or other communication in respect of the Exchange sent by or on behalf of such Party to any third party to any Company Contract or CHB Contract, as applicable, to which such Party or its Subsidiaries is a party, or sent to such Party by any third party to any such Contract (other than any communication that relates solely to routine commercial transactions and that is of the type sent in the ordinary course of business and consistent with past practices) to which such Party or its Subsidiaries is a party; and (b) Company will promptly provide Contributor with copies of any written materials or communications sent by or on behalf of Company to the Company Shareholders. Each Party will keep such information confidential in accordance with the terms of the currently effective mutual confidentiality agreement (the **Confidentiality Agreement**) between Contributor and Company. Effective upon, and only upon, the Closing, the Confidentiality Agreement shall terminate with respect to information relating solely to the Company and the Group Companies.

#### **5.4 Regulatory Approvals and Related Matters.**

(a) Each Party shall, as promptly as possible, but with respect to any filing or submission required under the HSR Act to be made in connection with the Exchange in no event later than ten (10) Business Days from the date hereof, (i) make, or cause to be made, all filings and submissions (including those under the HSR Act, together with a request for early termination of the waiting period thereunder, or the Canadian Competition Act) required under any Legal Requirement applicable to such Party or any of its Affiliates in respect of the Exchange or the distribution of Exchange Shares to the members of the Contributor; and (ii) use commercially reasonable efforts to obtain, or cause to be obtained, all consents, authorizations, expiration or termination of applicable waiting periods, orders and approvals from all Governmental Bodies that may be or become necessary for its execution and delivery of this Agreement and the performance of its obligations pursuant to this Agreement by the End Date (collectively, the **Regulatory Approvals**). Company and Contributor shall cooperate on all tactics and strategies, including the withdrawal and refiling of any HSR Act notice, with regard to obtaining consents, authorizations, expiration or termination of applicable waiting periods, orders and approvals from all Governmental Bodies that may be or become necessary for its execution and delivery of this Agreement; provided, however, that subject to Section 5.4(c) hereof, Contributor shall make the ultimate determination about which actions, conditions, agreements, filings and submissions (including the withdrawal and refiling of any of the foregoing), if any, are necessary. Unless prohibited by applicable Legal Requirement, each Party shall cooperate fully with the other Party and its Affiliates in promptly seeking to obtain all such consents, authorizations, expiration or termination of applicable waiting periods, orders and approvals, including any filings and submissions required under the HSR Act, the Canadian Competition Act or any other Legal Requirements applicable to any member of the Contributor in connection with the transactions contemplated

by this Agreement and/or the distribution of Exchange Shares to such members (collectively, the *Affiliate Approvals* ). The Parties hereto shall not willfully take any action that will have the effect of delaying, impairing or impeding the receipt of any required consents, authorizations, expiration or termination of applicable waiting periods, orders and approvals.

(b) Company and Contributor shall use commercially reasonable efforts to promptly give all notices to, and obtain all consents from, all third parties that are described in Part 3.3 of the Company Disclosure Schedule and Part 2.3 of the Contributor Disclosure Schedule; provided, however, that in no event shall Contributor, the CHB Companies and their respective Affiliates be required to expend money or offer or grant any accommodation (financial or otherwise) to any third party in connection with Company obtaining any such consent (other than immaterial administrative and/or legal costs and expenses).

(c) Company and Contributor shall each commit to divest or hold separate, to enter into any licensing or similar arrangements, to sell, continue, limit, or take any other action with respect to, any assets (whether tangible or intangible), business, product lines or operations (a *Divestiture Action* ) relating to any business of the Company, the Group Companies, Contributor and the CHB Companies to the extent that such Divestiture Actions are necessary or advisable in the discretion of Contributor; provided, however, that none of Company, any Group Company, Contributor, any CHB Company, or any of their respective Affiliates, shall be required to propose, negotiate, agree or commit to any Divestiture Action relating to any business of the Company, the Group Companies, Contributor and the CHB Companies, or any combination thereof, if (i) such Divestiture Actions, individually or in the aggregate, do or, in the good faith opinion of the board of directors of Contributor or Company, as applicable, would reasonably be expected to (1) materially undermine or impair the economic benefits or value which Contributor or Company, as the case may be, reasonably expects to derive, in the aggregate, from the consummation of the Exchange or (2) materially limit or impair the aggregate economic profile of Company after giving effect to the Exchange with respect to, or ability to conduct or operate, the business of Company and its Affiliates and Subsidiaries after the Closing (any of the foregoing, individually or together with any other Divestiture Action, a *Burdensome Divestiture Condition* ), or (ii) such Divestiture Action to is not contingent upon the Closing. Nothing in this Section 5.4 shall require, or be construed to require, Contributor or any of the CHB Companies, or any of their Affiliates, or Company or any of its Affiliates to, agree to, (i) in the event any Order adversely affecting the ability of the parties to consummate the transactions contemplated by this Agreement has been issued, to take any steps to have such Order vacated or lifted; or (ii) any material modification or waiver of the terms and conditions of this Agreement, in each case, in respect of a Burdensome Divestiture Condition.

(d) Without limiting the generality of the Parties' undertakings pursuant to subsections (a), (b) and (c) above, each of the Parties hereto shall use commercially reasonable efforts to:

(i) respond promptly to any inquiries by any Governmental Body regarding Antitrust Laws or other matters with respect to the transactions contemplated by this Agreement; and



(ii) avoid the imposition of any order or the taking of any action that would restrain, alter or enjoin the transactions contemplated by this Agreement.

(e) Unless prohibited by applicable Legal Requirement, all analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals made by or on behalf of either party before any Governmental Body or the staff or regulators of any Governmental Body, in connection with the transactions contemplated hereunder (but, for the avoidance of doubt, not including any interactions between Contributor or the Group Companies with Governmental Bodies in the ordinary course of business, any disclosure which is not permitted by applicable Legal Requirement or any disclosure containing confidential information) shall be disclosed to the other party hereunder in advance of any filing, submission or attendance, it being the intent that the parties will consult and cooperate with one another, and consider in good faith the views of one another, in connection with any such analyses, appearances, meetings, discussions, presentations, memoranda, briefs, filings, arguments, and proposals; provided, however, that materials or information revealing the value of the transaction or containing attorney-client privileged information, communications or work product or any confidential information may be provided on an outside-counsel basis only, in which case each Party shall cause their respective outside counsel not to share such information with any other Person. Unless prohibited by a Governmental Body, each party shall give notice to the other party with respect to and permit the other party to participate in any meeting, discussion, communication, appearance or contact with any Governmental Body or the staff or regulators of any Governmental Body, with such notice being sufficient to provide the other party with the opportunity to attend and participate in such meeting, discussion, appearance or contact.

#### **5.5 Director Indemnification and Insurance.**

(a) From the Closing through the sixth (6<sup>th</sup>) anniversary of the Closing Date, Company shall indemnify and hold harmless each person who is now, or has been at any time prior to the date hereof, or who becomes prior to the Closing, a director or officer of any CHB Company or Group Company or an officer or member of the board of managers of Contributor (together with each such Person's heirs, executors or administrators, the ***D&O Indemnified Parties***), against all claims, losses, liabilities, damages, judgments, fines and reasonable fees, costs and expenses, including attorneys' fees and disbursements, incurred in connection with any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative, arising out of or pertaining to the fact that the D&O Indemnified Party is or was a director or officer of a CHB Company or Group Company or an officer or manager of Contributor, or served as a director, officer or in any other fiduciary capacity of any other corporation, partnership, limited liability company, employee benefit plan or similar entity or organization at the request of Company or Contributor, as the case may be, whether asserted or claimed prior to, at or after the Closing, to the fullest extent permitted under applicable Legal Requirement, and such CHB Company's, Group Company's or Contributor's Organizational Documents, as applicable. Each D&O Indemnified Party will, to the fullest extent permitted under applicable Legal Requirements and the Contributor's,

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CHB Company's or Group Company's Organizational Documents, as applicable, be entitled to advancement of expenses incurred in the defense of any such claim, action, suit, proceeding or investigation from the Company or applicable Subsidiary, upon receipt by Company from the D&O Indemnified Party of a request therefor; provided that any person to whom expenses are advanced provides an undertaking, to the extent then required by applicable Legal Requirement, to repay such advances if it is ultimately determined that such person is not entitled to indemnification. From and after the Closing, Company will continue to honor and fulfill all obligations of any CHB Company pursuant to any written indemnification agreements with any D&O Indemnified Parties in effect as of the date hereof. Company agrees that all rights to exculpation, indemnification and advancement of expenses for acts or omissions occurring at or prior to the Closing, whether asserted or claimed prior to, at or after the Closing, now existing in favor of the current or former directors, officers or employees, as the case may be, of the CHB Companies as provided in their respective certificates of incorporation or by-laws or other organization documents or in any agreement shall survive the Exchange and shall continue in full force and effect. The CHB Companies shall maintain in effect any and all exculpation, indemnification and advancement of expenses provisions of the CHB Companies' certificate of incorporation and by-laws or similar organization documents in effect immediately prior to the Closing or in any indemnification agreements of any CHB Company with any of their respective current or former directors, officers or employees in effect as of the date hereof, and shall not amend, repeal or otherwise modify any such provisions in any manner that would adversely affect the rights thereunder of any individuals who at the Closing Date were current or former directors, officers or employees of any CHB Company, and all rights to indemnification in respect of any claim, action, suit, proceeding or investigation, whether civil, criminal, administrative or investigative pending or asserted or any claim made within such period shall continue until the disposition of such action or resolution of such claim.

(b) Prior to Closing, Company shall procure and pay all amounts owing in respect of directors' and officers' liability insurance (collectively, the *D&O Costs* ) to cover the liability of directors and officers of Company for acts, errors, omissions, facts or events occurring on or before the Closing Date; provided, however, that in no event shall Company be permitted to expend pursuant to this Section 5.5 more than an amount equal to 250% of the current annual premium paid by Company for its directors' and officers' liability insurance. If Company does not procure such directors' and officers' liability insurance prior to Closing, then, for a period of six (6) years from the Closing Date, Company shall maintain directors' and officers' liability insurance to cover the liability of directors and officers of Company for acts, errors, omissions, facts or events occurring on or before the Closing Date with benefits and levels of coverage not less favorable as provided in Company's existing policies; provided, however, that in no event shall Company be required to expend pursuant to this Section 5.5 more than an amount equal to 250% of the current annual premium paid by Company for its directors' and officers' liability insurance.

