WINNEBAGO INDUSTRIES INC
Form 10-K
October 26, 2010

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K

(Mark One)
x ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES EXCHANGE ACT OF 1934 for the fiscal year ended August 28, 2010; or
o 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	42-0802678
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
P.O. Box 152, Forest City, Iowa	50436
(Address of principal executive offices)	(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	Name of each exchange on which registered
Common Stock ($.50 par value)	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 o No x
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 o No x
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 x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web Site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o
Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§229.405 of this chapter) 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 o.
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 "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.
Large Accelerated Filer o Accelerated Filer x Non-accelerated filer o Smaller Reporting Company o
Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes o No x

Aggregate market value of the common stock held by non-affiliates of the registrant: $337,376,333 (28,884,960 shares at the closing price on the New York Stock Exchange of $11.68 on February 26, 2010).
Common stock outstanding on October 5, 2010: 29,116,168 shares.

DOCUMENTS INCORPORATED BY REFERENCE
Portions of the registrant's Proxy Statement relating to the registrant's December 2010 Annual Meeting of Shareholders, scheduled to be held December 14, 2010, are incorporated by reference into Part II and Part III of this Annual Report on Form 10-K where indicated.

Winnebago Industries, Inc.
2010 Form 10-K Annual Report
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WINNEBAGO INDUSTRIES, INC.
FORM 10-K
Report for the Fiscal Year Ended August 28, 2010
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. A number of factors could cause actual results to differ materially from these statements, including, but not limited to, interest rates and availability of credit, low consumer confidence, significant increase in repurchase obligations, inadequate liquidity or capital resources, availability and price of fuel, a further or continued 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," "Winnebago Industries," "we," "our" and "us" are used interchangeably to refer to Winnebago Industries, Inc. as appropriate in the context. At August 28, 2010, we had no subsidiaries.
Winnebago Industries, Inc., headquartered in Forest City, Iowa, is one of the leading United States manufacturer of motor homes which are self-contained recreation vehicles (RV) 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, 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 ("SEC"). 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.

Principal Products
Net revenues by major product classes

	Year Ended [1]														
(In thousands)	Aug. 28, 2010			Aug. 29, 2009			Aug. 30, 2008			Aug. 25, 2007			Aug. 26, 2006		
Motor homes	$415,277	92.4	%	$178,619	84.5	%	$555,671	91.9	%	$815,895	93.8	%	$808,715	93.6	%
Motor home parts and services	13,655	3.0	%	12,559	5.9	%	16,923	2.8	%	16,413	1.9	%	15,901	1.8	%

Other manufactured products	20,552	4.6 %	20,341	9.6 %	31,758	5.3 %	37,844	4.3 %	39,787	4.6 %
Total net revenues	$449,484	100.0 %	$211,519	100.0 %	$604,352	100.0 %	$870,152	100.0 %	$864,403	100.0 %

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

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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 may also have a top extension to provide more headroom. Our product offerings for the 2011 model year do not include any Class B models.
- 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 C motor homes under the Winnebago and Itasca brand names. Our product offerings for the 2011 model year are as follows:

Type	Winnebago	Itasca
Class A (gas)	Vista, Sightseer, Adventurer	Sunstar, Sunova, Suncruiser
Class A (diesel)	Via, Journey, Journey Express, Tour	Reyo, Meridian, Meridian V Class, Ellipse
Class C	Access, Access Premier, Aspect, View, View Profile	Impulse, Impulse Silver, Cambria, Navion, Navion iQ

Models in our 2010 model year lineup discontinued for 2011 include the Winnebago Outlook (Class C) and the ERA (Class B). Current plans call for the ERA to be reintroduced in the 2012 model year.

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 motor home, we offer a comprehensive 12-month/15,000-mile warranty on the coach and, for Class A and C motor homes, a 3-year/36,000-mile structural warranty on sidewalls and floors.

Our Class A and C motor homes are sold by dealers in the retail market with manufacturer's suggested retail prices ranging from approximately $69,000 to $333,000, depending on size and model, plus optional equipment and delivery charges. Our motor homes range in length from 24 to 42 feet.

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

Units	Year Ended [1] Aug. 28, 2010			Aug. 29, 2009			Aug. 30, 2008			Aug. 25, 2007			Aug. 26, 2006		
Class A	2,452	55.3	%	822	37.4	%	3,029	47.3	%	5,031	53.1	%	4,455	45.3	%
Class B	236	5.3	%	149	6.8	%	140	2.2	%	—	—	%	—	—	%
Class C	1,745	39.4	%	1,225	55.8	%	3,238	50.5	%	4,438	46.9	%	5,388	54.7	%
Total motor homes	4,433	100.0	%	2,196	100.0	%	6,407	100.0	%	9,469	100.0	%	9,843	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 retail customers at our Forest City, Iowa facility and parts we sell to our dealers. As of August 28, 2010, our parts inventory was approximately $2.2 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 we believe 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

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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 workweeks and/or reducing head count.

Our Forest City facilities have been designed to provide vertically integrated production line manufacturing. We also operate 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 exceptions being chassis, engines, generators and appliances.

Most of our raw materials such as steel, aluminum, fiberglass and wood products are obtainable from numerous sources. Certain parts, especially motor home chassis, are available from a small group of suppliers. We are currently purchasing Class A and C chassis from Ford Motor Company, Mercedes-Benz Canada (a Daimler company) and Mercedes-Benz USA (a Daimler company) and Class A chassis from Freightliner Custom Chassis Corporation (a Daimler company). In Fiscal 2010, only two vendors, Ford Motor Company and Freightliner Custom Chassis Corporation individually accounted for more than 10 percent of our raw material purchases and approximating 35 percent in the aggregate.

Backlog

As of August 28, 2010, we had a backlog for our motor homes of 818 units with an approximate revenue value of $82.8 million. In comparison as of August 29, 2009, our backlog was 940 units with an approximate revenue value of $86.6 million. A more detailed description of our motor home order backlog is included in Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations" below.

Distribution and Financing

We market our motor homes 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 nine percent of net revenues during each of the past three fiscal years. As of August 28, 2010 and August 29, 2009, our motor home dealer organization in the United States and Canada included approximately 230 and 245 dealer locations, respectively. We have a number of dealers that carry our Winnebago, Itasca and ERA brands; we count each dealer location only once regardless of how many of our brands are offered at each such dealer location. During Fiscal 2010, three dealer organizations accounted for approximately 25 percent of our net revenues. One of our dealer organizations, FreedomRoads, LLC, accounted for 15 percent of our net revenue, as they sold our products in 32 of their dealership locations across 20 U.S. states.

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, trailers or boats, 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 motor homes. Dealers are obligated to provide full service for owners of our recreation vehicles or, in lieu thereof, to secure such service from other authorized providers.

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 18 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

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shipments, competition, dealer organization, gasoline availability and access to and the cost of bank financing. (See Note 9.)

Competition

The recreation vehicle market is highly competitive with many other manufacturers selling products which compete directly with our products. Some of our competitors are much larger than us as they also participate in the towable recreation vehicle market, which may provide them additional purchasing power. Also, some of our competitors went through Chapter 11 bankruptcy protection and their assets were purchased without many of their liabilities, thus reducing their cost structure as compared to ours. The competition in the motor home industry is based upon design, price, quality and service of the products. We believe our principal competitive advantages are our brand strength, product quality and our service after the sale. We also believe that our products have historically commanded a price premium as a result of these competitive advantages.

