

PEABODY ENERGY CORP
Form SC 13D
January 03, 2017

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, DC 20549

SCHEDULE 13D
THE SECURITIES EXCHANGE ACT OF 1934
(Amendment No.)*

Peabody Energy Corporation
(Name of Issuer)

Common Stock, \$0.01 par value
(Title of Class of Securities)

704549203
(CUSIP Number)

Adam Schreck
Discovery Capital Management, LLC
20 Marshall Street, Suite 310
South Norwalk, Connecticut 06854
Telephone Number (203) 956-7953
(Name, Address and Telephone Number of Person Authorized to Receive
Notices and Communications)

December 22, 2016
(Date of Event Which Requires Filing of this Statement)

If the filing
person has
previously filed
a statement on
Schedule 13G to
report the
acquisition that
is the subject of
this Schedule
13D, and is
filing this
schedule

because of
ss.240.13d-1(e),
240.13d 1(f) or
240.13d-1(g),
check the
following box
[].

* The
remainder of
this cover page
shall be filled
out for a
reporting
person's initial
filing on this
form with
respect to the
subject class of
securities, and
for any
subsequent
amendment
containing
information
which would
alter disclosures
provided in a
prior cover page.

CUSIP No. 704549203

1. NAME OF REPORTING PERSONS

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Discovery Capital Management, LLC

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)
(b)

3. SEC USE ONLY

4. SOURCE OF FUNDS

AF

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d)
OR 2(e)

6. CITIZENSHIP OR PLACE OF ORGANIZATION

Connecticut

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON

7. SOLE VOTING POWER

0

8. SHARED VOTING POWER

1,595,140

9. DISPOSITIVE
POWER

0

10. SHARED DISPOSITIVE POWER

1,595,140

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,595,140

12.

CHECK BOX IF THE AGGREGATE
AMOUNT IN ROW (11) EXCLUDES
CERTAIN SHARES

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

8.6%

14. TYPE OF REPORTING PERSON

IA

CUSIP No. 704549203

1. NAME OF REPORTING PERSONS

I.R.S. IDENTIFICATION NOS. OF ABOVE PERSONS (ENTITIES ONLY)

Robert K. Citrone

2. CHECK THE APPROPRIATE BOX IF A MEMBER OF A GROUP (a)
(b)

3. SEC USE ONLY

4. SOURCE OF FUNDS

AF

5. CHECK BOX IF DISCLOSURE OF LEGAL PROCEEDINGS IS REQUIRED PURSUANT TO ITEMS 2(d)
OR 2(e)

6. CITIZENSHIP OR PLACE OF ORGANIZATION

United States of America

NUMBER OF SHARES BENEFICIALLY OWNED BY EACH REPORTING PERSON

7. SOLE VOTING POWER

0

8. SHARED VOTING POWER

1,595,140

9. DISPOSITIVE
POWER

0

10. SHARED DISPOSITIVE POWER

1,595,140

11. AGGREGATE AMOUNT BENEFICIALLY OWNED BY EACH REPORTING PERSON

1,595,140

12.

CHECK BOX IF THE AGGREGATE
AMOUNT IN ROW (11) EXCLUDES
CERTAIN SHARES

13. PERCENT OF CLASS REPRESENTED BY AMOUNT IN ROW (11)

8.6%

14. TYPE OF REPORTING PERSON

IN

CUSIP No. 704549203

Item 1. Security and Issuer.

The name of the issuer is Peabody Energy Corporation, a Delaware corporation (the "Issuer"). The address of the Issuer's principal executive offices is 701 Market Street, St. Louis, Missouri 63101-1826. This Schedule 13D relates to the Issuer's Common Stock, \$0.01 par value (the "Shares").

Item 2. Identity and Background.

(a), This Schedule 13D is being filed jointly by Discovery Capital Management, LLC, a Connecticut limited liability (f) company ("Discovery") and Robert K. Citrone, a United States citizen (collectively, the "Reporting Persons").

(b) The principal business address for each of the Reporting Persons is 20 Marshall Street, Suite 310, South Norwalk, Connecticut 06854.

(c) Robert K. Citrone is the managing member of Discovery. The principal business of the Discovery is serving as an investment adviser to its clients.

During the last five years, none of the Reporting Persons has been (a) convicted in a criminal proceeding (excluding traffic violations or similar misdemeanors) or (b) a party to a civil proceeding of a judicial or (d), administrative body of competent jurisdiction and as a result of such proceeding was or is subject to a judgment, (e) decree or final order enjoining future violations of, or prohibiting or mandating activities subject to, federal or state securities laws or finding any violation with respect to such laws. The Reporting Persons disclaim membership in a group. See Item 4 below.

Item 3. Source and Amount of Funds or Other Consideration.

The funds for the purchase of the Shares by the Fund came from the working capital of Discovery's clients, over which the Reporting Persons, through their roles described above in Item 2(c), exercise investment discretion. No borrowed funds were used to purchase the Shares, other than borrowed funds used for working capital purposes in the ordinary course of business.

Item 4. Purpose of Transaction.

The Reporting Persons have acquired their Shares of the Issuer for investment.

Discovery is a member of an ad hoc committee of holders of Unsecured Senior Notes (as defined in Item 6 below). As a member of such committee, Discovery has been and will continue to be in contact with members of the Issuer's management, the Issuer's Board of Directors, other significant shareholders and debt holders and others regarding the reorganization of the Issuer. Notwithstanding the generality of the foregoing, Discovery, as part of such ad hoc committee, consented to a Joint Plan of Reorganization (the "Plan") filed with the United States Bankruptcy Court by the Issuer and certain of its subsidiaries. The Plan is described in the Plan Term

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Sheet attached as Exhibit 99.1 to the Issuer's Form 8-K filed on December 23, 2016 and is incorporated herein by reference. Pursuant to the Plan, upon the Issuer's emergence from bankruptcy Discovery has the right to appoint a director to the Issuer's new nine-member board of directors and the right to be a member of a selection committee that will select four additional directors.

Notwithstanding the Reporting Persons' participation in the ad hoc committee described herein, the Reporting Persons have not entered into any agreement or understanding to act together with the other participants of such committee for the purpose of acquiring, holding, voting or disposing of equity securities of the Issuer; therefore, the Reporting Persons disclaim membership in a group, for purposes of Section 13(d) under the Securities Exchange Act of 1934 (the "Exchange Act"), with the other participants of the ad hoc committee. Furthermore, the Reporting Persons disclaim beneficial ownership of any Shares held by any other members of the ad hoc committee. Neither the filing of this Schedule 13D nor any of its contents shall be deemed to constitute an admission that the Reporting Persons or any of their respective affiliates are the beneficial owners of any Shares beneficially owned by any of the members of the ad hoc committee or any other person having an interest in the Plan (other than the Reporting Persons) for purposes of Section 13(d) of the Exchange Act, the rules promulgated thereunder or for any other purpose.

Except as set forth above, the Reporting Persons have no plans or proposals as of the date of this filing that would relate to or would result in: (a) any extraordinary corporate transaction involving the Issuer; (b) any change in the present board of directors or management of the Issuer; (c) any material change in the present capitalization or dividend policy of the Issuer; (d) any material change in the operating policies or corporate structure of the Issuer; (e) any change in the Issuer's charter or by-laws; (f) the Shares of the Issuer ceasing to be delisted from a national securities exchange or to ceasing to be authorized to be quoted in an inter-dealer quotation system of a registered national securities association; or (g) causing the Issuer becoming eligible for termination of registration pursuant to Section 12(g)(4) of the Securities Exchange Act of 1934.

The Reporting Persons, however, reserve the right, at a later date, to effect one or more of such changes or transactions in the number of Shares they may be deemed to beneficially own.

Item
5. Interest in Securities of the Issuer.

As of the date hereof, the Reporting Persons may be deemed to be the beneficial owners of 1,595,140 Shares, constituting 8.6% of the Shares, based upon *18,500,000 Shares outstanding.

Discovery has the sole power to vote or direct the vote of 0 Shares; has the shared power to vote or direct the vote of 1,595,140 Shares; has the sole power to dispose or direct the disposition of 0 Shares; and has the shared power to dispose or direct the disposition of 1,595,140 Shares.

- (a) - Robert K. Citrone has the sole power to vote or direct the vote of 0 Shares; has the shared power to vote or
(e) direct the vote of 1,595,140 Shares; has the sole power to dispose or direct the disposition of 0 Shares; and has the shared power to dispose or direct the disposition of 1,595,140 Shares.

The transactions by the Reporting Persons in the Shares during the past sixty days are set forth in Exhibit B. All such transactions were carried out in open market transactions.