(c) Company shall pay all reasonable expenses, including reasonable attorneys' fees, that may be incurred by the persons referred to in this Section 5.5 in

connection with their enforcement of their rights provided in this Section 5.5 but only if and to the extent that such persons are successful on the merits of such enforcement action.

(d) The provisions of this Section 5.5 are intended to be in addition to the rights otherwise available to the current and former officers, directors and members of the board of managers, as applicable, of Contributor and Company and their respective Subsidiaries by law, charter, statute, bylaw or agreement, and shall operate for the benefit of, and shall be enforceable by, each of the D&O Indemnified Parties, their heirs and their representatives.

(e) This Section 5.5 shall survive the consummation of the Exchange and is intended to be (i) for the benefit of, and shall be enforceable by, the D&O Indemnified Parties, their heirs and personal representatives and shall be binding on Company and its respective successors and assigns, (ii) in addition to, and not in substitution for or limitation of, any other rights to indemnification or contribution that any D&O Indemnified Party may have by contract or otherwise, including indemnification agreements that the Company or Contributor have entered into with any of their respective directors, managers or officers, and (iii) may not be amended, altered or repealed after the Closing without the prior written consent of the affected D&O Indemnified Party (provided that, for the avoidance of doubt, such amendment, alteration or repeal prior to the Closing shall be governed by Section 8.2).

(f) In the event Company or any CHB Company or any of their respective successors or assigns (i) consolidates with or merges into any other Person and shall not be the continuing or surviving corporation or entity of such consolidation or merger, or (ii) transfers all or substantially all of its properties and assets to any Person, then, and in each such case, proper provision shall be made so that the successors and assigns thereof shall succeed to the obligations and be obligated to honor the indemnification obligations set forth in this Section 5.5. Nothing in this Agreement is intended to, shall be construed to or shall release, waive or impair any rights to directors and officers insurance claims under any policy that is or has been in existence with respect to any CHB Company, Company or any of the Group Companies or their respective officers, directors and employees, it being understood and agreed that the indemnification provided for in this Section 5.5 is not prior to, or in substitution for, any such claims under any such policies.

## **5.6 Notification of Certain Matters.**

(a) Company will give reasonably prompt notice to Contributor and Contributor will give reasonably prompt notice to Company, of (i) the occurrence, or non-occurrence, of any event the occurrence, or non-occurrence, of which would be likely to cause any representation or warranty contained in this Agreement to be untrue or inaccurate, and (ii) any failure of Company or Contributor, as the case may be, materially to comply with or satisfy any covenant, condition or agreement to be complied with or satisfied by it hereunder; provided, however, that the delivery of any notice pursuant to this Section 5.6(a) will not limit or otherwise affect the remedies available hereunder to a Party receiving such notice; and provided further that failure to give such notice will not be treated as a breach of covenant for

the purposes of Section 6.2(a) and Section 6.3(a) unless the failure to give such notice results in material prejudice to another Party.

(b) Company and Contributor will give reasonably prompt notice to the other of: (i) any notice or other communication from any Person alleging that the consent of such Person is or may be required in connection with the Exchange or other transactions contemplated by this Agreement; (ii) any notice or other communication from any Governmental Body in connection with the Exchange or other transactions contemplated by this Agreement; (iii) any litigation relating to or involving or otherwise affecting Company or Contributor that relates to the Exchange or other transactions contemplated by this Agreement; (iv) the occurrence of a default or event that, with notice or lapse of time or both, will become a default under a Company Contract or a CHB Contract, as applicable, other than any default or event that occurs solely by virtue of the Exchange and the transactions contemplated by this Agreement; and (v) any change that would be considered reasonably likely to result in a Company Material Adverse Effect or a CHB Material Adverse Effect.

**5.7 Public Announcements.** The initial press release relating to this Agreement shall be a joint press release, and thereafter Contributor and Company will consult with each other, and provide each other the opportunity to review and comment upon, any press release or otherwise making any public statements (including disclosure under the Securities Act or Exchange Act) with respect to the Exchange or this Agreement. No Party will issue any press release or make any such public statement without the prior consent of the other Party, which consent will not be unreasonably withheld, conditioned or delayed; provided, however, that (A) on the advice of outside legal counsel, Company may issue a press release or public statement without the consent of Contributor if required by Legal Requirements and (B) any press release or public statement to be issued without the consent of Contributor pursuant to clause (A) shall be subject to reasonable prior notice to and review of Contributor and Company shall consider any and all reasonable comments of Contributor thereon in good faith, it being understood and agreed that if Company has provided Contributor with reasonable opportunity to review and comment on any such disclosure or filing pursuant to this Section 5.7 and Contributor has not consented to or provided comments to Company on such disclosure or filing prior to the applicable deadline for making such disclosure or filing pursuant to applicable Legal Requirements, the foregoing shall not obligate the Company to delay the filing of any press release, public announcement or document required to be filed pursuant to applicable Legal Requirements beyond such deadline. With respect to any communications to be delivered orally, including by conference call or webcast, this Section 5.7 shall be deemed satisfied if, to the extent practicable, the disclosing party gives advance notice of such disclosure to the other party, including copies of any talking points, scripts or similar documents, and consults with the other party and considers in good faith any comments provided by such other party with respect thereto; provided further that the prior agreement of the other party shall be required with respect to such disclosures to the extent that the non-disclosing party reasonably determines that any such disclosure would be materially adverse to the non-disclosing party and it is reasonably practicable for the disclosing party to seek such prior consent.

**5.8 Conveyance Taxes.** Each Party will cooperate in the preparation, execution and filing of all returns, questionnaires, applications or other documents regarding any real property transfer or gains, sales, use, transfer, value added, stock transfer and stamp Taxes, any transfer, recording, registration and other fees, and any similar Taxes which become payable by such Party in connection with the transactions contemplated hereby that are required or permitted to be filed on or before the Closing.

**5.9 Board of Directors and Officers.** Company and the board of directors of the Company, as applicable, will take all actions necessary (including any amendments to the Company's Amended and Restated Bylaws), in consultation with Contributor, to cause the board of directors of Company, as of the second day following the Closing Date, to consist of the Company Appointees (provided that at least one such Company Appointee is Independent) and the Contributor Appointees as provided in Section 1.3; provided, however, that so long as Company remains a public reporting company, the board of directors of Company will continue to satisfy applicable Legal Requirements, including, to the extent required, maintaining an independent audit committee, and the nominations by Company and Contributor hereunder will allow Company to comply with such Legal Requirements. Company will take all actions necessary in consultation with Contributor, to cause the officers of Company, immediately after the Closing, to consist of the Persons set forth on Schedule II and as otherwise provided in Section 1.3(b).

**5.10 Non-Solicitation by Company**

(a) The Company shall immediately cease and cause to be terminated all existing discussions or negotiations with any third parties that may be ongoing with respect to an Acquisition Proposal. From the date hereof until the earlier of the Closing Date or the date on which this Agreement is properly terminated (the ***Termination Date***), Company will not, and cause each of its Subsidiaries and its and their respective officers, directors, employees and agents not to, and shall direct each of its Representatives not to, directly or indirectly, subject to Section 5.10(b) below, (i) solicit, initiate, cooperate with, knowingly encourage, induce or facilitate any inquiries or the making, submission or announcement of any Acquisition Proposal or take any action that could reasonably be expected to lead to an Acquisition Proposal, (ii) furnish any nonpublic information regarding any Group Company to any Person in connection with or in response to an Acquisition Proposal or an inquiry or indication of interest that could reasonably be expected to lead to an Acquisition Proposal, (iii) engage in discussions or negotiations with any Person with respect to any Acquisition Proposal, (iv) approve, endorse or recommend any Acquisition Proposal, (v) enter into any letter of intent, memorandum of understanding, acquisition agreement, merger agreement, joint venture agreement, partnership agreement, exclusivity agreement or similar document or any agreement providing for or otherwise relating to, or that is intended to or could reasonably be expected to lead to, any Acquisition Transaction (other than an Acceptable Company Confidentiality Agreement) or (vi) grant any waiver, amendment or release under, or fail to use commercially reasonable efforts to enforce, any standstill or confidentiality agreement concerning an Acquisition Proposal. Company shall, and shall cause its Subsidiaries and instruct its and their respective Representatives to, promptly upon the execution of this

Agreement cause to be terminated any solicitation, encouragement, discussion or negotiation with or involving any Person (other than Contributor and its Affiliates) conducted heretofore by Company or any Subsidiary thereof or any of its or their respective Representatives, with respect to an Acquisition Proposal or which could reasonably be expected to lead to an Acquisition Proposal, and, in connection therewith, Company will immediately discontinue access by any Person (other than Contributor and its Affiliates) to any data room (virtual or otherwise) established by Company or its Representatives for such purpose. Promptly (and in no event later than three (3) Business Days) after the date hereof, Company shall request the return or destruction of all confidential, non-public information provided to third parties that have entered into confidentiality agreements with Company or any other Group Company since January 1, 2014, relating to an Acquisition Proposal. Without limiting the generality of the foregoing, Company acknowledges and agrees that in the event any Representative of a Group Company, takes any action that, if taken by such Group Company, would constitute a breach of this Section 5.10(a), the taking of such action by such Representative will be deemed to constitute a breach of this Section 5.10(a) by Company for purposes of this Agreement.

