WINNEBAGO INDUSTRIES INC
Form 10-Q
July 08, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended May 30, 2009

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 (State or other jurisdiction of incorporation or organization)	42-0802678 (I.R.S. Employer Identification No.)
P. O. Box 152, Forest City, Iowa (Address of principal executive offices)	50436 (Zip Code)

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

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 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 Exchange Act).

Yes o No x.

The number of shares of common stock, par value $0.50 per share, outstanding July 7, 2009 was 29,083,703.

WINNEBAGO INDUSTRIES, INC.

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Winnebago Industries, Inc.

Unaudited Consolidated Statements of Operations

PART I. FINANCIAL INFORMATION
Item 1. Financial Statements

	Thirteen Weeks Ended		**Thirty-Nine Weeks Ended**	**Forty**
	May 30,	**May 31,**	**May 30,**	**May 31,**
(In thousands, except per share data)	**2009**	**2008**	**2009**	**2008**
Net revenues	$ 50,848	$ 139,736	$ 152,054	$ 519,081
Cost of goods sold	59,133	137,112	181,025	478,648

Gross (deficit) profit	(8,285)	2,624	(28,971)	40,433
Operating expenses:				
Selling	3,083	5,085	9,564	14,948
General and administrative	3,414	4,442	11,748	16,350
Total operating expenses	6,497	9,527	21,312	31,298
Operating (loss) income	(14,782)	(6,903)	(50,283)	9,135
Financial income	209	1,053	1,366	3,529
(Loss) income before income taxes	(14,573)	(5,850)	(48,917)	12,664
Benefit for taxes	(6,020)	(8,850)	(20,387)	(2,815)
Net (loss) income	$(8,553)	$3,000	$(28,530)	$15,479
(Loss) income per common share:				
Basic	$(0.29)	$0.10	$(0.98)	$0.53
Diluted	$(0.29)	$0.10	$(0.98)	$0.53
Weighted average common shares outstanding:				
Basic	29,045	29,013	29,036	29,116
Diluted	29,056	29,048	29,046	29,183
Dividends paid per common share	$	$0.12	$0.12	$0.36

See unaudited notes to condensed consolidated financial statements.

Winnebago Industries, Inc.

Unaudited Consolidated Balance Sheets

(In thousands, except per share data)	**May 30, 2009**	**August 30, 2008**
Assets		
Current assets:		
Cash and cash equivalents	$41,308	$17,851
Short-term investments	400	3,100
Receivables, less allowance for doubtful accounts ($186 and $177, respectively)	7,890	9,426
Inventories	53,230	110,596
Prepaid expenses and other assets	3,029	3,715
Deferred income taxes	9,378	11,575
Income taxes receivable	19,127	6,618
Total current assets	134,362	162,881
Property, plant and equipment, net	34,077	40,097
Long-term investments	33,120	37,538
Investment in life insurance	22,476	22,123
Deferred income taxes	28,660	26,862
Other assets	13,156	15,954

Assets held for sale	2,276	
Total assets	$268,127	$305,455
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	$9,806	$15,631
Short-term ARS borrowings	9,100	
Income taxes payable	91	76
Accrued expenses:		
Accrued compensation	9,749	10,070
Product warranties	6,836	9,859
Self-insurance	5,419	6,630
Promotional	1,883	2,642
Accrued loss on repurchases	1,803	661
Accrued dividends		3,489
Other	4,752	5,275
Total current liabilities	49,439	54,333
Long-term liabilities:		
Unrecognized tax benefits	9,031	9,469
Postretirement health care and deferred compensation benefits	64,767	67,729
Total long-term liabilities	73,798	77,198
Contingent liabilities and commitments		
Stockholders equity:		
Capital stock common, par value $0.50; authorized 60,000 shares, issued 51,776 shares	25,888	25,888
Additional paid-in capital	29,585	29,632
Retained earnings	460,664	489,194
Accumulated other comprehensive income	9,123	9,813
Treasury stock, at cost (22,697 and 22,706 shares, respectively)	(380,370)	(380,603)
Total stockholders equity	144,890	173,924
Total liabilities and stockholders equity	$268,127	$305,455

See unaudited notes to condensed consolidated financial statements.