Regulations, 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 also 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, Ellipse, ERA, Impulse, Itasca, Journey, Meridian, Navion, Outlook, Reyo, Sightseer, Suncruiser, Sunova, Sunstar, Tour, Via, View, Vista, 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 2010, 2009 and 2008, we spent approximately \$3.2 million, \$3.3 million and \$4.1 million, respectively on research and development activities.

Human Resources

At the end of Fiscal 2010, 2009 and 2008, we employed approximately 1,950, 1,630 and 2,250 persons, respectively. None of our employees are covered under a collective bargaining agreement. We believe our relations with our employees are good.

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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)	59
Raymond M. Beebe	Vice President, General Counsel & Secretary (1974)	68
Robert L. Gossett	Vice President, Administration (1998)	59
Daryl W. Krieger	Vice President, Manufacturing (2010)	47
Roger W. Martin	Vice President, Sales and Marketing (2003)	50
Sarah N. Nielsen	Vice President, Chief Financial Officer (2005)	37
William J. O'Leary	Vice President, Product Development (2001)	61
Randy J. Potts	Senior Vice President, Strategic Planning (2006)	51
Brian J. Hrubes	Controller (1996)	59
Donald L. Heidemann	Treasurer (2007)	38

+ 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 41 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 May 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 36 years of experience with Winnebago Industries. He has been Vice President, General Counsel and Secretary since 1986.

Mr. Gossett has over 11 years of experience with Winnebago Industries. He has been Vice President, Administration since joining the Company in 1998.

Mr. Krieger has over 26 years of experience with Winnebago Industries. He has been Vice President, Manufacturing since May 2010. Prior to that time, he served as Director of Manufacturing from November 2009 to May 2010 and General Manager - Fabrication from February 2002 to November 2009.

Mr. Martin has over 16 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 five 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 as Director of Special Projects and Training. Prior to joining Winnebago Industries, she was employed by Deloitte & Touche LLP beginning in 1995; she was in the position of Assurance and Advisory Services Senior Manager from 2003 to August 2005.

Mr. O'Leary has over 38 years of experience with Winnebago Industries. He has been Vice President, Product Development since 2001.

Mr. Potts has over 27 years of experience with Winnebago Industries. He has been Senior Vice President, Strategic Planning since November 2009. Prior to that time, he served as Vice President, Manufacturing from October 2006 to November 2009, Director of Manufacturing from February 2006 to October 2006 and as General Manager of Manufacturing Services from November 2000 to February 2006.

Mr. Hrubes has over 38 years of experience with Winnebago Industries. He has been Controller since December 1996.

Mr. Heidemann has three years 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.

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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 the most significant risk factors that we believe may adversely affect the RV industry and our business, operations or financial position.

Risks Related to Our Business

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. Some of our competitors are much larger than us as they also participate in the towable recreation vehicle market, which may provide them additional purchasing power. Also, some of our competitors have recently sought Chapter 11 bankruptcy protection and their assets were purchased without many of their liabilities, thus reducing their cost structure as compared to ours. These competitive pressures could have a material adverse effect on our results of operations.

General Economic Conditions and Certain Other External Factors

Companies within the recreation vehicle industry are subject to volatility in operating results due primarily to general economic conditions. Specific factors affecting the recreation vehicle industry include:

- overall consumer confidence and the level of discretionary consumer spending;
- 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.

Credit Availability and Interest Rates to Dealers and Retail Purchasers

Our business is affected by the availability and terms of the financing to dealers. Generally, recreation vehicle dealers finance their purchases of inventory with financing provided by lending institutions. Two financial flooring institutions held 70 percent of our total financed dealer inventory dollars that were outstanding at August 28, 2010. In the event that either or both of these lending institutions limit or discontinue dealer financing, we could experience a material adverse effect on our results of operations. Our business is also affected by the availability and terms of financing to retail purchasers. Customers purchasing a motor home may elect to finance their purchase through the dealership or a financial institution of their choice. Substantial increases in interest rates and decreases in the general availability of credit for our dealers or for the retail purchaser may have an adverse impact upon our business and results of operations.

Maintaining Adequate Liquidity and Capital Resources

Although we have historically generated revenues from our operations to pay operating expenses, make capital expenditures, buy back stock and pay cash dividends, our ability to continue to meet our cash requirements over the long term may be substantially more difficult. Due to challenging market conditions in the past few years, revenues generated from motor home sales have been significantly reduced from historical levels, further constraining our liquidity and capital resources. We have taken a number of steps, as discussed in "Item 7 - Management's Discussion and Analysis of Financial Condition and Results of Operations - Analysis of Financial Condition, Liquidity and Resources" below, to increase our cash position and ensure adequate liquidity. However, the continuation of reduced demand for our products could weaken our liquidity position and materially adversely affect net revenues available for anticipated cash needs. To the extent the initiatives we have undertaken are not successful or we are unable to successfully implement other alternative actions, our ability to cover both short-term and long-term operation requirements would be significantly adversely affected.

Cyclicality and Seasonality

The recreation vehicle industry has been characterized by cycles of growth and contraction in consumer demand, reflecting prevailing economic and demographic 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.

Potential Loss of a Large Dealer Organization

During Fiscal 2010, one of our dealer organizations, FreedomRoads, LLC, accounted for 15 percent of our net revenue, as they sold our products in 32 of their dealership locations across 20 U.S. states. The loss of this dealer organization could have a significant adverse effect on our business. In addition, deterioration in the liquidity or creditworthiness of FreedomRoads, LLC could negatively impact our sales and could trigger repurchase obligations under our repurchase agreements.

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 we agree, 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, to repurchase units at declining prices over the term of the agreements, which can last up to 18 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. Our maximum potential exposure under these formal repurchase agreements was approximately $155.5 million at August 28, 2010.

In certain instances, we also repurchase inventory from our dealers due to state law or regulatory requirements that govern voluntary or involuntary terminations. Incremental repurchase exposure beyond repurchase agreements was approximately $4.5 million at August 28, 2010.

Prior to Fiscal 2009, our losses associated with repurchases had not been material. However, the substantial decrease in retail demand for recreation vehicles and tightened credit standards by lenders resulted in a significant increase in defaults by our dealers during Fiscal 2009. If we are obligated to repurchase a larger number of motor homes in the future, this would increase our costs and could be material. (See Note 9.)

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.

Dependence on Suppliers

Most of our RV components are readily available from numerous sources. However, a few of our components are produced by a small group of quality suppliers. In the case of motor home chassis, Ford Motor Company, Freightliner Custom Chassis Corporation and Mercedes-Benz USA are our major suppliers. Our relationship with our chassis suppliers is similar to our other supplier relationships in that no special contractual commitments are engaged in by either party. Historically, chassis suppliers resort to an industry-wide allocation system during periods when supply is restricted. These allocations have been based on the volume of chassis previously purchased. Sales of motor homes rely on chassis and are affected accordingly. Decisions by our suppliers to decrease production, 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 receive warranty claims from our dealers 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.

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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.

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.

