

CHAMPION ENTERPRISES INC

Form DEF 14A

March 10, 2004

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

SCHEDULE 14A

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

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

Check the appropriate box:

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

Champion Enterprises Inc.

(Name of Registrant as Specified In Its Charter)

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

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Champion Enterprises, Inc.

**2701 Cambridge Court, Suite 300
Auburn Hills, Michigan 48326**

Notice of 2004

**Annual Meeting of Shareholders
and Proxy Statement**

March 10, 2004

CORPORATE HEADQUARTERS
AUBURN HILLS, MICHIGAN 48326
(248) 340-9090

March 10, 2004

Dear Shareholder:

It is my pleasure to invite you to attend the Champion Enterprises, Inc. 2004 Annual Meeting of Shareholders. The meeting will be held on Tuesday, April 27, 2004, at 10:00 a.m. at the Westin Southfield, 1500 Town Center, Southfield, Michigan. The attached Notice of Annual Meeting and Proxy Statement provide information concerning the business to be conducted at the meeting and the nominees for election as Directors.

Your vote is important. Whether or not you plan to attend the meeting, please vote your shares using the Internet, by telephone, or by mail. Your shares will then be represented at the meeting if you are unable to attend. You may, of course, revoke your Proxy and vote in person at the meeting if you desire.

Thank you for your support of Champion Enterprises, Inc.

Sincerely,

CHAMPION ENTERPRISES, INC.

A. A. Koch
*Chairman of the Board of Directors,
President and Chief Executive Officer*

Notice of Annual Meeting of Shareholders of Champion Enterprises, Inc.

Time: 10:00 a.m., Tuesday, April 27, 2004

Place: The Westin Southfield
1500 Town Center
Southfield, Michigan 48075

Items of Business: 1. Elect six directors.
2. Transact any other business properly brought before the meeting.

Annual Reports: The 2003 Annual Report to Shareholders, which includes the Annual Report on Form 10-K, is enclosed.

Who Can Vote: You can vote if you were a Shareholder on March 5, 2004.

Date of Mailing: This notice and Proxy Statement are first being mailed to Shareholders on or about March 10, 2004.

By Order of the Board of Directors

John J. Collins, Jr., Secretary

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About The Meeting

What am I voting on?

You will be voting to elect six directors, each to hold office until the next Annual Meeting of Shareholders or until a successor is appointed and qualified.

Who is soliciting my Proxy?

The Company's Board of Directors is soliciting your Proxy to be used at the 2004 Annual Meeting of Shareholders. The Company will pay the entire cost of soliciting Proxies and will arrange with brokerage houses, nominees, custodians and other fiduciaries to send Proxy soliciting materials to beneficial owners of the Company's Common Stock at the Company's expense. In addition to solicitation by mail, officers and other employees of the Company may solicit Proxies personally, by telephone or by fax.

Who is entitled to vote?

You may vote if you owned Common Stock of the Company as of the close of business on March 5, 2004. Each share of Common Stock is entitled to one vote on any matter voted on at the Annual Meeting. As of March 5, 2004 we had 70,040,275 shares of Common Stock outstanding.

How do I vote?

You can vote in one of four ways:

- By Internet at www.voteproxy.com. We encourage you to vote this way.
 - By toll-free telephone at 800-PROXIES.
 - By completing and mailing your proxy card.
 - By ballot at the Annual Meeting.
-

May I change my mind after I vote?

You may change your vote at any time before the polls close at the meeting by:

- Delivering a written notice of revocation, with a later date than the proxy card, to Champion's Secretary at or before the meeting.
 - Signing another proxy card with a later date and returning it to the address on the proxy card before the meeting.
 - Voting again by telephone or Internet before midnight EDT on April 26, 2004.
 - Voting in person at the meeting.
-

What if I return my proxy card but do not provide voting instructions?

Proxies that are signed and returned but do not contain voting instructions will be voted by the persons named in the enclosed proxy card FOR the election of the nominee Directors.

How do I vote my shares in the Champion Enterprises, Inc. Savings Plan?

