SKYLINE CORP Form DEFA14A May 18, 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. )

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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No fee required	
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(1) Title of each class of securities to which transaction applies:	
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forth the amount on which the filing fee is calculated and state how it was determined):	
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(1) Amount Previously Paid:	
(2) Form, Schedule or Registration Statement No.:	
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(4) Date Filed:

On January 5, 2018, Skyline Corporation ( *Skyline* ) and Champion Enterprises Holdings, LLC ( *Champion Holdings* ), entered into a Share Contribution & Exchange Agreement (the *Exchange Agreement* ) pursuant to which the two companies will combine their operations. Under the Exchange Agreement, (i) Champion Holdings will contribute to Skyline all of the issued and outstanding shares of common stock of Champion Holdings wholly-owned operating subsidiaries, 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* ), and (ii) in exchange for the Contributed Shares, Skyline will issue to Champion Holdings that number of shares of Skyline common stock, \$0.0277 par value per share (the *Common Stock* ), such that at the closing, Champion Holdings (or its members) will hold 84.5%, and Skyline s shareholders will hold 15.5%, of the Common Stock of the combined company on a fully-diluted basis (the *Shares Issuance* ). The contribution of the Contributed Shares by Champion Holdings to Skyline, and the Shares Issuance by Skyline to Champion Holdings, are collectively referred to herein as the *Exchange*.

As previously disclosed in the definitive proxy statement on Schedule 14A filed by Skyline with the United States Securities and Exchange Commission on April 25, 2018 (the *Proxy Statement*), CHB, Royal Bank of Canada and Jefferies Finance had entered into a commitment letter in respect of a revolving credit facility (the *Prior Commitment Letter*) that was contemplated to be completed at the closing of the Exchange. On May 1, 2018, CHB entered into a new commitment letter with certain lenders, which supersedes and replaces the Prior Commitment Letter, in respect of a revolving credit facility contemplated to be completed on or about the closing of the Exchange. The terms and conditions contained in the new commitment letter are described in more detail below, together with additional supplemental information regarding the impact on the combined company s pro forma financial statements of the terms of the new revolving credit facility contemplated by the new commitment letter and the use of proceeds therefrom to refinance the Existing Term Loans.

The supplemental disclosures in these Definitive Additional Materials on Schedule 14A (this *Proxy Supplement*) should be read in conjunction with the disclosures contained in the Proxy Statement, which in turn should be read in its entirety. To the extent that information in this Proxy Supplement differs from or updates information contained in the Proxy Statement, the information in this Proxy Supplement shall supersede or supplement the information in the Proxy Statement.

The following replaces the Unaudited Pro Forma Condensed Combined Income Statements and Balance Sheet on page 21 of the Proxy Statement:

	Pro Forma								
(Dollars in thousands)	As of and for th Nine Months End March 4, 2018	Year Ended May 31, 2017							
Statement of Operations Data	,		•	,					
Net sales	\$ 972,648	\$	792,968	\$ 1,097,823					
Cost of sales	815,617		677,935	933,079					
	,		•	ŕ					
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	2,617		2,689	3,556					
Other expense	105		1,636	2,380					
1			,	,					
Income before income taxes	47,384		17,604	29,930					
Income tax expense (benefit)	22,594		3,303	(22,650)					
	,-,-,-		-,	(,)					
Net income	\$ 24,790	\$	14,301	\$ 52,580					
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<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	8,253								
	-,								
Total assets	\$ 579,687								
2 - 1112 - 112 - 112	+ = 1,5,001								
Floor plan payable	\$ 24,004								
Short-term portion of debt	6								
Accounts payable	31,509								
Customer deposits and receipts in	21,209								
excess of revenues	21,035								
Accrued volume rebates	20,093								
Accrued warranty obligations	16,220								
Accrued compensation and payroll	10,220								
taxes	22,393								
шлов	22,373								

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Other current liabilities	25,160	
Total current liabilities	160,420	
Long-term debt	59,427	
Deferred tax liabilities	13,727	
Other	10,769	
Total long-term liabilities	83,923	
Total equity	335,344	
2		
Total liabilities and equity	\$ 579,687	

The following replaces the table on page 22 of the Proxy Statement to reflect changes to the pro forma basic earnings per share and diluted earnings per share as of and for the nine months ended March 4, 2018.