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Winnebago Industries, Inc.

Unaudited Consolidated Statements of Cash Flows

(In thousands)	**Thirty-Nine Weeks Ended May 30, 2009**	**Forty May 31, 2008**
Operating activities:		
Net (loss) income	$(28,530)	$15,479
Adjustments to reconcile net (loss) income to net cash used in operating activities:		
Depreciation	6,015	7,583
Stock-based compensation	760	3,617
Postretirement benefit income and deferred compensation expense	1,030	1,065
Provision for doubtful accounts	58	65

Deferred income taxes	(463)	4,070
Excess tax benefit of stock-based compensation		(89)
Increase in cash surrender value of life insurance policies	(865)	(596)
Loss on disposal of property	70	35
Other	176	32
Change in assets and liabilities:		
Inventories	57,366	(9,752)
Receivables and prepaid assets	2,164	20,812
Accounts payable and accrued expenses	(11,034)	(21,868)
Income taxes receivable and unrecognized tax benefits	(11,929)	(8,871)
Postretirement and deferred compensation benefits	(2,344)	(1,123)
Net cash provided by operating activities	12,474	10,459
Investing activities:		
Purchases of investments		(228,069)
Proceeds from the sale or maturity of investments	8,500	288,119
Purchases of property and equipment	(2,522)	(3,025)
Proceeds from the sale of property	294	268
Other	(736)	(887)
Net cash provided by investing activities	5,536	56,406
Financing activities:		
Payments for purchase of common stock	(164)	(17,767)
Payments of cash dividends	(3,489)	(10,509)
Borrowings on ARS portfolio	9,100	
Proceeds from issuance of treasury stock		633
Excess tax benefit of stock-based compensation		89
Net cash provided by (used in) financing activities	5,447	(27,554)
Net increase in cash and cash equivalents	23,457	39,311
Cash and cash equivalents at beginning of period	17,851	6,889
Cash and cash equivalents at end of period	$41,308	$46,200
Supplemental cash flow disclosure:		
Income taxes paid	$168	$1,723

See unaudited notes to condensed consolidated financial statements

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Winnebago Industries, Inc.

Unaudited Notes to Condensed Consolidated

Financial Statements

General:

The Company, we, our and us are used interchangeably to refer to Winnebago Industries, Inc. At May 30, 2009, we had no subsidiaries.

NOTE 1: Basis of Presentation

In our opinion, the accompanying unaudited condensed consolidated financial statements contain all adjustments, consisting of normal recurring accruals, necessary to present fairly the consolidated financial position as of May 30, 2009 and the consolidated results of operations for the thirteen and thirty-nine weeks ended May 30, 2009 and the thirteen and forty weeks ended May 31, 2008 and consolidated cash flows for the thirty-nine weeks ended May 30, 2009 and the forty weeks ended May 31, 2008. The consolidated statement of operations for the thirty-nine weeks ended May 30, 2009 is not necessarily indicative of the results to be expected for the full year. The balance sheet data as of August 30, 2008 was derived from audited financial statements, but does not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These interim consolidated financial statements should be read in conjunction with the audited financial statements and notes thereto appearing in our Annual Report to Shareholders for the year ended August 30, 2008.

NOTE 2: New Accounting Pronouncements

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

In April 2009, FASB issued FSP Financial Accounting Standard (FAS) 157-4, *Determining Fair Value When the Volume and Level of Activity for the Asset or Liability Have Significantly Decreased and Identifying Transactions That Are Not Orderly* (FSP FAS 157-4). FSP FAS 157-4 amends FAS No. 157, *Fair Value Measurements*, and provides additional guidance for estimating fair value when the volume and level of activity for the asset or liability have significantly decreased and also includes guidance on identifying circumstances that indicate a transaction is not orderly for fair value measurements. FSP FAS 157-4 shall be applied prospectively with retrospective application not permitted. This FSP is effective for interim and annual periods ending after June 15, 2009 (our Fiscal 2009 year end). We are currently evaluating the impact of this FSP on our consolidated financial statements.