Shares credited to your Champion Enterprises, Inc. Savings Plan are on your proxy card. You may vote these shares using the Internet, telephone or mail as described on the proxy card. Your Proxy will be considered to be voting instructions to the Trustee of the Savings Plan concerning shares held in your account. If you do not provide voting instructions, if the card is not signed, or if the card is not received by April 22, 2004, the shares credited to your account will be voted in the same proportion as directions received from other participants.

What does it mean if I receive more than one proxy card?

If you receive more than one proxy card, it means that you have multiple accounts with brokers and/or our transfer agent. Please vote all of these shares. We recommend that you contact your broker and/or our transfer agent to consolidate as many accounts as possible under the same name and address. Our transfer agent is American Stock Transfer and Trust Company and you may reach them by phone at 800-937-5449. Shares held by the Savings Plan cannot be consolidated with your other holdings.

Who may attend the meeting?

The Annual Meeting is open to all holders of our Common Stock. For directions to the meeting, please call Investor Relations at 248-340-7731. We look forward to having you at the meeting.

May Shareholders ask questions at the meeting?

Yes, representatives of the Company will answer Shareholder questions of general interest at the meeting.

How many votes must be present to hold the meeting?

In order for us to hold the meeting, a majority of our outstanding shares of Common Stock as of March 5, 2004 must be present in person or by Proxy. This majority is referred to as a quorum. Your shares are counted as present at the meeting if you attend the meeting and vote in person or if you properly return a Proxy using the Internet, telephone, or mail. Abstentions and votes withheld by brokers on non-routine proposals in the absence of instructions from beneficial owners (broker non-votes) will be counted as present at the Annual Meeting to determine whether a quorum exists.

How many votes are needed to elect Directors?

The six Director nominees receiving the highest number of For votes will be elected as Directors. This number is called a plurality. Shares not voted, whether by marking Withhold Authority on your proxy card, by broker non-votes (which are described above) or otherwise, will not be considered in the election of Directors. Unless a properly executed proxy card is marked Withhold Authority, the Proxy given will be voted For each of the six Director nominees. If a nominee is unable or declines to serve, Proxies will be voted for the balance of the nominees and for such additional persons as designated by the Board to replace such nominee. However, the Board does not anticipate that this will occur.

Can my shares be voted on matters other than those described in this Proxy?

Yes, if any other item or proposal properly comes before the meeting, the Proxies received will be voted in accordance with the discretion of the Proxy holders. The Company, however, has not received proper notice of, and is not aware of, any business to be transacted at the meeting other than as indicated in this Proxy Statement.

When are shareholder proposals due for the 2005 Annual Meeting?

To be included in the Company's Proxy Statement for the 2005 Annual Meeting of Shareholders, proposals must be received by the Company not later than November 10, 2004. Such proposals should be addressed to the Company's Secretary at the address listed below. Shareholder proposals to be presented at the 2005 Annual Meeting or any Special Meeting which are not to be included in the Company's Proxy Statement must be received by the Company no earlier than January 27, 2005 nor later than February 26, 2005 in accordance with procedures in the Company's Bylaws.

How do I obtain more information about Champion Enterprises, Inc.?

More information on Champion can be obtained by:

Contacting Investor Relations at 248-340-7731.

Going to our website at www.championhomes.net.

Writing to:

Champion Enterprises, Inc.

Attn: Investor Relations

2701 Cambridge Court, Suite 300

Auburn Hills, Michigan 48326

Upon request Champion will provide additional copies of the Company's 2003 Annual Report to Shareholders, which includes the Annual Report on Form 10-K, and Proxy Statement.

PLEASE VOTE. YOUR VOTE IS VERY IMPORTANT.

Election of Directors

Nominees:

ROBERT W. ANESTIS Director since 1991
Age 58

Chairman, President and Chief Executive Officer since 1999 of Florida East Coast Industries, Inc., a St. Augustine, Florida based holding company with interests in the railroad and commercial real estate businesses. Prior to 1999 and for the preceding five years, he was the President of Anestis & Company, an investment banking and financial advisory firm. Mr. Anestis serves as a director of Genesee and Wyoming Inc. Mr. Anestis, who has been in the industry 16 years, brings merger and acquisition expertise, strategic planning and policy experience, and a strong legal and financial background to the Board.

