

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark One)

Annual report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934 for the fiscal year ended August 30, 2008; or

Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number 001-06403

**WINNEBAGO INDUSTRIES, INC.**

(Exact name of registrant as specified in its charter)

Iowa

(State or other jurisdiction of  
incorporation or organization)

42-0802678  
(I.R.S. Employer  
Identification No.)

P.O. Box 152, Forest City, Iowa  
(Address of Principal executive offices)

50436  
(Zip Code)

Registrant's telephone number, including area code: (641) 585-3535

**SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT:**

TITLE OF EACH CLASS

Common Stock (\$.50 par value)  
and Preferred Share Purchase Rights

NAME OF EACH EXCHANGE ON  
WHICH REGISTERED

The New York Stock Exchange, Inc.  
Chicago Stock Exchange, Inc.

**SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT:**

None

Indicate by check mark if the Registrant is a well-known seasoned issuer (as defined in Rule 405 of the Securities Act).

Yes  No

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of the registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the registrant is a "large accelerated filer," an "accelerated filer," a "non-accelerated filer" or a "smaller reporting company." See the definitions of "accelerated filer," "large accelerated filer," "non-accelerated filer" or "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check One):

Large Accelerated Filer  Accelerated Filer  Non-Accelerated Filer  Smaller Reporting Company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes  No

Aggregate market value of the common stock held by nonaffiliates of the registrant: \$566,369,540 (28,219,708 shares at the closing price on the New York Stock Exchange of \$20.07 on February 29, 2008).

Common stock outstanding on October 7, 2008: 29,071,988 shares.

**DOCUMENTS INCORPORATED BY REFERENCE**

Portions of the registrant's Proxy Statement relating to the registrant's December 2008 Annual Meeting of Shareholders, scheduled to be held December 16, 2008, are incorporated by reference into Part II and Part III of this Annual Report on Form 10-K where indicated.

**Winnebago Industries, Inc.  
2008 Form 10-K Annual Report  
Table of Contents**

		<u>Page</u>
	<b>PART I</b>	
Item 1.	<a href="#">Business</a>	1
Item 1A.	<a href="#">Risk Factors</a>	5
Item 1B.	<a href="#">Unresolved Staff Comments</a>	8
Item 2.	<a href="#">Properties</a>	8
Item 3.	<a href="#">Legal Proceedings</a>	8

Item 4.	<a href="#">Submission of Matters to a Vote of Security Holders</a>	9
<b>PART II</b>		
Item 5.	<a href="#">Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities</a>	9
Item 6.	<a href="#">Selected Financial Data</a>	13
Item 7.	<a href="#">Management's Discussion and Analysis of Financial Condition and Results of Operations</a>	13
Item 7A.	<a href="#">Quantitative and Qualitative Disclosures About Market Risk</a>	20
Item 8.	<a href="#">Financial Statements and Supplementary Data</a>	20
Item 9.	<a href="#">Changes In and Disagreements with Accountants on Accounting and Financial Disclosure</a>	43
Item 9A.	<a href="#">Controls and Procedures</a>	43
Item 9B.	<a href="#">Other Information</a>	43
<b>PART III</b>		
Item 10.	<a href="#">Directors, Executive Officers and Corporate Governance</a>	44
Item 11.	<a href="#">Executive Compensation</a>	44
Item 12.	<a href="#">Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters</a>	44
Item 13.	<a href="#">Certain Relationships and Related Transactions and Director Independence</a>	44
Item 14.	<a href="#">Principal Accounting Fees and Services</a>	44
<b>PART IV</b>		
Item 15.	<a href="#">Exhibits, Financial Statement Schedules</a>	45

[Table of Contents](#)

## WINNEBAGO INDUSTRIES, INC.

FORM 10-K

Report for the Fiscal Year Ended August 30, 2008

### Forward Looking Information

Certain of the matters discussed in this Annual Report on Form 10-K are "forward looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which involve risks and uncertainties, including, but not limited to, interest rates and availability of credit, a decline in consumer confidence, availability and price of fuel, a slowdown in the economy, availability of chassis and other key component parts, sales order cancellations, slower than anticipated sales of new or existing products, new product introductions by competitors, the effect of global tensions, and other factors which may be disclosed throughout this Annual Report on Form 10-K. Although we believe that the expectations reflected in the "forward looking statements" are reasonable, we cannot guarantee future results, levels of activity, performance or achievements. Undue reliance should not be placed on these "forward looking statements," which speak only as of the date of this report. We undertake no obligation to publicly update or revise any forward looking statements whether as a result of new information, future events or otherwise, except as required by law or the rules of the New York Stock Exchange.

### PART I

#### ITEM 1. Business

##### General

The "Company," "we," "our," and "us" are used interchangeably to refer to Winnebago Industries, Inc. as appropriate in the context. We had one subsidiary during a portion of Fiscal 2008 and it was merged into the Company during Fiscal 2008; consequently, at August 30, 2008, the Company had no subsidiaries.

Winnebago Industries, Inc., headquartered in Forest City, Iowa, is a leading United States manufacturer of motor homes which are self-contained recreation vehicles used primarily in leisure travel and outdoor recreation activities. We sell motor homes through independent dealers under the Winnebago, Itasca and ERA brand names. Other products manufactured by us consist primarily of original equipment manufacturing (OEM) parts, including extruded aluminum and other component products for other manufacturers and commercial vehicles.

We were incorporated under the laws of the state of Iowa on February 12, 1958, and adopted our present name on February 28, 1961. Our executive offices are located at 605 West Crystal Lake Road in Forest City, Iowa. Our telephone number is (641) 585-3535.

##### Available Information

Our Web site, located at [www.winnebagoind.com](http://www.winnebagoind.com), provides additional information about us. On our Web site you can obtain, free of charge, this and prior year Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and all of our other filings with the Securities and Exchange Commission. Our recent press releases are also available on our Web Site. Our Web site also contains important information regarding our corporate governance practices. Information contained on our Web site is not incorporated into this Annual Report on Form 10-K.

[Table of Contents](#)

**Principal Products**

## Net revenues by major product classes:

(In thousands)	Year Ended <sup>(1)</sup>									
	Aug. 30, 2008	%	Aug. 25, 2007	%	Aug. 26, 2006	%	Aug. 27, 2005	%	Aug. 28, 2004	%
Motor homes	\$ 555,671	91.9	\$ 815,895	93.8	\$ 808,715	93.6	\$946,350	95.4	\$1,070,264	96.1
Motor home parts and services	16,923	2.8	16,413	1.9	15,901	1.8	16,401	1.7	15,199	1.3
Other manufactured products	31,758	5.3	37,844	4.3	39,787	4.6	29,224	2.9	28,691	2.6
Total net revenues	\$ 604,352	100.0	\$ 870,152	100.0	\$ 864,403	100.0	\$ 991,975	100.0	\$1,114,154	100.0

(1) The fiscal year ended August 30, 2008 contained 53 weeks; all other fiscal years contained 52 weeks.

### Motor Homes

A motor home is a self-propelled mobile dwelling used primarily as temporary living quarters during vacation and camping trips, or to support some other active lifestyle. The Recreation Vehicle Industry Association (RVIA) classifies motor homes into three types which are defined as follows:

Class A models are conventional motor homes constructed directly on medium- and heavy-duty truck chassis, which include the engine and drivetrain components. The living area and driver's compartment are designed and produced by the motor home manufacturer. We manufacture Class A motor homes with gas and diesel engines.

Class B models are panel-type trucks to which sleeping, kitchen, and/or toilet facilities are added. These models also have a top extension to provide more headroom. We manufacture Class B motor homes with diesel engines.

Class C models are mini motor homes built on van-type chassis onto which the motor home manufacturer constructs a living area with access to the driver's compartment. We manufacture Class C motor homes with gas and diesel engines.

We manufacture and sell Class A and Class C motor homes under the Winnebago and Itasca brand names and Class B motor homes under the ERA brand name. Our current product offerings are as follows:

Type	Winnebago	Itasca	ERA
Class A (gas)	Vista, Sightseer, Adventurer, Destination	Sunstar, Sunova, Suncruiser, Latitude	
Class A (diesel)	Destination, Journey, Tour, Vectra	Latitude, Meridian, Ellipse, Horizon	
Class B (diesel)			ERA
Class C	Access, Outlook, Aspect, View	Impulse, Spirit, Cambria, Navion	

These motor homes generally provide living accommodations for up to seven people and include kitchen, dining, sleeping and bath areas, and in some models, a lounge.

Optional equipment accessories include, among other items, generators, home theater systems, king-size beds, and UltraLeather™ upholstery and a wide selection of interior equipment. With the purchase of any new Class A, Class B or Class C motor home, we offer a comprehensive 12-month/15,000-mile warranty on the coach and a 3-year/36,000-mile structural warranty on sidewalls and floors of the Class A and Class C motor homes.

Our Class A, Class B and Class C motor homes are sold by dealers in the retail market with manufacturer's suggested retail prices ranging from approximately \$61,000 to \$306,000, depending on size and model, plus optional equipment and delivery charges. Our motor homes range in length from 22 to 40 feet.

## [Table of Contents](#)

Unit sales of our recreation vehicles for the last five fiscal years were as follows:

Unit Sales	Year Ended <sup>(1)</sup>									
	Aug. 30, 2008	%	Aug. 25, 2007	%	Aug. 26, 2006	%	Aug. 27, 2005	%	Aug. 28, 2004	%
Class A	3,029	47.3	5,031	53.1	4,455	45.3	6,674	62.7	8,108	64.8
Class B	140	2.2	---	---	---	---	---	---	---	---
Class C	3,238	50.5	4,438	46.9	5,388	54.7	3,963	37.3	4,408	35.2
Total motor homes	6,407	100.0	9,469	100.0	9,843	100.0	10,637	100.0	12,516	100.0

(1) The fiscal year ended August 30, 2008 contained 53 weeks; all other fiscal years contained 52 weeks.

The primary use of recreation vehicles for leisure travel and outdoor recreation has historically led to a peak retail selling season concentrated in the spring and summer months. Our sales of recreation vehicles are generally influenced by this pattern in retail sales, but can also be affected by the level of dealer inventory. Our products are generally manufactured against orders from dealers.

### Motor Home Parts and Services

Motor home parts and service activities represent revenues generated by service work we perform for our retail customers at our Forest City, Iowa facility and parts we sell to our dealers. As of August 30, 2008, our parts inventory was approximately \$2.6 million and is located in a 450,000-square foot warehouse with what we believe to be the most sophisticated distribution and tracking system in the industry. Our competitive strategy is to provide proprietary manufactured parts through our dealer network, which increases customer satisfaction and the value of our motor homes.

### Other Manufactured Products

We manufacture aluminum extrusions which are sold to approximately 70 customers. To a limited extent, we manufacture other component parts sold to outside manufacturers. We also manufacture commercial vehicles which are motor home shells, primarily custom designed for the buyer's special needs and requirements, such as law enforcement command centers and mobile medical and dental clinics. These commercial vehicles are sold through our dealer network.

### Production

We generally produce motor homes to order from dealers. We have the ability to increase our capacity by scheduling overtime and/or hiring additional production employees, or to decrease our capacity through the use of shortened work weeks and/or reducing head count.

Our Forest City facilities have been designed to provide vertically integrated production line manufacturing. We produce substantially all of the raw aluminum extrusions used for main frame support and interior and exterior trim in our recreation vehicles. We also operate a fiberglass manufacturing and component assembly facility in Hampton, Iowa, and a Class B motor home assembly plant and a cabinet products manufacturing facility in Charles City, Iowa. Our motor home bodies are made from various materials and structural components which are typically laminated into rigid, lightweight panels. Body designs are developed with computer design and analysis, and subjected to a variety of tests and evaluations to meet our standards and requirements. We manufacture a number of components utilized in our motor homes, with the principal exception of the chassis, engines, generators and appliances.

Most of the raw materials and components that we utilize are obtainable from numerous sources. Certain components are produced by only a small group of quality suppliers who presently have the capacity to supply sufficient quantities to meet our needs. This is especially true in the case of motor home chassis, where Ford Motor Company, Freightliner Custom Chassis Corporation (a Daimler company), Workhorse Custom Chassis, LLC (a Navistar Company), Chrysler LLC and General Motors Corporation are our dominant suppliers. We purchase Class A and C chassis from Ford Motor Company, Class A chassis from Freightliner Custom Chassis Corporation and Workhorse Custom Chassis, Class C chassis from Chrysler LLC and General Motors Corporation and Class B chassis from Chrysler LLC. In Fiscal 2008, only three vendors, Ford Motor Company, Chrysler LLC and Freightliner Custom Chassis Corporation, individually accounted for more than five percent of our raw material purchases and approximating 45 percent in the aggregate.

[Table of Contents](#)

**Distribution and Financing**

We market our recreation vehicles on a wholesale basis to a diversified independent dealer organization located throughout the United States and, to a limited extent, in Canada. Foreign sales, including Canada, were less than eight percent of net revenues during each of the past three fiscal years. As of August 30, 2008 and August 25, 2007, our motor home dealer organization in the United States and Canada included approximately 280 and 285 dealer locations, respectively. We have a number of dealers that carry our Winnebago, Itasca and ERA brands, but we count each of these dealers only once in our number of dealer locations. During Fiscal 2008, seven dealer organizations accounted for approximately 25 percent of motor home unit sales. No single dealer organization accounted for more than ten percent of our motor home unit sales during Fiscal 2008.

We have sales and service agreements with dealers which generally have a term of ten years but are subject to annual review. Many of the dealers are also engaged in other areas of business, including the sale of automobiles, and many dealers carry one or more competitive lines of motor homes. We continue to place high emphasis on the capability of our dealers to provide complete service for our recreation vehicles. Dealers are obligated to provide full service for owners of our recreation vehicles, or in lieu thereof, to secure such service at their own expense from other authorized firms.

We advertise and promote our products through national RV magazines, the distribution of product brochures, the Go RVing national advertising campaign sponsored by RVIA, direct-mail advertising campaigns, various national promotional opportunities and on a local basis through trade shows, television, radio and newspapers, primarily in connection with area dealers.

Recreation vehicle sales to dealers are made on cash terms. Most dealers are financed on a "floorplan" basis under which a bank or finance company lends the dealer all, or substantially all, of the purchase price, collateralized by a security interest in the merchandise purchased. As is customary in the recreation vehicle industry, we typically enter into a repurchase agreement with a lending institution financing a dealer's purchase of our product upon the lending institution's request and after completion of a credit check of the dealer involved. Our repurchase agreements provide that for up to 12 months after a unit is financed, in the event of default by the dealer on the agreement to pay the lending institution and repossession of the unit(s) by the lending institution, we will repurchase the financed merchandise. Our maximum exposure for repurchases varies significantly from time to time, depending upon general economic conditions, seasonal shipments, competition, dealer organization, gasoline availability and price and the cost of bank financing. (See Note 7 to the Consolidated Financial Statements.)

**Competition**

The recreation vehicle market is highly competitive with a number of other manufacturers selling products which compete directly with our products. The competition is based upon price, quality and service of the products. We believe our principal competitive advantages are our brand name recognition, the quality of our products and our warranty and service capability. We also believe that our prices are competitive with the competitors' units of comparable size and quality. We are the largest motor home manufacturer in the U.S. in terms of retail registrations as reported by Statistical Surveys, Inc. for the eight months ended August 31, 2008. The five largest manufacturers, including Winnebago Industries, account for 68.7% of the U.S. retail sales, as evidenced in the table below.

The following is an analysis of Class A and Class C motor home retail sales for the period indicated below:

	8 Months Ended August 31, 2008 <sup>(1)</sup>					
	Class A		Class C		Total	
	Units	% of Market	Units	% of Market	Units	% of Market
Five largest U.S. manufacturers <sup>(2)</sup>	8,738	68.9	6,431	68.5	15,169	68.7
Winnebago Industries, Inc.	1,937	15.3	2,192	23.3	4,129	18.7

(1) As reported by Statistical Surveys, Inc.  
(2) Includes Winnebago Industries, Inc.

We are not a significant factor in the markets for motor home parts and services and other manufactured products.

[Table of Contents](#)

**Regulation, Trademarks and Patents**

We are subject to a variety of federal, state and local laws and regulations, including the National Traffic and Motor Vehicle Safety Act, under which the National Highway Traffic Safety Administration may require manufacturers to recall recreation vehicles that contain safety-related defects, and numerous state consumer protection laws and regulations relating to the operation of motor vehicles, including so-called "Lemon Laws." We are subject to regulations established by the Occupational Safety and Health Administration (OSHA). Our facilities are periodically inspected by federal and state agencies, such as OSHA. We believe that our products and facilities comply in all material respects with the applicable vehicle safety, consumer protection, RVIA and OSHA regulations and standards. Amendments to any of these regulations or the implementation of new regulations, however, could significantly increase the cost of manufacturing, purchasing, operating or selling our products and could have a material adverse effect on our results of operations. Our failure to comply with present or future regulations could result in fines being imposed on us, potential civil and criminal liability, suspension of sales or production, or cessation of operations. In addition, a major product recall could have a material adverse effect on our results of operations.

Our operations are subject to a variety of federal and state environmental laws and regulations relating to the use, generation, storage, treatment, emission and disposal of hazardous materials and wastes and noise pollution. Although we believe that we currently are in material compliance with applicable environmental regulations, the failure by us to comply with present or future laws and regulations could result in fines being imposed on us, potential civil and criminal liability, suspension of production or operations, alterations to the manufacturing process, or costly cleanup or capital expenditures.

We have several registered trademarks which include: Adventurer, Aspect, Cambria, Destination, Ellipse, ERA, Horizon, Impulse, Itasca, Journey, Latitude, Meridian, Navion, Outlook, Sightseer, Spirit, Suncruiser, Sunova, Sunrise, Sunstar, Tour, Vectra, View, Vista, Voyage, and Winnebago. We believe that our trademarks and trade names are significant to our business and we will vigorously protect them against infringement. We are not dependent upon any patents or technology licenses for the conduct of our business.

### **Research and Development**

Research and development expenditures are expensed as incurred. During Fiscal 2008, 2007 and 2006, we spent approximately \$4.1 million, \$4.3 million and \$3.9 million, respectively, on research and development activities.

### **Human Resources**

As of September 1, 2008, 2007 and 2006, we employed approximately 2,250, 3,310 and 3,150 persons, respectively. Current conditions have necessitated workforce reductions for us to more closely match market demand. As a result, employee head count in all locations has been reduced and production at our Charles City Class C motor home Manufacturing Facility has been idled and moved to Forest City. None of our employees are covered under a collective bargaining agreement.

### **ITEM 1A. Risk Factors**

The following risk factors should be considered carefully in addition to the other information contained in this Annual Report on Form 10-K. The risks and uncertainties described below are not the only ones we face, but represent some of the most significant risk factors that we believe may adversely affect the RV industry and our business, operations or financial position.

### **Interest Rates and Credit Availability**

Our business is affected by the availability and terms of financing to dealers and retail purchasers. Substantial increases in interest rates and decreases in the general availability of credit have had an adverse impact upon our business and results of operations in the past and may continue to do so in the future. In particular, the current credit crisis may continue to have a significant adverse impact on our business. Access to home equity loans to help finance motor home purchases by retail buyers has become more difficult. A continuation of depressed real estate prices and strict home equity lending will negatively impact motor home sales in the future.

---

## [Table of Contents](#)

### **General Economic Conditions and Certain Other External Factors**

Companies within the recreation vehicle industry are subject to volatility in operating results due to external factors such as general economic conditions and uncertainty surrounding the national elections. Specific factors affecting the recreation vehicle industry include:

- overall consumer confidence and the level of discretionary consumer spending;
- inventory levels, including the level of retail sales at dealer locations;
- employment trends;
- the adverse impact of global tensions on consumer spending and travel-related activities; and
- adverse impact on margins of increases in raw material costs which we are unable to pass on to customers without negatively affecting sales.

### **Cyclicality and Seasonality**

The recreation vehicle industry has been characterized by cycles of growth and contraction in consumer demand, reflecting prevailing economic, demographic, and political conditions, which affect disposable income for leisure-time activities. Consequently, the results for any prior period may not be indicative of results for any future period.

Seasonal factors, over which we have no control, also have an effect on the demand for our products. Demand in the recreation vehicle industry generally declines over the winter season, while sales are generally highest during the spring and summer months. Also, unusually severe weather conditions in some markets may impact demand.

### **Competition**

The market for recreation vehicles is very competitive. Competition in this industry is based upon price, design, value, quality and service. There can be no assurance that existing or new competitors will not develop products that are superior to our recreation vehicles or that achieve better consumer acceptance, thereby adversely affecting market share, sales volume and profit margins.

### **Potential Repurchase Liabilities**

In accordance with customary practice in the recreation vehicle industry, we enter into formal repurchase agreements with lending institutions pursuant to which it is agreed, in the event of a default by an independent retailer in its obligation to a lender and repossession of the unit(s) by the lending institution, we will repurchase units at declining prices over the term of the agreements, typically 12 months. The difference between the gross repurchase price and the price at which the repurchased product can then be resold, which is typically at a discount to the gross repurchase price, represents a potential expense to us. Thus, if we were obligated to repurchase a large number of recreation vehicles

in the future, this would increase costs, which would have a negative effect on earnings. Our maximum potential exposure under these formal repurchase agreements was approximately \$199.7 million at August 30, 2008, however, losses under these agreements have not been material in the past. Tightened credit standards by lenders and more aggressive attempts to accelerate collection of outstanding accounts with dealers could result in defaults by dealers and result in repurchase obligations that may be higher than has historically been the case. (See Note 7 to the Consolidated Financial Statements.)

### **Fuel Availability and Prices**

Gasoline or diesel fuel is required for the operation of motorized recreation vehicles. There can be no assurance that the supply of these petroleum products will continue uninterrupted or that the price or tax on these petroleum products will not significantly increase in the future. Fuel shortages and substantial increases in fuel prices have had a material adverse effect on the recreation vehicle industry as a whole in the past and could have a material adverse effect on us in the future.

---

### [Table of Contents](#)

### **Auction Rate Securities (ARS)**

Our investments are comprised of ARSs. These securities have historically traded at par and are callable at par on any interest payment date at the option of the issuer. Interest is typically paid at the end of each auction period or semiannually. At the end of Fiscal 2008, the \$39.5 million (par value) of long-term investments were AAA/Aaa rated ARS with most collateralized by student loans guaranteed by the U.S. Government under the Federal Family Education Loan Program. Our \$3.1 million short-term investment, which was subsequently sold in September 2008, was a municipal ARS with an A rating. Until February 2008, the auction rate securities market was highly liquid. Starting the week of February 11, 2008, a substantial number of auctions "failed," meaning that there was not enough demand to sell all of the securities that holders desired to sell at auction. In the case of a failed auction, with respect to the ARSs held by us, the auction rate security is deemed not currently liquid. In the case of funds invested by us in ARSs, which are the subject of a failed auction, we may not be able to access the funds without loss of principal, unless a future auction on these investments is successful or the issuer calls the security pursuant to a mandatory tender or redemption prior to maturity.

The auction feature for each instrument is an opportunity to accept the reset rate or sell the instrument at its face value. In the past, the auction process has allowed investors to roll over their holdings or obtain immediate liquidity by selling the securities at par. We do not intend to hold these securities to maturity, but rather to use the auction feature to provide liquidity as the auction process permits. We continue to believe that we will ultimately recover all amounts invested in these auction rate securities. We have no reason to believe that any of the underlying issuers of our auction rate securities are presently at risk of default. However, the above recent developments have resulted in the classification of all of these securities as long-term investments, except for the municipal ARS investment, in our consolidated financial statements and a temporary impairment as detailed in Note 3 to the Consolidated Financial Statements. If the issuers of these auction rate securities are unable to successfully clear future auctions and their credit ratings deteriorate, we may, in the future, be required to record additional impairment charges on these investments.

### **Dependence on Chassis Suppliers**

Most RV components are readily available from numerous sources. However, a few components are produced by only a small group of quality suppliers that have the capacity to supply large quantities on a national basis. This is especially true in the case of motor home chassis, where Ford Motor Company, Freightliner Custom Chassis Corporation, Workhorse Custom Chassis, Chrysler LLC and General Motors Corporation are our major suppliers. Decisions by suppliers to decrease production, utilize production internally, or shortages, production delays or work stoppages by the employees of such suppliers could have a material adverse effect on our ability to produce motor homes and ultimately, on the results of operations.

### **Warranty Claims**

We are subject to warranty claims in the ordinary course of our business. Although we maintain reserves for such claims, which to date have been adequate, there can be no assurance that warranty expense levels will remain at current levels or that such reserves will continue to be adequate. A significant increase in warranty claims exceeding our current warranty expense levels could have a material adverse effect on our results of operations, financial condition and cash flows.

In addition to the costs associated with the contractual warranty coverage provided on our motor homes, we also occasionally incur costs as a result of additional service actions not covered by our warranties, including product recalls and customer satisfaction actions. Although we estimate and reserve for the cost of these service actions, there can be no assurance that expense levels will remain at current levels or such reserves will continue to be adequate.

### **Product Liability**

We are involved in legal proceedings in the ordinary course of business, including a variety of warranty, "Lemon Law" and product liability claims typical in the recreation vehicle industry. We have an insurance policy covering product liability, however, we are self-insured for a portion of product liability claims. Self-insurance retention liability for at least the past five fiscal years was \$2.5 million per occurrence and \$6.0 million in aggregate per policy year. In the event that the annual aggregate of the self-insured retention is exhausted by payment of claims and defense expenses, a deductible of \$1.0 million, excluding defense expenses, is applicable to each claim covered under this insurance policy. We cannot be certain that our insurance coverage will be sufficient to cover all future claims against us, which may have a material adverse effect on our results of operations and financial condition. In addition, if these claims rise to a level of frequency or size that are significantly higher than similar claims made against our competitors, our reputation and business may be harmed.

---

### [Table of Contents](#)

### **Government Regulation**

We are subject to numerous federal, state and local regulations governing the manufacture and sale of our products, including the provisions of the National Traffic and Motor Vehicle Safety Act ("Motor Vehicle Act"), and the safety standards for recreation vehicles and components which have been established under the Motor Vehicle Act by the Department of Transportation. The Motor Vehicle Act authorizes the National Highway Traffic Safety Administration to require a manufacturer to recall and repair vehicles which contain certain hazards or defects. Any recalls of our vehicles, voluntary or involuntary, could have a material adverse effect on our results of operations, financial condition and cash flows.

We are also subject to federal and numerous state consumer protection and unfair trade practice laws and regulations relating to the sale, transportation and marketing of motor vehicles, including so-called "Lemon Laws." Federal and state laws and regulations also impose upon vehicle operators various restrictions on the weight, length and width of motor vehicles, including motor homes that may be operated in certain jurisdictions or on certain roadways. Certain jurisdictions also prohibit the sale of vehicles exceeding length restrictions.

Finally, federal and state authorities also have various environmental control standards relating to air, water, noise pollution and hazardous waste generation and disposal which affect us and our operations. Failure to comply with any of the foregoing laws or regulations could have an adverse impact on our results of operations, financial condition and cash flows.

**ITEM 1B. Unresolved Staff Comments**

None

**ITEM 2. Properties**

Our principal manufacturing, maintenance and service operations are conducted in multi-building complexes owned by us. The following sets forth our material facilities as of August 30, 2008:

Location	Facility Type/Use	No. of Buildings	Owned or Leased	Square Footage
Forest City, Iowa	Manufacturing, maintenance, service and office	31	Owned	1,593,000
Forest City, Iowa	Warehouse	4	Owned	680,000
Charles City, Iowa	Manufacturing	2	Owned	161,000
Charles City, Iowa	Idled Class C Motor Home (Manufacturing Facility)	3	Owned	191,000
Hampton, Iowa	Manufacturing	2	Owned	135,000
Hampton, Iowa	Warehouse	1	Leased	17,000
		43		2,777,000

The lease on the Hampton warehouse will expire on December 31, 2008 and we do not plan on renewing it. Our facilities in Forest City are located on approximately 570 acres of land, all owned by us. We lease 220,000 square feet of our warehouse facilities in Forest City to others. Most of our buildings are of steel or steel and concrete construction and are protected from fire with high-pressure sprinkler systems, dust collector systems, automatic fire doors and alarm systems. We believe that our facilities and equipment are well maintained, in excellent condition and suitable for the purposes for which they are intended.

An unaffiliated third-party supplier of painting services (the "Supplier") for our motor homes has leased paint facilities in Forest City, Iowa and Charles City, Iowa. We have guaranteed a portion of the lease payment obligations of the Supplier in relation to the Charles City facility. (See Note 7 to the Consolidated Financial Statements.)

**ITEM 3. Legal Proceedings**

We are involved in various legal proceedings which are ordinary routine litigation incidental to our business, some of which are covered in whole or in part by insurance. While it is impossible to estimate with certainty the ultimate legal and financial liability with respect to this litigation, we believe that while the final resolution of any such litigation may have an impact on our consolidated results for a particular reporting period, the ultimate disposition of such litigation will not have any material adverse effect on our financial position, results of operations or liquidity.

[Table of Contents](#)

**ITEM 4. Submission of Matters to a Vote of Security Holders**

None

**Executive Officers of the Registrant**

Name	Office (Year First Elected an Officer)	Age
Robert J. Olson +	Chairman of the Board, Chief Executive Officer and President (1996)	57
Raymond M. Beebe	Vice President, General Counsel & Secretary (1974)	66
Robert L. Gossett	Vice President, Administration (1998)	57
Roger W. Martin	Vice President, Sales and Marketing (2003)	48
Sarah N. Nielsen	Vice President, Chief Financial Officer (2005)	35
William J. O'Leary	Vice President, Product Development (2001)	59
Randy J. Potts	Vice President, Manufacturing (2006)	49
Brian J. Hrubes	Controller (1996)	57
Donald L. Heidemann	Treasurer (2007)	36

+ Director

Officers are elected annually by the Board of Directors. There are no family relationships between or among any of the Corporate Officers or Directors of the Company.

Mr. Olson has over 39 years of experience with Winnebago Industries. He was elected Chairman of the Board and Chief Executive Officer on May 5, 2008. He has been President since 2007, previously serving as Senior Vice President, Operations, since January 2006. He served as Vice President, Manufacturing, from August 1996 to January 2006.

Mr. Beebe has over 34 years of experience with Winnebago Industries. He has been Vice President, General Counsel and Secretary since 1986.

Mr. Gossett has over nine years of experience with Winnebago Industries. He has been Vice President, Administration since joining the Company in 1998.

Mr. Martin has over 14 years of experience with Winnebago Industries. He has been Vice President, Sales and Marketing since February 2003. He joined the Company as Director of Marketing in 1994.

Ms. Nielsen has three years of experience with Winnebago Industries. She has been Vice President, Chief Financial Officer since November 2005. Ms. Nielsen joined the Company in August 2005. Prior to joining Winnebago Industries, she was employed by Deloitte & Touche LLP since 1995 in the position of Assurance and Advisory Services Senior Manager from 2003 to August 2005.

Mr. O'Leary has over 36 years of experience with Winnebago Industries. He has been Vice President, Product Development since 2001.

Mr. Potts has over 25 years of experience with Winnebago Industries. He was elected Vice President, Manufacturing in October 2006. He served as Director of Manufacturing from February 2006 to October 2006. Prior to that time, he served as General Manager of Manufacturing Services since 2001.

Mr. Hrubes has over 37 years of experience with Winnebago Industries. He has been Controller since December 1996.

Mr. Heidemann has one year of experience with Winnebago Industries and was elected to the position of Treasurer in August 2007. Prior to joining Winnebago Industries, Mr. Heidemann served in various treasury positions for Select Comfort Corporation from 2003 to July 2007.

## PART II

### ITEM 5. Market for the Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

9

#### [Table of Contents](#)

#### Market Information

Our common stock is listed on the New York and Chicago Exchanges with the ticker symbol of WGO.

Below are the New York Stock Exchange high, low and closing prices of Winnebago Industries, Inc. stock for each quarter of Fiscal 2008 and Fiscal 2007:

Fiscal 2008	High	Low	Close	Fiscal 2007	High	Low	Close
First Quarter	\$ 30.09	\$ 20.66	\$ 21.27	First Quarter	\$ 35.69	\$ 27.80	\$ 34.49
Second Quarter	24.03	18.16	20.07	Second Quarter	36.72	31.05	34.23
Third Quarter	24.14	13.98	14.92	Third Quarter	35.17	29.62	31.68
Fourth Quarter	14.94	9.09	11.35	Fourth Quarter	31.93	25.62	27.79

#### Holdings

Shareholders of record as of October 7, 2008: 3,657.

#### Dividends Paid Per Share

Listed below are the dates paid and amounts per share for Fiscal 2008 and Fiscal 2007:

Fiscal 2008	Fiscal 2007
October 8, 2007	October 9, 2006
January 7, 2008	January 8, 2007
April 7, 2008	April 9, 2007
July 8, 2008	July 9, 2007
Total	Total

On September 17, 2008, we entered into a Credit and Security Agreement with Wells Fargo Bank, National Association (Wells Fargo). The Credit Agreement provides for a \$25 million maximum revolving credit facility, based on certain accounts receivable and inventory accounts, expiring on September 17, 2010, unless terminated earlier in accordance with its terms. The credit facility contains typical covenants that may limit our ability, among other things, to pay certain dividends and distributions including stock repurchases. Certain covenants are structured in a manner that may limit us from paying cash dividends from sources other than cash generated from operations.

Dividends of \$0.12 per share (approximately \$3.5 million) were paid in the first quarter of Fiscal 2009; however, on October 15, 2008, our Board of Directors suspended future cash dividend payments in order to conserve capital and to maintain liquidity. The dividend policy will be reviewed at subsequent board meetings throughout Fiscal 2009.

#### Issuer Purchases of Equity Securities

On December 19, 2007, the Board of Directors authorized the repurchase of outstanding shares of our common stock, depending on market conditions. As of August 30, 2008, 17,000 shares were repurchased under this authorization, at an aggregate cost of \$252,000.

Under a previous authorization which was completed in November 2007, we repurchased 676,000 shares for \$17.5 million during the first quarter of Fiscal 2008.

In total, 693,000 shares, or 2.4 percent of our outstanding shares as of August 25, 2007, were repurchased during Fiscal 2008 for an aggregate consideration of approximately \$17.8 million.

10

#### [Table of Contents](#)

This table provides information with respect to purchases by us of shares of our common stock during each fiscal month of the fourth quarter of Fiscal 2008:

Period	Total Number of	Average Price	Number of Shares	Approximate Dollar Value
--------	-----------------	---------------	------------------	--------------------------



	Shares Purchased	Paid per Share	Purchased as Part of Publicly Announced Plans or Programs	of Shares That May Yet Be Purchased Under the Plans or Programs
06/01/08 – 07/05/08	---	\$ ---	---	\$ 59,751,932
07/06/08 – 08/02/08	325	13.21	325	59,747,639
08/03/08 – 08/30/08	---	---	---	59,747,639
Total	325	\$ 13.21	325	\$ 59,747,639

### Equity Compensation Plan Information

The following table provides information as of August 30, 2008 with respect to shares of our common stock that may be issued under our existing equity compensation plans:

(Adjusted for the 2-for-1 Stock Split on March 5, 2004) Plan Category	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options, Warrants and Rights	(b) Weighted Average Exercise Price of Outstanding Options, Warrants and Rights	(c) Number of Securities Remaining Available for Future Issuance Under Equity Compensation Plans (Excluding Securities Reflected in Column (a))
Equity compensation plans approved by shareholders	1,044,899 <sup>(1)</sup>	\$ 27.10	992,736 <sup>(2)</sup>
Equity compensation plans not approved by shareholders <sup>(3)</sup>	56,954 <sup>(4)</sup>	19.41	N/A <sup>(5)</sup>
Total	1,101,853	\$ 26.70	992,736

- (1) This number includes 674,223 stock options granted under the 2004 Incentive Compensation Plan (the "Plan"). Also included are 370,676 options granted under the 1997 Stock Option Plan.
- (2) This number represents stock options available for grant under the Plan as of August 30, 2008. The Plan replaced the 1997 Stock Option Plan effective January 1, 2004. No new grants may be made under the 1997 Stock Option Plan. Any stock options previously granted under the 1997 Stock Option Plan will continue to be exercisable in accordance with their original terms and conditions.
- (3) Our sole equity compensation plan not previously submitted to our shareholders for approval is the Directors' Deferred Compensation Plan. The Board of Directors may terminate the Directors' Deferred Compensation Plan at any time. If not terminated earlier, the Directors' Deferred Compensation Plan will automatically terminate on June 30, 2013. For a description of the key provisions of the Directors' Deferred Compensation Plan, see the information in our Proxy Statement for the Annual Meeting of Shareholders scheduled to be held December 16, 2008 under the caption "Director Compensation," which information is incorporated by reference herein.
- (4) Represents shares of common stock issued to a trust which underlie stock units, payable on a one-for-one basis, credited to stock unit accounts as of August 30, 2008 under the Directors' Deferred Compensation Plan.
- (5) The table does not reflect a specific number of stock units which may be distributed pursuant to the Directors' Deferred Compensation Plan. The Directors' Deferred Compensation Plan does not limit the number of stock units issuable thereunder. The number of stock units to be distributed pursuant to the Directors' Deferred Compensation Plan will be based on the amount of the director's compensation deferred and the per share price of our common stock at the time of deferral.