*This outstanding Shares figure reflects the number of outstanding Shares at October 31, 2016, as reported in the Form 10-Q filed by the Issuer on November 3, 2016.

Item
6. Contracts, Arrangements, Understandings or Relationships with Respect to Securities of the Issuer.

In addition to the Shares reported herein, clients of Discovery own (i) \$186,220,000 notional value of 4.75% convertible junior subordinated debentures due on December 15, 2041, (ii) \$394,769,000 notional value of 6.00% senior notes issued in November 2011 and due November 2018 (the "2018 Senior Notes"); (iii) \$101,032,000 notional value of 6.50% senior notes issued in August 2010 and due in September 2020 (the "2020 Senior Notes"); (iv) \$124,425,760 notional value of 6.25% senior notes issued in November 2011 and due in November 2021 (the "2021 Senior Notes"); and (v) \$31,935,000 notional value of 7.875% senior notes issued in October 2006 and due in November 2026 (the "2026 Senior Notes" and, together with the 2018 Senior Notes, the 2020 Senior Notes and the 2021 Senior Notes, the "Unsecured Senior Notes"). The Reporting Persons are deemed to have beneficial ownership over all such securities through their roles described above in Item 2(c).

Discovery is a party to (i) the Plan Support Agreement attached as exhibit 10.1 to the Issuer's Form 8-K filed on December 23, 2016 and incorporated herein by reference (the "December 23rd Report"), (ii) the Private Placement Agreement attached as exhibit 10.2 to the December 23rd Report, as amended by Amendment No. 1 thereto attached as exhibit 10.1 to the Issuer's Form 8-K filed on December 30, 2016 and incorporated by reference herein (the "December 30th Report") and (iii) the Rights Offering and Backstop Commitment Agreement attached as exhibit 10.3 to the December 23rd Report, as amended by Amendment No. 1 thereto attached as exhibit 10.2 to the December 30th Report.

Item 7. Material to be Filed as Exhibits.

Exhibit A:
Joint Filing
Agreement

Exhibit B:
Schedule of
Transactions
in Shares

SIGNATURE

After reasonable inquiry and to the best of my knowledge and belief, I certify that the information set forth in this statement is true, complete and correct.

January 3, 2017
(Date)

Discovery Capital Management, LLC*

By: Robert K. Citrone
By: /s/ Robert K. Citrone
(Signature)

Robert K. Citrone, Managing Member
(Name/Title)

/s/ Robert K. Citrone *
Robert K. Citrone

* This reporting person disclaims beneficial ownership of these reported securities except to the extent of its pecuniary interest therein, and this report shall not be deemed an admission that any such person is the beneficial owner of these securities for purposes of Section 16 of the U.S. Securities Exchange Act of 1934, as amended, or for any other purpose.

Attention: Intentional misstatements or omissions of fact constitute Federal criminal violations (see 18 U.S.C. 1001).

Exhibit A

AGREEMENT

The undersigned agree that this Schedule 13D, dated January 3, 2017, relating to the Common Stock, \$0.01 par value of Peabody Energy Corporation shall be filed on behalf of the undersigned.

January 3, 2017
(Date)

Discovery Capital Management, LLC

By: Robert K. Citrone
By: /s/ Robert K. Citrone
(Signature)

Robert K. Citrone, Managing Member
(Name/Title)

/s/ Robert K. Citrone
Robert K. Citrone

Exhibit B

Schedule of Transactions in Shares

<u>Date of Transaction</u>	<u>Title of Class</u>	<u>Number of Shares Acquired</u>	<u>Number of Shares Disposed</u>	<u>Price Per Share</u>
10/19/2016	Common Stock, \$0.01 par value	1,387,131		\$5.1673
10/19/2016	Common Stock, \$0.01 par value	208,009		\$5.1969

n="15">

Awards Payouts

Name and Principal Position Fiscal Year Salary(\$) **Bonus(\$)⁽²⁾** **Restricted Stock Awards (\$)⁽³⁾** **Options⁽⁴⁾⁽⁵⁾** **LTIP Payouts (\$)⁽⁶⁾** **All Other Compensation (\$)⁽⁷⁾**

Bruce D. Hertzke Chairman, Chief Executive Officer and President	2004	481,072	1,197,401	60,000	368,630	2003	459,457	321,682	100,000	60,000	539,698	2002	207,880
F. Barker Senior Vice President and Chief Financial Officer	2004	255,480	372,971	30,000	173,473	2003	235,346	112,744	14,400	253,975	2002	207,880	
M. Beebe Vice President, General Counsel and Secretary	2004	225,183	334,293	15,000	173,473	2003	215,423	103,439	14,400	253,975	2002	207,880	
J. O Leary													

Vice President, Product Development	2004	208,077	296,647	15,000	148,210	2003	192,154	92,160	14,400	2002	166,279
J. Olson Vice President, Manufacturing	2004	225,183	320,175	15,000	173,473	2003	215,423	103,439	14,400	253,975	2002

- (1) No executive officer received personal benefits in excess of the lesser of 10% of cash compensation or \$50,000.
- (2) The bonus amounts include bonuses paid pursuant to the Company's Officers Incentive Compensation Plan as well as bonuses paid in the discretion of the Board of Directors, all as described under the caption Report of the Human Resources Committee on Executive Compensation.
- (3) Awards consisted of restricted Common Stock and are valued at the aggregate market value of the Common Stock as of the respective determination dates. All awards of the restricted Common Stock vested immediately.
- (4) The numbers in the table above represent options for the purchase of shares of the Company's Common Stock granted to the named persons under the Company's 1997 Stock Option Plan.
- (5) Adjusted to reflect the 2 for 1 split of the Company's Common Stock effective March 5, 2004.
- (6) Awards consisted of cash in fiscal 2004 and fiscal 2003 and restricted Common Stock in fiscal 2002 and are valued at the aggregate market value of the Common Stock as of the respective determination dates. The awards in fiscal 2004 were made pursuant to the Officers' Long-Term Incentive Plan, fiscal three-year period 2002, 2003 and 2004, the awards in fiscal 2003 were made pursuant to the Officers' Long-Term Incentive Plan, fiscal three-year period 2001, 2002 and 2003, and the awards in fiscal 2002 were made pursuant to the Officers' Long-Term Incentive Plan, fiscal three-year period 2000, 2001 and 2002.
- (7) Amounts of All Other Compensation are the portions of the premiums paid by the Company pursuant to the Company's Executive Split-Dollar Life Insurance Plan which constitute the economic benefit to the named executive officers. The Plan provides for preretirement death benefits for the named executives and certain other executive officers and annual or lump sum payment upon retirement at age 65.

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STOCK OPTIONS GRANTED IN FISCAL 2004

The following table provides information on options to purchase shares of the Company's Common Stock granted in fiscal 2004 to the executive officers named in the Summary Compensation Table.

Name	Individual Grants				Potential Realizable Value at Assumed Annual Rates of Stock Price Appreciation for the Option Term	
	Options Granted	Percent of Total Options to Employees in Fiscal 2004	Exercise Price per Share (\$)	Expiration Date	2004	2005
Bruce D. Hertzke	60,000 ⁽¹⁾	7%	26.4950 ⁽³⁾	10/15/2013	907,890	2,593,560
Edwin F. Barker	30,000 ⁽¹⁾	3%	26.4950 ⁽³⁾	10/15/2013	499,890	1,266,780
Raymond M. Beebe	15,000 ⁽¹⁾	3%	26.4950 ⁽³⁾	10/15/2013	249,945	633,390
William J. O'Leary	15,000 ⁽¹⁾	3%	26.4950 ⁽³⁾	10/15/2013	249,945	633,390
Robert J. Olson	15,000 ⁽¹⁾	3%	26.4950 ⁽³⁾	10/15/2013	249,945	633,390

(1)

Stock options granted on October 15, 2003, under the Company's 1997 Stock Option Plan. One-third of the options became exercisable on October 15, 2004, an additional one-third become exercisable on October 15, 2005, and the final one-third on October 15, 2006. Figures are adjusted to reflect the 2 for 1 split of the Company's Common Stock effective March 5, 2004.

- (2) Based on total grants during fiscal 2004 of 414,000 shares.
- (3) The exercise price per share represents the mean between the high and low prices for a share of the Company's Common Stock on the New York Stock Exchange on October 15, 2003, adjusted to reflect the 2 for 1 split of the Company's Common Stock effective March 5, 2004.

Aggregated Option Shares Exercised in Last Fiscal Year and Fiscal Year-End Option Values

The following table provides information related to the stock options exercised during fiscal 2004 and the number and value of unexercised options at August 28, 2004, by the named executive officers.

