

THOR INDUSTRIES INC  
Form 10-Q  
June 09, 2008

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

**QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**  
for the quarterly period ended April 30, 2008.

**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 1-9235**

**THOR INDUSTRIES, INC.**

(Exact name of registrant as specified in its charter)

Delaware

93-0768752

(State or other jurisdiction of incorporation or organization)

(I.R.S. Employer Identification No.)

419 West Pike Street, Jackson Center, OH

45334-0629

(Address of principal executive offices)

(Zip Code)

(937) 596-6849

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes

No

Indicate by check mark 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. (Check one):

Large accelerated filer

Accelerated filer

Non-accelerated filer   
(Do not check if a smaller reporting company)

Smaller reporting company

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

Yes

No

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class  
Common stock, par value  
\$.10 per share

Outstanding at 4/30/2008  
55,439,924 shares



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**Table of Contents****PART I FINANCIAL INFORMATION**

Unless otherwise indicated, all amounts presented in thousands except units, share and per share data.

**ITEM 1. FINANCIAL STATEMENTS****THOR INDUSTRIES, INC. AND SUBSIDIARIES CONDENSED CONSOLIDATED BALANCE SHEETS**

ASSETS	April 30, 2008	July 31, 2007
Current assets:		
Cash and cash equivalents	\$ 119,680	\$ 171,889
Investments short term		174,575
Accounts receivable:		
Trade	176,582	171,596
Other	9,754	5,799
Inventories	199,234	168,980
Prepaid expenses	8,912	6,684
Deferred income taxes	25,266	6,005
Total current assets	539,428	705,528
Property:		
Land	20,565	21,795
Buildings and improvements	138,199	134,352
Machinery and equipment	70,794	64,572
Total cost	229,558	220,719
Accumulated depreciation	72,641	63,477
Property, net	156,917	157,242
Investment in Joint ventures	2,748	2,671
Other assets:		
Long term investments	127,928	
Goodwill	165,663	165,663
Non-compete agreements	1,293	1,906
Trademarks	13,900	13,900
Other	15,731	12,387
Total other assets	324,515	193,856
<b>TOTAL ASSETS</b>	<b>\$ 1,023,608</b>	<b>\$ 1,059,297</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY</b>		
Current liabilities:		
Accounts payable	\$ 114,313	\$ 123,433
Accrued liabilities:		
Taxes	26,294	17,991
Compensation and related items	29,939	39,242

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Product warranties	62,384	64,310
Promotions and rebates	11,803	11,697
Product/property liability and related liabilities	14,240	11,691
Other	14,558	8,835
<b>Total current liabilities</b>	<b>273,531</b>	<b>277,199</b>
<b>Long Term Liabilities:</b>		
Unrecognized tax benefits	26,805	
Other	24,746	15,767
<b>Total long term liabilities</b>	<b>51,551</b>	<b>15,767</b>
Contingent liabilities and commitments		
Stockholders' equity:		
Common stock authorized 250,000,000 shares; issued 57,317,263 shares @ 4/30/08 and 57,222,404 shares @ 7/31/07; par value of \$.10 per share	5,732	5,722
Additional paid-in capital	92,836	90,247
Accumulated other comprehensive income	(1,126)	2,756
Retained earnings	674,768	727,729
Less Treasury shares of 1,877,339 @ 4/30/08 & 1,441,600 @ 7/31/07	(73,684)	(60,123)
<b>Total stockholders' equity</b>	<b>698,526</b>	<b>766,331</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>	<b>\$ 1,023,608</b>	<b>\$ 1,059,297</b>

See notes to condensed consolidated financial statements

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**THOR INDUSTRIES, INC. AND SUBSIDIARIES**  
**STATEMENTS OF CONDENSED CONSOLIDATED INCOME**  
**FOR THE THREE & NINE MONTHS ENDED APRIL 30, 2008 AND 2007**

	<b>Three Months Ended April</b>		<b>Nine Months Ended April 30</b>	
	<b>2008</b>	<b>2007</b>	<b>2008</b>	<b>2007</b>
Net sales	\$ 707,931	\$ 789,643	\$ 2,070,837	\$ 2,101,408
Cost of products sold	617,932	686,663	1,809,846	1,848,091
Gross profit	89,999	102,980	260,991	253,317
Selling, general and administrative expenses	47,903	51,834	133,132	132,703
Gain on sale of property			2,308	
Interest income	2,406	2,515	9,763	7,771
Interest expense	423	212	1,136	563
Other income	261	510	1,232	1,375
Income before income taxes	44,340	53,959	140,026	129,197
Provision for income taxes	16,486	18,390	52,361	44,779
Net income	\$ 27,854	\$ 35,569	\$ 87,665	\$ 84,418
Average common shares outstanding:				
Basic	55,447,313	55,696,304	55,655,907	55,654,327
Diluted	55,562,644	55,935,718	55,815,770	55,916,602
Earnings per common share:				
Basic	\$ .51	\$ .64	\$ 1.58	\$ 1.52
Diluted	\$ .50	\$ .64	\$ 1.57	\$ 1.51
Regular dividends declared and paid per common share:	\$ .07	\$ .07	\$ .21	\$ .21
Special dividends declared and paid per common share:	\$	\$	\$ 2.00	\$ 1.00
See notes to condensed consolidated financial statements				

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**THOR INDUSTRIES, INC. AND SUBSIDIARIES**  
**STATEMENTS OF CONDENSED CONSOLIDATED CASH FLOWS**  
**FOR THE NINE MONTHS ENDED APRIL 30, 2008 AND 2007**

	<b>2008</b>	<b>2007</b>
<b>Cash flows from operating activities:</b>		
Net income	\$ 87,665	\$ 84,418
Adjustments to reconcile net income to net cash (used in) provided by operating activities:		
Depreciation	10,045	9,687
Amortization	613	670
Deferred income taxes	(18,330)	(20,604)
(Gain) loss on disposition of assets	(2,343)	85
Loss on disposition of trading investments		104
Stock based compensation	216	455
<b>Changes in non cash assets and liabilities, net of effect from acquisitions:</b>		
Proceeds from disposition of trading investments		68,133
Accounts receivable	(8,941)	(27,351)
Inventories	(30,254)	(19,556)
Prepays and other	(3,069)	(6,521)
Accounts payable	(9,308)	2,303
Accrued liabilities	15,205	36,243
Other liabilities	8,007	2,869
Net cash provided by operating activities	49,506	130,935
<b>Cash flows from investing activities:</b>		
Purchase of property, plant & equipment	(12,137)	(8,885)
Proceeds from disposition of assets	4,989	230
Purchase of available for sale investments	(66,650)	(205,020)
Proceeds from sale of available for sale investments	105,925	100,148
Net cash provided by (used in) investing activities	32,127	(113,527)
<b>Cash flows from financing activities:</b>		
Cash dividends	(123,397)	(67,420)
Purchase of common stock held as treasury shares	(13,561)	(1,630)
Proceeds from issuance of common stock	2,206	2,151
Net cash used in financing activities	(134,752)	(66,899)
<b>Effect of exchange rate changes on cash</b>	<b>910</b>	<b>337</b>
Net decrease in cash and equivalents	(52,209)	(49,154)
Cash and equivalents, beginning of period	171,889	196,136