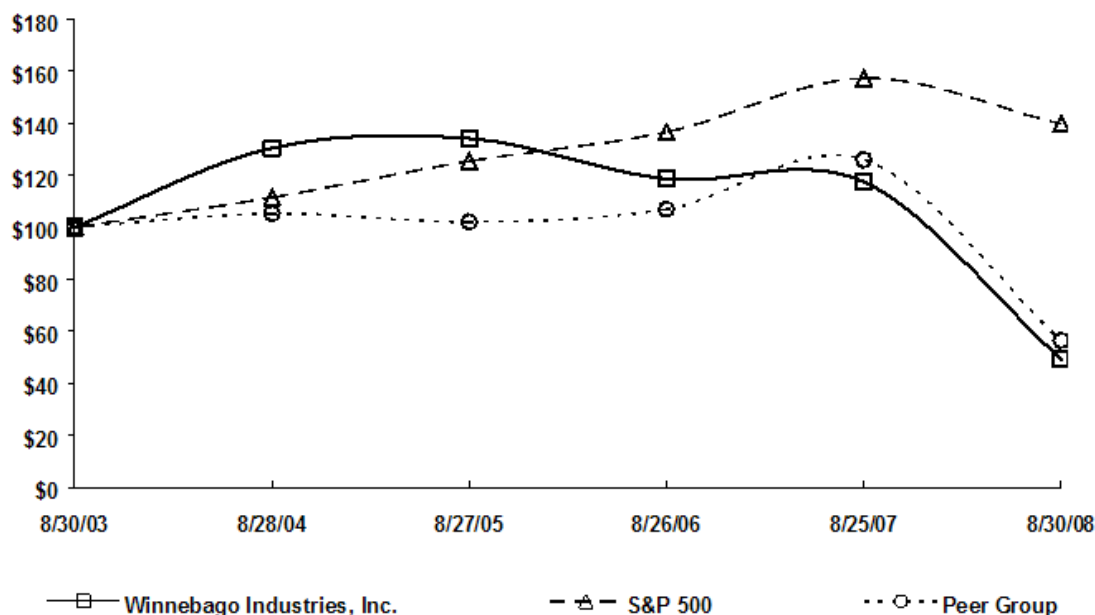
### [Table of Contents](#)

### Performance Graph

The following graph compares the five-year cumulative total shareholder return (including reinvestment of dividends) of the Company with the cumulative total return on the Standard & Poor's 500 Index and a peer group.<sup>(1)</sup> It is assumed in the graph that \$100 was invested in our common stock, in the stock of the companies in the Standard & Poor's 500 Index and in the stocks of the peer group companies on August 30, 2003 and that all dividends received within a quarter were reinvested in that quarter. In accordance with the guidelines of the Securities and Exchange Commission, the shareholder return for each entity in the peer group index has been weighted on the basis of market capitalization as of each annual measurement date set forth in the graph.

### COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\*

Among Winnebago Industries, Inc., The S&P 500 Index  
And A Peer Group



\*\$100 invested on 8/30/03 in stock & 8/31/03 in index-including reinvestment of dividends.  
Index calculated on month-end basis.

Company/Index	Base Period 08/30/03	Indexed Returns				
		08/28/04	08/27/05	08/26/06	08/25/07	08/30/08
Winnebago Industries, Inc.	100.00	130.51	134.14	118.52	117.43	49.17
S&P 500 Index	100.00	111.46	125.45	136.59	157.27	139.75
Peer Group <sup>(1)</sup>	100.00	105.22	102.05	106.92	125.93	56.47

(1) The peer group companies, consisting of Coachmen Industries, Inc., Fleetwood Enterprises, Inc., Monaco Coach Corporation and Thor Industries, Inc. were selected by us on the basis of the similarity of their business to that of ours. National R.V. Holdings, Inc., a member of the peer group companies in prior fiscal years, has been omitted from our peer group companies because on November 30, 2007, National R.V. Holding, Inc. filed for protection under Chapter 11 of the U.S. Bankruptcy Code and is no longer in the business of manufacturing motor homes.

\* \$100 invested on August 30, 2003 in Winnebago Industries or Peer Group stock or on August 31, 2003 in the S&P 500 Index (including reinvestment of dividends. Said Index is calculated on a month-end basis.

[Table of Contents](#)

**ITEM 6. Selected Financial Data (See pages 50 and 51)**

**ITEM 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

**Executive Overview**

Winnebago Industries, Inc. is a leading motor home manufacturer with a proud history of manufacturing recreation vehicles for the last 50 years. For calendar year through August 31, 2008, we led the industry in combined retail unit market share with 18.7 percent of Class A and Class C motor homes in the U.S. We began producing Class B motor homes during the second half of our Fiscal 2008, and in the U.S. have a 2.8 percent retail unit market share through August 31, 2008. In Canada, we also led the industry in retail unit market share, with 20.7 percent through July 31, 2008. Our strategy is to manufacture quality motor homes in a profitable manner. We produce all of our motor homes in highly vertically integrated manufacturing facilities in the state of Iowa. We distribute our product through independent dealers throughout the United States and Canada, who then retail the product to the end consumer. All of the retail unit market share information provided in this paragraph is according to Statistical Surveys, Inc.

**Company and Business Outlook**

The RV industry saw a reduction in wholesale motor home shipments during Fiscal 2008 that significantly deteriorated in the last half of our fiscal year. This dynamic is evidenced in the table below:

(In units) <sup>(1) (2) (3)</sup>	Wholesale Shipments <sup>(1)</sup>			
	2008	2007	Decrease	% of Decrease
First Quarter	12,400	13,100	(700)	(5.3)
Second Quarter	10,900	12,900	(2,000)	(15.5)
Third Quarter	10,900	15,900	(5,000)	(31.4)
Fourth Quarter	5,900	14,200	(8,300)	(58.5)
Fiscal Year	40,100	56,100	(16,000)	(28.5)

(1) As reported by RVIA.

(2) Class A, Class B and Class C shipments.

(3) Data has been adjusted to coincide with our quarter endings.

The sharp decline in wholesale shipments was a direct result of the extremely soft retail market. As reported by Statistical Surveys, Inc., industry retail registrations for Class A and Class C motor homes were down 12% in our first quarter, 21% in our second quarter, 32% in our third quarter and 51% in our fourth quarter.

The motorized market has been significantly impacted by highly unstable market conditions. The tightening of the wholesale and retail credit markets, low consumer confidence, and the uncertainty of fuel prices are placing pressure on retail sales and our dealers continue to be cautious in the amount of inventory they are willing to carry. Dealers continue to sell older model-year units and are increasingly not reordering inventory on a one-for-one basis, which negatively affects shipments and backlog. The decline in wholesale and retail demand has directly impacted our gross margins as we have produced and delivered far fewer units in recent quarters and also we have had to increase our discounts to meet competitive pricing and provide retail incentives to help dealers move inventory.

Order backlog for our motor homes was as follows:

(In units)	Year Ended <sup>(1)</sup>					
	August 30, 2008	Product Mix %	August 25, 2007	Product Mix %	(Decrease) Increase	% Change
Class A gas	119	20.0	619	33.0	(500)	(80.8)
Class A diesel	100	16.8	419	22.4	(319)	(76.1)
Total Class A	219	36.8	1,038	55.4	(819)	(78.9)
Class B	46	7.7	---	---	46	---
Class C	331	55.5	837	44.6	(506)	(60.5)
Total backlog <sup>(2)</sup>	596	100.0	1,875	100.0	(1,279)	(68.2)
Total approximate revenue dollars (in thousands)	\$ 50,599		\$ 179,700		\$ (129,101)	(71.8)
Dealer inventory (units)	3,663		4,471		(808)	(18.1)

(1) Fiscal year ended August 30, 2008 contained 53 weeks; fiscal year ended August 25, 2007 contained 52 weeks.

(2) We include in our backlog all accepted purchase orders from dealers to be shipped within the next six months. Orders in backlog can be canceled or postponed at the option of the purchaser at any time without penalty and, therefore, backlog may not necessarily be an accurate measure of future sales.

[Table of Contents](#)

When retail credit availability and consumer confidence improve, we expect to see a rebound in sales from dealers ordering units for stock and expect to benefit from our ability to ramp up production. A longer-term positive outlook for the recreation vehicle industry is supported by favorable demographics as baby boomers reach the age where they historically have accounted for the bulk of retail RV sales, and an increase in interest in the RV lifestyle among both older and younger segments of the population than have traditionally participated.

### Critical Accounting Estimates

Our consolidated financial statements are prepared in accordance with generally accepted accounting principles (GAAP). In connection with the preparation of our financial statements, we are required to make assumptions and estimates about future events and apply judgments that affect the reported amounts of assets, liabilities, revenue, expenses and the related disclosures. We base our assumptions, estimates and judgments on historical experience, current trends and other factors that we believe to be relevant at the time our consolidated financial statements are prepared. On a regular basis, we review the accounting policies, assumptions, estimates and judgments to ensure that our financial statements are presented fairly and in accordance with GAAP. However, because future events and their effects cannot be determined with certainty, actual results could differ from our assumptions and estimates and such differences could be material.

Our significant accounting policies are discussed in Note 1, *Summary of Significant Accounting Policies*, of the Notes to Consolidated Financial Statements, included in Item 8, *Financial Statements and Supplementary Data*, of this Annual Report on Form 10-K. We believe that the following accounting estimates and policies are the most critical to aid in fully understanding and evaluating our reported financial results and they require our most difficult, subjective or complex judgments, resulting from the need to make estimates about the effect of matters that are inherently uncertain. We have reviewed these critical accounting estimates and related disclosures with the Audit Committee of our Board.

**Revenue Recognition.** Generally, revenues for motor homes are recorded when all of the following conditions are met: an order for a product has been received from a dealer, written or verbal approval for payment has been received from the dealer's floorplan financing institution, and the product is delivered to the dealer who placed the order. Most sales are financed under floorplan financing arrangements with banks or finance companies.

Revenues from the sales of our OEM and motor home related parts are recorded as the products are shipped from our location. The title of ownership transfers on these products as they leave our location due to the freight terms of F.O.B. - Forest City, Iowa.

**Postretirement Benefits Obligations and Costs.** We provide certain health care and other benefits for retired employees, hired before April 1, 2001, who have fulfilled eligibility requirements at age 55 with 15 years of continuous service. Postretirement benefit liabilities are determined by actuaries using assumptions about the discount rate and health care cost-trend rates. Thus, a significant increase or decrease in interest rates could have a significant impact on our operating results. Further discussion of our postretirement benefit plan and related assumptions is included in Note 6 to the Consolidated Financial Statements.

**Warranty.** We provide with the purchase of any new motor home, a comprehensive 12-month/15,000-mile warranty on Class A, Class B and Class C motor homes and a 3-year/36,000-mile warranty on Class A and Class C sidewalls and floors. Estimated costs related to product warranty are accrued at the time of sale and are based upon past warranty claims and unit sales history and adjusted as required to reflect actual costs incurred, as information becomes available. A significant increase in dealership labor rates, the cost of parts or the frequency of claims could have a material adverse impact on our operating results for the period or periods in which such claims or additional costs materialize. We also incur costs as a result of additional service actions not covered by our warranties, including product recalls and customer satisfaction actions. Estimated costs are accrued at the time the service action is implemented and are based upon past claim rate experiences and the estimated cost of the repairs. Further discussion of our warranty costs and associated accruals is included in Note 5 to the Consolidated Financial Statements.

**Stock-Based Compensation.** Historically, we have granted stock options to our key employees and nonemployee directors as part of their compensation. Beginning in Fiscal 2007, we granted restricted stock awards to key employees and nonemployee directors instead of stock options.

### [Table of Contents](#)

The amount of stock-based compensation expense incurred and to be incurred in future periods is dependent upon a number of factors, such as the number of options and shares granted, the timing of stock option exercises, age of the recipient and actual forfeiture rates. We estimate the fair value of all stock option awards as of the date of grant by applying the Black-Scholes option-pricing model. The application of this valuation model involves assumptions, some of which are judgmental and highly sensitive. These assumptions include, among others, our expected stock price volatility and the expected life of our stock options, which are based primarily on our historical experience.

The value of the restricted stock is based on the closing price of our common stock on the date of grant.

The fair value of each award is amortized on a straight-line basis over the requisite service period or to an employee's eligible retirement date, if earlier. This amortization method is used because our awards typically vest over three years, beginning one year after date of grant or upon retirement if earlier; thus, options and restricted stock awards are expensed immediately upon grant for retirement-eligible employees. This feature accelerates expense in the period of grant (typically our first fiscal quarter) and creates an uneven pattern of stock-based compensation that results in relatively higher expense in our first fiscal quarter and relatively lower expense in our second through fourth quarters. The impact of this feature is significant since a majority of our awards are made to retirement-eligible employees. Further discussion of our stock-based compensation is included in Note 10 to the Consolidated Financial Statements.

**Other.** We have reserves for other loss exposures, such as litigation, taxes, product liability, repurchase commitments, worker's compensation, employee medical claims, inventory and accounts receivable. We also have loss exposure on loan guarantees. Establishing loss reserves for these matters requires the use of estimates and judgment in regards to risk exposure and ultimate liability. We estimate losses under the programs using consistent and appropriate methods; however, changes in assumptions could materially affect our recorded liabilities for loss.

### Results of Operations

#### Fiscal 2008 Compared to Fiscal 2007

The following is an analysis of changes in key items included in the consolidated statements of income for the year ended August 30, 2008 compared to the year ended August 25, 2007:

(In thousands, except percent and per share data)	Year Ended <sup>(1)</sup>					
	August 30, 2008	% of Revenues	August 25, 2007	% of Revenues	(Decrease) Increase	% Change
Net revenues	\$ 604,352	100.0	\$ 870,152	100.0	\$ (265,800)	(30.5)
Cost of goods sold	569,580	94.2	770,955	88.6	(201,375)	(26.1)
Gross profit	34,772	5.8	99,197	11.4	(64,425)	(64.9)

Selling	18,482	3.1	19,865	2.3	(1,383)	(7.0)
General and administrative	21,359	3.5	24,446	2.8	(3,087)	(12.6)
Asset impairment	4,686	0.8	---	---	4,686	---
Operating expenses	44,527	7.4	44,311	5.1	216	0.5
Operating (loss) income	(9,755)	(1.6)	54,886	6.3	(64,641)	(117.8)
Financial income	4,314	0.7	6,523	0.8	(2,209)	(33.9)
Pre-tax (loss) income	(5,441)	(0.9)	61,409	7.1	(66,850)	(108.9)
(Benefit) provision for taxes	(8,225)	(1.4)	19,845	2.3	(28,070)	(141.4)
Net income	\$ 2,784	0.5	\$ 41,564	4.8	\$ (38,780)	(93.3)
Diluted income per share	\$ 0.10		\$ 1.32		\$ (1.22)	(92.8)
Fully diluted average shares outstanding	29,144		31,415		(2,271)	(7.2)

(1) Fiscal year ended August 30, 2008 contained 53 weeks; fiscal year ended August 25, 2007 contained 52 weeks.

15

## [Table of Contents](#)

Unit deliveries consisted of the following:

(In units)	Year Ended <sup>(1)</sup>					
	August 30, 2008	Product Mix %	August 25, 2007	Product Mix %	(Decrease) Increase	% Change
Class A gas	2,129	33.2	3,539	37.4	(1,410)	(39.8)
Class A diesel	900	14.1	1,492	15.7	(592)	(39.7)
Total Class A	3,029	47.3	5,031	53.1	(2,002)	(39.8)
Class B	140	2.2	---	---	140	---
Class C	3,238	50.5	4,438	46.9	(1,200)	(27.0)
Total deliveries	6,407	100.0	9,469	100.0	(3,062)	(32.3)

(1) Fiscal year ended August 30, 2008 contained 53 weeks; fiscal year ended August 25, 2007 contained 52 weeks.

Net revenues for the year ended August 30, 2008 decreased \$265.8 million, or 30.5 percent, primarily as a result of a 32.3 percent decrease in unit deliveries. We followed the industry trend as RVIA reported U.S. manufacturers' factory shipments decreased by 28.5 percent over the twelve months ending August 31, 2008. Our average selling price in Fiscal 2008 as compared to Fiscal 2007 was essentially flat, up only 0.7 percent. Price increases associated with the new model year were partially offset by increased wholesale and retail incentives and higher mix of lower-priced products. Total Class B and Class C unit deliveries were 52.7 percent of our total deliveries in Fiscal 2008 as compared to Class C deliveries which were 46.9 percent of our total deliveries in Fiscal 2007.

Gross profit margin decreased from 11.4 percent of net revenues during Fiscal 2007 to 5.8 percent of net revenues during Fiscal 2008. The deterioration of margin was primarily due to a significant reduction in production resulting in lower absorption of fixed costs. Also contributing to the reduced margins were additional wholesale and retail promotional programs and an increase of last-in, first-out (LIFO) expense in Fiscal 2008 as compared to Fiscal 2007 due to the increase in inflation and higher inventory levels at the end of the year.

Selling expenses decreased \$1.4 million or 7.0 percent, during the fiscal year ended August 30, 2008. However, as a percent of net revenues, selling expenses were 3.1 percent during Fiscal 2008 compared to 2.3 percent for Fiscal 2007. The decrease in dollars was due primarily to reductions in salesmen incentives of \$579,000, advertising expenses of \$502,000 and wages and wage-related expenses of \$422,000. The increase in percentage of net revenues was caused by the significant difference in revenue levels between the two fiscal periods.

General and administrative expenses decreased \$3.1 million or 12.6 percent, during the fiscal year ended August 30, 2008. General and administrative expenses increased as a percentage of net revenues from 2.8 percent in Fiscal 2007 to 3.5 percent in Fiscal 2008. The decrease in dollars was due primarily to reduced management incentive compensation of \$3.1 million and reduced product liability expense of \$1.8 million, partially offset by severance costs of \$1.3 million and an increase in legal and professional fees of \$659,000. The increase in percentage of net revenues was caused by the significant difference in revenue levels between the two fiscal periods.

Financial income decreased \$2.2 million, or 33.9 percent, for the fiscal year ended August 30, 2008. The decrease in financial income was due to a lower average investment balance with similar rates of return.

The overall effective income tax rate for Fiscal 2008 was a benefit of (151.2) percent compared to an expense of 32.3 percent for Fiscal 2007. Additional details concerning the tax rate are available in Note 8 to the Consolidated Financial Statements.

The following table breaks down the two aforementioned tax rates:

(In thousands)	August 30, 2008		August 25, 2007	
	Amount	Effective Rate (%)	Amount	Effective Rate (%)
Tax (benefit) provision on current year operations <sup>(1)</sup>	\$(3,345)	(61.5)	\$ 19,845	32.3
Settlement of uncertain tax positions <sup>(2)</sup>	(4,149)	(76.3)	---	---
Other	(731)	(13.4)	---	---
Total (benefit) provision for taxes	\$(8,225)	(151.2)	\$ 19,845	32.3

(1) The higher effective tax rate of a 61.5 percent benefit as compared to a 32.3 percent expense is primarily attributable to the Fiscal 2008 pre-tax loss of \$5.4 million versus the Fiscal 2007 pre-tax income of \$61.4 million.

(2) A benefit of \$4.1 million was recorded based on the favorable settlements of uncertain tax positions with various taxing jurisdictions.

Net income decreased by 93.3 percent and income per diluted share decreased by 92.8 percent when comparing Fiscal 2008 to Fiscal 2007.

16

**Fiscal 2007 Compared to Fiscal 2006**

The following is an analysis of changes in key items included in the consolidated statements of income for the year ended August 25, 2007 compared to the year ended August 26, 2006:

(In thousands, except percent and per share data)	Year Ended					
	August 25, 2007	% of Revenues	August 26, 2006	% of Revenues	Increase (Decrease)	% Change
Net revenues	\$ 870,152	100.0	\$ 864,403	100.0	\$ 5,749	0.7
Cost of goods sold	770,955	88.6	759,502	87.9	11,453	1.5
Gross profit	99,197	11.4	104,901	12.1	(5,704)	(5.4)
Selling	19,865	2.3	19,619	2.2	246	1.3
General and administrative	24,446	2.8	22,184	2.6	2,262	10.2
Operating expenses	44,311	5.1	41,803	4.8	2,508	6.0
Operating income	54,886	6.3	63,098	7.3	(8,212)	(13.0)
Financial income	6,523	0.8	5,097	0.6	1,426	28.0
Pre-tax income	61,409	7.1	68,195	7.9	(6,786)	(10.0)
Provision for taxes	19,845	2.3	23,451	2.7	(3,606)	(15.4)
Net income	\$ 41,564	4.8	\$ 44,744	5.2	\$ (3,180)	(7.1)
Diluted income per share	\$ 1.32		\$ 1.37		\$ (0.05)	(3.6)
Fully diluted average shares outstanding	31,415		32,550		(1,135)	(3.5)

Unit deliveries consisted of the following:

(In units)	Year Ended					
	August 25, 2007	Product Mix %	August 26, 2006	Product Mix %	Increase (Decrease)	% Change
Class A gas	3,539	37.4	2,961	30.1	578	19.5
Class A diesel	1,492	15.7	1,494	15.2	(2)	(0.1)
Total Class A	5,031	53.1	4,455	45.3	576	12.9
Class C	4,438	46.9	5,388	54.7	(950)	(17.6)
Total deliveries	9,469	100.0	9,843	100.0	(374)	(3.8)

Net revenues for the year ended August 25, 2007 increased \$5.7 million, or 0.7 percent, primarily as a result of an increase in the average motor home unit selling price of 4.9 percent which was partially offset by a 3.8 percent decrease in unit deliveries. The increase in the average unit selling price was due to the mix of products sold, as Class A motor homes represented 53.1 percent of the total volume in Fiscal 2007 as compared to 45.3 percent in the prior fiscal year. Class A volume increased during Fiscal 2007 due to the introduction of entirely new product offerings in this category, such as the Winnebago Vista and Itasca Sunstar during the second quarter and the Winnebago Destination and Itasca Latitude in the third quarter.

Gross profit margin decreased from 12.1 percent during Fiscal 2006 to 11.4 percent during Fiscal 2007. Gross profit was negatively impacted by lower production volumes which resulted in higher fixed costs per unit of production, and an increase in the mix of lower-margin motor homes, in both Class A and Class C categories. Also contributing, to a lesser extent, to the reduced margin was an increase in LIFO expense in Fiscal 2007 as compared to Fiscal 2006 due to the fact there was a LIFO inventory liquidation in Fiscal 2006 related to inventory level reductions.

Selling expenses increased \$246,000, or 1.3 percent, during the fiscal year ended August 25, 2007. As a percent of net revenues, selling expenses were 2.3 percent during Fiscal 2007 compared to 2.2 percent for Fiscal 2006. The increase in dollars was due primarily to higher advertising expenses.

General and administrative expenses increased \$2.3 million, or 10.2 percent, during Fiscal 2007. The increase in expense was due primarily to the increase in management incentive compensation expense, partially offset by a reduction in our product liability expense.

Financial income increased \$1.4 million, or 28.0 percent, during the fiscal year ended August 25, 2007. The increase in financial income during Fiscal 2007 was due to a higher average interest rate earned on investments and a higher average short-term investment balance.

The overall effective income tax rate decreased to 32.3 percent for Fiscal 2007 from 34.4 percent for Fiscal 2006. The decrease was primarily a result of an increase in tax-free investment income and a decrease in incentive stock option expense not deductible for tax purposes.

Net income decreased by 7.1 percent and income per diluted share decreased by 3.6 percent when comparing Fiscal 2007 to Fiscal 2006. The smaller percentage decrease in income per diluted share was due to a lower average number of shares of common stock outstanding during the fiscal year ended August 25, 2007, as a result of shares of common stock repurchased. (See Note 12 to the Consolidated Financial Statements.)

In fiscal years prior to Fiscal 2008, we have generated cash from operations, which has enabled us to meet our working capital needs and make appropriate investments in manufacturing equipment and facilities, as well as pay increased cash dividends and repurchase stock. Working capital at August 30, 2008 and August 25, 2007 was \$108.5 million and \$168.9 million, respectively, a decrease of \$60.4 million.

Cash and cash equivalents totaled \$17.9 million and \$6.9 million as of August 30, 2008 and August 25, 2007, respectively. Short-term and long-term investments net of temporary impairments totaled \$40.6 million as of August 30, 2008 and \$102.7 million as of August 25, 2007. These investments were comprised of ARSs. (See Note 3 to the Consolidated Financial Statements.)

Until February 2008, the ARS market was highly liquid. Starting the week of February 11, 2008, a substantial number of auctions "failed," meaning that there was not enough demand to sell all of the securities that holders desired to sell at auction. From February 11, 2008 through our fiscal year end, August 30, 2008, we successfully sold \$17.4 million of our \$60 million portfolio at par value. The securities for which auctions have failed will continue to accrue interest at the contractual rate and be auctioned generally every 35 days until the auction succeeds, the issuer calls the securities or the securities mature. We continue to believe that we will ultimately recover all amounts invested in these ARSs. Management does not believe that the current illiquidity of these securities will have a material impact on our ability to execute our current business plan. In September 2008, we were able to sell our last municipal ARS at par value for \$3.1 million, which was classified as a short-term investment at Fiscal 2008 year end.

On September 17, 2008, we entered into a Credit and Security Agreement with Wells Fargo. The Credit Agreement provides for a \$25.0 million maximum revolving credit facility, based on certain accounts receivable and inventory accounts, expiring on September 17, 2010, unless terminated earlier in accordance with its terms. Interest on loans under the credit agreement will be a rate equal to either LIBOR plus 1.5% to 2.5% or prime rate plus (0.75)% to 0.25%. No borrowings have been made under the credit facility through October 29, 2008. The credit facility provides increased financial flexibility and, if needed, will be used for working capital and for other general corporate purposes. (See Note 16 to the Consolidated Financial Statements.)

We currently expect cash on hand, funds generated from operations (if any) and the availability on the new credit facility to be sufficient to cover both short-term and long-term operation requirements.

### Operating Activities

Cash used by operating activities was \$14.4 million for the fiscal year ended August 30, 2008 compared to cash provided of \$27.8 million for the fiscal year ended August 25, 2007. Cash used in Fiscal 2008 was \$31.3 million for the payment of accounts payable and \$9.4 million due to an increase in chassis inventory, partially offset by a reduction in work-in-process inventories. The receipt of accounts receivable payments of \$21.0 million helped to partially offset the cash used during Fiscal 2008. The single item that contributed to the change from cash provided by operations to cash used in operations was the significant reduction in net income from \$41.6 million in Fiscal 2007 to \$2.8 million in Fiscal 2008.

### [Table of Contents](#)

### Investing Activities

Cash provided by investing activities was due primarily to proceeds from the sale or maturity of short-term investments of \$288.1 million in Fiscal 2008 partially offset by purchases of \$228.1 million of short-term investments. During Fiscal 2007, we had proceeds of \$335.4 million from sales and purchases of \$308.1 million in short-term investments. Other uses of cash were \$3.7 million in Fiscal 2008 and \$5.2 million in Fiscal 2007 for manufacturing equipment and facilities purchases.

### Financing Activities

Primary uses of cash in financing activities for the fiscal year ended August 30, 2008 were \$17.8 million for repurchases of outstanding common stock and payments of \$14.0 million in dividends. Primary uses of cash in financing activities for the fiscal year ended August 25, 2007 were \$64.7 million for repurchases of our outstanding common stock and payments of \$12.5 million in dividends.

### Anticipated Use of Funds

Estimated uses of our liquid assets for Fiscal 2009 include spending for capital expenditures of approximately \$5 million, primarily for manufacturing equipment and facilities.

### Contractual Obligations and Commercial Commitments

Our principal contractual obligations and commercial commitments as of August 30, 2008 were as follows:

(In thousands)	Payments Due By Period				
	Total	Fiscal 2009	Fiscal 2010-2011	Fiscal 2012-2013	More than 5 Years
Postretirement health care obligations <sup>(1)</sup>	\$ 30,827	\$ 1,111	\$ 2,773	\$ 3,441	\$ 23,502
Deferred compensation obligations <sup>(1)</sup>	26,638	2,428	4,790	4,195	15,225
Executive share option obligations <sup>(1)(2)</sup>	10,999	---	---	---	---
Split-dollar benefit obligations <sup>(1)</sup>	2,953	186	483	603	1,681
Operating leases <sup>(3)</sup>	383	153	230	---	---
Contracted services	192	137	55	---	---
Total contractual cash obligations	\$ 71,992	\$ 4,015	\$ 8,331	\$ 8,239	\$ 40,408

(In thousands)	Expiration By Period				
	Total	Fiscal 2009	Fiscal 2010-2011	Fiscal 2012-2013	More than 5 Years
Guarantees <sup>(3)</sup>	\$ 1,350	\$ 1,350	\$ ---	\$ ---	\$ ---
Formal repurchase obligations <sup>(3)</sup>	199,733	199,733	---	---	---
Total commitments	\$ 201,083	\$ 201,083	\$ ---	\$ ---	\$ ---

(1) See Note 6 to the Consolidated Financial Statements.

(2) Payments by period cannot be determined as the participating individual may elect to exercise part or all of an option at their discretion.

(3) See Note 7 to the Consolidated Financial Statements.

### New Accounting Pronouncements

## Impact of Inflation

Historically, the impact of inflation on our operations has not been significantly detrimental, as we have usually been able to adjust our prices to reflect the inflationary impact on the cost of manufacturing our product. In recent months, the costs of a number of raw materials and component parts utilized in manufacturing our motor homes have increased. While we have been able to pass on these increases historically, in the event we are unable to continue to do so due to market conditions, future increases in manufacturing costs could have a material adverse effect on our results of operations.

---

## [Table of Contents](#)

### ITEM 7A. Quantitative and Qualitative Disclosures About Market Risk

Our investments are comprised of ARSs. These securities have historically traded at par and are callable at par at the option of the issuer. Interest is typically paid at the end of each auction period or semiannually. At the end of Fiscal 2008, all of the long-term ARSs we held were AAA/Aaa rated with most collateralized by student loans guaranteed by the U.S. Government under the Federal Family Education Loan Program. Our single short-term investment, which was subsequently sold in September 2008 was a municipal ARS with an A rating. Until Fiscal 2008, the auction rate securities market was highly liquid. During Fiscal 2008, a substantial number of auctions "failed," meaning that there was not enough demand to sell the entire issue of the securities that holders desired to sell at auction. The immediate effect of a failed auction is that certain holders cannot sell the securities at auction and the interest or dividend rate on the security generally resets to a maximum auction rate. In the case of a failed auction, with respect to the ARSs held by us, the ARS is deemed not currently liquid. In the case of funds invested by us in ARSs which are the subject of a failed auction, we may not be able to access the funds prior to maturity without a loss of principal, unless a future auction on these investments is successful or the issuer calls the security pursuant to a mandatory tender or redemption.

The auction feature for each instrument is an opportunity to accept the reset rate or liquidate the instrument at its face value. In the past, the auction process has allowed investors to roll over their holdings or obtain immediate liquidity by selling the securities at par. We do not intend to hold these securities to maturity, but rather to use the auction feature to provide liquidity as the auction process permits. We continue to believe that we will ultimately recover all amounts invested in these auction rate securities. We have no reason to believe that any of the underlying issuers of our auction rate securities are presently at risk of default. However, the above developments have resulted in the classification of all of these securities as long-term investments, except for the municipal ARS investment, in our consolidated financial statements and a temporary impairment of \$2.0 million or 5 percent of our initial investment as of August 30, 2008. If the issuers of these auction rate securities are unable to successfully clear future auctions and their credit ratings deteriorate, we may, in the future, be required to record additional impairment charges on these investments. We believe we will ultimately be able to liquidate our investment without significant loss primarily due to the collateral securing the ARSs. However, it could take until final maturity, which is 18 years on a weighted average basis, for us to recover the par value of the ARS.

### ITEM 8. Financial Statements and Supplementary Data

#### Index to Financial Statements

	<u>Page</u>
<a href="#">Management's Report on Internal Control Over Financial Reporting</a>	21
<a href="#">Report of Independent Registered Public Accounting Firm</a>	22
<a href="#">Independent Auditor's Report</a>	23
<a href="#">Consolidated Statements of Income for the Years Ended August 30, 2008, August 25, 2007, and August 26, 2006</a>	24
<a href="#">Consolidated Balance Sheets as of August 30, 2008 and August 25, 2007</a>	25
<a href="#">Consolidated Statements of Changes in Stockholders' Equity for the Years Ended August 30, 2008, August 25, 2007 and August 26, 2006</a>	26
<a href="#">Consolidated Statements of Cash Flows for the Years Ended August 30, 2008, August 25, 2007, and August 26, 2006</a>	27
<a href="#">Notes to Consolidated Financial Statements</a>	28

---

## [Table of Contents](#)

### MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

Management of Winnebago Industries, Inc. (the "Company") is responsible for establishing and maintaining effective internal control over financial reporting and for the assessment of the effectiveness of internal control over financial reporting. The Company's internal control over financial reporting is a process designed, as defined in Rule 13a-15(f) under the Securities Exchange Act of 1934, as amended, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of consolidated financial statements for external purposes in accordance with generally accepted accounting principles.

The Company's internal control over financial reporting is supported by written policies and procedures that:

- (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets;
- (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of consolidated financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the Company are being made only in accordance with authorizations of the Company's management and directors; and
- (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the consolidated financial statements.

In addition, the Audit Committee of the Board of Directors, consisting solely of independent directors, meets periodically with management, the internal auditors and the independent registered public accounting firm to review internal accounting controls, audit results and accounting principles and practices and annually selects the independent registered public accounting firm.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In connection with the preparation of the Company's annual consolidated financial statements, management of the Company has undertaken an assessment of the effectiveness of the Company's internal control over financial reporting based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Management's assessment included an evaluation of the design of the Company's internal control over financial reporting and testing of the operational effectiveness of the Company's internal control over financial reporting.

Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of August 30, 2008.

Deloitte & Touche LLP, the independent registered public accounting firm that audited the Company's consolidated financial statements included in this Annual Report on Form 10-K, has issued an unqualified attestation report included herein, on management's assessment of internal control over financial reporting.

/s/ Robert J. Olson

Robert J. Olson  
Chairman of the Board, Chief  
Executive Officer and President

/s/ Sarah N. Nielsen

Sarah N. Nielsen  
Vice President,  
Chief Financial Officer

October 29, 2008

---

[Table of Contents](#)

## REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Shareholders  
Winnebago Industries, Inc.  
Forest City, Iowa

We have audited the internal control over financial reporting of Winnebago Industries, Inc. (the "Company") as of August 30, 2008, based on criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of August 30, 2008, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements as of and for the year ended August 30, 2008, of the Company and our report dated October 29, 2008 expressed an unqualified opinion on those consolidated financial statements and included explanatory paragraphs regarding the Company's changes in methods of accounting for unrecognized tax benefits and its Collateral Assignment Split-Dollar Life Insurance Arrangement in 2008 described in Notes 8 and 6.

/s/ Deloitte & Touche LLP

Deloitte & Touche LLP  
Minneapolis, Minnesota

October 29, 2008



[Table of Contents](#)**INDEPENDENT AUDITOR'S REPORT**

To the Board of Directors and Shareholders  
Winnebago Industries, Inc.  
Forest City, Iowa

We have audited the accompanying balance sheets of Winnebago Industries, Inc. (the "Company") as of August 30, 2008 and August 25, 2007, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years ended in the period ended August 30, 2008. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall consolidated financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of the Company at August 30, 2008 and August 25, 2007, and the results of its operations and its cash flows for each of the three years in the period ended August 30, 2008, in conformity with accounting principles generally accepted in the United States of America.