(b) Notwithstanding Section 5.10(a), prior to the receipt of the Company Shareholder Approval, the Company's board of directors, directly or indirectly through any Representative or agent of Company, may, in response to an unsolicited bona fide written Acquisition Proposal of a third party that was received after the date hereof (and not withdrawn) that the Company's board of directors concludes in good faith, after consultation with Company's outside legal counsel and its financial advisor, did not result from or arise in connection with a breach of Section 5.10(a) and constitutes or would reasonably be expected to result in a Superior Offer, subject to Section 5.10(c) below, (A) participate in negotiations or discussions with such third party who has made (and not withdrawn) such Acquisition Proposal regarding such Acquisition Proposal and (B) furnish to such third party who has made (and not withdrawn) such Acquisition Proposal non-public information relating to Company or any of its Subsidiaries pursuant to an executed confidentiality agreement (which shall permit the Company to comply with the terms of this Section 5.10(b) and Section 5.10(c)) containing provisions at least as restrictive to such receiving person as the provisions in the Confidentiality Agreement are to Contributor (an *Acceptable Company Confidentiality Agreement*), a copy of which shall be provided to Contributor immediately after the execution thereof); provided, that all such information, whether or not already provided to Contributor, shall be promptly (but in all events within 24 hours after such information is provided to such third party) provided to Contributor; and provided, further, if the such third party making such Acquisition Proposal is or would reasonably be viewed as a competitor of Company, Company shall not provide any commercially sensitive non-public information to such Person in connection with any actions permitted by this Section 5.10 other than in accordance with customary "clean room" or other similar procedures designed to limit any adverse effect on Company of the disclosure of competitively sensitive information and which procedures shall be at least as restrictive to such receiving party as the provisions set forth on Part 5.10(b) of the Company Disclosure Schedule, but only if and to the extent that in connection with the foregoing clauses (A) and (B), the Company's board of directors

determines in good faith after consultation with Company's outside legal counsel and financial advisors, that failure to take such action would cause the Company's board of directors to be in breach of its fiduciary duties under applicable Legal Requirements (any action permitted by clause (A) or (B) of this Section 5.10(b), a **Permitted Action**); provided, Company shall not take any Permitted Action unless Company shall have notified Contributor in writing at least (2) Business Days prior to taking such action that it intends to take such Permitted Action and the basis therefor and shall have otherwise complied with Section 5.10(c).

(c) Company will promptly (and in no event later than twenty-four (24) hours after receipt of any Acquisition Proposal, any inquiry or indication of interest that could reasonably be expected to lead to an Acquisition Proposal or any request for nonpublic information) advise Contributor orally and in writing of any Acquisition Proposal, any inquiry or indication of interest that could reasonably be expected to lead to an Acquisition Proposal or any request for nonpublic information relating to Company or any Group Company (including the identity of the Person making or submitting such Acquisition Proposal, inquiry, indication of interest or request, and the material terms thereof) that is made or submitted by any Person during the Pre-Closing Period, and if made in writing, any related draft agreements and other written materials setting forth the terms and conditions of such Acquisition Proposal, inquiry or indication of interest or request that could reasonably be expected to lead to an Acquisition Proposal or request for nonpublic information. Company will (i) keep Contributor informed of any and all discussions, negotiations or developments in respect of and the status and details of any such Acquisition Proposal, inquiry, indication of interest or request and all discussions, modifications, developments or proposed modification thereto, and (ii) provide Contributor with copies of all correspondence and all drafts and other versions of all letters of intent, memorandums of understanding, acquisition agreements, merger agreements, joint venture agreements, partnership agreements, commitment letters or similar or related documents or agreements, in each case, on a current basis (and in any event, within twenty-four (24) hours).

#### **5.11 [Reserved]**

**5.12 Listing.** Company shall promptly, and in any event within five (5) Business Days after the filing of the preliminary Proxy Statement, contact the NYSE to determine the requirements for the Exchange Shares to be listed on the NYSE at and after the Closing. Company shall use its reasonable best efforts to cause the Exchange Shares to be approved, at or prior to the Closing, for listing (subject only to notice of issuance) on the NYSE at and after the Closing, including paying any required fees and submitting any listing application and listing agreement, if any, required by the NYSE at least sixty (60) days prior to the Closing Date.

**5.13 Assistance with Financing.** Prior to Closing, the Company shall, and shall cause the Company's Representatives to provide, cooperation to Contributor and the CHB Companies in connection with its existing debt financing arrangements and/or the arrangement, syndication and consummation of any new third party debt financing (such financing arrangements, the **Debt Financing**) (provided that such requested cooperation

does not unreasonably interfere with the ongoing operations of the Company), including, without limitation: (a) providing in a timely manner (i) financial statements of the Company and the Group Companies required to be delivered in connection therewith and (ii) to the extent reasonably requested by Contributor, other financial and other pertinent information relating to the Company and the Group Companies, (b) providing information required by the Persons that have committed to provide, or have otherwise entered into agreements relating to the Debt Financing (the *Financing Sources* ) and/or by regulatory authorities under applicable know your customer and anti-money laundering rules and regulations, including the USA Patriot Act of 2001, (c) facilitating the pledging of collateral, including by executing and delivering customary pledge and security documents or other definitive financing documents and other certificates and documents as may be reasonably requested by Contributor, provided that any such pledge, grant of security interest, or similar Encumbrance by Company shall be specifically conditioned upon the occurrence of the Closing, (d) using commercially reasonable efforts to obtain such consents, approvals, authorizations and instruments which may be reasonably requested Contributor in connection with the Debt Financing, (e) obtaining customary payoff letters in form and substance reasonably acceptable to Contributor and its Financing Sources relating to the repayment of any Funded Indebtedness of the Company and the release (conditioned on the Closing) of Encumbrances and collateral securing any such Funded Indebtedness, and (f) causing the taking of corporate and other organizational actions (subject to the occurrence of the Closing) by the Company necessary to permit the completion of the Debt Financing as may be requested by Contributor.

**5.14 Tax Cooperation.** The Parties acknowledge and agree that the exchange of CHB Shares for Company Common Shares is desired to constitute a tax-free transfer to a corporation controlled by transferor within the meaning of Section 351 of the Code and agree to cooperate in all reasonable respects to structure the exchange in a manner that qualifies with Section 351 of the Code.

**5.15 Takeover Statutes.** At all times prior to the Closing, each of Company and Contributor shall: (i) take all reasonable action necessary to ensure that no Takeover Statute is or becomes applicable to this Agreement or the transactions contemplated hereby, including the Exchange; and (ii) if any Takeover Statute becomes applicable to this Agreement or the transactions contemplated hereby, including the Exchange, take all reasonable action necessary to ensure that the transactions contemplated by this Agreement, including the Exchange, may be consummated as promptly as practicable on the terms contemplated by this Agreement and otherwise to minimize the effect of such Takeover Statute on this Agreement or the transactions contemplated hereby, including the Exchange.

**5.16 Stockholder Litigation.** Company shall give Contributor the opportunity to participate in, and if Contributor so elects, Company and Contributor shall reasonably cooperate with respect to, the defense or settlement of any shareholder litigation against Company and/or its directors or executive officers relating to the Exchange, this Agreement or any transaction contemplated by this Agreement, whether commenced prior to or after the execution and delivery of this Agreement, and Company shall not settle or offer to settle any



such litigation without the prior written consent of Contributor, which consent will not be unreasonably withheld, conditioned or delayed.

**5.17 Company Charter Amendment.** Immediately prior to the Closing, and subject to obtaining the Company Shareholder Approval, Company shall file with the Secretary of State of the State of Indiana the Company Charter Amendment.

**5.18 Employees; Benefit Plans.**

(a) Access to Employees. Before Closing, with the Company's prior consent (which consent shall not be unreasonably withheld), the Company shall provide Contributor, at Contributor's request (such request in Contributor's sole discretion) and at Contributor's sole expense, reasonable access to employees of the Company or any of its Subsidiaries for purposes of communicating information with respect to the transactions contemplated by this Agreement and the future operations of the Company following the Closing; *provided that*, such communications shall not materially interfere with or prevent the performance of the normal business operations of the Company.

(b) Employment Agreement with Richard Florea. The Company agrees (i) to pay out all amounts payable upon a change in control pursuant to the Executive Employment Agreement effective June 25, 2015 by and between the Company and Richard Florea (the ***Employment Agreement***) in accordance with the terms of the Employment Agreement, as identified in Part 5.18(b) of the Company Disclosure Schedule, as if the change in control payments contemplated by the Employment Agreement had been triggered by the Exchange; and (ii) that, immediately prior to the Closing, each Company Option held by Mr. Florea that is outstanding and unvested shall become fully vested and exercisable; *provided that*, if the after-tax benefit for Mr. Florea of all his parachute payments (as defined in Section 280G of the Code) with respect to or in connection with the transactions contemplated by this Agreement, as calculated by the Company in good faith after consultation with Contributor (the Parachute Payments), with the imposition of the excise tax under Sections 280G and 4999 of the Code, is equal to or less than the after-tax benefit if the Parachute Payments were to be reduced such that they did not equal or exceed Mr. Florea's safe harbor amount under Section 280G of the Code (as calculated by the Company in good faith, after consultation with Contributor, pursuant to Treas. Reg. 1.280G-1, Q&A 30, the ***Safe Harbor Amount***), then the Employment Agreement shall be amended with the written consent of Mr. Florea no later than two Business Days prior to the Estimate Notice Date, if necessary, to ensure and expressly provide that no Parachute Payment shall be made that would constitute an excess parachute payment (as such term is defined in Section 280G of the Code), and to the extent any such Parachute Payment would trigger the excise tax under Sections 280G and 4999 of the Code (the ***Golden Parachute Excise Tax***), the Parachute Payment will be reduced to the maximum level that would not trigger the Golden Parachute Excise Tax (such reduction, the ***280G Cutback***). If any such amendment to the Employment Agreement needs to be prepared, Mr. Florea shall be given the discretion to choose which Parachute Payments would be subject to reduction, and by how much, to achieve the greatest Safe Harbor Amount that would not trigger the Golden Parachute Excise

Tax. For purposes of clarity, if the after-tax benefit for Mr. Florea, with the imposition of the Golden Parachute Excise Tax, is greater than the after-tax benefit if his total Parachute Payments were reduced such that they did not equal or exceed the Safe Harbor Amount, then Mr. Florea may decide in his sole discretion for the Parachute Payments to not be subject to any reduction hereunder, and to receive the full payments and benefits due to him. For the avoidance of doubt, any decision by Mr. Florea not to be subject to the 280G Cutback must be communicated in writing to the Contributor no later than two Business Days prior to the Estimate Notice Date. The payment of any such amounts and the vesting of the Company Options described in the preceding sentence shall be contingent upon Mr. Florea entering into a mutual termination of employment agreement in a form reasonably acceptable to Contributor, which shall provide, among other provisions, for the termination of Mr. Florea's employment with the Company, the Surviving Company or any of their Subsidiaries, as the case may be, and which shall include restrictive covenants (e.g., non-competition, no-hire, non-disparagement, non-solicitation of customers, and employees and other Persons with whom the Company has a material relationship, etc.) and a release of claims, in each case, reasonably acceptable to the Contributor. The Company may seek the opinion of an independent consultant as to portions of any payments to Mr. Florea that may be exempt from treatment as Parachute Payments under Code Section 280G and the Golden Parachute Excise Tax and, after consultation with Contributor, may take account of such opinion in determining whether there are Parachute Payments and the amount thereof and, if applicable, any Golden Parachute Excise Tax.