<b>Cash and equivalents, end of period</b>	\$ 119,680	\$ 146,982
<b>Supplemental cash flow information:</b>		
Income taxes paid	\$ 54,870	\$ 36,552
Interest paid	1,136	563
<b>Non cash transactions:</b>		
Capital expenditures in accounts payable	\$ 391	\$ 191
Cancellation of restricted stock		35
See notes to condensed consolidated financial statements		

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**Table of Contents****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**

1. The July 31, 2007 amounts are derived from the annual audited financial statements. The interim financial statements are unaudited. In the opinion of management, all adjustments (which consist of normal recurring adjustments) necessary to present fairly the financial position, results of operations and change in cash flows for the interim periods presented have been made. These financial statements should be read in conjunction with the Company's Annual Report on Form 10-K for the year ended July 31, 2007. The results of operations for the nine months ended April 30, 2008 are not necessarily indicative of the results for the full year.
2. Major classifications of inventories are:

	April 30, 2008	July 31, 2007
Raw materials	\$ 92,771	\$ 87,245
Chassis	48,432	42,528
Work in process	58,215	52,102
Finished goods	27,854	12,326
Total	227,272	194,201
Less excess of FIFO costs over LIFO costs	28,038	25,221
Total inventories	\$ 199,234	\$ 168,980

## 3. Earnings Per Share

	Three Months Ended April 30, 2008	Three Months Ended April 30, 2007	Nine Months Ended April 30, 2008	Nine Months Ended April 30, 2007
Weighted average shares outstanding for basic earnings per share	55,447,313	55,696,304	55,655,907	55,654,327
Stock options and restricted stock	115,331	239,414	159,863	262,275
Total For diluted shares	55,562,644	55,935,718	55,815,770	55,916,602

## 4. Comprehensive Income

	Three Months Ended April 30, 2008	Three Months Ended April 30, 2007	Nine Months Ended April 30, 2008	Nine Months Ended April 30, 2007
Net income	\$ 27,854	\$ 35,569	\$ 87,665	\$ 84,418
Foreign currency translation adjustment	(100)	798	910	337
Unrealized depreciation on investments	(4,792)		(4,792)	

Comprehensive income	\$	22,962	\$	36,367	\$	83,783	\$	84,755
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5. Segment Information

The Company has three reportable segments: 1.) towable recreation vehicles, 2.) motorized recreation vehicles, and 3.) buses. The towable recreation vehicle segment consists of product lines from the following operating companies that have been aggregated: Airstream, Breckenridge, CrossRoads, Dutchmen, General Coach Hensall and Oliver, Keystone, Komfort, and Thor California. The motorized recreation vehicle segment consists of product lines from the following operating companies that have been aggregated: Airstream, Damon and Four Winds.

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The bus segment consists of the following operating companies that have been aggregated: Champion Bus, ElDorado California, ElDorado Kansas and Goshen Coach.

	Three Months Ended April 30, 2008	Three Months Ended April 30, 2007	Nine Months Ended April 30, 2008	Nine Months Ended April 30, 2007
Net Sales:				
Recreation vehicles:				
Towables	\$ 480,020	\$ 524,041	\$ 1,398,172	\$ 1,397,936
Motorized	120,940	159,642	372,265	412,259
Total recreation vehicles	600,960	683,683	1,770,437	1,810,195
Buses	106,971	105,960	300,400	291,213
Total	\$ 707,931	\$ 789,643	\$ 2,070,837	\$ 2,101,408

	Three Months Ended April 30, 2008	Three Months Ended April 30, 2007	Nine Months Ended April 30, 2008	Nine Months Ended April 30, 2007
Income Before Income Taxes:				
Recreation vehicles:				
Towables	\$ 42,014	\$ 48,086	\$ 123,318	\$ 110,290
Motorized	3,390	7,220	13,804	16,756
Total recreation vehicles	45,404	55,306	137,122	127,046
Buses	5,113	5,447	12,808	11,622
Corporate	(6,177)	(6,794)	(9,904)	(9,471)
Total	\$ 44,340	\$ 53,959	\$ 140,026	\$ 129,197

	April 30, 2008	July 31, 2007
Identifiable Assets:		
Recreation vehicles:		
Towables	\$ 471,478	\$ 449,276
Motorized	158,696	147,598
Total recreation vehicles	630,174	596,874
Buses	101,698	105,864
Corporate	291,736	356,559

Total	\$ 1,023,608	\$ 1,059,297
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#### 6. Treasury Shares

In the third quarter of fiscal 2008, the Company purchased 61,500 shares and held them as treasury stock at a cost of \$1,756, and an average cost of \$28.55 per share. In the second quarter of fiscal 2008, the Company purchased 374,239 shares and held them as treasury stock at a cost of \$11,805, an average cost of \$31.54 per share. In the first quarter of fiscal 2007, the Company purchased 40,400 shares and held them as treasury stock at a cost of \$1,630, an average cost of \$40.33 per share.

#### 7. Investments

At April 30, 2008, substantially all investments are comprised of auction rate securities that are classified as available-for-sale and are reported at fair value in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. The Company purchases its auction rate securities at par, and records any unrealized gains and losses in Accumulated Other

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Comprehensive Income, a component of Stockholders' Equity. Cost is determined on the specific identification basis. Interest income is accrued as earned.

At April 30, 2008, we held \$135,300 (par value) of long-term investments comprised of taxable and tax-exempt auction rate securities (ARSs), which are variable-rate debt securities and have a long-term maturity with the interest 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 semi-annually. At April 30, 2008, substantially all the ARSs we held were AAA rated or equivalent, with most collateralized by student loans substantially backed by the Federal government.

Since February 12, 2008, auctions have failed for all of these securities and there is no assurance that future auctions on the auction rate securities in our investment portfolio will succeed and, as a result, our ability to liquidate our investment and fully recover the par value of our investment in the near term may be limited or not exist. An auction failure means that the parties wishing to sell securities could not.

At April 30, 2008, there was insufficient observable ARS market information available to determine the fair value of our investments. Therefore, management, assisted by Houlihan Smith & Company, Inc., an independent consultant, determined an estimated fair value. In determining the estimate, consideration was given to 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. Based on this analysis, we recorded a temporary impairment of \$7,372 related to our ARS investments as of April 30, 2008. We believe this temporary impairment is primarily attributable to the limited liquidity of these investments.

We have no reason to believe that any of the underlying issuers of our ARSs are presently at risk of default. Through June 9, 2008, we have continued to receive interest payments on the ARSs in accordance with their terms. We believe we will be able to liquidate our investments without significant loss primarily due to the government guarantee of the underlying securities; however, it could take until the final maturity of the underlying notes (up to 40 years) to realize our investments' par value. Due to these recent changes and uncertainty in the ARS market, we believe the recovery period for these investments may be longer than twelve months and as a result, we have classified these investments as long-term as of April 30, 2008.