Risks Related to Our Company

Anti-takeover Effect

Provisions of our articles of incorporation, by-laws and the Iowa Business Corporation Act could make it more difficult for a third party to acquire us, even if doing so would be perceived to be beneficial by our shareholders. The combination of these provisions effectively inhibits a non-negotiated merger or other business combination, which, in turn, could adversely affect the market price of our common stock.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

Our principal manufacturing, maintenance and service operations are conducted in multibuilding complexes owned by us. The following sets forth our material facilities as of August 28, 2010:

Location	Facility Type/Use	# 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	702,000
Charles City, Iowa	Manufacturing	2	Owned	161,000
Charles City, Iowa	Assets Held for Sale (Manufacturing Facility)	3	Owned	191,000
Hampton, Iowa	Assets Held for Sale (Manufacturing Facility)	2	Owned	135,000
		42		2,782,000

Our facilities in Forest City are located on approximately 500 acres of land, all owned by us. We lease 244,000 square

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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.

We have a sales agreement in place to sell one of the facilities that is held for sale (Charles City Manufacturing Facility) on or before November 1, 2010 for $3.9 million, as further described in Note 5.

Under terms of our new credit facility, as further described in Note 6, we have encumbered substantially all of our real property for the benefit of the lender under such facility.

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 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.

Item 4. (Removed and Reserved)

PART II

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

Market Information

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

Below are the New York Stock Exchange high, low and closing prices of Winnebago Industries, Inc. common stock for each quarter of Fiscal 2010 and Fiscal 2009:

Fiscal 2010	High	Low	Close	Fiscal 2009	High	Low	Close
First Quarter	$16.44	$10.67	$11.08	First Quarter	$15.20	$4.22	$5.88
Second Quarter	13.97	10.27	11.68	Second Quarter	7.47	3.90	4.05
Third Quarter	17.43	11.40	12.13	Third Quarter	9.23	3.14	7.67
Fourth Quarter	13.17	8.10	9.05	Fourth Quarter	12.23	6.01	11.62

Holders

Shareholders of record as of October 5, 2010: 3,544

Dividends Paid Per Share

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. As a result, no dividends have been paid since the first quarter of Fiscal 2009.

Our credit facility, as further described in Note 6, contains covenants that limit our ability, among other things, to pay certain dividends without the consent of Burdale Capital Finance, Inc., as Agent and the lenders thereunder, in their sole discretion.

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, for an aggregate consideration of up to $60 million. There is no time restriction on this authorization. During Fiscal 2010, approximately 17,000 shares were repurchased under the authorization, at an aggregate cost of approximately $250,000. These shares were repurchased from employees who vested in Winnebago shares during the year and elected to pay their payroll tax via shares as opposed to cash. As of August 28, 2010, there was approximately $59.3 million remaining under this authorization.

Our credit facility, as further described in Note 6, contains covenants that limit our ability, among other things, except for

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limited redemptions of Winnebago Industries' common stock from employees, to make distributions or payments with respect to or purchases of Winnebago Industries' common stock without the consent of Burdale Capital Finance, Inc., as Agent and the lenders thereunder, in their sole discretion.

The following 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 2010:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet Be Purchased Under the Plans or Programs
05/30/10 - 07/03/10	78	$ 11.03	78	$59,334,000
07/04/10 - 07/31/10	—	—	—	$59,334,000
08/01/10 - 08/28/10	—	—	—	$59,334,000
Total	78	$ 11.03	78	$59,334,000

Equity Compensation Plan Information

The following table provides information as of August 28, 2010 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 (a))	
Equity compensation plans approved by shareholders	940,815	(1)	$	27.82	3,101,594	(2)
Equity compensation plans not approved by shareholders (3)	102,856	(4)		14.44	—	(5)
Total	1,043,671		$	26.50	3,101,594	

(1) This number includes 622,279 stock options granted under the 2004 Incentive Compensation Plan (the "Plan"). Also included are 318,536 options granted under the 1997 Stock Option Plan.

(2) This number represents stock options available for grant under the Plan as of August 28, 2010. 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 14, 2010 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 28, 2010 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.

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Performance Graph

The following graph compares our five-year cumulative total shareholder return (including reinvestment of dividends) with the cumulative total return on the Standard & Poor's 500 Index and a peer group. The peer group companies consisting of Thor Industries, Inc., Polaris Industries, Inc. and Brunswick Corporation were selected by us as they also manufacture recreational products. It is assumed in the graph that $100 was invested in our common stock, in the Standard & Poor's 500 Index and in the stocks of the peer group companies on August 27, 2005 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.

Company/Index	Base Period 8/27/05	8/26/06	8/25/07	8/30/08	8/29/09	8/28/10
Winnebago Industries, Inc.	100.00	88.44	87.76	37.36	38.64	30.09
S&P 500 Index	100.00	109.52	127.43	112.87	93.01	98.18
Peer Group	100.00	81.48	89.14	58.77	54.40	66.93

Item 6. Selected Financial Data (See pages 58 and 59)

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

Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) is intended to provide a reader of our financial statements with a narrative from the perspective of our management on our financial condition, results of operations, liquidity and certain other factors that may affect our future results. Our MD&A is presented in eight sections:

- Executive Overview
- Industry Outlook
- Company Outlook
- Results of Operations
- Analysis of Financial Condition, Liquidity and Capital Resources
- Contractual Obligations and Commercial Commitments
- Critical Accounting Policies
- New Accounting Pronouncements

Our MD&A should be read in conjunction with the Financial Statements and related Notes included in Item 8, Financial Statements and Supplementary Data, of this Annual Report on Form 10-K.

Executive Overview

Winnebago Industries, Inc. is a leading U.S. manufacturer of motor homes with a proud history of manufacturing recreation vehicles for more than 50 years. 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 products through independent dealers throughout the United States and Canada, who then retail the products to the end consumer. Our retail unit market share, as reported by Statistical Surveys, Inc. (Statistical Surveys), is as follows:

	Through August 31,		Calendar Year		
US Retail:	2010	2009	2009	2008	2007
Class A gas	23.3 %	23.1 %	22.9 %	23.2 %	21.9 %
Class A diesel	13.6 %	10.9 %	11.4 %	8.1 %	8.9 %
Total Class A	18.4 %	16.5 %	16.6 %	15.3 %	15.2 %
Class C	17.7 %	22.6 %	22.7 %	22.8 %	24 %
Total Class A and C	18.1 %	19.1 %	19.1 %	18.3 %	18.5 %
Class B	18.2 %	16.8 %	18.1 %	3.5 %	— %

	Through July 31,		Calendar Year		
Canadian Retail:	2010	2009	2009	2008	2007
Class A gas	18.2 %	12.0 %	13.8 %	18.4 %	16.6 %
Class A diesel	11.5 %	6.8 %	7.0 %	5.3 %	6.3 %
Total Class A	15.0 %	9.2 %	10.0 %	12.4 %	11.9 %
Class C	21.1 %	8.9 %	9.5 %	19.5 %	18.3 %
Total Class A and C	18.2 %	9.0 %	9.8 %	15.7 %	14.4 %

We have led the industry with the highest market share in the U.S. of Class A and Class C motor homes combined for the past nine calendar years. Currently, we are tied for the number one position per the most recent Statistical Surveys reporting through August 2010. We have seen notable improvement in our Class A market share in 2010, primarily due to Class A diesel retail acceptance, and we lead the industry in that sector. However, we have experienced a drop in Class C market share in 2010. In addition to increased competitive pricing pressures in the Class C product, particularly at the entry level, we believe this decline resulted primarily from large volume RV rental operators increasing their fleet purchases in early 2010. While our company participated in some of this volume, we chose not to pursue a large percentage of fleet rental business due to considerably lower margins.