(c) Treatment of Company Equity Awards.

(i) Company Options. Prior to the Closing, the board of directors of Company shall take all necessary actions pursuant to the terms of the Company Incentive Plan such that upon the Closing, all Company Options held by Jeffrey A. Newport and Scott Parkhurst that are outstanding and unvested immediately prior to the Closing shall become fully vested and exercisable; provided that, the accelerated vesting of unvested Company Options with respect to each of Jeffrey A. Newport and Scott Parkhurst contemplated in this Section 5.18(c)(i) shall individually be subject to each of Jeffrey A. Newport and Scott Parkhurst executing and delivering to the Company prior to the occurrence of the accelerated vesting, a release of claims substantially in the form of the Equity Award Vesting Agreement attached in Part 5.18(c) of the Company Disclosure Schedule (incorporating such non-substantive edits as are necessary to apply to each individual).

(ii) Company Restricted Stock Awards. Prior to the Closing, the board of directors of Company shall take all necessary actions pursuant to the terms of the Company Incentive Plan such that upon the Closing, each Company Restricted Stock Award subject to vesting or other lapse restrictions granted under the Company Incentive Plan to Richard Florea, Jeffrey A. Newport, and Scott Parkhurst that is outstanding immediately prior to the Closing shall fully vest and no longer be subject to lapse restrictions; provided that, the accelerated

vesting of unvested Company Restricted Stock Awards with respect to each of Richard Florea, Jeffrey A. Newport and Scott Parkhurst contemplated in this Section 5.18(c)(ii) shall individually be subject to each of Richard Florea, Jeffrey A. Newport, and Scott Parkhurst executing and delivering to the Company prior to the occurrence of the accelerated vesting, a release of claims substantially in the form of the Equity Award Vesting Agreement attached in Part 5.18(c) of the Company Disclosure Schedule (incorporating such non-substantive edits as are necessary to apply to each individual).

(d) Deferred Compensation Plan. At or prior to the Closing, the Company shall take any and all actions under the Company's 1989 Deferred Compensation Plan as amended from time to time such that, upon the Closing, all benefits payable under the Deferred Compensation Plan to each of Jon S. Pilarski and Jeff Holdread shall become fully vested, and to the extent any other participants in the Company's 1989 Deferred Compensation Plan as amended from time to time are not vested, they shall become fully vested as well.

(e) Eligibility for Employee Benefit Plans; Credit for Prior Service. Each of the Company and the Contributor agrees that employees of the Company or its Subsidiaries, and employees of the Contributor and its Affiliates, who immediately following the Closing continue employment with the entity that employed such individual immediately prior to the Closing, shall continue to be eligible to participate in the Company Employee Plans or the Contributor Employee Plans that are broad based health, welfare or qualified retirement plans, as applicable, pursuant to the terms of such plans, and pursuant to applicable Legal Requirements to the extent that such Company Employee Plan or Contributor Employee Plan remains in effect. To the extent a Company Employee Plan or a Contributor Employee Plan described in the immediately preceding sentence is terminated following the Closing (any such plan, a **Terminated Plan**), then employees of the Surviving Company or one of its Affiliates who participated in such Terminated Plan at the time of such Terminated Plan's termination shall be eligible to participate in any analogous employee benefit plan sponsored by the Company, the Contributor or one of their respective Affiliates (any such plan, a **Similar Plan**), subject to applicable Legal Requirements and the terms of such Similar Plan. Subject to applicable Legal Requirements, any employee described in the immediately preceding sentence (**Terminated Plan Participant**) shall, for purposes of eligibility and vesting, be provided credit for any service with the Company, the Contributor, the Surviving Company or one of their respective Affiliates, to the extent such credit would have been provided under the Terminated Plan. For the purposes of a Terminated Plan Participant's participation in a Similar Plan that is a health or dental plan, the Surviving Company will use commercially reasonable efforts to cause the Surviving Company or one of its Affiliates, as the case may be, to: (i) avoid subjecting any Terminated Plan Participant to waiting periods or additional pre-existing condition limitations; and (ii) give credit under the applicable Similar Plan for any deductibles and co-insurance payments made by such Terminated Plan Participant under the corresponding Terminated Plan during the balance of the then current 12-month period of coverage.

**(f) Severance.**

**(i)** Except for Richard Florea, and except as otherwise provided in Section 5.18(f)(ii) below, those (x) salaried employees of the Company or any of its Subsidiaries as of the Closing, and (y) hourly employees of the Company or any of its Subsidiaries as of the Closing whose principal place of work is at the Company's Elkhart, Indiana location, in each case, (A) who are still employed by the Company or a Subsidiary as of the Closing and whose employment with the Company or the Surviving Company is terminated by the Surviving Company, other than for cause, within 12 months after the Closing; and (B) who sign and deliver a termination and release agreement in a form substantially similar to Contributor's form termination and release agreement for similarly situated employees, shall be entitled to severance pay equal to one week of pay, at their base rate of pay in effect at the time of termination, for each full year of continuous service with the Company and Surviving Company with a minimum of four weeks and a maximum of 26 weeks. In the case of each of (i) executive officers of the Company and (ii) salaried employees of the Company or any of its Subsidiaries as of the Closing whose principal place of work is at the Company's Elkhart, Indiana corporate headquarters, such termination and release form may, at the Surviving Company's discretion, include restrictive covenants (including, without limitation, non-competition, no-hire, non-disparagement, non-solicitation of customers, employees and other Persons with whom the Surviving Company has a material relationship).

**(ii)** Notwithstanding any contrary provision herein, if any of Jeffrey A. Newport, Scott Parkhurst, Jon S. Pilarski, or Mary Minix (for purposes of this Section 5.18(f)(ii), each, an *executive* ) is still employed by the Company as of the Closing, and if the employment of any such executive is terminated by the Surviving Company, other than for cause, within 12 months after the Closing, then such terminated executive shall be entitled to severance pay equal to: (A) in the case of Jeffrey A. Newport, Scott Parkhurst, and Mary Minix, 26 weeks of pay, at the base rate of pay in effect for each such executive at the time of termination, and (B) in the case of Jon S. Pilarski, 52 weeks of pay, at the base rate of pay in effect for Mr. Pilarski at the time of termination; *provided that*, in each such case, as a condition to receiving any portion of such severance payments, the executive shall sign and deliver a termination and release agreement substantially similar to Contributor's form termination and release agreement for similarly situated employees, which form may include, at the Surviving Company's discretion, restrictive covenants (including, without limitation, non-competition, no-hire, non-disparagement, non-solicitation of customers, employees and other Persons with whom the Surviving Company has a material relationship).

**(iii)** Any employee entitled to receive a severance payment under this Section 5.18(f) will receive their severance in substantially equal installments

on the same schedule as payments are made under the Surviving Company's regularly scheduled payroll practice; *provided, however*, that all such payments will be made in a manner that either complies with or is exempt from Section 409A of the Code and all other applicable Legal Requirements.

(iv) Any employee entitled to receive payment under this Section 5.18(f) shall be entitled to continuation coverage under the Surviving Company's group health plans as required by Section 4980B of the Code and Sections 601 through 609 of ERISA ( *COBRA* ), subject to eligibility, timely election and payment of all applicable COBRA premiums by such terminated employees. In addition, for a 9-month period immediately following the Closing, the Surviving Company shall provide, at its own expense, group career counseling for salaried employees of the Company who, due solely to the Surviving Company's decision, will not be continuing with the Surviving Company or will make professional career counseling services available to such employees through its internal employee assistance program for up to four visits per employee. Nothing in this Section 5.18(f) shall be deemed to limit or modify Contributor's, the Company's, or the Surviving Company's at-will employment policies or any employee's at-will employment status.

No provision of this Agreement shall (i) create any right in any current or former employee or other service provider of Contributor, Company or any of their respective Subsidiaries to continued employment or service or, subject to the terms of any applicable employment, consulting or other agreement, preclude the ability of Contributor, Company or any of their respective Subsidiaries to terminate the employment or service of any employee or service provider for any reason, (ii) require Contributor, Company or any of their respective Subsidiaries to continue any Company Employee Plan or Contributor Employee Plan or prevent the amendment, modification or termination thereof, (iii) confer upon any current or former employee or other service provider of Contributor, Company or any of their respective Subsidiaries, or any beneficiaries or dependents thereof, any rights or remedies under or by reason of this Agreement, (iv) be treated as an amendment or modification to or termination of any Company Employee Plan or Contributor Employee Plan, (v) be treated as a requirement to establish or enter into any employee benefit or compensation plan, program, policy, agreement or arrangement or (vi) create any third-party beneficiary rights in any current or former employee or other service provider of Contributor, Company or any of their respective Subsidiaries.

**5.19 Special Company Dividend.** If the Company intends to declare and pay the Special Company Dividend, (x) Company shall provide all requisite notice of the Company Special Dividend to the NYSE at least ten (10) days prior to the record date thereof (such date, the *Listing Notice Date* ) and (y) at least five (5) Business Days prior to the Listing Notice Date (such date, the *Estimate Notice Date* ), Company shall prepare in good faith and deliver to Contributor a written statement (the *Company Closing Statement* ) setting forth, in each case, an estimate as of the close of business on the day immediately prior to the Listing Notice Date of (i) the Company Net Cash, (ii) the Company Cash, (iii) Company

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Transaction Expenses and (iv) the Company Indebtedness, together with all documentation supporting such calculations. Company and Contributor shall seek in good faith to resolve any disagreements on such Company Closing Statement and Company shall afford to Contributor and its Representatives reasonable access to Company's books and records relevant to calculation of the amounts set forth on the Company Closing Statement. At least one Business Day prior to the Listing Notice Date, Company may declare a cash dividend to the Company Shareholders in an aggregate amount up to the Company Net Cash to be payable at least one Business Day prior to the Closing Date (the **Special Company Dividend**); provided, however, that the Company may not pay the Special Company Dividend if as a result thereof, the Group Companies will not have a positive Company Cash balance after giving effect thereto. If the actual Company Net Cash as of the close of business on the day immediately prior to the Listing Notice Date differs from the estimated Company Net Cash set forth in the Company Closing Statement by more than \$500,000, Company must first deliver to Contributor a revised Company Closing Statement, setting forth the actual Company Net Cash, Company Cash, Company Indebtedness and Company Transaction Expenses, in each case, as of the close of business on the day immediately prior to the Listing Notice Date, together with documentation supporting such calculations and afford Contributor an opportunity to review the calculation thereof and the Company and Contributor shall seek in good faith to resolve any disagreements in respect of such calculations prior to the payment of the Special Company Dividend. For purposes of this Section 0, **Company Net Cash** means, in each case, as of the close of business on the day immediately prior to the Listing Notice Date, (i) the Company Cash, less (ii) the Company Transaction Expenses, less (iii) the Company Indebtedness.

**5.20 Special Contributor Dividend.** If Contributor intends to declare and pay the Special CHB Dividend, at least five (5) Business Days prior to the proposed date of the Special CHB Dividend, Contributor shall prepare in good faith and deliver to Company a written statement (the **Contributor Closing Statement**) setting forth, in each case, an estimate as of the close of business on the day immediately prior to the date of the payment of the Special CHB Dividend (the **Contributor Dividend Payment Date**) of (i) the Contributor Net Cash, (ii) the CHB Cash, (iii) the CHB Indebtedness and (iv) the CHB Transaction Expenses, together with documentation supporting such calculations. Company and Contributor shall seek in good faith to resolve any disagreements on such Contributor Closing Statement and Contributor shall afford to Company and its Representatives reasonable access to Contributor's books and records relevant to the calculation of the amounts set forth on the Contributor Closing Statement. At least one Business Day prior to the Closing Date, Contributor may declare and pay a cash dividend to the Contributor members in an aggregate amount up to the Contributor Net Cash (the **Special CHB Dividend**); provided, however, that if the actual Contributor Net Cash as of the close of business on the day immediately prior to the Company Dividend Payment Date differs from the estimated Contributor Net Cash set forth in the Contributor Closing Statement by more than \$5,000,000, Contributor must first deliver to Company a revised Contributor Closing Statement setting forth the actual Contributor Net Cash, CHB Cash, CHB Indebtedness and CHB Transaction Expenses, in each case, as of the close of business on the day immediately prior to the Contributor Dividend

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Payment Date, together with documentation supporting such calculations and afford Company an opportunity to review the calculation thereof and the Company and Contributor shall seek in good faith to resolve any disagreements in respect of such calculations prior to the payment of the Special CHB Dividend; and provided further, that Contributor may not pay the Special CHB Dividend if as a result thereof, the CHB Companies will not have a positive CHB Cash balance after giving effect thereto. For purposes of this Section 5.20, *Contributor Net Cash* means, in each case, as of the close of business on the day immediately prior to the date of the payment of the Special CHB Dividend, (i) the CHB Cash, less (ii) the CHB Indebtedness, less (iii) the aggregate amount of CHB Transaction Expenses.

## ARTICLE 6

### CONDITIONS TO THE CLOSING

**6.1 Conditions to Obligation of Each Party to Effect the Exchange.** The respective obligations of each Party to effect the Exchange will be subject to the satisfaction at or prior to the Closing of the following conditions:

(a) No Injunctions or Restraints; Illegality. No temporary restraining order, preliminary or permanent injunction or other order (whether temporary, preliminary or permanent) issued by any court of competent jurisdiction or other legal restraint or prohibition preventing the consummation of the Exchange will be in effect; and there will not be any action taken, or any statute, rule, regulation or order enacted, entered, enforced or deemed applicable to the Exchange, which makes the consummation of the Exchange illegal.

(b) Shareholder Approvals. The Company Shareholder Approval shall have been obtained at the Company Shareholders Meeting (or at any adjournment or postponement thereof).

(c) Proxy Statement. No order enjoining the distribution of the Proxy Statement shall have been issued by the SEC or any securities administrator of any state or country and remain in effect, nor shall proceedings seeking an order enjoining the distribution of the Proxy Statement have been initiated or, to the knowledge of Contributor or Company, as the case may be, be threatened by the SEC or any securities administrator of any state or country.

(d) Filings and Approvals. Any filings with or consents, authorizations and approvals of any Governmental Bodies required by applicable Legal Requirements (including any filings under the HSR Act and any Affiliate Approvals) shall have been made and obtained without the imposition of a Burdensome Divestiture Condition, and the applicable waiting period and any extensions thereof shall have expired or been terminated.

(e) Listing. The listing application filed with NYSE covering the Exchange Shares will have been conditionally approved by the NYSE, and the Exchange Shares issuable to the Contributor as provided for in this Agreement shall have been conditionally approved for listing on NYSE, subject to official notice of issuance.

**6.2 Additional Conditions to Obligations of Contributor.** The obligation of Contributor to effect the Exchange is also subject to the fulfillment of each of the following additional conditions, any one of which may be waived in writing by Contributor:

(a) **Representations and Warranties.** (i) The representations and warranties of Company contained in Section 3.2 (Capital Structure), and Sections 3.3(a), 3.3(b), 3.3(c)(i) and 3.3(c)(ii) (Authority; Non-Contravention; Approvals) (other than, with respect to the representations and warranties contained in Section 3.2, de minimis inaccuracies) shall be true and correct in all respects as if made at the Closing (or, in the case of those representations and warranties that are made as of a particular date or period, as of such date or period), and (ii) the other representations and warranties of Company contained in this Agreement or in any certificate or other agreement delivered by Company pursuant hereto shall be true and correct (disregarding all qualifications or limitations as to materially, ***Company Material Adverse Effect*** and words of similar import set forth therein) at and as of the date of this Agreement and as of the Closing as if made at and as of the Closing (or, in the case of those representations and warranties that are made as of a particular date or period, as of such date or period), except, in the case of clause (ii), where the failure of such representations and warranties to be true and correct (disregarding all qualifications or limitations as to materially, ***Company Material Adverse Effect*** and words of similar import set forth therein) has not had a ***Company Material Adverse Effect***.

(b) **Agreements and Covenants.** Company shall have performed or complied with in all material respects all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing.

(c) **Ancillary Agreements.** Company shall have delivered to Contributor executed counterparts to each of the Ancillary Agreements to which any Group Company or any Affiliate thereof, is a party.

(d) **Company Material Adverse Effect.** Since the date of this Agreement, there shall have been no Effect having a ***Company Material Adverse Effect***.

(e) **Other Deliveries.** Contributor shall have received a certificate executed by a duly authorized officer of Company confirming that the conditions set forth in Section 6.2(a), Section 6.2(b), and Section 6.2(d) have been duly satisfied and shall have received a duly authorized, certified and apostilled power of attorney on behalf of the Company for it to be represented before the Dutch notary instructed to execute the notarial deed of share transfer with regard to the CHB BV Shares on Closing.

(f) **Company Officers and Board of Directors.** Contributor shall have received a duly executed copy of a resignation letter from each of the resigning members of the board of directors of Company (which shall be all members of the board of directors of the Company who are not the Company Appointees), pursuant to which each such person will resign as a member of the board of directors of Company, effective as of the second day following the Closing Date, and the Company's board of directors will have adopted a



resolution removing each officer of the Company not listed on **Schedule II** (or as Contributor otherwise provides pursuant to written notice to the Company in accordance with **Section 1.3(b)** hereof) from their respective positions as officers of the Company effective upon or prior to the Closing.

(g) **Contributor Appointees and Officers.** The Contributor Appointees shall have been appointed to the board of directors of Company effective as of the second day following the Closing Date. The Persons set forth on **Schedule II** (or as Contributor otherwise provides pursuant to written notice to the Company in accordance with **Section 1.3(b)** hereof) will have been appointed officers of the Company effective as of the Closing.

**6.3 Additional Conditions to Obligations of Company.** The obligation of Company to effect the Exchange is also subject to the fulfillment of each of the following additional conditions, any one of which may be waived in writing by Company:

(a) **Representations and Warranties.** (i) The representations and warranties of contained in **Section 2.2** (Capital Structure), **Sections 2.3(a)**, **2.3(b)(i)**, and **2.3(b)(ii)** (Authority; Non-Contravention; Approvals) (other than, with respect to the representations and warranties contained in **Section 2.2**, de minimis inaccuracies) shall be true and correct in all respects and (ii) the other representations and warranties of Contributor contained in this Agreement or in any certificate or other agreement delivered by Contributor, as applicable, pursuant hereto shall be true and correct at and as of the date of this Agreement and as of the Closing as if made at and as of the Closing (or, in the case of those representations and warranties that are made as of a particular date or period, as of such date or period), except, in the case of clause (ii), where the failure of such representations and warranties to be true and correct (disregarding all qualifications or limitations as to materially, CHB Material Adverse Effect and words of similar import set forth therein) has not had a CHB Material Adverse Effect.

(b) **Agreements and Covenants.** Contributor shall have performed or complied with in all material respects all agreements and covenants required by this Agreement to be performed or complied with by it on or prior to the Closing.

(c) **CHB Material Adverse Effect.** Since the date of this Agreement, there shall have been no Effect having a CHB Material Adverse Effect.

(d) **Other Deliveries.** Company shall have received a certificate executed by a duly authorized officer of Contributor confirming that the conditions set forth in **Section 6.3(a)**, **Section 6.3(b)**, and **Section 6.3(c)** have been duly satisfied and shall have received a duly authorized, certified and apostilled power of attorney on behalf of the Contributor and a duly authorized power of attorney CHB BV for these parties to be represented before the Dutch notary instructed to execute the notarial deed of share transfer with regard to the CHB BV Shares as well as a signed shareholders resolution signed on behalf of the Contributor as shareholder of CHB BV authorizing the transfer of shares on Closing.

(e) Ancillary Agreements. Contributor shall have delivered to Company executed counterparts to each of the Ancillary Agreements to which Contributor or any Affiliate thereof, is a party.

