

The Shyft Group, Inc. Corporate Governance Principles

The Board of Directors of The Shyft Group, Inc. has adopted these Corporate Governance Principles to assist the Board in the exercise of its responsibilities and governance of the Corporation. These principles do not, and are not intended to, change or interpret any federal or state law or regulation or the Articles of Incorporation or Bylaws of the Corporation.

General Qualifications and Board Size. The Board and management are committed to a Board made up of individuals who by occupation, background and experience are in a position to make a positive contribution to the Corporation and its shareholders. The Board currently consists of members elected pursuant to the Corporation's Bylaws. For purposes of fostering Board continuity, Board members are elected for staggered terms of three years each. The Board periodically reviews the size of the Board and whether a larger or smaller Board is warranted under the prevailing circumstances or projected demands on the Board and the Corporation.

Director Independence. A majority of the members of the Board must be "independent directors," as that term is defined in the applicable rules of the Nasdaq Stock Market as well as the standards for independence set forth in the Charter of the Corporate Governance and Nominating Committee (the "Governance Committee"). Each year, the Board will affirmatively determine the independence of each member who qualifies as an "independent director."

Selection of Board Members. Nominees for Directors are recommended to the Board by the Governance Committee. The Governance Committee is responsible for reviewing the qualifications and independence of the members of the Board. This assessment includes considerations of skills, experience, commitment, and diversity as well as the selection criteria set forth in the Charter of the Governance Committee. The Governance Committee reviews the suitability of each Director who would be a candidate for election, which shall be the same for each candidate, irrespective of the person or entity making the nomination. The Corporation's Bylaws set forth the procedures for shareholders to make Director nominations.

Separation of CEO and Chairman Positions. The Board has a policy to separate the offices of Chairman and the Chief Executive Officer. The Board believes that the separation of these offices is in the best interests of the Corporation and its shareholders and enhances the Board's oversight of and direction of the Corporation's executive



management team. Exceptions to this principle may arise under circumstances involving management and Board transition and succession.

Retirement; Change in Occupation. A Director is required to submit his or her resignation as of the first annual meeting of shareholders immediately following the date when he or she reaches age 74. The Governance Committee shall promptly consider the resignation offer and recommend to the Board whether to accept or reject it. In addition, any Director who incurs a change in the principal occupation he or she held since last elected to the Board shall submit his or her offer of resignation to the Governance Committee. If the Governance Committee (excluding the interested Director, if applicable) determines that the individual Director's change in principal occupation will have a significant adverse impact on the Director's ability to serve on the Board, the Governance Committee shall accept that resignation. The Governance Committee will act on the offer of resignation not later than 30 days after it is submitted to the Governance Committee, and pending action on such offer, that Director's change in principal occupation will have no impact on his or her ability to continue to participate on the Board.

Other Public Company Directorships. The Corporation does not have a policy limiting the number of other public company boards of directors upon which a Director may serve. However, each Director must advise the Chairman of the Board and the Chair of the Governance Committee upon the acceptance of an invitation to serve on another public company board. The Governance Committee will review whether such service would create a conflict of interest and review the Director's ability to fulfill his or her responsibilities as a Director.

Majority Voting Principle. In an uncontested election of directors (in which the only nominees are recommended by the Board of Directors), any nominee for director who receives a greater number of votes "withheld" for his or her election than votes "for" such election shall promptly tender his or her offer of resignation to the Chairman of the Board following the shareholder meeting at which the election occurred. The Governance Committee shall promptly consider the resignation offer and recommend to the Board whether to accept or reject it. The Board will then act on the Governance Committee's recommendation not later than 90 days following the date of the meeting at which the election occurred. Following the Board's decision on the Governance Committee's recommendation, the Corporation will promptly disclose the Board's decision whether to accept the resignation offer and, if applicable, the reasons for rejecting the tendered resignation, in a Form 8-K to be filed with the Securities and Exchange Commission. If the Board decides to accept the resignation of one or more directors, the Governance Committee will recommend to the Board whether to fill such vacancy or vacancies or reduce the size of the Board. Any director who tenders his or her resignation pursuant to this provision shall not participate in any discussion with or action by either the



Governance Committee or the Board regarding the tendered resignation but shall continue to serve as a Director until such action is taken on the resignation offer.

Director Responsibilities. The basic responsibility of each Director is to exercise his or her business judgment in good faith and to act in what he or she reasonably believes to be in the best interests of the Corporation and its shareholders. In discharging that obligation, Directors are entitled to rely on the honesty and integrity of their fellow Directors and the Corporation's senior executives as well as outside advisors and auditors. In general, the Board of Directors is responsible for supervising and directing senior management of the Corporation in the interest and for the benefit of the Corporation's shareholders.