As discussed in Note 8 to the consolidated financial statements, the Company changed its method of accounting for unrecognized tax benefits to conform to Statement of Financial Accounting Standards Interpretation No. 48 as of August 26, 2007.

As discussed in Note 6 to the consolidated financial statements, the Company changed its method of accounting for its Collateral Assignment Split-Dollar Life Insurance Arrangement as of August 30, 2008.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the Company's internal control over financial reporting as of August 30, 2008, based on the criteria established in *Internal Control - Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated October 29, 2008 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP  
Deloitte & Touche LLP  
Minneapolis, Minnesota

October 29, 2008

[Table of Contents](#)

**Winnebago Industries, Inc.**  
**Consolidated Statements of Income**

(In thousands, except per share data)	Year Ended		
	August 30, 2008 <sup>(1)</sup>	August 25, 2007	August 26, 2006
Net revenues	\$ 604,352	\$ 870,152	\$ 864,403
Cost of goods sold	569,580	770,955	759,502
Gross profit	34,772	99,197	104,901
Operating expenses:			
Selling	18,482	19,865	19,619
General and administrative	21,359	24,446	22,184
Asset impairment	4,686	---	---
Total operating expenses	44,527	44,311	41,803
Operating (loss) income	(9,755)	54,886	63,098
Financial income	4,314	6,523	5,097

(Loss) income before income taxes	(5,441)	61,409	68,195
(Benefit) provision for taxes	(8,225)	19,845	23,451
Net income	\$ 2,784	\$ 41,564	\$ 44,744
Income per common share:			
Basic	\$ 0.10	\$ 1.33	\$ 1.39
Diluted	\$ 0.10	\$ 1.32	\$ 1.37
Weighted average common shares outstanding:			
Basic	29,093	31,162	32,265
Diluted	29,144	31,415	32,550

(1) Fiscal year ended August 30, 2008 contained 53 weeks; all other fiscal years contained 52 weeks.

See notes to consolidated financial statements.

[Table of Contents](#)

**Winnebago Industries, Inc.  
Consolidated Balance Sheets**

(In thousands, except per share data)	August 30, 2008	August 25, 2007
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 17,851	\$ 6,889
Short-term investments	3,100	102,650
Receivables, less allowance for doubtful accounts (\$177 and \$133, respectively)	9,426	30,285
Inventories	110,596	101,208
Prepaid expenses and other assets	3,715	3,981
Income taxes receivable	6,618	---
Deferred income taxes	11,575	12,687
Total current assets	162,881	257,700
Property and equipment, at cost:		
Land	934	934
Buildings	55,977	59,525
Machinery and equipment	97,002	98,026
Transportation equipment	9,455	9,593
Total property and equipment, at cost	163,368	168,078
Accumulated depreciation	(123,271)	(116,689)
Total property and equipment, net	40,097	51,389
Long-term investments	37,538	---
Investment in life insurance	22,123	20,015
Deferred income taxes	26,862	19,856
Other assets	15,954	17,550
Total assets	\$ 305,455	\$ 366,510
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable	\$ 15,631	\$ 35,286
Income taxes payable	76	4,252
Accrued expenses:		
Accrued compensation	10,070	16,946
Product warranties	9,859	11,259
Self-insurance	6,630	7,919
Promotional	2,642	3,793
Accrued dividends	3,489	3,546
Other	5,936	5,836
Total current liabilities	54,333	88,837
Total long-term liabilities:		
Unrecognized tax benefits	9,469	---
Postretirement health care and deferred compensations benefits	67,729	69,319
Total long-term liabilities	77,198	69,319
Contingent liabilities and commitments		
Stockholders' equity:		
Capital stock common, par value \$0.50; authorized 60,000 shares, issued 51,776 shares	25,888	25,888
Additional paid-in capital	29,632	28,646
Retained earnings	489,194	509,056
Accumulated other comprehensive income	9,813	11,090
Treasury stock, at cost (22,706 and 22,223 shares, respectively)	(380,603)	(366,326)
Total stockholders' equity	173,924	208,354

See notes to consolidated financial statements.

[Table of Contents](#)

## Winnebago Industries, Inc.

### Consolidated Statements of Changes in Stockholders' Equity

(In thousands, except per share data)	Common Shares		Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income	Treasury Stock		Total Stockholders' Equity
	Number	Amount				Number	Amount	
Balance, August 27, 2005	51,776	\$ 25,888	\$ 16,811	\$ 447,518	\$ ---	(18,787)	\$ (254,330)	\$ 235,887
Stock option exercises	---	---	680	---	---	123	1,735	2,415
Issuance of stock to directors	---	---	135	---	---	8	117	252
Stock-based compensation	---	---	4,642	---	---	---	---	4,642
Payments for the purchase of common stock	---	---	---	---	---	(1,977)	(57,802)	(57,802)
Cash dividends paid and accrued on common stock - \$0.37 per share	---	---	---	(11,816)	---	---	---	(11,816)
Net income	---	---	---	44,744	---	---	---	44,744
Balance, August 26, 2006	51,776	\$ 25,888	\$ 22,268	\$ 480,446	---	(20,633)	\$ (310,280)	\$ 218,322
Stock option exercises	---	---	3,312	---	---	449	6,799	10,111
Issuance of stock to directors	---	---	241	---	---	15	219	460
Issuance of restricted stock	---	---	(1,586)	---	---	106	1,586	---
Stock-based compensation	---	---	4,411	---	---	---	---	4,411
Payments for the purchase of common stock	---	---	---	---	---	(2,160)	(64,650)	(64,650)
Cash dividends paid and accrued on common stock - \$0.42 per share	---	---	---	(12,954)	---	---	---	(12,954)
Adjustments to initially apply new accounting standards, net of \$6,474 tax	---	---	---	---	11,090	---	---	11,090
Net income	---	---	---	41,564	---	---	---	41,564
Balance, August 25, 2007	51,776	\$ 25,888	\$ 28,646	\$ 509,056	\$ 11,090	(22,223)	\$ (366,326)	\$ 208,354
Stock option exercises	---	---	(427)	---	---	59	992	565
Issuance of stock to directors	---	---	60	---	---	23	383	443
Issuance of restricted stock, net of forfeitures	---	---	(2,119)	---	---	128	2,119	---
Stock-based compensation	---	---	3,472	---	---	---	---	3,472
Payments for the purchase of common stock	---	---	---	---	---	(693)	(17,771)	(17,771)
Cash dividends paid and accrued on common stock - \$0.48 per share	---	---	---	(13,940)	---	---	---	(13,940)
Adjustments to initially apply accounting standards net of \$1,111 tax	---	---	---	(8,706)	---	---	---	(8,706)
Prior service cost and actuarial loss, net of \$180 tax	---	---	---	---	(53)	---	---	(53)
Temporary impairment of investments, net of \$738 tax	---	---	---	---	(1,224)	---	---	(1,224)
Net income	---	---	---	2,784	---	---	---	2,784
Balance, August 30, 2008	51,776	\$ 25,888	\$ 29,632	\$ 489,194	\$ 9,813	(22,706)	\$ (380,603)	\$ 173,924

See notes to consolidated financial statements.

[Table of Contents](#)

## Winnebago Industries, Inc.

### Consolidated Statements of Cash Flows

(In thousands)	Year Ended <sup>(1)</sup>		
	August 30, 2008	August 25, 2007	August 26, 2006
Operating activities:			
Net income	\$ 2,784	\$ 41,564	\$ 44,744
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation	9,907	10,495	10,635
Asset impairment	4,686	---	---
Stock-based compensation	3,915	4,871	4,894
Deferred income taxes	3,490	(3,232)	538
Postretirement benefit income and deferred compensation expense	1,414	1,539	1,319
Provision for doubtful accounts	103	187	161
Loss on disposal of property	64	4	156
Other	74	39	73
Excess tax benefit from stock-based compensation	(92)	(1,587)	(501)
Increase in cash surrender value of life insurance policies	(759)	(871)	(976)
Change in assets and liabilities:			
Inventories	(9,388)	(24,127)	43,574
Receivables and prepaid assets	21,022	(8,325)	18,954
Income taxes payable	(17,665)	(3,243)	3,955
Accounts payable and accrued expenses	(31,301)	11,686	(13,300)
Postretirement and deferred compensation benefits	(2,632)	(1,249)	(971)
Net cash (used in) provided by operating activities	(14,378)	27,751	113,255

Investing activities:			
Purchases of short-term investments	(228,069)	(308,149)	(214,825)
Proceeds from the sale or maturity of short-term investments	288,119	335,449	177,975
Purchases of property and equipment	(3,720)	(5,245)	(4,830)
Proceeds from the sale of property	298	279	594
Other	(255)	(564)	374
Net cash provided by (used in) investing activities	56,373	21,770	(40,712)
Financing activities:			
Payments for purchases of common stock	(17,771)	(64,650)	(57,802)
Payments of cash dividends	(13,997)	(12,517)	(11,670)
Proceeds from exercise of stock options	643	8,014	1,878
Excess tax benefit from stock-based compensation	92	1,587	501
Net cash used in financing activities	(31,033)	(67,566)	(67,093)
Net increase (decrease) in cash and cash equivalents	10,962	(18,045)	5,450
Cash and cash equivalents at beginning of year	6,889	24,934	19,484
Cash and cash equivalents at end of year	\$ 17,851	\$ 6,889	\$ 24,934
Supplement cash flow disclosure:			
Income taxes paid	\$ 8,487	\$ 26,319	\$ 18,958

(1) Fiscal year ended August 30, 2008 contained 53 weeks; all other fiscal years contained 52 weeks.

See notes to consolidated financial statements.

[Table of Contents](#)

**Winnebago Industries, Inc.**  
**Notes to Consolidated Financial Statements**

**Note 1: Summary of Significant Accounting Policies**

**Principles of Consolidation**

The consolidated financial statements include the parent company and subsidiary companies. All material intercompany balances and transactions with subsidiaries have been eliminated.

**Fiscal Period**

We follow a 52/53-week fiscal year, ending the last Saturday in August. The financial statements for Fiscal 2008 contained 53 weeks. Fiscal 2007 and Fiscal 2006 contained 52 weeks.

**Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. 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 periods. Actual results could differ from those estimates.

**Cash and Cash Equivalents**

Cash and cash equivalents consist primarily of highly liquid investments with an original maturity of three months or less. The carrying amount approximates fair value due to the short maturity of the investments.

**Fair Value Disclosures of Financial Instruments**

All financial instruments are carried at amounts believed to approximate fair value.

**Derivative Instruments and Hedging Activities**

All contracts that contain provisions meeting the definition of a derivative also meet the requirements of, and have been designated as, normal purchases or sales. Our policy is to not enter into contracts with terms that cannot be designated as normal purchases or sales.

**Allowance for Doubtful Accounts**

The allowance for doubtful accounts is based on historical loss experience and any specific customer collection issues identified. Additional amounts are provided through charges to income as we believe necessary after evaluation of receivables and current economic conditions. Amounts which are considered to be uncollectible are written off and recoveries of amounts previously written off are credited to the allowance upon recovery.

**Inventories**

Inventories are valued at the lower of cost or market, with cost being determined principally by using the LIFO method and market defined as net realizable value.

**Property and Equipment**

Depreciation of property and equipment is computed using the straight-line method on the cost of the assets, less allowance for salvage value where appropriate, at rates based upon their estimated service lives as follows:

Asset Class	Asset Life
Buildings	10-30 yrs.
Machinery and equipment	3-10 yrs.
Transportation equipment	4-6 yrs.

We review our long-lived depreciable assets for impairment annually or whenever events or changes in circumstances indicate that the carrying value of an asset may not be recoverable from future cash flows.

#### **Income Taxes**

We account for income taxes under the provisions of SFAS No. 109, *Accounting for Income Taxes*. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns.

---

[Table of Contents](#)

### **Winnebago Industries, Inc. Notes to Consolidated Financial Statements (Continued)**

#### **Legal**

Our accounting policy regarding litigation expense is to accrue for probable exposure including estimated defense costs if we are able to estimate the financial impact.

#### **Revenue Recognition**

Generally, revenues for motor homes are recorded when all of the following conditions are met: an order for a product has been received from a dealer, written or verbal approval for payment has been received from the dealer's floorplan financing institution, and the product is delivered to the dealer who placed the order. Most sales are financed under floorplan financing arrangements with banks or finance companies.

Revenues of our OEM components and motor home related parts are recorded as the products are shipped from our location. The title of ownership transfers on these products as they leave our location due to the freight terms of F.O.B. - Forest City, Iowa.

#### **Sales Promotions and Incentives**

We accrue for estimated sales promotions and incentive expenses, which are recognized as a reduction to revenues, at the time of sale to the dealer or when the sales incentive is offered to the dealer or retail customer. Examples of sales promotion and incentive programs include dealer and consumer rebates, volume discounts, retail financing programs and sales associate incentives. Sales promotion and incentive expenses are estimated based on current programs and historical rates.

#### **Shipping Revenues and Expenses**

Shipping revenues for products shipped are included within sales, while shipping expenses are included within cost of goods sold.

#### **Research and Development**

Research and development expenditures are expensed as incurred. A portion of these expenditures qualify for state and federal tax benefits. Development activities generally relate to creating new products and improving or creating variations of existing products to meet new applications. During Fiscal 2008, 2007 and 2006, we spent approximately \$4.1 million, \$4.3 million and \$3.9 million, respectively, on research and development activities.

#### **Income Per Common Share**

Basic income per common share is computed by dividing net income by the weighted average common shares outstanding during the period.

Diluted income per common share is computed by dividing net income by the weighted average common shares outstanding plus the incremental shares that would have been outstanding upon the assumed exercise of dilutive stock options. (See Note 12 to the Consolidated Financial Statements.)

#### **New Accounting Pronouncements**

In September 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No. 157, *Fair Value Measurements*. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. This statement applies to other accounting pronouncements that require or permit fair value measurements where the FASB has previously determined that under those pronouncements, fair value is the appropriate measurement. This statement is effective for fiscal years beginning after November 15, 2007 (our Fiscal 2009). We are currently evaluating the impact of the adoption of SFAS No. 157 where fair value measurements are used.

In February 2007, FASB issued FAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB Statement No. 115*. FAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value. The objective is to improve financial reporting by providing entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. This statement is effective for fiscal years beginning after November 15, 2007 (our Fiscal 2009). We are currently evaluating the impact of the adoption of FAS No. 159.

---

[Table of Contents](#)

### **Winnebago Industries, Inc. Notes to Consolidated Financial Statements (Continued)**

In June 2008, the FASB issued a FASB Staff Position (FSP) on the FASB's Emerging Issues Task Force (EITF) Issue No. 03-06-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*, (FSP EITF 03-06-1). This FSP addresses whether instruments granted in share-based payment transactions are participating securities prior to vesting and, therefore, need to be included in the earnings allocation in computing earnings per share (EPS) under the two-class method described in SFAS No. 128, *Earnings Per Share*. It affects entities that accrue or pay nonforfeitable cash dividends on share-based payment awards during the awards' service period. FSP EITF 03-06-1 is effective for fiscal years beginning after December 15, 2008 (our Fiscal 2010) and interim periods within those fiscal years and will require a retrospective adjustment to all prior period EPS. We are currently evaluating the impact this FSP will have on our calculation and presentation of EPS.

#### **Note 2: Restructuring Costs**

In response to negative motor home wholesale and retail trends and uncertainty regarding the future of the economy, on June 2, 2008 our Board of Directors approved a strategic manufacturing consolidation decision to idle our manufacturing facility in Charles City, Iowa which assembled the Class C motor homes. The relocation of the Charles City manufacturing capacity to our Forest City facility was completed in August 2008. This action resulted in an asset impairment charge of approximately \$4.7 million.

As a result of the idling of the Charles City manufacturing facility and position eliminations in Forest City and Hampton, Iowa throughout the fiscal year, severance charges of \$1.3 million were incurred and paid. These expenses are included in general and administrative expense.

### Note 3: Investments

We purchase investments and marketable securities that have been designated as "available-for-sale" in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Available-for-sale securities are carried at fair value with the unrealized gains and losses reported in accumulated other comprehensive income a component of stockholders' equity.

At August 30, 2008, we held \$42.6 million (par value) of investments comprised of tax-exempt ARSs, which are variable rate debt securities and have a long-term maturity with the interest rate being reset through Dutch auctions that are typically held every 7, 28 or 35 days. The securities have historically traded at par and are callable at par at the option of the issuer. Interest is typically paid at the end of each auction period or semiannually. At the end of Fiscal 2008, all of the long-term ARSs we held were AAA/Aaa rated, with most collateralized by student loans guaranteed by the U.S. Government under the Federal Family Education Loan Program. Our single short-term investment, which was subsequently sold in September 2008, was a municipal ARS with an A rating. Until Fiscal 2008, the auction rate securities market was highly liquid. During Fiscal 2008, a substantial number of auctions "failed," meaning that there was not enough demand to sell all of the securities that holders desired to sell at auction.

At the end of Fiscal 2008, there was insufficient observable ARS market information available to determine the fair value of our investments. Therefore, we estimated fair value by incorporating assumptions that market participants would use in their estimates of fair value. Some of these assumptions included credit quality, final stated maturities, estimates on the probability of the issue being called prior to final maturity, impact due to extended periods of maximum auction rates and broker quotes from independent evaluators. Based on this analysis, we recorded a temporary impairment of \$2.0 million related to our ARS investments as of August 30, 2008. We believe this temporary impairment is primarily attributable to the limited liquidity of these investments.

We do not believe that any of the underlying issuers of our ARSs are presently at risk of default. We continue to receive interest payments in accordance with their terms. We believe we will ultimately be able to liquidate our investments without significant loss primarily due to the collateral securing the ARSs. However, it could take until final maturity, which is 18 years on a weighted average basis. On September 8, 2008, we were able to sell our last municipal related ARS at par value plus accrued interest. This security is listed at par value and classified as a short-term investment. We believe the recovery period for remaining investments is likely to be longer than 12 months and as a result, we have recorded these investments as long-term as of August 30, 2008. As of October 29, 2008, all of our brokers had in principle agreed to legal settlements to repurchase ARSs that were held by certain investors as of February 13, 2008. Terms of one of these settlements provide for repurchase at par value for approximately \$13.5 million of our ARS balance beginning June 30, 2010 and ending July 2, 2012; however, the remainder of our ARS portfolio is not covered by any legal settlement.

## [Table of Contents](#)

### Winnebago Industries, Inc. Notes to Consolidated Financial Statements (Continued)

#### Note 4: Inventories

Inventories consist of the following:

(In thousands)	August 30, 2008	August 25, 2007
Finished goods	\$ 41,716	\$ 45,489
Work-in-process	31,187	41,417
Raw materials	75,010	47,007
	147,913	133,913
LIFO reserve	(37,317)	(32,705)
Total inventories	\$ 110,596	\$ 101,208

The above value of inventories, before reduction for the LIFO reserve, approximates replacement cost at the respective dates.

#### Note 5: Warranty

We provide our motor home customers a comprehensive 12-month/15,000-mile warranty on the Class A, Class B and Class C coach, and a 3-year/36,000-mile structural warranty on Class A and Class C sidewalls and floors. We record a liability based on our estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. Changes in our product warranty liability during Fiscal 2008 and Fiscal 2007 are as follows:

(In thousands)	August 30, 2008	August 25, 2007
Balance at beginning of year	\$ 11,259	\$ 9,523
Provision	10,967	13,257
Claims paid	(12,367)	(11,521)
Balance at end of year	\$ 9,859	\$ 11,259

In addition to the costs associated with the contractual warranty coverage provided on our motor homes, we also occasionally incur costs as a result of additional service actions not covered by our warranties, including product recalls and customer satisfaction actions. We estimate the cost of these service actions using past claim rate experiences and the estimated cost of the repairs. Estimated costs are accrued at the time the service action is implemented and included in cost of sales in our consolidated statements of income and as other accrued expenses in our consolidated balance sheets.

Changes in our reserve for customer service actions during Fiscal 2008 and Fiscal 2007 are as follows:

(In thousands)	August 30, 2008	August 25, 2007
Balance at beginning of year	\$ 253	\$ 505
Provision	64	410
Claims paid	(211)	(662)
Balance at end of year	\$ 106	\$ 253

#### Note 6: Employee and Retiree Benefits

Long-term postretirement health care and deferred compensation benefits are as follows:

(In thousands)	August 30, 2008	August 25, 2007
Postretirement health care benefit cost <sup>(1)</sup>	\$ 29,752	\$ 31,581
Non-qualified deferred compensation <sup>(2)</sup>	24,155	25,041
Executive share option plan liability	10,999	12,675
Split-dollar benefit liability <sup>(3)</sup>	2,767	---
Executive deferred compensation	56	22
Total postretirement health care and deferred compensation benefits	\$ 67,729	\$ 69,319

(1) The current portion of accrued postretirement benefit cost of \$1.1 million and \$979,000 as of August 30, 2008 and August 25, 2007, respectively, is included within other accrued expenses.

(2) The current portion of deferred compensation liability of \$2.4 million and \$1.6 million as of August 30, 2008 and August 25, 2007, respectively, is included within accrued compensation.

(3) The current portion of the split-dollar liability of \$186,000 and -0- as of August 31, 2008 and August 25, 2007, respectively, is included within accrued compensation.

[Table of Contents](#)

**Winnebago Industries, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**

**Postretirement Health Care Benefits**

We provide certain health care and other benefits for retired employees hired before April 1, 2001, who have fulfilled eligibility requirements at age 55 with 15 years of continuous service. Retirees are required to pay a monthly premium for medical coverage based on years of service at retirement and then current age. Our postretirement health care plan currently is not funded. We use a September 1 measurement date for this plan.

We adopted SFAS No. 158, *Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans — an amendment of FASB Statement Nos. 87, 88, 106, and 132(R)* at the end of Fiscal 2007. The adoption resulted in a decrease in total assets of \$6.4 million, a decrease in total liabilities of \$17.6 million, and an increase in total shareholders' equity of \$11.1 million, net of tax. The adoption of this standard had no impact on our consolidated results of operations.

The following tables present reconciliations of the benefit obligation and the funded status of the plan:

(In thousands)	August 30, 2008	August 25, 2007
Change in benefit obligation:		
Accumulated benefit obligation, beginning of year	\$ 32,560	\$ 31,918
Interest cost	2,003	1,888
Service cost	734	809
Net benefits paid	(1,046)	(872)
Actuarial gain	(3,424)	(1,183)
Benefit obligation, end of year	\$ 30,827	\$ 32,560
Funded status	\$ ---	\$ ---
Accumulated benefit obligation in excess of plan assets	30,827	32,560
Accrued postretirement health care benefit cost (short- and long-term)	\$ 30,827	\$ 32,560

Amounts recognized in the consolidated balance sheets are as follows:

(In thousands)	August 30, 2008	August 25, 2007
Current liabilities	\$ 1,075	\$ 979
Noncurrent liabilities	29,752	31,581
	\$ 30,827	\$ 32,560

Net periodic postretirement benefit income for the past three fiscal years consisted of the following components:

(In thousands)	August 30, 2008	August 25, 2007	August 26, 2006
Interest cost	\$ 2,003	\$ 1,888	\$ 1,826
Service cost	734	809	931
Net amortization and deferral	(3,298)	(3,187)	(2,948)
Net periodic postretirement benefit income	\$ (561)	\$ (490)	\$ (191)

Amounts not yet recognized in net periodic benefit cost and included in accumulated other comprehensive income (before taxes) are as follows:

(In thousands)	August 30, 2008	August 25, 2007
Prior service credit	\$ (30,399)	\$ (34,647)
Net actuarial loss	12,709	17,083
Accumulated other comprehensive income	\$ (17,690)	\$ (17,564)

The estimated actuarial net loss and prior service credit that will be amortized from accumulated other comprehensive income into net periodic benefit cost in 2009 are \$702,000 and \$(4.2) million, respectively.

**Winnebago Industries, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**

The discount rate used in determining the accumulated postretirement benefit obligation was 7.0 percent at August 30, 2008 and 6.25 percent at August 25, 2007. The average assumed health care cost trend rate used in measuring the accumulated postretirement benefit obligations as of August 30, 2008 was 8.5 percent, decreasing each successive year until it reaches 4.5 percent in 2017, after which it remains constant.

Assumed health care cost trend rates have a significant effect on the amounts reported for the health care plans. A one percentage point change in assumed health care cost trend rates would have the following effects:

(In thousands)	One Percentage Point Increase	One Percentage Point Decrease
Effect on total of service and interest cost components	\$ 16	\$ (20)
Effect on postretirement benefit obligation	\$ 226	\$ (279)

Expected future benefit payments for postretirement health care for the next 10 years are as follows:

(In thousands)	Year Ended	Amount
	2009	\$ 1,111
	2010	1,294
	2011	1,479
	2012	1,641
	2013	1,800
	2014 - 2018	\$ 11,634
		<u>18,959</u>

The expected benefits have been estimated based on the same assumptions used to measure our benefit obligation as of August 30, 2008 and include benefits attached to estimated future employees' services.

#### Deferred Compensation Benefits

##### *Non-Qualified Deferred Compensation Program (1981)*

We have a Non-Qualified Deferred Compensation Program which permitted key employees to annually elect (via individual contracts) to defer a portion of their compensation until their retirement. The plan has been closed to any additional deferrals since January 2001. The retirement benefit to be provided is based upon the amount of compensation deferred and the age of the individual at the time of the contracted deferral. An individual generally vests at the later of age 55 and five years of service since the deferral was made. For deferrals prior to December 1992, vesting occurs at the later of age 55 and five years of service from first deferral or 20 years of service. Deferred compensation expense was \$1.8 million, \$1.8 million and \$1.5 million in Fiscal 2008, 2007 and 2006, respectively. Total deferred compensation liabilities were \$26.6 million and \$26.7 million at August 30, 2008 and August 25, 2007, respectively.

To assist in funding the deferred compensation liability, we have invested in corporate-owned life insurance policies. The cash surrender value of these policies are presented as investment in life insurance in the accompanying consolidated balance sheets.

Investment in life insurance consisted of the following:

(In thousands)	August 30, 2008	August 25, 2007
Corporate-owned life insurance:		
Cash value	\$ 40,306	\$ 38,112
Borrowings	(24,159)	(22,349)
Cash surrender value	16,147	15,763
Split-dollar life insurance	5,787	4,062
Other company-owned life insurance policies	189	190
Total investment in life insurance	<u>\$ 22,123</u>	<u>\$ 20,015</u>

##### *Split-Dollar Life Insurance (1988)*

We have a Split-Dollar Life Insurance Program with respect to management personnel which was discontinued in 1998. The primary purpose of this insurance was to provide these individuals with supplemental retirement income for a period of 15 years after retirement.

**Winnebago Industries, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**

In Fiscal 2007, the Split-Dollar Life Insurance balance of \$4.1 million included within the asset investment of life insurance, reflected receivables from employees for premiums paid by us on their behalf. These receivables are collateralized by the assignment of employee-owned life insurance for the reimbursement of premiums paid by us from the net death benefit proceeds of the policies, upon the death of the insured. At the end of Fiscal 2008, EITF No. 06-10, *Accounting for Collateral Assignment Split-Dollar Life Insurance Arrangement*, was adopted and as a result, the asset was increased by \$1.7 million, to reflect the total cash surrender value of the policies. Also, an associated liability of \$3.0 million was established to reflect the future postretirement benefit obligation associated with this program, a deferred tax asset of \$1.1 million was established and the impact to total stockholders' equity was a reduction of \$159,000, net of tax.

##### *Non-Qualified Share Option Program (2001)*

In addition, we have a Non-Qualified Share Option Program which permitted participants in the Executive Share Option Plan (the "Executive Plan") to choose to exchange a portion of their salary or other eligible compensation for options on selected securities, primarily equity-based mutual funds. These assets are treated as trading securities and are recorded at fair value. The Executive Plan has been closed to any additional deferrals since January 2005. Total Executive Plan assets are included in other assets and total Executive Plan liabilities are included in postretirement health care and deferred compensation benefits in the accompanying consolidated balance sheets. Such assets on August 30, 2008 and August 25, 2007 were \$13.5 million and \$15.3 million, respectively, and the liabilities were \$11.0 million and \$12.7 million, respectively. The difference between



the asset and liability balances represents the additional 25 percent we contributed at the time of the initial deferrals to aid in potential additional earnings to the participant. This contribution is required to be paid back to us when the option is exercised.

#### **Executive Deferred Compensation Plan (2007)**

In December 2006, we adopted the Winnebago Industries, Inc. Executive Deferred Compensation Plan (the "Executive Deferred Compensation Plan"). Under the Executive Deferred Compensation Plan, corporate officers and certain key employees may annually choose to defer up to 50 percent of their salary and up to 100 percent of their cash incentive awards. The assets are presented as other assets and the liabilities are presented as postretirement health care and deferred compensation benefits in the accompanying consolidated balance sheets. Such assets on August 30, 2008 and August 25, 2007 were \$55,000 and \$20,000, respectively, and liabilities were \$56,000 and \$22,000, respectively.

#### **Profit Sharing Plan**

We have a qualified profit sharing and contributory 401(k) plan for eligible employees. The plan provides for quarterly discretionary cash contributions as approved by our Board of Directors. Contributions to the plan for Fiscal 2008, 2007 and 2006 were \$2.3 million, \$2.5 million and \$2.6 million, respectively.

#### **Note 7: Contingent Liabilities and Commitments**

##### **Repurchase Commitments**

Generally, companies in the RV industry enter into repurchase agreements with lending institutions which have provided wholesale floorplan financing to dealers. Most dealers' motor homes are financed on a "floorplan" basis under which a bank or finance company lends the dealer all, or substantially all, of the purchase price, collateralized by a security interest in the motor homes purchased.

Our repurchase agreements provide that, in the event of default by the dealer on the agreement to pay the lending institution, we will repurchase the financed merchandise. The agreements provide that our liability will not exceed 100 percent of the dealer invoice and provide for periodic liability reductions based on the time since the date of the original invoice. These repurchase obligations expire upon the earlier to occur of (i) the dealer's sale of the financed unit or (ii) one year from the date of the original invoice. Our obligations under these repurchase agreements are reduced by the proceeds received upon the resale of any repurchased unit. Our contingent liability on these repurchase agreements was approximately \$199.7 million and \$308.2 million at August 30, 2008 and August 25, 2007, respectively.

In certain instances, we also repurchase inventory from our dealers due to state requirements or relationship terminations.

The reserve methodology used to record an estimated expense and loss reserve in each accounting period is based upon our repurchase history. This potential loss reserve is presented as other accrued liabilities in the accompanying consolidated balance sheets. Repurchase sales are not recorded as a revenue transaction, but the net difference between the original repurchase price and the resale price will be recorded against the loss reserve.

#### [Table of Contents](#)

### **Winnebago Industries, Inc. Notes to Consolidated Financial Statements (Continued)**

In the past three fiscal years, we had the following repurchase activity:

<b>(In thousands, except for units)</b>	<b>2008</b>	<b>2007</b>	<b>2006</b>
Units	36	48	31
Amount repurchased	\$ 3,003	\$ 3,735	\$ 2,813
Loss recognized	\$ 162	\$ 117	\$ 112
Repurchase reserve	\$ 661	\$ 84	\$ 84

Prior to Fiscal 2008, we only disclosed activity related to repurchase agreements with lending institutions. The repurchase activity within the state requirements or terminations category were not significant. We have increased our reserve for repurchases to provide for potential future losses. The potential increase in losses results from more recent market difficulties for the recreation vehicle industry.

##### **Guarantees For Suppliers**

During the second quarter of Fiscal 2004, we entered into a five-year limited guarantee agreement ("Guarantee Agreement") with a leasing corporation ("Landlord") and an unaffiliated third-party paint supplier (the "Supplier"). The Landlord constructed a paint facility through debt financing on land adjoining our Charles City manufacturing plant for the Supplier. The Landlord and the Supplier have signed a ten-year lease agreement which commenced on August 1, 2004. The Guarantee Agreement states that we will guarantee the first 60 monthly lease payments (totaling approximately \$1.6 million of which \$286,000 was remaining as of August 30, 2008). In the event of payment default before August 2009 and the Supplier's failure to correct the default, the Landlord shall give us (Guarantor) written notice of its intent to terminate said lease. At the time of this notification, we have various options that we must exercise in a timely manner. One alternative is to exercise an option to purchase the real estate with improvements from the Landlord. The price we would pay would be the outstanding loan owed by the Landlord to construct the paint facility, which was approximately \$1.4 million as of August 30, 2008. As of August 30, 2008, the Supplier is current with its lease payment obligations to the Landlord. In August 2004, approximately \$315,000 was recorded by us as the estimated fair value for the guarantee. As of August 30, 2008, the balance of the guarantee was approximately \$57,000 and presented as other accrued liabilities in the accompanying consolidated balance sheets.

##### **Self-Insured Product Liability**

We have an insurance policy covering product liability claims, however, we self-insure for a portion of product liability claims. Self-insurance retention liability varies annually based on market conditions and for at least the last five fiscal years was at \$2.5 million per occurrence and \$6.0 million in aggregate per policy year. In the event that the annual aggregate of the self-insured retention is exhausted by payment of claims and defense expenses, a deductible of \$1.0 million, excluding defense expenses, is applicable to each claim covered under this policy. Our product liability accrual is included within accrued self-insurance on our consolidated balance sheet along with other types of self-insured liabilities, such as workers' compensation and employee medical claims.

##### **Litigation**

We are involved in various legal proceedings which are ordinary routine litigation incidental to our business, some of which are covered in whole or in part by insurance. While it is impossible to estimate with certainty the ultimate legal and financial liability with respect to this litigation, we believe that while the final resolution of any such litigation may have an impact on our consolidated results for a particular reporting period, the ultimate disposition of such litigation will not have any material adverse effect on our financial position, results of operations or liquidity.

##### **Lease Commitments**

We lease certain facilities and equipment under operating leases. Lease expense was \$294,000 for Fiscal 2008, \$281,000 for Fiscal 2007 and \$318,000 for Fiscal 2006. Minimum future lease commitments under noncancelable lease agreements in excess of one year as of August 30, 2008 are as follows:

<b>(In thousands)</b>	<b>Year Ended</b>	<b>Amount</b>
-----------------------	-------------------	---------------

2009	\$	153
2010		125
2011		105
Total	\$	\$383

[Table of Contents](#)

**Winnebago Industries, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**

**Note 8: Income Taxes**

The components of the (benefit) provision for income taxes are as follows:

(In thousands)	Year Ended		
	August 30, 2008	August 25, 2007	August 26, 2006
Current			
Federal	\$ (2,132)	\$ 21,427	\$ 21,360
State	(4,212)	1,650	1,553
Total current (benefit) provision	(6,344)	23,077	22,913
Deferred			
Federal	(1,630)	(2,799)	266
State	(251)	(433)	272
Total deferred (benefit) provision	(1,881)	(3,232)	538
Total (benefit) provision	\$ (8,225)	\$ 19,845	\$ 23,451

The following is a reconciliation of the U.S. statutory income tax rate to our effective tax rate:

(Stated as a percentage)	Year Ended		
	August 30, 2008	August 25, 2007	August 26, 2006
U.S. federal statutory rate	(35.0)	35.0	35.0
Tax-free and dividend income	(69.6)	(2.9)	(2.0)
Domestic production activities credit	---	(1.1)	(1.0)
State taxes, net of federal benefit	1.3	1.5	1.6
Incentive stock options	2.1	0.3	1.2
Provision for uncertain tax positions	24.1	---	---
Settlement of uncertain tax positions	(76.3)	---	---
Other	2.2	(0.5)	0.1
Effective tax (benefit) provision rate	(151.2)	32.3	34.9

[Table of Contents](#)

**Winnebago Industries, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**

Significant items comprising our net deferred tax assets are as follows:

(In thousands)	August 30, 2008			August 25, 2007		
	Assets	Liabilities	Total	Assets	Liabilities	Total
Current						
Warranty reserves	\$ 3,661	\$ ---	\$ 3,661	\$ 4,150	\$ ---	\$ 4,150
Stock-based compensation	2,277	---	2,277	1,143	---	1,143
Self-insurance reserve	2,068	---	2,068	2,247	---	2,247
Accrued vacation	1,817	---	1,817	2,247	---	2,247
Miscellaneous reserves	1,722	(392)	1,330	1,220	(477)	743
Carry forward tax credits <sup>(1)</sup>	1,394	---	1,394	1,274	---	1,274
Inventory valuation	---	(647)	(647)	883	---	883
Total current	12,939	(1,039)	11,900	13,164	(477)	12,687
Noncurrent						
Deferred compensation	15,665	---	15,665	13,868	---	13,868
Postretirement health care benefits	11,560	---	11,560	12,001	---	12,001

Unrecognized tax benefit	2,493	---	2,493	---	---	---
Long-term investment impairment	736	---	736	---	---	---
Depreciation	---	(3,631)	(3,631)	---	(6,013)	(6,013)
Other	39	---	39	---	---	---
Total noncurrent	30,493	(3,631)	26,862	25,869	(6,013)	19,856
Subtotal	43,432	(4,670)	38,762	39,033	(6,490)	32,543
Valuation allowance <sup>(1)</sup>	(325)	---	(325)	---	---	---
Total deferred tax assets	\$ 43,107	\$ (4,670)	\$ 38,437	\$ 39,033	\$ (6,490)	\$ 32,543

(1) The carry forward tax credits will expire in Fiscal 2014. A valuation allowance of \$325,000 was established on a portion of these tax credits due to the unlikelihood of utilization.