## ARTICLE 7

### TERMINATION

**7.1 Termination**. This Agreement may be terminated and the Exchange may be abandoned, at any time prior to the Closing, whether or not the Company Shareholder Approval shall have been obtained:

(a) by mutual written consent of Company and Contributor duly authorized by each of their board of directors and board of managers, respectively;

(b) by either Contributor or Company, after the End Date, if the Exchange has not been consummated; provided that the right to terminate this Agreement under this Section 7.1(b) will not be available to any Party whose action or failure to act in breach of this Agreement has been the principal cause of or resulted in the failure of the Exchange to occur on or before such date; provided further that (i) in the event that the Proxy Statement is still being reviewed or commented on by the SEC on April 30, 2018 or (ii) in the event that the condition set forth in Section 6.1(d) is not satisfied by the End Date, upon the election of Contributor at any time prior to the End Date, the Contributor may provide written notice to the Company that the End Date shall be extended for one 30 day period or one 60 day period;

(c) by either Contributor or Company if a court of competent jurisdiction or governmental, regulatory or administrative agency or commission will have issued a non-appealable final order, decree or ruling or taken any other action, in each case having the effect of permanently restraining, enjoining or otherwise prohibiting the Exchange;

(d) by either Contributor or Company if (i) the Company Shareholders Meeting (including any adjournments and postponements thereof) shall have been held and completed and the Company Shareholders shall have taken a final vote on the Company Shareholder Approval Matters and (ii) the Company Shareholder Approval Matters shall not have been approved by the Company Shareholder Approval Threshold; provided, however, that the right to terminate this Agreement under this Section 7.1(d) shall not be available to a Party where the failure to obtain the Company Shareholder Approval shall have been caused by the action or failure to act of such Party and such action or failure to act constitutes a breach by such Party of this Agreement;

(e) by Contributor upon breach of any of the representations, warranties, covenants or agreements on the part of Company set forth in this Agreement, or if any representation or warranty of Company will have become inaccurate, in either case such that the conditions set forth in Section 6.2(a) or Section 6.2(b) would not be satisfied as of the time of such breach or as of the time such representation or warranty will have become inaccurate; provided that if such breach or inaccuracy is curable by Company, then this Agreement will

not terminate pursuant to this Section 7.1(e) as a result of such particular breach or inaccuracy unless the breach or inaccuracy remains uncured as of the thirtieth (30th) day following the date of written notice given by Contributor to Company of such breach or inaccuracy and its intention to terminate this Agreement pursuant to this Section 7.1(e); provided further that no termination may be made pursuant to this Section 7.1(e) solely as a result of the failure of Company to obtain the Company Shareholder Approval (in which case such termination must be made pursuant to Section 7.1(d)); and provided further that the right of Contributor to terminate this Agreement pursuant to this Section 7.1(e) shall not be available if Contributor is itself in breach or has failed to perform any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform would give rise to the failure of a condition set forth in Section 6.3(a) or Section 6.3(b);

(f) by Company upon breach of any of the representations, warranties, covenants or agreements on the part of Contributor set forth in this Agreement, or if any representation or warranty of Contributor will have become inaccurate, in either case such that the conditions set forth in Section 6.3(a) or Section 6.3(b) would not be satisfied as of the time of such breach or as of the time such representation or warranty will have become inaccurate; provided that if such breach or inaccuracy is curable by Contributor or the CHB Companies, then this Agreement will not terminate pursuant to this Section 7.1(f) as a result of such particular breach or inaccuracy unless the breach or inaccuracy remains uncured as of the thirtieth (30th) day following the date of written notice given by Company to Contributor of such breach or inaccuracy and its intention to terminate this Agreement pursuant to this Section 7.1(f); and provided further that the right of Company to terminate this Agreement pursuant to this Section 7.1(f) shall not be available if Company is itself in breach or has failed to perform any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform would give rise to the failure of a condition set forth in Section 6.2(a) or Section 6.2(b);

(g) by Company, if there will have occurred any CHB Material Adverse Effect since the date of this Agreement; provided, however, such termination shall only be effective if such CHB Material Adverse Effect, if curable, is not cured within twenty (20) Business Days following the date of written notice given by Company to Contributor of such CHB Material Adverse Effect and its intention to terminate this Agreement pursuant to this Section 7.1(g);

(h) by Contributor, if there will have occurred any Company Material Adverse Effect since the date of this Agreement; provided, however, such termination shall only be effective if such Company Material Adverse Effect, if curable, is not cured within twenty (20) Business Days following the date of written notice given by Contributor to Company of the occurrence of such Company Material Adverse Effect and its intention to terminate this Agreement pursuant to this Section 7.1(h);

(i) by Contributor, prior to obtaining the Company Shareholder Approval, if the board of directors of Company has (i) effected any Change in Recommendation; (ii) failed to publicly reaffirm the Company Board Recommendation within

three (3) Business Days of Contributor's request; or (iii) failed to recommend against, or taken a neutral position with respect to, a tender or exchange offer related to any Acquisition Proposal in any position taken pursuant to Rules 14d-9 and 14e-2 under the Exchange Act; or

(j) by Contributor, prior to obtaining the Company Shareholder Approval, if the Company has taken any Permitted Action.

**7.2 Notice of and Effect Of Termination.** In the event of the termination of this Agreement pursuant to Section 7.1, written notice thereof shall forthwith be given by the terminating Party to the other Party specifying the provision of this Agreement pursuant to which such termination is made, and this Agreement will forthwith become null and void; except for those provisions provided in this Section 7.2 which shall remain in full force and effect and survive any such termination of this Agreement. In the event of the termination of this Agreement pursuant to Section 7.1, there will be no liability on the part of any Party or any of its Affiliates, directors, officers or shareholders except (i) as set forth in Section 7.2 and Section 7.3, (ii) with respect to the requirement to comply with the Confidentiality Agreement, and (iii) for any liability for fraud or any willful and material breach of any representation, warranty, covenant or obligation contained in this Agreement prior to such termination; provided, however, that this clause (iii) shall not apply in respect of any liability of Contributor or any of its Affiliates, directors, officers or shareholders in the case of its termination of the Agreement pursuant to Section 7.1(j). No termination of this Agreement will affect the obligations of the Parties contained in the Confidentiality Agreement, all of which obligations will, in addition to this Article 7 and in addition to Article 8, survive termination of this Agreement in accordance with its terms.

**7.3 Expenses; Termination Fee.**

(a) Except as set forth in this Section 7.3, all fees and expenses incurred in connection with this Agreement and the transactions contemplated by this Agreement will be paid by the Party incurring such expenses, whether or not the Exchange is consummated and all such fees shall be paid prior to or at Closing. Each of the Parties acknowledges that the agreements contained in this Section 7.3 are an integral part of the transactions contemplated by this Agreement, without which, the Parties would not enter into this Agreement.

(b)

(i) In the case of any termination of this Agreement pursuant to Section 7.1(i), Company shall pay to Contributor a termination fee in immediately available funds in an amount in cash equal to three million dollars (\$3,000,000) (the ***First Tranche Termination Fee***) concurrently with such termination. Any payment of the First Tranche Termination Fee shall be made concurrently with the termination of this Agreement pursuant to Section 7.1(i) by wire transfer of immediately available funds to an account designated by Contributor.

(ii) Company will pay to Contributor a termination fee (the ***Company Termination Fee***) in immediately available funds in an amount in

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cash equal to Ten Million dollars (\$10,000,000), less any amounts previously paid pursuant to Section 7.3(c) and, in the case of any termination of this Agreement pursuant to Section 7.1(i), less the amount previously paid to Contributor pursuant to Section 7.3(b)(i), in the event that this Agreement is terminated pursuant to (i) Section 7.1(b) (End Date), (ii) Section 7.1(d) (No Vote), (iii) Section 7.1(e) (Material Company Breach), or (iv) Section 7.1(i) (Change in Recommendation); provided that, in the case of each of clauses (i), (ii), (iii), or (iv), an Acquisition Proposal shall have been made known to the Company or an Acquisition Proposal shall have been made to the shareholders of the Company generally or any Person shall have publicly announced an intention (whether or not conditional) to make an Acquisition Proposal after the date of this Agreement and before the date this Agreement is terminated and, within twelve (12) months after the date of such termination, Company enters into a definitive agreement with respect to an Acquisition Transaction or consummates an Acquisition Transaction; provided that such fee shall be paid not later than two (2) Business Days after the date on which, as applicable, (i) an Acquisition Transaction contemplated by such definitive agreement is consummated or, such definitive agreement with respect to an Acquisition Transaction terminates in accordance with the terms of such definitive agreement or (ii) an Acquisition Transaction is consummated; and provided further that for purposes of this clause Section 7.3(b) all references in the definition of Acquisition Transaction to 15% shall instead refer to 50%; and provided further that, notwithstanding any contrary provision herein, in the case of clause (i) of this section, no Company Termination Fee shall be payable as a result of either Party failing to receive a required Regulatory Approval in connection with the Exchange unless Company is itself in breach or has failed to perform any of its representations, warranties, covenants or other agreements contained in this Agreement, which breach or failure to perform would give rise to the failure of a condition set forth in Sections 6.2(a) or 6.2(b).

(c) Company shall no later than two (2) Business Days after receipt of reasonable supporting documentation evidencing such fees and expenses reimburse Contributor for all fees and expenses (up to \$2,000,000) incurred by Contributor in connection with the authorization, preparation, negotiation, execution and performance of this Agreement and the transactions contemplated by this Agreement if this Agreement is terminated by either party pursuant to Section 7.1(d).

(d) In the event that Contributor shall be entitled to receive the Company Termination Fee, such fee is not a penalty but shall be liquidated damages in a reasonable amount for any and all losses or damages suffered or incurred by Contributor in connection with the matter forming the basis for such termination. Notwithstanding any other provision of this Agreement to the contrary, other than as provided in this Section 7.3(d), the Parties agree that the payments contemplated by this Section 7.3 represent the sole and exclusive remedy of Contributor in respect of a termination pursuant to Section 7.1 under circumstances requiring the payment of the Company Termination Fee; provided that this Section 7.3(d) shall not

apply where Contributor's right to terminate this Agreement pursuant to Section 7.1(e) results from Company's fraud.

(e) If Company fails to pay when due any amount payable by such Party under this Section 7.3, then (i) Company will reimburse the other Party for all costs and expenses (including fees and disbursements of counsel) incurred in connection with the collection of such overdue amount and the enforcement by Contributor of its rights under this Section 7.3, and (ii) Company failing to perform will pay to Contributor interest on such overdue amount (for the period commencing as of the date such overdue amount was originally required to be paid and ending on the date such overdue amount is actually paid to Contributor in full) at a rate per annum equal to the prime rate (as announced by Bank of America or any successor thereto) in effect on the date such overdue amount was originally required to be paid.

