



Mr. William Miller
Indiana Department of Workforce Development
Indiana Government Center South
10 North Senate Avenue
Indianapolis, IN 46204

**Re: Downsizing of Operations: Closure of Indiana Facilities
Worker Adjustment and Retraining Act Notice**

Dear Mr. William Miller:

This notice is being issued pursuant to the federal Worker Adjustment and Retraining Notification Act (the "WARN Act"). While Monaco Coach Corporation ("Monaco") does not concede that the WARN Act will apply in this situation, this notice is being issued to you (and similar notices are being given to all potentially affected employees) so that employees may begin to consider plans and options.

Due to recent and unexpected circumstances beyond Monaco's control, Monaco has determined that it must significantly downsize its operations. Reductions in staff are commencing as of March 2, 2009 and will continue over the next few months. Approximately 515 employees will be permanently discharged beginning on March 2, 2009. Additional employees have received notice with future pending termination dates. These layoffs will occur at the following facility:

**804 S. State Road 15, Milford, IN 46542
606 Nelson's Parkway, Wakarusa, IN 46573
2666 S. Country Club Road, Warsaw, IN 46580**

In addition, it now appears that, absent consummation of a sale or obtaining additional financing or capital, Monaco may ultimately shut down all operations.

The company is attempting to obtain financing to enable it to continue as a going concern or to locate a buyer that will continue operations. Unfortunately, these efforts to obtain financing or locate a purchaser of the company have to date proven unsuccessful. Although Monaco is hopeful that some or all of its operations may still be preserved and operations (and jobs) continued, at this time, insufficient financing has been obtained and no sale has been agreed upon. If a sale does not occur, or the requisite financing is not obtained, all of Monaco's operations will be permanently shut down. This will result in the closing of the Company's headquarters and all of its other facilities. Consequently, all of Monaco's approximately 2200 employees would be terminated in several phases with no opportunity to bump into other positions. Based on information currently available to us, we believe without a sale or additional financing, some additional layoffs will occur *on or about March 2, 2009 and continue over the subsequent 14-day period*. Whether these layoffs actually occur, or are permanent, would depend whether financing is obtained or on the operational plans of any purchaser of Monaco's business. We will continue to provide details as soon as they become available.

All of the facilities listed above may be permanently closed following the release of the employees.

While Monaco would have preferred to provide earlier notice, to do so would have undermined its efforts to sell or otherwise attract financing to preserve the business. As indicated above, Monaco has been actively seeking

financing and new capital to enable it to continue as a going concern. It believed that there was a realistic opportunity to obtain the new financing or capital and that it would have been sufficient, if obtained to enable it to avoid or postpone the reduction in staff or any shutdown.

In addition, unforeseen business circumstances precluded our ability to give 60 days notice of the forgoing circumstances. As you know, our nation is experiencing a far-reaching economic crisis – one that has been particularly hard on motor home manufacturers and dealers and that has lasted far longer than we had anticipated. The U.S. experienced record gas prices throughout the first part of the year and the prices did not begin to stabilize until the fall of 2008. The dramatic swing in gas prices greatly affected motor homes sales. Further, the unanticipated credit crisis hit Wall Street and dried up what had been a relatively generous lending market to our dealerships and to our customers. Several Monaco dealerships have closed, and those closures triggered massive repurchase obligations for Monaco while decreasing the demand for motor homes even further. Additionally the declining stock market and unemployment rates have significantly affected the sale of recreational vehicles to our customers.

Additional information will be communicated to you as required by law as it becomes available. If you have additional questions or require additional information, please feel free to contact me at (541) 335-8359.

Sincerely,



Rick G. Kangail
Vice President of Human Resources