Name	Number of Shares Acquired on Exercise ⁽¹⁾	Value Realized ⁽²⁾	Number of Unexercised Options Held at August 28, 2004 ⁽¹⁾		Value of Unexercised, In-the-Money Options at August 28, 2004 ⁽³⁾	
			Exercisable	Unexercisable	Exercisable	Unexercisable
Bruce D. Hertzke	50,894	\$ 1,413,283	247,110	60,000	\$ 5,055,395	\$ 489,800
Edwin F. Barker	24,830	483,271	24,772	24,800	300,635	173,868
Raymond M. Beebe	30,802	594,395	13,800	14,800	177,043	119,718
William J. O'Leary	21,468	369,526	13,800	14,800	177,043	119,718
Robert J. Olson	14,668	351,856	26,600	14,800	411,411	119,718

- (1) Adjusted to reflect the 2 for 1 split of the Company's Common Stock effective March 5, 2004.
- (2) The value realized is the difference between the market price of the Company's Common Stock on the date such options were exercised and the exercise price.
- (3) Represents the amount by which \$31.91 (the closing price of the Company's Common Stock on August 27, 2004 (August 28, 2004 being a non-business day)) exceeded the exercise prices of unexercised options. There is no guarantee that, if and when these options are exercised, they will have this value.

Long-Term Incentive Plan Awards in Fiscal 2004

The following table provides information concerning the participation of the named executive officers in a long-term compensation plan called the Officers' Long-Term Incentive Plan, fiscal three-year period 2004, 2005 and 2006. Under this plan, they were awarded the right to cash compensation payable in fiscal 2007 based upon the achievement of long-term performance results as measured at the end of the three-year fiscal period. Actual payouts of cash compensation, if any, will be determined based upon the financial performance of the Company as established by a three-year plan approved by the Human Resources Committee, as administrator of this Plan. Under the Plan, the

financial performance measurements are earnings per share and return on equity of the Company for the three-year period. Reference is made to the description of the plan under the caption Report of the Human Resources Committee on Executive Compensation below.

Name	Cash Compensation (1)	Performance Period (or Other Period Until Maturation of Payment) (2)	Estimated Future Payouts Under Non-Stock Price-Based Plans (3)		
			Threshold (%)	Target (%)	Maximum (%)
Bruce D. Hertzke		Fiscal 2004-2006	1.6	25	37.5
Edwin F. Barker		Fiscal 2004-2006	1.6	25	37.5
Raymond M. Beebe		Fiscal 2004-2006	1.6	25	37.5
William J. O Leary		Fiscal 2004-2006	1.6	25	37.5
Robert J. Olson		Fiscal 2004-2006	1.6	25	37.5

- (1) The actual cash compensation, if any, that will be paid out after the conclusion of the three-year period cannot be determined because the cash compensation earned by the named executive officers will be based on the Company's future performance. The cash compensation will be a percentage of the officer's annualized base salary as of January 2004. The annualized base salary as of January 2004 for each of the named officers is as follows: Mr. Hertzke \$486,450; Mr. Barker \$258,336; Mr. Beebe \$227,700; Mr. O Leary \$212,000; and Mr. Olson \$227,700.
- (2) Payouts will be made in cash in fiscal 2007 depending on the level of attainment of the Plan approved by the Human Resources Committee for achievement of return on equity and earnings per share for the three-year period.
- (3) Shown in these columns are the percentages of the named executive officers' annualized base salary as of January 2004 that would be payable under the Plan if the Company attains the threshold, target or maximum achievement of financial objectives of earnings per share and return on equity. If actual Company performance falls below an established level, no payments are made.

Pension Plans

The Company does not provide pension benefits for its employees, including executive officers.

Report of the Human Resources Committee on Executive Compensation

Notwithstanding anything to the contrary set forth in any of the Company's previous or future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934 that might incorporate this Proxy Statement in whole or in part, the following report and the Performance Graph which follows shall not be deemed to be incorporated by reference into any such filings.

The Human Resources Committee of the Board is the compensation committee of the Company. This Committee reviews and approves compensation plans for all corporate officers, including salaries, profit sharing awards and stock option grants.

In designing its compensation programs, the Company follows its belief that compensation should reflect the value created for shareholders while furthering the Company's strategic goals. In doing so, the compensation programs reflect the following goals:

align the interests of management with those of shareholders;
provide fair and competitive compensation;
integrate compensation with the Company's business plans;
reward both business and individual performance; and
attract and retain key executives critical to the success of the Company.

The Company's executive compensation is primarily based on the following three components, each of which is intended to help achieve the overall compensation philosophy: base salary, quarterly incentive awards and long-term incentives.

Base salary levels for the Company's executive officers are set by the Committee and approved by the Board of Directors. In determining base salary levels and annual salary adjustments for executive

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officers, including the CEO, the Committee considers market compensation levels of similarly sized manufacturing companies as well as individual performance and contributions.

The base salary of Mr. Hertzke, as the CEO, was \$470,000 for the period from the beginning of fiscal 2004 until January 1, 2004 and \$486,450 thereafter and in fiscal 2003 was \$437,750 for the period from the beginning of fiscal 2003 until January 1, 2003 and \$470,000 thereafter. The CEO participates in the quarterly incentive award program for officers and other key management personnel described below. The Committee has not found it practicable to, and has not attempted to, assign relative weights to the specific factors considered in determining the CEO's compensation.

The Company's officers including the CEO are eligible for quarterly incentive awards under the Company's Officers Incentive Compensation Plan for the Fiscal Period 2003-2004 (the *Officers Incentive Compensation Plan*). Under the Officers Incentive Compensation Plan, the incentive awards are based upon financial performance of the Company, as established by the Board of Directors. The Officers Incentive Compensation Plan is an annual program that provides for quarterly cumulative measurements of financial performance and an opportunity for quarterly incentive payments based on financial results measured against the management plan adopted by the Board of Directors (the *Management Plan*).

The financial performance measurements for the Officers Incentive Compensation Plan are earnings per share (*EPS*) and return on equity (*ROE*) of the Company. The Board of Directors believes that these financial performance measurements provide an appropriate balance between quantity and quality of earnings. Stockholders equity at the start of the Company's fiscal year is used as the base figure for the calculation of ROE. The Committee believes that the Officers Incentive Compensation Plan provides an excellent link between the value created for shareholders and incentives paid to participants.

Under the Officers Incentive Compensation Plan, the amount of the participants' incentive compensation for the quarter shall be in direct proportion to the Company's financial performance expressed as a percentage (Financial Factor) against the base salary bonus (Target) for each participant as determined by the Board of Directors prior to the commencement of the fiscal year.

The Officers Incentive Compensation Plan provides for a cash bonus (Target) of 60% of base salary, at 100% achievement of the financial objectives of EPS and ROE for participating officers, except the CEO. The Officers

Incentive Compensation Plan provides for a cash bonus (Target) of 105% of base salary, at 100% achievement of the financial objectives of EPS and ROE for the CEO. Fifty percent (50%) of the quarterly calculated incentive is paid within 45 days after the close of each quarter. The remaining fifty percent (50%) of the quarterly calculated incentive is held back and carried forward into the next quarter on a cumulative basis. At the end of the fourth fiscal quarter (fiscal year end), a final year-end accounting is made prior to the payment of any remaining incentive holdback for the year. Fifty percent (50%) of a participant's cash incentive compensation earned for the year, as described above, is matched annually. The annual supplementary cash payment is paid as soon as practical after the final fiscal year-end compensation accounting and payment of any remaining incentive compensation holdback for the fiscal year.

The Committee reserves the right to modify the Financial Factor used in determining the incentive compensation by plus or minus 20% based upon strategic organizational priorities. Strategic performance is measured only at the end of the fiscal year. Strategic measurements may focus on one or more of the following strategic factors, but are not limited to those stated:

Revenue Growth	Customer Satisfaction
Market Share	Inventory Management
Product Quality	Technical Innovation
Product Introductions	Ethical Business Practices

In the event of a Change in Control (as defined in the Officers Incentive Compensation Plan) participants are entitled to receive awards (including the annual supplementary cash match payment described above) within 15 days of the Effective Date (as defined in the Officers Incentive Compensation

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Plan) based on the Committee's estimate of the Company's financial performance through the end of the fiscal year in which such Change in Control occurs.

Financial performance of less than 80% of the Management Plan for both EPS and ROE results in no bonus and the maximum bonus will be paid at attainment of 125% of the Management Plan for both elements.

As provided by the Officers Incentive Compensation Plan, the Committee has the discretion and authority to make any and all determinations necessary or advisable for administration of the Officers Incentive Compensation Plan.