ERIC S. BELSKY, PH.D. Director since 2002
Age 43

Executive Director since 1997 of the Joint Center for Housing Studies at Harvard University (the Joint Center), which conducts research to identify and analyze housing market opportunities and challenges for business and government. The Joint Center is a collaborative venture of the Harvard Design School and the John F. Kennedy School of Government. He has also held positions with the Millennial Housing Commission created by the Congress of the United States, PricewaterhouseCoopers, LLP (PricewaterhouseCoopers), Fannie Mae and the National Association of Homebuilders. Dr. Belsky brings to the Board 15 years experience in investigating housing markets and expertise in housing finance, economics and policy.

SELWYN ISAKOW Director since 1991
Age 52

Chairman, President and Chief Executive Officer for more than five years of The Oxford Investment Group, Inc., Bloomfield Hills, Michigan, a merchant banking and corporate development firm. He is a Director of Bloomfield Hills Bancorp., Inc. and The Private Bank. Mr. Isakow brings to the Board expertise in the areas of mergers and acquisitions, strategic planning, accounting and finance from a variety of manufacturing, financial services and distribution industries.

BRIAN D. JELLISON Director since 1999
Age 58

Chairman, President and Chief Executive Officer of Roper Industries, Inc., Duluth, Georgia, a manufacturer of instrumentation, controls and scientific imaging products. He has served as Roper's Chairman since 2003 and President and Chief Executive Officer since 2001. From 1998 to 2001 Mr. Jellison served as Executive Vice President of Ingersoll-Rand Company, a major diversified industrial equipment and components manufacturer. With a strong background in manufacturing, marketing and general management, Mr. Jellison brings 35 years of broad-based business experience to Champion's Board.

ALBERT A. KOCH Director since 2003
Age 61

Chairman, President and Chief Executive Officer of Champion since June 2003. Mr. Koch currently and for the past five years has been a Principal of AlixPartners, LLC (AlixPartners), a turnaround consulting firm. During 2003 AP Services, LLC (AP Services) and AlixPartners provided interim management and other services to the Company. Over the past five years, Mr. Koch has served in various positions through AlixPartners, including interim Chief Financial Officer at Kmart Corporation and Oxford Health Plans. Mr. Koch has been the Vice Chairman of AlixPartners Holdings, Inc./ Questor Partners Holdings, Inc. since September 2003 and a Principal and General Partner of Questor Management Company, LLC, a private equity firm, since October 2001. Mr. Koch brings a variety of finance-related and general business experience to Champion's Board, including turnaround management and capital structure expertise.

G. MICHAEL LYNCH

Director since 2003

Age 60

Executive Vice President and Chief Financial Officer since 2000 of Federal-Mogul Corporation (Federal-Mogul), a global manufacturer and marketer of auto motor component parts. On October 1, 2001, Federal-Mogul filed a voluntary petition for reorganization under Chapter 11 of the U.S. Bankruptcy Code. For three years prior to working for Federal-Mogul, Mr. Lynch was Vice President and Controller for Dow Chemical Company and previously worked for 29 years with Ford Motor Company in various financial-related positions. With 36 years of business experience, Mr. Lynch brings a strong financial and operations background to Champion s Board.

Information Regarding the Board of Directors

Makeup of the Board: Our bylaws allow for a minimum of three directors and a maximum of nine directors. Currently, the Board is comprised of six directors. In the event that a nominee is unable to serve, the person designated as Proxy holder for the Company will vote for the remaining nominees and for such other person as the Board may nominate.

Length of Board Term: Directors who are elected will hold office until the 2005 Annual Meeting of Shareholders or until a successor has been duly appointed and qualified. All nominees are currently Directors and have agreed to serve if elected.

Number of Meetings in 2003: The Board met 15 times during 2003.

Board Committees: The Board has three standing committees: the Audit and Financial Resources Committee; the Compensation and Human Resources Committee; and the Nominating and Corporate Governance Committee. Each committee's charter is available on the Company's website, www.championhomes.net. The Board has determined that each committee member is independent as defined under New York Stock Exchange (NYSE) rules.

Audit and Financial Resources Committee:

The Committee met eight times during 2003.

Members:

Brian D. Jellison, Chair
Selwyn Isakow
G. Michael Lynch

Responsibilities:

Primary function is to assist the Board in fulfilling its financial oversight responsibilities.
Reviews the financial information provided to Shareholders and the Securities and Exchange Commission (SEC).
Reviews the corporate accounting and financial reporting practices.
Appoints the Company's independent auditor.
Approves the scope of the audit and related audit fees.
Monitors systems of internal financial controls.