#### 8. Goodwill and Other Intangible Assets

The components of other intangible assets are as follows:

	April 30, 2008		July 31, 2007	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Amortized Intangible Assets:				
Non-compete agreements	\$6,256	\$4,963	\$6,256	\$4,350
	Three Months Ended April 30, 2008	Three Months Ended April 30, 2007	Nine Months Ended April 30, 2008	Nine Months Ended April 30, 2007
Non-compete Agreements:				
Amortization Expense	\$ 200	\$ 216	\$ 613	\$ 670

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Non-compete agreements are amortized on a straight-line basis.

Amortization Expense:

For the year ending July 2008	\$812
For the year ending July 2009	\$476
For the year ending July 2010	\$322
For the year ending July 2011	\$238
For the year ending July 2012	\$ 58

There was no change in the carrying amount of goodwill and trademarks for the nine month period ended April 30, 2008.

As of April 30, 2008, Goodwill and Trademarks by segments totaled as follows:

	Goodwill	Trademarks
Recreation Vehicles:		
Towables	\$ 143,795	\$ 10,237
Motorized	17,252	2,600
Total Recreation Vehicles	161,047	12,837
Bus	4,616	1,063
Total	\$ 165,663	\$ 13,900

### 9. Warranty

Thor provides customers of our products with a warranty covering defects in material or workmanship for periods generally ranging from one to two years, with longer warranties on certain structural components. We record a liability based on our best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. Factors we use in estimating the warranty liability include a history of units sold, existing dealer inventory, average cost incurred and a profile of the distribution of warranty expenditures over the warranty period. A significant increase in dealer shop rates, the cost of parts or the frequency of claims could have a material adverse impact on our operating results for the period or periods in which such claims or additional costs materialize. Management believes that the warranty reserve is adequate; however, actual claims incurred could differ from estimates, requiring adjustments to the reserves. Warranty reserves are reviewed and adjusted as necessary on a quarterly basis.

	Three Months Ended April 30, 2008	Three Months Ended April 30, 2007	Nine Months Ended April 30, 2008	Nine Months Ended April 30, 2007
Beginning Balance	\$ 61,690	\$ 59,061	\$ 64,310	\$ 59,795
Provision	17,169	17,049	49,244	50,243
Payments	(16,474)	(15,386)	(51,169)	(49,314)
Ending Balance	\$ 62,385	\$ 60,724	\$ 62,385	\$ 60,724

### 10. Commercial Commitments

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Our principal commercial commitments at April 30, 2008 are summarized in the following chart:

Commitment	Total Amount Committed	Term of Guarantee
Guarantee on dealer financing	\$ 2,257	less than 1 year
Standby repurchase obligation on dealer financing	\$ 995,351	less than 1 year

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The Company records repurchase and guarantee reserves based on prior experience and known current events. The combined repurchase and recourse reserve balances are approximately \$2,354 and \$1,293 as of April 30, 2008 and July 31, 2007, respectively.

	Three Months Ended April 30, 2008	Three Months Ended April 30, 2007	Nine Months Ended April 30, 2008	Nine Months Ended April 30, 2007
Cost of units repurchased	\$ 2,239	\$ 2,313	\$ 4,993	\$ 10,402
Realization on units resold	1,614	2,245	4,049	9,262
Losses due to repurchase	\$ 625	\$ 68	\$ 944	\$ 1,140

**11. Provision for Income Taxes**

The Company adopted FASB Interpretation No. 48 ( FIN 48 ), Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109, on August 1, 2007. FIN 48 clarifies the accounting for uncertainties in income tax law by prescribing a minimum recognition threshold a tax position is required to meet before being recognized for financial accounting purposes. FIN 48 also provides guidance on derecognition, measurement, classification, interest and penalties, and disclosure.

On August 1, 2007 the Company recognized a cumulative effect adjustment of approximately \$17,200 as a reduction to the balance of retained earnings and an increase in tax liabilities of \$11,300 and an increase in liability for penalties and interest of \$5,900. The amount of unrecognized tax benefits as of August 1, 2007 totaled \$25,900, all of which would increase income from continuing operations, and thus impact the Company's effective tax rate, if ultimately recognized into income. Unrecognized state income tax benefits are reported net of their related deferred federal income tax benefit.

It is the Company's policy to recognize interest and penalties accrued relative to unrecognized tax benefits in income tax expense. As of August 1, 2007, \$6,500 in interest and penalties had been accrued.

The Company and its corporate subsidiaries file a consolidated U.S. federal income tax return and multiple state income tax returns. The federal returns are subject to examination by taxing authorities for all years after 2005. We are currently under audit by various state Departments of Revenue for 2002 through 2005 tax years. The anticipated effect on unrecognized tax benefits resulting from these audits is not expected to have a material impact on the financial statements.

The Company anticipates a decrease of approximately \$2,100 in unrecognized tax benefits within the next 12 months from (1) expected settlements or payments of uncertain tax positions, and (2) lapses of the applicable statutes of limitations. Actual results may differ materially from this estimate.

**12. Retained Earnings**

The components of changes in retained earnings are as follows:

Balance @ 7/31/07	\$ 727,729
Net Income	87,665
Dividends Paid	(123,397)
FIN 48 Adjustment	(17,229)
Balance @ 4/30/08	\$ 674,768

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**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

**Unless otherwise indicated, all amounts presented in thousands of dollars except unit, share and per share data.**

**Executive Overview**

We were founded in 1980 and have grown to be the largest manufacturer of Recreation Vehicles (RVs) and a major manufacturer of commercial buses in North America. Our market share in the travel trailer and fifth wheel segment of the industry (towables), is approximately 32%. In the motorized segment of the industry we have a market share of approximately 13%. Our market share in small and mid-size buses is approximately 37%. We also manufacture and sell 40-foot buses at our facility in Southern California designed for that product as well as our existing 30-foot and 35-foot buses.

Our growth has been internal and by acquisition. Our strategy has been to increase our profitability in North America in the recreation vehicle industry and in the bus business through product innovation, service to our customers, manufacturing quality products, improving our facilities and acquisitions. We have not entered unrelated businesses and have no plans to do so in the future.

We rely on internally generated cash flows from operations to finance our growth although we may borrow to make an acquisition if we believe the incremental cash flows will provide an acceptable payback. We have invested significant capital to modernize and expand our plant facilities and expended \$12,325 for that purpose in the first three quarters of fiscal 2008, \$13,105 for that purpose in fiscal 2007 and \$118,723 over the prior four fiscal years.

Our business model includes decentralized operating units and we compensate operating management primarily with cash based upon profitability of the unit which they manage. Our corporate staff provides financial management, purchasing services, insurance, legal and human resources, risk management, and internal audit functions. Senior corporate management interacts regularly with operating management to assure that corporate objectives are understood clearly and are monitored appropriately.

Our RV products are sold to dealers who, in turn, retail those products. Our buses are sold through dealers to municipalities and private purchasers such as rental car companies and hotels. We do not directly finance dealers but do provide repurchase agreements in order to facilitate the dealers obtaining floor plan financing. We have a joint venture, Thor Credit, operated by GE Consumer Finance, which provides retail credit to ultimate purchasers of any recreation vehicle purchased from a Thor dealer. This retail credit on recreation vehicles is not limited to Thor products only. GE Consumer Finance has informed us that they will no longer be providing retail financing for recreation vehicles as of July 31, 2008 and will be terminating the joint venture. The Company is exploring options and does not expect this development to have a material adverse effect on its financial position or results of operation.