In April 2009, FASB issued FSP FAS 115-2 and FAS 124-2, *Recognition and Presentation of Other-Than-Temporary Impairments* (FSP FAS 115-2 and FAS 124-2). This FSP amends FAS 115 and FAS No. 124, *Accounting for Certain Investments Held by Not-for-Profit Organizations* and EITF Issue No. 99-20*, Recognition of Interest Income and Impairment on Purchased Beneficial Interests and Beneficial Interests That Continue to Be Held by a Transferor in Securitized Financial Assets,* to make the other-than-temporary impairments guidance more operational and to improve the presentation of other-than-temporary impairments in the financial statements. This FSP will replace the existing requirement that the entity s management assert it has both the intent and ability to hold an impaired debt security until recovery with a requirement that management assert it does not have the intent to sell the security before recovery of its cost basis. This FSP requires increased disclosure about the credit and noncredit components of impaired debt securities that are not expected to be sold, as well as increased disclosures regarding expected cash flows, credit losses and an aging of securities with unrealized losses. FSP 115-2 and FSP 124-2 are effective for interim and annual periods ending after June 15, 2009 (our Fiscal 2009 year end). We are currently evaluating the impact of this FSP on our consolidated financial statements.

In April 2009, FASB issued FSP FAS 107-1 and Accounting Principles Board (APB) 28-1, *Interim Disclosures About Fair Value of Financial Instruments* (FSP FAS 107-1 and APB 28-1). FSP FAS 107-1 and APB 28-1 amend FAS No. 107, *Disclosures About Fair Value of Financial Instruments*, to require disclosures about fair value of financial instruments for interim reporting periods as well as in annual financial statements. This FSP also amends APB Opinion No. 28, *Interim Financial Reporting*, to require those disclosures in summarized financial information at interim reporting periods. FSP 107-1 and APB 28-1, are effective for interim periods ending after June 15, 2009 (our Fiscal 2010). We do not anticipate a material impact on our consolidated financial statements of this FSP as our current disclosures meet these requirements.

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NOTE 3: Fair Value Measurements

We adopted SFAS No. 157 on August 31, 2008. This standard defines fair value, establishes a framework for measuring fair value and expands disclosure requirements about fair value measurements. SFAS No. 157 defines fair value as the price that would be received to sell an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. The fair value hierarchy prescribed by SFAS No. 157 contains three levels as follows:

Level 1 Unadjusted quoted prices that are available in active markets for the identical assets or liabilities at the measurement date.

Level 2 Other observable inputs available at the measurement date, other than quoted prices included in Level 1, either directly or indirectly, including:

- Quoted prices for similar assets or liabilities in active markets;
- Quoted prices for identical or similar assets in nonactive markets;
- Inputs other than quoted prices that are observable for the asset or liability; and
- Inputs that are derived principally from or corroborated by other observable market data.

Level 3 Unobservable inputs that cannot be corroborated by observable market data and reflect the use of significant management judgment. These values are generally determined using pricing models for which the assumptions utilize management s estimates of market participant assumptions.