Mr. Hertzke received \$1,179,400 in cash in fiscal 2004 and \$321,682 in cash in fiscal 2003 pursuant to the Officers Incentive Compensation Plan. In addition, Mr. Hertzke was awarded a discretionary bonus of \$100,000 in fiscal 2003 in restricted Common Stock based on the Committee's positive assessment of his performance and contributions as CEO.

The Company's officers (including the CEO) are eligible for annual incentive awards under the Company's Officers Long-Term Incentive Plan (the *Long-Term Incentive Plan*). The purpose of the Long-Term Incentive Plan is to promote the long-term growth and profitability of the Company and to attract and retain officers by providing the officers of the Company an opportunity for an incentive award consisting of cash compensation based on the achievement of long-term performance results as measured at the end of a three year fiscal period.

The awards under the Long-Term Incentive Plan are based upon the Company's financial performance as measured against the three year management plan approved by the Board of Directors. The financial performance measurements for the Long-Term Incentive Plan are EPS and ROE of the Company. Stockholders' equity at the start of

the Company's first fiscal year of the applicable plan period is used as the base figure for the calculation of ROE.

Under the Long-Term Incentive Plan, the amount of the participants' long-term incentive award for the three year fiscal period is in direct proportion to the Company's financial performance expressed as a percentage (Financial Factor) against award targets for each participant determined by the Board of Directors prior to the commencement of the three fiscal year period. The Company's financial results for the three fiscal year period are used in determining the Financial Factor to be used for that plan period when calculating the participants long-term incentive awards.

The long-term incentive for the officers provides for an opportunity of 25% of the annualized base salary (Target) to be awarded in cash at 100% achievement of the financial long-term objectives of EPS and ROE. The annualized base salary figure used is the salary in place for each participant as of January 2004. The resultant cash award (at 100% of the three fiscal year management plan) will be adjusted up or down as determined by actual financial performance expressed as a percentage (Financial Factor) at the end of the three fiscal year period.

In the event of a Change in Control (as defined in the Long-Term Incentive Plan) participants are entitled to receive awards within 15 days of the Effective Date (as defined in the Long-Term Incentive Plan) based on the Committee's estimate of the Company's financial performance through the end of the Long-Term Incentive Plan three fiscal year period in which such Change in Control occurs.

A participant must be employed by the Company at the end of the three fiscal year period to be eligible for any long-term incentive award except for a Change in Control as described above or as waived by the Committee for normal retirement and disability.

Mr. Hertzke received \$368,630 in cash in fiscal 2004 and \$539,698 in fiscal 2003 in restricted Common Stock pursuant to the Long-Term Incentive Plans for the three-year fiscal periods ended August 28, 2004 and August 30, 2003, respectively. These Long-Term Incentive Plans provided for incentive awards consisting of stock grants made in restricted shares of the Company's Common Stock, or at the election of a participating officer, in cash. The Board of Directors amended the Long-Term Incentive Plans three-year fiscal periods 2003, 2004 and 2005 and 2004, 2005 and 2006 to provide that all awards payable under such Plans shall be made in cash. Awards under the Long-Term

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Incentive Plan three-year fiscal period 2005, 2006 and 2007 are payable in restricted shares of the Company's Common Stock or in cash upon the election of the participant.

Other long-term incentives, provided through grants of stock options to the named executives and others, are intended to retain and motivate executives to seek to improve long-term stock market performance. Stock options are granted at the prevailing market price and will only have value if the Company's stock price increases. No option is exercisable until six months after the date such option is granted. Thereafter, options are exercisable during the period thereof at such time or times and in such amount or amounts as determined by the Committee. No option may be exercised more than ten years from the date of its grant. Executives must be employed by the Company at the time of vesting in order to exercise options. The Committee awarded Mr. Hertzke stock options for 60,000 shares of the Company's Common Stock in both fiscal 2004 and fiscal 2003 under the Incentive Compensation Plan and the 1997 Stock Option Plan, respectively, adjusted to reflect the 2 for 1 split of the Company's Common Stock effective March 5, 2004.

Since all options are granted at the then-current market price, the value of an option bears a direct relationship to the Company's stock price and is an effective incentive for executives to create value for shareholders. The Committee,

therefore, views stock options as an important component of its long-term performance-based compensation philosophy, but does not believe that granting options every year is necessary to achieve such goals.

No member of the Human Resources Committee is a current or former officer or employee of the Company or any of its subsidiaries.

Gerald C. Kitch (Chair)

Irvin E. Aal

Frederick M. Zimmerman

Members of the Human Resources Committee
of the Board of Directors

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PERFORMANCE GRAPH

The following graph compares the five-year cumulative total shareholder return (including reinvestment of dividends) of the Company with the cumulative total return on the Standard & Poor's 500 Index and a peer group⁽¹⁾. It is assumed in the graph that \$100 was invested in the Company's Common Stock, in the stock of the companies in the Standard & Poor's 500 Index and in the stocks of the peer group companies on August 27, 1999 and that all dividends received within a quarter were reinvested in that quarter. In accordance with the guidelines of the SEC, the shareholder return for each entity in the peer group index have been weighted on the basis of market capitalization as of each annual measurement date set forth in the graph.

Comparison of 5 Year Cumulative Total Return

Company Name/Index	8/28/99	8/26/00	8/25/01	8/31/02	8/30/03	8/28/04
Winnebago Industries, Inc.	100.00	53.78	119.10	163.16	211.37	275.85

Company Name/Index	8/28/99	8/26/00	8/25/01	8/31/02	8/30/03	8/28/04
S&P 500 Index	100.00	116.32	87.95	72.12	80.83	90.09
Peer Group ⁽¹⁾	100.00	66.58	84.79	89.24	125.77	134.58

- (1) The peer group companies, consisting of Coachmen Industries, Inc., Fleetwood Enterprises, Inc., Monaco Coach Corporation, National R.V. Holdings, Inc. and Thor Industries, Inc. were selected by the Company on the basis of the similarity of their business to that of the Company.

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REPORT OF THE AUDIT COMMITTEE

Notwithstanding anything to the contrary set forth in any of the Company's previous or future filings under the Securities Act of 1933 or the Securities Exchange Act of 1934 that might incorporate this Proxy Statement in whole or in part, the information set forth above under Board of Directors, Committees of the Board and Corporate Governance Audit Committee relating to the charter of the Audit Committee and the independence of the Audit Committee members, the following report and the Audit Committee Charter attached hereto as Appendix A shall not be deemed to be soliciting material or filed with the SEC or incorporated by reference into any such previous or future filings.

The Audit Committee reviews the Company's financial reporting process on behalf of the Board of Directors. In fulfilling its responsibilities, the Committee has reviewed and discussed the audited financial statements to be included in the 2004 Annual Report on SEC Form 10-K with the Company's management and the independent accountants. Management is responsible for the financial statements and the reporting process, including the system of internal controls. The independent accountants are responsible for expressing an opinion on the conformity of those audited financial statements with accounting principles generally accepted in the United States. The Audit Committee hereby reports as follows:

1. The Audit Committee has reviewed and discussed the audited financial statements for the fiscal year ended August 28, 2004 of Winnebago Industries, Inc. (the *Audited Financial Statements*) with Winnebago Industries, Inc.'s management.
2. The Audit Committee has discussed with Deloitte & Touche LLP, the Company's independent accountants, the matters required to be discussed by Statement on Auditing Standards No. 61 (Communication with Audit Committees), as in effect on the date of this Proxy Statement.
3. The Audit Committee has received the written disclosures and the letter from Deloitte & Touche LLP required by Independence Standards Board Standard No. 1 (Independence Discussions with Audit Committees), as in effect on the date of this Proxy Statement, and has discussed with Deloitte & Touche LLP its independence.
4. Based on the review and discussion referred to in paragraphs (1) through (3) above, the Audit Committee recommended to the Board of Directors of Winnebago Industries, Inc., and the Board has approved, that the Audited Financial Statements be included in Winnebago Industries, Inc.'s Annual Report on Form 10-K for the fiscal year ended August 28, 2004, for filing with the SEC.

A copy of the Audit Committee Charter, as last updated as of October 13, 2004, is attached to this Proxy Statement as Appendix A.

THE AUDIT COMMITTEE:

Joseph W. England (Chair)

Jerry N. Currie

Frederick M. Zimmerman

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PRINCIPAL ACCOUNTING FEES AND SERVICES

The following table presents fees for professional audit services rendered by Deloitte & Touche LLP for the audit of the Company's annual financial statements for fiscal years ended August 28, 2004 and August 30, 2003, and fees billed for other services rendered by Deloitte & Touche LLP during those periods.