*Trends and Business Outlook*

The most important determinant of demand for recreation vehicles is demographics. The baby boomer population is now reaching retirement age and retirees are a large market for our products. The baby boomer retiree population in the United States is expected to grow five times as fast as the total United States population. We believe a primary indicator of the strength of the recreation vehicle industry is retail RV sales, which we closely monitor to determine industry trends. Recently, the towable segment of the RV industry has been stronger than the motorized segment. For the towable segment, retail unit sales as reported by Statistical Surveys, Inc. were down approximately 19% for the three months ended March 31, 2008 compared with the same period last year. The motorized segment retail unit sales were down approximately 25%. Declining consumer confidence, combined with higher interest

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rates and fuel prices have slowed retail recreation vehicle sales and appear to affect the motorized segment more severely.

Government entities are primary users of our buses. Demand in this segment is subject to fluctuations in government spending on transit. In addition, hotel and rental car companies are also major users of our small and mid-size buses and therefore airline travel is an important indicator for this market. The majority of our buses have a 5-year useful life and are being continuously replaced by operators. According to the Mid Size Bus Manufacturers Association unit sales of small and mid-sized buses are down 4.4% for the three months ended March 31, 2008 compared with the same period last year.

Economic or industry-wide factors affecting our recreation vehicle business include raw material costs of commodities used in the manufacture of our product. Material cost is the primary factor determining our cost of products sold. Additional increases in raw material costs would impact our profit margins negatively if we were unable to raise prices for our products by corresponding amounts.

**Table of Contents****Three Months Ended April 30, 2008 vs.  
Three Months Ended April 30, 2007**

	Three Months Ended April 30, 2008		Three Months Ended April 30 2007		Change Amount	%
<b>NET SALES:</b>						
Recreation Vehicles						
Towables	\$ 480,020		\$ 524,041		\$ (44,021)	(8.4)
Motorized	120,940		159,642		(38,702)	(24.2)
Total Recreation Vehicles						
	600,960		683,683		(82,723)	(12.1)
Buses	106,971		105,960		1,011	1.0
Total	\$ 707,931		\$ 789,643		\$ (81,712)	(10.3)
<b># OF UNITS:</b>						
Recreation Vehicles						
Towables	21,296		24,530		(3,234)	(13.2)
Motorized	1,570		2,153		(583)	(27.1)
Total Recreation Vehicles						
	22,866		26,683		(3,817)	(14.3)
Buses	1,597		1,737		(140)	(8.1)
Total	24,463		28,420		(3,957)	(13.9)
		% of Segment Net Sales		% of Segment Net Sales	Change Amount	%
<b>GROSS PROFIT:</b>						
Recreation Vehicles						
Towables	\$ 69,731	14.5	\$ 77,258	14.7	\$ (7,527)	(9.7)
Motorized	10,671	8.8	16,395	10.3	(5,724)	(34.9)
Total Recreation Vehicles						
	80,402	13.4	93,653	13.7	(13,251)	(14.1)
Buses	9,597	9.0	9,327	8.8	270	2.9
Total	\$ 89,999	12.7	\$ 102,980	13.0	\$ (12,981)	(12.6)
<b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:</b>						
Recreation Vehicles						
Towables	\$ 27,835	5.8	\$ 29,275	5.6	\$ (1,440)	(4.9)

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Motorized	7,279	6.0	9,175	5.7	(1,896)	(20.7)
Total Recreation Vehicles	35,114	5.8	38,450	5.6	(3,336)	(8.7)
Buses	4,293	4.0	3,655	3.4	638	17.5
Corporate	8,496		9,729		(1,233)	(12.7)
Total	\$ 47,903	6.8	\$ 51,834	6.6	\$ (3,931)	(7.6)

**INCOME BEFORE INCOME TAXES:**

Recreation Vehicles						
Towables	\$ 42,014	8.8	\$ 48,086	9.2	\$ (6,072)	(12.6)
Motorized	3,390	2.8	7,220	4.5	(3,830)	(53.0)
Total Recreation Vehicles	45,404	7.6	55,306	8.1	(9,902)	(17.9)
Buses	5,113	4.8	5,447	5.1	(334)	(6.1)
Corporate	(6,177)		(6,794)		617	9.1
Total	\$ 44,340	6.3	\$ 53,959	6.8	\$ (9,619)	(17.8)

	As of April 30, 2008		As of April 30, 2007		Change Amount	%
<b>ORDER BACKLOG:</b>						
Recreation Vehicles						
Towables	\$ 194,938		\$ 266,448		\$ (71,510)	(26.8)
Motorized	81,499		111,339		(29,840)	(26.8)
Total Recreation Vehicles	276,437		377,787		(101,350)	(26.8)
Buses	249,533		214,755		34,778	16.2
Total	\$ 525,970		\$ 592,542		\$ (66,572)	(11.2)

**Table of Contents****CONSOLIDATED**

Net sales and gross profit for the three months ended April 30, 2008 were down 10.3% and 12.6%, respectively, compared to the three months ended April 30, 2007. Selling, general and administrative expenses for the three months ended April 30, 2008 decreased 7.6% compared to the three months ended April 30, 2007. Income before income taxes for the three months ended April 30, 2008 was down 17.8% compared to the three months ended April 30, 2007. The specifics on changes in net sales, gross profit, selling, general and administrative expenses and income before income taxes are addressed in the segment reporting below.

Corporate costs included in selling, general and administrative expenses were \$8,496 for the three months ended April 30, 2008 compared to \$9,729 for the three months ended April 30, 2007. The decrease of \$1,233 is primarily the result of costs associated with the investigation regarding certain accounting issues at our Dutchmen Manufacturing, Inc. operating subsidiary for the three months ended April 30, 2007 of \$5,077 offset by increases in insurance and audit related expenses for the three months ended April 30, 2008.

Corporate interest income and other income was \$2,288 for the three months ended April 30, 2008 compared to \$2,858 for the three months ended April 30, 2007.

The overall effective tax rate for the three months ended April 30, 2008 was 37.1% compared to 34.1% for the three months ended April 30, 2007. The primary reason for this increase is the expiration of the US Federal research credit as of December 31, 2007 and additional FIN 48 liability for uncertain tax positions, offset partially by additional benefit from an increased domestic production activities deduction.

**Segment Reporting****RECREATION VEHICLES**

Analysis of Percentage Change in Net Sales Versus Prior Year

	Average Price Per Unit	Units	Net Change
Recreation Vehicles			
Towables	4.8%	(13.2)%	(8.4)%
Motorized	2.9%	(27.1)%	(24.2)%

**TOWABLE RECREATION VEHICLES**

The decrease in towables net sales of 8.4% resulted from a 13.2% decrease in unit shipments offset by a 4.8% increase in average price per unit resulting primarily from mix of product.