Assets and Liabilities that are Measured at Fair Value on a Recurring Basis

The fair value hierarchy requires the use of observable market data when available. In instances in which the inputs used to measure fair value fall into different levels of the fair value hierarchy, the fair value measurement has been determined based on the lowest level input that is significant to the fair value measurement in its entirety. Our assessment of the significance of a particular item to the fair value measurement in its entirety requires judgment, including the consideration of inputs specific to the asset or liability. The following table sets forth by level within the fair value hierarchy our financial assets that were accounted for at fair value on a recurring basis at May 30, 2009, according to the valuation techniques we used to determine their fair values:

		Fair Value Measurements Using Inputs Considered As		
(In thousands)	**Fair Value at May 30, 2009**	**Level 1**	**Level 2**	**Level 3**
Assets				
Cash and cash equivalents	$41,308	$41,308	$	$
Short-term investments	400		400	
Long-term investments (includes put rights)	33,120			33,120
Assets that fund deferred compensation	9,788	9,788		

The following table provides a reconciliation between the beginning and ending balances of items measured at fair value on a recurring basis in the table above that used significant unobservable inputs (Level 3):

(In thousands)	**Thirteen Weeks Ended May 30, 2009**	**Thirty-Nine Weeks Ended**
Balance at beginning of period	$33,476	$37,538
Net realized loss included in earnings	(81)	(109)
Net change included in other comprehensive income	125	1,491
Transfer out of Level 3	(400)	(5,800)
Balance at end of period	$33,120	$33,120

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The following methods and assumptions were used to estimate the fair value of each class of financial instrument:

Cash and cash equivalents. The carrying value of cash equivalents approximates fair value as maturities are less than three months. Our cash equivalents are comprised of money market funds traded in an active market with no restrictions and are classified as Level 1.

Short-term and long-term investments. Our debt securities are comprised of Auction Rate Securities (ARSs) and Put Rights as described in Note 4. Our long-term ARS related investments are classified as Level 3 as quoted prices were unavailable due to events described in Note 4. Due to limited market information, we utilized a discounted cash flow (DCF) model to derive an estimate of fair value at May 30, 2009. The assumptions used in preparing the DCF model included estimates with respect to the amount and timing of future interest and principal payments, forward projections of the interest rate benchmarks, the probability of full repayment of the principal considering the credit quality and guarantees in place, and the rate of return required by investors to own such securities given the current liquidity risk associated with ARS. Our short-term ARS portfolio is classified as Level 2 as it is also in a nonactive market but inputs other than quoted prices were observable and used to value the securities.

Assets that fund deferred compensation. Our assets that fund deferred compensation are marketable equity securities measured at fair value using quoted market prices and primarily consist of equity-based mutual funds. They are classified as Level 1 as they are traded in an active market for which closing stock prices are readily available. These securities fund the Executive Share Option Plan, a deferred compensation program, and are presented as other assets in the accompanying consolidated balance sheets.

NOTE 4: Investments

We own investments in marketable securities that have been designated as available for sale or trading securities in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. Available for sale securities are carried at fair value with the unrealized gains and losses reported in Accumulated Other Comprehensive Income, a component of stockholders equity. Trading securities are carried at fair value with unrealized gains and losses reported in financial income/expense.

At May 30, 2009, we held $34.1 million (par value) of investments comprised of tax-exempt ARSs, which are variable-rate debt securities and have a long-term maturity with the interest rate being reset through Dutch auctions that are typically held every 7, 28 or 35 days. The securities have historically traded at par and are callable at par at the option of the issuer. Interest is typically paid at the end of each auction period or semiannually. As of July 7, 2009 and at the end of the fiscal quarter, the vast majority of the long-term ARSs we hold are AAA/Aaa rated with most collateralized by student loans guaranteed by the U.S. Government under the Federal Family Education Loan Program.

Since February 2008, most ARS auctions have failed for these securities and there is no assurance that future auctions will succeed and, as a result, our ability to liquidate our investment and fully recover the par value in the near term may be limited or nonexistent. We have no reason to believe that any of the underlying issuers of our ARSs are presently at risk of default. Through July 7, 2009, we have continued to receive interest payments on the ARSs in accordance with their terms. We believe we will ultimately be able to liquidate our ARS related investments without significant loss primarily due to the collateral securing ARSs and the legal settlement agreement we have entered into with UBS AG (UBS). As noted below, our UBS settlement allows for a portion of our ARS to be redeemed at par as early as June 30, 2010. However, the remaining portfolio could take until final maturity of the ARSs (up to 32 years) to realize the par value of our investments. Due to the changes and uncertainty in the ARS market, we believe the recovery period for these investments is likely to be longer than 12 months and as a result, we have classified these investments as long-term as of May 30, 2009. Our short-term ARS investments of $400,000 were redeemed by the issuer at par in June 2009.