On August 26, 2007, we adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes – An Interpretation of FASB Statement No. 109* (FIN 48). FIN 48 prescribes criteria for the financial statement recognition and measurement of tax positions taken or expected to be taken in a tax return, among other items. In addition, FIN 48 provides guidance on classification of tax liabilities, interest and penalties, accounting interim periods, disclosure, and transition with respect to the application of the new accounting standard. As a result of adoption in the first quarter of Fiscal 2008, we recognized a cumulative effect adjustment of \$8.5 million as a reduction to the balance of retained earnings, an increase of \$7.1 million in deferred tax assets, and an increase of \$15.6 million in tax liabilities. The amount of unrecognized tax benefits totaled \$21.8 million, of which \$8.3 million was accrued for interest and penalties. It is our policy to recognize interest and penalties accrued relative to unrecognized tax benefits into tax expense.

Changes in the unrecognized tax benefit during Fiscal 2008 were as follows:

(In thousands)	2008
Unrecognized tax benefits - opening balance	\$ (21,807)
Gross increases - tax positions in a prior period	(979)
Gross decreases - tax positions in a prior period	7,218
Gross increases - current period tax positions	(1,862)
Settlements	7,961
Unrecognized tax benefits - ending balance	\$ (9,469)

If the remaining uncertain positions are ultimately resolved, approximately \$4.5 million could have a positive impact on our effective tax rate. Currently, \$3.0 million is accrued for interest and penalties, which is a reduction of approximately \$5.3 million from the first quarter Fiscal 2008 adoption.

[Table of Contents](#)

**Winnebago Industries, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**

We file tax returns in the U.S. federal jurisdiction, as well as various international and state jurisdictions. A number of years may elapse before an uncertain tax position is audited and finally resolved, and is often very difficult to predict the outcome of such audits. Our Fiscal 2005 federal tax return was audited by the Internal Revenue Service, and as a result of this audit, the IRS recommended no changes to be made. Our federal returns are not subject to examination prior to Fiscal 2004. Periodically, various state and local jurisdictions conduct audits, therefore, a variety of other years are subject to state and local jurisdiction review.

We do not believe within the next twelve months there will be a significant change in the total amount of unrecognized tax benefits as of August 30, 2008.

**Note 9: Financial Income and Expense**

The following is a reconciliation of financial income:

(In thousands)	Year Ended <sup>(1)</sup>		
	August 30, 2008	August 25, 2007	August 26, 2006
Interest income from investments and receivables	\$ 4,091	\$ 2,895	\$ 3,507
Dividend income	231	3,634	1,585
(Loss) gain on foreign currency transactions	(8)	(6)	5
Total financial income	\$ 4,314	\$ 6,523	\$ 5,097

(1) Fiscal year ended August 30, 2008 contained 53 weeks; all other fiscal years contained 52 weeks.

**Note 10: Stock-Based Compensation Plans**

We have a 2004 Incentive Compensation Plan, as amended (the "Plan"), in place which allows us to grant stock options and other equity compensation to key employees and to nonemployee directors. Prior to Fiscal 2007, stock-based compensation generally consisted only of stock options. In Fiscal 2007 and Fiscal 2008, we granted restricted stock awards to key employees and directors instead of stock options. The value of the restricted stock awards is determined using the intrinsic value method which, in this case, is based on the number of shares granted and the closing price of our common stock on the date of grant. Prior to Fiscal 2007, the grant price of an option under the Plan was determined by the mean of the high and low prices of our common stock on the date of grant. Any future stock options are expected to be granted at the closing market price on the date of grant. The term of any options granted under the Plan may not exceed 10 years from the date of the grant. Options and awards issued to key employees generally vest over a three-year period in equal annual installment, beginning one year after the date of grant, with immediate vesting upon retirement or upon a change of control (as defined in the Plan), if earlier. Historically, options issued to directors vested six months after grant. No more than 4,000,000 shares of common stock may be issued under the Plan and no more than 2,000,000 of those shares may be used for awards other than stock options or stock appreciation rights. Shares subject to awards that are forfeited, terminated, expire unexercised, settled in cash, exchanged for other awards, tendered to satisfy the purchase price of an award, withheld to satisfy tax obligations or otherwise lapse again become available for awards.

The Plan replaced the 1997 Stock Option Plan. Any stock options previously granted under the 1997 Stock Option Plan shall continue to be exercisable in accordance with their original terms and conditions.

**Stock Options**

Total stock option expense included in our statements of income for the fiscal year ended August 30, 2008, August 25, 2007 and August 26, 2006, was \$401,000 (\$370,000 net of tax or \$.01 per diluted share), \$1.7 million (\$1.3 million net of tax or \$.04 per diluted share) and \$4.6 million (\$3.8 million net of tax or \$.12 per diluted share), respectively.

Of the \$401,000 option expense included in our statements of income for the fiscal year ended August 30, 2008, \$126,000 relates to awards granted prior to Fiscal 2006 which continue to be expensed over the three-year vesting period.

[Table of Contents](#)

**Winnebago Industries, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**

A summary of stock option activity for Fiscal 2008, 2007 and 2006 is as follows:

	2008			2007			2006		
	Shares	Price per Share	Wtd. Avg. Exercise Price/Share	Shares	Price per Share	Wtd. Avg. Exercise Price/Share	Shares	Price per Share	Wtd. Avg. Exercise Price/Share
Outstanding at beginning of year	1,137,975	\$5 - \$36	\$ 26.32	1,591,676	\$4 - \$36	\$ 23.93	1,374,088	\$3 - \$36	\$ 22.24
Options granted	---	---	---	---	---	---	340,000	26 - 34	27.68
Options exercised	(59,201)	5 - 27	10.86	(449,690)	4 - 32	17.82	(122,412)	3 - 32	15.35
Options canceled	(33,875)	26 - 32	29.25	(4,011)	31	31.48	---	---	---
Outstanding at end of year	1,044,899	\$7 - \$36	\$ 27.10	1,137,975	\$5 - \$36	\$ 26.32	1,591,676	\$4 - \$36	\$ 23.93
Exercisable at end of year	971,540	\$7 - \$36	\$ 27.09	859,242	\$5 - \$36	\$ 25.57	920,324	\$4 - \$36	\$ 20.50

The fair value of each option grant is estimated on the date of grant using the Black-Scholes option-pricing model with the following assumptions:

2006	
Dividend yield	1.27%
Risk-free interest rate <sup>(1)</sup>	4.3%
Expected life <sup>(2)</sup>	4.2 years
Expected volatility <sup>(3)</sup>	35.62 - 36.93%
Estimated per share fair value of options granted	\$8.68

- (1) Risk-free interest rate is based on the Treasury Securities constant maturity interest rate whose term is consistent with the expected life of our stock options.  
(2) Expected life of stock options is based on historical experience.  
(3) Expected stock price volatility is based on historical experience over a term consistent with the expected life of our stock options.

The weighted average remaining contractual life for options outstanding and exercisable at August 30, 2008 was 5.44 years and 5.31 years, respectively. The aggregate intrinsic value of options outstanding and exercisable at August 30, 2008 was \$142,000 and \$142,000, respectively.

As of August 30, 2008, there was \$32,000 of unrecognized compensation expense related to nonvested option awards that is expected to be recognized over a weighted average period of less than two months.

Other values related to options are as follows:

(In thousands)	2008	2007	2006
Aggregate intrinsic value of options exercised <sup>(1)</sup>	\$ 497	\$ 6,934	\$ 1,941
Net cash proceeds from the exercise of stock options	643	8,014	1,878
Actual income tax benefit realized from stock option exercises	190	2,396	501

- (1) The amount by which the closing price of our stock on the date of exercise exceeded the exercise price.

**Stock Awards**

Total restricted stock award expense included in our statements of income for the fiscal year ended August 30, 2008 and August 25, 2007 was \$3.5 million (\$2.3 million net of tax or \$0.08 per diluted share) and \$3.2 million (\$2.2 million net of tax or \$0.07 per diluted share), respectively.

[Table of Contents](#)

**Winnebago Industries, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**

**Employee Stock Awards**

A summary of employee stock award activity for Fiscal 2008 and 2007 is as follows:

	2008		2007	
	Shares	Weighted Average Grant Date Fair Value	Shares	Weighted Average Grant Date Fair Value
Beginning of year	89,850	\$ 34.36	---	\$ ---
Granted	129,200	26.61	105,450	34.27
Vested	(79,938)	28.79	(15,600)	33.75
Cancelled	(1,000)	30.67	---	---
End of year	138,112	\$ 30.36	89,850	\$ 34.36

The aggregate intrinsic value of employee awards outstanding at August 30, 2008 was \$1.6 million.

As of August 30, 2008, there was \$1.2 million of unrecognized compensation expense related to restricted stock awards that is expected to be recognized over a weighted average period of 1.7 years. The aggregate intrinsic value and total fair value of awards vested during Fiscal 2008 was \$1.6 million and \$2.3 million, respectively.

#### Director's Awards

During Fiscal 2008 and Fiscal 2007, a total of 10,500 shares and 7,000 shares, respectively, were granted to nonemployee directors, which were immediately vested in the awards but are restricted from being sold until retirement from the Board of Directors. The aggregate intrinsic value of these awards as of August 30, 2008 was \$170,000. Also, individual nonemployee directors may elect to receive all or part of their annual retainer and fees in the form of Winnebago Industries stock units credited in the form of shares of our common stock instead of cash. These shares are also restricted from being sold until the individual retires from the Board. The aggregate intrinsic value of these awards as of August 30, 2008 was \$646,000 with 56,954 shares outstanding.

A summary of the stock activity under this arrangement for the past three fiscal years is as follows:

	2008	2007	2006
Shares issued to trust	12,527	7,524	8,310
Related expense	\$ 211,000	\$ 239,000	\$ 252,000

#### Note 11: Net Revenues Classifications

Net revenue by product class:

(In thousands)	Year Ended <sup>(1)</sup>					
	August 30, 2008		August 25, 2007		August 26, 2006	
	\$	%	\$	%	\$	%
Motor homes	\$ 555,671	91.9	\$ 815,895	93.8	\$ 808,715	93.6
Motor home parts and services	16,923	2.8	16,413	1.9	15,901	1.8
Other manufactured products	31,758	5.3	37,844	4.3	39,787	4.6
Total net revenues	\$ 604,352	100.0	\$ 870,152	100.0	\$ 864,403	100.0

(1) Fiscal year ended August 30, 2008 contained 53 weeks; all other fiscal years contained 52 weeks.

Net revenue by geographic area:

(In thousands)	Year Ended <sup>(1)</sup>					
	August 30, 2008		August 25, 2007		August 26, 2006	
	\$	%	\$	%	\$	%
United States	\$ 560,602	92.8	\$ 823,287	94.6	\$ 829,619	96.0
International	43,750	7.2	46,865	5.4	34,784	4.0
Total net revenues	\$ 604,352	100.0	\$ 870,152	100.0	\$ 864,403	100.0

(1) Fiscal year ended August 30, 2008 contained 53 weeks; all other fiscal years contained 52 weeks.

[Table of Contents](#)

### Winnebago Industries, Inc. Notes to Consolidated Financial Statements (Continued)

#### Note 12: Income Per Share

The following table reflects the calculation of basic and diluted income per share for the past three fiscal years:

(In thousands)	Year Ended <sup>(1)</sup>		
	August 30, 2008	August 25, 2007	August 26, 2006
Income per share - basic			
Net income	\$ 2,784	\$ 41,564	\$ 44,744
Weighted average shares outstanding	29,093	31,162	32,265
Net income per share - basic	\$ 0.10	\$ 1.33	\$ 1.39
Income per share - assuming dilution			
Net income	\$ 2,784	\$ 41,564	\$ 44,744
Weighted average shares outstanding	29,093	31,162	32,265
Dilutive impact of options outstanding	51	253	285
Weighted average shares and potential dilutive shares outstanding	29,144	31,415	32,550
Net income per share - assuming dilution	\$ 0.10	\$ 1.32	\$ 1.37

(1) Fiscal year ended August 30, 2008 contained 53 weeks; all other fiscal years contained 52 weeks.

For the fiscal years ended August 30, 2008, August 25, 2007 and August 26, 2006, there were options outstanding to purchase 881,591 shares, 273,555 shares and 659,927 shares, respectively, of common stock at an average price of \$29.36, \$32.82 and \$30.83, respectively, which were not included in the computation of diluted income per share because they are considered anti-dilutive under the treasury stock method per SFAS No. 128, *Earnings Per Share* (as amended).

#### Note 13: Preferred Stock and Shareholders Rights Plan

The Board of Directors may authorize the issuance from time to time of preferred stock in one or more series with such designations, preferences, qualifications, limitations, restrictions, and optional or other special rights as the Board may fix by resolution. In connection with the Shareholders Rights Plan (the "Rights Plan") discussed below, the Board of Directors has reserved, but not issued, 300,000 shares of preferred stock.

In May 2000, we adopted a Rights Plan providing for a dividend distribution of one preferred share purchase right for each share of common stock outstanding on and after May 26, 2000. The rights can be exercised only if an individual or group acquires or announces a tender offer for 15 percent or more of our common stock, except as described below. Certain members of the Hanson family (including trusts and estates established by such Hanson family members and the John K. and Luise V. Hanson Foundation) are

exempt from the applicability of the Rights Plan as it relates to the acquisition of 15 percent or more of our outstanding common stock. If the rights first become exercisable as a result of an announced tender offer, each right would entitle the holder (other than the individual or group acquiring or announcing a tender offer for 15 percent or more of our common stock), except as described below, to buy 1/200 of a share of a new series of preferred stock at an exercise price of \$33.625. The preferred shares will be entitled to 100 times the per share dividend payable on our common stock and to 100 votes on all matters submitted to a vote of the shareowners. Once an individual or group acquires 15 percent or more of our common stock, each right held by such individual or group becomes void and the remaining rights will then entitle the holder to purchase the number of common shares having a market value of twice the exercise price of the right. In the event that we are acquired in a merger or 50 percent or more of our consolidated assets or earnings power are sold, each right will then entitle the holder to purchase a number of the acquiring company's common shares having a market value of twice the exercise price of the right. After an individual or group acquires 15 percent, except as described below, of our common stock and before they acquire 50 percent, our Board of Directors may exchange the rights in whole or in part, at an exchange ratio of one share of common stock per right. Before an individual or group acquires 15 percent of our common stock, the rights are redeemable for \$0.01 per right at the option of our Board of Directors. Our Board of Directors is authorized to reduce the 15 percent threshold to no less than 10 percent. Each right will expire on May 3, 2010, unless earlier redeemed by us. An Amendment, dated January 13, 2003, was made to the Rights Plan to permit FMR Corp., its affiliates and associates (collectively, "FMR") and an amendment dated May 17, 2006, was made to the Rights Plan to permit Royce & Associates, LLC, its affiliates and associates ("Royce"), to be the beneficial owner of up to 20 percent of our outstanding stock provided that FMR or Royce, in its filings under the Securities Exchange Act of 1934, as amended, does not state any present intention to hold shares of our common stock with the purpose or effect of changing or influencing control of us. An individual or group that becomes the beneficial owner of 15 percent or more (20 percent in the case of

[Table of Contents](#)

**Winnebago Industries, Inc.**  
**Notes to Consolidated Financial Statements (Continued)**

FMR or Royce) of our common stock as a result of an acquisition of the common stock by us or the acquisition by such individual or group of new-issued shares directly from us, such individual's or group's ownership shall not trigger the issuance of rights under the Rights Plan unless such individual or group after such share repurchase or direct issuance by us, becomes the beneficial owner of any additional shares of our common stock.

**Note 14: Interim Financial Information (Unaudited)**

Fiscal 2008 (In thousands, except per share data)	Quarter Ended			
	December 1, 2007 <sup>(1)</sup>	March 1, 2008	May 31, 2008	August 30, 2008
Net revenues	\$ 215,142	\$ 164,203	\$ 139,736	\$ 85,271
Gross profit	25,640	12,169	2,624	(5,661)
Operating income (loss)	13,584	2,454	(6,903)	(18,890)
Net income (loss)	\$ 9,962	\$ 2,517	\$ 3,000	\$ (12,695)
Net income (loss) per share (basic)	\$ 0.34	\$ 0.09	\$ 0.10	\$ (0.44)
Net income (loss) per share (diluted)	\$ 0.34	\$ 0.09	\$ 0.10	\$ (0.44)

(1) Quarter ended December 1, 2007 contained 14 weeks.

Fiscal 2007 (In thousands, except per share data)	Quarter Ended			
	November 25, 2006	February 24, 2007	May 26, 2007	August 25, 2007
Net revenues	\$ 201,765	\$ 199,014	\$ 231,692	\$ 237,681
Gross profit	21,384	18,965	26,256	32,592
Operating income	10,140	9,360	14,659	20,727
Net income	\$ 7,936	\$ 7,532	\$ 11,253	\$ 14,843
Net income per share (basic)	\$ 0.25	\$ 0.24	\$ 0.36	\$ 0.49
Net income per share (diluted)	\$ 0.25	\$ 0.24	\$ 0.35	\$ 0.49

**Note 15: Comprehensive Income**

Comprehensive income, net of tax, consists of:

(In thousands)	Year Ended <sup>(1)</sup>		
	August 30, 2008	August 25, 2007	August 26, 2006
Net income	\$ 2,784	\$ 41,564	\$ 44,744
Temporary impairment of investments	(1,224)	---	---
Amortization of actuarial loss	2,858	---	---
Amortization of prior service credit	(2,911)	---	---
Comprehensive income	\$ 1,507	\$ 41,564	\$ 44,744

(1) Year ended August 30, 2008 contained 53 weeks; all other fiscal years contained 52 weeks.

**Note 16: Subsequent Event**

On September 17, 2008, we entered into a Credit and Security Agreement with Wells Fargo. The Credit Agreement provides for a \$25.0 million maximum revolving credit facility, based on certain accounts receivable and inventory accounts, expiring on September 17, 2010, unless terminated earlier in accordance with its terms. Interest on loans under the Credit Agreement will be a rate equal to either LIBOR plus 1.5% to 2.5% or prime rate plus (0.75%) to 0.25%. No borrowings have been made under the credit facility through October 29, 2008. The credit facility provides increased financial flexibility, and if needed, will be used for working capital and for other general corporate purposes.

The credit facility contains typical affirmative representations and covenants for a credit agreement of this size and nature. The credit facility requires us to comply with certain financial covenants, including minimum tangible net worth, minimum current ratio and limitations on capital expenditures. Additionally, the credit facility contains negative covenants limiting our ability among other things, to incur debt, grant liens, make acquisitions, make certain investments, pay certain dividends and distributions (including stock repurchases), make certain restricted payments, engage in mergers, consolidations or acquisitions and sell assets. Our obligations under the credit facility are secured by a security interest in all accounts, chattel paper, documents, deposit accounts, instruments, inventory, investment property, letter-of-credit rights and certain other business assets.

---

[Table of Contents](#)
**ITEM 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure**

None

**ITEM 9A. Controls and Procedures**

As of the end of the period covered by this report, we, with the participation of our Chief Executive Officer and Chief Financial Officer, conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures, as required by Securities Exchange Act of 1934, as amended (the "Exchange Act") Rule 13a-15(f). Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

We, including the Chief Executive Officer and the Chief Financial Officer, do not expect that our disclosure controls and procedures will prevent all errors or all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. Further, the design of a control system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, have been detected. These inherent limitations include the realities that judgments in decision making can be faulty, and that breakdowns can occur because of a simple error or mistake. Additionally, controls can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions; over time, controls may become inadequate because of changes in conditions, or the degree of compliance with the policies or procedures may deteriorate. Because of the inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

We are responsible for establishing and maintaining adequate internal control over financial reporting as defined in Exchange Act Rule 13a-15(f). We conducted an evaluation of the effectiveness of our internal control over financial reporting based on the framework and criteria established in *Internal Control - Integrated Framework*, issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on this evaluation, our management concluded that our internal control over financial reporting was effective as of August 30, 2008. During our assessment, we did not identify any material weaknesses in our internal control over financial reporting. Our independent registered public accounting firm, Deloitte & Touche LLP, has audited our Consolidated Financial Statements and has issued an attestation report on management's assessment of our internal control over financial reporting, as stated in their report included herein.

There have been no significant changes in our internal controls or in other factors which could significantly affect internal controls over financial reporting subsequent to the date we carried out its evaluation.

In connection with the evaluation of internal control over financial reporting described above, no changes in our internal control over financing reporting were identified that occurred during the fourth quarter of Fiscal 2008 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

**ITEM 9B. Other Information**

None

---

[Table of Contents](#)
**PART III****ITEM 10. Directors, Executive Officers and Corporate Governance**

Reference is made to the table entitled "Executive Officers of the Registrant" in Part I of this report and to the information included under the captions "Election of Directors" and "Board of Directors, Committees of the Board and Corporate Governance" in our Proxy Statement for the Annual Meeting of Shareholders scheduled to be held December 16, 2008, which information is incorporated by reference herein.

Section 16(a) of the Exchange Act requires our officers, directors and persons who beneficially own more than 10 percent of our common stock (collectively "Reporting Persons") to file reports of ownership and changes in ownership with the Securities and Exchange Commission (SEC) and the New York Stock Exchange. Reporting Persons are required by the SEC regulations to furnish us with copies of all Section 16(a) forms they file. Based solely on our review of the copies of such forms received or written representations from certain Reporting Persons that no Form 5 were required for those persons, we believe that, during Fiscal 2008, all the Reporting Persons complied with all applicable filing requirements, except that due to an inadvertent administrative error, Mr. Hertzke filed a late report relating to a stock award of 20,000 shares of common stock.

We have adopted a written code of ethics, the "Code of Ethics for CEO and Senior Financial Officers" (the "Code") which is applicable to our Chief Executive Officer, Chief Financial Officer, Controller and Treasurer (collectively, the "Senior Officers"). In accordance with the rules and regulations of the SEC, a copy of the Code has been filed as an exhibit to this Form 10-K and is posted on our Web site.

We intend to disclose any changes in or waivers from the Code applicable to any Senior Officer on our Web Site at <http://www.winnebagoind.com> or by filing a Form 8-K.

**ITEM 11. Executive Compensation**

Reference is made to the information included under the captions "Director Compensation" and "Executive Compensation" in our Proxy Statement for the Annual Meeting of Shareholders scheduled to be held December 16, 2008, which information is incorporated by reference herein.

**ITEM 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**





Sarah N. Nielsen	Vice President, Chief Financial Officer (Principal Financial Officer)
/s/ Brian J. Hrubes	Controller (Principal Accounting Officer)
Brian J. Hrubes	Controller (Principal Accounting Officer)
/s/ Irvin E. Aal	Director
Irvin E. Aal	Director
/s/ Robert M. Chiusano	Director
Robert M. Chiusano	Director
/s/ Jerry N. Currie	Director
Jerry N. Currie	Director
/s/ Joseph W. England	Director
Joseph W. England	Director
/s/ Lawrence A. Erickson	Director
Lawrence A. Erickson	Director
/s/ John V. Hanson	Director
John V. Hanson	Director
/s/ Gerald C. Kitch	Director
Gerald C. Kitch	Director

[Table of Contents](#)

**Exhibit Index**

- 3a. Articles of Incorporation previously filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended May 27, 2000 (Commission File Number 001-06403) and incorporated by reference herein.
- 3b. Amended By-Laws of the Registrant previously filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 28, 2004 (Commission File Number 001-06403) and incorporated by reference herein.
- 4a. Continuing Guaranty, Commercial Security Agreement, Deposit Account Control Agreement and Collateral Receipt all dated October 1, 2003 previously filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 30, 2003 (Commission File Number 001-06403) and incorporated by reference herein.
- 4b. Limited Guaranty dated February 27, 2004 whereas Winnebago Industries, Inc. will act as the Guarantor to a certain lease agreement previously filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended February 28, 2004 (Commission File Number 001-06403) and incorporated by reference herein.
- 4c. Credit and Security Agreement between Wells Fargo Bank, National Association and Winnebago Industries, Inc. dated September 17, 2008.
- 10a. Winnebago Industries, Inc. Deferred Compensation Plan previously filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 2, 1991 (Commission File Number 001-06403), and incorporated by reference herein and the Amendment dated June 29, 1995 previously filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 26, 1995 (Commission File Number 001-06403) and incorporated by reference herein.\*
- 10b. Winnebago Industries, Inc. Profit Sharing and Deferred Savings Investment Plan previously filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 31, 1985 (Commission File Number 001-06403), and incorporated by reference herein and the Amendment dated July 1, 1995 previously filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 26, 1995 (Commission File Number 001-06403) and incorporated by reference herein and the Amendment dated March 21, 2007 (Commission File Number 001-06403) and incorporated by reference herein.\*
- 10c. Winnebago Industries, Inc. 2004 Incentive Compensation Plan previously filed as Appendix B with the Registrant's Proxy Statement for the Annual Meeting of Shareholders held on January 13, 2004 (Commission File Number 001-06403) and incorporated by reference herein and the Amendment dated October 11, 2006 previously filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 25, 2006 (Commission File Number 001-06403) and incorporated by reference herein.\*
- 10d. Winnebago Industries, Inc. Directors' Deferred Compensation Plan previously filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 30, 1997 (Commission File Number 001-06403), and incorporated by reference herein and the Amendment dated October 15, 2003 previously filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 29, 2003 (Commission File Number 001-06403) and incorporated by reference herein and the Amendment dated October 11, 2006 previously filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 25, 2006 (Commission File Number 001-06403) and incorporated by reference herein.\*
- 10e. Winnebago Industries, Inc. 1997 Stock Option Plan previously filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 30, 1997 (Commission File Number 001-06403) and incorporated by reference herein.\*
- 10f. Winnebago Industries, Inc. Executive Share Option Plan previously filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 29, 1998 (Commission File Number 001-06403) and incorporated by reference herein, and the Amendment dated July 1, 1999 previously filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended May 29, 1999 (Commission File Number 001-06403) and incorporated by reference herein and the Amendment dated January 1, 2001 previously filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended February 24, 2001 (Commission File Number 001-06403) and incorporated by reference herein.\*

- 10g. Winnebago Industries, Inc. Rights Plan Agreement previously filed with the Registrant's Current Report on Form 8-K dated May 3, 2000 (Commission File Number 001-06403) and incorporated by reference herein, the Amendment dated January 13, 2003 previously filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 1, 2003 (Commission File Number 001-06403) and incorporated by reference herein and the Amendment dated May 17, 2006 previously filed with the Registrant's Current Report on Form 8-K dated May 23, 2006 (Commission File Number 001-06403) and incorporated by reference herein.

---

[Table of Contents](#)

Exhibit Index

Page Two

- 10h. Executive Change of Control Agreement dated January 17, 2001 between Winnebago Industries, Inc. and Raymond M. Beebe previously filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended February 24, 2001 (Commission File Number 001-06403) and incorporated by reference herein.\*
- 10i. Executive Change of Control Agreement dated January 17, 2001 between Winnebago Industries, Inc. and Robert L. Gossett previously filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended February 24, 2001 (Commission File Number 001-06403) and incorporated by reference herein.\*
- 10j. Executive Change of Control Agreement dated January 17, 2001 between Winnebago Industries, Inc. and Robert J. Olson previously filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended February 24, 2001 (Commission File Number 001-06403) and incorporated by reference herein.\*
- 10k. Executive Change of Control Agreement dated July 12, 2001 between Winnebago Industries, Inc. and William J. O'Leary previously filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 25, 2001 (Commission File Number 001-06403) and incorporated by reference herein.\*
- 10l. Executive Change of Control Agreement dated November 14, 2005 between Winnebago Industries, Inc. and Sarah N. Nielsen previously filed with the Registrant's Report on Form 8-K dated November 14, 2005 and filed on November 15, 2005 (Commission File Number 001-06403) and incorporated by reference herein.\*
- 10m. Executive Change of Control Agreement dated March 13, 2003 between Winnebago Industries, Inc. and Roger W. Martin previously filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended March 1, 2003 (Commission File Number 001-06403) and incorporated by reference herein.\*
- 10n. Form of Winnebago Industries, Inc. Incentive Stock Option Agreement for grants of Incentive Stock Options under the 2004 Incentive Compensation Plan previously filed with the Registrant's Current Report on Form 8-K dated October 13, 2004 (Commission File Number 001-06403) and incorporated by reference herein.\*
- 10o. Form of Winnebago Industries, Inc. Non-Qualified Stock Option Agreement for grants of Non-Qualified Stock Options under the 2004 Incentive Compensation Plan previously filed with the Registrant's Report on Form 8-K dated October 13, 2004 (Commission File Number 001-06403) and incorporated by reference herein.\*
- 10p. Winnebago Industries, Inc. Officers' Long-Term Incentive Plan, fiscal three-year period 2007, 2008 and 2009 previously filed with the Registrant's Current Report on Form 8-K dated June 27, 2006 (Commission File Number 001-06403) and incorporated by reference herein.\*
- 10q. Winnebago Industries, Inc. Officers' Long-Term Incentive Plan, fiscal three-year period 2008, 2009 and 2010 previously filed with the Registrant's Current Report on Form 8-K dated June 26, 2007 (Commission File Number 001-06403) and incorporated by reference herein.\*
- 10r. Winnebago Industries, Inc. Executive Deferred Compensation Plan previously filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended November 25, 2006 (Commission File Number 001-06403) and incorporated by reference herein.\*
- 10s. Executive Change of Control Agreement dated March 21, 2007 between Winnebago Industries, Inc. and Randy J. Potts previously filed with the Registrant's Quarterly Report on Form 10-Q for the quarter ended May 26, 2007 (Commission File Number 001-06403) and incorporated by reference herein.\*
- 10t. Winnebago Industries, Inc. Restricted Stock Grant Award Agreement under the 2004 Incentive Compensation Plan previously filed with the Registrant's Current Report on Form 8-K dated October 12, 2006 (Commission File Number 001-06403) and incorporated by reference herein.\*
- 10u. Winnebago Industries, Inc. Officers' Long-Term Incentive Plan, fiscal three-year period 2009, 2010 and 2011 previously filed with the Registrant's Current Report on Form 8-K dated August 14, 2008 (Commission File Number 001-06403) and incorporated by reference herein.\*

---

[Table of Contents](#)

Exhibit Index

Page Three

- 10v. Winnebago Industries, Inc. Officers' Incentive Compensation Plan for Fiscal 2009 previously filed with the Registrant's Current Report on Form 8-K dated August 14, 2008 (Commission File Number 001-06403) and incorporated by reference herein.\*
- 14.1 Winnebago Industries, Inc. Code of Ethics for CEO and Senior Financial Officers previously filed with the Registrant's Annual Report on Form 10-K for the fiscal year ended August 30, 2003 (Commission File Number 001-06403) and incorporated by reference herein.
21. List of Subsidiaries.
23. Consent of Independent Registered Public Accounting Firm.
- 31.1 Certification by the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated October 29, 2008.
- 31.2 Certification by the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 dated October 29, 2008.
- 32.1 Certification by the Chief Executive Officer pursuant to Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 dated October 29, 2008.

\*Management contract or compensation plan or arrangement.

[Table of Contents](#)**ITEM 6. 11-Year Selected Financial Data <sup>(1)</sup>**

<b>(In thousands, except percent and per share data) (Adjusted for the 2-for-1 stock split on March 5, 2004)</b>	<b>Aug. 30, 2008 <sup>(2)</sup></b>	<b>Aug. 25, 2007</b>	<b>Aug. 26, 2006</b>	<b>Aug. 27, 2005</b>
<b>For the Year</b>				
Net revenues	\$ 604,352	\$ 870,152	\$ 864,403	\$ 991,975
(Loss) income before taxes	(5,441)	61,409	68,195	100,890
Pretax (loss) profit % of revenue	(0.9)%	7.1%	7.9%	10.2%
Provision for (credits) income taxes	(8,225)	19,845	23,451	35,817
Income tax (benefit) rate	(151.2)%	32.3%	34.4%	35.5%
Income from continuing operations	2,784	41,564	44,744	65,073
Income from discontinued operations <sup>(4)</sup>	---	---	---	---
Cum. effect of change in accounting principle	---	---	---	---
Net income	\$ 2,784	\$ 41,564	\$ 44,744	\$ 65,073
<b>Income per share</b>				
<b>Continuing operations</b>				
Basic	\$ 0.10	\$ 1.33	\$ 1.39	\$ 1.95
Diluted	0.10	1.32	1.37	1.92
<b>Discontinued operations</b>				
Basic	---	---	---	---
Diluted	---	---	---	---
<b>Cum. effect of change in accounting principle</b>				
Basic	---	---	---	---
Diluted	---	---	---	---
<b>Net income per share</b>				
Basic	\$ 0.10	\$ 1.33	\$ 1.39	\$ 1.95
Diluted	0.10	1.32	1.37	1.92
<b>Weighted average common shares outstanding (in thousands)</b>				
Basic	29,093	31,162	32,265	33,382
Diluted	29,144	31,415	32,550	33,812
Cash dividends paid per share	\$ 0.48	\$ 0.40	\$ 0.36	\$ 0.28
Book value per share	5.98	7.05	7.01	7.15
Return on assets (ROA) <sup>(5)</sup>	0.8%	11.1%	11.2%	16.1%
Return on equity (ROE) <sup>(6)</sup>	1.5%	19.5%	19.7%	29.7%
Return on invested capital (ROIC) <sup>(7)</sup>	1.5%	26.2%	24.9%	30.7%
<b>Unit Sales</b>				
Class A	3,029	5,031	4,455	6,674
Class B	140	---	---	---
Class C	3,238	4,438	5,388	3,963
Total Motor Homes	6,407	9,469	9,843	10,637
<b>At Year End</b>				
Total assets	\$ 305,455	\$ 366,510	\$ 384,715	\$ 412,960
Stockholders' equity	173,924	208,354	218,322	235,887
Market capitalization	329,955	821,282	884,789	1,073,165
Working capital	108,548	168,863	187,038	197,469
Current ratio	3.0 to 1	2.9 to 1	3.3 to 1	3.2 to 1
Number of employees	2,250	3,310	3,150	3,610

*(1) Certain prior periods' information has been reclassified to conform to the current year-end presentation.**(2) The fiscal years ended August 31, 2002 and August 30, 2008 contained 53 weeks; all other fiscal years contained 52 weeks.**(3) Includes a noncash after-tax cumulative effect of change in accounting principle of \$1.1 million expense or \$0.05 per share due to the adoption of SAB No. 101, Revenue Recognition in Financial Statements.**(4) Includes discontinued operations of Winnebago Acceptance Corporation for all years presented.*[Table of Contents](#)

<b>Aug. 28, 2004</b>	<b>Aug. 30, 2003</b>	<b>Aug. 31, 2002 <sup>(2)</sup></b>	<b>Aug. 25, 2001 <sup>(3)</sup></b>	<b>Aug. 26, 2000</b>	<b>Aug. 28, 1999</b>	<b>Aug. 29, 1998</b>
--------------------------	--------------------------	---	---	--------------------------	--------------------------	--------------------------

\$ 1,114,154	\$ 845,210	\$ 825,269	\$ 671,686	\$ 743,729	\$ 668,658	\$ 527,287
112,234	78,693	81,324	55,754	70,583	62,848	33,765
10.1%	9.3%	9.9%	8.3%	9.5%	9.4%	6.4%
41,593	29,961	28,431	14,258	24,400	21,033	10,786
37.1%	38.1%	35.0%	25.6%	34.6%	33.5%	31.9%
70,641	48,732	52,893	41,496	46,183	41,815	22,979
---	1,152	1,778	2,258	2,216	2,445	1,405
---	---	---	(1,050)	---	---	---
\$ 70,641	\$ 49,884	\$ 54,671	\$ 42,704	\$ 48,399	\$ 44,260	\$ 24,384
\$ 2.06	\$ 1.32	\$ 1.33	\$ 1.00	\$ 1.07	\$ 0.94	\$ 0.48
2.03	1.30	1.30	0.99	1.05	0.93	0.47
---	0.03	0.04	0.05	0.05	0.06	0.03
---	0.03	0.04	0.05	0.05	0.05	0.03
---	---	---	(0.02)	---	---	---
---	---	---	(0.02)	---	---	---
\$ 2.06	\$ 1.35	\$ 1.37	\$ 1.03	\$ 1.12	\$ 1.00	\$ 0.51
2.03	1.33	1.34	1.02	1.10	0.98	0.50
34,214	36,974	39,898	41,470	43,360	44,418	48,212
34,789	37,636	40,768	42,080	44,022	45,074	48,628
\$ 0.20	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10	\$ 0.10
6.01	5.78	4.81	5.00	4.11	3.35	2.55
18.3%	14.0%	15.9%	12.9%	16.3%	17.1%	11.0%
34.4%	25.6%	28.2%	22.3%	29.8%	33.3%	20.3%
35.4%	25.5%	29.1%	24.1%	28.2%	32.7%	19.2%
8,108	6,705	6,725	5,666	6,819	6,054	5,381
---	308	763	703	854	600	978
4,408	4,021	4,329	3,410	3,697	4,222	3,390
12,516	11,034	11,817	9,779	11,370	10,876	9,749
\$ 394,556	\$ 377,462	\$ 337,077	\$ 351,922	\$ 308,686	\$ 285,889	\$ 230,612
201,875	210,626	179,815	207,464	174,909	149,384	116,523
1,071,570	898,010	713,500	581,779	272,733	538,322	254,137
164,175	164,017	144,303	173,677	141,096	123,245	92,356
2.6 to 1	2.8 to 1	2.6 to 1	3.2 to 1	3.0 to 1	2.5 to 1	2.5 to 1
4,220	3,750	3,685	3,325	3,300	3,400	3,010

(5) ROA - Current period net income divided by average total asset balance using current and previous ending periods.