The overall industry decrease in wholesale unit shipments of towables for February and March of 2008 was 9.4% according to statistics published by the Recreation Vehicle Industry Association.

Towables gross profit percentage was 14.5% of net sales for the three months ended April 30, 2008 compared to 14.7% of net sales for the three months ended April 30, 2007. The primary factor for the \$7,527 decrease in gross profit was decreased sales volume of \$44,021. Selling, general and administrative expenses were 5.8% of net sales for the three months ended April 30, 2008 and 5.6% of net sales for the three months ended April 30, 2007.

Towables income before income taxes decreased to 8.8% of net sales for the three months ended April 30, 2008 from 9.2% of net sales for the three months ended April 30, 2007. The primary factor for this decrease was the loss of profit on reduced sales volume of \$44,021.

**Table of Contents****MOTORIZED RECREATION VEHICLES**

The decrease in motorized net sales of 24.2% resulted from a 27.1% decrease in unit shipments offset by a 2.9% increase in average sales per unit resulting primarily from mix of product. The overall market decrease in unit shipments of motorhomes was 26% for the two month period of February and March of 2008 according to statistics published by the Recreation Vehicle Industry Association.

Motorized gross profit decreased to 8.8% of net sales for the three months ended April 30, 2008, from 10.3% of net sales for the three months ended April 30, 2007. The primary factor for the \$5,724 decrease in gross profit and gross profit percentage was decreased sales volume of \$38,702. Selling, general and administrative expenses were 6.0% of net sales for the three months ended April 30, 2008 and 5.7% of net sales for the three months ended April 30, 2007. Motorized income before income taxes was 2.8% of net sales for the three months ended April 30, 2008 and 4.5% of net sales for the three months ended April 30, 2007. The primary factor for this decrease was the loss of profit on reduced sales volume of \$38,702.

**BUSES**

Analysis of Percentage Change in Net Sales Versus Prior Year

	Average Price Per Unit	Units	Net Change
Buses	9.1%	(8.1)%	1.0%

The increase in buses net sales of 1.0% resulted from 8.1% decrease in unit shipments offset by a 9.1% increase on average price resulting primarily from mix of product.

Buses gross profit percentage was 9.0% of net sales for the three months ended April 30, 2008 and 8.8% for the three months ended April 30, 2007. Selling, general and administrative expenses were 4.0% of net sales for the three months ended April 30, 2008 and 3.4% for the three months ended April 30, 2007.

Buses income before income taxes was 4.8% of net sales for the three months ended April 30, 2008 compared to 5.1% for the three months ended April 30, 2007.

	Nine Months Ended April 30, 2008	Nine Months Ended April 30 2007	Change Amount	%
<b>NET SALES:</b>				
Recreation Vehicles				
Towables	\$ 1,398,172	\$ 1,397,936	\$ 236	
Motorized	372,265	412,259	(39,994)	(9.7)
Total Recreation Vehicles	1,770,437	1,810,195	(39,758)	(2.2)
Buses	300,400	291,213	9,187	3.2
Total	\$ 2,070,837	\$ 2,101,408	\$ (30,571)	(1.5)

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	Nine Months Ended April 30, 2008	Nine Months Ended April 30 2007	Change Amount	%
<b># OF UNITS:</b>				
Recreation Vehicles				
Towables	62,936	65,456	(2,520)	(3.8)
Motorized	4,681	5,529	(848)	(15.3)
Total Recreation Vehicles	67,617	70,985	(3,368)	(4.7)
Buses	4,567	4,825	(258)	(5.3)
Total	72,184	75,810	(3,626)	(4.8)

		% of Segment Net Sales		% of Segment Net Sales	Change Amount	%
<b>GROSS PROFIT:</b>						
Recreation Vehicles						
Towables	\$ 200,986	14.4	\$ 191,656	13.7	\$ 9,330	4.9
Motorized	34,344	9.2	38,888	9.4	(4,544)	(11.7)
Total Recreation Vehicles	235,330	13.3	230,544	12.7	4,786	2.1
Buses	25,661	8.5	22,773	7.8	2,888	12.7
Total	\$ 260,991	12.6	\$ 253,317	12.1	\$ 7,674	3.0

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:**

Recreation Vehicles						
Towables	\$ 80,462	5.8	\$ 81,659	5.8	\$ (1,197)	(1.5)
Motorized	20,575	5.5	22,118	5.4	(1,543)	(7.0)
Total Recreation Vehicles	101,037	5.7	103,777	5.7	(2,740)	(2.6)
Buses	11,961	4.0	10,659	3.7	1,302	12.2
Corporate	20,134		18,267		1,867	10.2
Total	\$ 133,132	6.4	\$ 132,703	6.3	\$ 429	0.3

**INCOME BEFORE INCOME TAXES:**



<b>Recreation Vehicles</b>								
Towables	\$	123,318	8.8	\$	110,290	7.9	\$ 13,028	11.8
Motorized		13,804	3.7		16,756	4.1	(2,952)	(17.6)
<b>Total Recreation</b>								
Vehicles		137,122	7.7		127,046	7.0	10,076	7.9
Buses		12,808	4.3		11,622	4.0	1,186	10.2
Corporate		(9,904)			(9,471)		(433)	(4.6)
<b>Total</b>	<b>\$</b>	<b>140,026</b>	<b>6.8</b>	<b>\$</b>	<b>129,197</b>	<b>6.1</b>	<b>\$ 10,829</b>	<b>8.4</b>

**CONSOLIDATED**

Net sales and gross profit for the nine months ended April 30, 2008 were down 1.5% and up 3%, respectively, compared to the nine months ended April 30, 2007. Selling, general and administrative expenses increased 0.3% compared to the nine months ended April 30, 2007. Income before income taxes for the nine months ended April 30, 2008 was up 8.4% compared to the nine months ended April 30, 2007. The specifics on changes in net sales, gross profit, selling, general and administrative expenses and income before income taxes are addressed in the segment reporting below.

Corporate costs included in selling, general and administrative expenses were \$20,134 for the nine months ended April 30, 2008 compared to \$18,267 for the nine months ended April 30, 2007. The increase of \$1,867 is primarily the result of increased insurance costs, compensation expenses, and audit related expenses for the nine months ended April 30, 2008 offset primarily by reduced legal costs from those expended for the nine months ended April 30, 2007 for the Dutchmen investigation.

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Corporate interest income and other income was \$10,188 for the nine months ended April 30, 2008 compared to \$8,641 for the nine months ended April 30, 2007.

The overall effective tax rate for the nine months ended April 30, 2008 was 37.4% compared to 34.7% nine months ended April 30, 2007. The primary reason for this increase is the expiration of the US Federal research credit as of December 31, 2007 and additional FIN 48 liability for uncertain tax positions, offset partially by additional benefit from an increased domestic production activities deduction.

**Segment Reporting****RECREATION VEHICLES**

Analysis of Percentage Change in Net Sales Versus Prior Year

	Average Price		Net Change
	Per Unit	Units	
Recreation Vehicles			
Towables	3.8%	(3.8)%	
Motorized	5.6%	(15.3)%	(9.7)%

**TOWABLE RECREATION VEHICLES**

Towables net sales increased \$236 for the nine months ended April 30, 2008 compared to the nine months ended April 30, 2007. Unit shipments declined by 3.8% and were offset by a 3.8% increase in average price per unit resulting primarily from mix of product.