In November 2008, we elected to participate in a rights offering by UBS, one of our brokers, which provide us with rights (the Put Rights) to sell to them $13.5 million at par value of our ARS portfolio, purchased through UBS, at any time during a two-year sale period beginning June 30, 2010.

By electing to participate in the rights offering, we granted UBS the right, exercisable at any time prior to June 30, 2010 or during the two-year sale period, to purchase or cause the sale of our ARSs (the Call Right). UBS has stated that it will only exercise the Call Right for the purpose of restructurings, dispositions or other solutions that will provide their clients with par value for their ARS. UBS has agreed to pay their clients the par value of their ARS within one day of settlement of any Call Right transaction. Notwithstanding the Call Right, we are permitted to sell ARSs to parties other than UBS, in which case the Put Rights attached to the ARSs that are sold would be extinguished. The terms of the legal settlement agreement also allowed us to borrow on a portion of our portfolio at no net cost and as a result, we borrowed $9.1 million under this arrangement, which is presented as short-term ARS borrowings on our balance sheet. We have the ability to maintain the no net cost loans until the securities are liquidated or they reach the June 2010 put date.

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On August 31, 2008, we elected to adopt SFAS No. 159 on the Put Rights and to treat this portion of our ARS portfolio as trading securities. As such, during Fiscal 2009, we have recorded a benefit of $375,000 related to the Put Rights provided by the settlement and an other-than-temporary impairment of $484,000 on the $13.5 million (par value) portion of our ARS portfolio as we may decide not to hold until final maturity with the opportunity provided by the Put Rights.

At May 30, 2009, there was insufficient observable ARS market information available to determine the fair value of our ARS investments, including the Put Rights. Therefore, we estimated fair value by incorporating assumptions that market participants would use in their estimates of fair value. Some of these assumptions included credit quality, final stated maturities, estimates on the probability of the issue being called prior to final maturity, impact due to extended periods of maximum auction rates and broker quotes from independent evaluators. Based on this analysis, we recorded a temporary impairment of $471,000 related to our long-term ARS investments of $20.2 million (par value) that were not part of the UBS settlement as of May 30, 2009. These same assumptions were used to estimate the fair value of our UBS ARS portfolio described above, including the Put Rights.

NOTE 5: Inventories

Inventories are valued at the lower of cost or market, with cost being determined under the last-in, first-out (LIFO) method and market defined as net realizable value.

Inventories consist of the following:

(In thousands)	**May 30, 2009**	**August 30, 2008**
Finished goods	$23,315	$41,716
Work-in-process	20,636	31,187
Raw materials	42,510	75,010
	86,461	147,913
LIFO reserve	(33,231)	(37,317)
Total inventories	$53,230	$110,596

Due to a liquidation of LIFO inventory values as a result of a significant reduction of inventory levels in the thirty-nine weeks ended May 30, 2009, we recorded a reduction to LIFO reserves of approximately $4.1 million.

NOTE 6: Property, Plant and Equipment and Assets Held for Sale

Property, plant and equipment is stated at cost, net of accumulated depreciation and consists of the following:

(In thousands)	May 30, 2009	August 30, 2008
Land	$848	$934
Buildings	56,814	55,977
Machinery and equipment	96,221	97,002
Transportation	3,457	9,455
	157,340	163,368
Less accumulated depreciation	(123,263)	(123,271)
Total property, plant and equipment, net	$34,077	$40,097

Assets held for sale:

Due to the current economic conditions, we listed an airplane, owned by us, for immediate sale during the third quarter of Fiscal 2009. As a result, the cost of the aircraft of $5.7 million and accumulated depreciation of $3.4 million has been reclassified from Property, Plant and Equipment into Assets Held for Sale at May 30, 2009.