	As of and for the Nine Months Ended March 4, 2018 Historical					As of and for the Nine Months Ended February 28, 2017 Historical						
	Histo	Historical Champion Pro			Pro	Historical			Champion		Pro	
	Sky	line	Hold	lings (1)	Forma (2)		Skyline		Holdings (1)		Forma (2)	
Basic earnings per share	\$	0.69	\$	0.13	\$	0.44	\$	(0.27)	\$	0.11	\$	0.25
Diluted earnings per share	\$	0.68	\$	0.13	\$	0.44	\$	(0.27)	\$	0.11	\$	0.25
Weighted average common shares												
outstanding basic	8,39	91,244	135	,612,157	56	,270,574	8,	391,244	1.	35,612,157	56	5,270,574
Weighted average common shares												
outstanding diluted	8,57	74,146	135	,612,157	56	,601,574	8,	391,244	1.	35,612,157	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

The following replaces the table on page 23 of the Proxy Statement to reflect changes to the pro forma diluted earnings per share as of and for the year ended May 31, 2017.

	As of and for the Year Ended									
	May 31, 2017									
			His	torical						
	His	torical	]	Pro						
	Sk	kyline	Hold	lings (1)	Forma (2)					
Basic earnings per share	\$	0.00	\$	0.38	\$	0.93				
Diluted earnings per share	\$	0.00	\$	0.38	\$	0.93				
Weighted average common shares										
outstanding basic	8,3	391,244	135	,612,157	56,	270,574				
Weighted average common shares										
outstanding diluted	8,5	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				

The following disclosure replaces the third paragraph on page 153 of the Proxy Statement:

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 provide up to \$100 million in revolving loans (with a \$45 million sublimit for letters of credit). The initial borrowings under the new revolving credit facility will be used to refinance the Existing Term Loans, for working capital needs and to issue letters of credit, with the outstanding letters of credit being deemed reissued under the new facility. After the new revolving credit facility is in place, and CHB s outstanding cash collateralized letters of credit are transitioned to the new revolving credit facility, the current restrictions on cash are anticipated to be removed, as reflected in the pro forma adjustments below. 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, including that Skyline Champion Corporation will make borrowings under the new revolving credit facility in order to refinance the Existing Term Loans. Since the initial advances under the new revolving loan facility will be used solely to refinance the Existing Term Loans, there will be no material change from the Proxy Statement filed on April 25, 2018 in total outstanding debt, other than the repayment of the Skyline life insurance loans.

## Recent Development Skyline Special Dividend

Effective May 14, 2018, Skyline s board of directors declared the Special Company Dividend in the amount of \$0.62381 per share on the outstanding shares of Common Stock, payable on May 31, 2018 to shareholders of record on May 25, 2018.

The following unaudited pro forma condensed combined balance sheet and income statements replace the existing unaudited pro forma condensed combined balance sheet and income statements under the caption UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL INFORMATION OF SKYLINE CHAMPION CORPORATION on pages 156-159 of the Proxy Statement:

## **Skyline Champion Corporation**

## **Unaudited Pro Forma Condensed Combined Balance Sheet**

## As of March 4, 2018

(Dollars in thousands)	Historical Skyline	Historical Champion	accific	A	Pro Forma Adjustments (#)Exchange(		Adj	o Forma justments	Notes	Co	o Forma
Assets	Skyllife	Holulingsch	assiiic	anons	va)Exchange	TVOICS	,01 .	rmancing	rvoics	<i>)</i> C	omomeu
Current assets											
Cash and cash equivalents	\$ 14,090	\$ 78,906	\$		\$ (22,842)	b, k	\$	(9,183)	b, e	\$	60,971
Trade accounts receivable,	Ψ 11,000	Ψ 70,500	Ψ		Ψ (22,012)	υ, π	Ψ	(),100)	0,0	Ψ	00,771
net	14,345	58,675									73,020
Inventories, net	13,046	84,894			350	С					98,290
Workers compensation	20,010	0 1,00									7 0,27 0
security deposit	800			(800)							
Other current assets	820	9,046		800							10,666
		•									, , , , , , , , , , , , , , , , , , ,
Total current assets	43,101	231,521			(22,492)			(9,183)			242,947
Noncurrent assets											
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		1,095	i		8,253
Total assets	\$ 58,438	\$ 359,598	\$		\$ 192,580		\$	(30,929)		\$	579,687
Liabilities and Equity											
Current liabilities											
Floor plan payable	\$	\$ 24,004	\$		\$		\$			\$	24,004
Short-term portion of debt		406						(400)	i		6
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

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Accrued compensation and								
payroll taxes	3,350	18,479		564	1			22,393
Other current liabilities	2,342	22,142		(550)	k	1,226	i	25,160
Total current liabilities	19,529	140,051		14		826		160,420
Long-term liabilities								
Long-term debt		59,027				400	i	59,427
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					