(6) ROE - Current period net income divided by average equity balance using current and previous ending periods.

(7) ROIC - Current period net income divided by average invested capital (total assets minus cash, short-term and long-term investments and noninterest liabilities) using current ending periods.

#### BOARD OF DIRECTORS

Robert J. Olson (57)  
Chairman of the Board,  
Chief Executive Officer and President  
Winnebago Industries, Inc.

Irvin E. Aal (69) 1,2,4\*  
Former General Manager  
Case Tyler Business Unit of CNH Global

Robert M. Chiusano (57) 2,4  
Former Executive Vice President and  
Chief Operating Officer – Commercial Systems  
Rockwell Collins, Inc.

Jerry N. Currie (63) 1,2,4  
President and Chief Executive Officer  
CURRIES Company and GRAHAM Manufacturing

Joseph W. England (68) 1\*, 3  
Former Senior Vice President  
Deere & Company

Lawrence A. Erickson (59) 1,4  
Former Senior Vice President and Chief Financial Officer  
Rockwell Collins, Inc.

John V. Hanson (66) 3\*, 4  
Former Deputy Chairman of the Board  
Winnebago Industries, Inc.

Gerald C. Kitch (70) \*\*, 2\*, 3  
Former Executive Vice President  
Pentair, Inc.

Board Committee/Members

1. Audit
2. Human Resources
3. Nominating and Governance
4. Sales and Product Development

\* Committee Chairman

\*\* Lead Independent Board Member

◆ Appointed Effective October 1, 2008

#### OFFICERS

#### SHAREHOLDER INFORMATION

##### Publications

A notice of Annual Meeting of Shareholders and Proxy Statement is furnished to shareholders upon request in advance of the annual meeting.

Copies of our quarterly financial earnings releases, the annual report on Form 10-K (without exhibits), the quarterly reports on Form 10-Q (without exhibits) and current reports on Form 8-K (without exhibits) as filed by us with the Securities and Exchange Commission, may be obtained without charge from the corporate offices as follows:

Sheila Davis, PR/IR Manager  
Winnebago Industries, Inc.  
605 W. Crystal Lake Road  
P.O. Box 152  
Forest City, Iowa 50436-0152  
Telephone: (641) 585-3535  
Fax: (641) 585-6966  
E-Mail: [ir@winnebagoind.com](mailto:ir@winnebagoind.com)

All news releases issued by us, reports filed by us with the Securities and Exchange Commission (including exhibits) and information on our Corporate Governance Policies and Procedures may also be viewed at the Winnebago Industries' Web site: <http://winnebagoind.com/investor.html>. Information contained on Winnebago Industries' Web site is not incorporated into this Annual Report or other securities filings.

##### Number of Shareholders of Record

As of October 7, 2008, Winnebago Industries had 3,657 shareholders of record.

##### Dividends Paid

Winnebago Industries paid a cash dividend of 12 cents a share each quarter to shareholders for Fiscal 2008.

##### Shareholder Account Assistance

Transfer Agent to contact for address changes, account certificates and stock holdings:

Wells Fargo Shareowner Services  
P.O. Box 64854  
St. Paul, Minnesota 55164-0854 or  
161 North Concord Exchange

#### Independent Auditors

Deloitte & Touche LLP  
400 One Financial Plaza  
120 South Sixth Street  
Minneapolis, Minnesota 55402-1844  
(612) 397-4000

#### NYSE Annual CEO Certification and Sarbanes-Oxley Section 302 Certifications

We submitted the annual Chief Executive Officer Certification to the New York Stock Exchange (NYSE) as required under the corporate governance rules of the NYSE. We also filed as exhibits to our 2008 Annual Report on Form 10-K, the Chief Executive Officer and Chief Financial Officer certifications required under Section 302 of the Sarbanes-Oxley Act of 2002.

Winnebago Industries is an equal opportunity employer.



The letter to Shareholders contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995.

Investors are cautioned that forward-looking statements are inherently uncertain. A number of factors could cause actual results to differ materially from these statements. These factors are included under "Item 1A. Risk Factors" in Part 1 of the accompanying Annual Report on Form 10-K.

Robert J. Olson (57)  
Chairman of the Board,  
Chief Executive Officer and President

Raymond M. Beebe (66)  
Vice President, General Counsel and Secretary

Robert J. Gossett (57)  
Vice President, Administration

Roger W. Martin (48)  
Vice President, Sales and Marketing

Sarah N. Nielsen (35)  
Vice President, Chief Financial Officer

William J. O'Leary (59)  
Vice President, Product Development

Randy J. Potts (49)  
Vice President, Manufacturing

Donald L. Heidemann (36)  
Treasurer

Brian J. Hrubes (57)  
Controller

South St. Paul, Minnesota 55075-1139  
Telephone:  
(800) 468-9716 or (651) 450-4064  
Inquirees: [www.wellsfargo.com/shareownerservices](http://www.wellsfargo.com/shareownerservices)

**Annual Meeting**

The Annual Meeting of Shareholders is scheduled to be held on Tuesday,  
December 16, 2008, at 4:00 p.m. (CST) in Winnebago Industries' South Office  
Complex Theater, 605 W. Crystal Lake Road, Forest City, Iowa.

# EXHIBIT 4c.

## WELLS FARGO BUSINESS CREDIT CREDIT AND SECURITY AGREEMENT

**THIS CREDIT AND SECURITY AGREEMENT** (this “Agreement”) is dated September 17, 2008, and is entered into between **Winnabago Industries, Inc.**, an Iowa corporation (“Company”), and **Wells Fargo Bank, National Association** (as more fully defined in Exhibit A, “Wells Fargo”), acting through its Wells Fargo Business Credit operating division.

### RECITALS

Company has asked Wells Fargo to provide it with a \$25,000,000 revolving line of credit (the “Line of Credit”) for working capital purposes and to facilitate the issuance of documentary and standby letters of credit. Wells Fargo is agreeable to meeting Company’s request, provided that Company agrees to the terms and conditions of this Agreement.

For purposes of this Agreement, capitalized terms not otherwise defined in this Agreement shall have the meanings given them in Exhibit A.

### 1. AMOUNT AND TERMS OF THE LINE OF CREDIT.

#### 1.1 Line of Credit; Limitations on Borrowings; Termination Date; Use of Proceeds.

(a) Line of Credit and Limitations on Borrowing. Wells Fargo shall make Advances to Company under the Line of Credit that, together with the L/C Amount, shall not at any time exceed in the aggregate the lesser of (i) \$25,000,000 (the “Maximum Line Amount”), or (ii) the Borrowing Base limitations described in Section 1.2. Within these limits, Company may periodically borrow, prepay in whole or in part, and reborrow. **Wells Fargo has no obligation to make an Advance during a Default Period or at any time Wells Fargo believes that an Advance would result in an Event of Default.**

(b) Maturity and Termination Dates. Company may request Advances from the date that the conditions set forth in Section 3 are satisfied until the earlier of: (i) September 17, 2010 (the “Maturity Date”), (ii) the date Company terminates the Line of Credit, or (iii) the date Wells Fargo terminates the Line of Credit following an Event of Default. (The earliest of these dates is the “Termination Date.”)

(c) Use of Line of Credit Proceeds. Company shall use the proceeds of each Advance and each Letter of Credit for ordinary working capital purposes.

(d) Revolving Note. Company’s obligation to repay Advances, regardless of how initiated under Section 1.3, shall be evidenced by a revolving promissory note (as renewed, amended or replaced from time to time, the “Revolving Note”).

#### 1.2 Borrowing Base; Mandatory Prepayment.

(a) Borrowing Base. The borrowing base (the “Borrowing Base”) is an amount equal to:

(i) 80% or such lesser percentage of Eligible Accounts consisting of motor home accounts receivable as Wells Fargo in its sole discretion may deem appropriate, plus

(ii) 80% or such lesser percentage of Eligible Accounts consisting of parts and service accounts receivable as Wells Fargo in its sole discretion may deem appropriate, plus

(iii) 25% or such lesser percentage of Eligible Inventory consisting of raw materials as Wells Fargo in its sole discretion may deem appropriate, plus

1

(iv) 35% or such lesser percentage of Eligible Inventory consisting of chassis as Wells Fargo in its sole discretion may deem appropriate, plus

(v) 60% or such lesser percentage of Eligible Inventory consisting of finished goods as Wells Fargo in its sole discretion may deem appropriate, less

(vi) the Borrowing Base Reserve, less

(vii) Indebtedness that Company owes Wells Fargo that has not been advanced on the Revolving Note, less

(viii) Indebtedness that is not otherwise described in Section 1, including Indebtedness that Wells Fargo in its sole discretion finds on the date of determination to be equal to Wells Fargo’s net credit exposure with respect to any swap, derivative, foreign exchange, hedge, deposit, treasury management or similar transaction or arrangement extended to Company by Wells Fargo and any Indebtedness owed by Company to Wells Fargo Merchant Services, L.L.C.

(b) Mandatory Prepayment; Overadvances. If unreimbursed Advances evidenced by the Revolving Note plus the L/C Amount exceed the Borrowing Base or the Maximum Line Amount at any time, then Company shall immediately prepay the Revolving Note in an amount sufficient to eliminate the excess, and if payment in full of the Revolving Note is insufficient to eliminate this excess and the L/C Amount continues to exceed the Borrowing Base, then Company shall deliver cash to Wells Fargo in an amount equal to the remaining excess for deposit to the Special Account, unless, in each case, Wells Fargo has delivered to Company an Authenticated Record consenting to the Overadvance prior to its occurrence, in which event the Overadvance shall be temporarily permitted on such terms and conditions as Wells Fargo in its sole discretion may deem appropriate, including the payment of additional fees or interest, or both.

#### 1.3 Procedures for Line of Credit Advances.

(a) Advances to Operating Account. Advances shall be credited to Company’s demand deposit account maintained with Wells Fargo (the “Operating Account”), unless the parties agree in a Record Authenticated by both of them to disburse to another account.

(i) Advances upon Company’s Request. Line of Credit Advances may be funded upon Company’s request. No request will be deemed received until Wells Fargo acknowledges receipt, and Company, if requested by Wells Fargo, confirms the request in an Authenticated Record. Company shall repay all Advances, even if the Person requesting the Advance on behalf of Company lacked authorization.

(A) Floating Rate Advances. If Company wants a Floating Rate Advance, it shall make the request no later than 11:59 a.m. Central Time on the Business Day on which it wants the Floating Rate Advance to be funded, which request shall specify the principal Advance amount being requested.

(B) LIBOR Advances. If Company wants a LIBOR Advance, it shall make the request no later than 11:59 a.m. Central Time on the Business Day on which it wants the LIBOR Advance to be funded, which request shall specify both the principal Advance amount and Interest Period being requested. No more than four (4) separate LIBOR Advance Interest Periods may be outstanding at any time. Each LIBOR Advance shall be in multiples of \$100,000 and in the minimum amount of at least \$1,000,000. LIBOR Advances are not available for Advances made through the Loan Manager Service, and shall not be available during Default Periods.

2

(b) Protective Advances; Advances to Pay Indebtedness Due. Wells Fargo may initiate a Floating Rate Advance on the Line of Credit in its sole discretion for any reason at any time, without Company's compliance with any of the conditions of this Agreement, and (i) disburse the proceeds directly to third Persons in order to protect Wells Fargo's interest in Collateral or to perform any of Company's obligations under this Agreement, or (ii) apply the proceeds to the amount of any Indebtedness then due and payable to Wells Fargo.

#### 1.3A LIBOR Advances.

(a) Funding Line of Credit Advances as LIBOR Advances for Fixed Interest Periods. Company may fund a Line of Credit Advance as a LIBOR Advance for one, three, or six month periods (each period an "Interest Period," as more fully defined in Exhibit A).

(b) Procedure for Converting Floating Rate Advances to LIBOR Advances. Company may request that all or any part of an outstanding Floating Rate Advance be converted to a LIBOR Advance, provided that no Default Period is in effect, and that Wells Fargo receives the request no later than 11:59 a.m. Central Time on the Business Day on which Company wishes the conversion to become effective. Each request shall (i) specify the principal amount of the Floating Rate Advance to be converted, (ii) the Business Day of conversion, and (iii) the Interest Period desired. The request shall be confirmed in an Authenticated Record if requested by Wells Fargo. Each conversion to a LIBOR Advance shall be in multiples of \$100,000 and in the minimum amount of at least \$1,000,000.

(c) Expiring LIBOR Advance Interest Periods. Unless Company requests a new LIBOR Advance, or prepays an outstanding LIBOR Advance at the expiration of an Interest Period, Wells Fargo shall convert each LIBOR Advance to a Floating Rate Advance on the last day of the expiring Interest Period. If no Default Period is in effect, Company may request that all or part of any expiring LIBOR Advance be renewed as a new LIBOR Advance, provided that Wells Fargo receives the request no later than 11:59 a.m. Central Time on the Business Day that constitutes the first day of the new Interest Period. Each request shall specify the principal amount of the expiring LIBOR Advance to be continued and the Interest Period desired, and shall be confirmed in an Authenticated Record if requested by Wells Fargo. Each renewal of a LIBOR Advance shall be in multiples of \$100,000 and in the minimum amount of at least \$1,000,000.

(d) Quotation of LIBOR Advance Interest Rates. Wells Fargo shall, with respect to any request for a new or renewal LIBOR Advance, or the conversion of a Floating Rate Advance to a LIBOR Advance, provide Company with a LIBOR quote for each Interest Period identified by Company on the Business Day on which the request was made, if the request is received by Wells Fargo no later than 11:59 a.m. Central Time of the Business Day on which Company has requested that the LIBOR Advance be made effective. If Company does not immediately accept a LIBOR quote, the quoted rate shall expire and any subsequent request for a LIBOR quote shall be subject to redetermination by Wells Fargo.

(e) Taxes and Regulatory Costs. Company shall also pay Wells Fargo with respect to any LIBOR Advance all (i) withholdings, interest equalization taxes, stamp taxes or other taxes (except income and franchise taxes) imposed by any domestic or foreign governmental authority that are related to LIBOR, and (ii) future, supplemental, emergency or other changes in the LIBOR Reserve Percentage, the assessment rates imposed by the Federal Deposit Insurance Corporation, or similar costs imposed by any domestic or foreign governmental authority or resulting from compliance by Wells Fargo with any request or directive (whether or not having the force of law) from any central bank or other governmental authority that are related to LIBOR but not otherwise included in the calculation of LIBOR. In determining which of these amounts are attributable to an existing LIBOR Advance, any reasonable allocation made by Wells Fargo among its operations shall be deemed conclusive and binding.

3

#### 1.4 Collection of Accounts and Application to Revolving Note.

(a) The Collection Account. Company has granted a security interest to Wells Fargo in the Collateral, including all Accounts. Except as otherwise agreed by both parties in an Authenticated Record, if any Advance has been made (other than outstanding Letters of Credit), all Proceeds of Accounts and other Collateral, upon receipt or collection, shall be deposited each Business Day into the "Collection Account". Funds so deposited ("Account Funds") are the property of Wells Fargo, and may only be withdrawn from the Collection Account by Wells Fargo.

(b) Payment of Accounts by Company's Account Debtors. Company shall instruct all account debtors to make payments either directly to the Lockbox for deposit by Wells Fargo directly to the Collection Account, or instruct them to deliver such payments to Wells Fargo by wire transfer, ACH, or other means as Wells Fargo may direct for deposit to the Collection Account or for direct application to the Line of Credit. If Company receives a payment or the Proceeds of Collateral directly, Company will promptly deposit the payment or Proceeds into the Collection Account. Until deposited, it will hold all such payments and Proceeds in trust for Wells Fargo without commingling with other funds or property. All deposits held in the Collection Account shall constitute Proceeds of Collateral and shall not constitute the payment of Indebtedness.

(c) Application of Payments to Revolving Note. Wells Fargo will withdraw Account Funds deposited to the Collection Account and pay down borrowings on the Line of Credit by applying them to the Revolving Note on the first Business Day following the Business Day of deposit to the Collection Account, or, if payments are received by Wells Fargo that are not first deposited to the Collection Account pursuant to any treasury management service provided to Company by Wells Fargo, such payments shall be applied to the Revolving Note as provided in the Master Agreement for Treasury Management Services and the relevant service description.

#### 1.5 Interest and Interest Related Matters.

(a) Interest Rates Applicable to Line of Credit. Except as otherwise provided in this Agreement, the unpaid principal amount of each Line of Credit Advance evidenced by the Revolving Note shall accrue interest at an annual interest rate calculated as follows:

##### **Floating Rate**

Line of Credit Advances = Prime Rate plus the applicable Margin, which interest rate shall change whenever the Prime Rate changes (the "Floating Rate"); or

#### LIBOR Advance Rate for One, Three, or Six Month Interest Periods

Line of Credit Advances = LIBOR plus the applicable Margin (the "LIBOR Advance Rate").

Multiple Advances under the Line of Credit may simultaneously accrue interest at both the Floating Rate and at the LIBOR Advance Rate, subject to the limitations of Section 1.3(a)(i).

The Margins through and including the first adjustment occurring as specified below shall be <0.25%> for Floating Rate Advances, and 2.00% for LIBOR Advances.

4

(Numbers appearing between "<>" are negative.) The Margins shall be adjusted each fiscal quarter of Company beginning with the quarter ending November 29, 2008, on the basis of the Liquidity of Company as of the end of the previous fiscal quarter, in accordance with the following table:

<b>Liquidity</b>	<b>Margins</b>	
	<b>Floating Rate Advances</b>	<b>LIBOR Advances</b>
(i) Liquidity is determined by Wells Fargo to be less than \$50,000,000.	0.25%	2.50%
(ii) Liquidity is determined by Wells Fargo to be between \$50,000,000 and \$100,000,000.	<0.25%>	2.00%
(iii) Liquidity is determined by Wells Fargo to be greater than \$100,000,000.	<0.75%>	1.50%

Each Margin change shall become effective on the first calendar day of the month following the month of receipt by Wells Fargo of the financial statements. If Company fails to timely deliver financial statements as agreed, no reduction in Margin shall be made and Wells Fargo may notify Company that an Event of Default has occurred and increase any Margin to the highest agreed upon Margin and impose the Default Rate.

If amended or restated financial statements would change previously calculated Margins, or if Wells Fargo determines that any financial statements have materially misstated Company's financial condition, then Wells Fargo may, using the most accurate information available to it, recalculate the financial test or tests governing the Margins and retroactively reduce or increase the Margins from the date of receipt of such amended or restated financial statements and charge Company additional interest, which may be imposed on them from the beginning of the appropriate fiscal quarter to which the restated statements or recalculated financial tests relate or to the beginning of the fiscal quarter in which any Event of Default has occurred, as Wells Fargo in its sole discretion deems appropriate.

(b) **Default Interest Rate.** Commencing on the day an Event of Default occurs, through and including the date identified by Wells Fargo in a Record as the date that the Event of Default has been cured or waived (each such period, a "Default Period"), or during a time period specified in Section 1.8, or at any time following the Termination Date, in Wells Fargo's sole discretion and without waiving any of its other rights or remedies, the principal amount of the Revolving Note shall bear interest at a rate that is three percent (3.0%) above the contractual rate set forth in Section 1.5(a) (the "Default Rate"), or any lesser rate that Wells Fargo may deem appropriate, starting on the first day of the month in which the Default Period begins through the last day of that Default Period, or any shorter time period to which Wells Fargo may agree in an Authenticated Record.

(c) **Interest Accrual on Payments Applied to Revolving Note.** Payments received by Wells Fargo shall be applied to the Revolving Note as provided in Section 1.4(c), but the principal amount paid down shall continue to accrue interest through the end of the first Business Day following the Business Day that the payment was applied to the Revolving Note.

(d) **Usury.** No interest rate shall be effective which would result in a rate greater than the highest rate permitted by law. Payments in the nature of interest and other charges made under any Loan Documents or any other document or agreement described in or related to this Agreement that are later determined to be in excess of the limits imposed by applicable usury law will be deemed to be a payment of principal, and the Indebtedness shall be reduced by that amount so that such payments will not be deemed usurious.

5

#### 1.6 Fees.

(a) **Origination Fee.** Company shall pay Wells Fargo a one time origination fee of \$40,000, which shall be fully earned and payable upon the execution of this Agreement.

(b) **Unused Line Fee.** Company shall pay Wells Fargo an annual unused line fee of 0.35% of the daily average of the Maximum Line Amount reduced by outstanding Advances and the L/C Amount (the "Unused Amount"), from the date of this Agreement to and including the Termination Date, which unused line fee shall be payable quarterly in arrears on the first day of each month and on the Termination Date; provided, that such annual unused line fee shall be adjusted each fiscal quarter of Company beginning with the quarter ending November 29, 2008, on the basis of the Liquidity of Company as of the end of the previous fiscal quarter, in accordance with the following table:

<b>Liquidity</b>	<b>Unused Fee</b>
(i) Liquidity is determined by Wells Fargo to be less than \$50,000,000.	.50%
(ii) Liquidity is determined by Wells Fargo to be between \$50,000,000 and \$100,000,000.	.35%
(iii) Liquidity is determined by Wells Fargo to be	.20%



greater than \$100,000,000.

(c) Collateral Exam Fees. Company shall pay Wells Fargo fees in connection with any collateral exams, audits or inspections conducted by or on behalf of Wells Fargo at the current rates established from time to time by Wells Fargo as its collateral exam fees (which fees are currently \$125 per hour per collateral examiner), together with all actual out-of-pocket costs and expenses incurred in conducting any collateral examination or inspection.

(d) Line of Credit Termination and/or Reduction Fees. If (i) Wells Fargo terminates the Line of Credit during a Default Period, or if (ii) Company terminates the Line of Credit on a date prior to the Maturity Date, or if (iii) Company and Wells Fargo agree to reduce the Maximum Line Amount, then Company shall pay Wells Fargo as liquidated damages a termination or reduction fee in an amount equal to a percentage of the Maximum Line Amount (or the reduction of the Maximum Line Amount, as the case may be) calculated as follows: (A) two percent (2.0%) if the termination occurs on or before the first anniversary of the first Line of Credit Advance; and (B) one and one-half percent (1.50%) if the termination or reduction occurs after the first anniversary of the first Line of Credit Advance. Such termination or reduction fee shall be waived if the Line of Credit is refinanced by the Iowa Regional Commercial Banking Office of Wells Fargo Bank, National Association.

(e) Overadvance Fees. Company shall pay a \$500 Overadvance fee for each day that an Overadvance exists which was not agreed to by Wells Fargo in an Authenticated Record prior to its occurrence; provided that Wells Fargo's acceptance of the payment of such fees shall not constitute either consent to the Overadvance or waiver of the resulting Event of Default. Company shall pay additional Overadvance fees and interest in such amounts and on such terms as Wells Fargo in its sole discretion may consider appropriate for any Overadvance to which Wells Fargo has specifically consented in an Authenticated Record prior to its occurrence.

(f) Treasury Management Fees. Company shall pay service fees to Wells Fargo for treasury management services provided pursuant to the Master Agreement for Treasury Management Services or any other agreement entered into by the parties, in the amount prescribed in Wells Fargo's current service fee schedule.

6

(g) Letter of Credit Fees. Company shall pay a fee with respect to each Letter of Credit issued by Wells Fargo of two percent (2.0%) of the aggregate undrawn amount of the Letter of Credit (the "Aggregate Face Amount") accruing daily from and including the date the Letter of Credit is issued until the date that it either expires or is returned, which shall be payable monthly in arrears on the first day of each month and on the date that the Letter of Credit either expires or is returned; provided, that such Letter of Credit fee shall be adjusted each fiscal quarter of Company beginning with the quarter ending November 29, 2008, on the basis of the Liquidity of Company as of the end of the previous fiscal quarter, in accordance with the following table:

Liquidity	Letter of Credit Fee
(i) Liquidity is determined by Wells Fargo to be less than \$50,000,000.	2.25%
(ii) Liquidity is determined by Wells Fargo to be between \$50,000,000 and \$100,000,000.	1.75%
(iii) Liquidity is determined by Wells Fargo to be greater than \$100,000,000.	1.25%

Following an Event of Default, such Letter of Credit fee shall increase by three percent (3.0%), commencing on the first day of the month in which the Default Period begins and continuing through the last day of such Default Period, or any shorter time period that Wells Fargo in its sole discretion may deem appropriate, without waiving any of its other rights and remedies.

(h) Letter of Credit Administrative Fees. Company shall pay all administrative fees charged by Wells Fargo in connection with the honoring of drafts under any Letter of Credit, and any amendments to or transfers of any Letter of Credit, and any other activity with respect to the Letters of Credit at the current rates published by Wells Fargo for such services rendered on behalf of its customers generally.

(i) Other Fees and Charges. Wells Fargo may impose additional fees and charges during a Default Period for (i) waiving an Event of Default, or for (ii) the administration of Collateral by Wells Fargo. All such fees and charges shall be imposed at Wells Fargo's sole discretion following oral notice to Company on either an hourly, periodic, or flat fee basis, and in lieu of or in addition to imposing interest at the Default Rate, and Company's request for an Advance following such notice shall constitute Company's agreement to pay such fees and charges.

(j) Termination and Prepayment Fees Following Transfer Between Wells Fargo Operating Divisions. If the Loan Documents, following Company's request and the consent of Wells Fargo Business Credit (which consent may be withheld by Wells Fargo Business Credit in its sole discretion), are transferred to an operating division of Wells Fargo other than Wells Fargo Business Credit, the transfer will not be deemed a termination or prepayment resulting in the payment of termination and/or prepayment fees, or LIBOR Advance breakage fees, provided that Company agrees, at the time of transfer, to the payment of comparable fees in an amount not less than that set forth in this Agreement, in the event that any facilities extended under this Agreement are terminated early or prepaid after the transfer.

(k) LIBOR Advance Breakage Fees. Company may prepay any LIBOR Advance at any time in any amount, whether voluntarily or by acceleration, provided, however, that if the LIBOR Advance is prepaid, Company shall pay Wells Fargo upon demand a LIBOR Advance breakage fee equal to the sum of the discounted monthly differences for each month from the month of prepayment through the month in which such Interest Period matures, calculated as follows for each such month:

(i) Determine the amount of interest which would have accrued each month on the amount prepaid at the interest rate applicable to such amount had it remained outstanding until the last day of the applicable Interest Period.

7

(ii) Subtract from the amount determined in (i) above the amount of interest which would have accrued for the same month on the amount prepaid for the remaining term of such Interest Period at LIBOR in effect on the date of prepayment for new loans made for such term in a principal amount equal to the amount prepaid.

(iii) If the result obtained in (ii) for any month is greater than zero, discount that difference by LIBOR used in (ii) above.

Company acknowledges that prepayment of the Revolving Note may result in Wells Fargo incurring additional costs, expenses or liabilities, and that it is difficult to ascertain the full extent of such costs, expenses or liabilities. Company agrees to pay the above-described LIBOR Advance breakage fees and agrees that this amount represents a reasonable estimate of the LIBOR Advance breakage costs, expenses and/or liabilities of Wells Fargo.

#### 1.7 Interest Accrual; Principal and Interest Payments; Computation.

(a) Interest Payments and Interest Accrual. Accrued and unpaid interest under the Revolving Note on Floating Rate Advances shall be due and payable on the first day of each month (each an "Interest Payment Date") and on the Termination Date, in arrears, and shall be paid in the manner provided in Section 1.4(c). Interest shall accrue from the most recent date to which interest has been paid or, if no interest has been paid, from the date of Advance to the Interest Payment Date. Interest accruing on any LIBOR Advance shall be due and payable on the last day of the applicable Interest Period and on the Termination Date; provided, however, for Interest Periods in excess of one month, interest shall nevertheless be due and payable monthly on the last day of each month, and on the last day of the Interest Period.

(b) Payment of Revolving Note Principal. The principal amount of the Revolving Note shall be paid from time to time as provided in this Agreement, and shall be fully due and payable on the Termination Date.

(c) Payments Due on Non-Business Days. If an Interest Payment Date or the Termination Date falls on a day which is not a Business Day, payment shall be made on the next Business Day, and interest shall continue to accrue during that time period.

(d) Computation of Interest and Fees. Interest accruing on the unpaid principal amount of the Revolving Note and fees payable under this Agreement shall be computed on the basis of the actual number of days elapsed in a year of 360 days.

(e) Liability Records. Wells Fargo shall maintain accounting and bookkeeping records of all Advances and payments under the Line of Credit and all other Indebtedness due to Wells Fargo in such form and content as Wells Fargo in its sole discretion deems appropriate. Wells Fargo's calculation of current Indebtedness shall be presumed correct unless proven otherwise by Company. Upon Wells Fargo's request, Company will admit and certify in a Record the exact principal balance of the Indebtedness that Company then believes to be outstanding. Any billing statement or accounting provided by Wells Fargo shall be conclusive and binding unless Company notifies Wells Fargo in a detailed Record of its intention to dispute the billing statement or accounting within 30 days of receipt.

#### 1.8 Termination, Reduction or Non-Renewal of Line of Credit by Company; Notice.

(a) Termination by Company after Advance Notice. Company may terminate or reduce the Line of Credit at any time prior to the Maturity Date, if it (i) delivers an Authenticated Record notifying Wells Fargo of its intentions at least 90 days prior to the proposed Termination Date, (ii) pays Wells Fargo the termination fee set forth in Section 1.6(d), and (iii) pays the Indebtedness in full or down to the reduced Maximum Line Amount.

8

(b) Termination by Company without Advance Notice. If Company fails to deliver Wells Fargo timely notice of its intention to terminate the Line of Credit or reduce the Maximum Line Amount as provided in Section 1.8(a), Company may nevertheless terminate the Line of Credit or reduce the Maximum Line Amount and pay the Indebtedness in full or down to the reduced Maximum Line Amount if it (i) pays the termination fee set forth in Section 1.6(d), and (ii) pays the Default Rate on the Revolving Note commencing on the 90th day prior to the proposed Termination Date and continuing through the date that Wells Fargo receives delivery of an Authenticated Record giving it actual notice of Company's intention to terminate.

(c) Non-Renewal by Company; Notice. If Company does not wish Wells Fargo to consider renewal of the Line of Credit on the next Maturity Date, Company shall deliver an Authenticated Record to Wells Fargo at least 90 days prior to the Maturity Date notifying Wells Fargo of its intention not to renew. If Company fails to deliver to Wells Fargo such timely notice, then the Revolving Note shall accrue interest at the Default Rate commencing on the 90th day prior to the Maturity Date and continuing through the date that Wells Fargo receives delivery of an Authenticated Record giving it actual notice of Company's intention not to renew.

#### 1.9 Letters of Credit.

(a) Issuance of Letters of Credit; Amount. Wells Fargo, subject to the terms and conditions of this Agreement, shall issue, on or after the date that Wells Fargo is obligated to make its first Advance under this Agreement and prior to the Termination Date, one or more irrevocable standby or documentary letters of credit (each, a "Letter of Credit", and collectively, "Letters of Credit") for Company's account. Wells Fargo will not issue any Letter of Credit if the face amount of the Letter of Credit would exceed the lesser of: (i) \$2,500,000 less the L/C Amount, or (ii) the Borrowing Base, less an amount equal to aggregate unreimbursed Line of Credit Advances plus the L/C Amount.

(b) Additional Letter of Credit Documentation. Prior to requesting issuance of a Letter of Credit, Company shall first execute and deliver to Wells Fargo a Standby Letter of Credit Agreement or a Commercial Letter of Credit Agreement, as applicable, an L/C Application, and any other documents that Wells Fargo may request, which shall govern the issuance of the Letter of Credit and Company's obligation to reimburse Wells Fargo for any related Letter of Credit draws (the "Obligation of Reimbursement").

(c) Expiration. No Letter of Credit shall be issued that has an expiry date that is later than one (1) year from the date of issuance, or the Maturity Date in effect on the date of issuance, whichever is earlier.

(d) Obligation of Reimbursement During Default Periods. If Company is unable, due to the existence of a Default Period or for any other reason, to obtain an Advance to pay any Obligation of Reimbursement, Company shall pay Wells Fargo on demand and in immediately available funds the amount of the Obligation of Reimbursement, together with interest accrued from the date of presentment of the underlying draft until reimbursement in full at the Default Rate. Wells Fargo is authorized, alternatively and in its sole discretion, to make an Advance in an amount sufficient to discharge the Obligation of Reimbursement and pay all accrued but unpaid interest and fees with respect to the Obligation of Reimbursement.

#### 1.10 Special Account.

If the Line of Credit is terminated for any reason while a Letter of Credit is outstanding, or if after prepayment of the Revolving Note the L/C Amount continues to exceed the Borrowing Base, then Company shall promptly pay Wells Fargo in immediately available funds for deposit to the Special Account, an amount equal, as the case may be, to either (a) the L/C Amount plus any anticipated fees and costs, or (b) the amount by which the L/C Amount exceeds the Borrowing Base. If Company fails to pay these amounts promptly, then Wells Fargo may in its sole discretion make an Advance to pay these amounts and deposit the proceeds to the Special Account. The Special Account shall be an interest bearing account maintained with Wells Fargo or any other financial institution acceptable to Wells Fargo. Wells Fargo may in its sole discretion apply amounts on deposit in the Special Account to the Indebtedness. Company may not withdraw amounts deposited to the Special Account until the Line of Credit has been terminated and all outstanding Letters of Credit have either been returned to Wells Fargo or have expired and the Indebtedness has been fully paid.

## 2. SECURITY INTEREST AND OCCUPANCY OF COMPANY'S PREMISES.

2.1 Grant of Security Interest. Company hereby pledges, assigns and grants to Wells Fargo, for the benefit of Wells Fargo and as agent for Wells Fargo Merchant Services, L.L.C., a Lien and security interest (collectively referred to as the "Security Interest") in the Collateral, as security for the payment and performance of all Indebtedness. Following request by Wells Fargo, Company shall grant Wells Fargo, for the benefit of Wells Fargo and as agent for Wells Fargo Merchant Services, L.L.C., a Lien and security interest in all commercial tort claims that it may have against any Person.