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NOTE 7: Warranty

We provide our motor home customers a comprehensive 12-month/15,000-mile warranty on the Class A, Class B and Class C coaches, and a 3-year/36,000-mile structural warranty on Class A and Class C sidewalls and floors. We have also incurred costs for certain warranty-type expenses which occurred after the normal warranty period. We have voluntarily agreed to pay such costs to help protect the reputation of our products and the goodwill of our customers. We record our warranty liabilities based on our estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. We also incur costs as a result of additional service actions not covered by our warranties, including product recalls and customer satisfaction actions.

Changes in our product warranty liability are as follows:

(In thousands)	Thirty-Nine Weeks Ended May 30, 2009	Forty May 31, 2008
Balance at beginning of period	$9,859	$11,259
Provision	2,637	9,231
Claims paid	(5,660)	(9,389)
Balance at end of period	$6,836	$11,101

NOTE 8: Income Taxes

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

As of May 30, 2009, our total unrecognized tax benefits were $9.0 million of which, if recognized, $5.4 million would positively affect our effective tax rate. It is our policy to recognize interest and penalties accrued relative to unrecognized tax benefits into tax expense. As of May 30, 2009, we had accrued $2.9 million in interest and penalties.

We file tax returns in the U.S. federal jurisdiction, as well as various international and state jurisdictions. A number of years may elapse before an uncertain tax position is audited and finally resolved, and it is often very difficult to predict the outcome of such audits. An estimate of the range of possible changes that may result from the examination cannot be made at this time. Our federal returns are not subject to examination prior to Fiscal 2004. Our federal income tax returns for 2006 through 2008 are currently under examination by the IRS. An estimate of the range of possible changes that may result from the examination cannot be made at this time. Periodically, various state and local jurisdictions conduct audits, therefore, a variety of other years are subject to state and local jurisdiction review. We do not believe there will be a significant change within the next twelve months in the total amount of unrecognized tax benefits as of May 30, 2009. However, results may differ materially from our projected estimates.

During the third quarter of Fiscal 2009, we received tax refunds from various taxing authorities totaling $6.8 million as a result of filing our Fiscal 2008 tax returns. At the end of the third quarter, we had generated an income tax receivable of $19.1 million primarily due to the current year s loss, which we have the ability to carryback to our Fiscal 2007. We expect to receive this amount in Fiscal 2010.

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NOTE 9: Employee and Retiree Benefits

Reserves for long-term postretirement health care and deferred compensation benefits are as follows:

(In thousands)	**May 30, 2009**	**August 30, 2008**
Postretirement health care benefit cost (1)	$30,999	$29,752
Non-qualified deferred compensation (2)	23,686	24,155
Executive share option plan liability	7,418	10,999
SERP benefit liability (3)	2,613	2,767
Executive deferred compensation	51	56
Total postretirement health care and deferred compensation benefits	$64,767	$67,729

(1) The current portion of accrued postretirement benefit cost of $1.2 million and $1.1 million as of May 30, 2009 and August 30, 2008, respectively, is included within other accrued expenses.

(2) The current portion of deferred compensation liability of $2.6 million and $2.4 million as of May 30, 2009 and August 30, 2008, respectively, is included within accrued compensation.

(3) The current portion of the SERP liability of $262,000 and $186,000 as of May 30, 2009 and August 30, 2008, respectively, is included within accrued compensation.

Postretirement Health Care Benefits

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

Net periodic postretirement health care benefit income consisted of the following components:

	Thirteen Weeks Ended		Thirty-Nine Weeks Ended	Forty
	May 30,	**May 31,**	**May 30,**	**May 31,**
(In thousands)	**2009**	**2008**	**2009**	**2008**