## ARTICLE 8

### GENERAL PROVISIONS

**8.1 Notices.** Any notice or other communication required or permitted to be delivered to any Party under this Agreement will be in writing and will be deemed properly delivered, given and received: (a) if delivered by hand, when delivered; (b) if sent on a Business Day by email with confirmed receipt before 5:00 p.m. (recipient's time) on the date sent, on such Business Day; (c) if sent by email on a day other than a Business Day, or if sent by email with confirmed receipt at any time after 5:00 p.m. (recipient's time) on the date sent, on the date on which receipt is confirmed, if a Business Day, and otherwise on the first Business Day following the date on which receipt is confirmed; (d) if sent by registered, certified or first class mail, the third Business Day after being sent; and (e) if sent by overnight delivery via a national courier service, one Business Day after being sent, in each case to the address or email address set forth beneath the name of such Party below (or to such other address or email address as such Party shall have specified in a written notice given to the other Parties hereto):

(a) If to Contributor:

Champion Enterprises Holdings, LLC

775 West Big Beaver Road, Suite 1000

Troy, MI 48084

Attn: Keith Anderson; Roger Scholten

Email: kanderson@championhomes.com;

rscholten@championhomes.com

With a copy (which shall not constitute notice) to:

Ropes & Gray LLP

Prudential Tower

800 Boylston St.

Boston, MA 02199

A-77

Attn.: David A. Fine

Zachary Blume

Email: david.fine@ropesgray.com

zachary.blume@ropesgray.com

Fax: (617) 235-0030

(617) 235-9705

**(b)** If to Company:

Skyline Corporation

P.O. Box 743

2520 By-Pass Road

Elkhart, IN 46515

Attn: John C. Firth

Email: JCFirth@qdi.com

With a copy (which shall not constitute notice) to:

Barnes & Thornburg LLP

11 S. Meridian Street

Indianapolis, IN 46204

Attn: David P. Hooper

Email: david.hooper@btlaw.com

Fax: (317) 231-7433

**8.2 Amendment.** This Agreement may be amended by action taken by or on behalf of the board of directors of Company and board of managers of Contributor; provided that after approval of the Company Shareholder Approval Matters, no amendment may be made which by Legal Requirements requires further approval by such shareholders without such further approval. This Agreement may not be amended except by an instrument in writing signed by the Parties taking such action as provided above; provided, however, that notwithstanding anything in this Agreement to the contrary, amendments and modifications to (i) this proviso of this Section 8.2 (Amendment); (ii) Section 8.6 (Successors and Assigns) that are adverse to the Financing Sources; (iii) clause (b) of Section 8.7 (Parties in Interest; Third Party Beneficiaries); (iv) the final sentence of Section 8.8 (Waiver); (v) the final sentence of Section 8.9 (Remedies Cumulative; Specific Performance); (vi) Section 8.10 (Governing Law; Venue; Waiver of Jury Trial) solely to the extent relating to actions instituted against the Financing Sources; and (vii) Section 8.15 (Non-Recourse),



and any related definitions; in any such case, shall require the prior written consent of the Financing Sources before any such amendment or modification may become effective.

**8.3 Headings.** The headings contained in this Agreement are for reference purposes only and will not affect in any way the meaning or interpretation of this Agreement.

**8.4 Severability.** If any term or other provision of this Agreement is invalid, illegal or incapable of being enforced by any rule of law, or public policy, all other conditions

and provisions of this Agreement will nevertheless remain in full force and effect so long as the economic or legal substance of the transactions contemplated hereby is not affected in any manner adverse to any Party. Upon such determination that any term or other provision is invalid, illegal or incapable of being enforced, the Parties will negotiate in good faith to modify this Agreement so as to effect the original intent of the Parties as closely as possible in an acceptable manner to the end that transactions contemplated hereby are fulfilled to the extent possible.

**8.5 Entire Agreement.** This Agreement constitutes the entire agreement and supersedes all prior agreements and undertakings (other than the Confidentiality Agreement), both written and oral, among the Parties, or any of them, with respect to the subject matter hereof.

**8.6 Successors and Assigns.** This Agreement will be binding upon: (a) Company and its successors and assigns (if any) and (b) Contributor and its successors and assigns (if any). This Agreement will inure to the benefit of: (i) Company; (ii) Contributor; and (iii) the respective successors and assigns (if any) of the foregoing. Neither Company nor Contributor may assign this Agreement or any of its rights, interests or obligations hereunder without the prior written approval of the other, provided, however, Contributor may make a collateral assignment of its rights hereunder to any Financing Source or any other lender to Contributor or its Affiliates, provided that no such assignment shall in any manner limit or effect the assignor's obligations hereunder.

**8.7 Parties In Interest.** This Agreement will be binding upon and inure solely to the benefit of each Party, and nothing in this Agreement, expressed or implied, is intended to or will confer upon any other Person any right, benefit or remedy of any nature whatsoever under or by reason of this Agreement, other than (a) Section 5.5 (which is intended to be for the benefit of D&O Indemnified Parties and may be enforced by D&O Indemnified Parties) and (b) (i) Section 8.2 (Amendment); (ii) the proviso to Section 8.6 (Successors and Assigns) that are adverse to the Financing Sources; (iii) clause (b) of this Section 8.7 (Parties in Interest; Third Party Beneficiaries); (iv) the final sentence of Section 8.8 (Waiver); (v) the final sentence of Section 8.9 (Remedies Cumulative; Specific Performance); (vi) Section 8.10 (Governing Law; Venue; Waiver of Jury Trial) solely to the extent relating to actions instituted against the Financing Sources and (vii) Section 8.15 (Non-Recourse) and any definitions that would alter the substance of the listed provisions; in any such case, are intended to be for the benefit of, among others, the Financing Sources.

**8.8 Waiver.** No failure or delay on the part of any Party in the exercise of any right hereunder will impair such right or be construed to be a waiver of, or acquiescence in, any breach of any representation, warranty or agreement herein, nor will any single or partial exercise of any such right preclude other or further exercise thereof or of any other right. At any time prior to the Closing, any Party may, with respect to any other Party, (a) extend the time for the performance of any of the obligations or other acts, (b) waive any inaccuracies in the representations and warranties contained herein or in any document delivered pursuant hereto and (c) waive compliance with any of the agreements or conditions contained herein.

Any such extension or waiver will be valid if set forth in an instrument in writing signed by the Party or Parties to be bound. Notwithstanding anything in this Agreement to the contrary, waivers of (i) the proviso of Section 8.2 (Amendment); (ii) Section 8.6 (Successors and Assigns) that are adverse to the Financing Sources; (iii) clause (b) of Section 8.7 (Parties in Interest; Third Party Beneficiaries); (iv) the final sentence of Section 8.8 (Waiver); (v) the final sentence of Section 8.9 (Remedies Cumulative; Specific Performance); (vi) Section 8.10 (Governing Law; Venue; Waiver of Jury Trial) solely to the extent relating to actions instituted against the Financing Sources; and (vii) Section 8.15 (Non-Recourse) and any related definitions; in any such case, shall require the prior written consent of the Financing Sources before any such waiver may become effective.

**8.9 Remedies Cumulative; Specific Performance.** Except for the matters described in Section 7.3(d) as exclusive remedies, all rights and remedies existing under this Agreement are cumulative to, and not exclusive of, any rights or remedies otherwise available. Each Party agrees that, in the event of any breach or threatened breach by another Party of any covenant, obligation or other provision set forth in this Agreement: (a) such first Party will be entitled, without any proof of actual damages (and in addition to any other remedy that may be available to it) to: (i) a decree or order of specific performance or mandamus to enforce the observance and performance of such covenant, obligation or other provision; and (ii) an injunction restraining such breach or threatened breach; and (b) such first Party will not be required to provide any bond or other security in connection with any such decree, order or injunction or in connection with any related action or Legal Proceeding. Each of the parties agrees that it will not oppose the granting of an injunction, specific performance and other equitable relief on the basis that any other party has an adequate remedy at law or that any award of specific performance is not an appropriate remedy for any reason at law or in equity. Notwithstanding anything contained herein to the contrary, in no event shall the Company, any Affiliate of the Company or any other Person (other than Contributor and its Affiliates) be entitled to specific performance to cause the Contributor to enforce the terms of the Debt Financing.

**8.10 Governing Law; Venue; Waiver of Jury Trial.**

(a) This Agreement will be governed by, and construed in accordance with, the laws of the State of Indiana, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof. Any action (whether at law, in contract or in tort) or proceeding involving any Financing Source that may be based upon, arise out of or relate to any Debt Financing or the negotiation, execution or performance of any documentation in connection therewith shall be governed by and construed in accordance with the laws of the state of New York, provided that, notwithstanding the foregoing, it is understood and agreed that (a) any interpretation of any defined term or provision under this Agreement, (b) the determination of the accuracy of any representation and warranty under this Agreement and whether as a result of any inaccuracy thereof any party has the right (taking into account any applicable cure provisions) to terminate its obligations under this Agreement or the failure of a representation and warranty results in a failure of a condition precedent to the obligations to consummate the transactions under this Agreement and (c) the

determination of whether the transactions under this Agreement have been consummated in accordance with the terms of this Agreement, in each case, shall be governed by, and construed in accordance with, the laws of the State of Indiana, regardless of the laws that might otherwise govern under applicable principles of conflicts of laws thereof.

(b) The Parties hereto agree that any Legal Proceeding seeking to enforce any provision of, or based on any matter arising out of or in connection with, this Agreement or the transactions contemplated hereby shall be brought in the Federal District Court for the Southern District of Indiana located in Indianapolis, Indiana and any appellate court therefrom. Each Party hereto hereby irrevocably submits to the exclusive jurisdiction of such court in respect of any legal or equitable Legal Proceeding arising out of or relating to this Agreement or the transactions contemplated hereby, or relating to enforcement of any of the terms of this Agreement, and hereby waives, and agrees not to assert, as a defense in any such Legal Proceeding, any claim that it is not subject personally to the jurisdiction of such court, that the Legal Proceeding is brought in an inconvenient forum, that the venue of the Legal Proceeding is improper or that this Agreement or the transactions contemplated hereby may not be enforced in or by such courts. Each Party hereto agrees that notice or the service of process in any Legal Proceeding arising out of or relating to this Agreement or the transactions contemplated hereby shall be properly served or delivered if delivered in the manner contemplated by Section 8.1 or in any other manner permitted by applicable Legal Requirement. Notwithstanding anything to the contrary, any Legal Proceeding instituted against any Financing Source (whether in law or in equity) in any way relating to this Agreement or any transactions contemplated by this Agreement shall be instituted only in any New York state court or Federal court of the United States of America sitting in New York County in the State of New York, and any appellate court therefrom.