	Fiscal 2004	Fiscal 2003
	<u> </u>	<u> </u>
Audit Fees ⁽¹⁾	\$ 264,000	\$ 244,500
Audit-Related Fees ⁽²⁾	101,641	77,737
Tax Fees ⁽³⁾	58,776	43,700
All Other Fees		
	<u> </u>	<u> </u>
Total	<u>\$ 424,417</u>	<u>\$ 365,937</u>

- (1) Audit Fees represent fees for professional services provided for the audit of the Company's annual financial statements and review of the Company's quarterly financial statements.
- (2) Audit-Related Fees represent fees for the benefit plan audit and accounting consulting matters.
- (3) Tax Fees represent fees for professional services related to tax compliance and tax planning.

The Audit Committee considered whether the provision of tax, benefit plan audit and accounting consulting services by Deloitte & Touche LLP to the Company is compatible with maintaining the independence of Deloitte & Touche and concluded that the independence of Deloitte & Touche is not compromised by the provision of such services.

Policy Regarding the Approval of Independent Accountants Provision of Audit and Non-Audit Services The Company's Audit Committee Charter requires the Audit Committee to pre-approve the fees and other significant compensation to be paid to the independent auditors as well as pre-approve all non-audit engagements with the independent auditors. The Audit Committee shall consult with management but shall not delegate these responsibilities, except that pre-approvals of non-audit services may be delegated to a single member of the Audit Committee, who shall then inform the entire Audit Committee of the engagement of such services. The Audit Committee pre-approved under that policy 100 percent of the fees for services covered under the captions Audit-Related Fees, Tax Fees and All Other Fees for fiscal years 2003 and 2004.

CHANGE IN CONTROL ARRANGEMENTS

During fiscal 2001, the Board of Directors approved Executive Change of Control Agreements (the *Agreements*) for each of the named executive officers in the Summary Compensation Table as well as certain other executive officers. The purpose of the Agreements is to reinforce and encourage such executives to maintain

objectivity and a high level of attention to their duties without distraction from the possibility of a change of control of the Company. These Agreements provide that in the event of a Change of Control of the Company, as that term is defined in the Agreements and summarized below, each such executive (*provided* such Change of Control occurs when the executive is in the employ of the Company) would receive, in the event he ceases to be employed by the Company within three years following a Change of Control of the Company (for a reason other than death, disability, willful misconduct, normal retirement or under certain circumstances a voluntary termination of employment by the executive), a lump sum equal to three times the average of the aggregate annual compensation paid to the executive during the three fiscal years preceding the Change of Control.

In addition, under the Agreements, if an executive's employment is terminated (other than as described above) within three years following a Change of Control (*provided* the Change of Control occurs when the executive is in the employ of the Company) the executive would be entitled to (i) life, dental, vision, long term disability and health insurance benefits for three years following such Change of Control (*provided* that in the case of the dental, vision and health insurance benefits, such benefits shall be extended to the time the executive reaches age 65), (ii) transfer of title to the company car, if any, then utilized by such executive to such executive, (iii) continued coverage, at the Company's

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expense, in the Executive Split Dollar Life Insurance Program, under certain circumstances until the later of the time the executive reaches age 55 or three years following the executive's termination, (iv) immediate vesting under the Company's Deferred Compensation and Deferred Bonus Plans and immediate vesting of all stock options and rights, (v) purchase by the Company, at the option of the executive, of any restricted stock then owned by the executive at the fair market value thereof and (vi) a cash payment of the amount necessary to ensure that the payments or value of the benefits listed in this paragraph and the immediately preceding paragraph are not subject to net reduction due to the imposition of federal excise taxes.

Under the Agreements, a Change of Control occurs when (i) any person or other entity (except for the Company and certain Hanson family members or certain related persons or entities to the Company or such Hanson family members) acquires 20% or more of the outstanding stock of the Company or (ii) individuals who shall qualify as Continuing Directors (as defined below) shall have ceased for any reason to constitute at least a majority of the Board of Directors of the Company; *provided, however*, that in the case of either clause (i) or (ii) a Change of Control shall not be deemed to have occurred if the event shall have been approved prior to the occurrence thereof by a majority of the Continuing Directors who shall then be members of such Board of Directors. *Continuing Director* means (i) any member of the Company's Board of Directors, while such person is a member of the Board, who is not an affiliate or associate of any person or group described in clause (i) of the preceding sentence (an *acquiring person*) or of any such acquiring person's affiliate or associate and was a member of the Board prior to the time when such acquiring person shall have become an acquiring person and (ii) any successor of a Continuing Director, while such successor is a member of the Board, who is not an acquiring person or any affiliate or associate of any acquiring person or a representative or nominee of an acquiring person or of any affiliate or associate of such acquiring person and is recommended or elected to succeed the Continuing Director by a majority of the Continuing Directors.

CERTAIN TRANSACTIONS WITH MANAGEMENT AND BUSINESS RELATIONSHIPS

The Company maintains normal banking relations on customary terms with Manufacturer's Bank & Trust Company (the *Bank*), Forest City and Crystal Lake, Iowa. Manufacturer's Bank & Trust Company is a wholly owned subsidiary of MBT Corp. Mr. John V. Hanson owns approximately 33-1/3 percent of record and beneficially of MBT Corp.'s outstanding stock. Mr. John V. Hanson is also a director of the Bank and MBT Corp. In addition, Mary

Jo Boman, the wife of Gerald E. Boman, a Director of the Company in fiscal 2004 who is not standing for re-election in accordance with the Board of Directors' retirement policy, owns approximately 33-1/3 percent of record and beneficially of MBT Corp.'s outstanding stock and is a director of the Bank and MBT Corp.

SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE

Section 16(a) of the Securities Exchange Act of 1934, as amended (the *Exchange Act*) requires the Company's officers and directors and persons who own more than ten percent of the Company's Common Stock (collectively, *Reporting Persons*) to file reports of ownership and changes in ownership with the SEC and the New York Stock Exchange. Reporting Persons are required by the SEC regulations to furnish the Company with copies of all Section 16(a) forms they file. Based solely on its review of the copies of such forms received or written representations from certain Reporting Persons that no Forms 5 were required for those persons, the Company believes that, during fiscal year 2004, all the Reporting Persons complied with all applicable filing requirements, with the exception of Robert Olson who filed one late report reporting two transactions.

2006 SHAREHOLDER PROPOSALS

If a shareholder intends to present a proposal at the Company's January 2006 Annual Meeting of Shareholders and desires that the proposal be included in the Company's proxy statement and form of proxy for that meeting, the proposal must be in compliance with Rule 14a-8 under the Exchange Act and received at the Company's principal executive offices no later than July 15, 2005.

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The Company's By-Laws and the Policy Regarding Nominations of Directors require that in order to nominate persons to the Company's Board of Directors, a shareholder must provide advance written notice in the form set forth therein to the secretary of the Company, which notice must be delivered to or mailed and received at the Company's principal executive offices not less than 90 days nor more than 120 days before the anniversary of the preceding year's annual meeting of shareholders, except in the case of candidates recommended by shareholders of more than 5% of the Company's Common Stock who may also submit nominations in accordance with the procedures in the Policy Regarding Nominations of Directors and except as otherwise provided in the Company's By-Laws. The Company's By-Laws also require that in order to present a proposal for action by shareholders at an annual meeting of shareholders, a shareholder must provide advance written notice to the secretary of the Company, which notice must contain detailed information specified in the Company's By-Laws. This notice must be delivered to or mailed and received at the Company's principal executive offices not less than 90 days nor more than 120 days before the anniversary of the preceding year's annual meeting of shareholders. As to any proposal that a shareholder intends to present to shareholders without inclusion in the Company's proxy statement for the Company's January 2006 Annual Meeting of Shareholders, the proxies named in management's proxy for that meeting will be entitled to exercise their discretionary authority on that proposal by advising shareholders of such proposal and how they intend to exercise their discretion to vote on such matter, unless the shareholder making the proposal solicits proxies with respect to the proposal to the extent required by Rule 14a-4(c)(2) under the Exchange Act. The specific procedures to be used by shareholders, including those to be used by shareholders of more than 5% of the Common Stock, to recommend nominees for director are set forth in the Company's Policy Regarding Nominations of Directors, a copy of which is attached hereto as Appendix B, and the Company's By-Laws. A copy of the Company's By-Laws may be obtained by written request to: Winnebago Industries, Inc., Attn: Vice President-General Counsel and Secretary, 605 West Crystal Lake Road, Forest City, Iowa 50436.

GENERAL

Deloitte & Touche LLP has been selected as the Company's accountants for the current fiscal year upon the recommendation of the Audit Committee. Deloitte & Touche LLP has been the Company's accountants for 19 years. Representatives of that firm are expected to be present at the Annual Meeting of Shareholders with the opportunity to make a statement if they desire to do so and to be available to respond to appropriate questions.