The overall market unit decrease in towables for August 2007 through March 2008 was 4.7% according to statistics published by the Recreation Vehicle Industry Association.

Towables gross profit percentage was 14.4% of net sales for the nine months ended April 30, 2008, compared to 13.7% of net sales for the nine months ended April 30, 2007. The primary factor for the \$9,330 increase in gross profit was reduced labor and overhead costs as a percentage of net sales.

Selling, general and administrative expenses were 5.8% of net sales for the nine months ended April 30, 2008 and April 30, 2007.

Towables income before income taxes increased to 8.8% of net sales for the nine months ended April 30, 2008 from 7.9% of net sales for the nine months ended April 30, 2007. The primary factors for this increase were reduced labor and overhead costs as a percentage of net sales and a gain on the sale of property of \$2,308.

**MOTORIZED RECREATION VEHICLES**

The decrease in motorized net sales of 9.7% resulted from a 15.3% decrease in unit shipments offset by a 5.6% increase in average price per unit resulting primarily from mix of product. The overall market decrease in unit shipments of motorhomes was 12% for the eight months period from August 2007 through March 2008 according to statistics published by the Recreation Vehicle Industry Association.

Motorized gross profit percentage decreased to 9.2% of net sales in the nine months ended April 30, 2008 from 9.4% of net sales for the nine months ended April 30, 2007. Selling, general and administrative expenses were 5.5% of net sales for the nine months ended April 30, 2008 and 5.4% of net sales for the nine months ended April 30, 2007.

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Motorized income before income taxes was 3.7% of net sales for the nine months ended April 30, 2008 and 4.1% of net sales for the nine months ended April 30, 2007.

**BUSES**

Analysis of Percentage Change in Net Sales Versus Prior Year

	Average Price Per Unit	Units	Net Change
Buses	8.6%	(5.4)%	3.2%

The increase in buses net sales of 3.2% resulted from an 8.6% increase in average price resulting primarily from product mix offset by a 5.4% decrease in unit shipments.

Buses gross profit percentage increased to 8.5% of net sales for the nine months ended April 30, 2008 from 7.8% of net sales for the nine months ended April 30, 2007. The primary reason for the increase in buses gross profit percentage was due to reduced material cost as a percentage of sales. Selling, general and administrative expenses were 4.0% of net sales for the nine months ended April 30, 2008 and 3.7% for the nine months ended April 30, 2007. Buses income before income taxes increased to 4.3% of net sales for the nine months ended April 30, 2008 from 4.0% for the nine months ended April 30, 2007.

**Financial Condition and Liquidity**

As of April 30, 2008, we had \$119,680 in cash, cash equivalents and short-term investments, compared to \$346,464 on July 31, 2007. The decrease is primarily due to \$135,300 (par value) of auction rate securities being reclassified to long-term investments, cash dividend payments of \$123,397 and payments to repurchase stock of \$13,560. These decreases were offset by cash generated from normal operations.

At April 30, 2008, substantially all investments are comprised of auction rate securities that are classified as available-for-sale and are reported at fair value in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. The Company purchases its auction rate securities at par, and records any unrealized gains and losses in Accumulated Other Comprehensive Income, a component of Stockholders' Equity. Cost is determined on the specific identification basis. Interest income is accrued as earned.

At April 30, 2008 we held \$135,300 (par value) of long-term investments comprised of taxable and tax-exempt auction rate securities (ARSs), which are variable-rate debt securities and have a long-term maturity with the interest 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 semi-annually. At April 30, 2008, substantially all of the ARSs we held were AAA rated, or equivalent, with most collateralized by student loans substantially backed by the Federal government.

Since February 12, 2008, auctions have failed for all of these securities and there is no assurance that future auctions on the auction rate securities in our investment portfolio will succeed and, as a result, our ability to liquidate our investment and fully recover the par value of our investment in the near term may be limited or not exist. An auction failure means that the parties wishing to sell securities could not.

At April 30, 2008, there was insufficient observable ARS market information available to determine the fair value of our investments. Therefore, management, assisted by Houlihan Smith & Company, Inc., an independent consultant, determined an estimated fair value. In determining the estimate, consideration

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was given to 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. Based on this analysis, we recorded a temporary impairment of \$7,372 related to our ARS investments as of April 30, 2008. We believe this temporary impairment is primarily attributable to the limited liquidity of these investments.

We have no reason to believe that any of the underlying issuers of our ARSs are presently at risk of default. Through June 9, 2008, we have continued to receive interest payments on the ARSs in accordance with their terms. We believe we will be able to liquidate our investments without significant loss primarily due to the government guarantee of the underlying securities; however, it could take until the final maturity of the underlying notes (up to 40 years) to realize our investments par value. Due to these recent changes and uncertainty in the ARS market, we believe the recovery period for these investments may be longer than twelve months and as a result, we have classified these investments as long-term as of April 30, 2008.

Working capital at April 30, 2008 was \$265,897 compared to \$428,329 at July 31, 2007. We have no long-term debt. We currently have a \$30,000 revolving line of credit which bears interest at negotiated rates below prime and expires on November 30, 2008. There were no borrowings on this line of credit during the nine months ended April 30, 2008. The loan agreement executed in connection with the line of credit contains certain covenants, including restrictions on additional indebtedness, and requires us to maintain certain financial ratios. We believe that internally generated funds and the line of credit will be sufficient to meet our current needs and any additional capital requirements for the foreseeable future. Capital expenditures of approximately \$12,325 for the nine months ended April 30, 2008 were primarily for planned expansions and improvements of our recreation vehicle segments.

The Company anticipates additional capital expenditures in the fourth quarter of fiscal 2008 of approximately \$6,600. These expenditures will be made primarily to upgrade our IT systems and to replace machinery and equipment to be used in the ordinary course of business.

**Critical Accounting Principles**

The consolidated financial statements of Thor are prepared in conformity with accounting principles generally accepted in the United States. The preparation of these financial statements requires the use of estimates, judgments, and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the periods presented. We believe that of our accounting policies, the following may involve a higher degree of judgments, estimates, and complexity:

*Impairment of Goodwill, Trademarks and Long-Lived Assets*

We at least annually review the carrying value of goodwill and trademarks with indefinite useful lives. Long-lived assets, identifiable intangibles that are amortized, goodwill and trademarks with indefinite useful lives are also reviewed for impairment whenever events or changes in circumstances indicate the carrying amount of an asset may not be recoverable from future cash flows. This review is performed using estimates of future cash flows. If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value. Management believes that the estimates of future cash flows and fair values are reasonable; however, changes in estimates of such cash flows and fair values could affect the evaluations.