2.2 Notifying Account Debtors and Other Obligors; Collection of Collateral. Wells Fargo may, after an Event of Default, deliver a Record giving an account debtor or other Person obligated to pay an Account, a General Intangible, or other amount due, notice that the Account, General Intangible, or other amount due has been assigned to Wells Fargo for security and must be paid directly to Wells Fargo. Company shall join in giving such notice and shall Authenticate any Record giving such notice upon Wells Fargo's request. After Company or Wells Fargo gives such notice, Wells Fargo may, but need not, in Wells Fargo's or in Company's name, demand, sue for, collect or receive any money or property at any time payable or receivable on account of, or securing, such Account, General Intangible, or other amount due, or grant any extension to, make any compromise or settlement with or otherwise agree to waive, modify, amend or change the obligations (including collateral obligations) of any account debtor or other obligor. Wells Fargo may, in Wells Fargo's name or in Company's name, as Company's agent and attorney-in-fact, notify the United States Postal Service to change the address for delivery of Company's mail to any address designated by Wells Fargo, otherwise intercept Company's mail, and receive, open and dispose of Company's mail, applying all Collateral as permitted under this Agreement and holding all other mail for Company's account or forwarding such mail to Company's last known address.

2.3 Assignment of Insurance. As additional security for the Indebtedness, Company hereby assigns to Wells Fargo and to Wells Fargo Merchant Services, L.L.C. all rights of Company under every policy of insurance covering the Collateral and all business records and other documents relating to it, and all monies (including proceeds and refunds) that may be payable under any policy, and Company hereby directs the issuer of each policy to pay all such monies directly to Wells Fargo. At any time, whether or not a Default Period then exists, Wells Fargo may (but need not), in Wells Fargo's or Company's name, execute and deliver proofs of claim, receive payment of proceeds and endorse checks and other instruments representing payment of the policy of insurance, and adjust, litigate, compromise or release claims against the issuer of any policy. Any monies received under any insurance policy assigned to Wells Fargo, other than liability insurance policies, or received as payment of any award or compensation for condemnation or taking by eminent domain, shall be paid to Wells Fargo and, as determined by Wells Fargo in its sole discretion, either be applied to prepayment of the Indebtedness or disbursed to Company under staged payment terms reasonably satisfactory to Wells Fargo for application to the cost of repairs, replacements, or restorations which shall be effected with reasonable promptness and shall be of a value at least equal to the value of the items or property destroyed.

### 2.4 Company's Premises.

(a) Wells Fargo's Right to Occupy Company's Premises. Company hereby grants to Wells Fargo the right, after an Event of Default, or during a Default Period and without notice or consent, to take exclusive possession of all locations where Company conducts its business or has any rights of possession, including the locations described on Exhibit B (the "Premises"), until the earlier of (i) payment in full and discharge of all Indebtedness and termination of the Line of Credit, or (ii) final sale or disposition of all items constituting Collateral and delivery of those items to purchasers.

(b) Wells Fargo's Use of Company's Premises. Wells Fargo may use the Premises to store, process, manufacture, sell, use, and liquidate or otherwise dispose of items that are Collateral, and for any other incidental purposes deemed appropriate by Wells Fargo in good faith.

(c) Company's Obligation to Reimburse Wells Fargo. Wells Fargo shall not be obligated to pay rent or other compensation for the possession or use of any Premises, but if Wells Fargo elects to pay rent or other compensation to the owner of any Premises in order to have access to the Premises, then Company shall promptly reimburse Wells Fargo for all such amounts, as well as all taxes, fees, charges and other expenses at any time payable by Wells Fargo with respect to the Premises by reason of the execution, delivery, recordation, performance or enforcement of any terms of this Agreement.

10

(d) License. Without limiting the generality of any other Security Document, Company hereby grants to Wells Fargo a non-exclusive, worldwide and royalty-free license to use or otherwise exploit all Intellectual Property Rights of Company for the purpose of: (a) completing the manufacture of any in-process materials during any Default Period so that such materials become saleable Inventory, all in accordance with the same quality standards previously adopted by Company for its own manufacturing and subject to Company's reasonable exercise of quality control; and (b) selling, leasing or otherwise disposing of any or all Collateral during any Default Period.

2.5 Financing Statements. Company authorizes Wells Fargo to file financing statements describing Collateral to perfect Wells Fargo's Security Interest in the Collateral, and Wells Fargo may describe the Collateral as "all personal property" or "all assets" or describe specific items of Collateral including commercial tort claims as Wells Fargo may consider necessary or useful to perfect the Security Interest. All financing statements filed before the date of this Agreement to perfect the Security Interest were authorized by Company and are hereby re-authorized. Following the termination of the Line of Credit and payment of all Indebtedness, Wells Fargo shall, at Company's expense and within the time periods required under applicable law, release or terminate any filings or other agreements that perfect the Security Interest.

2.6 Setoff. Wells Fargo may at any time, in its sole discretion and without demand or notice to anyone, setoff any liability owed to Company by Wells Fargo against any Indebtedness, whether or not due.

2.7 Collateral Related Matters. This Agreement does not contemplate a sale of Accounts or chattel paper, and, as provided by law, Company is entitled to any surplus and shall remain liable for any deficiency. Wells Fargo's duty of care with respect to Collateral in its possession (as imposed by law) will be deemed fulfilled if it exercises reasonable care in physically keeping such Collateral, or in the case of Collateral in the custody or possession of a bailee or other third Person, exercises reasonable care in the selection of the bailee or third Person, and Wells Fargo need not otherwise preserve, protect, insure or care for such Collateral. Wells Fargo shall not be obligated to preserve rights Company may have against prior parties, to liquidate the Collateral at all or in any particular manner or order or apply the Proceeds of the Collateral in any particular order of application. Wells Fargo has no obligation to clean-up or prepare Collateral for sale. Company waives any right it may have to require Wells Fargo to pursue any third Person for any of the Indebtedness.

2.8 Notices Regarding Disposition of Collateral. If notice to Company of any intended disposition of Collateral or any other intended action is required by applicable law in a particular situation, such notice will be deemed commercially reasonable if given in the manner specified in Section 7.4 at least ten calendar days before the date of intended disposition or other action.

## 3. CONDITIONS PRECEDENT.

3.1 Conditions Precedent to Initial Advance and Issuance of Initial Letter of Credit. Wells Fargo's obligation to make the initial Advance or issue the first Letter of Credit shall be subject to the condition that Wells Fargo shall have received this Agreement and each of the Loan Documents, and any document, agreement, or other item described in or related to this Agreement, and all fees and information described in Exhibit C, executed and in form and content satisfactory to Wells Fargo.

3.2 Additional Conditions Precedent to All Advances and Letters of Credit. Wells Fargo's obligation to make any Advance (including the initial Advance) or issue any Letter of Credit shall be subject to the further additional conditions: (a) that the representations and warranties described in Exhibit D are correct on the date of the Advance or the issuance of the Letter of Credit, except to the extent that such representations and warranties relate solely to an earlier date; and (b) that no event has occurred and is continuing, or would result from the requested Advance or issuance of the Letter of Credit that would result in an Event of Default.

---

#### 4. REPRESENTATIONS AND WARRANTIES.

To induce Wells Fargo to enter into this Agreement, Company makes the representations and warranties described in Exhibit D. Any request for an Advance will be deemed a representation by Company that all representations and warranties described in Exhibit D are true, correct and complete as of the time of the request, unless they relate exclusively to an earlier date. Company shall promptly deliver a Record notifying Wells Fargo of any change in circumstance that would materially affect the accuracy of any representation or warranty, unless the representation or warranty specifically relates to an earlier date.

#### 5. COVENANTS.

So long as the Indebtedness remains unpaid, or the Line of Credit has not been terminated, Company shall comply with each of the following covenants, unless Wells Fargo shall consent otherwise in an Authenticated Record delivered to Company.

5.1 Reporting Requirements. Company shall deliver to Wells Fargo the following information, compiled where applicable using GAAP consistently applied, in form and content acceptable to Wells Fargo:

(a) Annual Financial Statements. As soon as available and in any event within 90 days after Company's fiscal year end, Company's audited financial statements prepared by an independent certified public accountant acceptable to Wells Fargo, which shall include Company's balance sheet, income statement, and statement of retained earnings and cash flows, prepared on a consolidated and consolidating basis to include Company's Affiliates. The annual financial statements shall be accompanied by a certificate (the "Compliance Certificate") in the form of Exhibit E that is signed by Company's chief financial officer.

Each Compliance Certificate that accompanies an annual financial statement shall also be accompanied by (i) copies of all management letters prepared by Company's accountants; and (ii) a report signed by the accountant stating that in making the investigations necessary to render the opinion, the accountant obtained no knowledge, except as specifically stated, of any Event of Default under this Agreement, and a detailed statement, including computations, demonstrating whether or not Company is in compliance with the financial covenants of this Agreement.

(b) Monthly Financial Statements. As soon as available and in any event within 25 days after the end of each month (or 45 days after the end of the third month of each fiscal quarter of Company), a Company prepared balance sheet, income statement, and statement of retained earnings prepared for that month and for the year-to-date period then ended, prepared, if requested by Wells Fargo, on a consolidated and consolidating basis to include Company's Affiliates, and stating in comparative form the figures for the corresponding date and periods in the prior fiscal year, subject to year-end adjustments. The financial statements shall be accompanied by a Compliance Certificate in the form of Exhibit E that is signed by Company's chief financial officer.

(c) Collateral Reports. If (i) no Advances have been made (not including outstanding Letters of Credit), then no later than 15 days after each month end, or (ii) any Advance has been made (other than outstanding Letters of Credit), then weekly, detailed agings of Company's accounts receivable and accounts payable, a detailed inventory report, an inventory certification report, and a calculation of Company's Accounts, Eligible Accounts, Inventory and Eligible Inventory as of the end of that month, week, or any other shorter time period requested by Wells Fargo.

(d) Projections. No later than 15 days prior to each fiscal year end, Company's projected balance sheet, income statement and statement of cash flows for each month of the next fiscal year, certified as accurate by Company's chief financial officer and accompanied by a statement of assumptions and supporting schedules and information.

(e) Supplemental Reports. Weekly, or more frequently if Wells Fargo requests, Company's standard form of "daily collateral report", together with receivables schedules, collection reports, and copies of invoices, shipment documents and delivery receipts for goods sold to account debtors.

---

(f) Litigation. (a) No later than 45 days after each fiscal quarter end, a Record notifying Wells Fargo of any litigation or other proceeding before any court or governmental agency, and (b) promptly after discovery, a Record notifying Wells Fargo of any litigation or other proceeding before any court or governmental agency which seeks a monetary recovery against Company in excess of \$250,000.

(g) Intellectual Property. (i) No later than 30 days before it acquires material Intellectual Property Rights, a Record notifying Wells Fargo of Company's intention to acquire such rights; (ii) except for transfers permitted under Section 5.18, no later than 30 days before it disposes of material Intellectual Property Rights, a Record notifying Wells Fargo of Company's intention to dispose of such rights, along with copies of all proposed documents and agreements concerning the disposal of such rights as requested by Wells Fargo; (iii) promptly upon discovery, a Record notifying Wells Fargo of (A) any Infringement of Company's Intellectual Property Rights by any Person, (B) claims that Company is Infringing another Person's Intellectual Property Rights and (C) any threatened cancellation, termination or material limitation of Company's Intellectual Property Rights; and (iv) promptly upon receipt, copies of all registrations and filings with respect to Company's Intellectual Property Rights.

(h) Defaults. No later than three days after learning of the probable occurrence of any Event of Default, a Record notifying Wells Fargo of the Event of Default and the steps being taken by Company to cure the Event of Default.

(i) Disputes. (a) No later than 45 days after each fiscal quarter end, a Record notifying Wells Fargo of (i) any disputes or claims by Company's customers, (ii) credit memos not previously reported in Section 5.1(e), and (iii) any goods returned to or recovered by Company outside of the ordinary course of business; and (b) promptly after discovery, a Record notifying Wells Fargo of any disputes or claims by Company's customers exceeding \$250,000 individually.

(j) Changes in Officers and Directors. Promptly following occurrence, a Record notifying Wells Fargo of any change in the persons constituting Company's Officers and Directors.

(k) Collateral. Promptly upon discovery, a Record notifying Wells Fargo of any loss of or material damage to any Collateral or of any substantial adverse change in any Collateral or the prospect of its payment.

(l) **Commercial Tort Claims.** Promptly upon discovery, a Record notifying Wells Fargo of any commercial tort claims brought by Company against any Person, including the name and address of each defendant, a summary of the facts, an estimate of Company's damages, copies of any complaint or demand letter submitted by Company, and such other information as Wells Fargo may request.

(m) **Reports to Owners.** Promptly upon distribution, copies of all financial statements, reports and proxy statements which Company shall have sent to its Owners.

(n) **Tax Returns of Company.** No later than five days after they are required to be filed, copies of Company's signed and dated state and federal income tax returns and all related schedules, and copies of any extension requests.

(o) **Violations of Law.** Promptly after discovery of any violation, a Record notifying Wells Fargo of Company's violation of any law, rule or regulation, the non-compliance with which could have a Material Adverse Effect on Company.

(p) **Pension Plans.** (i) Promptly upon discovery, and in any event within 30 days after Company knows or has reason to know that any Reportable Event with respect to any Pension Plan has occurred, a Record authenticated by Company's chief financial officer notifying Wells Fargo of the Reportable Event in detail and the actions which Company proposes to take to correct the deficiency, together with a copy of any related notice sent to the Pension Benefit Guaranty Corporation; (ii) promptly upon discovery, and in any event within 10 days after Company fails to make a required quarterly Pension Plan contribution under Section 412(m) of the IRC, a Record authenticated by the Company's chief financial officer notifying Wells Fargo of the failure in detail and

13

the actions that Company will take to cure the failure, together with a copy of any related notice sent to the Pension Benefit Guaranty Corporation; and (iii) promptly upon discovery, and in any event within 10 days after Company knows or has reason to know that it may be liable or may be reasonably expected to have liability for any withdrawal, partial withdrawal, reorganization or other event under any Multiemployer Plan under Sections 4201 or 4243 of ERISA, a Record authenticated by Company's chief financial officer notifying Wells Fargo of the details of the event and the actions that Company proposes to take in response.

(q) **Other Reports.** From time to time, with reasonable promptness, all receivables schedules, inventory reports, collection reports, deposit records, equipment schedules, invoices to account debtors, shipment documents and delivery receipts for goods sold, and such other materials, reports, records or information as Wells Fargo may request.

5.2 **Financial Covenants.** Company agrees to comply with the financial covenants described below, which shall be calculated using GAAP consistently applied, except as they may be otherwise modified by the following capitalized definitions:

(a) **Minimum Tangible Net Worth.** Company shall achieve, for each period described below, Tangible Net Worth of not less than the amount set forth for each such period:

<b><u>Period</u></b>	<b><u>Minimum Tangible Net Worth</u></b>
Company's fiscal year ending August 30, 2008	(i) \$170,000,000 plus (ii) \$14,000,000 minus dividends paid during such fiscal year
Company's first fiscal quarter ending November 29, 2008	(i) \$150,000,000 plus (ii) \$3,500,000 minus dividends paid during such fiscal quarter
Company's second fiscal quarter ending February 28, 2008	(i) \$150,000,000 plus (ii) 3,500,000 minus dividends paid during such fiscal quarter
Company's third fiscal quarter ending May 30, 2008	(i) \$140,000,000 plus (ii) \$3,500,000 minus dividends paid during such fiscal quarter
Company's fourth fiscal quarter ending August 29, 2009	(i) \$140,000,000 plus (ii) \$3,500,000 minus dividends paid during such fiscal quarter

(b) **Minimum Current Ratio.** Company shall achieve, for each period described below, a Current Ratio of not less than the ratio set forth for each such period:

<b><u>Period</u></b>	<b><u>Minimum Current Ratio</u></b>
Company's fiscal year ending August 30, 2008	3.00 to 1.00
Company's first fiscal quarter ending November 29, 2008	2.50 to 1.00
Company's second fiscal quarter ending February 28, 2008	2.50 to 1.00
Company's third fiscal quarter ending May 30, 2008	2.25 to 1.00
Company's fourth fiscal quarter ending August 29, 2009	2.25 to 1.00

14

(c) Capital Expenditures. Company shall not incur or contract to incur Capital Expenditures of more than \$7,500,000 in the aggregate during any fiscal year.

(d) New Covenants. Company and Wells Fargo shall agree on new covenant levels for this Section 5.2 prior to September 30, 2009, but if Company and Wells Fargo do not agree, Wells Fargo shall designate the required amounts in its sole discretion based on (i) Company's reasonable projections for such periods and/or (ii) Company's historical financial performance, and the failure by Company to maintain the designated amounts shall constitute an Event of Default.

### 5.3 Other Liens and Permitted Liens.

(a) Other Liens; Permitted Liens. Company shall not create, incur or suffer to exist any Lien upon any of its assets, now owned or later acquired, as security for any indebtedness, with the exception of the following (each a "Permitted Lien"; collectively, "Permitted Liens"): (i) in the case of real property, covenants, restrictions, rights, easements and minor irregularities in title which do not materially interfere with Company's business or operations as presently conducted; (ii) Liens in existence on the date of this Agreement that are described in Exhibit F and secure indebtedness for borrowed money permitted under Section 5.4; (iii) the Security Interest and Liens created by the Security Documents; and (iv) purchase money Liens relating to the acquisition of Equipment not exceeding the lesser of cost or fair market value, not exceeding \$250,000 for any one purchase or \$500,000 in the aggregate during any fiscal year, and so long as no Default Period is then in existence and none would exist immediately after such acquisition.

(b) Financing Statements. Company shall not authorize the filing of any financing statement by any Person as Secured Party with respect to any of Company's assets, other than Wells Fargo. Company shall not amend any financing statement filed by Wells Fargo as Secured Party except as permitted by law.

5.4 Indebtedness. Company shall not incur, create, assume or permit to exist any indebtedness or liability on account of deposits or letters of credit issued on Company's behalf, or advances or any indebtedness for borrowed money of any kind, whether or not evidenced by an instrument, except: (a) Indebtedness described in this Agreement; (b) indebtedness of Company described in Exhibit F; and (c) indebtedness secured by Permitted Liens.

5.5 Guaranties. Company shall not assume, guarantee, endorse or otherwise become directly or contingently liable for the obligations of any Person, except: (a) the endorsement of negotiable instruments by Company for deposit or collection or similar transactions in the ordinary course of business; and (b) guaranties, endorsements and other direct or contingent liabilities in connection with the obligations of other Persons in existence on the date of this Agreement and described in Exhibit F.

5.6 Investments and Subsidiaries. Other than as listed in Exhibit G, Company shall not make or permit to exist any loans or advances to, or make any investment or acquire any interest whatsoever in, any Person or Affiliate, including any partnership or joint venture, nor purchase or hold beneficially any stock or other securities or evidence of indebtedness of any Person or Affiliate, except:

(a) Investments in direct obligations of the United States of America or any of its political subdivisions whose obligations constitute the full faith and credit obligations of the United States of America and have a maturity of one year or less, commercial paper issued by U.S. corporations rated "A 1" or "A 2" by Standard & Poor's Ratings Services or "P 1" or "P 2" by Moody's Investors Service or certificates of deposit or bankers' acceptances having a maturity of one year or less issued by members of the Federal Reserve System having deposits in excess of \$100,000,000 (which certificates of deposit or bankers' acceptances are fully insured by the Federal Deposit Insurance Corporation);

(b) Travel advances or loans to Company's Officers and employees not exceeding at any one time an aggregate of \$50,000;

(c) Prepaid rent not exceeding one month or security deposits; and

15

---

(d) Current investments in those Subsidiaries in existence on the date of this Agreement which are identified on Exhibit D.

5.7 Dividends and Distributions. Company may declare or pay dividends on any class of its stock, or make payment on account of the purchase, redemption or retirement of any shares of its stock, or other securities or evidence of its indebtedness or make distributions regarding its stock, either directly or indirectly; provided, however, in no event shall Company pay any dividends if, on a rolling 90-day average, after the payment of dividends, the sum of (i) the Company's excess Availability, plus (ii) the Borrowing Base Reserve is less than \$10,000,000.

5.8 Treasury Stock Purchases. Company shall not make any treasury stock purchases without Wells Fargo's prior written consent.

5.9 Salaries. Company shall not pay excessive or unreasonable salaries, bonuses, commissions, consultant fees or other compensation; or increase the salary, cash bonus, commissions, consultant fees or other compensation (other than compensation in the form of Company's stock, stock units or stock options) of any Director, Officer or consultant, or any member of their families, by more than 20% in any one fiscal year, either individually or for all such Persons in the aggregate, or pay such an increase from any source other than profits earned in the year of payment.

### 5.10 Books and Records; Collateral Examination; Inspection and Appraisals.

(a) Books and Records; Inspection. Company shall keep complete and accurate books and records with respect to the Collateral and Company's business and financial condition and any other matters that Wells Fargo may request, in accordance with GAAP. Company shall permit any employee, attorney, accountant or other agent of Wells Fargo to audit, review, make extracts from and copy any of its books and records at any time during ordinary business hours, and to discuss Company's affairs with any of its Directors, Officers, employees, Owners or agents.

(b) Authorization to Company's Agents to Make Disclosures to Wells Fargo. Company authorizes all accountants and other Persons acting as its agent to disclose and deliver to Wells Fargo's employees, accountants, attorneys and other Persons acting as its agent, at Company's expense, all financial information, books and records, work papers, management reports and other information in their possession regarding Company.

(c) Collateral Exams and Inspections. Company shall permit Wells Fargo's employees, accountants, attorneys or other Persons acting as its agent, to examine and inspect any Collateral or any other property of Company at any time during ordinary business hours. Collateral examinations may be conducted annually so long as no Event of Default has occurred and no Advances have been made (not including outstanding Letters of Credit). If an Event of Default has occurred or any Advance has been made (other than outstanding Letters of Credit), collateral examinations may be performed quarterly.

(d) Collateral Appraisals. Wells Fargo may also obtain, from time to time, but no more than one time each calendar year, at Wells Fargo's sole discretion and at Company's expense, an appraisal of Company's Inventory by an appraiser acceptable to Wells Fargo in its sole discretion; provided, however, if any Advance has been made and an Event of Default has occurred and is continuing, Wells Fargo may obtain, more frequently than one time each calendar year, at Wells Fargo's sole discretion and at Company's expense, an appraisal of Company's Inventory by an appraiser acceptable to Wells Fargo in its sole discretion.

### 5.11 Account Verification; Payment of Permitted Liens.

(a) Account Verification. Wells Fargo or its agents may (i) contact account debtors and other obligors at any time to verify Company's Accounts and (ii) require Company to send requests for verification of Accounts or send notices of assignment of Accounts to account debtors and other obligors.

(b) Covenant to Pay Permitted Liens. Company shall pay when due each account payable due to any Person holding a Permitted Lien (as a result of such payable) on any Collateral.

16

---

#### 5.12 Compliance with Laws.

(a) General Compliance with Applicable Law; Use of Collateral. Company shall (i) comply with the requirements of applicable laws and regulations, the non-compliance with which would have a Material Adverse Effect on its business or its financial condition and (ii) use and keep the Collateral, and require that others use and keep the Collateral, only for lawful purposes, without violation of any federal, state or local law, statute or ordinance.

(b) Compliance with Federal Regulatory Laws. Company shall (i) prohibit any Person that is an Owner or Officer from being listed on the Specially Designated Nationals and Blocked Person List or other similar lists maintained by the Office of Foreign Assets Control ("OFAC"), the Department of the Treasury or included in any Executive Orders, (ii) not permit the proceeds of the Line of Credit or any other financial accommodation extended by Wells Fargo to be used in any way that violates any foreign asset control regulations of OFAC or other applicable law, (iii) comply with all applicable Bank Secrecy Act laws and regulations, as amended from time to time, and (iv) otherwise comply with the USA Patriot Act and Wells Fargo's related policies and procedures.

(c) Compliance with Environmental Laws. Company shall (i) comply with the requirements of applicable Environmental Laws and obtain and comply with all permits, licenses and similar approvals required by them, and (ii) not generate, use, transport, treat, store or dispose of any Hazardous Substances in such a manner as to create any material liability or obligation under the common law of any jurisdiction or any Environmental Law.

5.13 Payment of Taxes and Other Claims. Company shall pay or discharge, when due, (a) all taxes, assessments and governmental charges levied or imposed upon it or upon its income or profits, upon any properties belonging to it (including the Collateral) or upon or against the creation, perfection or continuance of the Security Interest, prior to the date on which penalties attach, (b) all federal, state and local taxes required to be withheld by it, and (c) all lawful claims for labor, materials and supplies which, if unpaid, might by law become a Lien upon any properties of Company, although Company shall not be required to pay any such tax, assessment, charge or claim whose amount, applicability or validity is being contested in good faith by appropriate proceedings and for which proper reserves have been made.

#### 5.14 Maintenance of Collateral and Properties.

(a) Company shall keep and maintain the Collateral and all of its other properties necessary or useful in its business in good condition, repair and working order (normal wear and tear excepted) and will from time to time replace or repair any worn, defective or broken parts, although Company may discontinue the operation and maintenance of any properties if Company believes that such discontinuance is desirable to the conduct of its business and not disadvantageous in any material respect to Wells Fargo. Company shall take all commercially reasonable steps necessary to protect and maintain its Intellectual Property Rights.

(b) Company shall defend the Collateral against all Liens, claims and demands of all third Persons claiming any interest in the Collateral. Company shall keep all Collateral free and clear of all Liens except Permitted Liens. Company shall take all commercially reasonable steps necessary to prosecute any Person infringing its Intellectual Property Rights and to defend itself against any Person accusing it of infringing any Person's Intellectual Property Rights.

5.15 Insurance. Company shall at all times maintain insurance with insurers acceptable to Wells Fargo, in such amounts, on such terms (including any deductibles) and against such risks as Wells Fargo may require, in such amounts and against such risks as is usually carried by companies engaged in similar business and owning similar properties in the same geographical areas in which Company operates. Company shall also, at all times and without limitation keep all tangible Collateral insured against risks of fire (including so-called extended coverage), theft, collision (for Collateral consisting of motor vehicles) and such other risks and in such amounts as Wells Fargo may reasonably request, with any loss payable to Wells Fargo to the extent of its interest, and all such policies of insurance shall contain a lender's loss payable endorsement for the benefit of Wells Fargo. All policies of liability insurance shall name Wells Fargo as an additional insured.

17

---

5.16 Preservation of Existence. Company shall preserve and maintain its existence and all of its rights, privileges and franchises necessary or desirable in the normal conduct of its business and shall conduct its business in an orderly, efficient and regular manner.

5.17 Delivery of Instruments, etc. Upon request by Wells Fargo, Company shall promptly deliver to Wells Fargo in pledge all instruments, documents and chattel paper constituting Collateral, endorsed or assigned by Company.

5.18 Sale or Transfer of Assets; Suspension of Business Operations. Company shall not sell, lease, assign, transfer or otherwise dispose of (a) the stock of any Subsidiary, (b) all or a substantial part of its assets, or (c) any Collateral or any interest in Collateral (whether in one transaction or in a series of transactions) to any other Person other than the sale of Inventory in the ordinary course of business and shall not liquidate, dissolve or suspend business operations. Company shall not transfer any part of its ownership interest in any Intellectual Property Rights and shall not permit its rights as licensee of Licensed Intellectual Property to lapse, except that Company may transfer such rights or permit them to lapse if it has reasonably determined that such Intellectual Property Rights are no longer useful in its business. If Company transfers any Intellectual Property Rights for value, Company shall pay the Proceeds to Wells Fargo for application to the Indebtedness. Company shall not license any other Person to use any of Company's Intellectual Property Rights, except that Company may grant licenses in the ordinary course of its business in connection with sales of Inventory or the provision of services to its customers.

5.19 Consolidation and Merger; Asset Acquisitions. Company shall not, without the prior written consent of Wells Fargo, consolidate with or merge into any other entity, or permit any other entity to merge into it, or acquire (in a transaction analogous in purpose or effect to a consolidation or merger) all or substantially all of the assets of any other entity.

5.20 Sale and Leaseback. Company shall not, without the prior written consent of Wells Fargo, enter into any arrangement, directly or indirectly, with any other Person pursuant to which Company shall sell or transfer any real or personal property, whether owned now or acquired in the future, and then rent or lease all or part of such property or any other property which Company intends to use for substantially the same purpose or purposes as the property being sold or transferred.

5.21 Restrictions on Nature of Business. Company shall not, without the prior written consent of Wells Fargo, engage in any line of business materially different from that presently engaged in by Company, and shall not purchase, lease or otherwise acquire assets not related to its business.

5.22 Accounting. Company shall not adopt any material change in accounting principles except as required by GAAP, consistently applied. Company shall not change its fiscal year.

5.23 Discounts, Etc. After notice from Wells Fargo, Company shall not grant any discount, credit or allowance to any customer of Company or accept any return of goods sold. Company shall not at any time modify, amend, subordinate, cancel or terminate any Account.

5.24 Pension Plans. Except as disclosed to Wells Fargo in a Record prior to the date of this Agreement, neither Company nor any ERISA Affiliate shall (a) adopt, create, assume or become party to any Pension Plan, (b) become obligated to contribute to any Multiemployer Plan, (c) incur any obligation to provide post-retirement medical or insurance benefits with respect to employees or former employees (other than benefits required by law) or (d) amend any Plan in a manner that would materially increase its funding obligations.

5.25 Place of Business; Name. Company shall not, without the prior written consent of Wells Fargo, transfer its chief executive office or principal place of business, or move, relocate, close or sell any business Premises. Company shall not permit any tangible Collateral or any records relating to the Collateral to be located in any state or area in which, in the event of such location, a financing statement covering such Collateral would be required to be, but has not in fact been, filed in order to perfect the Security Interest. Company shall not change its name or jurisdiction of organization.

18

---

5.26 Constituent Documents; S Corporation Status. Company shall not amend its Constituent Documents without the prior written consent of Wells Fargo.

5.27 Performance by Wells Fargo. If Company fails to perform or observe any of its obligations under this Agreement at any time, Wells Fargo may, but need not, perform or observe them on behalf of Company and may, but need not, take any other actions which Wells Fargo may reasonably deem necessary to cure or correct this failure; and Company shall pay Wells Fargo upon demand the amount of all costs and expenses (including reasonable attorneys' fees and legal expense) incurred by Wells Fargo in performing these obligations, together with interest on these amounts at the Default Rate.

5.28 Wells Fargo Appointed as Company's Attorney in Fact. To facilitate Wells Fargo's performance or observance of Company's obligations under this Agreement, Company hereby irrevocably appoints Wells Fargo and Wells Fargo's agents as Company's attorney in fact (which appointment is coupled with an interest) with the right (but not the duty) to create, prepare, complete, execute, deliver, endorse or file on behalf of Company any instruments, documents, assignments, security agreements, financing statements, applications for insurance and any other agreements or any Record required to be obtained, executed, delivered or endorsed by Company in accordance with the terms of this Agreement.

## 6. EVENTS OF DEFAULT AND REMEDIES.

6.1 Events of Default. An "Event of Default" means any of the following:

- (a) Company fails to pay the amount of any Indebtedness on the date that it becomes due and payable;
- (b) Company fails to observe or perform any covenant or agreement of Company set forth in this Agreement, or in any of the Loan Documents, or in any other document or agreement described in or related to this Agreement or to any Indebtedness, or any covenant in Section 5.2 becomes inapplicable due to the lapse of time, and Company and Wells Fargo fail to come to an agreement acceptable to Wells Fargo in Wells Fargo's sole discretion to amend the covenant to apply to future periods;
- (c) An Overadvance arises as the result of any reduction in the Borrowing Base, or arises in any manner or on terms not otherwise approved of in advance by Wells Fargo in a Record that it has Authenticated;
- (d) An event of default or termination event (however defined) occurs under any swap, derivative, foreign exchange, hedge or other similar transaction or arrangement entered into between Company and Wells Fargo;
- (e) Company or any Guarantor becomes insolvent or admits in a Record an inability to pay debts as they mature, or Company or any Guarantor makes an assignment for the benefit of creditors; or Company or any Guarantor applies for or consents to the appointment of any receiver, trustee, or similar officer for the benefit of Company or such Guarantor, or for any of their properties; or any receiver, trustee or similar officer is appointed without the application or consent of Company or any Guarantor; or any judgment, writ, warrant of attachment or execution or similar process is issued or levied against a substantial part of the property of Company or any Guarantor;
- (f) Company or any Guarantor files a petition under any chapter of the United States Bankruptcy Code or under the laws of any other jurisdiction naming Company or such Guarantor as debtor; or any such petition is instituted against Company or any Guarantor; or Company or any Guarantor institutes (by petition, application, answer, consent or otherwise) any bankruptcy, insolvency, reorganization, debt arrangement, dissolution, liquidation or similar proceeding under the laws of any jurisdiction; or any such proceeding is instituted (by petition, application or otherwise) against Company or any Guarantor;

19

---

(g) Any representation or warranty made by Company in this Agreement or by any Guarantor in any Guaranty, or by Company (or any of its Officers) or any Guarantor in any agreement, certificate, instrument or financial statement or other statement delivered to Wells Fargo in connection with this Agreement or pursuant to such Guaranty is untrue or misleading in any material respect when delivered to Wells Fargo;

(h) A final, non-appealable arbitration award, judgment, or decree or order for the payment of money in an amount in excess of \$250,000 which is not insured or subject to indemnity, is entered against Company which is not immediately stayed or appealed or paid within 30 days;

(i) Company is in default with respect to any bond, debenture, note or other evidence of material indebtedness issued by Company that is held by any third Person other than Wells Fargo, or under any instrument under which any such evidence of indebtedness has been issued or by which it is governed, or under any material lease or other contract, and the applicable grace period, if any, has expired, regardless of whether such default has been waived by the holder of such indebtedness;

(j) Company liquidates, dissolves, terminates or suspends its business operations or otherwise fails to operate its business in the ordinary course, or merges with another Person; or sells or attempts to sell all or substantially all of its assets;

(k) Company fails to pay any indebtedness or obligation owed to Wells Fargo which is unrelated to the Line of Credit or this Agreement as it becomes due and payable;

(l) Any Guarantor repudiates or purports to revoke the Guarantor's Guaranty, or fails to perform any obligation under such Guaranty, or any individual Guarantor dies or becomes incapacitated, or any other Guarantor ceases to exist for any reason;



(m) Company engages in any act prohibited by any Subordination Agreement, or makes any payment on Subordinated Indebtedness (as defined in the Subordination Agreement) that the Subordinated Creditor was not contractually entitled to receive;

(n) Any event or circumstance occurs that Wells Fargo in good faith believes may impair the prospect of payment of all or part of the Indebtedness, or Company's ability to perform any of its material obligations under any of the Loan Documents, or any other document or agreement described in or related to this Agreement, there occurs any material adverse change in the business or financial condition of Company;

(o) Any Director, Officer, Guarantor, or Owner (who is also an individual) of at least 20% of the issued and outstanding common stock of Company is indicted for a felony offence under state or federal law, or Company hires an Officer or appoints a Director who has been convicted of any such felony offense, or a Person becomes an Owner of at least 20% of the issued and outstanding common stock of Company who has been convicted of any such felony offense;

(p) Any Reportable Event, which Wells Fargo in good faith believes to constitute sufficient grounds for termination of any Pension Plan or for the appointment of a trustee to administer any Pension Plan, has occurred and is continuing 30 days after Company gives Wells Fargo a Record notifying it of the Reportable Event; or a trustee is appointed by an appropriate court to administer any Pension Plan; or the Pension Benefit Guaranty Corporation institutes proceedings to terminate or appoint a trustee to administer any Pension Plan; or Company or any ERISA Affiliate files for a distress termination of any Pension Plan under Title IV of ERISA; or Company or any ERISA Affiliate fails to make any quarterly Pension Plan contribution required under Section 412(m) of the IRC, which Wells Fargo in good faith believes may, either by itself or in combination with other failures, result in the imposition of a Lien on Company's assets in favor of the Pension Plan; or any withdrawal, partial withdrawal, reorganization or other event occurs with respect to a Multiemployer Plan which could reasonably be expected to result in a material liability by Company to the Multiemployer Plan under Title IV of ERISA.