The cost of this proxy solicitation will be borne by the Company. Solicitation will be made primarily through the use of the mail, but officers, directors or regular employees of the Company may solicit proxies personally or by telephone or telegraph without additional remuneration for such activity. In addition, the Company will reimburse brokerage houses and other custodians, nominees or fiduciaries for their reasonable expenses in forwarding proxies and proxy material to the beneficial owners of such shares.

A copy of the Company's Annual Report for the fiscal year ended August 28, 2004, which includes audited financial statements, has accompanied this proxy statement. The financial statements contained therein are not deemed material to the exercise of prudent judgment in regard to any matter to be acted upon at the Annual Meeting and, therefore, such financial statements are not incorporated in this Proxy Statement by reference.

A COPY OF THE COMPANY'S MOST RECENT ANNUAL REPORT TO THE SEC ON FORM 10-K (WITHOUT EXHIBITS) WILL BE FURNISHED, WITHOUT CHARGE, TO SHAREHOLDERS OF THE COMPANY UPON WRITTEN REQUEST TO WINNEBAGO INDUSTRIES, INC., ATTN: VICE PRESIDENT-GENERAL COUNSEL AND SECRETARY, 605 WEST CRYSTAL LAKE ROAD, FOREST CITY, IOWA 50436.

FOR INFORMATION ABOUT THE COMPANY, INCLUDING THE COMPANY'S ANNUAL, QUARTERLY AND CURRENT REPORTS ON SEC FORMS 10-K, 10-Q AND 8-K, RESPECTIVELY, PLEASE VISIT THE COMPANY'S HOME PAGE ON THE INTERNET <http://www.winnebagoind.com>.

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INFORMATION CONTAINED ON THE COMPANY'S WEBSITE IS NOT INCORPORATED INTO THIS PROXY STATEMENT OR OTHER SECURITIES FILINGS.

As of the date of this Proxy Statement, management knows of no other matters to be brought before the Annual Meeting. However, if any other matters should properly come before the meeting, it is the intention of the persons named in the enclosed proxy to vote thereon in accordance with their best judgment.

By Order of the Board of Directors

RAYMOND M. BEEBE
Secretary

November 12, 2004

Appendix A

WINNEBAGO INDUSTRIES, INC. AUDIT COMMITTEE CHARTER

Purpose:

The Audit Committee of the Board of Directors assists the Board in fulfilling its responsibility for oversight of the quality and integrity of the accounting, auditing, and reporting practices of the Company and such other duties as directed by the Board. The Audit Committee is expected to maintain free and open communication (including separate private executive sessions at least annually) with the independent auditors, the internal auditors and the management of the Company. In discharging this oversight role, the Audit Committee is empowered to investigate any matter brought to its attention, with full power to retain external auditors, outside counsel or other experts for this purpose. The Company shall at all times make adequate provisions for the payment of all fees and other compensation approved by the Audit Committee to the independent auditors in connection with the issuance of their audit report or to any consultants or experts employed by the Audit Committee. The Audit Committee shall review this Charter annually and recommend any proposed changes to the Board for approval.

Audit Committee Composition and Meetings:

The Audit Committee shall be comprised of three or more directors as determined by the Board, each of whom shall satisfy the independence requirements of the New York Stock Exchange (*NYSE*) and Section 10A of the Securities Exchange Act of 1934, as amended by the Sarbanes-Oxley Act of 2002, and the rules promulgated thereunder. The members of the Audit Committee shall meet the applicable requirements of the Securities and Exchange Commission (*SEC*) and NYSE. At least one member of the Audit Committee shall (i) qualify as a financial expert within the meaning of the rules of the SEC and (ii) have accounting or related financial management expertise within the meaning of the rules of the NYSE. Audit Committee members shall not simultaneously serve on the audit committees of more than three public companies. Directors' fees (including fees for attendance at meetings of committees of the Board) are the only compensation that an Audit Committee member may receive from the Company.

Audit Committee members shall be appointed by the Board on recommendation of the Nominating and Governance Committee. If an Audit Committee Chair is not designated or present, the members of the Audit Committee may designate a Chair by majority vote of the Audit Committee membership.

The Chair shall be responsible for leadership of the Audit Committee, including overseeing the agenda, presiding over the meetings and reporting to the Board. The Audit Committee shall meet at least four times each year (or more frequently if circumstances require) and hold such other meetings from time to time as may be called by its Chair, the Chief Executive Officer or any two members of the Committee. Meetings may also be held telephonically or actions may be taken by unanimous written consent. A majority of the members of the Audit Committee shall constitute a quorum of the Committee. The vote of a majority of the members of the full Audit Committee shall be the act of the Committee. Except as expressly provided in this Charter or the By-Laws of the Company or as required by law, regulations or NYSE listing standards, the Audit Committee shall fix its own rules of procedure.

The Audit Committee shall report its activities to the Board of Directors on a regular basis and make such recommendations as the Audit Committee may deem necessary or appropriate.

Audit Committee Responsibilities and Duties:

The Audit Committee is directly responsible for the appointment, compensation, retention and oversight of the work of the independent auditors employed by the Company (including resolution of disagreements between management and the auditors regarding financial reporting) for the purpose of preparing or issuing an audit report or related work. The Audit Committee is responsible for the appointment of any third party provider of internal audit services. The independent auditors shall report directly to the Audit Committee. The Audit Committee shall have the sole authority to appoint or replace

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the independent auditors that audit the financial statements of the Company. The Audit Committee shall have the ultimate authority and responsibility to evaluate the qualifications, performance and independence of the independent auditors. In the process, the Audit Committee will (i) discuss and consider the auditors' written affirmation that the auditors are in fact independent, (ii) discuss the nature and rigor of the audit process, receive and review all reports and (iii) provide to the independent auditors full access to the Audit Committee (and the Board) to report on any and all appropriate matters. The evaluation of the independent auditors shall include a review and evaluation of the lead partner of the independent auditors, taking into account the opinions of management and the Company's internal auditors.

Obtain and review a report from the independent auditors at least annually regarding (i) the independent auditors internal quality-control procedures, (ii) any material issues raised by the most recent quality-control review, or peer review, of the firm, or by any inquiry or investigation by governmental or professional authorities within the preceding five years respecting one or more independent audits carried out by the firm, (iii) any steps taken to deal with any such issues, and (iv) all relationships between the independent auditors and the Company.

Ensure that the independent auditors submit on a quarterly basis to the Audit Committee a statement delineating all relationships between the independent auditors and the Company and actively engage in a dialogue with the independent auditors with respect to any disclosed relationships or services that may impact the auditors' objectivity and independence; and, if deemed appropriate by the Audit Committee, recommend that the Board of Directors take appropriate action to ensure the independence of the auditors.

Review the independent auditors' and the internal auditor's audit plan; discuss scope, staffing, budget, locations, reliance upon management and internal/independent audit and general audit approach. Approve the fees and other significant compensation to be paid to any third party internal and the independent auditors as well as approve all non-audit engagements with the independent auditors. The Audit Committee shall consult with management but shall not delegate these responsibilities, except that pre-approvals of non-audit services may be delegated to a single

member of the Audit Committee.

Review and discuss with management and the independent auditors the annual audited financial statements to be included in the Company's Form 10-K filing, including (a) the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations, (b) matters regarding accounting and auditing principles as well as internal controls that could have a significant effect on the Company's financial statements and (c) any other matters required to be discussed by the Statement on Auditing Standards No. 61, as modified or supplemented, relating to the conduct of the audit, prior to the filing of the Company's Form 10-K. The Audit Committee shall also recommend to the Board that the Company's annual financial statements, together with the report of their independent auditors as to their examination, be included in the Company's Form 10-K.

Review and discuss with management and the independent auditors the Company's quarterly financial statements, including the Company's disclosures under Management's Discussion and Analysis of Financial Condition and Results of Operations and the matters required to be discussed pursuant to Statement on Auditing Standards No. 61, as modified or supplemented, prior to the filing of the Company's Form 10-Q, including the results of the independent auditor's reviews of the quarterly financial statements to the extent applicable.