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We began producing Class B motor homes in February 2008 and we held the number three U.S. position in retail unit market share for Class B motor homes in Calendar 2009 and through August in Calendar 2010.
We hold the number two retail market share position in Canada through July 2010, which is approximately 13 percent of the U.S. market. Our market share in Canada was significantly impacted in Calendar 2009 due to the distressed merchandise sold into the dealer channel, primarily by competitors going through Chapter 11 bankruptcy. We have seen significant improvement in Calendar 2010 in all categories due to the fact that the majority of that distressed product was retailed in 2009. Our increased level of Canadian rental orders has also positively impacted our Class C share thus far in Calendar 2010.

Industry Outlook
The motorized RV market was significantly impacted by highly unstable market conditions in recent years. The tightening of the wholesale and retail credit markets, low consumer confidence, the effect of the global recession and uncertainty related to fuel prices placed enormous pressure on retail sales and as a result, dealers significantly reduced their inventory levels. Industry motorhome wholesale shipments in the 20 years prior to Calendar 2008 averaged 58,000 units per year, similar to retail demand. In Calendar 2008, shipments dropped 49 percent to 28,300, the lowest deliveries on record since 1971 and then shipments dropped an additional 53 percent in Calendar 2009 to an unprecedented level of 13,200. Retail registrations fell during this same time frame, but not to the same magnitude, resulting in significant dealer inventory liquidation.
Thus far in Calendar 2010, industry shipments have improved dramatically as compared to the prior year and have been in line with retail demand through July. We attribute the recovery to the improvement in wholesale and retail credit availability and also a result of dealer inventory levels reaching equilibrium with retail demand. The current industry outlook for Calendar 2010 per the RVIA is for wholesale shipments to be higher than retail activity was in Calendar 2009, as evidenced in the table below. RVIA has also forecasted that shipments in Calendar 2011 will increase by an additional 13 percent to 26,500 units.
Key statistics for the motor home industry are as follows:

	US and Canada Industry Class A, B & C Motor Homes							
	Wholesale Shipments[1]				Retail Registrations[2]			
	Calendar Year				Calendar Year			
(In units)	2009	2008	(Decrease) Increase	Change	2009	2008	Decrease	Change
First quarter	2,400	11,000	(8,600)	(78.2)%	4,800	9,700	(4,900)	(50.5)%
Second quarter	3,200	9,300	(6,100)	(65.6)%	7,100	11,900	(4,800)	(40.3)%
Third quarter	3,300	5,000	(1,700)	(34.0)%	5,800	7,600	(1,800)	(23.7)%
Fourth quarter	4,300	3,000	1,300	43.3%	4,200	4,600	(400)	(8.7)%
Total	13,200	28,300	(15,100)	(53.4)%	21,900	33,800	(11,900)	(35.2)%
(In units)	2010	2009	Increase	Change	2010	2009	Increase(Decrease)	Change
First quarter	5,700	2,400	3,300	137.5%	4,900	4,800	100	2.1%
Second quarter	7,800	3,200	4,600	143.8%	7,700	7,100	600	8.5%
July	1,900	900	1,000	111.1%	2,000	2,100	(100)	(4.8)%
August	2,300	1,100	1,200	109.1%	1,600 (4)	1,900	(300)	(15.8)%
September - December	5,700 (3)	5,600	100	1.8%		6,000		
Total	23,400 (3)	13,200	10,200	77.3%	16,200 (5)	21,900		

(1) Class A, B and C wholesale shipments as reported by RVIA, rounded to the nearest hundred.

(2) Class A, B and C retail registrations as reported by Statistical Surveys for the US and Canada combined, rounded to the nearest hundred.

(3) Based upon forecasted 2010 Class A, B and C wholesale shipments as reported by RVIA in the Roadsigns Fall 2010 issue.

(4) US retail registration for Class A, B, and C for August 2010. Canada retail registrations not yet available.

(5) Statistical Surveys has not issued a projection for 2010 retail demand.

Company Outlook

We have seen significant improvements throughout Fiscal 2010 in our business, both in net revenues and in our operating performance. As a result of increased order activity, which we attributed to the very low level of dealer inventories and the strong acceptance of our model year 2010 product lineup, we hired approximately 350 hourly employees and began to increase our weekly production rates during the first quarter of Fiscal 2010. This production ramp-up was the driver for increased wholesale shipments for the balance of the fiscal year. The added volume allowed

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for greater absorption of our fixed costs and improved labor efficiencies, which favorably impacted our profit margins. Note that our dealers' inventories increased for the first time in two years during our second quarter of Fiscal 2010 and they have maintained these levels throughout the remainder of the year. With dealer inventories at reasonable levels throughout the year, we were able to reduce the level of discounting and retail programs offered, which also positively impacted our margins. We believe retail sales will be the key driver to sustain our recovery and for continued growth going forward.

Certain key metrics for our Class A, B and C motor homes are provided in the table below:

(In units and presented in fiscal quarters)	Wholesale Deliveries	Retail Registrations	As of Quarter End Dealer Inventory	Order Backlog
1st quarter 2009	656	1,050	3,269	338
2nd quarter 2009	315	666	2,918	335
3rd quarter 2009	620	1,214	2,324	382
4th quarter 2009	605	1,235	1,694	940
Rolling 12 months (Sept 2008 through Aug 2009)	2,196	4,165		
1st quarter 2010	794	921	1,567	1,521
2nd quarter 2010	1,109	654	2,022	1,159
3rd quarter 2010	1,366	1,388	2,000	935
4th quarter 2010	1,164	1,120	2,044	818
Rolling 12 months (Sept 2009 through Aug 2010)	4,433	4,083		

Key Comparison Increases (Decreases):	Wholesale Deliveries	Retail Registrations	Dealer Inventory	Order Backlog
Rolling 12 month period comparison (Aug 2010 to Aug 2009)	2,237	(82)	NA	NA
	101.9%	(2.0)%	NA	NA
4th quarter Fiscal 2010 as compared to 4th quarter Fiscal 2009	559	(115)	350	(122)
	92.4%	(9.3)%	20.7%	(13.0)%
4th quarter Fiscal 2010 as compared to 3rd quarter Fiscal 2010	(202)	(268)	44	(117)
	(14.8)%	(19.3)%	2.2%	(12.5)%

Our motor home order backlog was as follows:

	As Of August 28, 2010		August 29, 2009		(Decrease) Increase	
	Units	Product Mix %	Units	Product Mix %	Units	%
Class A gas	272	33.2%	345	36.7%	(73)	(21.2)%
Class A diesel	218	26.7%	198	21.1%	20	10.1%
Total Class A	490	59.9%	543	57.8%	(53)	(9.8)%
Class B [1]	—	—%	10	1.1%	(10)	(100.0)%
Class C	328	40.1%	387	41.2%	(59)	(15.2)%
Total backlog	818	100.0%	940	100.0%	(122)	(13.0)%
Total approximate revenue dollars (in thousands) [2]	$82,773		$86,626		$(3,853)	(4.4)%

(1) Class B backlog is currently not applicable given the fact that the ERA was temporarily discontinued in the 2011 model year. Current plans call for the ERA to be reintroduced in the 2012 model year.

(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 dealer at any time without penalty and, therefore, backlog may not necessarily be an accurate measure of future sales.