Directors are expected to attend the Corporation's Annual Meeting of Shareholders (personal or telephone acceptable due to the annual meeting format) and to attend all regularly scheduled meetings of the Board and committees on which they serve. A director who is unable to attend a meeting (which is understood will occur on occasion) is expected to notify the Chairman of the Board or the Chairman of the appropriate committee in advance of such meeting. Directors are expected to spend the time needed and to meet as frequently as necessary to properly discharge their responsibilities. Information and data that are important to the Board's understanding of the business to be conducted at a Board or committee meeting should generally be distributed in writing to the Directors well before the meeting, and Directors should review these materials in advance of each meeting.

Conduct of Meetings. The Chairman, in consultation with the other members of the Board, determines the timing and duration of the meetings of the Board. The Board expects that at least four regular meetings at appropriate intervals on an annual basis are, in general, desirable for the performance of the Board's responsibilities. In addition to regularly scheduled meetings, unscheduled Board meetings may be called upon appropriate notice at any time to address the specific needs of the Corporation, or Board action may be taken by unanimous written consent.

The Chairman, in consultation with the Chief Executive Officer, will establish the agenda for each Board meeting and preside at all meetings. Each Director is free to suggest the inclusion of items on the agenda and should advise the Chairman of such. Each Director is free to raise at any Board meeting, subjects that are not on the agenda for that meeting. In addition to regular Board meetings, the Board will have an annual meeting with management at which long range issues and strategies will be discussed. All Directors will keep the contents of Board and committee meetings confidential. If the Chairman is to be absent at a Board meeting, he or she shall appoint another Director to chair the meeting in his or her absence.



The Directors will meet periodically (but at least four times a year) in executive session (without the presence of the Chief Executive Officer or any other member of the Corporation's senior management).

Board Committees. The Board will have an Audit Committee, a Human Resources and Compensation Committee and a Corporate Governance and Nominating Committee. All of the members of these committees will be independent Directors under applicable rules of the Nasdaq Stock Market. Also, each member of the Audit Committee must meet the independence standards imposed by the Sarbanes-Oxley Act of 2002 and the Nasdaq Stock Market, and each member of the Human Resource and Compensation Committee must meet the independence standards imposed on members of that committee under the rules of the Nasdaq Stock Market.

The Board will have additional standing and temporary committees as deemed appropriate by the Board. Committee members will be appointed on the basis of the responsibilities of the various committees and the skills, background and experience of individual Directors. Committee assignments and Chairpersons of each committee will be recommended to the Board by the Governance Committee.

Each committee will have its own charter which will be reviewed annually. The charters will set forth the purposes, goals and responsibilities of the committees as well as any specific qualifications for committee membership. Any Director who is not a member of a particular committee may attend any committee meeting.

The Chair of each committee, in consultation with the committee members, will determine the frequency and length of the committee meetings consistent with any requirements set forth in the committee's charter. The Chair of each committee, in consultation with the appropriate members of the committee and management, will develop that committee's agenda. Each committee will establish a schedule of agenda subjects to be discussed during the year (to the degree these can be foreseen). The schedule for each committee, including agenda items and minutes of each committee meeting, will be furnished to each Director.

The Board and each committee will have the power to hire at the Corporation's expense independent legal, financial or other advisors as they may deem necessary, without consulting or obtaining the approval of any officer of the Corporation in advance.

Periodic Performance Evaluation. The Governance Committee is responsible for conducting and/or overseeing periodic reviews or evaluations of the performance of the entire Board, the committees of the Board, and/or individual Directors on such schedule and using such processes as the Governance Committee may determine from time to time. These reviews and evaluations will focus on the Board's contributions to the



Corporation and specifically focus on areas in which the Board and committees could improve.

The Governance Committee has the responsibility for ensuring that the foregoing reviews and evaluations are completed. All such reviews and evaluations are privileged and strictly confidential, and that information will not be available to the public.

Director Access to Officers and Employees. The Board and management are committed to openness and candor in their interactions and in all information flowing between them.

Directors have full and free access to officers and employees of the Corporation and its subsidiaries. The Directors will use their judgment to ensure that any such contact is not disruptive to the business operations of the Corporation and will, as appropriate, communicate significant issues to the Chief Executive Officer.

At the Chief Executive Officer's or Chairman's request, members of executive management may regularly attend Board meetings.