The Board has determined that each member of the Audit and Financial Resources Committee, Brian D. Jellison, Selwyn Isakow and G. Michael Lynch, is an audit committee financial expert, is independent and is qualified to serve on the Committee under NYSE rules.

Compensation and Human Resources Committee:

The Committee met nine times during 2003.

Members:

Robert W. Anestis, Chair
Eric S. Belsky

Responsibilities:

Primary function is to consider and recommend to the independent members of the Board the compensation programs, benefits and awards for executive officers.
Considers and recommends to the Board compensation of Directors.
Develops and monitors executive compensation policies.
Oversees administration of stock-based compensation plans and programs.

Nominating and Corporate Governance Committee:

The Committee met five times during 2003.

Members:

Eric S. Belsky, Chair
Robert W. Anestis
Selwyn Isakow

Responsibilities:

Primary function is to assist the Board in identifying, screening and recommending qualified candidates to serve as Directors.
Recommends to the Board the nominees to fill new positions or vacancies as they occur among the Directors.
Recommends to the Board the candidates for election or reelection as Directors by the Shareholders at the Annual Meeting.
Reviews corporate governance documents at least annually and recommends appropriate changes.

Corporate Governance

General: The Board believes that good corporate governance is important to ensure that the Company is managed for the long-term benefit of its shareholders. The Board at least annually reviews its corporate governance practices and policies as set forth in its Corporate Governance Guidelines, Code of Ethics and various Committee charters, all of which were updated over the last year consistent with new listing standards of the NYSE and new rules of the SEC.

You can access our Corporate Governance Guidelines, Code of Ethics and the current charters of our Audit and Financial Resources Committee, Compensation and Human Resources Committee and Nominating and Corporate Governance Committee in the Investor Relations People and Governance section of our website at www.championhomes.net or by writing to:

John J. Collins, Jr.
Secretary
Champion Enterprises, Inc.
2701 Cambridge Court, Suite 300
Auburn Hills, Michigan 48326.

The Audit and Financial Resources Committee charter is also attached as Appendix A.

**Nomination of
Directors:**

The Committee, in accordance with its charter and the Board's governance principles, seeks to select a Board that is, as a whole, strong in its collective knowledge of and diversity of skills and experience concerning accounting and finance, management and leadership, vision and strategy, business operations, business judgment, risk assessment, industry knowledge, and corporate governance. When reviewing a potential candidate, the Committee looks specifically at the candidate's qualifications in light of the needs of the Board and the Company at that time given the then current mix of director attributes.

In considering whether to recommend any candidate for inclusion as a Director nominee, the Committee will apply the criteria set forth in the Corporate Governance Guidelines and in applicable committee charters. These criteria include the candidate's character and integrity, business acumen, experience inside and outside of the business community, personal commitment, diligence, conflicts of interest and the ability to act in the balanced, best interests of the Shareholders as a whole rather than special interest groups or constituencies. In addition, the Company strives to have all Directors, other than

the Chief Executive Officer, be independent in accordance with the NYSE definition of independence.

The Committee will consider nominations submitted by Shareholders. To recommend a nominee, a Shareholder should write to the Company's Secretary at the above address. To be considered by the Committee for nomination and inclusion in the Company's Proxy Statement for its 2005 Annual Meeting of Shareholders, a Shareholder recommendation for a Director must be received by the Company's Secretary no later than October 28, 2004. Any recommendation must include (i) the name and address of the candidate, (ii) a brief biographical description, including his or her occupation for at least the last five years, and a statement of the qualifications of the candidate, taking into account the qualification requirements summarized above, and (iii) the candidate's signed consent to be named in the Proxy Statement and to serve as a Director if elected. The Committee may seek additional biographical and background information from any candidate that must be received on a timely basis to be considered by the Committee.