*Insurance Reserves*

Generally, we are self-insured for workers' compensation and group medical insurance. Under these plans, liabilities are recognized for claims incurred, including those incurred but not reported, and

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changes in the reserves. The liability for workers' compensation claims is determined by the Company with the assistance of a third party administrator using various state statutes and reserve requirements and historical claims experience. Group medical reserves are funded through a trust and are estimated using historical claims experience. We have a self-insured retention for products liability and personal injury matters of \$5,000 per occurrence. We have established a reserve on our balance sheet for such occurrences based on historical data and actuarial information. We maintain excess liability insurance aggregating \$25,000 with outside insurance carriers to minimize our risks related to catastrophic claims in excess of all our self-insured positions. Any material change in the aforementioned factors could have an adverse impact on our operating results.

*Warranty*

We provide customers of our products with a warranty covering defects in material or workmanship for periods generally ranging from one to two years, with longer warranties on certain structural components. We record a liability based on our best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. Factors we use in estimating the warranty liability include a history of units sold, existing dealer inventory, average cost incurred and a profile of the distribution of warranty expenditures over the warranty period. A significant increase in dealer shop rates, the cost of parts or the frequency of claims could have a material adverse impact on our operating results for the period or periods in which such claims or additional costs materialize. Management believes that the warranty reserve is adequate; however, actual claims incurred could differ from estimates, requiring adjustments to the reserves. Warranty reserves are reviewed and adjusted as necessary on a quarterly basis.

*Income Taxes*

The Company accounts 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 the Company's financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in the company's financial statements or tax returns.

In the first quarter of 2008, we adopted FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes—an interpretation of SFAS No. 109 (FIN 48), and related guidance. As a result of the implementation of FIN 48, we recognize liabilities for uncertain tax positions based on a two-step process prescribed in the interpretation. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as we have to determine the probability of various possible outcomes. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision.

*Revenue Recognition*

Revenue from the sale of recreation vehicles and buses are recorded when all of the following conditions have been met:

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- 1) An order for a product has been received from a dealer;
- 2) Written or oral approval for payment has been received from the dealer's financing institution;
- 3) A common carrier signs the delivery ticket accepting responsibility for the product as agent for the dealer; and
- 4) The product is removed from the Company's property for delivery to the dealer who placed the order.

Certain shipments are sold to customers under cash on delivery ( COD ) terms. The Company recognizes revenue on COD sales upon payment and delivery. Most sales are made by dealers financing their purchases under flooring arrangements with banks or finance companies. Products are not sold on consignment, dealers do not have the right to return products, and dealers are typically responsible for interest costs to floorplan lenders. On average, the Company receives payments from floorplan lenders on products sold to dealers within 15 days of the invoice date.

*Repurchase Commitments*

It is customary practice for companies in the recreation vehicle industry to enter into repurchase agreements with financing institutions to provide financing to their dealers. Generally, these agreements provide for the repurchase of products from the financing institution in the event of a dealer's default. The risk of loss under these agreements is spread over numerous dealers and further reduced by the resale value of the units which the Company would be required to repurchase. Losses under these agreements have not been significant in the periods presented in the consolidated financial statements, and management believes that any future losses under these agreements will not have a significant effect on the Company's consolidated financial position or results of operations. The Company records repurchase and guarantee reserves based on prior experience and known current events.

*Investments*

We have an investment portfolio comprised of taxable and tax-exempt auction rate securities. The value of these securities is subject to market volatility for the period we hold these investments and until their sale or maturity. We recognize realized losses when declines in the fair value of our investments, below their cost basis, are judged to be other-than-temporary. In determining whether a decline in fair value is other-than-temporary, we consider various factors including market price (when available), investment ratings, the length of time and the extent to which the fair value has been less than our cost basis, auction success and failure rates, and our intent and ability to hold the investment until maturity or for a period of time sufficient to allow for any anticipated recovery in market value. We make significant judgments in considering these factors. If it is judged that a decline in fair value is other-than-temporary, the investment is valued at the current fair value and a realized loss equal to the decline is reflected in net income, which could materially adversely affect our operating results.

*Accounting Pronouncements*

In February 2007, the FASB issued SFAS No. 159, The Fair Value Option for Financial Assets and Financial Liabilities. SFAS No. 159 gives us the irrevocable option to carry many financial assets and liabilities at fair values, with changes in fair value recognized in earnings. SFAS No. 159 is effective for Thor's fiscal year beginning August 1, 2008, although early adoption is permitted. We are currently assessing the potential impact that adoption of SFAS No. 159 will have on our financial statements.

In September 2006, the FASB issued SFAS No. 157, Fair Value Accounting, ( SFAS 157 ) which defines fair value, establishes a framework for measuring fair value and expands disclosure about fair value measurements. SFAS 157 will be effective for Thor's fiscal year beginning August 1, 2008. We are currently assessing the potential impact that adoption of SFAS 157 will have on our financial statements.

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In December 2007, the FASB issued SFAS 141R, *Business Combinations*, which is effective as of the beginning of an entity's first fiscal year beginning after December 15, 2008. This standard will significantly change the accounting for business acquisitions both during the period of the acquisition and in subsequent periods. Among the more significant changes in the accounting for acquisitions are the following:

Transaction costs, many of which are currently treated as costs of the acquisition, will generally be expensed.

In-process research and development will be accounted for as an asset, with the cost recognized as the research and development is realized or abandoned. These costs are currently expensed at the time of the acquisition.

Contingencies, including contingent consideration, will generally be recorded at fair value with subsequent adjustments recognized in operations. Contingent consideration is currently accounted for as an adjustment of the purchase price.

Decreases in valuation allowances on acquired deferred tax assets will be recognized in operations. Previously such changes were considered to be subsequent changes in consideration and were recorded as decreases in goodwill.

The effects of implementing SFAS 141R on the Company's financial position, results of operations, and cash flows will depend on future acquisitions.

**Forward Looking Statements**

This report includes certain statements that are forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 as amended. These forward looking statements involve uncertainties and risks. There can be no assurance that actual results will not differ from the Company's expectations. Factors which could cause materially different results include, among others, additional issues that may arise in connection with the findings of the completed investigation of the Audit Committee of the Board of Directors and the SEC's requests for additional information, fuel prices, fuel availability, interest rate increases, increased material costs, the success of new product introductions, the pace of acquisitions, cost structure improvements, the impact of the recent auction market failures on our liquidity, competition and general economic conditions and the other risks and uncertainties discussed more fully in Item 1A of our Annual Report on Form 10-K for the year ended July 31, 2007 and Part II, Item 1A of our Quarterly Report on Form 10-Q for the quarter ended January 31, 2008. The Company disclaims any obligation or undertaking to disseminate any updates or revisions to any change in expectation of the Company after the date hereof or any change in events, conditions or circumstances on which any statement is based except as required by law.

**ITEM 3. Quantitative and Qualitative Disclosures About Market Risk**

The Company is exposed to market risk from changes in foreign currency related to its operations in Canada. However, because of the size of Canadian operations, a hypothetical 10% change in the Canadian dollar as compared to the U.S. dollar would not have a significant impact on the Company's financial position or results of operations. The Company is also exposed to market risks related to interest rates because of its investments in corporate debt securities. A hypothetical 10% change in interest rates would not have a significant impact on the Company's financial position or results of operations.