CEO Evaluation and Compensation; Management Succession. Each year, the Human Resources and Compensation Committee will gather information concerning the Chief Executive Officer's performance for the prior year, as set forth in its charter, and discuss it with the Board in executive session. Subject to recommendation and input from the Human Resources and Compensation Committee, the Board shall set the CEO's performance goals and evaluate the CEO's performance against those goals. The Human Resources and Compensation Committee will recommend to the Board the Chief Executive Officer's compensation based on the achievement of his or her performance goals and, taking into consideration the Human Resources and Compensation Committee's recommendation, the Board will be responsible for establishing the Chief Executive Officer's compensation. The Chief Executive Officer may not be present during his or her performance evaluation or during the deliberation or voting upon his or her compensation.

The Chief Executive Officer will report annually to the Human Resources and Compensation Committee and the Board on succession planning for top management. The Chief Executive Officer will review his or her recommendations and evaluations of potential successors, along with a review of any development plans recommended for such individuals.

Director Compensation. The form and amount of Director compensation will be evaluated by the Human Resources and Compensation Committee, in accordance with its charter, and then recommended to the Board. Attachment A sets forth the Board of



Directors compensation framework. It is the policy of the Board that Board compensation should be a mix of cash and equity-based compensation. Directors who are full-time employees of the Corporation will not be paid for serving as a Director or for attendance at Board or committee meetings. Unless approved in advance by the Board, independent Directors may not receive consulting, advisory, or other compensatory fees from the Corporation in addition to their Board compensation.

Stock Ownership Requirements. Stock ownership requirements for directors and certain executives are set forth in Attachment B.

Prohibition on Hedging Transactions. The Corporation considers it inappropriate for any executive officer or Director to hedge or monetize transactions to lock in the value of his or her stock ownership of the Corporation. Such transactions potentially allow the holder to own the Corporation's stock without the full risks and rewards of ownership. Therefore, executive officers and Directors are prohibited from engaging in any transaction (including, but not limited to, purchasing or selling puts, calls, options, and/or other derivative securities and/or engaging in collars, forward sales contracts, and/or short sales) with respect to any of the Corporation's securities, the purpose of which is to hedge or offset any decrease in market value of such securities. The prohibitions in this paragraph do not apply to the exercise of stock options granted by the Corporation.

The Board may, in its discretion, authorize a transaction that would otherwise be prohibited by the foregoing paragraph based on significant hardship, but only in extraordinary circumstances.

Conflicts of Interest. The Governance Committee will conduct an annual review of potential Director conflicts of interest. If a conflict of interest develops between a Director and the Corporation during the year, the Director will report the matter to the Governance Committee for evaluation.

For the purpose of minimizing the risk of actual or perceived conflicts of interest, any financial arrangement (other than Director or employee compensation) between a Director (including any member of a Director's immediate family) and the Corporation or any of its affiliates or members of senior management or their affiliates for goods or services shall be disclosed to the Board and shall be subject to approval by the Board of Directors as a whole. If a Director has a personal interest in a matter before the Board, the Director shall disclose the interest to the full Board, excuse himself or herself from participation in the discussion and shall not vote on the matter.

Director Orientation. All new Directors must participate in an orientation program, at the time the new Director joins the Board. This orientation will include presentations by senior management to familiarize new Directors with the Corporation's strategic plans, its



significant financial, accounting and risk management issues, its compliance programs, its Corporate Governance Principles and Code of Ethics, its principal officers, and its independent auditors. All continuing Directors are also invited to attend the orientation programs.

Members of the Board are encouraged to attend and participate in Director training and continuing education programs. Provided that a Director receives the prior approval of the Chairman of the Board or the Chairman of the Governance Committee to attend such a training or continuing education program, the cost of that program will be reimbursed by the Corporation.

Board's Interaction with Institutional Investors, the Press, Customers, and Other Constituencies of the Corporation. The Board believes that management and others within the Corporation should speak for the Corporation. The Chief Executive Officer is the principal spokesperson for the company. The Chairman is the principal spokesperson for the company's Board. Individual Directors may, on occasion, receive requests for comment from the press and various outside constituencies. It is expected that Directors will do so only with the knowledge and prior approval of the Chief Executive Officer and the Chairman.

Indemnification. The Directors shall also be entitled to have the Corporation purchase reasonable Directors' and Officers' Liability Insurance on their behalf; to the benefits of indemnification to the fullest extent permitted by law and the Corporation's Articles of Incorporation, Bylaws and any indemnification agreements; and to exculpation as provided by state law and the Corporation's Articles of Incorporation.

Periodic Review of these Principles. The operation of the Board is a dynamic and evolving process. Accordingly, these Principles will be reviewed periodically by the Governance Committee and any recommended revisions will be submitted to the full Board for approval.

Date of Document Origin: Date of Review	Individual Responsible	Date of Revision