The process followed by the Committee to identify and evaluate candidates includes requests to Board members and others for recommendations, including a search firm or outside consultant, meetings from time to time to evaluate biographical information and background material relating to potential candidates and interviews of selected candidates by members of the Committee and the Board. Assuming the appropriate biographical and background material is provided for candidates submitted by Shareholders, the Committee will evaluate those candidates by following substantially the same process, and applying substantially the same criteria, as for candidates submitted by Board members. All Director nominees recommended for election by the Shareholders at the 2004 Annual Meeting are current members of the Board. The Committee did not receive any nominations from Shareholders for the 2004 Annual Meeting.

**Director
Independence:**

The Board has determined that all Director nominees for election at the 2004 Annual Meeting, other than the Chief Executive Officer, are independent in that such nominees have no material relationship with the Company either directly or indirectly or as a partner, shareholder or affiliate of an organization that has a relationship with the Company. The Board has made this determination based on the fact that no nominee for Director, other than Mr. Koch: is an officer or employee of the Company or its subsidiaries or affiliates; has an immediate family member who is an officer of the Company or its subsidiaries or has any current or past material relationship with the Company; has worked for, consulted with,

been retained by, or received anything of substantial value from the Company aside from his compensation as a Director; is, or was within the past three years, employed by the independent auditors for the Company; serves on the compensation committee or the board of directors of any corporation that employs a nominee for Director or a member of the immediate family of any nominee for Director; is an executive officer of any entity which the Company's annual sales to or purchases from exceeded one percent of either entity's annual revenues for the last fiscal year; or serves as a director, trustee, executive officer or similar position of a charitable or non-profit organization to which the Company or its subsidiaries made charitable contributions or payments in fiscal year 2003 in excess of two percent of the organization's charitable receipts.

**Shareholder
Communications
with Directors:**

The Board has established a process for Shareholders to communicate with members of the Board. The Chairman of the Nominating and Corporate Governance Committee, with the assistance of the Company's Secretary, will be primarily responsible for monitoring communications from Shareholders and providing copies or summaries of such communications to the other Directors, as he or she considers appropriate. Communications will be forwarded to all Directors if they relate to appropriate matters and may include suggestions or comments from the Chairman of the Nominating and Corporate Governance Committee. In general, communications relating to corporate governance and long-term corporate strategy are more likely to be forwarded than communications relating to personal grievances and matters as to which the Company tends to receive repetitive or duplicative communications. Shareholders who wish to send communications to the Board may do so by writing to:

Eric S. Belsky
Chairman of the Nominating and
Corporate Governance Committee
c/o the Company's Secretary
2701 Cambridge Court, Suite 300
Auburn Hills, Michigan 48326.

**Board Attendance
Policy:**

The Board's policy is that all Directors should attend the Annual Meeting of Shareholders if reasonably possible. All members of the Board at the time of the meeting attended the 2003 Annual Meeting.

**Board and Director
Evaluation:**

The Board conducts annual performance evaluations of the Board as a whole, each committee as a whole, and of each individual member.

**Executive Session
Presiding Director:** The presiding Director for executive sessions of the Board is the chairperson of the Committee responsible for the matter being addressed by the Directors. If no specific Committee is identified, the chairperson of the Nominating and Corporate Governance Committee is the presiding Director.

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Compensation of Directors

- General:** Nonemployee Directors are compensated pursuant to the 2000 Stock Compensation Plan for Nonemployee Directors (the Directors Plan), which the Shareholders approved in 2000. A Director who is also an employee of the Company receives no compensation for serving as a Director other than compensation for services as an employee. All Directors are reimbursed for expenses to attend Board and Committee meetings. The Directors Plan provides for a cash component and a stock component for nonemployee Director compensation.
- Cash Component:** The cash component of nonemployee Director compensation consists of an annual cash retainer of \$30,000 (or \$34,500 for Committee Chairpersons), which is paid quarterly. In addition, Directors receive \$1,500 for each Board or Committee meeting attended in person and \$750 for each meeting attended by telephone. Committee meeting fees only apply to meetings not held on the same day as a Board meeting. A Director appointed to fill a vacancy on the Board prior to an Annual Meeting receives a prorated cash retainer for the interim term.
- Stock Component:** Effective April 27, 2004, the stock component of nonemployee Director compensation will consist of a restricted stock award for 7,000 shares of Champion s Common Stock (or 8,050 shares for Committee Chairpersons) upon election or reelection at an Annual Meeting. Previously, the restricted stock award was 5,000 shares of Champion Common Stock (or 5,750 shares for Committee Chairpersons). A Director appointed to fill a vacancy on the Board or who becomes a Committee Chairperson prior to an Annual Meeting receives a prorated restricted stock award for such interim term. The restricted stock award vests based on the Director s length of service with the Company following the award, as follows: 0% for less than six months; 50% for more than six months but less than one year; and 100% for one year. Subject to the same vesting schedule, a Director may elect to defer receipt of a restricted stock award until retirement, death or other termination of service from the Board.
- Stock Ownership Requirement:** Nonemployee Directors currently serving are expected to own a minimum of 10,000 shares of Company Common Stock by the end of 2005. New nonemployee Directors are expected to meet this ownership requirement within three years of joining the Board.