At April 30, 2008, substantially all investments are comprised of auction rate securities that are classified as available-for-sale and are reported at fair value in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. The Company purchases its auction rate securities at

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par, and record any unrealized gains and losses in Accumulated Other Comprehensive Income, a component of Stockholders' Equity. Cost is determined on the specific identification basis. Interest income is accrued as earned. At April 30, 2008, we held \$135,300 (par value) of long-term investments comprised of taxable and tax-exempt auction rate securities (ARSs), which are variable-rate debt securities and have a long-term maturity with the interest 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 semi-annually. At April 30, 2008 substantially all the ARSs we held were AAA rated or equivalent, with most collateralized by student loans substantially backed by the Federal government.

Since February 12, 2008, auctions have failed for all of these securities and there is no assurance that future auctions on the auction rate securities in our investment portfolio will succeed and, as a result, our ability to liquidate our investment and fully recover the par value of our investment in the near term may be limited or not exist. An auction failure means that the parties wishing to sell securities could not.

At April 30, 2008, there was insufficient observable ARS market information available to determine the fair value of our investments. Therefore, management, assisted by Houlihan Smith & Company, Inc., an independent consultant, determined an estimated fair value. In determining the estimate, consideration was given to 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. Based on this analysis, we recorded a temporary impairment of \$7,372 related to our ARS investments as of April 30, 2008. We believe this temporary impairment is primarily attributable to the limited liquidity of these investments.

We have no reason to believe that any of the underlying issuers of our ARSs are presently at risk of default. Through June 9, 2008, we have continued to receive interest payments on the ARSs in accordance with their terms. We believe we will be able to liquidate our investments without significant loss primarily due to the government guarantee of the underlying securities; however, it could take until the final maturity of the underlying notes (up to 40 years) to realize our investments' par value. Due to these recent changes and uncertainty in the ARS market, we believe the recovery period for these investments may be longer than twelve months and as a result, we have classified these investments as long-term as of April 30, 2008.

**ITEM 4. Controls and Procedures**

The Company maintains disclosure controls and procedures, as such term is defined under Securities Exchange Act Rule 13a-15(e), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, the Company's management recognized that any controls and procedures, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and the Company's management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. The Company has carried out an evaluation, as of the end of the period covered by this report, under the supervision and with the participation of the Company's management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures. Based on this evaluation, the Chief Executive Officer and Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective to ensure that information required to be disclosed by the Company in the reports that it files or submits under the



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Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms.

During the nine months ended on April 30, 2008 and through the date of this report, there have been no material changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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**PART II Other Information**

**ITEM 1. LEGAL PROCEEDINGS.**

The SEC is reviewing the facts and circumstances giving rise to the restatement of our previously issued financial statements as of July 31, 2006 and 2005, and for each of the years in the three-year period ended July 31, 2006, and the financial results in each of the quarterly periods in 2006 and 2005, and our financial statements as of and for the three months ended October 31, 2006 and related matters. We intend to cooperate fully with the SEC. The investigation by the SEC staff could result in the SEC seeking various penalties and relief, including, without limitation, civil injunctive relief and/or civil monetary penalties or administrative relief. The nature of the relief or remedies the SEC may seek, if any, cannot be predicted at this time.

Thor has been named in several complaints, some of which are putative class actions, filed against manufacturers of travel trailers and manufactured homes supplied to the Federal Emergency Management Agency (FEMA) to be used for emergency living accommodations in the wake of Hurricane Katrina. The complaints generally allege injury due to the presence of formaldehyde in the units. Thor strongly disputes the allegations in these complaints and intends to vigorously defend itself in all such matters.

In addition, we are involved in certain litigation arising out of our operations in the normal course of our business most of which are based upon state lemon laws, warranty claims, other claims and accidents (for which we carry insurance above a specified deductible amount). We do not believe that any one of these claims is material.

**ITEM 1A. RISK FACTORS.**

Other than with respect to the risk factor below, there have been no material changes from the risk factors previously disclosed in Part I, Item 1A of our Annual Report on Form 10-K for the fiscal year ended July 31, 2007.

**Our investments in auction rate securities are subject to risks which may cause losses and affect the liquidity of these investments.**

At April 30, 2008, we held \$135,300 (par value) of investments with an auction reset feature ( auction rate securities ) whose underlying assets are generally student loans which are substantially backed by the Federal government, substantially all of which are currently rated AAA or equivalent, the highest rating by a rating agency. Since February 12, 2008, auctions have failed for all of these securities and there is no assurance that future auctions on the auction rate securities in our investment portfolio will succeed. An auction failure means that the parties wishing to sell their securities could not do so as a result of a lack of buying demand. As a result of auction failures, our ability to liquidate our investment and fully recover the par value of our investment in the near term may be limited or not exist. These developments have resulted in the classification of all of these securities, which were previously classified as short-term investments, as long-term investments in our consolidated financial statements.

At April 30, 2008, there was insufficient observable auction rate securities market information available to determine the fair value of our auction rate securities investments. Therefore, management, assisted by Houlihan Smith & Company, Inc., an independent consultant, determined an estimated fair value. In determining the estimate, consideration was given to 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. Based on this analysis, we recorded a temporary impairment of \$7,372 related to our auction rate securities investments as of April 30, 2008 primarily attributable to the limited liquidity of these investments.

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If the issuers of these auction rate securities are unable to successfully close future auctions and their credit ratings deteriorate, we may in the future be required to record further impairment charges on these investments. We believe we will be able to liquidate our investment without significant loss primarily due to the government guarantee of the underlying securities. However, it could take until the final maturity of the underlying notes (up to 40 years) to realize our investments' par value.

**ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds****(c) ISSUER PURCHASES OF EQUITY SECURITIES**

Period	(a) Total Number of Shares (or Units) Purchased	(b) Average Price Paid Per Share (or Unit)	(c) Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs (1)	(d) Maximum Number (or Approximate Dollar Value) of Shares (or Units) that May Yet Be Purchased Under the Plans or Programs
February 2008				1,572,961
March 2008	17,300	\$28.78	17,300	1,555,661
April 2008	44,200	\$28.46	44,200	1,511,461

(1) On June 26, 2006 our Board of Directors authorized the repurchase of 2,000,000 shares extending over a 24-month period before expiring. At April 30, 2008, 1,511,461 shares of common stock remained authorized for repurchase under the repurchase program.

**ITEM 6. Exhibits**

Exhibit	Description
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- 31.1 Chief Executive Officer s Certification filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Chief Financial Officer s Certification filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Chief Executive Officer s Certification furnished pursuant to Section 906 of the Sarbanes-Oxley Act 2002.
- 32.2 Chief Financial Officer s Certification furnished pursuant to Section 906 of the Sarbanes-Oxley Act 2002.

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**SIGNATURES**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**THOR INDUSTRIES, INC.**

(Registrant)

DATE: June 9, 2008

By: /s/ Wade F. B. Thompson  
Wade F. B. Thompson  
Chairman of the Board, President and  
Chief Executive Officer

DATE: June 9, 2008

/s/ Christian G. Farman  
Christian G. Farman  
Senior Vice President and Chief Financial  
Officer