(c) EACH OF THE PARTIES HERETO HEREBY IRREVOCABLY WAIVES, TO THE EXTENT PERMITTED BY APPLICABLE LEGAL REQUIREMENTS, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY ACTION, SUIT OR OTHER LEGAL PROCEEDING ARISING OUT OF OR RELATED TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

**8.11 Counterparts and Exchanges by Electronic Transmission or Facsimile.** This Agreement may be executed in one or more counterparts, and by the different Parties hereto in separate counterparts and by facsimile or electronic (i.e., PDF) transmission, each of which when executed will be deemed to be an original but all of which taken together will constitute one and the same agreement.

**8.12 Cooperation.** Each Party agrees to cooperate fully with the other Parties hereto and to execute and deliver such further documents, certificates, agreements and instruments and to take such other actions (including in respect of accounting adjustments and preparation of closing and opening books and records as of or prior to the Closing Date) as may be reasonably requested by the other parties hereto or necessary or advisable under this Agreement and the Ancillary Agreements and applicable Legal Requirements to consummate and make effective the transactions hereunder and to evidence or reflect the transactions

contemplated by this Agreement and the Ancillary Agreements and to carry out the intent and purposes of this Agreement and the Ancillary Agreements.

**8.13 Non-Survival.** Notwithstanding anything contained herein to the contrary, none of the representations, warranties, covenants and agreements contained in this Agreement shall survive the Closing, except for those covenants and agreements contained herein which by their terms apply in whole or in part after the Closing.

**8.14 Construction.**

(a) For purposes of this Agreement, whenever the context requires: the singular number will include the plural, and vice versa; the masculine gender will include the feminine and neuter genders; the feminine gender will include the masculine and neuter genders; and the neuter gender will include masculine and feminine genders.

(b) The Parties agree that any rule of construction to the effect that ambiguities are to be resolved against the drafting party will not be applied in the construction or interpretation of this Agreement.

(c) As used in this Agreement, the words *include* and *including*, and variations thereof, will not be deemed to be terms of limitation, but rather will be deemed to be followed by the words *without limitation*.

(d) Except as otherwise indicated, all references in this Agreement to *Sections*, *Exhibits* and *Schedules* are intended to refer to Sections of this Agreement and Exhibits or Schedules to this Agreement.

(e) The term *knowledge of Company*, and all variations thereof, will mean the actual knowledge of the Company Persons, or any of them, after reasonable inquiry. The term *knowledge of Contributor*, and all variations thereof, will mean the actual knowledge of the Contributor Persons, or any of them, after reasonable inquiry.

**8.15 Non-Recourse.** Notwithstanding anything to the contrary contained in this Agreement and subject solely to the rights of the Contributor under the Debt Financing, no Group Company or any of their respective Affiliates (which, for the avoidance of doubt, excludes Contributor and its Affiliates) shall have any rights, claims or causes of action arising prior to the Closing against any of the Financing Sources in connection with or arising out of the Debt Financing, this Agreement or the transactions contemplated hereunder, whether at law or equity, in contract, in tort or otherwise.

[Signature Page Follows]

**IN WITNESS WHEREOF**, the undersigned have caused this Agreement to be executed as of the date first written above.

**CHAMPION ENTERPRISES  
HOLDINGS, LLC**

By: /s/ Roger K. Scholten  
Name: Roger K. Scholten  
Title: SVP

**SKYLINE CORPORATION**

By: /s/ Richard W. Florea  
Name: Richard W. Florea  
Title: CEO & President

A-83

**Exhibit A**

**CERTAIN DEFINITIONS**

For purposes of the Agreement (including this **Exhibit A**):

***Acquisition Proposal*** means any offer, proposal, inquiry or indication of interest contemplating or otherwise relating to any Acquisition Transaction.

***Acquisition Transaction*** means any transaction or series of transactions involving:

(a) any merger, consolidation, amalgamation, share exchange, business combination, issuance of securities, acquisition of securities, tender offer, exchange offer or other similar transaction (i) in which a Group Company is a constituent corporation, (ii) in which a Person or group (as defined in the Exchange Act and the rules promulgated thereunder) of Persons directly or indirectly acquires beneficial or record ownership of securities representing more than fifteen percent (15%) of the outstanding securities of any class of voting securities of a Group Company, or (iii) in which a Group Company issues securities representing more than fifteen percent (15%) of the outstanding securities of any class of voting securities of any such Entity (other than as contemplated under this Agreement);

(b) any sale, lease, exchange, transfer, license, acquisition or disposition of any business or businesses or assets that constitute or account for fifteen percent (15%) or more of the consolidated net revenues, net income or assets of a Group Company; or

(c) any liquidation or dissolution of any of a Group Company.

***Affiliates*** means, with respect to any Person, any other Person which directly or indirectly controls, is controlled by or is under common control with such first Person.

***Agreed Value*** means the amount equal to the sum of (i) the net present value of all payments that the Group Companies are obligated to make under the Deferred Compensation Plan, as set forth in the monthly financial statements of the Company as of and for the fiscal month ending immediately prior to the Listing Notice Date (which such value shall be calculated in accordance with GAAP and consistent with past practices (including in respect of the discount rate)) (the ***Net Present Value***); plus (ii) (A) the full gross value of all payments that the Group Companies are obligated to make under the Deferred Compensation Plan (determined as of the end of the fiscal month immediately prior to the Listing Notice Date), less the Net Present Value, multiplied by (B) 0.5.

***Ancillary Agreements*** means the Registration Rights Agreement, and Transition Services Agreement.

***Antitrust Laws*** means the Sherman Act, as amended, the Clayton Act, as amended, the HSR Act, the Federal Trade Commission Act, any state antitrust or unfair competition Legal Requirement and all other national, federal, state, foreign or multinational Legal

Requirements, statutes, rules, regulations, orders, decrees, administrative or judicial doctrines or other Legal Requirements, including without limitation any antitrust, competition or trade regulation Legal Requirements, that are designed or intended to prohibit restrict or regulate actions having the purpose or effect of monopolization, attempted monopolization, restraint of trade, lessening of competition, or abusing or maintaining a dominant position. Antitrust Laws also includes any Legal Requirement that requires one or more parties to a transaction to submit a notification to Governmental Body with the authority to review certain transactions to determine if such transactions violate any Antitrust Law.

**Business Day** means a day other than a Saturday, Sunday or other day on which banks located in Boston, Massachusetts or London, England are authorized or required by applicable Legal Requirements to close.

**CHB Bonds** means, collectively, (1) (i) that certain Loan Agreement, dated as of April 1, 1999 between The Industrial Development Authority of the County of Maricopa and Redman Homes, Inc., as assigned to CHB US pursuant to that certain Assignment and Assumption Agreement, dated as of March 19, 2010, by and among The Industrial Development Authority of the County of Maricopa, Redman Homes, Inc., CHB US and The Bank of New York Mellon Trust Company, N.A. and (2) that certain Credit Agreement, dated as of May 5, 1998, by and among Champion Enterprises, Inc., the guarantors and banks set forth therein and PNC Bank, National Association in connection with the Variable Rate Demand Industrial Development Revenue Bonds, Series 1999 (Champion Home Builders Co. Facility), as amended by Amendment No. 1 to the Credit Agreement, dated as of December 22, 1998.

**CHB Cash** means, for the CHB Companies on a consolidated basis, as of the time of determination, the aggregate amount equal to (i) cash (including restricted cash of the CHB Companies pledged pursuant to the CHB Credit Agreement or similar arrangements), bank deposits, cash equivalents (calculated in accordance with GAAP) (including wire and deposits in transit or checks for deposit received or deposited by a CHB Company, in each case, but not yet credited to an account of a CHB Company) and short term marketable investments of the CHB Companies convertible into cash within 90 days, less (ii) any checks or drafts written by any CHB Company but, as of the time of determination, not yet cleared.

**CHB Companies** means the CHB Entities and the CHB Subsidiaries.

**CHB Credit Agreement** means that certain Amended and Restated Credit Agreement, dated as of March 19, 2015, by and among CHB US, Contributor, the subsidiary guarantors party thereto, the various financial institutions and other persons from time to time party thereto and Wells Fargo Bank, N.A., as the administrative agent and collateral agent.

**CHB Indebtedness** means, as of the time of determination, without duplication, the aggregate positive amount (if any) equal to all of the CHB Companies outstanding obligations (including principal, accrued and unpaid interest, fees, expenses and other payment obligations, any prepayment penalties, premiums, costs, breakage or other amounts payable assuming discharge thereof at or prior to the Closing) under the CHB Bonds and CHB Credit Agreement.



**CHB IP Rights** means all Intellectual Property Rights which are used in the conduct of the business of a CHB Company.

**CHB Material Adverse Effect** means any Effect that, considered together with all other Effects, has, or is reasonably expected to have, a material adverse effect on: (a) the business, financial condition, operations or results of operations of the CHB Companies taken as a whole; provided, however, that, in no event shall any of the following, alone or in combination, be deemed to constitute, nor shall any of the following be taken into account in determining whether there has occurred, a CHB Material Adverse Effect: Effects resulting from (i) conditions generally affecting the industries in which the CHB Companies participate or the United States or global economy or capital markets as a whole, to the extent that such conditions do not have a disproportionate impact on the CHB Companies, taken as a whole, relative to other companies in the industry in which the CHB Companies operate; (ii) any failure by a CHB Company to meet any estimates or expectations of its internal projections or forecasts or earnings predictions for any period ending (or for which revenues or earnings are released) on or after the date of this Agreement (it being understood, however, that any Effect causing or contributing to such failures to meet projections or predictions may constitute a CHB Material Adverse Effect and may be taken into account in determining whether a CHB Material Adverse Effect has occurred); (iii) the execution, delivery, announcement or performance of the obligations under this Agreement or the announcement, pendency or anticipated consummation of the Exchange; (iv) any natural disaster or any acts of terrorism, sabotage, military action or war or any escalation or worsening thereof; (v) any changes (after the date of this Agreement) in GAAP or applicable Legal Requirements to the extent that such conditions do not have a disproportionate impact on the CHB Companies, taken as a whole, relative to other companies in the industry in which the CHB Companies operate; or (vi) general conditions in financial markets, and any changes therein (including any changes arising out of acts of terrorism, war, weather conditions or other force majeure event), to the extent that such conditions do not have a disprop