20

---

6.2 Rights and Remedies. During any Default Period, Wells Fargo may in its discretion exercise any or all of the following rights and remedies:

(a) Wells Fargo may terminate the Line of Credit and decline to make Advances and terminate any services extended to Company under the Master Agreement for Treasury Management Services;

(b) Wells Fargo may declare the Indebtedness to be immediately due and payable and accelerate payment of the Revolving Note, and all Indebtedness shall immediately become due and payable, without presentment, notice of dishonor, protest or further notice of any kind, all of which Company hereby expressly waives;

(c) Wells Fargo may, without notice to Company, apply any money owing by Wells Fargo to Company to payment of the Indebtedness;

(d) Wells Fargo may exercise and enforce any rights and remedies available upon default to a secured party under the UCC, including the right to take possession of Collateral, proceeding with or without judicial process (without a prior hearing or notice of hearing, which Company hereby expressly waives) and sell, lease or otherwise dispose of Collateral for cash or on credit (with or without giving warranties as to condition, fitness, merchantability or title to Collateral, and in the event of a credit sale, Indebtedness shall be reduced only to the extent that payments are actually received), and Company will upon Wells Fargo's demand assemble the Collateral and make it available to Wells Fargo at any place designated by Wells Fargo which is reasonably convenient to both parties;

(e) Wells Fargo may exercise and enforce its rights and remedies under any of the Loan Documents and any other document or agreement described in or related to this Agreement;

(f) Company will pay Wells Fargo upon demand in immediately available funds an amount equal to the Aggregate Face Amount plus any anticipated costs and fees for deposit to the Special Account pursuant to Section 1.10;

(g) Wells Fargo may for any reason apply for the appointment of a receiver of the Collateral, to which appointment Company hereby consents; and

(h) Wells Fargo may exercise any other rights and remedies available to it by law or agreement.

6.3 Immediate Default and Acceleration. Following the occurrence of an Event of Default described in Section 6.1(e) or (f), the Line of Credit shall immediately terminate and all of Company's Indebtedness shall immediately become due and payable without presentment, demand, protest or notice of any kind.

## 7. MISCELLANEOUS.

7.1 No Waiver; Cumulative Remedies. No delay or any single or partial exercise by Wells Fargo of any right, power or remedy under the Loan Documents, or under any other document or agreement described in or related to this Agreement, shall constitute a waiver of any other right, power or remedy under the Loan Documents or granted by Company to Wells Fargo under other agreements or documents that are unrelated to the Loan Documents. No notice to or demand on Company in any circumstance shall entitle Company to any additional notice or demand in any other circumstances. The remedies provided in the Loan Documents or in any other document or agreement described in or related to this Agreement are cumulative and not exclusive of any remedies provided by law. Wells Fargo may comply with applicable law in connection with a disposition of Collateral, and such compliance will not be considered to adversely affect the commercial reasonableness of any sale of the Collateral.

21

---

7.2 Amendments; Consents and Waivers; Authentication. No amendment or modification of any Loan Documents, or any other document or agreement described in or related to this Agreement, or consent to or waiver of any Event of Default, or consent to or waiver of the application of any covenant or representation set forth in any of the Loan Documents, or any other document or agreement described in or related to this Agreement; or any release of Wells Fargo's Security Interest in any Collateral, shall be effective unless it has been agreed to by Wells Fargo and memorialized in a Record that: (a) specifically states that it is intended to amend or modify specific Loan Documents, or any other document or agreement described in or related to this Agreement, or waive any Event of Default or the application of any covenant or representation of any terms of specific Loan Documents, or any other document or agreement described in or related to this Agreement, or is intended to release Wells Fargo's Security Interest in specific Collateral; and (b) is Authenticated by the signature of an authorized employee of both parties, or by an authorized employee of Wells Fargo with respect to a consent or waiver. The terms of an amendment, consent or waiver memorialized in any Record shall be effective only to the extent, and in the specific instance, and for the limited purpose to which Wells Fargo has agreed.

7.3 Execution in Counterparts; Delivery of Counterparts. This Agreement and all other Loan Documents, or any other document or agreement described in or related to this Agreement, and any amendment or modification to them may be Authenticated by the parties in any number of counterparts, each of which, once authenticated and delivered in accordance with the terms of this Section 7.3, will be deemed an original, and all such counterparts, taken together, shall constitute one and the same instrument. Delivery by fax or by encrypted e-mail or e-mail file attachment of any counterpart to any Loan Document Authenticated by an authorized signature will be deemed

the equivalent of the delivery of the original Authenticated instrument. Company shall send the original Authenticated counterpart to Wells Fargo by first class U.S. mail or by overnight courier, but Company's failure to deliver a Record in this form shall not affect the validity, enforceability, and binding effect of this Agreement or the other Loan Documents, or any other document or agreement described in or related to this Agreement.

7.4 Notices, Requests, and Communications; Confidentiality. Except as otherwise expressly provided in this Agreement:

(a) Delivery of Notices, Requests and Communications. Any notice, request, demand, or other communication by either party that is required under the Loan Documents, or any other document or agreement described in or related to this Agreement, to be in the form of a Record (but excluding any Record containing information Company must report to Wells Fargo under Section 5.1) may be delivered (i) in person, (ii) by first class U.S. mail, (iii) by overnight courier of national reputation, or (iv) by fax, or the Record may be sent as an Electronic Record and delivered (v) by an encrypted e-mail, or (vi) through Wells Fargo's Commercial Electronic Office<sup>®</sup> ("CEO<sup>®</sup>") portal or other secure electronic channel to which the parties have agreed.

(b) Addresses for Delivery. Delivery of any Record under this Section 7.4 shall be made to the appropriate address set forth on the last page of this Agreement (which either party may modify by a Record sent to the other party), or through Wells Fargo's CEO portal or other secure electronic channel to which the parties have agreed.

(c) Date of Receipt. Each Record sent pursuant to the terms of this Section 7.4 will be deemed to have been received on (i) the date of delivery if delivered in person, (ii) the date deposited in the mail if sent by mail, (iii) the date delivered to the courier if sent by overnight courier, (iv) the date of transmission if sent by fax, or (v) the date of transmission, if sent as an Electronic Record by electronic mail or through Wells Fargo's CEO portal or similar secure electronic channel to which the parties have agreed; except that any request for an Advance or any other notice, request, demand or other communication from Company required under Section 1, and any request for an accounting under Section 9-210 of the UCC, will not be deemed to have been received until actual receipt by Wells Fargo on a Business Day by an authorized employee of Wells Fargo.

(d) Confidentiality of Unencrypted E-mail. Company acknowledges that if it sends an Electronic Record to Wells Fargo without encryption by e-mail or as an e-mail file attachment, there is a risk that the Electronic Record may be received by unauthorized Persons, and that by so doing it will be deemed to have accepted this risk and the consequences of any such unauthorized disclosure.

22

---

7.5 Company Information Reporting; Confidentiality. Except as otherwise expressly provided in this Agreement:

(a) Delivery of Company Information Records. Any information that Company is required to deliver under Section 5.1 in the form of a Record may be delivered to Wells Fargo (i) in person, or by (ii) first class U.S. mail, (iii) overnight courier of national reputation, or (iv) fax, or the Record may be sent as an Electronic Record (v) by encrypted e-mail, or (vi) through the file upload service of Wells Fargo's CEO portal or other secure electronic channel to which the parties have agreed.

(b) Addresses for Delivery. Delivery of any Record to Wells Fargo under this Section 7.5 shall be made to the appropriate address set forth on the last page of this Agreement (which Wells Fargo may modify by a Record sent to Company), or through Wells Fargo's CEO portal or other secure electronic channel to which the parties have agreed.

(c) Date of Receipt. Each Record sent pursuant to this Section will be deemed to have been received on (i) the date of delivery to an authorized employee of Wells Fargo, if delivered in person, or by U.S. mail, overnight courier, fax, or e-mail; or (ii) the date of transmission, if sent as an Electronic Record through Wells Fargo's CEO portal or similar secure electronic channel to which the parties have agreed.

(d) Authentication of Company Information Records. Company shall Authenticate any Record delivered (i) in person, or by U.S. mail, overnight courier, or fax, by the signature of the Officer or employee of Company who prepared the Record; (ii) as an Electronic Record sent via encrypted e-mail, by the signature of the Officer or employee of Company who prepared the Record by any file format signature that is acceptable to Wells Fargo, or by a separate certification signed and sent by fax; or (iii) as an Electronic Record via the file upload service of Wells Fargo's CEO portal or similar secure electronic channel to which the parties have agreed, through such credentialing process as Wells Fargo and Company may agree to under the CEO agreement.

(e) Certification of Company Information Records. Any Record (including any Electronic Record) Authenticated and delivered to Wells Fargo under this Section 7.5 will be deemed to have been certified as materially true, correct, and complete by Company and each Officer or employee of Company who prepared and Authenticated the Record on behalf of Company, and may be legally relied upon by Wells Fargo without regard to method of delivery or transmission.

(f) Confidentiality of Company Information Records Sent by Unencrypted E-mail. Company acknowledges that if it sends an Electronic Record to Wells Fargo without encryption by e-mail or as an e-mail file attachment, there is a risk that the Electronic Record may be received by unauthorized Persons, and that by so doing it will be deemed to have accepted this risk and the consequences of any such unauthorized disclosure. Company acknowledges that it may deliver Electronic Records containing Company information to Wells Fargo by e-mail pursuant to any encryption tool acceptable to Wells Fargo and Company, or through Wells Fargo's CEO portal file upload service without risk of unauthorized disclosure.

7.6 Further Documents. Company will from time to time execute, deliver, endorse and authorize the filing of any instruments, documents, conveyances, assignments, security agreements, financing statements, control agreements and other agreements that Wells Fargo may reasonably request in order to secure, protect, perfect or enforce the Security Interest or Wells Fargo's rights under the Loan Documents, or any other document or agreement described in or related to this Agreement (but any failure to request or assure that Company executes, delivers, endorses or authorizes the filing of any such item shall not affect or impair the validity, sufficiency or enforceability of the Loan Documents, or any other document or agreement described in or related to this Agreement, and the Security Interest, regardless of whether any such item was or was not executed, delivered or endorsed in a similar context or on a prior occasion).

7.7 Costs and Expenses. Company shall pay on demand all costs and expenses, including reasonable attorneys' fees, incurred by Wells Fargo in connection with the Indebtedness, this Agreement, the Loan Documents, or any other document or agreement described in or related to this Agreement, and the transactions contemplated by this Agreement, including all such costs, expenses and fees incurred in connection with the negotiation, preparation, execution, amendment, administration, performance, collection and enforcement of the Indebtedness and all such documents and agreements and the creation, perfection, protection, satisfaction, foreclosure or enforcement of the Security Interest.

23

---

7.8 Indemnity. In addition to its obligation to pay Wells Fargo's expenses under the terms of this Agreement, Company shall indemnify, defend and hold harmless Wells Fargo, its parent Wells Fargo & Company, and any of its affiliates and successors, and all of their present and future Officers, Directors, employees, attorneys and agents (the "Indemnitees") from and against any of the following (collectively, "Indemnified Liabilities"):

(a) Any and all transfer taxes, documentary taxes, assessments or charges made by any governmental authority by reason of the execution and delivery of the Loan Documents or any other document or agreement described in or related to this Agreement, or the making of the Advances;

(b) Any claims, loss or damage to which any Indemnitee may be subjected if any representation or warranty contained in Exhibit D proves to be incorrect in any respect or as a result of any violation of the covenants contained in Section 5.12; and

(c) Any and all other liabilities, losses, damages, penalties, judgments, suits, claims, costs and expenses of any kind or nature whatsoever (including the reasonable fees and disbursements of counsel) in connection with this Agreement and any other investigative, administrative or judicial proceedings, whether or not such Indemnitee shall be designated a party to such proceedings, which may be imposed on, incurred by or asserted against any such Indemnitee, in any manner related to or arising out of or in connection with the making of the Advances and the Loan Documents, or any other document or agreement described in or related to this Agreement, or the use or intended use of the proceeds of the Advances, with the exception of any Indemnified Liability caused by the gross negligence or willful misconduct of an Indemnitee.

If any investigative, judicial or administrative proceeding described in this Section is brought against any Indemnitee, upon the Indemnitee's request, Company, or counsel designated by Company and satisfactory to the Indemnitee, will resist and defend the action, suit or proceeding to the extent and in the manner directed by the Indemnitee, at Company's sole cost and expense. Each Indemnitee will use its best efforts to cooperate in the defense of any such action, suit or proceeding. If this agreement to indemnify is held to be unenforceable because it violates any law or public policy, Company shall nevertheless make the maximum contribution to the payment and satisfaction of each of the Indemnified Liabilities to the extent permissible under applicable law. Company's obligations under this Section shall survive the termination of this Agreement and the discharge of Company's other obligations under this Agreement.

7.9 Retention of Company's Records. Wells Fargo shall have no obligation to maintain Electronic Records or retain any documents, schedules, invoices, agings, or other Records delivered to Wells Fargo by Company in connection with the Loan Documents or any other document or agreement described in or related to this Agreement for more than 30 days after receipt by Wells Fargo. If there is a special need to retain specific Records, Company must notify Wells Fargo of its need to retain or return such Records with particularity, which notice must be delivered to Wells Fargo in accordance with the terms of this Agreement at the time of the initial delivery of the Record to Wells Fargo.

7.10 Binding Effect; Assignment; Complete Agreement. The Loan Documents and any other document or agreement described in or related to this Agreement, shall be binding upon and inure to the benefit of Company and Wells Fargo and their respective successors and assigns, except that Company shall not have the right to assign its rights under this Agreement or any interest in this Agreement without Wells Fargo's prior consent, which must be confirmed in a Record Authenticated by Wells Fargo. To the extent permitted by law, Company waives and will not assert against any assignee any claims, defenses or set-offs which Company could assert against Wells Fargo. This Agreement shall also bind all Persons who become a party to this Agreement as a borrower. This Agreement, together with the Loan Documents and any other document or agreement described in or related to this Agreement, comprises the complete and integrated agreement of the parties on the subject matter of this Agreement and supersedes all prior agreements, whether oral or evidenced in a Record. To the extent that any provision of this Agreement contradicts other provisions of the Loan Documents other than this Agreement or any other document or agreement described in or related to this Agreement, this Agreement shall control.

7.11 Sharing of Information. Wells Fargo may share any information that it may have regarding Company and its Affiliates with its accountants, lawyers, and other advisors, and Wells Fargo and each direct and indirect subsidiary of Wells Fargo & Company may also share any information that they have with each other, and Company waives any right of confidentiality it may have with respect to the sharing of all such information.

7.12 Severability of Provisions. Any provision of this Agreement which is prohibited or unenforceable shall be ineffective to the extent of such prohibition or unenforceability without invalidating the remaining terms of this Agreement.

7.13 Headings. Section and subsection headings in this Agreement are included for convenience of reference only and shall not constitute a part of this Agreement for any other purpose.

7.14 Governing Law; Jurisdiction, Venue; Waiver of Jury Trial. The Loan Documents (other than real estate related documents, if any) shall be governed by and construed in accordance with the substantive laws (other than conflict laws) of the State of Minnesota. The parties to this Agreement (a) consent to the personal jurisdiction of the state and federal courts located in the State of Minnesota in connection with any controversy related to this Agreement; (b) waive any argument that venue in any such forum is not convenient; (c) agree that any litigation initiated by Wells Fargo or Company in connection with this Agreement or the other Loan Documents may be venued in either the state or federal courts located in the City of Minneapolis, County of Hennepin, State of Minnesota; and (d) agree that a final judgment in any such suit, action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law.

*[The remainder of this page intentionally left blank.]*

**COMPANY AND WELLS FARGO WAIVE ANY RIGHT TO TRIAL BY JURY IN ANY ACTION AT LAW OR IN EQUITY OR IN ANY OTHER PROCEEDING BASED ON OR PERTAINING TO THIS AGREEMENT OR ANY OTHER LOAN DOCUMENT.**

**WINNEBAGO INDUSTRIES, INC.**

**WELLS FARGO BANK, NATIONAL ASSOCIATION**

By: \_\_\_\_\_  
Name: Sarah N. Nielsen  
Its: CFO

By: \_\_\_\_\_  
Name: Tom Hedberg  
Its: Vice President

605 West Crystal Lake Road  
P.O. Box 152  
Forest City, IA 50436  
Fax: (641) 585-6966  
Attn: Don Heidemann  
e-mail: dheidemann@winnebagoind.com  
Federal Employer ID No. 42-0802678  
Organization No. 44181

**WINNEBAGO INDUSTRIES, INC.**

By: \_\_\_\_\_  
Name: Sarah N. Nielsen  
Its: CFO

Wells Fargo Business Credit  
MAC N9312-040  
90 South Seventh Street  
Minneapolis, MN 55479  
Fax: (612)341-2472  
Attn: Tom Hedberg  
e-mail: thomas.g.hedberg@wellsfargo.com

**WELLS FARGO BANK, NATIONAL ASSOCIATION**

By: \_\_\_\_\_  
Name: Tom Hedberg  
Its: Vice President

---

**REVOLVING NOTE**

\$25,000,000 September \_\_, 2008

FOR VALUE RECEIVED, the undersigned, WINNEBAGO INDUSTRIES, INC., an Iowa corporation (the "Company"), hereby promises to pay to the order of WELLS FARGO BANK, NATIONAL ASSOCIATION ("Wells Fargo"), acting through its WELLS FARGO BUSINESS CREDIT operating division, on the Termination Date described in the Credit and Security Agreement dated September \_\_, 2008 (as amended from time to time, the "Agreement") and entered into between Wells Fargo and Company, at Wells Fargo's office at Minneapolis, Minnesota, or at any other place designated at any time by the holder, in lawful money of the United States of America and in immediately available funds, the principal sum of Twenty-Five Million Dollars (\$25,000,000) or the aggregate unpaid principal amount of all Advances made by Wells Fargo to Company under the terms of the Agreement, together with interest on the principal amount computed on the basis of actual days elapsed in a 360-day year, from the date of this Revolving Note until this Revolving Note is fully paid at the rate from time to time in effect under the terms of the Agreement. Principal and interest accruing on the unpaid principal amount of this Revolving Note shall be due and payable as provided in the Agreement. This Revolving Note may be prepaid only in accordance with the Agreement.

This Revolving Note is the Revolving Note referred to in the Agreement, and is subject to the terms of the Agreement, which provides, among other things, for the acceleration of this Revolving Note. This Revolving Note is secured, among other things, by the Agreement and the Security Documents as defined in the Agreement, and by any other security agreements, mortgages, deeds of trust, assignments or other instruments or agreements that may subsequently be given for good and valuable consideration as security for this Revolving Note.

Company shall pay all costs of collection, including reasonable attorneys' fees and legal expenses if this Revolving Note is not paid when due, whether or not legal proceedings are commenced.

Presentment or other demand for payment, notice of dishonor and protest are expressly waived.

**WINNEBAGO INDUSTRIES, INC.**

By: \_\_\_\_\_  
Name: Sarah N. Nielsen  
Its: CFO

---

**Exhibit A to Credit and Security Agreement**

**DEFINITIONS**

"Account Funds" is defined in Section 1.4(a).

"Accounts" shall have the meaning given it under the UCC.

"Advance" and "Advances" means an advance or advances under the Line of Credit.

“Affiliate” or “Affiliates” means any Person controlled by, controlling or under common control with Company, including any Subsidiary of Company. For purposes of this definition, “control,” when used with respect to any specified Person, “control,” means the power to direct the management and policies of such Person, directly or indirectly, whether through the ownership of voting securities, by contract or otherwise.

“Aggregate Face Amount” means the aggregate amount that may then be drawn under each outstanding Letter of Credit, assuming compliance with all conditions for drawing.

“Agreement” means this Credit and Security Agreement.

“Authenticated” means (a) to have signed; or (b) to have executed or to have otherwise adopted a symbol, or have encrypted or similarly processed a Record in whole or in part, with the present intent of the authenticating Person to identify the Person and adopt or accept a Record.

“Availability” means the amount, if any, by which the Borrowing Base exceeds the sum of (i) the outstanding principal balance of the Revolving Note and (ii) the L/C Amount.

“Borrowing Base” is defined in Section 1.2(a).

“Borrowing Base Reserve” means, as of any date of determination, an amount or a percent of a specified category or item that Wells Fargo establishes in its sole discretion from time to time to reduce availability under the Borrowing Base (a) to reflect events, conditions, contingencies or risks which affect the assets, business or prospects of Company, or the Collateral or its value, or the enforceability, perfection or priority of Wells Fargo’s Security Interest in the Collateral, as the term “Collateral” is defined in this Agreement, or (b) to reflect Wells Fargo’s judgment that any collateral report or financial information relating to Company and furnished to Wells Fargo may be incomplete, inaccurate or misleading in any material respect.

“Business Day” means a day on which the Federal Reserve Bank of New York is open for business and, if such day relates to a LIBOR Advance, a day on which dealings are carried on in the London interbank eurodollar market.

“Capital Expenditures” means for a period, any expenditure of money during such period for the purchase or construction of assets, or for improvements or additions to such assets, which are capitalized on Company’s balance sheet.

“CEO” is defined in Section 7.4(a).

A-1

---

“Collateral” means all of Company’s Accounts, chattel paper and electronic chattel paper, deposit accounts, documents, Equipment, General Intangibles, goods, instruments, Inventory, Investment Property, letter-of-credit rights, letters of credit, all sums on deposit in any Collection Account, and any items in any Lockbox; together with (a) all substitutions and replacements for and products of such property; (b) in the case of all goods, all accessions; (c) all accessories, attachments, parts, Equipment and repairs now or subsequently attached or affixed to or used in connection with any goods; (d) all warehouse receipts, bills of lading and other documents of title that cover such goods now or in the future; (e) all collateral subject to the Lien of any of the Security Documents; (f) any money, or other assets of Company that come into the possession, custody, or control of Wells Fargo now or in the future; (g) Proceeds of any of the above Collateral; (h) books and records of Company, including all mail or e-mail addressed to Company; and (i) all of the above Collateral, whether now owned or existing or acquired now or in the future or in which Company has rights now or in the future.

“Collection Account” means “Collection Account” as defined in the Master Agreement for Treasury Management Services and related Lockbox and Collection Account Service Description or Collection Account Service Description, whichever is applicable.

“Compliance Certificate” is defined in Section 5.1(a) and is in the form of Exhibit E.

“Commercial Letter of Credit Agreement” means an agreement governing the issuance of documentary letters of credit entered into between Company as applicant and Wells Fargo as issuer.

“Constituent Documents” means with respect to any Person, as applicable, that Person’s certificate of incorporation, articles of incorporation, by-laws, certificate of formation, articles of organization, limited liability company agreement, management agreement, operating agreement, shareholder agreement, partnership agreement or similar document or agreement governing such Person’s existence, organization or management or concerning disposition of ownership interests of such Person or voting rights among such Person’s owners.

“Copyright Security Agreement” means each Copyright Security Agreement entered into between Company and Wells Fargo.

“Current Ratio” means total current assets divided by total current liabilities.

“Default Period” is defined in Section 1.5(b).

“Default Rate” is defined in Section 1.5(b).

“Director” means a director if Company is a corporation, or a governor or manager if Company is a limited liability company.

“Electronic Record” means a Record that is created, generated, sent, communicated, received, or stored by electronic means, but does not include any Record that is sent, communicated, or received by fax.

“Eligible Accounts” means all unpaid Accounts of Company arising from motor home sales and leases and parts and service, net of any credits, but excluding any Accounts having any of the following characteristics:

(a) That portion of motor home Accounts receivable unpaid 30 days or more after the invoice date, and that portion of parts and service Accounts receivable unpaid 90 days or more after the invoice date;

(b) That portion of Accounts related to goods or services with respect to which Company has received notice of a claim or dispute, which are subject to a claim of offset or a contra account, or which reflect a reasonable reserve for warranty claims or returns;

A-2

---

- (c) That portion of Accounts not yet earned by the final delivery of goods or that portion of Accounts not yet earned by the final rendition of services by Company to the account debtor, including with respect to both goods and services, progress billings, and that portion of Accounts for which an invoice has not been sent to the applicable account debtor;
- (d) Accounts constituting (i) Proceeds of copyrightable material unless such copyrightable material shall have been registered with the United States Copyright Office, or (ii) Proceeds of patentable inventions unless such patentable inventions have been registered with the United States Patent and Trademark Office;
- (e) Accounts owed by any unit of government, whether foreign or domestic (except that there shall be included in Eligible Accounts that portion of Accounts owed by such units of government for which Company has provided evidence satisfactory to Wells Fargo that (i) Wells Fargo's Security Interest constitutes a perfected first priority Lien in such Accounts, and (ii) such Accounts may be enforced by Wells Fargo directly against such unit of government under all applicable laws);
- (f) Accounts denominated in any currency other than United States Dollars;
- (g) Accounts owed by an account debtor located outside the United States or Canada which are not (i) backed by a bank letter of credit naming Wells Fargo as beneficiary or assigned to Wells Fargo, in Wells Fargo's possession or control, and with respect to which a control agreement concerning the letter-of-credit rights is in effect, and acceptable to Wells Fargo in all respects, in its sole discretion, or (ii) covered by a foreign receivables insurance policy acceptable to Wells Fargo in its sole discretion;
- (h) Accounts owed by an account debtor who is insolvent or is the subject of bankruptcy proceedings or who has gone out of business;
- (i) Accounts owed by an Owner, Subsidiary, Affiliate, Officer or employee of Company;
- (j) Accounts not subject to the Security Interest or which are subject to any Lien in favor of any Person other than Wells Fargo;
- (k) That portion of Accounts that has been restructured, extended, amended or modified;
- (l) That portion of Accounts that constitutes advertising, finance charges, service charges or sales or excise taxes;
- (m) Accounts owed by an account debtor, regardless of whether otherwise eligible, to the extent that the aggregate balance of such Accounts exceeds 15% of the aggregate amount of all Accounts;
- (n) Accounts owed by an account debtor, regardless of whether otherwise eligible, if 10% or more of the total amount of Accounts due from such debtor is ineligible under clauses (a), (b), or (k) above; and
- (o) Accounts, or portions of Accounts, otherwise deemed ineligible by Wells Fargo in its sole discretion.

"Eligible Inventory" means either (i) if Wells Fargo in its sole discretion has accepted an inventory appraisal, then up to 90% of the Net Orderly Liquidation Value of all Inventory of Company consisting of raw materials, chassis, and finished goods, valued at the lower of cost or market in accordance with GAAP or (ii) if Wells Fargo has not accepted an inventory appraisal, then all Inventory of Company consisting of raw materials, chassis, and finished goods, valued at the lower of cost or market in accordance with GAAP; but in either case excluding Inventory having any of the following characteristics:

A-3

- 
- (a) Inventory that is: in-transit; located at any warehouse, job site or other premises not approved by Wells Fargo in an Authenticated Record delivered to Company; not subject to a perfected first priority Lien in Wells Fargo's favor; subject to any Lien or encumbrance that is subordinate to Wells Fargo's first priority Lien; covered by any negotiable or non-negotiable warehouse receipt, bill of lading or other document of title; on consignment from any consignor; or on consignment to any consignee or subject to any bailment unless the consignee or bailee has executed an agreement with Wells Fargo;
  - (b) Supplies, packaging, parts or sample Inventory, or customer supplied parts or Inventory;
  - (c) Work-in-process Inventory;
  - (d) Inventory that is damaged, defective, obsolete, slow moving or not currently saleable in the normal course of Company's operations, or the amount of such Inventory that has been reduced by shrinkage;
  - (e) Inventory that Company has returned, has attempted to return, is in the process of returning or intends to return to the vendor of the Inventory;
  - (f) Inventory that is perishable or live;
  - (g) Inventory manufactured by Company pursuant to a license unless the applicable licensor has agreed in a Record that has been Authenticated by licensor to permit Wells Fargo to exercise its rights and remedies against such Inventory;
  - (h) Inventory that is subject to a Lien in favor of any Person other than Wells Fargo;
  - (i) Inventory stored at locations holding less than 10% of the aggregate value of Company's Inventory, or not located at Company's Premises in Forest City, Iowa, Charles City, Iowa, or Hampton, Iowa, or stored at a location without a landlord's disclaimer and consent or mortgagee waiver in a form acceptable to Wells Fargo in its sole discretion; and
  - (j) Inventory otherwise deemed ineligible by Wells Fargo in its sole discretion.

"Environmental Law" means any federal, state, local or other governmental statute, regulation, law or ordinance dealing with the protection of human health and the environment.

"Equipment" shall have the meaning given it under the Uniform Commercial Code in effect in the state whose laws govern this Agreement.

"ERISA" means the Employee Retirement Income Security Act of 1974, as amended from time to time.

"ERISA Affiliate" means any trade or business (whether or not incorporated) that is a member of a group which includes Company and which is treated as a single employer under Section 414 of the IRC.

“Event of Default” is defined in Section 6.1.

“Floating Rate” is defined in Section 1.5(a).

“Floating Rate Advance” means an Advance bearing interest at the Floating Rate.

“GAAP” means generally accepted accounting principles, applied on a basis consistent with the accounting practices applied in the financial statements described on Exhibit D.

“General Intangibles” shall have the meaning given it under the UCC.

A-4

---

“Guarantor(s)” means any Person now or in the future guaranteeing any Indebtedness through the issuance of a Guaranty.

“Guaranty” means an unconditional continuing guaranty executed by a Guarantor in favor of Wells Fargo (if more than one, the “Guaranties”).

“Hazardous Substances” means pollutants, contaminants, hazardous substances, hazardous wastes, petroleum and fractions thereof, and all other chemicals, wastes, substances and materials listed in, regulated by or identified in any Environmental Law.

“Indebtedness” is used in its most comprehensive sense and means any debts, obligations and liabilities of Company to Wells Fargo, whether incurred in the past, present or future, whether voluntary or involuntary, and however arising, and whether due or not due, absolute or contingent, liquidated or unliquidated, determined or undetermined, and including without limitation all obligations arising under any swap, derivative, foreign exchange, hedge, deposit, treasury management or similar transaction or arrangement however described or defined that Company may enter into at any time with Wells Fargo or with Wells Fargo Merchant Services, L.L.C., whether or not Company may be liable individually or jointly with others, or whether recovery upon such Indebtedness may subsequently become unenforceable.

“Indemnified Liabilities” is defined in Section 7.8.

“Indemnitees” is defined in Section 7.8.

“Infringement” or “Infringing” when used with respect to Intellectual Property Rights means any infringement or other violation of Intellectual Property Rights.

“Intellectual Property Rights” means all actual or prospective rights arising in connection with any intellectual property or other proprietary rights, including all rights arising in connection with copyrights, patents, service marks, trade dress, trade secrets, trademarks, trade names or mask works.

“Interest Payment Date” is defined in Section 1.7(a).

“Interest Period” means the period that commences on (and includes) the Business Day on which either a LIBOR Advance is made or continued or on which a Floating Rate Advance is converted to a LIBOR Advance, and ending on (but excluding) the Business Day numerically corresponding to that date that falls the number of months afterward as selected by Company pursuant to Section 1.3A(b), during which period the outstanding principal amount of the LIBOR Advance shall bear interest at the LIBOR Advance Rate; provided, however, that:

(a) If an Interest Period would otherwise end on a day which is not a Business Day, then it shall end on the next Business Day, unless that day is the first Business Day of a month, in which case the Interest Period shall end on the last Business Day of the preceding month;

(b) No Interest Period applicable to an Advance may end later than the Maturity Date; and

(c) In no event shall Company select Interest Periods with respect to LIBOR Advances which would result in the payment of a LIBOR Advance breakage fee in order to make a required principal payment.

“Inventory” shall have the meaning given it under the UCC.

“Investment Property” shall have the meaning given it under the UCC.

“L/C Amount” means the sum of (a) the Aggregate Face Amount of any outstanding Letters of Credit, plus (b) the amount of each Obligation of Reimbursement that either remains unreimbursed or has not been paid through an Advance on the Line of Credit.

A-5

---

“L/C Application” means an application for the issuance of standby or documentary Letters of Credit pursuant to the terms of a Standby Letter of Credit Agreement or Commercial Letter of Credit Agreement, in form acceptable to Wells Fargo.

“Letter of Credit” and “Letters of Credit” are each defined in Section 1.9(a).

“Licensed Intellectual Property” is defined in Exhibit D.

“LIBOR” means the rate per annum [rounded upward, if necessary, to the nearest whole 1/8<sup>th</sup> of one percent (1%)] determined pursuant to the following formula:

$$\text{LIBOR} = \frac{\text{Base LIBOR}}{100\% - \text{LIBOR Reserve Percentage}}$$

(a) “Base LIBOR” means the rate per annum for United States dollar deposits quoted by Wells Fargo as the Inter-Bank Market Offered Rate, with the understanding that such rate is quoted by Wells Fargo for the purpose of calculating effective rates of interest for loans making reference to it, on the first day of an Interest Period for delivery of funds on that date for a period of time approximately equal to the number of days in that Interest Period and in an amount approximately equal to the principal amount to which that Interest Period applies. Company understands and agrees that Wells Fargo may base its quotation of the Inter-Bank Market Offered Rate upon such offers or other market indicators of the Inter-Bank Market as Wells Fargo in its discretion deems appropriate including the rate offered for U.S. dollar deposits on the London Inter-Bank Market.

(b) “LIBOR Reserve Percentage” means the reserve percentage prescribed by the Board of Governors of the Federal Reserve System (or any successor) for “Eurocurrency Liabilities” (as defined in Regulation D of the Federal Reserve Board, as amended), adjusted by Wells Fargo for expected changes in such reserve percentage during the applicable Interest Period.

“LIBOR Advance” means an Advance bearing interest at the LIBOR Advance Rate.

“LIBOR Advance Rate” is defined in Section 1.5(a).

“Lien” means any security interest, mortgage, deed of trust, pledge, lien, charge, encumbrance, title retention agreement or analogous instrument or device, including the interest of each lessor under any capitalized lease and the interest of any bondsman under any payment or performance bond, in, of or on any assets or properties of a Person, whether now owned or subsequently acquired and whether arising by agreement or operation of law.

“Line of Credit” is defined in the Recitals.

“Liquidity” means Company’s average excess Availability not limited by the Maximum Line Amount of the Revolving Loan for the prior 90-day period plus average cash balances in accounts individually exceeding \$500,000 for the same period.

“Loan Documents” means this Agreement, the Revolving Note, the Master Agreement for Treasury Management Services, any Guaranty, each Subordination Agreement, each Standby Letter of Credit Agreement, each Commercial Letter of Credit Agreement, any L/C Applications, and the Security Documents, together with every other agreement, note, document, contract or instrument to which Company now or in the future may be a party and which may be required by Wells Fargo in connection with, or as a condition to, the execution of this Agreement. Any documents or other agreements entered into between Company and Wells Fargo that relate to any swap, derivative, foreign exchange, hedge, or similar product or transaction, or which are entered into with an operating division of Wells Fargo other than Wells Fargo Business Credit, shall not be included in this definition.

“Loan Manager” means the treasury management service defined in the Master Agreement for Treasury Management Services and related Loan Manager Service Description.

A-6

---

“Lockbox” means “Lockbox” as defined in the Master Agreement for Treasury Management Services and related Lockbox and Collection Account Service Description.

“Margin” means a rate per annum, expressed as a percentage, as more fully described in Section 1.5(a).

“Master Agreement for Treasury Management Services” means the Master Agreement for Treasury Management Services, the related Acceptance of Services, and the Service Description governing each treasury management service used by Company.

“Material Adverse Effect” means any of the following:

- (a) A material adverse effect on the business, operations, results of operations, prospects, assets, liabilities or financial condition of Company;
- (b) A material adverse effect on the ability of Company to perform its obligations under the Loan Documents or any other document or agreement related to this Agreement;
- (c) A material adverse effect on the ability of Wells Fargo to enforce the Indebtedness or to realize the intended benefits of the Security Documents, including a material adverse effect on the validity or enforceability of any Loan Document or of any rights against any Guarantor, or on the status, existence, perfection, priority (subject to Permitted Liens) or enforceability of any Lien securing payment or performance of the Indebtedness; or
- (d) Any claim against Company or threat of litigation which if determined adversely to Company would cause Company to be liable to pay an amount exceeding \$250,000 or would result in the occurrence of an event described in clauses (a), (b) and (c) above.

“Maturity Date” is defined in Section 1.1(b).

“Maximum Line Amount” is defined in Section 1.1(a).

“Multiemployer Plan” means a multiemployer plan (as defined in Section 4001(a)(3) of ERISA) to which Company or any ERISA Affiliate contributes or is obligated to contribute.

“Net Cash Proceeds” means the cash proceeds of any asset sale (including cash proceeds received as deferred payments pursuant to a note, installment receivable or otherwise, but only upon actual receipt) net of (a) attorney, accountant, and investment banking fees, (b) brokerage commissions, (c) amounts required to be applied to the repayment of debt secured by a Lien not prohibited by this Agreement on the asset being sold, and (d) taxes paid or reasonably estimated to be payable as a result of such asset sale.

“Net Orderly Liquidation Value” means a professional opinion of the probable Net Cash Proceeds that could be realized at a properly advertised and professionally conducted liquidation sale, conducted under orderly sale conditions for an extended period of time (usually six to nine months), under the economic trends existing at the time of the appraisal.

“Obligation of Reimbursement” is defined in Section 1.9(b).

“OFAC” is defined in Section 5.12(b).

“Officer” means with respect to Company, an officer if Company is a corporation, a manager if Company is a limited liability company, or a partner if Company is a partnership.

“Operating Account” is defined in Section 1.3(a), and maintained in accordance with the terms of Wells Fargo’s Commercial Account Agreement in effect for demand deposit accounts.

A-7

---



“Overadvance” means the amount, if any, by which the unpaid principal amount of the Revolving Note, plus the L/C Amount, is in excess of the then-existing Borrowing Base.

“Owned Intellectual Property” is defined in Exhibit D.

“Owner” means with respect to Company, each Person having legal or beneficial title to an ownership interest in Company or a right to acquire such an interest.

“Patent and Trademark Security Agreement” means each Patent and Trademark Security Agreement entered into between Company and Wells Fargo.

“Pension Plan” means a pension plan (as defined in Section 3(2) of ERISA) maintained for employees of Company or any ERISA Affiliate and covered by Title IV of ERISA.

“Permitted Lien” and “Permitted Liens” are defined in Section 5.3(a).

“Person” means any individual, corporation, partnership, joint venture, limited liability company, association, joint stock company, trust, unincorporated organization or government or any agency or political subdivision of a governmental entity.

“Plan” means an employee benefit plan (as defined in Section 3(3) of ERISA) maintained for employees of Company or any ERISA Affiliate.

“Premises” is defined in Section 2.4(a).

“Prime Rate” means at any time the rate of interest most recently announced by Wells Fargo at its principal office as its Prime Rate, with the understanding that the Prime Rate is one of Wells Fargo’s base rates, and serves as the basis upon which effective rates of interest are calculated for those loans making reference to it, and is evidenced by its recording in such internal publication or publications as Wells Fargo may designate. Each change in the rate of interest shall become effective on the date each Prime Rate change is announced by Wells Fargo.

“Proceeds” shall have the meaning given it under the UCC.

“Record” means information that is inscribed on a tangible medium or that is stored in an electronic or other medium and is retrievable in perceivable form, and includes all information that is required to be reported by Company to Wells Fargo pursuant to Section 5.1.

“Reportable Event” means a reportable event (as defined in Section 4043 of ERISA), other than an event for which the 30-day notice requirement under ERISA has been waived in regulations issued by the Pension Benefit Guaranty Corporation.

“Revolving Note” is defined in Section 1.1(d).

“Security Documents” means this Agreement, the Copyright Security Agreement, the Patent and Trademark Security Agreement(s), and any other document delivered to Wells Fargo from time to time to secure the Indebtedness.

“Security Interest” is defined in Section 2.1.

“Special Account” means a specified cash collateral account maintained with Wells Fargo or another financial institution acceptable to Wells Fargo in connection with each undrawn Letter of Credit issued by Wells Fargo, as more fully described in Section 1.10.

“Standby Letter of Credit Agreement” means an agreement governing the issuance of standby letters of credit by Wells Fargo entered into between Company as applicant and Wells Fargo as issuer.

A-8

---

“Subordinated Creditor(s)” means any Person now or in the future subordinating indebtedness of Company held by that Person to the payment of the Indebtedness.

“Subordination Agreement” means a subordination agreement executed by a Subordinated Creditor in favor of Wells Fargo (if more than one, the “Subordination Agreements”).

“Subsidiary” means any Person of which more than 50% of the outstanding ownership interests having general voting power under ordinary circumstances to elect a majority of the board of directors or the equivalent of such Person, irrespective of whether or not at the time ownership interests of any other class or classes shall have or might have voting power by reason of the happening of any contingency, is at the time directly or indirectly owned by Company, by Company and one or more other Subsidiaries, or by one or more other Subsidiaries.

“Tangible Net Worth” means the aggregate of total stockholders’ equity plus subordinated debt less any intangible assets and less any loans or advances to, or investments in, any related entities or individuals.

“Termination Date” is defined in Section 1.1(b).

“Trademark Security Agreement” means each Trademark Security Agreement entered into between Company and Wells Fargo.

“UCC” means the Uniform Commercial Code in effect in the state designated in this Agreement as the state whose laws shall govern this Agreement, or in any other state whose laws are held to govern this Agreement or any portion of this Agreement.

“Unused Amount” is defined in Section 1.6(b).

“Wells Fargo” means Wells Fargo Bank, National Association in its broadest and most comprehensive sense as a legal entity, and is not limited in its meaning to the Wells Fargo Business Credit operating division, or to any other operating division of Wells Fargo.

---

## Exhibit B to Credit and Security Agreement

### PREMISES

The Premises referred to in the Credit and Security Agreement have addresses as follows:

- 605 W. Crystal Lake Road, P.O. Box 152, Forest City, IA 50436
- 1280 Olive Ave., Hampton, IA 50441
- 1200 Rove Avenue, Charles City, Iowa 50616

B-1

---

## Exhibit C to Credit and Security Agreement

### CONDITIONS PRECEDENT

**Wells Fargo's obligation to make an initial Advance shall be subject to the condition that Wells Fargo shall have received the following, executed and in form and content satisfactory to Wells Fargo. The following descriptions are limited descriptions for reference purposes only and should not be construed as limiting in any way the subject matter that Wells Fargo requires each document to address.**

**A. Loan Documents to be Executed by Company:**

- (1) The Revolving Note.
- (2) The Credit and Security Agreement.
- (3) The Master Agreement for Treasury Management Services, the Acceptance of Services, and the related Service Description for each deposit or treasury management related product or service that Company will subscribe to, including without limitation the Loan Manager Service Description and the Lockbox and Collection Account Service Description.
- (4) The Standby Letter of Credit Agreement and the Commercial Letter of Credit Agreement, and a separate L/C Application for each Letter of Credit that Company has requested that Wells Fargo issue.

**B. Loan Documents to be Executed by Third Parties:**

- (1) A Landlord's Disclaimer and Consent to each lease entered into by Company and that Landlord with respect to the Premises, pursuant to which the Landlord waives its Lien in any goods or other Inventory of Company located on the Premises.
- (2) Certificates of Insurance required under this Agreement, with all hazard insurance containing a lender's loss payable endorsement in Wells Fargo's favor and with all liability insurance naming Wells Fargo as additional insured.

**C. Documents Related to the Premises:**

- (1) Any leases pursuant to which Company is leasing the Premises from a lessor.

**D. Federal Tax, State Tax, Judgment, UCC and Intellectual Property Lien Searches:**

- (1) Current searches of Company in appropriate filing offices showing that (i) no Liens have been filed and remain in effect against Company and Collateral except Permitted Liens or Liens held by Persons who have agreed in an Authenticated Record that upon receipt of proceeds of the initial Advances, they will satisfy, release or terminate such Liens in a manner satisfactory to Wells Fargo, and (ii) Wells Fargo has filed all UCC financing statements necessary to perfect the Security Interest, to the extent the Security Interest is capable of being perfected by filing.

**E. Constituent Documents:**

- (1) The Certificate of Authority of Company, which shall include as part of the Certificate or as exhibits to the Certificate, (i) the Resolution of Company's Directors and, if required, Owners, authorizing the execution, delivery and performance of those Loan Documents and other documents or agreements described in or related to this Agreement to which Company is a party, (ii) an Incumbency Certificate containing the signatures of Company's Officers or agents authorized to execute and deliver those

Standing or Certificate of Status issued by the secretary of state or other appropriate authority for Company's state of organization, certifying that Company is in good standing and in compliance with all applicable organizational requirements of the state of organization, and (v) a Secretary's Certificate of Company's secretary or assistant secretary certifying that the Certificate of Authority of Company is true, correct and complete.

(2) An Officer's Certificate of an appropriate Officer of Company confirming, in his or her personal capacity, the representations and warranties set forth in this Agreement.

(3) A Customer Identification Information Form and such other forms and verification as Wells Fargo may need to comply with the U.S.A. Patriot Act.

**F. Miscellaneous Matters or Documents:**

(1) Payment of fees and reimbursable costs and expenses due under this Agreement through the date of initial Advance or issuance of a Letter of Credit, including all legal expenses incurred through the date of the closing of this Agreement.

(2) Evidence that after making the initial Advance and satisfying all obligations owed to Company's prior lender and all trade payables older than 60 days from invoice date, book overdrafts and closing costs, the availability under the Line of Credit is not less than \$66,000,000.

(3) Any documents or other agreements entered into by Company and Wells Fargo that relate to any swap, derivative, foreign exchange, hedge, deposit, treasury management or similar product or transaction extended to Company by Wells Fargo not already provided pursuant to the requirements of (A)-(E) above.

(4) Such other documents as Wells Fargo in its sole discretion may require.

---

## Exhibit D to Credit and Security Agreement

### REPRESENTATIONS AND WARRANTIES

Company represents and warrants to Wells Fargo as follows:

(a) Existence and Power; Name; Chief Executive Office; Inventory and Equipment Locations; Federal Employer Identification Number and Organizational Identification Number. Company is a corporation organized, validly existing and in good standing under the laws of the State of Iowa and is licensed or qualified to transact business in all jurisdictions where the character of the property owned or leased or the nature of the business transacted by it makes such licensing or qualification necessary. Company has all requisite power and authority to conduct its business, to own its properties and to execute and deliver, and to perform all of its obligations under, those Loan Documents and any other documents or agreements that it has entered into with Wells Fargo related to this Agreement. During its existence, Company has done business solely under the names set forth below in addition to its correct legal name. Company's chief executive office and principal place of business is located at the address set forth below, and all of Company's records relating to its business or the Collateral are kept at that location. All Inventory and Equipment is located at that location or at one of the other locations set forth below. Company's name, Federal Employer Identification Number and Organization Identification Number are correctly set forth at the end of the Agreement next to Company's signature.

Trade Names
None.

Chief Executive Office / Principal Place of Business
605 W. Crystal Lake Road, P.O. Box 152, Forest City, IA 50436

Other Inventory and Equipment Locations
1280 Olive Ave., Hampton, IA 50441
1200 Rove Avenue, Charles City, IA 50616

(b) Capitalization. The Capitalization Chart below constitutes a correct and complete list of all ownership interests of Company and all rights to acquire ownership interests including the record holder, number of interests and percentage interests on a fully diluted basis, and the Organizational Chart below shows the ownership structure of all Subsidiaries of Company.

<b>Capitalization Chart</b>
See attached Exhibit H.

<b>Organizational Chart</b>
N/A

(c) Authorization of Borrowing; No Conflict as to Law or Agreements. The execution, delivery and performance by Company of the Loan Documents and any other documents or agreements described in or related to this Agreement, and all borrowing under the Line of Credit have been authorized and do not (i) require the consent or approval of Company's Owners; (ii) require the authorization, consent or approval by, or registration, declaration or filing with, or notice to, any governmental agency or instrumentality, whether domestic or foreign, or any other Person, except to the extent obtained, accomplished or given prior to the date of this Agreement; (iii) violate any provision of any law, rule or regulation (including Regulation X of the Board of Governors of the Federal Reserve System) or of any order, writ, injunction or decree presently in effect having applicability to Company or of Company's Constituent Documents; (iv) result in a breach of or constitute a default or event of default under any indenture or loan or credit agreement or any other material agreement, lease or instrument to which Company is a party or by which it or its properties may be bound or affected; or (v) result in, or require, the creation or imposition of any Lien (other than the Security Interest) upon or with respect to any of the properties now owned or subsequently acquired by Company.

(d) Legal Agreements. This Agreement, the other Loan Documents, and any other document or agreement described in or related to this Agreement, will constitute the legal, valid and binding obligations of Company, enforceable against Company in accordance with their respective terms.

(e) Subsidiaries. Except as disclosed below, Company has no Subsidiaries.

<b>Subsidiaries</b>
None.

(f) Financial Condition; No Adverse Change. Company has furnished to Wells Fargo its audited financial statements for its fiscal year ended August 25, 2007, and unaudited financial statements for the fiscal-year-to-date period ended May 31, 2008, and those statements fairly present Company's financial condition as of those dates and the results of Company's operations and cash flows for the periods then ended and were prepared in accordance with GAAP. Since the date of the most recent financial statements, there has been no material adverse change in Company's business, properties or condition (financial or otherwise).

(g) Litigation. There are no actions, suits or proceedings pending or, to Company's knowledge, threatened against or affecting Company or any of its Affiliates or the properties of Company or any of its Affiliates before any court or governmental department, commission, board, bureau, agency or instrumentality, domestic or foreign, which, if determined adversely to Company or any of its Affiliates, would have a Material Adverse Effect on the financial condition, properties or operations of Company or any of its Affiliates.

D-2

<b>Litigation Matters in Excess of \$250,000</b>
None.

(h) Intellectual Property Rights.

(i) Owned Intellectual Property. Set forth below is a complete list of all patents, applications for patents, trademarks, applications to register trademarks, service marks, applications to register service marks, mask works, trade dress and copyrights for which Company is the owner of record (the "Owned Intellectual Property"). Except as set forth below, (A) Company owns the Owned Intellectual Property free and clear of all restrictions (including covenants not to sue any Person), court orders, injunctions, decrees, writs or Liens, whether by agreement memorialized in a Record Authenticated by Company or otherwise, (B) no Person other than Company owns or has been granted any right in the Owned Intellectual Property, (C) all Owned Intellectual Property is valid, subsisting and enforceable, and (D) Company has taken all commercially reasonable action necessary to maintain and protect the Owned Intellectual Property.

(ii) Agreements with Employees and Contractors. Company has entered into a legally enforceable agreement with each Person that is an employee or subcontractor obligating that Person to assign to Company, without additional compensation, any Intellectual Property Rights created, discovered or invented by that Person in the course of that Person's employment or engagement with Company (except to the extent prohibited by law), and further obligating that Person to cooperate with Company, without additional compensation, to secure and enforce the Intellectual Property Rights on behalf of Company, unless the job description of the Person is such that it is not reasonably foreseeable that the employee or subcontractor will create, discover, or invent Intellectual Property Rights.

(iii) Intellectual Property Rights Licensed from Others. Set forth below is a complete list of all agreements under which Company has licensed Intellectual Property Rights from another Person ("Licensed Intellectual Property") other than readily available, non-negotiated licenses of computer software and other intellectual property used solely for performing accounting, word processing and similar administrative tasks ("Off-the-shelf Software") and a summary of any ongoing payments Company is obligated to make with respect thereto. Except as set forth below or in any other Record, copies of which have been given to Wells Fargo, Company's licenses to use the Licensed Intellectual Property are free and clear of all restrictions, Liens, court orders, injunctions, decrees, or writs, whether by agreed to in a Record Authenticated by Company or otherwise. Except as disclosed below, Company is not contractually obligated to make royalty payments of a material nature, or pay fees to any owner of, licensor of, or other claimant to, any Intellectual Property Rights.

(iv) Other Intellectual Property Needed for Business. Except for Off-the-shelf Software and as disclosed below, the Owned Intellectual Property and the Licensed Intellectual Property constitute all Intellectual Property Rights used or necessary to conduct Company's business as it is presently conducted or as Company

reasonably foresees conducting it.

(v) Infringement. Except as disclosed below, Company has no knowledge of, and has not received notice either orally or in a Record alleging, any Infringement of another Person's Intellectual Property Rights (including any claim set forth in a Record that Company must license or refrain from using the Intellectual Property Rights of any Person) nor, to Company's knowledge, is there any threatened claim or any reasonable basis for any such claim.

Intellectual Property Disclosures
None.

D-3

(i) Taxes. Company and its Affiliates have paid or caused to be paid to the proper authorities when due all federal, state and local taxes required to be withheld by each of them. Company and its Affiliates have filed all federal, state and local tax returns which to the knowledge of the Officers of Company or any Affiliate, as the case may be, are required to be filed, and Company and its Affiliates have paid or caused to be paid to the respective taxing authorities all taxes as shown on these returns or on any assessment received by any of them to the extent such taxes have become due.

(j) Titles and Liens. Company has good and absolute title to all Collateral free and clear of all Liens other than Permitted Liens. No financing statement naming Company as debtor is on file in any office except to perfect only Permitted Liens.

(k) No Defaults. Company is in compliance with all provisions of all agreements, instruments, decrees and orders to which it is a party or by which it or its property is bound or affected, the breach or default of which could have a Material Adverse Effect on Company's financial condition, properties or operations.

(l) Submissions to Wells Fargo. All financial and other information provided to Wells Fargo by or on behalf of Company in connection with Company's request for the credit facilities contemplated hereby (i) is true and correct and complete in all material respects, (ii) does not omit any material fact that would cause such information to be misleading, and (iii) as to projections, valuations or proforma financial statements, presents a good faith opinion as to such projections, valuations and proforma condition and results.

(m) Financing Statements. Company has previously authorized the filing of financing statements sufficient when filed to perfect the Security Interest and other Liens created by the Security Documents. When such financing statements are filed, Wells Fargo will have a valid and perfected security interest in all Collateral capable of being perfected by the filing of financing statements. None of the Collateral is or will become a fixture on real estate, unless a sufficient fixture filing has been filed with respect to such Collateral.

(n) Rights to Payment. Each right to payment and each instrument, document, chattel paper and other agreement constituting or evidencing Collateral is (or, in the case of all future Collateral, will be when arising or issued) the valid, genuine and legally enforceable obligation, subject to no defense, setoff or counterclaim of the account debtor or other obligor named in that instrument.

(o) Employee Benefit Plans.

(i) Maintenance and Contributions to Plans. Except as disclosed below, neither Company nor any ERISA Affiliate (A) maintains or has maintained any Pension Plan, (B) contributes or has contributed to any Multiemployer Plan, or (C) provides or has provided post-retirement medical or insurance benefits to employees or former employees (other than benefits required under Section 601 of ERISA, Section 4980B of the IRC, or applicable state law).

(ii) Knowledge of Plan Noncompliance with Applicable Law. Except as disclosed below, neither Company nor any ERISA Affiliate has (A) knowledge that Company or the ERISA Affiliate is not in full compliance with the requirements of ERISA, the IRC, or applicable state law with respect to any Plan, (B) knowledge that a Reportable Event occurred or continues to exist in connection with any Pension Plan, or (C) sponsored a Plan that it intends to maintain as qualified under the IRC that is not so qualified, and no fact or circumstance exists which may have an adverse effect on such Plan's tax-qualified status.

(iii) Funding Deficiencies and Other Liabilities. Neither Company nor any ERISA Affiliate has liability for any (A) accumulated funding deficiency (as defined in Section 302 of ERISA and Section 412 of the IRC) under any Plan, whether or not waived, (B) withdrawal, partial withdrawal, reorganization or other event under any Multiemployer Plan under Section 4201 or 4243 of ERISA, or (C) event or circumstance which could result in financial obligation to the Pension Benefit Guaranty Corporation, the Internal Revenue Service, the Department of Labor or any participant in connection with any Plan (other than routine claims for benefits under the Plan).

D-4

Employee Benefit Plans
Active Plans:
1. Winnebago Industries, Inc. Profit Sharing and Deferred Savings and Investment Plan.
2. Winnebago Industries, Inc. Executive Deferred Compensation Plan (2007).
3. Winnebago Industries, Inc. 2004 Incentive Compensation Plan.
Frozen Plans:
1. Split Dollar Life Insurance Plan – Closed to additional participants since 1998.
2. Non-Qualified Deferred Compensation Program (1981) – Closed to additional deferrals since January 2001.
3. Postretirement medical, prescription drug and dental benefits (15 years of continuous services, retire at age 55 or older) – Closed to any additional participants since April 2001.
4. Non-Qualified Share Option Program (2001) – Closed to additional deferrals since January 2005.

(p) Environmental Matters.

(i) Hazardous Substances on Premises. Except as disclosed below, there are not present in, on or under the Premises any Hazardous Substances in such form or quantity as to create any material liability or obligation for either Company or Wells Fargo under the common law of any jurisdiction or under any

Environmental Law, and no Hazardous Substances have ever been stored, buried, spilled, leaked, discharged, emitted or released in, on or under the Premises in such a way as to create a material liability.

(ii) Disposal of Hazardous Substances. Except as disclosed below, Company has not disposed of Hazardous Substances in such a manner as to create any material liability under any Environmental Law.

(iii) Claims and Proceedings with Respect to Environmental Law Compliance. Except as disclosed below, there have not existed in the past, nor are there any threatened or impending requests, claims, notices, investigations, demands, administrative proceedings, hearings or litigation relating in any way to the Premises or Company, alleging material liability under, violation of, or noncompliance with any Environmental Law or any license, permit or other authorization issued pursuant thereto.

(iv) Compliance with Environmental Law; Permits and Authorizations. Except as disclosed below, Company (A) conducts its business at all times in compliance with applicable Environmental Law, (B) possesses valid licenses, permits and other authorizations required under applicable Environmental Law for the lawful and efficient operation of its business, none of which are scheduled to expire, or be withdrawn, or be materially limited within the next 12 months, except as otherwise previously disclosed to Wells Fargo, provided that any licenses, permits or other authorizations that are scheduled to expire within the next 12 months shall be renewed immediately upon expiration; and (C) has not been denied insurance on grounds related to potential environmental liability.

(v) Status of Premises. Except as disclosed below, the Premises are not and never have been listed on the National Priorities List, the Comprehensive Environmental Response, Compensation and Liability Information System or any similar federal, state or local list, schedule, log, inventory or database.

(vi) Environmental Audits, Reports, Permits and Licenses. Company has delivered to Wells Fargo all environmental assessments, audits, summary reports, permits, licenses and other documents describing or relating in any way to the Premises or Company's businesses that have been requested by Wells Fargo.

D-5

<b>Environmental Matters</b>
<p><u>CDI, LLC and Winnebago Industries, Inc. v. Iowa Department of Natural Resources:</u></p> <p>CDI, LLC operates recreational vehicle painting facilities adjacent to Company's facilities at the Company's locations in Charles City and Forest City, Iowa. When the CDI facility in Forest city began requesting air permits, the Iowa Department of Natural Resources designated CDI and Company as a "single source" at both locations. The single source determination is a 3-part test: (1) the facilities of CDI and Company are continuous and adjacent; (2) CDI and Company have the same two-digit SIC code; and (3) CDI and Company are under common control when one company controls the pollution control decisions of the other. CDI and Company agreed that the first and second elements of the test have been met, however both companies maintain that the third element has not been met. Hancock County Iowa District Court Judge Paul Riffel has ruled in support of CDI's and Company's position, and CDI and Company are awaiting the results of an evidentiary hearing held May 28-29, 2008, from Administrative Law Judge LaMarche, IDNR.</p>

D-6

## **Exhibit E to Credit and Security Agreement**

### **COMPLIANCE CERTIFICATE**

To: Wells Fargo Bank, National Association

Date: \_\_\_\_\_, 200\_

Subject: Financial Statements

In accordance with our Credit and Security Agreement dated September \_\_\_, 2008 (as amended from time to time, the "Credit Agreement"), attached are the financial statements of **Winnebago Industries, Inc.** (the "Company") dated \_\_\_\_\_, 200\_ (the "Reporting Date") and the year-to-date period then ended (the "Current Financials"). All terms used in this certificate have the meanings given in the Credit Agreement.

(A) Preparation and Accuracy of Financial Statements. I certify that the Current Financials have been prepared in accordance with GAAP, subject to year-end audit adjustments, and fairly present Company's financial condition as of the Reporting Date.

(B) Name of Company; Merger and Consolidation. I certify that:

(Check one)

Company has not, since the date of the Credit Agreement, changed its name or jurisdiction of organization, nor has it consolidated or merged with another Person.

Company has, since the date of the Credit Agreement, either changed its name or jurisdiction of organization, or both, or has consolidated or merged with another Person, which change, consolidation or merger:  was consented to in advance by Wells Fargo in an Authenticated Record, and/or  is more fully described in the statement of facts attached to this Certificate.

(C) Events of Default. I certify that:

(Check one)

- I have no knowledge of the occurrence of an Event of Default under the Credit Agreement, except as previously reported to Wells Fargo in a Record.
- I have knowledge of an Event of Default under the Credit Agreement not previously reported to Wells Fargo in a Record, as more fully described in the statement of facts attached to this Certificate, and further, I acknowledge that Wells Fargo may under the terms of the Credit Agreement impose the Default Rate at any time during the resulting Default Period.

(D) Litigation Matters. I certify that:

(Check one)

- I have no knowledge of any material adverse change to the litigation exposure of Company or any of its Affiliates or of any Guarantor.
- I have knowledge of material adverse changes to the litigation exposure of Company or any of its Affiliates or of any Guarantor not previously disclosed in Exhibit D, as more fully described in the statement of facts attached to this Certificate.

E-1

(E) Financial Covenants. I further certify that:

(Check and complete each of the following)

1. Minimum Tangible Net Worth. Pursuant to Section 5.2(a) of the Credit Agreement, as of the Reporting Date, Company's Tangible Net Worth was \$ \_\_\_\_\_, which  satisfies  does not satisfy the requirement that Tangible Net Worth be not less than the amount set forth in the table below on the Reporting Date:

<u>Period</u>	<u>Minimum Tangible Net Worth</u>
Company's fiscal year ending August 30, 2008	(i) \$170,000,000 plus (ii) \$14,000,000 minus dividends paid during such fiscal year
Company's first fiscal quarter ending November 29, 2008	(i) \$150,000,000 plus (ii) \$3,500,000 minus dividends paid during such fiscal quarter
Company's second fiscal quarter ending February 28, 2009	(i) \$150,000,000 plus (ii) \$3,500,000 minus dividends paid during such fiscal quarter
Company's third fiscal quarter ending May 30, 2009	(i) \$140,000,000 plus (ii) \$3,500,000 minus dividends paid during such fiscal quarter
Company's fourth fiscal quarter ending August 29, 2009	(i) \$140,000,000 plus (ii) \$3,500,000 minus dividends paid and thereafter during such fiscal quarter

2. Minimum Current Ratio. Pursuant to Section 5.2(b) of the Credit Agreement, as of the Reporting Date, Company's Current Ratio was \_\_\_\_\_ to 1.00, which  satisfies  does not satisfy the requirement that Current Ratio be not less than the ratio set forth in the table below on the Reporting Date:

<u>Period</u>	<u>Minimum Current Ratio</u>
Company's fiscal year ending August 30, 2008	3.00 to 1.00
Company's first fiscal quarter ending November 29, 2008	2.50 to 1.00
Company's second fiscal quarter ending February 28, 2009	2.50 to 1.00
Company's third fiscal quarter ending May 30, 2009	2.25 to 1.00
Company's fourth fiscal quarter ending August 29, 2009 and thereafter	2.25 to 1.00

3. Capital Expenditures. Pursuant to Section 5.2(c) of the Credit Agreement, for the year-to-date period ending on the Reporting Date, Company has expended or contracted to expend during the fiscal year ended August \_\_, 200\_\_ for Capital Expenditures, \$ \_\_\_\_\_ in the aggregate, which  satisfies  does not satisfy the requirement that such expenditures not exceed \$7,500,000 in the aggregate during such year.

E-2

4. Salaries. Company  has  has not paid excessive or unreasonable salaries, bonuses, commissions, consultant fees or other compensation, or increased the salary, cash bonus, commissions, consultant fees or other compensation (other than compensation in the form of Company's stock or stock options) of any Director, Officer or consultant, or any member of their families, by more than twenty percent (20%) as of the Reporting Date over the amount paid in Company's previous fiscal year, either individually or for all such persons in the aggregate, and  has  has not paid any increase from any source other than profits earned in the year of payment, and as a consequence Company  is  is not in compliance with Section 5.9 of the Credit Agreement.

Attached are statements of all relevant facts and computations in reasonable detail sufficient to evidence Company's compliance with the financial covenants referred to above, which computations were made in accordance with GAAP.

By: \_\_\_\_\_  
 Its: Chief Financial Officer

E-3

## Exhibit F to Credit and Security Agreement

### PERMITTED LIENS

Creditor	Collateral	Jurisdiction	Filing Date	Filing No.
Lichtsinn Motors, Inc.	GM Chassis purchased from Creditor	Iowa	Filed: 2/15/1999  Continuation Filed: 2/10/2004  Secured Party Amendment Filed: 3/23/2006  Secured Party Amendment Filed: 6/10/2008	K991839  P461521  E742093  E920842-0
IBM Credit LLC	Specific equipment	Iowa	Filed: 1/30/2004	P460355
Alliance Leasing, Inc., as assigned from First American Commercial Bancorp, Inc.	Leased equipment	Iowa	Filed: 6/12/2006  Assignment Filed: 9/12/2006	P538061  P542153
Winmark Capital Corporation	Leased equipment	Iowa	Filed: 11/21/2006	X078879
Winmark Capital Corporation	Leased equipment	Iowa	Filed: 1/31/2007	P548421-8
Winmark Capital Corporation	Leased equipment	Iowa	Filed: 8/08/2008	P571311-2
Plaintiff: Joyce Shropshire	(Litigation. Nature of Suit: 445 Civil Rights Americans with Disabilities – Employment. Jury trial set for 7/13/2009	U.S. District Court (IA Northern District)	Filed: 2/8/2008	Ct. File No. 3:08-cv-03007.MWB

### INDEBTEDNESS

None.

F-1

### GUARANTIES

Primary Obligor	Amount and Description of Obligation Guaranteed	Beneficiary of Guaranty
CDI, LLC 1179 Kent Street PO Box 1385 Elkhart, IN 46515	First 60 monthly lease payments, totaling approximately \$1,600,000, of which \$365,000 was remaining as of May 31, 2008. Estimated fair value of the guaranty as of May 31, 2008, was \$73,000 and presented as prepaid	HCC Leasing Corporation 1400 South 4th St. Forest City, Iowa 50436



	expenses and other accrued liabilities in Company's consolidated balance sheets.	
--	--	--

#### Repurchase Commitments

Company's repurchase agreements provide that, in the event of default by a dealer under its agreement to pay the lending institution, Company will repurchase the financed merchandise. The agreements provide that Company's liability will not exceed 100 percent of the dealer invoice and provide for periodic liability reductions based on the time since the date of the original invoice. Company's contingent liability on these repurchase agreements was approximately \$283.7 million and \$308.2 million at May 31, 2008 and August 25, 2007, respectively. Losses under these repurchase agreements for the forty weeks ended May 31, 2008 were \$12,000 compared to losses of \$4,000 for the thirty-nine weeks ended May 26, 2007. Repurchase reserves under our repurchase agreements at May 31, 2008 and August 25, 2007 were not significant. Upon resale of the repurchased units, Company does not record the transaction as revenue. The difference between the repurchase price and the net proceeds received from reselling the units is charged against Company's reserve for losses on repurchases.

F-2

---

### **Exhibit G to Credit and Security Agreement**

#### **PERMITTED INVESTMENTS**

[Attached.]

G-1

---

### **Exhibit H to Credit and Security Agreement**

#### **CAPITALIZATION CHART**

[Attached.]

H-1

---

**EXHIBIT 21**

**List of Subsidiaries**

<u>Name of Corporation</u>	<u>Jurisdiction of Incorporation</u>	<u>Percent of Ownership</u>
None		

---

**EXHIBIT 23**

**CONSENT OF INDEPENDENT  
REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statements No. 333-31595, No. 333-47123 and No. 333-113246 on Form S-8 of our reports dated October 29, 2008, relating to the consolidated financial statements of Winnebago Industries, Inc. (the "Company") (which report expresses an unqualified opinion and includes explanatory paragraphs related to the Company's changes in the methods of accounting for unrecognized tax benefits described in Note 8 and its Collateral Assignment Split-Dollar Life Insurance Arrangement described in Note 6, and the effectiveness of the Company's internal control over financial reporting, appearing in this Annual Report on Form 10-K of Winnebago Industries, Inc. for the year ended August 30, 2008.

/s/ Deloitte & Touche LLP  
Deloitte & Touche LLP  
Minneapolis, Minnesota

October 29, 2008

---

**EXHIBIT 31.1**

**CERTIFICATION BY CHIEF EXECUTIVE OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Robert J. Olson, Chief Executive Officer of Winnebago Industries, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K of Winnebago Industries, Inc. (the "Registrant");
2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;
3. Based on my knowledge, the financial statements and other financial information included in this Annual Report fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Annual Report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;
  - b) designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Annual Report based on such evaluation; and
  - d) disclosed in this Annual Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in this case) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financing reporting; and,
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information and;
  - b) any fraud, whether or not material, that involved management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: October 29, 2008

By: /s/ Robert J. Olson  
Robert J. Olson  
Chairman of the Board, Chief Executive Officer and President

---

EXHIBIT 31.2

**CERTIFICATION BY CHIEF FINANCIAL OFFICER  
PURSUANT TO 18 U.S.C. SECTION 1350,  
AS ADOPTED PURSUANT TO SECTION 302  
OF THE SARBANES-OXLEY ACT OF 2002**

I, Sarah N. Nielsen, Chief Financial Officer of Winnebago Industries, Inc., certify that:

1. I have reviewed this Annual Report on Form 10-K of Winnebago Industries, Inc. (the "Registrant");
2. Based on my knowledge, this Annual Report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this Annual Report;
3. Based on my knowledge, the financial statements and other financial information included in this Annual Report fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this Annual Report;
4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures as defined in Exchange Act Rules 13a-15(e) and 15d-15(e) and internal control over financial reporting as defined in Exchange Act Rules 13a-15(f) and 15d-15(f) for the Registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this Annual Report is being prepared;
  - b) designed such internal controls over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this Annual Report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this Annual Report based on such evaluation; and
  - d) disclosed in this Annual Report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in this case) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and,
5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's Board of Directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information and;
  - b) any fraud, whether or not material, that involved management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: October 29, 2008

By: /s/ Sarah N. Nielsen  
Sarah N. Nielsen  
Vice President, Chief Financial Officer

---

**Exhibit 32.1**

**CERTIFICATION PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

In connection with this Annual Report on Form 10-K of Winnebago Industries, Inc. for the period ended August 30, 2008, I, Robert J. Olson, Chairman of the Board, Chief Executive Officer and President of Winnebago Industries, Inc., certify that pursuant to 18 U.S.C. §1350 as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (a) This Annual Report on Form 10-K ("periodic report") of Winnebago Industries, Inc. (the "issuer"), for the fiscal year ended August 30, 2008 as filed with the Securities and Exchange Commission on the date of this certificate, which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (b) the information contained in this periodic report fairly represents, in all material respects, the financial condition and results of operations of the issuer.

Date: October 29, 2008

By: /s/ Robert J. Olson  
Robert J. Olson  
Chairman of the Board, Chief Executive Officer and President

**Exhibit 32.2**

**CERTIFICATION PURSUANT TO SECTION 906  
OF THE SARBANES-OXLEY ACT OF 2002  
(18 U.S.C. SECTION 1350)**

In connection with this Annual Report on Form 10-K of Winnebago Industries, Inc. for the period ended August 30, 2008, I, Sarah N. Nielsen, Chief Financial Officer of Winnebago Industries, Inc., certify that pursuant to 18 U.S.C. §1350 as adopted pursuant to §906 of the Sarbanes-Oxley Act of 2002, that:

- (a) This Annual Report on Form 10-K ("periodic report") of Winnebago Industries, Inc. (the "issuer"), for the fiscal year ended August 30, 2008 as filed with the Securities and Exchange Commission on the date of this certificate, which this statement accompanies, fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (b) the information contained in this periodic report fairly represents, in all material respects, the financial condition and results of operations of the issuer.

Date: October 29, 2008

By: /s/ Sarah N. Nielsen  
Sarah N. Nielsen  
Vice President, Chief Financial Officer

---