Compensation and Human Resources Committee Report On Executive Compensation

- The Committee:** Primary function is to consider and recommend to the independent members of the Board the compensation programs, benefits and awards for executive officers.
- Considers and recommends to the Board the compensation of Directors.
- Develops and monitors executive compensation policies.
- Oversees administration of stock-based compensation plans and programs.
- Compensation Policies:** Our executive compensation policies are designed to encourage and reward efforts that create shareholder value through achievement of corporate performance goals, as follows:
- annual base salaries* should be competitive, but slightly below the mean of other comparable companies;
- annual performance incentives* should provide opportunity for significant additional compensation based on meeting predetermined goals linked to improved Company performance; and
- long-term performance incentives* should further link executive performance to shareholder interests, encourage Company stock ownership, and provide an incentive to create long-term shareholder value.
- To assist in its development of compensation policies, the Committee:
- retains an independent consultant from time to time to make recommendations based on its expertise in compensation arrangements for senior executive officers of general manufacturing companies with sales comparable to the Company ; and
- considers the executive compensation levels for general comparable companies and other manufactured housing companies.
- Annual Base Salaries:** Salaries are based on level of job responsibility, individual performance, work experience, and skill level, and compensation data for comparable companies obtained from consultant and market surveys. The objective for executive base salaries is that they be competitive but slightly below the mean of comparable companies. At an executive's election all or a portion of base salary can be deferred under the Company's Deferred Compensation Plan (the Deferred Plan), as discussed below.

Annual Performance Incentives: Annual performance incentives are provided primarily through cash bonuses or, at an executive's election, in deferred compensation under the Deferred Plan or deferred stock under the Corporate Officer Stock Purchase Plan (the "Stock Plan"), as discussed below. Bonuses for executive officers are based on the achievement of performance goals, which are established by the Committee prior to each fiscal year. During 2003 performance goals were related to earnings before interest and taxes, debt reduction and business unit performance. In addition, a discretionary bonus was also awarded.

Long-Term Performance Incentives: In 2003 long-term performance incentives were made through performance share awards, which vest only if three-year earnings targets are met and the executive remains employed by the Company through the end of 2005. Previously, long-term performance incentives were made through stock option awards granted at exercise prices equal to the fair market value of our Common Stock on the grant date or below fair market value. The level of long-term performance incentives is determined primarily through the use of guidelines provided by an independent consultant using a nationwide database and are designed to be consistent with general industry practices.

On March 5, 2004 performance share awards for a total of 155,000 shares of Company Common Stock were awarded to Mrs. Knight and Messrs. Cole, Collins and Williams. These shares vest only if certain earnings targets are met over the next three years and the executive remains employed by the Company through the end of 2006.

Policy On Deductibility Of Compensation: Section 162(m) of the Internal Revenue Code limits to \$1 million the corporate tax deduction for compensation paid to certain executive officers unless the compensation is based on nondiscretionary, pre-established performance goals. The Committee believes that it has taken appropriate actions to preserve the deductibility of the majority of annual incentive bonuses and stock-based compensation awarded as long-term performance incentives. However, from time to time the Committee may recommend incentive awards that may not be deductible when it believes that such awards are in the best interest of the Company and its Shareholders.

Deferred Compensation: Executive officers may elect to defer receipt of all or a portion of their salaries or their bonuses under the Deferred Plan. Amounts deferred thereunder are held by a grantor trust, are 100% vested and, at the employees' directions, are invested in various managed funds. Upon termination of employment, retirement, death, disability or a change in control of the Company, deferred amounts are paid in a lump sum or in annual installments, depending upon a previously-made election.

Through participation in the Stock Plan, executive officers may elect to defer receipt of bonus compensation up to the lesser of 50% or \$500,000. Amounts deferred thereunder are invested

in shares of our Common Stock at a 30% discount to the closing price on the NYSE on the purchase date. Shares purchased are held by a grantor trust established by the Company, which exercises voting rights as to the shares. Upon termination of employment, retirement, death, disability or a change in control of the Company, the deferring executive receives his or her account balance in a lump sum or in annual installments, depending on a previously-made election. The vested portion is paid in shares of Company Common Stock and the unvested portion is paid in cash. The stock vests based on the executive's length of service with the Company following deferral, as follows: 0% for less than one year; 25% for one year; 50% for two years; and 100% for three years. For the unvested portion, the executive receives the lesser of the stock's fair market value upon termination or the amount of salary originally deferred.

**Executive Officer
Stock Ownership
Requirement:**

Effective January 1, 2004 executive officers are required to own a certain minimum level of Company Common Stock depending on the position held.

**Chief Executive
Officer
Compensation:**

Albert A. Koch, the Company's Chairman of the Board of Directors, President and Chief Executive Officer, is serving pursuant to the terms of a Letter Agreement between the Company and AP Services, an affiliate of AlixPartners. In addition, Mr. Koch earns an annual salary of \$60,000 for his services as an employee of Champion. Upon commencing employment on June 30, 2003, Mr. Koch was granted a stock option award for 125,000 shares of Company Common Stock under the 1995 Stock Option and Incentive Plan. This award was granted at fair market value on the grant date and vests 50% on April 1, 2004 and 50% on July 1, 2004 pursuant to the terms of the stock option agreement. The vested options become exercisable as follows: 50% on the earlier of six months after termination as President and Chief Executive Officer or June 30, 2006; 75% on the earlier of 12 months after termination as President and Chief Executive Officer or June 30, 2006; and 100% on the earlier of 18 months after termination as President and Chief Executive Officer or June 30, 2006. This option expires on June 30, 2008.

During 2003, Walter R. Young, the Company's former Chairman of the Board of Directors, President and Chief Executive Officer, received total base salary of \$204,615. He also received a severance payment pursuant to his employment and severance agreements and received no incentive compensation for the year.

Robert W. Anestis, Chair
Eric S. Belsky

*Members, Compensation and Human
Resources Committee*

March 5, 2004

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Executive Compensation

Summary Compensation Table

The following table summarizes the compensation for the last three years of the Company's Chief Executive Officer, the other four most highly compensated executive officers and the former Chief Executive Officer:

Name and Principal Position	Fiscal Year	Annual Compensation			Long-Term Compensation		All Other Compensation		
		Salary	Bonus(5)	Restricted Stock Awards(\$)	Securities Underlying Options(#)				
Albert A. Koch Chairman, President & Chief Executive Officer	2003	\$ 28,846	(1) \$	\$	125,000	(13)	\$ 137	(15)	
Phyllis A. Knight Executive Vice President & Chief Financial Officer	2003	320,000		252,000			2,845	(16)	
	2002	66,087	(2)	200,000	(6)	600,000	(14)	342	(16)
M. Mark Cole President, Retail Operations	2003	266,000		113,800	(7)	94,200	(11)	29,884	(17)
	2002	246,875	(3)	247,125	(7)			56,026	(17)
	2001	250,000		263,832	(7)	665,000		28,486	(17)
John J. Collins, Jr. Senior Vice President, General Counsel & Secretary	2003	261,250		157,000		125,600	(11)	4,646	(18)
	2002	264,167		181,913	(8)			6,281	(18)
	2001	250,000		221,353		190,000		5,716	(18)
Bobby J. Williams President, Champion Homes	2003	237,500		107,500		157,000	(11)	4,646	(19)
	2002	220,833		175,800	(9)			6,335	(19)
	2001	185,000		241,727		100,000		4,603	(19)
Walter R. Young Former Chairman, President & Chief	2003	204,615	(4)			392,500	(12)	554,760	(20)
	2002	466,667		391,400	(10)			70,053	(20)