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Results of Operations

Fiscal 2010 Compared to Fiscal 2009

The following is an analysis of changes in key items included in the statements of operations for the fiscal year ended August 28, 2010 compared to the fiscal year ended August 29, 2009:

(In thousands, except percent and per share data)	Year Ended August 28, 2010	% of Revenues[1]	August 29, 2009	% of Revenues[1]	Increase (Decrease)	% Change
Net revenues	$449,484	100.0 %	$211,519	100.0 %	$237,965	112.5 %
Cost of goods sold	423,217	94.2 %	242,265	114.5 %	180,952	74.7 %
Gross profit (deficit)	26,267	5.8 %	(30,746)	(14.5)%	57,013	(185.4)%
Selling	12,724	2.8 %	12,616	6.0 %	108	0.9 %
General and administrative	13,023	2.9 %	15,298	7.2 %	(2,275)	(14.9)%
Asset impairment	—	— %	855	0.4 %	(855)	(100.0)%
Operating expenses	25,747	5.7 %	28,769	13.6 %	(3,022)	(10.5)%
Operating income (loss)	520	0.1 %	(59,515)	(28.1)%	60,035	(100.9)%
Financial income	222	0.0 %	1,452	0.7 %	(1,230)	(84.7)%
Pre-tax income (loss)	742	0.2 %	(58,063)	(27.5)%	58,805	(101.3)%
(Benefit) provision for taxes	(9,505)	(2.1)%	20,703	9.8 %	(30,208)	(145.9)%
Net income (loss)	$10,247	2.3 %	$(78,766)	(37.2)%	$89,013	113.0 %
Diluted income (loss) per share	$0.35		$(2.71)		$3.06	(112.9)%
Diluted average shares outstanding	29,101		29,051			

[1] Percentages may not add due to rounding differences.

Unit deliveries and average sales price (ASP), net of discounts, consisted of the following:

(In units)	Year Ended August 28, 2010	Product Mix %	August 29, 2009	Product Mix %	Increase	% Change
Class A gas	1,483	33.4 %	480	21.8 %	1,003	209.0 %
Class A diesel	969	21.9 %	342	15.6 %	627	183.3 %
Total Class A	2,452	55.3 %	822	37.4 %	1,630	198.3 %
Class B	236	5.3 %	149	6.8 %	87	58.4 %
Class C	1,745	39.4 %	1,225	55.8 %	520	42.4 %
Total deliveries	4,433	100.0 %	2,196	100.0 %	2,237	101.9 %
ASP (in thousands)	$96		$87		$9	10.3 %

Net revenues for Fiscal 2010 increased $238.0 million, or 112.5 percent, compared to Fiscal 2009 due to the following:

- Volume: The primary reason for the net revenue increase was an increase of unit deliveries of 101.9 percent.
- Pricing and mix: Our motor home ASP increased 10.3 percent. This increase was primarily due a shift in mix of more Class A motor homes, our higher-priced products. Class A products were 55.3 percent of our volume this year compared to 37.4 percent last year. Our ASP also increased due to a significant reduction in product discounts this year due to improved market conditions.
- Promotional incentives: Our retail and other incentives decreased significantly, a decrease of 2.5 percent (as a percentage of net revenues) due to improvement in the motor home market.
- Repurchases: Our losses on repurchases of motor homes were lower than last year, also a result of improvement in the motor home market. As a percentage of net revenues, repurchase expense was 0.1 percent this year compared to 1.2 percent last year.
-

Other revenue: Revenues for motor home parts and services and other manufactured products increased by 4.0 percent.

Cost of goods sold was $423.2 million, or 94.2 percent, of net revenues for Fiscal 2010 compared to $242.3 million, or 114.5 percent, of net revenues for Fiscal 2009 due to the following:

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- The change in our variable costs (materials, direct labor, variable overhead, delivery expense and warranty) increased $181.4 million, which was primarily caused by increased sales volume. Total variable costs, as a percent of net revenues, decreased to 85.2 percent this year from 95.3 percent last year. The 10.1 percent decrease was primarily caused by decreased discounting and promotional incentives.
- Our variable costs were favorably impacted by $780,000, or 0.2 percent, of net revenues this year due to the reduction of the last-in, first-out (LIFO) inventory liquidation, as compared to a LIFO inventory liquidation of $7.0 million, or 3.3 percent, of net revenues last year.
- Fixed overhead (manufacturing support labor, depreciation and facility costs) and research and development-related costs decreased to 8.9 percent of net revenues compared to 19.2 percent last year. This difference was due primarily to higher absorption of fixed costs as a result of significantly higher production volume.
- All factors considered, gross profit increased from a gross deficit of 14.5 percent of net revenues to a gross profit of 5.8 percent of net revenues.

General and administrative expenses decreased $2.3 million, or 14.9 percent, in Fiscal 2010. This decrease was due primarily to reductions in legal expenses of $1.5 million and lower depreciation expense of $500,000. As a percent of net revenues, general and administrative expenses were 2.9 percent this year compared to 7.2 percent last year. The decrease in percentage of net revenues was caused by the significant difference in revenue levels between the two fiscal periods.

Asset impairment expenses of $855,000 were recorded in Fiscal 2009 as a result of the decision to close the Hampton, Iowa fiberglass manufacturing facility.

Financial income decreased $1.2 million or 84.7 percent, in Fiscal 2010. Primary reasons for this decrease were increased line of credit costs of $800,000 (which included a termination fee of $375,000 paid to Wells Fargo to terminate a credit and security agreement) and lower investment income of $600,000. For further discussion of financial income, see Note 6.

The overall effective income tax rate for this year was a benefit of 1,281.0 percent compared to an expense of 35.6 percent last year. The following table breaks down the two aforementioned tax rates:

	Year Ended							
	August 28, 2010				August 29, 2009			
(In thousands)	Amount		Effective Rate (%)		Amount		Effective Rate (%)	
Tax expense (benefit) on current operations	$667		89.9	%	$(22,898	)	(39.5	)%
Valuation allowance								
Decrease (Fiscal 2009 carryback)	(5,792	)	(780.6	)%	—		—	
Increase	336		45.3	%	44,976		77.5	%
Uncertain tax positions settlements and adjustments	(3,195	)	(430.6	)%	(500	)	(0.9	)%
Other	(1,521	)	(205.0	)%	(875	)	(1.5	)%
Total (benefit) provision for taxes	$(9,505	)	(1,281.0	)%	$20,703		35.6	%

Tax benefit on current operations

The overall effective income tax rate for Fiscal 2010 was 89.9 percent compared to the overall effective tax benefit rate of 39.5 percent for Fiscal 2009. The primary reason for the difference in the overall effective rate is the relationship between our lower pre-tax income relative to the permanent financial accounting to taxable income (loss) adjustments for this year compared to last year. Our significant permanent adjustments are tax-free income from company-owned life insurance (COLI) and student loan-related tax exempt securities which resulted in an increase to the tax benefit of $1.0 million and increased the tax benefit rate by 136.5 percent in Fiscal 2010. In Fiscal 2009, tax-free investment income resulted in a tax benefit of $1.2 million (a 2.0 percent increase in the effective benefit rate).

Valuation allowance - decrease

At the end of Fiscal 2009, we had established a valuation allowance on all deferred tax assets and net operating loss (NOL) carryforward assets associated with Fiscal 2009. During our first quarter of Fiscal 2010, the President of the United States signed into law the Worker, Homeownership, and Business Assistance Act of 2009, which expanded the

carryback period from two to five years, allowing us to carryback all Fiscal 2009 NOL. During the third quarter of this year, we filed a superseding federal tax return to accelerate certain tax deductions and amended our original carryback request which resulted in an additional benefit of $1.0 million received during the fourth quarter of this year. As a result, we recorded a total tax benefit of $5.8 million and reduced the associated valuation allowance due to this beneficial tax law change.