Review and discuss with management and the independent auditors, as applicable, (a) major issues regarding accounting principles and financial statement presentations, including any significant changes in the Company's selection or application of accounting principles, and reports from management and the independent auditors as to the Company's internal controls over financial reporting and any special audit steps adopted in light of material control deficiencies; (b) analyses prepared by management or the independent auditors setting forth significant financial reporting issues and judgments made in connection with the preparation of the financial statements, including analyses of the effects of alternative GAAP methods on the financial statements; (c) any management letter provided by the independent auditors and management's response to that letter; (d) any problems, difficulties or differences encountered in the course of the audit work, including any disagreements with

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management or restrictions on the scope of the independent auditors' activities or on access to requested information and management's response thereto; (e) the effect of regulatory and accounting initiatives, as well as off-balance sheet structures, on the financial statements of the Company; (f) policies and analyses with respect to financial risk and fraud risk assessment and related risk management; (g) the type and presentation of information to be included in earnings press releases (paying particular attention to any use of pro forma, or adjusted non-GAAP, information), as well as financial information and earnings guidance, if any (generally or on a case-by-case basis) provided to analysts and rating agencies; and (h) suggestions or recommendations of the independent auditors regarding any of the foregoing items. The review shall include the resolution of any significant problems and material disputes between management and the independent auditors and a discussion with the independent auditors out of management's presence of the quality of the Company's accounting principles as applied in its financial reporting, the clarity of the Company's financial disclosures and a discussion of other significant decisions made by management in preparing the financial disclosures.

Review management's assertion on its assessment of the effectiveness of internal controls as of the end of the most recent fiscal year and the independent auditors report on management's assertion.

Obtain and review disclosures made by the Company's principal executive officer and principal financial officer regarding compliance with their certification obligations as required under the Sarbanes-Oxley Act of 2002 and the rules promulgated thereunder, including the Company's disclosure controls and procedures and internal controls for

financial reporting and evaluations thereof.

Review with the Company's General Counsel legal matters that may have a material impact on the financial statements, the Company's compliance policies and any material reports or inquiries received from regulators or governmental agencies.

Meet at least annually with the Chief Financial Officer, the internal auditors and the independent auditors in separate executive sessions.

Review the Company's policies and practices related to compliance with the Company's Policy & Procedures Manual and conflicts of interest, to be satisfied that such policies are adequate and adhered to by the Company and its directors and executive officers.

Maintain and review annually procedures for (i) the receipt, retention and treatment of complaints received by the Company regarding accounting, internal accounting controls or auditing matters and (ii) the confidential, anonymous submission by employees of the Company of concerns regarding questionable accounting or auditing matters.

Ensure that the lead audit partner of the independent auditors and the concurring audit partner responsible for reviewing the audit are rotated at least every five years as required by the Sarbanes-Oxley Act of 2002.

Recommend to the Board policies for the Company's hiring of employees or former employees of the independent auditors who were engaged on the Company's account (recognizing that the Sarbanes-Oxley Act of 2002 does not permit the CEO, CFO, controller or chief accounting officer to have participated in the Company's audit as an employee of the independent auditors during the preceding one-year period).

Discuss with the independent auditors any communications between the audit team and the audit firm's national office respecting auditing or accounting issues presented by the engagement.

Annually (i) review the appointment, replacement, reassignment or dismissal of the internal audit manager (if any) or approve the retention of, and engagement terms for, any third party provider of internal audit services, (ii) review the performance of the Company's internal audit function and (iii) ensure that the Company maintains an internal audit function.

Annually prepare a report to shareholders as required by the Securities and Exchange Commission. The report should be included in the Company's annual proxy statement.

Annually conduct a self-evaluation of the Audit Committee.

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While the Audit Committee has the responsibilities and powers set forth in this Charter, the Audit Committee's function is one of oversight. The Company's management is responsible for preparing the Company's financial statements and, along with the internal auditors, for developing and maintaining systems of internal accounting and financial controls, while the independent auditors will assist the Audit Committee and the Board in fulfilling their responsibilities for their review of these financial statements and internal controls. The Audit Committee expects the independent auditors to call to its attention any accounting, auditing, internal accounting control, regulatory or other related matters that they believe warrant consideration or action. The Audit Committee recognizes that the financial management and the internal and independent auditors have more knowledge and information about the Company

than do Audit Committee members. Consequently, in carrying out its oversight responsibilities, the Audit Committee does not provide any expert or special assurance as to the Company's financial statements or internal controls or any professional certification as to the independent auditors' work.

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Appendix B

WINNEBAGO INDUSTRIES, INC. POLICY REGARDING NOMINATIONS OF DIRECTORS

The Nominating and Governance Committee (the *Committee*) has adopted the following policy (the *Director Nomination Policy*) to assist it in fulfilling its duties and responsibilities as provided in its charter (the *Charter*). This Director Nomination Policy may be amended and/or restated from time to time by the Committee in accordance with the Charter and as provided herein.

- Recommended Candidates.* The Committee shall consider any and all candidates recommended as nominees for directors to the Committee by any directors, officers, shareholders of the Company, third party search firms and other sources. Under the terms of the Company's By-Laws, the Committee will consider director nominations from shareholders of record who provide timely written notice along with prescribed information to the Secretary of the Company. To be timely, the notice must be received by the Secretary at the principal executive offices of the Company not later than 90 or earlier than 120 days prior to the anniversary of the previous year's annual meeting, except in the case of candidates recommended by shareholders of more than 5% of the Company's Common Stock who may also submit nominations in accordance with the procedures in Section 2 under 5% SHAREHOLDER RECOMMENDATIONS and except as otherwise provided in the Company's By-Laws. The shareholder's notice must set forth (1) all information relating to such director nominee that is required to be disclosed under the federal securities laws in solicitation of proxies for election of directors in an election contest, including the person's written consent to being named in the proxy statement as a nominee and to serving as a director if elected; (2) the name and address of the shareholder and any beneficial owner giving the notice as they appear on the Company's books together with the number of shares of the Company's Common Stock which are owned beneficially and of record by the shareholder and any beneficial owner; and (3) a signed statement by the nominee agreeing that, if elected, such nominee will (a) represent all Company shareholders in accordance with applicable laws and the Company's By-Laws and (b) comply with the Company's Code of Ethics.
- 5% Shareholder Recommendations.* For purposes of facilitating disclosure required in the Proxy Statement, the Committee and the Corporate Secretary shall identify any candidates recommended by shareholders owning more than 5% of the Company's Common Stock, and identify the shareholder making such recommendation, as provided in and to the extent required by the federal securities laws. In addition to the procedures for shareholders to recommend nominees described in Section 1 above, shareholders or a group of shareholders who have owned more than 5% of the Company's Common Stock for at least one year as of the date the recommendation was made, may recommend nominees for director to the Committee provided that (1) written notice from the shareholder(s) must be received by the Secretary of the Company at the principal executive offices of the Company not later than 120 days prior to the anniversary of the date the Company's proxy statement was released to shareholders in connection with the previous year's annual meeting, except as otherwise provided in the Company's By-Laws; (2) such notice must contain the name and address of the shareholder(s) and any beneficial owner(s) giving the notice as they appear on the Company's books, together with evidence regarding the number of shares of the

Company's Common Stock together with the holding period and the written consent of the recommended candidate and the shareholder(s) to being identified in the Company's proxy statement; (3) such notice must contain all information relating to such director nominee that is required to be disclosed under federal securities laws in solicitation of proxies for election of directors in an election contest; and (4) such notice must contain a signed statement by the nominee agreeing that, if elected, such nominee will (a) represent all Company shareholders in accordance with applicable laws and the Company's By-Laws and (b) comply with the Company's Code of Ethics.

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3. *Desired Qualifications, Qualities and Skills.* The Committee shall endeavor to find individuals of high integrity who have a solid record of accomplishment in their chosen fields and who possess the qualifications, qualities and skills to effectively represent the best interests of all shareholders. Candidates will be selected for their ability to exercise good judgment, and to provide practical insights and diverse perspectives.

The Committee considers the following qualifications at a minimum to be required of any Board members in recommending to the Board of Directors potential new Board members, or the continued service of existing members:

- the highest professional and personal ethics;
- broad experience in business, government, education or technology;
- ability to provide insights and practical wisdom based on their experience and expertise;
- commitment to enhancing shareholder value;
- sufficient time to effectively carry out their duties; their service on other boards of public companies should be limited to a reasonable number;
- ability to develop a good working relationship with other Board members and contribute to the Board's working relationship with senior management of the Company; and
- independence; a majority of the Board shall consist of independent directors, as defined in this Director Nomination Policy.

Other than the foregoing, there are no stated minimum criteria for director nominees, although the Committee may also consider such other factors as it may deem are in the best interests of the Company and its shareholders. The Committee does, however, believe it appropriate for at least one member of the Board to meet the criteria for an audit committee financial expert as defined by Securities and Exchange Commission rules.

4. *Independence.* The Committee believes and it is the policy of the Company that a majority of the members of the Board meet the definition of independent director set forth in this Director Nomination Policy. The Committee shall annually assess each nominee for director by reviewing any potential conflicts of interest and outside affiliations, based on the criteria for independence set out below.