Valuation allowance - increase

The increase in the valuation allowance of $336,000 related to Fiscal 2010 tax credits and NOL's established during the year due to taxable losses incurred. During the fourth quarter of Fiscal 2009, we recorded a non-cash charge of $45.0

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million to establish a full valuation allowance on the deferred tax assets. Accounting Standard Codification (ASC) 740, Income Taxes, requires that companies assess whether valuation allowances should be established against their deferred tax assets based on the consideration of all available evidence, using a "more likely than not" standard. In making such assessments, significant weight is given to evidence that can be objectively verified. A company's current or previous losses are given more weight than its future outlook. Under that standard, our three-year historical cumulative loss was a significant negative factor. This loss, combined with uncertain near-term market and economic conditions, reduced our ability to rely on our projections of any future taxable income in determining whether a valuation allowance is appropriate. Accordingly, we concluded that, based on ASC 740 guidelines, a full valuation allowance should be established. We will continue to assess the likelihood that our deferred tax assets will be realizable and our valuation allowance will be adjusted accordingly, which could materially impact our financial position and results of operations. For further discussion of income taxes, see Note 10.

Uncertain tax positions settlements and adjustments

During Fiscal 2010, benefits of $3.2 million were recorded as a result of positive settlements of uncertain tax positions with taxing authorities and other adjustments to uncertain tax positions. Of this amount, $1.7 million resulted from the reduction of reserves associated with unrecognized tax benefits as a result of a positive resolution of the federal IRS tax audit on our income tax returns for Fiscal 2006 through Fiscal 2008. During Fiscal 2009, benefits of $500,000 were recorded as a result of favorable settlements with various taxing jurisdictions and other adjustments to uncertain tax positions. Benefits of $1.5 million and $875,000 were recorded as a result of tax planning initiatives recognized during Fiscal 2010 and 2009 respectively. For further discussion of income taxes, see Note 10.

Other

During Fiscal 2010, the tax benefits recorded were primarily the result of filing amended state returns.

Net income and diluted income per share were $10.2 million and $0.35 per share, respectively, for Fiscal 2010. In Fiscal 2009, the net loss was $78.8 million and diluted loss was $2.71 per share.

Fiscal 2009 Compared to Fiscal 2008

The following is an analysis of changes in key items included in the statements of operations for the fiscal year ended August 29, 2009 compared to the fiscal year ended August 30, 2008:

(In thousands, except percent and per share data)	Year Ended [1] August 29, 2009	% of Revenues[2]	August 30, 2008	% of Revenues[2]	(Decrease) Increase	% Change
Net revenues	$211,519	100.0 %	$604,352	100.0 %	$(392,833)	(65.0)%
Cost of goods sold	242,265	114.5 %	569,580	94.2 %	(327,315)	(57.5)%
Gross (deficit) profit	(30,746)	(14.5)%	34,772	5.8 %	(65,518)	NMF
Selling	12,616	6.0 %	18,482	3.1 %	(5,866)	(31.7)%
General and administrative	15,298	7.2 %	21,359	3.5 %	(6,061)	(28.4)%
Asset impairment	855	0.4 %	4,686	0.8 %	(3,831)	(81.8)%
Operating expenses	28,769	13.6 %	44,527	7.4 %	(15,758)	(35.4)%
Operating loss	(59,515)	(28.1)%	(9,755)	(1.6)%	(49,760)	NMF
Financial income	1,452	0.7 %	4,314	0.7 %	(2,862)	(66.3)%
Pre-tax loss	(58,063)	(27.5)%	(5,441)	(0.9)%	(52,622)	NMF
Provision (benefit) for taxes	20,703	9.8 %	(8,225)	(1.4)%	28,928	NMF
Net (loss) income	$(78,766)	(37.2)%	$2,784	0.5 %	$(81,550)	NMF
Diluted (loss) income per share	$(2.71)		$0.10		$(2.81)	NMF
Diluted average shares outstanding	29,051		29,144		(93)	(0.3)%

(1) Fiscal year ended August 29, 2009 contained 52 weeks; fiscal year ended August 30, 2008 contained 53 weeks.

(2) Percentages may not add due to rounding differences.

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Unit deliveries and ASP, net of discounts, consisted of the following:

(In units)	Year Ended [1] August 29, 2009	Product Mix %	August 30, 2008	Product Mix %	(Decrease) Increase	% Change
Class A gas	480	21.8 %	2,129	33.2 %	(1,649)	(77.5)%
Class A diesel	342	15.6 %	900	14.1 %	(558)	(62.0)%
Total Class A	822	37.4 %	3,029	47.3 %	(2,207)	(72.9)%
Class B	149	6.8 %	140	2.2 %	9	6.4 %
Class C	1,225	55.8 %	3,238	50.5 %	(2,013)	(62.2)%
Total deliveries	2,196	100.0 %	6,407	100.0 %	(4,211)	(65.7)%
ASP (in thousands)	$87		$88		$(1)	(1.4)%

[1] Fiscal year ended August 29, 2009 contained 52 weeks; fiscal year ended August 30, 2008 contained 53 weeks.

Net revenues for Fiscal 2009 decreased $392.8 million, or 65.0 percent, compared to Fiscal 2008 due to the following:

- Volume decline: The primary reason for the net revenue decline was due to unit deliveries decreasing by 65.7 percent.
- Pricing and mix: Our ASP in Fiscal 2009 as compared to the previous year decreased 1.4 percent. The decrease in our ASP was due to an increase of product discounts we offered at the wholesale level and a shift in mix to lower-priced products, partially offset by increase in pricing. Our sales mix for the year was more heavily weighted to lower-priced products as 63 percent of our volume in Fiscal 2009 was Class B and C product as compared to a 53 percent mix of Class B and C products in Fiscal 2008.
- Promotional incentives: Our retail and other incentives increased by 3.2 percent (as a percentage of net revenues) due to increased retail promotional activity on significantly lower revenues. We used retail incentive programs to help stimulate dealer traffic and the programs had a substantial impact in reducing the dealer inventory level, as our dealer inventory in units was down 53.8 percent at August 29, 2009 compared to August 30, 2008.
- Repurchases: Our loss on repurchase of motor homes during Fiscal 2009 were significantly higher than previous years as a result of the dramatic decline in the motor home market. As a percentage of net revenues, repurchase expense was 1.2% in Fiscal 2009 compared to 0.1 percent in Fiscal 2008.
- Other revenue: Revenues for motor home parts and services and other manufactured products decreased by 32.4 percent.

Cost of goods sold was $242.3 million, or 114.5 percent, of net revenues for Fiscal 2009 compared to $569.6 million, or 94.2 percent, of net revenues for Fiscal 2008 due to the following:

- The change in our variable costs (materials, direct labor, variable overhead, delivery expense and warranty) comprised $316.6 million of the $327.3 million decrease which was primarily caused by decreased sales volume. Material, labor and variable overhead, as a percent of net revenues, increased to 91.8 percent in Fiscal 2009 compared to 82.2 percent in the prior year. The 9.6 percent increase was primarily caused by increased discounting and promotional incentives in Fiscal 2009 to promote sales in a difficult motor home market.
- Our variable costs were favorably impacted by $7.0 million, or 3.3 percent, of net revenues in Fiscal 2009 due to the reduction of LIFO reserves as a result of a significant reduction in inventory levels, as compared to LIFO expense in Fiscal 2008 of $4.6 million, or 0.8 percent, of net revenues.
- Fixed overhead, which consists primarily of manufacturing support labor, depreciation and facility costs, increased to 17.7 percent of net revenues in Fiscal 2009 compared to 7.8 percent in the prior year. This difference was due primarily to lower absorption of fixed costs due to significantly lower production volumes.
- All factors considered, gross (deficit) profit decreased from a gross profit of 5.8 percent of net revenues in Fiscal 2008 to a gross deficit of 14.5 percent of net revenues during Fiscal 2009.

Selling expenses decreased $5.9 million, or 31.7 percent, during the fiscal year ended August 29, 2009. However, as a percent of net revenues, selling expenses were 6.0 percent during Fiscal 2009 compared to 3.1 percent for Fiscal 2008. 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 $6.1 million, or 28.4 percent, during the fiscal year ended August 29, 2009. However, as a percent of net revenues, general and administrative expenses were 7.2 percent during Fiscal 2009 compared to 3.5 percent for Fiscal 2008. The decrease in dollars was due to reductions of: stock-based compensation of $2.0 million, as we did not grant stock awards during Fiscal 2009; labor-related expenses of $1.5 million, as a result of reduced head count; legal expenses of $1.0 million; and lower depreciation expense of $500,000. The increase in percentage of net revenues was caused by the significant difference in revenue levels between the two fiscal periods.

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Asset impairment expenses of $855,000 were recorded in Fiscal 2009 as a result of the decision to close the Hampton, Iowa fiberglass manufacturing facility.

Financial income decreased $2.9 million, or 66.3 percent, for the fiscal year ended August 29, 2009. The decrease in financial income was primarily due to a decrease in the average yield and, to a lessor extent, a decrease in average investment balances.

The overall effective income tax rate for Fiscal 2009 was a expense of 35.6 percent compared to an benefit of 151.2 percent for Fiscal 2008. The following table breaks down the two aforementioned tax rates:

	Year Ended [1]			
	August 29, 2009		August 30, 2008	
(Dollars in thousands)	Amount	Effective Rate (%)	Amount	Effective Rate (%)
Tax benefit from current operations	$(22,898)	(39.5)%	$(3,345)	(61.5)%
Valuation allowance	44,976	77.5%	325	6.0%
Uncertain tax positions settlements and adjustments	(500)	(0.9)%	(4,149)	(76.3)%
Other	(875)	(1.5)%	(1,056)	(19.4)%
Total provision (benefit) for taxes	$20,703	35.6%	$(8,225)	(151.2)%

(1) Fiscal year ended August 29, 2009 contained 52 weeks; fiscal year ended August 30, 2008 contained 53 weeks.

Tax benefit on current operations

At the end of the third quarter of Fiscal 2009, our ability to claim refunds of taxes previously paid was exhausted due to the size of our Fiscal 2009 operating losses. Thus, of the $22.9 million tax benefit on current operations, we established an associated tax refund receivable of $17.4 million. The overall effective income tax benefit rate for Fiscal 2009 was 39.5 percent compared to the overall effective tax benefit rate of 61.5% for Fiscal 2008. The primary reason for the difference in the overall effective rate is the relationship between our significant pre-tax loss of $58.1 million relative to the permanent financial accounting to taxable income (loss) adjustments for Fiscal 2009 compared to the much smaller pre-tax loss of $5.4 million relative to the permanent financial accounting to taxable income (loss) adjustments for Fiscal 2008. Our significant permanent adjustments are tax-free income from COLI and student loan-related tax exempt securities and resulted in an increase to the tax benefit of $1.2 million and increased the tax benefit rate by 2.0 percent in Fiscal 2009. In Fiscal 2008, tax-free investment income resulted in a tax benefit of $1.8 million (a 32.6 percent increase in the effective benefit rate).

Valuation allowance

As previously discussed, we recorded a non-cash charge of $45.3 million to establish a full valuation allowance on the deferred tax assets during the fourth quarter of Fiscal 2009. During the fourth quarter of Fiscal 2008, we recorded a non-cash charge of $325,000 to establish a valuation allowance on tax credits that were determined not to be recoverable prior to their expiration.

Uncertain tax positions settlements and adjustments

During Fiscal 2009, we recognized a tax benefit of $500,000 as a result of favorable settlements with various taxing jurisdictions and other adjustments to uncertain tax positions, which increased the tax benefit rate by 0.9 percent. In Fiscal 2008, we had an effective tax benefit rate of 76.3 percent, which was based on the favorable settlements of uncertain tax positions with various taxing jurisdictions. The original unrecognized tax benefit associated with these positions was $14.6 million, of which $8.0 million was paid in cash per the settlement. The balance of this reserve, net of the related deferred taxes, resulted in a $4.1 million increase in tax benefit.

Other

Other primarily represents tax benefits associated with tax planning initiatives implemented during Fiscal 2009, such as the extension of the research and development tax credit. In Fiscal 2008, tax planning initiatives represented additional tax benefits associated with tax-free income from investments in COLI.

Net loss and diluted loss per share were $78.8 million and $2.71 per share, respectively, for Fiscal 2009. In Fiscal 2008, net income was $2.8 million and diluted income was $0.10 per share.

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 products. While we have historically

been able to pass on these increased costs, 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.

Analysis of Financial Condition, Liquidity and Resources

Cash and cash equivalents increased $38.1 million during Fiscal 2010 and totaled $74.7 million as of August 28, 2010. The significant liquidity events that occurred during Fiscal 2010 were:

- Receipt of tax refunds (net of payments) of $24.4 million: As previously discussed, we filed carryback federal tax returns and received total federal refunds, net of payments, of $22.8 million. We also received state refunds, net of payments, of $1.6 million.
- Auction Rate Securities (ARS) net redemptions of $6.8 million: Our entire UBS AG (UBS) ARS portfolio balance of $13.5 million was redeemed at par and we repaid all associated borrowings on these assets of $9.1 million. Also, $2.4 million of our remaining ARS portfolio was redeemed at par during the year. We have $17.9 million ARS at par value classified as long-term investments as of August 28, 2010. See further discussion in Note 3.

We have two manufacturing facilities held for sale at fiscal year end, one of which we have a sales agreement in place to sell for $3.9 million on or before November 1, 2010 (subject to certain closing conditions).

We also have in place a $20 million revolving credit facility, as described in further detail in Note 6, that allows us to borrow up to $12.5 million without financial covenant restrictions if there is adequate asset coverage. We had sufficient asset coverage in accounts receivable and inventory at the end of Fiscal 2010 to access the entire $12.5 million. The facility also includes a framework to expand the size of the facility up to $50.0 million, based on mutually agreeable covenants to be determined at the time of expansion. This potential additional borrowing capacity may be beneficial to us if inventory levels need to substantially increase rapidly as a result of product demand.

We filed a Registration Statement on Form S-3, which was declared effective by the SEC on March 31, 2010. Subject to market conditions, we have the ability to offer and sell up to $35 million of our common stock in one or more offerings pursuant to the Registration Statement. The Registration Statement will be available for use for three years from its effective date. We currently have no plans to offer and sell the common stock registered under the Registration Statement; however, it does provide another potential source of liquidity in addition to the alternatives already in place.