An independent director is one who:

- (1) has no material relationship with the Company, either directly or as a partner, shareholder or officer of an organization that has a relationship with the Company;
- (2)

is not an employee of the Company and no member of his or her immediate family is an executive officer of the Company;

- (3) has not been employed by the Company and no member of his or her immediate family has been an executive officer of the Company during the past three years;
- (4) has not received and no member of his or her immediate family has received more than \$100,000 per year in direct compensation from the Company in any capacity other than as a director during the past three years;
- (5) is not and no member of his or her immediate family is currently, and for the past three years has not, and no member of his or her immediate family has, been affiliated with or employed in a professional capacity by a present or former internal auditor or external auditor (or an affiliate of such auditor) of the Company;
- (6) is not and no member of his or her immediate family is currently, and for the past three years has not been, and no member of his or her immediate family has been, part of an interlocking directorate in which an executive officer of the Company serves on the

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compensation committee of another company that employs the director or an immediate family member of the director;

- (7) is not an executive officer or an employee, and no member of his or her immediate family is an executive officer, of another company that makes payments to, or receives payments from, the Company for property or services in an amount which, in any single year, exceeds the greater of \$1 million, or 2% of such other company's consolidated revenues during any of the past three years;
- (8) is free of any relationships with the Company that may impair, or appear to impair, his or her ability to make independent judgments; and
- (9) is not and no member of his or her immediate family is employed by or serves as a director, officer or trustee of a charitable organization that receives contributions from the Company or a Company charitable trust, in an amount which exceeds the greater of \$1 million or 2% of such charitable organization's total annual receipts.

This policy may be modified temporarily if, due to unforeseen circumstances, strict adherence would be detrimental to the Board's performance.

For purposes of determining a material relationship, the Committee shall utilize the following standards:

1. Any payments by the Company to a director's primary business affiliation or the primary business affiliation of an immediate family member of a director for goods or services, or other contractual arrangements, must be made in the ordinary course of business and on substantially the same terms as those prevailing at the time for comparable transactions with non-affiliated persons.
2. The aggregate amount of such payments must not exceed 2% of the Company's consolidated gross revenues.

For purposes of these independence standards, (i) immediate family members of a director include the director's spouse, parents, children, siblings, mother- and father-in-law, sons- and daughters-in-law, and brothers and sisters-in-law and anyone (other than domestic employees) who shares the director's home and (ii) the term primary business affiliation means an entity of which the director is a principal/executive officer or in which the director holds

at least a 5% equity interest.

5. *Nominee Evaluation Process.* The Committee will consider as a candidate any director of the Company who has indicated to the Committee that he or she is willing to stand for re-election as well as any other person who is recommended by any shareholders of the Company in accordance with the procedures described under Recommended Candidates in Section 1 and under 5% Shareholder Recommendations in Section 2. The Committee may also undertake its own search process for candidates and may retain the services of professional search firms or other third parties to assist in identifying and evaluating potential nominees and, if fees are paid to such persons in any year, such fees shall be disclosed in the next annual Proxy Statement relating to such year. The Committee may use any process it deems appropriate for the purpose of evaluating candidates which is consistent with the policies set forth in the Charter, Corporate Governance Policy and this Director Nomination Policy, which process may include, without limitation, personal interviews, background checks, written submissions by the candidates and third party references. Although the Committee may seek candidates that have different qualities and experiences at different times in order to maximize the aggregate experience, qualities and strengths of the Board members, nominees for each election or appointment of directors shall be evaluated using a substantially similar process and under no circumstances shall the Committee evaluate nominees recommended by a shareholder of the Company pursuant to a process substantially different than that used for other nominees for the same election or appointment of directors.
6. *Categorize Recommendations.* For purposes of facilitating disclosure required in the Proxy Statement, the Committee and the Corporate Secretary shall identify and organize the

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recommendations for nominees received by the Committee (other than nominees who are executive officers or who are directors standing for re-election) in accordance with one or more of the following categories of persons or entities that recommended that nominee:

- (1) a shareholder, a 5% shareholder, independent director, chief executive officer, or other executive officer of the Company;
 - (2) a third-party search firm used by or on behalf of the Company; and
 - (3) any other specified source.
7. *Material Changes to Nomination Procedures.* For purposes of facilitating disclosure required in Form 10-K and Form 10-Q, the Committee and the Corporate Secretary shall identify any material changes to the procedures for shareholder nominations of directors for the reporting period in which such material changes occur.
 8. *Posting of Policy.* This Director Nomination Policy shall be posted to the Company's website in accordance with the Company's Corporate Governance Policy.
 9. *Amendments to This Policy.* Any amendments to this Director Nomination Policy must be approved by the Committee and ratified by the Board.

June 16, 2004

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ANNUAL MEETING OF SHAREHOLDERS

Tuesday, January 11, 2005 7:30 p.m. Central Standard Time
Friendship Hall, Highway 69 South, Forest City, Iowa

DIRECTIONS:

1) From I-35

Take Exit Number 203, IA-9 West towards Forest City

At Forest City, turn South (left) on US-69 at the junction of IA-9 and US-69

Take US-69 South 1.4 miles to the entrance of the Winnebago Industries Activity Complex

Turn East (left) and enter the Winnebago Industries Activity Complex, continuing for approximately one mile to Friendship Hall

2) From I-80

Take Exit Number 123B, I-80 East/I-35 North towards Chicago/ Minneapolis

Take Exit Number 137B, I-35 North towards Minneapolis

Take Exit Number 203, IA-9 West towards Forest City

At Forest City, turn South (left) on US-69 at the junction of IA-9 and US-69

Take US-69 South 1.4 miles to the entrance of the Winnebago Industries Activity Complex

Turn East (left) and enter the Winnebago Industries Activity Complex, continuing for approximately one mile to Friendship Hall

3) From I-90

Take Exit Number 137A, I-35 South towards Des Moines

Take Exit Number 203, IA-9 West towards Forest City

At Forest City, turn South (left) on US-69 at the junction of IA-9 and US-69

Take US-69 South 1.4 miles to the entrance of the Winnebago Industries Activity Complex

Turn East (left) and enter the Winnebago Industries Activity Complex, continuing for approximately one mile to Friendship Hall

**Winnebago Industries, Inc.
Forest City, Iowa**

proxy

Proxy solicited on behalf of the Board of Directors of the Company for Annual Meeting on January 11, 2005.

The undersigned hereby appoints Gerald E. Boman and Bruce D. Hertzke, or either one of them, the undersigned's attorneys and proxies, with full power of substitution, to vote all shares of Common Stock of Winnebago Industries, Inc. which the undersigned is entitled to vote, as fully as the undersigned could do if personally present, at the Annual Meeting of Shareholders of said corporation to be held at Friendship Hall, Highway 69 South, Forest City, Iowa on the 11th day of January, 2005, at 7:30 p.m., Central Standard Time, and at any and all adjournments thereof.

(Continued, and to be signed and dated, on the other side.)

COMPANY #

Three Ways to Appoint Your Proxy to Vote

To appoint your proxy electronically by telephone: 1-800-560-1965

- 1) Read the Proxy Statement and have the proxy card below at hand.
- 2) Call **1-800-560-1965**.
- 3) Follow the instructions.

To appoint your proxy electronically via the Internet: www.eproxy.com/wgo/

- 1) Read the Proxy Statement and have the proxy card below at hand.
- 2) Go to Website **www.eproxy.com/wgo/**.
- 3) Follow the instructions provided on the website.

To appoint your proxy by Mail

- 1) Read the Proxy Statement.
- 2) Check the appropriate boxes on the proxy card below.
- 3) Sign and date the proxy card.
- 4) Return the proxy card in the envelope provided.

The deadline for telephone or Internet voting is 12:00 p.m. (CT) on Monday, January 10, 2005.

Your Vote Is Important

Do not return this proxy card if you appoint your proxy to vote by telephone or Internet. Your electronic appointment of a proxy by telephone or via the Internet authorizes the named proxies to vote your shares in the same manner as if you marked, signed and returned your proxy card.

∨ *Please detach here* ∨

The Board of Directors Recommends a Vote FOR Item 1.

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1. Election of
directors:

01 Jerry N. Currie
02 Lawrence A. Erickson
03 John E. Herlitz

Vote FOR	Vote
all nominees	WITHHELD
(except as	from all
marked)	nominees

(Instructions: To withhold authority to vote for any indicated nominee, write the number(s) of the nominee(s) in the box provided to the right.)

Address Change? Mark Box

Indicate changes below:

Date _____

Signature(s) in Box

Please sign exactly as your name(s) appears on Proxy. If held in joint tenancy, all persons must sign. Trustees, administrators, etc., should include title and authority. Corporations should provide full name of corporation and title of authorized officer signing the proxy.