Working capital at August 28, 2010 and August 29, 2009 was $91.3 million and $79.5 million, respectively, an increase of $11.9 million. We currently expect cash on hand, funds generated from operations (if any) and the availability under the credit facility to be sufficient to cover both short-term and long-term operating requirements. We anticipate capital expenditures of Fiscal 2011 of approximately $3.0 million, primarily for manufacturing equipment and facilities.

Operating Activities

Cash provided by operating activities was $33.0 million for the fiscal year ended August 28, 2010 compared to cash provided by operating activities of $8.3 million for the fiscal year ended August 29, 2009. The combination of a net income of $10.2 million in the current year and an improvement in non-cash charges (e.g., depreciation, stock-based compensation) provided $17.4 million of operating cash compared to a usage of $30.9 million in the prior year period. In Fiscal 2010, changes in assets and liabilities (primarily income tax refunds and inventory reductions) provided an additional $15.6 million of operating cash. In Fiscal 2009, changes in assets and liabilities (primarily inventory reductions) provided an additional $39.2 million operating cash.

Investing Activities

Cash provided by investing activities of $14.3 million in Fiscal 2010 was due primarily to ARS redemptions of $15.9 million, partially offset by capital spending of $1.9 million. During Fiscal 2009, cash provided by investing activities of $5.0 million was primarily due to ARS redemptions of $8.9 million, partially offset by capital spending of $3.5 million.

Financing Activities

Cash used in financing activities for the fiscal year ended August 28, 2010 was $9.1 million for repayments on borrowings from our ARS portfolio. Cash provided by financing activities for the fiscal year ended August 29, 2009 was due to borrowings on our ARS portfolio of $9.1 million, partially offset by dividend payments of $3.5 million.

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Contractual Obligations and Commercial Commitments

Our principal contractual obligations and commercial commitments as of August 28, 2010 were as follows:

	Payments Due By Period				
(In thousands)	Total	Fiscal 2011	Fiscal 2012-2013	Fiscal 2014-2015	More than 5 Years
Postretirement health care obligations [1]	$40,327	$1,262	$3,124	$3,829	$32,112
Deferred compensation obligations [1]	25,446	2,546	4,717	4,298	13,885
Executive share option obligations [1]	8,698	—	1,088	2,302	5,308
Supplemental executive retirement plan benefit obligations [1]	3,107	218	416	288	2,185
Operating leases [2]	354	152	157	45	—
Contracted services	87	36	51	—	—
Unrecognized tax benefits [3]	5,877	—	—	—	—
Total contractual cash obligations	$83,896	$4,214	$9,553	$10,762	$53,490

	Expiration By Period				
(In thousands)	Total	Fiscal 2011	Fiscal 2012-2013	Fiscal 2014-2015	More than 5 Years
Formal repurchase obligations [3]	$155,490	$71,717	83,773	—	—

(1) See Note 8.

(2) See Note 9.

(3) We are not able to reasonably estimate in which future periods these amounts will ultimately be settled.

Critical Accounting Policies

Our 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 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. 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.

Sales Promotions and Incentives

We accrue for 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

promotions and incentive programs include dealer and consumer rebates, volume discounts, retail financing programs and dealer sales associate incentives. Sales promotion and incentive expenses are estimated based upon current program parameters, such as unit or retail volume, and historical rates. Actual results may differ from these estimates if market conditions dictate the need to enhance or reduce sales promotion and incentive programs or if the retail customer usage rate varies from historical trends. Historically, sales promotion and incentive expenses have been within our expectations

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and differences have not been material.

Warranty

We provide with the purchase of any new motor home, a comprehensive 12-month/15,000-mile warranty on Class A, B and C motor homes and a 3-year/36,000-mile warranty on Class A and 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 7.

Unrecognized Tax Benefits

We only recognize tax benefits for filing positions that are considered more likely than not of being sustained under audit by the relevant taxing authority, without regard to the likelihood of such an audit occurring. We record a liability for uncertain tax positions when it is more likely than not that our filed tax positions will not be sustained. We record deferred tax assets related to reserves for filing positions in a particular jurisdiction that would result in tax deductions in another tax jurisdiction if we were unable to sustain our filing position in an audit. Our income tax returns are periodically audited by various taxing authorities. These audits include questions regarding our tax filing positions, including the timing and the amount of deductions and the allocation of income among various tax jurisdictions. At any one time, multiple years are subject to audit by the various taxing authorities. We continually assess our tax positions for all periods that are open to examination or have not been effectively settled based on the most current available information. We adjust our liability for unrecognized tax benefits and income tax provision in the period in which an uncertain tax position is effectively settled, the statute of limitations expires for the relevant taxing authority to examine the tax position or when more information becomes available.

Our liability for unrecognized tax benefits contains uncertainties because we are required to make assumptions and apply judgment to estimate the exposure associated with our various filing positions. Our effective tax rate is also affected by changes in tax laws, the level of our earnings or losses and the results of tax audits.

Although we believe that the judgments and estimates discussed herein are reasonable, actual results could differ, and we may be exposed to losses or realize gains that could be material. To the extent that we prevail in matters for which a liability has been established or are required to pay amounts in excess of our established liability, our effective income tax rate in a given financial statement period could be materially affected. An unfavorable tax settlement generally would require use of our cash and may result in an increase in our effective tax rate in the period of resolution. A favorable tax settlement may be recognized as a reduction in our effective tax rate in the period of resolution.

Income Taxes

We account for income taxes in accordance with ASC 740, Income Taxes. As part of the process of preparing our financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. Significant judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and any valuation allowance recorded against our deferred tax assets. Valuation allowances arise due to the uncertainty of realizing deferred tax assets. ASC 740 requires that companies assess whether valuation allowances should be established against their deferred tax assets based on the consideration of all available evidence, using a "more likely than not" standard. In making such assessments, significant weight is to be given to evidence that can be objectively verified. A company's current or previous losses are given more weight than its future outlook. Under that standard, our three-year historical cumulative loss was a significant negative factor. We have evaluated the sustainability of our deferred tax assets on our balance sheet which includes the assessment of cumulative income or

losses over recent prior periods. Based on ASC 740 guidelines, we determined a full valuation allowance was appropriate as of August 28, 2010. We will continue to assess the likelihood that our deferred tax assets will be realizable at each reporting period and our valuation allowance will be adjusted accordingly, which could materially impact our financial position and results of operations.

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. Assumed health care cost trend rates do not have a significant effect on the amounts reported for our health care plan due to the fact that in, Fiscal 2004, caps were placed on the amount we are required to pay for postretirement health care benefits per retiree on an annual basis. However, 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 8.

Other

We have reserves for other loss exposures, such as litigation, product liability, repurchase commitments, worker's compensation, inventory and accounts receivable. 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 assets or liabilities.

New Accounting Pronouncements

See Note 1.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We have market risk exposure to our ARS, which is described in further detail in Note 3.

Item 8. Financial Statements and Supplementary Data

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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 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 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 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 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 28, 2010.

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

/s/ Robert J. Olson	/s/ Sarah N. Nielsen
Robert J. Olson	Sarah N. Nielsen
Chairman of the Board, Chief Executive Officer and President	Vice President, Chief Financial Officer
October 26, 2010	October 26, 2010

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REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the internal control over financial reporting of Winnebago Industries, Inc. (the "Company") as of August 28, 2010, 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 28, 2010, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadwa