

THOR INDUSTRIES INC  
Form 10-Q  
June 08, 2011

**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, 2011.

☐ **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 has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ☐

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 ☐

Smaller reporting company ☐

(Do not check if a 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 ☐

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

| Class                                      | Outstanding at 05/31/2011 |
|--------------------------------------------|---------------------------|
| Common stock, par value<br>\$.10 per share | 55,840,010 shares         |

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**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**

|                                                                                      | (UNAUDITED)         |                   |
|--------------------------------------------------------------------------------------|---------------------|-------------------|
|                                                                                      | April 30, 2011      | July 31, 2010     |
| <b>ASSETS</b>                                                                        |                     |                   |
| Current assets:                                                                      |                     |                   |
| Cash and cash equivalents                                                            | \$ 59,247           | \$ 247,751        |
| Restricted cash                                                                      | 1,000               |                   |
| Accounts receivable:                                                                 |                     |                   |
| Trade, less allowance for doubtful accounts of \$524 at 4/30/11 and \$422 at 7/31/10 | 255,857             | 159,535           |
| Other                                                                                | 9,035               | 5,864             |
| Inventories                                                                          | 223,990             | 142,680           |
| Notes receivable                                                                     | 2,588               | 2,364             |
| Prepaid expenses and other                                                           | 4,097               | 4,077             |
| Deferred income taxes                                                                | 40,273              | 39,499            |
| Total current assets                                                                 | 596,087             | 601,770           |
| Property, plant and equipment:                                                       |                     |                   |
| Land                                                                                 | 22,662              | 20,757            |
| Buildings and improvements                                                           | 157,876             | 133,890           |
| Machinery and equipment                                                              | 82,561              | 72,562            |
| Total cost                                                                           | 263,099             | 227,209           |
| Less accumulated depreciation                                                        | 96,601              | 88,029            |
| Net property, plant and equipment                                                    | 166,498             | 139,180           |
| Investments joint venture                                                            | 2,605               | 2,474             |
| Other assets:                                                                        |                     |                   |
| Long-term investments                                                                | 2,982               | 5,327             |
| Goodwill                                                                             | 245,766             | 150,901           |
| Amortizable intangible assets                                                        | 116,749             | 5,728             |
| Indefinite-lived trademarks                                                          | 11,470              | 14,936            |
| Long-term notes receivable                                                           | 28,452              | 28,966            |
| Deferred income taxes                                                                |                     | 7,196             |
| Other                                                                                | 8,893               | 7,595             |
| Total other assets                                                                   | 414,312             | 220,649           |
| <b>TOTAL ASSETS</b>                                                                  | <b>\$ 1,179,502</b> | <b>\$ 964,073</b> |

**LIABILITIES AND STOCKHOLDERS EQUITY**

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|                                                                           |                     |                   |
|---------------------------------------------------------------------------|---------------------|-------------------|
| Current liabilities:                                                      |                     |                   |
| Accounts payable                                                          | \$ 131,767          | \$ 108,616        |
| Accrued liabilities:                                                      |                     |                   |
| Compensation and related items                                            | 36,769              | 30,346            |
| Product warranties                                                        | 64,498              | 51,467            |
| Taxes                                                                     | 7,764               | 28,416            |
| Promotions and rebates                                                    | 12,863              | 9,419             |
| Product/property liability and related liabilities                        | 14,384              | 15,254            |
| Other                                                                     | 22,925              | 13,246            |
| Total current liabilities                                                 | 290,970             | 256,764           |
| Other liabilities                                                         | 15,634              | 14,345            |
| Unrecognized tax benefits                                                 | 41,646              | 35,686            |
| Deferred income tax liability, net                                        | 26,534              |                   |
| Total long-term liabilities                                               | 83,814              | 50,031            |
| Stockholders' equity:                                                     |                     |                   |
| Preferred stock-authorized 1,000,000 shares; none outstanding             |                     |                   |
| Common stock-par value of \$.10 per share; 250,000,000 shares authorized; |                     |                   |
| Issued: 61,697,349 shares at 4/30/11 and 57,318,849 shares at 7/31/10     | 6,170               | 5,732             |
| Additional paid-in capital                                                | 189,974             | 95,770            |
| Retained earnings                                                         | 797,844             | 745,204           |
| Accumulated other comprehensive loss                                      | (166)               | (324)             |
| Less treasury shares of 5,857,339 at 4/30/11 and 7/31/10, at cost         | (189,104)           | (189,104)         |
| Total stockholders' equity                                                | 804,718             | 657,278           |
| <b>TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY</b>                         | <b>\$ 1,179,502</b> | <b>\$ 964,073</b> |

See notes to condensed consolidated financial statements.

**THOR INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**FOR THE THREE AND NINE MONTHS ENDED APRIL 30, 2011 AND 2010 (UNAUDITED)**

|                                                       | <b>Three Months Ended</b> |             | <b>Nine Months Ended</b> |              |
|-------------------------------------------------------|---------------------------|-------------|--------------------------|--------------|
|                                                       | <b>April 30,</b>          |             | <b>April 30,</b>         |              |
|                                                       | <b>2011</b>               | <b>2010</b> | <b>2011</b>              | <b>2010</b>  |
| Net sales                                             | \$ 852,059                | \$ 680,192  | \$ 1,984,970             | \$ 1,612,769 |
| Cost of products sold                                 | 743,575                   | 587,693     | 1,752,265                | 1,400,503    |
| Gross profit                                          | 108,484                   | 92,499      | 232,705                  | 212,266      |
| Selling, general and administrative expenses          | 50,386                    | 42,824      | 136,019                  | 108,678      |
| Impairment of trademarks                              | 1,430                     | 500         | 3,466                    | 500          |
| Amortization of intangibles                           | 2,734                     | 152         | 7,298                    | 320          |
| Gain on involuntary conversion                        | 1,818                     | 2,283       | 8,651                    | 2,283        |
| Interest income                                       | 949                       | 1,360       | 2,950                    | 4,242        |
| Interest expense                                      | 45                        | 110         | 152                      | 320          |
| Other income (expense)                                | 662                       | (351)       | 1,114                    | (262)        |
| Income before income taxes                            | 57,318                    | 52,205      | 98,485                   | 108,711      |
| Income taxes                                          | 17,310                    | 18,094      | 29,101                   | 39,247       |
| Net income                                            | \$ 40,008                 | \$ 34,111   | \$ 69,384                | \$ 69,464    |
| Average common shares outstanding:                    |                           |             |                          |              |
| Basic                                                 | 55,829,122                | 51,461,181  | 55,079,700               | 53,521,242   |
| Diluted                                               | 55,941,389                | 51,585,450  | 55,185,181               | 53,621,854   |
| Earnings per common share:                            |                           |             |                          |              |
| Basic                                                 | \$ 0.72                   | \$ 0.66     | \$ 1.26                  | \$ 1.30      |
| Diluted                                               | \$ 0.72                   | \$ 0.66     | \$ 1.26                  | \$ 1.30      |
| Regular dividends declared and paid per common share: | \$ 0.10                   | \$ 0.07     | \$ 0.30                  | \$ 0.21      |
| Special dividends declared and paid per common share: | \$                        | \$          | \$                       | \$ 0.50      |

See notes to condensed consolidated financial statements.

**THOR INDUSTRIES, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED APRIL 30, 2011 AND 2010 (UNAUDITED)**

|                                                                               | <b>2011</b> | <b>2010</b> |
|-------------------------------------------------------------------------------|-------------|-------------|
| <b>Cash flows from operating activities:</b>                                  |             |             |
| Net income                                                                    | \$ 69,384   | \$ 69,464   |
| Adjustments to reconcile net income to net cash used in operating activities: |             |             |
| Depreciation                                                                  | 10,285      | 9,452       |
| Amortization of intangibles                                                   | 7,298       | 320         |
| Trademark impairment                                                          | 3,466       | 500         |
| Deferred income tax provision (benefit)                                       | 355         | (4,515)     |
| Loss on disposition of property, plant and equipment                          | 71          | 225         |
| Stock-based compensation expenses                                             | 2,554       | 610         |
| Excess tax benefits from stock-based awards                                   | (516)       |             |
| Non-cash gain on involuntary conversion of assets                             | (2,190)     | (1,575)     |
| Loss on divestiture of operating subsidiary                                   |             | 323         |
| <b>Changes in assets and liabilities (excluding acquisitions):</b>            |             |             |
| Accounts receivable                                                           | (80,751)    | (91,053)    |
| Notes receivable                                                              | 1,398       | (1,433)     |
| Inventories                                                                   | (56,940)    | (57,689)    |
| Prepaid expenses and other                                                    | (1,635)     | 3,881       |
| Accounts payable                                                              | (3,097)     | 29,773      |
| Accrued liabilities                                                           | (4,870)     | 41,337      |
| Other liabilities                                                             | 5,401       | (806)       |
| Net cash used in operating activities                                         | (49,787)    | (1,186)     |
| <b>Cash flows from investing activities:</b>                                  |             |             |
| Purchases of property, plant and equipment                                    | (28,825)    | (8,210)     |
| Proceeds from dispositions of property, plant and equipment                   | 682         | 4,958       |
| Proceeds from dispositions of investments                                     | 2,600       | 44,200      |
| Insurance proceeds from involuntary conversion of assets                      | 2,569       | 2,908       |
| Issuance of note receivable                                                   |             | (10,000)    |
| Transfer of cash to restricted account                                        | (1,000)     |             |
| Acquisition of operating subsidiaries                                         | (99,562)    | (19,756)    |
| Net cash provided by (used in) investing activities                           | (123,536)   | 14,100      |
| <b>Cash flows from financing activities:</b>                                  |             |             |
| Cash dividends                                                                | (16,744)    | (38,806)    |
| Excess tax benefits from stock-based awards                                   | 516         |             |
| Proceeds from issuance of common stock                                        | 1,047       | 16          |
| Purchase of treasury stock                                                    |             | (115,420)   |
| Net cash used in financing activities                                         | (15,181)    | (154,210)   |

|                                                       |           |           |
|-------------------------------------------------------|-----------|-----------|
| <b>Effect of exchange rate changes on cash</b>        |           | 250       |
| <b>Net decrease in cash and equivalents</b>           | (188,504) | (141,046) |
| <b>Cash and cash equivalents, beginning of period</b> | 247,751   | 221,684   |
| <b>Cash and cash equivalents, end of period</b>       | \$ 59,247 | \$ 80,638 |
| <b>Supplemental cash flow information:</b>            |           |           |
| Income taxes paid                                     | \$ 46,758 | \$ 32,861 |
| Interest paid                                         | \$ 152    | \$ 320    |
| <b>Non-cash transactions:</b>                         |           |           |
| Capital expenditures in accounts payable              | \$ 438    | \$ 1      |
| Common stock issued in business acquisition           | \$ 90,531 | \$        |

See notes to condensed consolidated financial statements.

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

1. Nature of Operations and Accounting Policies

*Nature of Operations* Thor Industries, Inc. was founded in 1980 and, together with its subsidiaries (the

Company ), manufactures a wide range of recreation vehicles and small and mid-size buses at various manufacturing facilities across the United States. These products are sold to independent dealers and municipalities primarily throughout the United States and Canada. Unless the context otherwise requires or indicates, all references to Thor , the Company , we , our , and us refer to Thor Industries, Inc. and its subsidiaries. The Company's core business activities are comprised of three distinct operations, which include the design, manufacture and sale of motorized recreation vehicles, towable recreation vehicles and buses. Accordingly, the Company has presented segment financial information for these three segments in Note 6 to the Condensed Consolidated Financial Statements.

The July 31, 2010 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 fiscal year ended July 31, 2010. Certain amounts for 2010 have been reclassified to conform to current period presentation. Specifically, current and long-term deferred income taxes, which were previously included with prepaid expenses and other long-term assets, respectively, are presented separately in the Condensed Consolidated Balance Sheets. Due to seasonality within the recreation vehicle industry, the results of operations for the nine months ended April 30, 2011 are not necessarily indicative of the results for the full year.

*Accounting Pronouncements* In June 2009, the Financial Accounting Standards Board, ( FASB ), issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) ( SFAS 167 ). SFAS 167 amends ASC 810 (formerly FASB Interpretation No. 46(R)) by adding previously considered qualifying special purpose entities (the concept of these entities was eliminated by SFAS No. 166). In addition, companies must perform an analysis to determine whether the company's variable interest or interests give it a controlling financial interest in a variable interest entity. Companies must also reassess on an ongoing basis whether the company is the primary beneficiary of a variable interest entity. The amendments to ASC 810 are effective for fiscal years beginning after November 15, 2009. The Company adopted the amendments effective August 1, 2010. The adoption of the amendments did not have any impact on its financial statements.

In July 2010, the FASB issued Accounting Standards Update, or ASU , 2010-20 Disclosures about the Credit Quality of Financing Receivables and Allowance for Credit Losses. The new disclosure guidance expands the existing requirements. The enhanced disclosures provide information on the nature of credit risk in a company's financing of receivables, how that risk is analyzed in determining the related allowance for credit losses, and changes to the allowance during the reporting period. The new disclosures became effective for the Company's interim and annual reporting periods ending after December 15, 2010. The Company has included applicable disclosures within Note 14 to the Condensed Consolidated Financial Statements.

2. Acquisitions

On September 16, 2010, the Company purchased all of the outstanding capital stock of Towable Holdings, Inc., which owned all of the outstanding equity interests of Heartland Recreational Vehicles, LLC ( Heartland ). Heartland is engaged in the business of manufacturing and marketing recreation vehicles, consisting of travel trailers and fifth wheel vehicles. Heartland operates as a wholly-owned subsidiary of the Company and is managed as its own operating unit that is aggregated into the Company's towable recreation vehicle reportable segment. The assets acquired as a result of the acquisition include equipment and other tangible and intangible property.

The assets of Heartland are used in connection with the operation of Heartland's business of manufacturing and marketing towable recreation vehicles.

Pursuant to the purchase agreement entered into in connection with the acquisition, the Company paid \$99,562 in cash and issued 4,300,000 shares of the Company's unregistered common stock (Thor Shares) valued at an aggregate of \$90,531. The value of the shares was based on an independent appraisal. The cash portion of the consideration was funded entirely from the Company's cash on hand. The Company expensed \$1,826 of transaction costs as part of corporate selling, general and administrative expense in connection with the acquisition during the nine months ended April 30, 2011.

Members of management of Heartland who received Thor Shares also entered into a stock restriction agreement with the Company, which, among other things, places certain restrictions aligned with their employment with the Company on the disposition of the Company's common stock issued to such persons for a period of four years after the closing of the transaction. These restrictions lapse in pro rata amounts beginning on the first anniversary of the closing of the transaction and every six months thereafter, with an exception for certain permitted acceleration events. In addition, the Company granted to the former indirect security holders of Heartland, who received Thor Shares, registration rights to register the resale of the Thor Shares.

The following table summarizes the preliminary approximate fair value of the net assets acquired, which are based on internal and independent external evaluations, at the date of the closing. Further adjustment of the allocation is not expected to be material.

|                                         |            |
|-----------------------------------------|------------|
| Current assets                          | \$ 48,913  |
| Property, plant and equipment           | 9,993      |
| Dealer network                          | 67,000     |
| Goodwill                                | 94,865     |
| Trademarks                              | 25,200     |
| Technology assets                       | 21,300     |
| Non-compete agreements                  | 4,130      |
| Backlog                                 | 690        |
| Current liabilities                     | (42,767)   |
| Deferred income tax liabilities         | (37,221)   |
| Other liabilities                       | (1,840)    |
| Total fair value of net assets acquired | \$ 190,263 |

The Company did not assume any of Heartland's outstanding debt, other than existing capital lease obligations of \$429. Amortized intangible assets have a weighted average useful life of 14.9 years. The dealer network was valued based on the Discounted Cash Flow Method and is being amortized on an accelerated cash flow basis over 12 years. The technology assets were valued based on the Relief from Royalty Method and are being amortized on a straight line basis over 10 to 15 years. The non-compete agreements were valued based on the Lost Income Method, a form of the Discounted Cash Flow Method, and are being amortized on a straight line basis over 5 years. The trademarks were valued based on the Relief from Royalty Method and are being amortized on a straight line basis over 25 years. The backlog was valued based on the Discounted Cash Flow Method and was amortized over 3 weeks. Goodwill is not subject to amortization. Prior to the acquisition, Heartland had historical net tax basis in goodwill of approximately \$11,600 that is deductible for tax purposes and will continue to be deductible.

The primary reasons for the acquisition include Heartland's future earning potential, its fit with our existing operations, its market share and its cash flow. The results of operations of Heartland are included in the Company's Condensed Consolidated Statement of Operations from the September 16, 2010 date of acquisition through April 30, 2011. During this period, Heartland recorded net sales of \$260,758 and net income before tax of \$6,226. Net income before tax includes one-time costs of \$746 related to the step-up in finished goods inventory and \$690 for amortization of backlog. In addition, Heartland's results from September 16, 2010 through

April 30, 2011 included ongoing amortization costs of \$5,999.

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The following unaudited pro forma information represents the Company's results of operations as if the acquisition had occurred at the beginning of each of the respective periods. These performance results may not be indicative of the actual results that would have occurred under the ownership and management of the Company.

|                                   | Three Months Ended<br>April 30, |            | Nine Months Ended<br>April 30, |              |
|-----------------------------------|---------------------------------|------------|--------------------------------|--------------|
|                                   | 2011                            | 2010       | 2011                           | 2010         |
| Net sales                         | \$ 852,059                      | \$ 798,613 | \$ 2,046,862                   | \$ 1,878,367 |
| Net income                        | \$ 40,008                       | \$ 37,731  | \$ 72,512                      | \$ 74,844    |
| Basic earnings per common share   | \$ 0.72                         | \$ 0.66    | \$ 1.30                        | \$ 1.29      |
| Diluted earnings per common share | \$ 0.72                         | \$ 0.66    | \$ 1.30                        | \$ 1.29      |

On March 1, 2010, the Company acquired 100% of SJC Industries Corp. ( SJC ), a privately-held manufacturer of ambulances based in Elkhart, Indiana, for \$19,756 in cash and \$325 of future cash obligations to the seller for a total purchase price of \$20,081. The Company believes that SJC is currently the second largest manufacturer of ambulances in the United States. Its brands include McCoy Miller, Marque and Premiere, each of which is sold through a nationwide network of dealers. The Company believes that the ambulance business is a natural fit with its bus business and has included the operations of SJC in its Buses reportable segment. Both manufacture and build a body on a purchased or supplied chassis. The manufacturing process, sales process, and type of customers are all very similar between bus and ambulance. Under the Company's ownership, SJC continued as an independent operation through January 2011, in the same manner as the Company's recreation vehicle and bus companies. After January 2011, SJC operated under common management with Goshen Coach as one operating company. The operations of SJC are included in the Company's operating results from the date of its acquisition. Based on internal and independent external valuations, the Company allocated the purchase price to the net assets of SJC as follows:

|                               |           |
|-------------------------------|-----------|
| Net working capital           | \$ 7,412  |
| Property, plant and equipment | 2,459     |
| Dealer network                | 5,230     |
| Goodwill                      | 2,490     |
| Trademarks                    | 2,100     |
| Technology                    | 270       |
| Non-compete                   | 120       |
| Total net assets              | \$ 20,081 |

Amortized intangible assets have a weighted average useful life of 13.4 years. The dealer network is being amortized on a straight line basis over 14 years, and the technology assets and non-compete agreement are amortized on a straight line basis over 5 years. Goodwill and trademarks are not subject to amortization. The entire goodwill balance is tax deductible. Pro forma financial information has not been presented due to its insignificance.

## 3. Inventories

Major classifications of inventories are as follows:

|                 | April 30,<br>2011 | July 31,<br>2010 |
|-----------------|-------------------|------------------|
| Raw materials   | \$ 103,558        | \$ 78,481        |
| Chassis         | 61,629            | 33,335           |
| Work in process | 54,886            | 46,681           |
| Finished goods  | 31,065            | 9,681            |

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|                                      |            |            |
|--------------------------------------|------------|------------|
| Total                                | 251,138    | 168,178    |
| Excess of FIFO costs over LIFO costs | (27,148)   | (25,498)   |
| Total inventories                    | \$ 223,990 | \$ 142,680 |

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Of the \$251,138 of inventory at April 30, 2011, all but \$31,272 at certain subsidiaries is valued on a last-in, first-out basis. The \$31,272 of inventory is valued on a first-in, first-out method.

#### 4. Earnings Per Common Share

|                                                                  | <b>Three Months Ended<br/>April 30,</b> |             | <b>Nine Months Ended<br/>April 30,</b> |             |
|------------------------------------------------------------------|-----------------------------------------|-------------|----------------------------------------|-------------|
|                                                                  | <b>2011</b>                             | <b>2010</b> | <b>2011</b>                            | <b>2010</b> |
| Weighted average shares outstanding for basic earnings per share | 55,829,122                              | 51,461,181  | 55,079,700                             | 53,521,242  |
| Stock options and restricted stock                               | 112,267                                 | 124,269     | 105,481                                | 100,342     |
| Total for diluted shares                                         | 55,941,389                              | 51,585,450  | 55,185,181                             | 53,621,584  |

The Company excludes stock options that have an antidilutive effect from its calculation of weighted average shares outstanding assuming dilution. The Company had stock options outstanding of 886,000 at April 30, 2011 and 25,000 at April 30, 2010 which were excluded from this calculation.

#### 5. Comprehensive Income

|                                                           | <b>Three Months Ended<br/>April 30,</b> |             | <b>Nine Months Ended<br/>April 30,</b> |             |
|-----------------------------------------------------------|-----------------------------------------|-------------|----------------------------------------|-------------|
|                                                           | <b>2011</b>                             | <b>2010</b> | <b>2011</b>                            | <b>2010</b> |
| Net Income                                                | \$ 40,008                               | \$ 34,111   | \$ 69,384                              | \$ 69,464   |
| Foreign currency translation adjustment, net of tax       |                                         | (1,803)     |                                        | (1,762)     |
| Change in temporary impairment of investments, net of tax | 3                                       | 17          | 158                                    | (15)        |
| Comprehensive income                                      | \$ 40,011                               | \$ 32,325   | \$ 69,542                              | \$ 67,687   |

#### 6. 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, CrossRoads, Dutchmen (including Breckenridge and Komfort which were merged into Dutchmen effective January 1, 2011), Keystone and Heartland (since its acquisition on September 16, 2010). The motorized recreation vehicle segment consists of product lines from the following operating companies that have been aggregated: Airstream and Thor Motor Coach (formerly Damon and Four Winds). The bus segment consists of the following operating companies that have been aggregated: Champion Bus, (including General Coach), ElDorado California, ElDorado Kansas and Goshen Coach (including SJC, since its acquisition on March 1, 2010).

|                           | <b>Three Months Ended<br/>April 30,</b> |             | <b>Nine Months Ended<br/>April 30,</b> |              |
|---------------------------|-----------------------------------------|-------------|----------------------------------------|--------------|
|                           | <b>2011</b>                             | <b>2010</b> | <b>2011</b>                            | <b>2010</b>  |
| Net Sales:                |                                         |             |                                        |              |
| Recreation Vehicles       |                                         |             |                                        |              |
| Towables                  | \$ 624,631                              | \$ 468,002  | \$ 1,411,882                           | \$ 1,090,842 |
| Motorized                 | 118,166                                 | 91,164      | 274,589                                | 194,049      |
| Total Recreation Vehicles | 742,797                                 | 559,166     | 1,686,471                              | 1,284,891    |
| Buses                     | 109,262                                 | 121,026     | 298,499                                | 327,878      |

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|       |            |            |              |              |
|-------|------------|------------|--------------|--------------|
| Total | \$ 852,059 | \$ 680,192 | \$ 1,984,970 | \$ 1,612,769 |
|-------|------------|------------|--------------|--------------|

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|                                    | <b>Three Months Ended<br/>April 30,</b> |             | <b>Nine Months Ended<br/>April 30,</b> |                 |
|------------------------------------|-----------------------------------------|-------------|----------------------------------------|-----------------|
|                                    | <b>2011</b>                             | <b>2010</b> | <b>2011</b>                            | <b>2010</b>     |
| Income (Loss) Before Income Taxes: |                                         |             |                                        |                 |
| Recreation Vehicles                |                                         |             |                                        |                 |
| Towables                           | \$ 54,131                               | \$ 45,114   | \$ 96,039                              | \$ 93,397       |
| Motorized                          | 5,904                                   | 3,640       | 9,125                                  | 5,056           |
| Total Recreation Vehicles          | 60,035                                  | 48,754      | 105,164                                | 98,453          |
| Buses                              | 4,472                                   | 9,142       | 17,683                                 | 23,755          |
| Corporate                          | (7,189)                                 | (5,691)     | (24,362)                               | (13,497)        |
| Total                              | \$ 57,318                               | \$ 52,205   | \$ 98,485                              | \$ 108,711      |
|                                    |                                         |             | <b>April 30,</b>                       | <b>July 31,</b> |
|                                    |                                         |             | <b>2011</b>                            | <b>2010</b>     |
| Total Assets:                      |                                         |             |                                        |                 |
| Recreation Vehicles                |                                         |             |                                        |                 |
| Towables                           |                                         |             | \$ 760,768                             | \$ 413,112      |
| Motorized                          |                                         |             | 146,158                                | 86,726          |
| Total Recreation Vehicles          |                                         |             | 906,926                                | 499,838         |
| Buses                              |                                         |             | 140,931                                | 124,374         |
| Corporate                          |                                         |             | 131,645                                | 339,861         |
| Total                              |                                         |             | \$ 1,179,502                           | \$ 964,073      |

#### 7. Treasury Stock

In the second quarter of fiscal year 2010, the Company purchased 3,980,000 shares of the Company's common stock at \$29.00 per share at a total cost of \$115,420. These shares are held as treasury stock.

The shares were repurchased by the Company from the Estate of Wade F. B. Thompson (the "Estate") in a private transaction. The late Wade F. B. Thompson was the Company's former Chairman, President and Chief Executive Officer. The repurchase transaction was evaluated and approved by the members of Thor's Board who were not affiliated with the Estate. At the time of the repurchase, the shares represented 7.2% of Thor's common stock outstanding. The Company used available cash to purchase the shares.

#### 8. Investments and Fair Value Measurements

ASC 820, *Fair Value Measurements and Disclosures*, defines fair value, establishes a framework for measuring fair value under generally accepted accounting principles and enhances disclosures about fair value measurements. Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value, which are the following:

Level 1 Quoted prices in active markets for identical assets or liabilities.

Level 2 Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can

be corroborated by observable market data for substantially the full term of the assets or liabilities.

Level 3 Unobservable inputs that are supported by little or no market activity and that are significant to the fair value of the assets or liabilities.

The following table represents the Company's fair value hierarchy for its financial assets (cash and cash equivalents and investments) measured at fair value on a recurring basis as of April 30, 2011 and July 31, 2010:

|                  | April 30, 2011                     |                               | July 31, 2010                      |                               |
|------------------|------------------------------------|-------------------------------|------------------------------------|-------------------------------|
|                  | Cash<br>and<br>Cash<br>Equivalents | Auction<br>Rate<br>Securities | Cash<br>and<br>Cash<br>Equivalents | Auction<br>Rate<br>Securities |
| Levels of Input: |                                    |                               |                                    |                               |
| Level 1          | \$ 60,247                          | \$                            | \$ 247,751                         | \$                            |
| Level 2          |                                    |                               |                                    |                               |
| Level 3          |                                    | 2,982                         |                                    | 5,327                         |
| Total            | \$ 60,247                          | \$ 2,982                      | \$ 247,751                         | \$ 5,327                      |

The Company's cash equivalents are comprised of money market funds traded in an active market with no restrictions, except for \$1,000 of restricted cash as of April 30, 2011.

In addition to the above investments, the Company held non-qualified retirement plan assets of \$8,809 at April 30, 2011 (\$7,499 at July 31, 2010). These assets, which are held for the benefit of certain employees of the Company, represent Level 1 investments primarily in mutual funds which are valued using observable market prices in active markets. They are included in other assets on the Condensed Consolidated Balance Sheets.

Level 3 assets consist of bonds with an auction reset feature ( auction rate securities or ARS ) whose underlying assets are primarily student loans which are substantially backed by the U.S. Federal government. Auction rate securities are long-term floating rate bonds tied to short-term interest rates. After the initial issuance of the securities, the interest rate on the securities is reset periodically, at intervals established at the time of issuance based on market demand for a reset period. Auction rate securities are bought and sold in the marketplace through a competitive bidding process often referred to as a Dutch auction. If there is insufficient interest in the securities at the time of an auction, the auction may not be completed and the rates may be reset to pre-determined penalty or maximum rates based on mathematical formulas in accordance with each security's prospectus.

The following table provides a reconciliation of the beginning and ending balances for the assets measured at fair value using significant unobservable inputs (Level 3 financial assets):

|                                    | Fair Value<br>Measurements<br>at Reporting Date<br>Using<br>Significant<br>Unobservable<br>Inputs<br>(Level 3) |         |
|------------------------------------|----------------------------------------------------------------------------------------------------------------|---------|
| Balance at July 31, 2010           | \$                                                                                                             | 5,327   |
| Net change in temporary impairment |                                                                                                                | 255     |
| Net loss included in earnings      |                                                                                                                |         |
| Purchases                          |                                                                                                                |         |
| Sales/Maturities                   |                                                                                                                | (2,600) |
| Balance at April 30, 2011          | \$                                                                                                             | 2,982   |

**Auction Rate Securities**

At April 30, 2011, the Company held \$3,250 (par value) of long-term investments comprised of tax-exempt ARS, 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, 2011, the ARS we held were AAA rated or equivalent, collateralized by student loans substantially backed by the U.S. Federal government. The Company sold \$2,600 of ARS at par during the nine months ended April 30, 2011. During the year ended July 31, 2010, \$115,850 of ARS were sold at par.

Since February 12, 2008, most auctions have failed for these securities and there is no assurance that future auctions on the ARS 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, 2011, there was insufficient observable ARS market information available to determine the fair value of our ARS investments. Therefore, management, assisted by Houlihan Capital Advisors, LLC, 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 recognized a total temporary impairment of \$268 (\$166 net of tax in accumulated other comprehensive loss which is in the equity section of the balance sheet) as of April 30, 2011 related to our long-term ARS investments of \$3,250 (par value).

We have no reason to believe that any of the underlying issuers of our ARS are presently at risk of default. Through April 30, 2011, we have continued to receive interest payments on the ARS 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 26 years) to realize our investments par value.

Although there is uncertainty with regard to the short-term liquidity of these securities, the Company continues to believe that the carrying amount represents the fair value of these marketable securities because of the overall quality of the underlying investments and the anticipated future market for such investments.

In addition, the Company has the intent and ability to hold these securities until the earlier of: the market for ARS stabilizes, the issuer refinances the underlying security, a buyer is found outside of the auction process at acceptable terms, or the underlying securities have matured.

#### 9. Goodwill and Other Intangible Assets

The components of amortizable intangible assets are as follows:

|                                     | April 30, 2011 |                          | July 31, 2010 |                          |
|-------------------------------------|----------------|--------------------------|---------------|--------------------------|
|                                     | Cost           | Accumulated Amortization | Cost          | Accumulated Amortization |
| Dealer networks                     | \$ 72,230      | \$ 4,337                 | \$ 5,230      | \$ 156                   |
| Non-compete agreements              | 6,851          | 3,030                    | 2,721         | 2,315                    |
| Trademarks                          | 25,200         | 630                      |               |                          |
| Technology and other intangibles    | 22,260         | 1,795                    | 270           | 22                       |
| Total amortizable intangible assets | \$ 126,541     | \$ 9,792                 | \$ 8,221      | \$ 2,493                 |

Non-compete agreements, finite-lived trademarks, technology and other intangibles are amortized on a straight-line basis. Dealer networks are generally amortized on an accelerated cash flow basis. The weighted average remaining amortization period at April 30, 2011 is 14.33 years. The increase in amortizable intangibles since July 31, 2010 is related to the acquisition of Heartland, which is more fully described in Note 2 to the Condensed Consolidated Financial Statements.

# Estimated Amortization Expense:

|                                                     |          |
|-----------------------------------------------------|----------|
| For the fiscal year ending July 2011                | \$ 9,942 |
| For the fiscal year ending July 2012                | \$10,682 |
| For the fiscal year ending July 2013                | \$10,490 |
| For the fiscal year ending July 2014                | \$10,222 |
| For the fiscal year ending July 2015 and thereafter | \$82,711 |

Goodwill and indefinite-lived intangible assets are reviewed for impairment by applying a fair-value test on an annual basis at April 30, or more frequently if events or changes in circumstances indicate a potential impairment. During the first quarter of fiscal year 2011, management decided to combine its Damon and Four Winds motorized operations to form Thor Motor Coach to optimize operations and garner cost efficiencies. As a result, indefinite-lived intangible assets were reviewed at that time for a potential impairment, trademarks associated with one of the former operating companies were discontinued, and the related trademark values of \$2,036 were written off. The fair value of the trademarks was determined using level 3 inputs as defined by ASC 820.

For the annual impairment test at April 30, 2011, management engaged an independent valuation firm to assist in its annual impairment assessment reviews. The value of all indefinite-lived trademarks was determined using a royalty savings methodology similar to that employed when the associated businesses were acquired but using updated estimates of sales, cash flow, royalty and discount rates. The fair value of the Company's reporting units for purposes of goodwill testing was determined by employing a discounted cash flow methodology and a market approach, when appropriate. The Company completed its impairment review as of April 30, 2011. The review resulted in a non-cash trademark impairment of \$1,430 associated with an operating subsidiary in the Company's bus segment. This impairment resulted from lower anticipated sales than previously expected. The fair value of the trademark was determined using level 3 inputs as defined by ASC 820. As a result of the annual impairment assessment as of April 30, 2011, no impairment of goodwill or indefinite-lived intangible assets was identified other than the trademark impairment described above.

The Company completed an impairment review as of April 30, 2010 that resulted in a non-cash trademark impairment of \$500 in the third quarter of fiscal 2010 for the trademark associated with an operating subsidiary in the towables segment. This impairment resulted from the sluggish market and outlook for the park model business. The fair value of the trademark was determined using level 3 inputs as defined by ASC 820. As a result of the annual impairment assessment as of April 30, 2010, no impairment of goodwill or indefinite-lived intangible assets was identified other than the trademark impairment described above.

Goodwill and indefinite-lived intangible assets are not subject to amortization.

The change in carrying value in goodwill and indefinite-lived trademarks from July 31, 2010 to April 30, 2011 is as follows:

|                                                         | <b>Goodwill</b> | <b>Trademarks</b> |
|---------------------------------------------------------|-----------------|-------------------|
| Balance at July 31, 2010                                | \$ 150,901      | \$ 14,936         |
| Impairment of trademark in motorized reportable segment |                 | (2,036)           |
| Impairment of trademark in bus reportable segment       |                 | (1,430)           |
| Heartland acquisition in towables reportable segment    | 94,865          |                   |
| Balance at April 30, 2011                               | \$ 245,766      | \$ 11,470         |

Goodwill and all trademarks (both indefinite-lived and definite-lived) by reportable segment are as follows:

|                     | <b>April 30, 2011</b> |                   | <b>July 31, 2010</b> |                   |
|---------------------|-----------------------|-------------------|----------------------|-------------------|
|                     | <b>Goodwill</b>       | <b>Trademarks</b> | <b>Goodwill</b>      | <b>Trademarks</b> |
| Recreation Vehicles |                       |                   |                      |                   |
| Towables            | \$ 238,660            | \$ 34,306         | \$ 143,795           | \$ 9,737          |
| Motorized           |                       |                   |                      | 2,036             |

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|       |            |           |            |           |
|-------|------------|-----------|------------|-----------|
| Buses | 7,106      | 1,733     | 7,106      | 3,163     |
| Total | \$ 245,766 | \$ 36,039 | \$ 150,901 | \$ 14,936 |

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## 10. Product Warranties

The Company generally provides retail customers of its products with a one-year warranty covering defects in material or workmanship, with longer warranties of up to five years on certain structural components. The Company records a liability based on its best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. Factors used 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 the Company's 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.

Changes in our product warranty reserves are as follows:

|                   | Three Months Ended<br>April 30, |           | Nine Months Ended<br>April 30, |           |
|-------------------|---------------------------------|-----------|--------------------------------|-----------|
|                   | 2011                            | 2010      | 2011                           | 2010      |
| Beginning Balance | \$ 61,580                       | \$ 43,123 | \$ 51,467                      | \$ 41,717 |
| Provisions        | 17,708                          | 17,602    | 45,831                         | 42,239    |
| Payments          | (14,790)                        | (12,091)  | (42,979)                       | (35,322)  |
| Acquisition       |                                 |           | 10,179                         |           |
| Ending Balance    | \$ 64,498                       | \$ 48,634 | \$ 64,498                      | \$ 48,634 |

## 11. Contingent Liabilities and Commitments

The Company is contingently liable under terms of repurchase agreements with certain financial institutions providing inventory financing for certain dealers of certain of its products. These arrangements, which are customary in the industry, provide for the repurchase of products sold to dealers in the event of default by the dealer. The repurchase price is generally determined by the original sales price of the product and pre-defined curtailment arrangements and the Company typically resells the repurchased product at a discount from its repurchase price. The risk of loss from these agreements is spread over numerous dealers. In addition to the guarantee under these repurchase agreements, the Company also provides limited guarantees to certain of its dealers, most of which guarantees are currently in the process of being wound down.

The Company's principal commercial commitments under repurchase agreements and guarantees at April 30, 2011 are summarized in the following chart:

| Commitment                                        | Total Amount<br>Committed | Terms of<br>Commitments |
|---------------------------------------------------|---------------------------|-------------------------|
| Guarantee on dealer financing                     | \$ 2,488                  | Various                 |
| Standby repurchase obligation on dealer financing | \$ 838,988                | Up to eighteen months   |

The repurchase agreement obligations generally extend up to eighteen months from the date of sale of the related product to the dealer. The repurchase and guarantee reserve balance as of April 30, 2011, which is included in other current liabilities on the Condensed Consolidated Balance Sheets, is \$4,138 and includes the deferred estimated fair value of the implied guarantee under outstanding repurchase obligations and the estimated loss upon the eventual resale of expected repurchased product. The table below reflects losses incurred under repurchase agreements in the periods noted. 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.

|                             | Three Months Ended<br>April 30, |          | Nine Months Ended<br>April 30, |            |
|-----------------------------|---------------------------------|----------|--------------------------------|------------|
|                             | 2011                            | 2010     | 2011                           | 2010       |
| Cost of units repurchased   | \$ 398                          | \$ 4,832 | \$ 5,466                       | \$ 8,052   |
| Realization of units resold | 342                             | 4,357    | 4,669                          | 7,034      |
| Losses due to repurchase    | \$ (56)                         | \$ (475) | \$ (797)                       | \$ (1,018) |

The Company obtains certain vehicle chassis from automobile manufacturers under converter pool agreements. These agreements generally provide that the manufacturer will supply chassis at the Company's various production facilities under the terms and conditions set forth in the agreement. The manufacturer does not transfer the certificate of origin to the Company and, accordingly, the Company accounts for the chassis as consigned, unrecorded inventory. Upon being put into production, the Company becomes obligated to pay the manufacturer for the chassis. Chassis are typically converted and delivered to customers within 90 days of delivery. If the chassis is not converted within 90 days of delivery to the Company, the Company generally purchases the chassis and records the inventory. At April 30, 2011, chassis on hand accounted for as consigned, unrecorded inventory was approximately \$22,689. In addition to this consigned inventory, at April 30, 2011, an additional \$10,978 of chassis provided by customers were located at the Company's production facilities pending further manufacturing. The Company does not purchase these chassis and does not include their cost in its billings to the customer for the completed unit.

In addition to the matters described below, the Company is involved in certain litigation arising out of its operations in the normal course of its business, most of which is based upon state lemon laws, warranty claims, other claims and accidents (for which the Company carries insurance above a specified self-insured retention or deductible amount). While it is impossible to estimate with certainty the ultimate legal and financial liability with respect to the litigation arising out of the Company's operations in the normal course of business, including the pending litigation described below, the Company believes that while the final resolution of any such litigation may have an impact on its consolidated results for a particular reporting period, the ultimate disposition of such litigation will not have a material adverse effect on its financial position, results of operations or liquidity.

#### **SEC Matter**

The Company has been subject to an SEC review since 2007 regarding the facts and circumstances giving rise to the restatement of its 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 its financial statements as of and for the three months ended October 31, 2006 and related matters. The Company has reached an agreement with the SEC resolving this matter. The settlement was approved by the U.S. District Court for the District of Columbia and a final judgement incorporating its terms was entered on May 23, 2011. The Company cooperated fully with the SEC in the resolution of this matter. Under the terms of the settlement, the Company has consented, without admitting or denying the allegations in the SEC's complaint, to the entry of a final judgment of the Court ordering the Company to comply with the Cease and Desist Order issued by the SEC on October 18, 1999, enjoining the Company from violating the books and records and internal control provisions of the federal securities laws and regulations thereunder, imposing a civil cash penalty of \$1,000 and requiring the Company to hire an independent consultant not unacceptable to the SEC staff. As of April 30, 2011, the \$1,000 civil cash penalty, which was previously provided for, was held in an escrow account and classified as Restricted cash on the Condensed Consolidated Balance Sheets. Subsequent to the entry of a final judgement by the Court approving the settlement on May 23, 2011, the escrow agent released the funds to the SEC. The independent consultant will review and evaluate certain specified aspects of internal accounting controls over financial reporting and record-keeping policies and procedures at each of the Company's operating subsidiaries and will issue a report with recommendations for necessary improvements or enhancements that the Company should adopt going forward. The Company has retained an independent consultant and it is anticipated that the independent consultant's report will be completed on or before

September 7, 2011.

**FEMA Litigation**

Beginning in 2006, a number of lawsuits were filed against numerous trailer and manufactured housing manufacturers, including complaints against the Company. The complaints were filed in various state and federal courts throughout Louisiana, Alabama, Texas, and Mississippi on behalf of Gulf Coast residents who lived in travel trailers, park model trailers and manufactured homes provided by the Federal Emergency Management Agency ( FEMA ) following Hurricanes Katrina and Rita in the late summer of 2005. The complaints generally alleged that Gulf Coast residents who occupied FEMA supplied emergency housing units, such as travel trailers, were exposed to formaldehyde emitted from the trailers.

The residents alleged various damages from exposure, including health problems and emotional distress. Most of the initial cases were filed as class action suits. Because of the number of suits, the federal Judicial Panel of Multi-District Litigation (known as the MDL panel) transferred the suits to the United States District Court for the Eastern District of Louisiana (New Orleans). The Court denied class certification in December 2008, and consequently, the cases are now being administered as a mass joinder of claims. There are over 5,000 suits currently pending in the MDL. The number of cases currently pending against the Company is approximately 745. Many of these lawsuits involve multiple plaintiffs, each of whom have brought claims against the Company. Due to the sheer size of the litigation, beginning in September 2009, the Court began hearing both bellwether jury trials and bellwether summary jury trials. The summary jury trial process is an alternative dispute resolution method which is non-binding and confidential. The Company has participated in one confidential summary jury trial. Settlements have been reached with a few of the trailer manufacturers and a group of the manufactured housing defendants. The Company continues to strongly dispute the allegations and continues to vigorously defend the complaints.

#### 12. Provision for Income Taxes

The Company accounts for income taxes under the provisions of ASC 740, *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. Fluctuations in the actual outcome of these future tax consequences could materially impact the Company's financial position or its results of operations.

It is the Company's policy to recognize interest and penalties accrued relative to unrecognized tax benefits in income tax expense. For the nine month period ended April 30, 2011, the Company released approximately \$5,400 of gross uncertain tax benefit reserve and related interest and penalties recorded at July 31, 2010 related to the effective settlement of certain uncertain tax benefits and statute of limitation expirations, which resulted in a net income tax benefit of approximately \$4,100. The Company accrued \$900 in interest and penalties related to the remaining uncertain tax benefits recorded at July 31, 2010, and accrued additional uncertain tax benefit reserves of \$200 related to prior periods. For the three month period ended April 30, 2011, the Company released \$300 of uncertain tax benefit reserves recorded at July 31, 2010, recorded \$100 of additional uncertain tax benefit reserve related to prior periods, and accrued \$300 in interest and penalties.

The Company and its corporate subsidiaries file a consolidated U.S. federal income tax return, multiple U.S. state income tax returns and multiple Canadian income tax returns. The Company has been audited for U.S. federal purposes through fiscal year 2007. Periodically, various state and local jurisdictions conduct audits and therefore a variety of other years are subject to state and local review. The Company is currently being audited by the State of California for the tax years ended July 31, 2007 and July 31, 2008. The Company has reserved for this exposure in its liability for unrecognized tax benefits.

The Company anticipates a decrease of approximately \$2,700 in unrecognized tax benefits, and \$600 in accrued interest and penalties related to these unrecognized tax benefits, within the next twelve 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.

13. Retained Earnings

The components of the change in retained earnings are as follows:

|                              |            |
|------------------------------|------------|
| Balance as of July 31, 2010  | \$ 745,204 |
| Net Income                   | 69,384     |
| Dividends Paid               | (16,744)   |
| Balance as of April 30, 2011 | \$ 797,844 |

14. Loan Transactions and Related Notes Receivable

On January 15, 2009, the Company entered into a Credit Agreement (the "First Credit Agreement") with Stephen Adams, in his individual capacity, and Stephen Adams and his successors, as trustee under the Stephen Adams Living Trust (the "Trust" and together with each of the foregoing persons, the "Borrowers"), pursuant to which the Company loaned \$10,000 to the Borrowers (the "First Loan"). The Borrowers own, directly or indirectly, a controlling interest in FreedomRoads Holding Company, LLC ("FreedomRoads Holding"), the parent company of FreedomRoads, LLC ("FreedomRoads"), the Company's largest dealer. Pursuant to the terms of the First Credit Agreement, the Borrowers agreed to use the proceeds of the First Loan solely to make an equity contribution to FreedomRoads Holding to enable FreedomRoads Holding or its subsidiaries to repay its principal obligations under floor plan financing arrangements with third parties in respect of products of the Company and its subsidiaries.

The principal amount of the First Loan is payable in full on January 15, 2014 and bears interest at a rate of 12% per annum. Interest is payable in kind for the first year and is payable in cash on a monthly basis thereafter, and all interest payments due to date have been paid in full.

On January 30, 2009, the Company entered into a second Credit Agreement (the "Second Credit Agreement") with the Borrowers pursuant to which the Company loaned an additional \$10,000 to the Borrowers (the "Second Loan"). Pursuant to the terms of the Second Credit Agreement, the Borrowers agreed to use the proceeds of the Second Loan solely to make an equity contribution to FreedomRoads Holding to be used by FreedomRoads Holding or its subsidiaries to purchase the Company's products.

The maturity date of the Second Loan is June 30, 2012. Principal is payable in semi-annual installments of \$1,000 each commencing on June 30, 2010, with a final payment of \$6,000 on June 30, 2012. Interest on the principal amount of the Second Loan is payable in cash on a quarterly basis at a rate of 12% per annum. All payments of principal and interest due to date have been paid in full.

On December 22, 2009, the Company entered into a Credit Agreement (the "Third Credit Agreement") with Marcus Lemonis, Stephen Adams, in his individual capacity, and Stephen Adams and his successors, as trustee under the Trust (each of the foregoing persons, on a joint and several basis, the "Third Loan Borrowers"), pursuant to which the Company loaned \$10,000 to the Third Loan Borrowers (the "Third Loan"). The Third Loan Borrowers own, directly or indirectly, a controlling interest in FreedomRoads Holding, the indirect parent company of FreedomRoads. Pursuant to the terms of the Third Credit Agreement, the Third Loan Borrowers agreed to use the proceeds of the Third Loan solely to provide a loan to one of FreedomRoads Holding's subsidiaries which would ultimately be contributed as equity to FreedomRoads to be used for working capital purposes.

The maturity date of the Third Loan is December 22, 2014. The principal amount of the Third Loan is payable on the following dates in the following amounts: December 31, 2011 \$500; December 31, 2012 \$1,000; December 31, 2013 \$1,100; and December 22, 2014 \$7,400. The principal amount of the Third Loan bears interest at a rate of 12% per annum. Interest is payable, at the option of the Third Loan Borrowers, either in cash or in-kind at each calendar quarter end from March 31, 2010 through September 30, 2011, and thereafter in cash quarterly in arrears from December 31, 2011 through the maturity date.

The Third Loan Borrowers opted to pay the interest due at each quarter end from March 31, 2010 to March 31, 2011 in-kind and it was capitalized as part of the long-term note receivable.

The First Credit Agreement, the Second Credit Agreement and the Third Credit Agreement each contain customary representations and warranties, affirmative and negative covenants, events of default and acceleration provisions for loans of this type. As required by the credit agreements, the Company receives on a quarterly basis financial and operational information from the Borrowers and from the companies in which the Borrowers have significant ownership interests, including FreedomRoads Holding. This financial and operational information is evaluated as to any changes in the overall credit quality of the Borrowers. Based on the current credit review, the Company does not consider these receivables impaired or requiring an allowance for credit losses.

In connection with the First Loan, the Borrowers caused FreedomRoads Holding and its subsidiaries (collectively, the FR Dealers), to enter into an agreement pursuant to which the FR Dealers agreed to purchase additional recreation vehicles from the Company and its subsidiaries. The term of this agreement, as subsequently amended in connection with the Second Loan and the Third Loan, continues until December 22, 2029 unless earlier terminated in accordance with its terms.

#### 15. Concentration of Risk

One dealer, FreedomRoads, accounted for 14% of the Company's consolidated recreation vehicle net sales for the nine months ended April 30, 2011, and 12% of its consolidated total net sales for the nine months ended April 30, 2011. The loss of this dealer could have a significant effect on the Company's business.

#### 16. Fire at Bus Production Facility

On February 14, 2010, a fire occurred at the northern production facility (the Facility) at the Company's manufacturing site located near Imlay City, Michigan. The Facility is one of the Company's principal manufacturing locations for its Champion and General Coach America bus lines. The fire resulted in the destruction of a significant portion of the work in process, raw materials and equipment contained in the Facility. There were no reported injuries and the origin of the fire is undetermined. The southern production plant, paint facility and other buildings at the site were not affected by the fire and remained intact. Shortly after the fire, the Company resumed limited production activities for its Champion and General Coach America buses in the southern manufacturing facility, and the Company addressed equipment and staffing reallocation. Many employees continued to work out of the southern manufacturing facility and an office building on this site on a temporary basis.

The Company maintains a property and business interruption insurance policy that provided substantial coverage for the losses arising from this incident, less the first \$5,000 representing the Company's deductible per the policy. During the nine months ended April 30, 2011, the Company received and recognized \$9,566 of insurance proceeds which included \$5,378 for business interruption. For the nine months ended April 30, 2011, a gain on involuntary conversion of \$8,651 was reported in the Company's Condensed Consolidated Statement of Operations as follows:

Gain on Involuntary Conversion:

|                                            | <b>FY 2010</b> | <b>Nine Months<br/>Ended<br/>April 30, 2011</b> | <b>Cumulative<br/>Total<br/>Since Fire</b> |
|--------------------------------------------|----------------|-------------------------------------------------|--------------------------------------------|
| Insurance recoveries recognized            | \$ 18,079      | \$ 9,566                                        | \$ 27,645                                  |
| Deductible                                 | (5,000)        |                                                 | (5,000)                                    |
| Work in process and raw material destroyed | (4,305)        |                                                 | (4,305)                                    |
| Property and equipment destroyed           | (578)          | (165)                                           | (743)                                      |
| Clean-up and other costs                   | (603)          | (750)                                           | (1,353)                                    |
| Gain on Involuntary Conversion             | \$ 7,593       | \$ 8,651                                        | \$ 16,244                                  |

The costs incurred to date of reconstructing the Facility and replacing inventory have been accounted for in the normal course of business. The costs incurred as of April 30, 2011 to reconstruct the Facility totaled \$6,943 (approximately \$5,500 was incurred in fiscal year 2011, with the difference having been incurred in fiscal year 2010). The Facility was substantially completed and operational as of September 28, 2010. The replacement cost of the property and equipment has substantially exceeded the previous carrying costs and the lost profits covered under business interruption and clean-up and related costs are being reimbursed under the policy.

**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 40% including our first quarter acquisition of Heartland. In the motorized segment of the industry we have a market share of approximately 17%. 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.

On September 16, 2010, we acquired 100% of Towable Holdings, Inc., the parent company of Heartland, pursuant to a stock purchase agreement for \$99,562 in cash and 4,300,000 shares of our common stock. Heartland is located in Elkhart, Indiana and is a major manufacturer of towable recreation vehicles. Under our ownership, Heartland will continue as an independent operation, in the same manner as our existing recreation vehicle and bus companies, and its operations are included in our towable segment.

The acquisition of Heartland is expected to be accretive to our earnings, based upon Heartland's recent and historical performances. From its founding in 2003, Heartland grew to become the third largest manufacturer of fifth wheels and the sixth largest manufacturer of travel trailers in the United States based upon Statistical Surveys retail market data as of June, 2010. Heartland has been the fastest growing RV manufacturer in recent years, and its sales over the 12 months prior to the acquisition exceeded \$400,000. Its brands include Bighorn, Sundance, Cyclone, North Country, and North Trail, sold through a nationwide network of dealers. See Note 2 to our condensed consolidated financial statements included elsewhere in this report for additional information on the acquisition.

Our growth has been internal and by acquisition. Our strategy has been to increase our profitability in North America in the RV industry and in the bus segment 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 for rapid payback. Capital expenditures of \$28,825 for the nine months ended April 30, 2011 were made primarily for the purchase of land, building and building improvements and to replace machinery and equipment used in the ordinary course of business. These capital expenditures include \$5,500 for the construction of the new Champion bus plant, \$9,700 for the purchase of recreation vehicle plants which were previously leased and \$6,100 for the expansion of our recreation vehicle operations.

Our business model includes decentralized operating units and we compensate operating management primarily with cash based upon the profitability of the business unit which they manage. Our corporate staff provides financial management, purchasing, insurance, legal, human resource, risk management and internal audit functions. Senior corporate management interacts regularly with operating management to assure that corporate objectives are understood 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 generally do not finance dealers directly but do provide repurchase agreements to assist the dealers in floor plan financing.

On February 14, 2010, a fire resulted in the total loss of our 92,000 square foot Champion/General Coach America (GCA) north bus production facility. We reacted immediately and consolidated production into our 92,000 square foot south facility, which was unaffected by the fire, and leased a 59,000 square foot facility on a monthly basis. We resumed production on February 25, 2010. A new Champion/GCA plant was built and it was substantially completed and operational as of September 28, 2010.

### **Trends and Business Outlook**

Industry conditions in the RV market substantially improved in 2010, with RV wholesale shipments up 45.6% for the 12 months ended December 31, 2010, according to the Recreation Vehicle Industry Association ( RVIA ). This large increase in shipments was attributable to two forces in the market: RV dealers' restocking of depleted lot inventories and improving retail sales to consumers. For the first four months of 2011, RV industry wholesale shipments were up 6.2%, as compared to the comparable period from the prior year according to RVIA. With our increases in retail market share, we believe our dealer inventory is at appropriate levels for seasonal consumer demand. Thor's RV backlog as of April 30, 2011 was down 5% to approximately \$427,000 from \$448,000 as of April 30, 2010.

Given that dealer restocking appears to be completed, we believe that retail demand is the key to continued improvement in the RV industry. With appropriate levels of dealer inventory, we believe that RV industry wholesale shipments will generally be on a one to one replenishment ratio with retail sales going forward. According to Statistical Surveys, Inc, for the 12 month period of January through December, 2010 RV industry retail sales in the United States were up 7.7%. U.S. retail sales of travel trailers and fifth wheels, our most popular products, were up 10.6% in 2010, while Class C motorhomes were up 6.0% and higher-priced Class A motorhomes were up 0.4%. The 2010 Canadian retail RV market performed even better than the retail RV market in the United States, with 2010 retail sales up 24.9% through December, according to Statistical Surveys, Inc.

For the first three months of 2011, RV industry retail sales in the United States were up 3.0% according to Statistical Surveys, Inc. U.S. retail sales of travel trailers and fifth wheels were up 5.0% in the year-to-date period, while Class C motorhomes were down 4.8% and Class A motorhomes were down 1.8%. The Canadian RV market through the first three months of 2011 was down 21.2%, according to Statistical Surveys, Inc.

If consumer confidence improves, retail and wholesale credit availability continue to improve, and if interest rates remain low, we would expect to see continued improvement in RV sales and expect to benefit from our ability to increase production. However, this outlook is tempered by recent escalations in fuel prices, by continuing poor employment and income growth as well as credit constraints, all of which could slow the pace of RV sales. A longer-term positive outlook for the recreation vehicle segment is supported by favorable demographics as baby boomers reach the age brackets that historically have accounted for the bulk of retail RV sales, and an increase in interest in the RV lifestyle among both older and younger segments of the population.

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. During fiscal 2011 we have incurred increased cost of raw materials and components. Steel, aluminum, and thermoplastic prices have increased and there continues to be upward price pressure on several other raw material inputs. Historically, we have been able to pass along those price increases to our customers. We took price increases in most of our product segments in early February, 2011 to offset those increased input costs. Future increases in raw material costs would impact our profit margins negatively if we are unable to raise prices for our products by corresponding amounts.

Government entities are the primary users of our buses. Demand in this segment is subject to fluctuations in government spending on transit. In addition, hotel, rental car and parking lot operators are also major users of our small and mid-sized buses and therefore 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 ( MSBMA ), unit sales of small and mid-sized buses decelerated in the last half of 2010, finishing down 0.3% for the year ended December 31, 2010 compared with the same period in 2009. Federal stimulus funds helped the transit industry in the recent economic downturn, however that funding expired in 2010 and that has created a negative effect in 2011 on demand for our bus products. Municipal budgets have been reduced and transit agencies' operating costs have increased.

As a result, we have experienced a softening of order input at some of our bus operations and we have reduced staffing levels in certain locations. As of April 30, 2011, buses reportable segment backlog is down by approximately 6% to \$206,000 from \$219,000 as of April 30, 2010. Longer term, we expect positive trends in our bus segment, which we believe will be supported by increased federal funding for transit, the replacement cycle for buses among public and private bus customers, and the introduction of new bus products.

We do not expect the current condition of the U.S. auto industry to have a significant impact on our supply of chassis. Supply of chassis is adequate for now and we believe that available inventory would compensate for changes in supply schedules if they occur. To date, we have not noticed any unusual cost increases from our chassis suppliers. If the condition of the U.S. auto industry significantly worsens, this could result in supply interruptions and a decrease in our sales and earnings while we obtain replacement chassis from other sources.

The Company's results for the quarter ended April 30, 2011 were impacted by several factors. The end of the dealer restocking period has led to market pricing pressures, which resulted in a more highly promotional environment and greater discounting than the comparable period from the prior year. We experienced increases in the costs of certain materials, and have raised prices in order to offset these increases. We had increased amortization expense relating to our acquisition of Heartland, and continued to incur costs related to our SEC settlement and the ongoing FEMA litigation.

Going forward, we believe that dealer inventories are fairly balanced and that future RV shipments will track with retail demand. Easier accessibility to RV retail financing may help if consumers continue to show resiliency in the face of macro-related pressures (employment, housing, gas prices). Cost inflation and its impact on margin may be mitigated through continued efforts in procurement, lean manufacturing and through selective price increases.

**Three Months Ended April 30, 2011 vs. Three Months Ended April 30, 2010**

|                           | <b>Three Months<br/>Ended<br/>April 30, 2011</b> | <b>Three Months<br/>Ended<br/>April 30, 2010</b> | <b>Change<br/>Amount</b> | <b>%<br/>Change</b> |
|---------------------------|--------------------------------------------------|--------------------------------------------------|--------------------------|---------------------|
| <b>NET SALES:</b>         |                                                  |                                                  |                          |                     |
| Recreation Vehicles       |                                                  |                                                  |                          |                     |
| Towables                  | \$ 624,631                                       | \$ 468,002                                       | \$ 156,629               | 33.5                |
| Motorized                 | 118,166                                          | 91,164                                           | 27,002                   | 29.6                |
| Total Recreation Vehicles | 742,797                                          | 559,166                                          | 183,631                  | 32.8                |
| Buses                     | 109,262                                          | 121,026                                          | (11,764)                 | (9.7)               |
| Total                     | \$ 852,059                                       | \$ 680,192                                       | \$ 171,867               | 25.3                |
| <b># OF UNITS:</b>        |                                                  |                                                  |                          |                     |
| Recreation Vehicles       |                                                  |                                                  |                          |                     |
| Towables                  | 25,302                                           | 20,978                                           | 4,324                    | 20.6                |
| Motorized                 | 1,743                                            | 1,278                                            | 465                      | 36.4                |
| Total Recreation Vehicles | 27,045                                           | 22,256                                           | 4,789                    | 21.5                |
| Buses                     | 1,629                                            | 1,596                                            | 33                       | 2.1                 |
| Total                     | 28,674                                           | 23,852                                           | 4,822                    | 20.2                |
|                           | <b>% of<br/>Segment<br/>Net<br/>Sales</b>        | <b>% of<br/>Segment<br/>Net<br/>Sales</b>        | <b>Change<br/>Amount</b> | <b>%<br/>Change</b> |
| <b>GROSS PROFIT:</b>      |                                                  |                                                  |                          |                     |

**ORDER BACKLOG:**

|                           | As of<br>April 30,<br>2011 | As of<br>April 30,<br>2010 | Change<br>Amount | %<br>Change |
|---------------------------|----------------------------|----------------------------|------------------|-------------|
| Recreation Vehicles       |                            |                            |                  |             |
| Towables                  | \$ 361,042                 | \$ 370,779                 | \$ (9,737)       | (2.6)       |
| Motorized                 | 66,344                     | 76,692                     | (10,348)         | (13.5)      |
| Total Recreation Vehicles | 427,386                    | 447,471                    | (20,085)         | (4.5)       |
| Buses                     | 206,107                    | 219,317                    | (13,210)         | (6.0)       |
| Total                     | \$ 633,493                 | \$ 666,788                 | \$ (33,295)      | (5.0)       |

**CONSOLIDATED**

Consolidated net sales for the three months ended April 30, 2011 increased \$171,867 or 25.3% and consolidated gross profit increased \$15,985 or 17.3%, respectively, compared to the three months ended April 30, 2010. Recently acquired Heartland accounted for \$126,727 of the \$171,867 increase in consolidated net sales.

Consolidated gross profit was 12.7% of consolidated net sales for the three months ended April 30, 2011 compared to 13.6% of consolidated net sales for the three months ended April 30, 2010. This 0.9% decrease in gross profit percentage was driven primarily by increased discounting within the recreation vehicle segments and increasing material cost in the current period. Dealer inventories have been restocked to appropriate levels, and as a result dealer and competitor pressures have necessitated greater discounting to secure sales. In addition, product mix in the bus segment shifted toward the more moderately priced, lower gross profit units.

Selling, general and administrative expenses for the three months ended April 30, 2011 increased 17.7% compared to the three months ended April 30, 2010. Income before income taxes for the three months ended April 30, 2011 was \$57,318 as compared to \$52,205 for the three months ended April 30, 2010, an increase of 9.8%. 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 increased \$1,693 to \$8,563 for the three months ended April 30, 2011 compared to \$6,870 for the three months ended April 30, 2010. Of the \$1,693 increase, stock option compensation expense increased \$663, deferred compensation plan expense increased \$549 and group medical and products liability insurance expenses increased \$740.

Corporate interest and other income was \$1,374 for the three months ended April 30, 2011 compared to \$1,179 for the three months ended April 30, 2010. The increase of \$195 is primarily due to an increase in other income from the market value appreciation on the deferred compensation plan assets partially offset by reduced interest on our cash and cash investments.

The overall effective income tax rate for the three months ended April 30, 2011 was 30.2% compared with 34.7% for the three months ended April 30, 2010. The primary reasons for the decrease in the overall effective income tax rate from April 30, 2010 to April 30, 2011 are increased benefits related to income tax credits, an overall reduction in the Company's state blended tax rate and July 31, 2010 return to provision adjustments primarily related to increased income tax credits and a reduction in state taxes.

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

Analysis of change in net sales for the three months ended April 30, 2011 vs. the three months ended April 30, 2010:

|                   | Three<br>Months<br>Ended<br>April 30,<br>2011 | % of<br>Segment<br>Net<br>Sales | Three<br>Months<br>Ended<br>April 30,<br>2010 | % of<br>Segment<br>Net<br>Sales | Change<br>Amount | %<br>Change |
|-------------------|-----------------------------------------------|---------------------------------|-----------------------------------------------|---------------------------------|------------------|-------------|
| <b>NET SALES:</b> |                                               |                                 |                                               |                                 |                  |             |
| Towables          |                                               |                                 |                                               |                                 |                  |             |
| Travel Trailers   | \$ 295,027                                    | 47.2                            | \$ 244,359                                    | 52.2                            | \$ 50,668        | 20.7        |
| Fifth Wheels      | 323,756                                       | 51.8                            | 212,301                                       | 45.4                            | 111,455          | 52.5        |
| Other             | 5,848                                         | 1.0                             | 11,342                                        | 2.4                             | (5,494)          | (48.4)      |
| Total Towables    | \$ 624,631                                    | 100.0                           | \$ 468,002                                    | 100.0                           | \$ 156,629       | 33.5        |

|                    | Three<br>Months<br>Ended<br>April 30,<br>2011 | % of<br>Segment<br>Shipments | Three<br>Months<br>Ended<br>April 30,<br>2010 | % of<br>Segment<br>Shipments | Change<br>Amount | %<br>Change |
|--------------------|-----------------------------------------------|------------------------------|-----------------------------------------------|------------------------------|------------------|-------------|
| <b># OF UNITS:</b> |                                               |                              |                                               |                              |                  |             |
| Towables           |                                               |                              |                                               |                              |                  |             |
| Travel Trailers    | 15,795                                        | 62.4                         | 13,810                                        | 65.8                         | 1,985            | 14.4        |
| Fifth Wheels       | 9,309                                         | 36.8                         | 6,805                                         | 32.5                         | 2,504            | 36.8        |
| Other              | 198                                           | 0.8                          | 363                                           | 1.7                          | (165)            | (45.5)      |
| Total Towables     | 25,302                                        | 100.0                        | 20,978                                        | 100.0                        | 4,324            | 20.6        |

%  
Increase  
/(Decrease)

**Impact Of Change In Price On Net Sales:**

|                 |       |
|-----------------|-------|
| Towables        |       |
| Travel Trailers | 6.3   |
| Fifth Wheels    | 15.7  |
| Other           | (2.9) |
| Total Towables  | 12.9  |

The increase in towable net sales of 33.5% compared to the prior year quarter resulted from a 20.6% increase in unit shipments and a 12.9% increase in the impact of the change in the net price per unit. Recently acquired Heartland accounted for \$126,727 of the \$156,629 increase in total towable net sales and for 4,775 of the 4,324 increase in total towable unit sales.

As the industry continues to stabilize, current customer preference in the fifth wheel and travel trailer markets is trending toward higher priced units with additional features and upgrades compared to a year ago. In addition, we took price increases averaging 2% in most of our towable products during the quarter ended April 30, 2011. These increases were partially offset by increased discounting due to competitor and dealer pressures, which effectively

reduces the net sales price per unit. The Other market in our towables segment relates primarily to the park model industry.

The overall industry increase in wholesale unit shipments of towables for February, March and April 2011 compared to the same period last year was 6.1% according to statistics published by the Recreation Vehicle Industry Association.

Cost of products sold increased \$139,882 to \$536,441 or 85.9% of towable net sales for the three months ended April 30, 2011 compared to \$396,559 or 84.7% of towable net sales for the three months ended April 30, 2010. The change in material, labor, freight-out and warranty comprised \$131,282 of the \$139,882 increase in cost of products sold due to increased sales volume. Material, labor, freight-out and warranty as a percentage of towable net sales was 80.3% for the three months ended April 30, 2011 and 79.1% for the three months ended April 30, 2010.

This increase as a percentage of towable net sales is partially due to an increase in discounting, which effectively decreases net sales per unit and therefore increases the material cost percentage to net sales. Product mix and increases in material costs have also increased the material cost percentage to sales. Total manufacturing overhead as a percentage of towable net sales remained the same at 5.6%.

Towable gross profit increased \$16,747 to \$88,190 or 14.1% of towable net sales for the three months ended April 30, 2011 compared to \$71,443 or 15.3% of towable net sales for the three months ended April 30, 2010. The decrease as a percentage of net sales is due to increased discounts from unit list prices and increases in cost of products sold as a percentage of net sales as discussed above.

Selling, general and administrative expenses were \$31,487 or 5.0% of towable net sales for the three months ended April 30, 2011 compared to \$25,524 or 5.5% of towable net sales for the three months ended April 30, 2010. The primary reason for the \$5,963 increase in selling, general and administrative expenses was increased towable net sales, which caused related commissions and other compensation to increase by \$3,648. Sales related travel, advertising and promotional costs also increased \$705 in correlation with the increase in sales, and litigation related fees increased \$1,579.

Towable income before income taxes decreased to 8.7% of towable net sales for the three months ended April 30, 2011 from 9.6% of towable net sales for the three months ended April 30, 2010. The primary factors in this decrease in percentage were the increased discounting, the product cost increases and the increases in selling, general and administrative expenses noted above.

#### **MOTORIZED RECREATION VEHICLES**

Analysis of change in net sales for the three months ended April 30, 2011 vs. the three months ended April 30, 2010:

|                   | <b>Three<br/>Months<br/>Ended<br/>April 30,<br/>2011</b> | <b>% of<br/>Segment<br/>Net<br/>Sales</b> | <b>Three<br/>Months<br/>Ended<br/>April 30,<br/>2010</b> | <b>% of<br/>Segment<br/>Net<br/>Sales</b> | <b>Change<br/><br/>Amount</b> | <b>%<br/><br/>Change</b> |
|-------------------|----------------------------------------------------------|-------------------------------------------|----------------------------------------------------------|-------------------------------------------|-------------------------------|--------------------------|
| <b>NET SALES:</b> |                                                          |                                           |                                                          |                                           |                               |                          |
| Motorized         |                                                          |                                           |                                                          |                                           |                               |                          |
| Class A           | \$ 58,994                                                | 49.9                                      | \$ 48,925                                                | 53.7                                      | \$ 10,069                     | 20.6                     |
| Class C           | 53,163                                                   | 45.0                                      | 38,368                                                   | 42.1                                      | 14,795                        | 38.6                     |
| Class B           | 6,009                                                    | 5.1                                       | 3,871                                                    | 4.2                                       | 2,138                         | 55.2                     |
| Total Motorized   | \$ 118,166                                               | 100.0                                     | \$ 91,164                                                | 100.0                                     | \$ 27,002                     | 29.6                     |

|                    | <b>Three<br/>Months<br/>Ended<br/>April 30,<br/>2011</b> | <b>% of<br/>Segment<br/><br/>Shipments</b> | <b>Three<br/>Months<br/>Ended<br/>April 30,<br/>2010</b> | <b>% of<br/>Segment<br/><br/>Shipments</b> | <b>Change<br/><br/>Amount</b> | <b>%<br/><br/>Change</b> |
|--------------------|----------------------------------------------------------|--------------------------------------------|----------------------------------------------------------|--------------------------------------------|-------------------------------|--------------------------|
| <b># OF UNITS:</b> |                                                          |                                            |                                                          |                                            |                               |                          |
| Motorized          |                                                          |                                            |                                                          |                                            |                               |                          |
| Class A            | 649                                                      | 37.2                                       | 499                                                      | 39.0                                       | 150                           | 30.1                     |
| Class C            | 1,028                                                    | 59.0                                       | 731                                                      | 57.2                                       | 297                           | 40.6                     |
| Class B            | 66                                                       | 3.8                                        | 48                                                       | 3.8                                        | 18                            | 37.5                     |
| Total Motorized    | 1,743                                                    | 100.0                                      | 1,278                                                    | 100.0                                      | 465                           | 36.4                     |



%

**Increase/(Decrease)**

**Impact of Change In Price On Net Sales:**

|                 |       |
|-----------------|-------|
| Motorized       |       |
| Class A         | (9.5) |
| Class C         | (2.0) |
| Class B         | 17.7  |
| Total Motorized | (6.8) |

The increase in motorized net sales of 29.6% compared to the prior year quarter resulted from a 36.4% increase in unit shipments and a 6.8% decrease in the impact of the change in the net price per unit, resulting primarily from mix of product and increased discounting. The overall market increase in unit shipments of motorhomes was 13.2% for the three month period ended April 30, 2011 compared to the same period last year according to statistics published by the Recreation Vehicle Industry Association.

The overall impact of the change in the net price per motorized unit was a decrease of 6.8%. The decrease in the net price per unit within the Class A product line is primarily due to increased demand for the more moderately priced gas units as compared to the generally larger and more expensive diesel units. Within the Class C product line, demand is currently trending toward the lower to more moderately priced units. In addition, due to current competitor and dealer pressures, discounting in both product lines has increased as well, which also effectively lowers unit sales prices.

Within the Class B product line, the increase in the net price per unit is due to a greater concentration of higher priced models in the current year, as certain lower priced products are no longer offered this year.

Cost of products sold increased \$23,305 to \$106,336 or 90.0% of motorized net sales for the three months ended April 30, 2011 compared to \$83,031 or 91.1% of motorized net sales for the three months ended April 30, 2010. The change in material, labor, freight-out and warranty comprised \$22,130 of the \$23,305 increase due to increased sales volume. Material, labor, freight-out and warranty as a combined percentage of motorized net sales decreased to 84.9% from 85.8% primarily due to more favorable warranty experience. Total manufacturing overhead as a percentage of motorized net sales decreased to 5.1% from 5.3% due to the increase in unit production resulting in higher absorption of fixed overhead costs. Total manufacturing overhead increased \$1,175 due primarily to indirect labor increases to support the increase in sales.

Motorized gross profit increased \$3,697 to \$11,830 or 10.0% of motorized net sales for the three months ended April 30, 2011 compared to \$8,133 or 8.9% of motorized net sales for the three months ended April 30, 2010. The increase in gross profit was due primarily to the 36.4% increase in unit sales volume.

Selling, general and administrative expenses were \$5,926 or 5.0% of motorized net sales for the three months ended April 30, 2011 compared to \$4,476 or 4.9% of motorized net sales for the three months ended April 30, 2010. The primary reasons for the \$1,450 increase in selling, general and administrative expenses were increased motorized net sales and income before income taxes, which caused related commissions, bonuses and other compensation to increase by \$1,551.

Motorized income before income taxes was 5.0% of motorized net sales for the three months ended April 30, 2011 and 4.0% of motorized net sales for the three months ended April 30, 2010. The primary factor for this increase was the improved gross profit on increased motorized net sales.

**BUSES**

Analysis of change in net sales for the three months ended April 30, 2011 vs. the three months ended April 30, 2010:

|                                               | <b>Three<br/>Months<br/>Ended<br/>April 30,<br/>2011</b> | <b>Three<br/>Months<br/>Ended<br/>April 30,<br/>2010</b> | <b>Change<br/><br/>Amount</b> | <b>%<br/>Change</b> |
|-----------------------------------------------|----------------------------------------------------------|----------------------------------------------------------|-------------------------------|---------------------|
| Net Sales                                     | \$ 109,262                                               | \$ 121,026                                               | (11,764)                      | (9.7)               |
| # of Units                                    | 1,629                                                    | 1,596                                                    | 33                            | 2.1                 |
| <b>Impact of Change in Price on Net Sales</b> |                                                          |                                                          |                               | (11.8)              |

The decrease in buses net sales of 9.7% compared to the prior year quarter resulted from a 2.1% increase in unit shipments and an 11.8% decrease in the impact of the change in the net price per unit. The decrease in the impact of the change in the net price per unit is primarily driven by product mix, reflecting the current trend in the bus market toward lower priced units corresponding with the current reduction in the availability of federal stimulus money that was prevalent during the prior year period. In addition, the current competitive pricing environment led to an increase in discounting.

Cost of products sold decreased \$7,305 to \$100,798 or 92.3% of buses net sales for the three months ended April 30, 2011 compared to \$108,103 or 89.3% of buses net sales for the three months ended April 30, 2010. The decrease in material, labor, freight-out and warranty from reduced sales volume represents \$7,838 of the \$7,305 decrease in cost of products sold. Material, labor, freight-out and warranty as a percentage of buses net sales increased to 84.1% from 82.3% compared to the prior year period. This increase in percentage was due primarily to the higher concentration of lower priced, lower margin units noted above and higher warranty costs. Total manufacturing overhead increased \$533, primarily due to increased indirect labor and employee health insurance costs, which, along with the sales volume decrease, caused manufacturing overhead to increase to 8.2% from 7.0% as a percentage of buses net sales. Buses gross profit decreased \$4,459 to \$8,464 or 7.7% of buses net sales for the three months ended April 30, 2011 compared to \$12,923 or 10.7% of buses net sales for the three months ended April 30, 2010. The decrease was mainly due to the impact of the changes in selling prices, discounting and cost of products noted above.

Selling, general and administrative expenses were \$4,410 or 4.0% of buses net sales for the three months ended April 30, 2011 compared to \$5,954 or 4.9% of buses net sales for the three months ended April 30, 2010. The primary reasons for the \$1,544 decrease in selling, general and administrative expenses were the decreases in buses net sales and income before income taxes, which caused related commissions, bonuses and other compensation to decrease by \$1,034. Professional fees also decreased by \$263.

Buses income before income taxes was 4.1% of buses net sales for the three months ended April 30, 2011 compared to 7.6% of buses net sales for the three months ended April 30, 2010. This decrease is primarily due to the decrease in buses net sales and corresponding gross profit and the higher concentration of lower margin units, as well as the \$1,430 trademark impairment charge included in the results for the three months ended April 30, 2011.

**Nine Months Ended April 30, 2011 vs. Nine Months Ended April 30, 2010**

|                           | <b>Nine Months<br/>Ended<br/>April 30, 2011</b> | <b>Nine Months<br/>Ended<br/>April 30, 2010</b> | <b>Change<br/>Amount</b> | <b>%<br/>Change</b> |
|---------------------------|-------------------------------------------------|-------------------------------------------------|--------------------------|---------------------|
| <b>NET SALES:</b>         |                                                 |                                                 |                          |                     |
| Recreation Vehicles       |                                                 |                                                 |                          |                     |
| Towables                  | \$ 1,411,882                                    | \$ 1,090,842                                    | \$ 321,040               | 29.4                |
| Motorized                 | 274,589                                         | 194,049                                         | 80,540                   | 41.5                |
| Total Recreation Vehicles | 1,686,471                                       | 1,284,891                                       | 401,580                  | 31.3                |
| Buses                     | 298,499                                         | 327,878                                         | (29,379)                 | (9.0)               |
| Total                     | \$ 1,984,970                                    | \$ 1,612,769                                    | \$ 372,201               | 23.1                |

**# OF UNITS:**

|                           |        |        |        |       |
|---------------------------|--------|--------|--------|-------|
| Recreation Vehicles       |        |        |        |       |
| Towables                  | 58,683 | 49,063 | 9,620  | 19.6  |
| Motorized                 | 3,731  | 2,569  | 1,162  | 45.2  |
| Total Recreation Vehicles | 62,414 | 51,632 | 10,782 | 20.9  |
| Buses                     | 4,571  | 4,589  | (18)   | (0.4) |
| Total                     | 66,985 | 56,221 | 10,764 | 19.1  |

|                           | % of<br>Segment<br>Net<br>Sales |      | % of<br>Segment<br>Net<br>Sales |      | Change<br>Amount | %<br>Change |
|---------------------------|---------------------------------|------|---------------------------------|------|------------------|-------------|
| <b>GROSS PROFIT:</b>      |                                 |      |                                 |      |                  |             |
| Recreation Vehicles       |                                 |      |                                 |      |                  |             |
| Towables                  | \$ 180,162                      | 12.8 | \$ 159,178                      | 14.6 | \$ 20,984        | 13.2        |
| Motorized                 | 26,844                          | 9.8  | 16,272                          | 8.4  | 10,572           | 65.0        |
| Total Recreation Vehicles | 207,006                         | 12.3 | 175,450                         | 13.7 | 31,556           | 18.0        |
| Buses                     | 25,699                          | 8.6  | 36,816                          | 11.2 | (11,117)         | (30.2)      |
| Total                     | \$ 232,705                      | 11.7 | \$ 212,266                      | 13.2 | \$ 20,439        | 9.6         |

**SELLING, GENERAL AND ADMINISTRATIVE EXPENSES:**

|                           |           |     |           |     |           |       |
|---------------------------|-----------|-----|-----------|-----|-----------|-------|
| Recreation Vehicles       |           |     |           |     |           |       |
| Towables                  | \$ 77,463 | 5.5 | \$ 64,423 | 5.9 | \$ 13,040 | 20.2  |
| Motorized                 | 15,680    | 5.7 | 11,172    | 5.8 | 4,508     | 40.4  |
| Total Recreation Vehicles | 93,143    | 5.5 | 75,595    | 5.9 | 17,548    | 23.2  |
| Buses                     | 13,966    | 4.7 | 15,095    | 4.6 | (1,129)   | (7.5) |

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|           |            |     |            |     |           |      |
|-----------|------------|-----|------------|-----|-----------|------|
| Corporate | 28,910     |     | 17,988     |     | 10,922    | 60.7 |
| Total     | \$ 136,019 | 6.9 | \$ 108,678 | 6.7 | \$ 27,341 | 25.2 |

**INCOME (LOSS) BEFORE INCOME TAXES:**

|                           |           |     |            |     |             |        |
|---------------------------|-----------|-----|------------|-----|-------------|--------|
| Recreation Vehicles       |           |     |            |     |             |        |
| Towables                  | \$ 96,039 | 6.8 | \$ 93,397  | 8.6 | \$ 2,642    | 2.8    |
| Motorized                 | 9,125     | 3.3 | 5,056      | 2.6 | 4,069       | 80.5   |
| Total Recreation Vehicles | 105,164   | 6.2 | 98,453     | 7.7 | 6,711       | 6.8    |
| Buses                     | 17,683    | 5.9 | 23,755     | 7.2 | (6,072)     | (25.6) |
| Corporate                 | (24,362)  |     | (13,497)   |     | (10,865)    | (80.5) |
| Total                     | \$ 98,485 | 5.0 | \$ 108,711 | 6.7 | \$ (10,226) | (9.4)  |

**CONSOLIDATED**

Consolidated net sales and consolidated gross profit for the nine months ended April 30, 2011 increased \$372,201 or 23.1% and \$20,439 or 9.6%, respectively, compared to the nine months ended April 30, 2010. Recently acquired Heartland accounted for \$260,758 of the \$372,201 increase in consolidated net sales.

Consolidated gross profit was 11.7% of consolidated net sales for the nine months ended April 30, 2011 compared to 13.2% of consolidated net sales for the nine months ended April 30, 2010. This 1.5% decrease in gross profit percentage was driven primarily by increased discounting within the recreation vehicle segments. Dealer inventories have been restocked to appropriate levels, and as a result dealer and competitor pressures have necessitated greater discounting to secure sales. In addition, product mix in the buses segment shifted toward the more moderately priced, lower gross profit units.

Selling, general and administrative expenses for the nine months ended April 30, 2011 increased \$27,341, or 25.2%, compared to the nine months ended April 30, 2010. Income before income taxes for the nine months ended April 30, 2011 was \$98,485 as compared to \$108,711 for the nine months ended April 30, 2010, a decrease of 9.4%. 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 increased \$10,922 to \$28,910 for the nine months ended April 30, 2011 compared to \$17,988 for the nine months ended April 30, 2010. Of this increase, \$5,505 is attributable to legal and professional fees in connection with the Heartland acquisition and costs associated with the resolution of the SEC matter described elsewhere in this report. Stock option compensation expense increased \$1,963, deferred compensation plan expense increased \$1,527 and group insurance expense increased \$1,434. Additionally, salary and bonus costs increased \$684.

Corporate interest income and other income was \$4,548 for the nine months ended April 30, 2011 compared to \$4,491 for the nine months ended April 30, 2010, a nominal increase of \$57.

The overall effective income tax rate for the nine months ended April 30, 2011 was 29.6% compared with 36.1% for the nine months ended April 30, 2010. The primary reasons for the decrease in the overall effective income tax rate are increased benefits related to the favorable settlement of certain uncertain tax benefits, the retroactive reinstatement of the Federal research and development credit enacted on December 17, 2010, July 31, 2010 return to provision adjustments primarily related to tax credits and state taxes, income tax credits, and an overall reduction in the Company's state blended tax rate for the nine months ended April 30, 2011 compared to the nine months ended April 30, 2010.

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

Analysis of change in net sales for the nine months ended April 30, 2011 vs. the nine months ended April 30, 2010:

|                   | <b>Nine Months<br/>Ended<br/>April 30,<br/>2011</b> | <b>% of<br/>Segment<br/>Net<br/>Sales</b> | <b>Nine Months<br/>Ended<br/>April 30,<br/>2010</b> | <b>% of<br/>Segment<br/>Net<br/>Sales</b> | <b>Change<br/>Amount</b> | <b>%<br/>Change</b> |
|-------------------|-----------------------------------------------------|-------------------------------------------|-----------------------------------------------------|-------------------------------------------|--------------------------|---------------------|
| <b>NET SALES:</b> |                                                     |                                           |                                                     |                                           |                          |                     |
| Towables          |                                                     |                                           |                                                     |                                           |                          |                     |
| Travel Trailers   | \$ 653,175                                          | 46.3                                      | \$ 560,216                                          | 51.3                                      | \$ 92,959                | 16.6                |
| Fifth Wheels      | 743,925                                             | 52.7                                      | 507,105                                             | 46.5                                      | 236,820                  | 46.7                |
| Other             | 14,782                                              | 1.0                                       | 23,521                                              | 2.2                                       | (8,739)                  | (37.2)              |
| Total Towables    | \$ 1,411,882                                        | 100.0                                     | \$ 1,090,842                                        | 100.0                                     | \$ 321,040               | 29.4                |

|                    | <b>Nine Months<br/>Ended<br/>April 30,<br/>2011</b> | <b>% of<br/>Segment<br/>Shipments</b> | <b>Nine Months<br/>Ended<br/>April 30,<br/>2010</b> | <b>% of<br/>Segment<br/>Shipments</b> | <b>Change<br/>Amount</b> | <b>%<br/>Change</b> |
|--------------------|-----------------------------------------------------|---------------------------------------|-----------------------------------------------------|---------------------------------------|--------------------------|---------------------|
| <b># OF UNITS:</b> |                                                     |                                       |                                                     |                                       |                          |                     |
| Towables           |                                                     |                                       |                                                     |                                       |                          |                     |
| Travel Trailers    | 35,983                                              | 61.3                                  | 31,989                                              | 65.2                                  | 3,994                    | 12.5                |
| Fifth Wheels       | 22,211                                              | 37.8                                  | 16,349                                              | 33.3                                  | 5,862                    | 35.9                |
| Other              | 489                                                 | 0.9                                   | 725                                                 | 1.5                                   | (236)                    | (32.6)              |
| Total Towables     | 58,683                                              | 100.0                                 | 49,063                                              | 100.0                                 | 9,620                    | 19.6                |

%  
Increase/(Decrease)

**Impact Of Change In Price On Net Sales:**

|                 |       |
|-----------------|-------|
| Towables        |       |
| Travel Trailers | 4.1   |
| Fifth Wheels    | 10.8  |
| Other           | (4.6) |
| Total Towables  | 9.8   |

The increase in towable net sales of 29.4% compared to the prior year period resulted from a 19.6% increase in unit shipments and a 9.8% increase in the impact of the change in the net price per unit. Recently acquired Heartland accounted for \$260,758 of the \$321,040 increase in total towable net sales and for 9,783 of the 9,620 increase in total towable unit sales.

As the industry continues to stabilize, customer preference in the fifth wheel and travel trailer markets has been toward higher priced units with additional features and upgrades compared to the same period from a year ago. This trend was partially offset by increased discounting, which effectively reduces the net sales price per unit. The Other market in our towable segment relates primarily to the park model industry, which has not fully recovered from the depressed market conditions of the past few years. As a result, more lower priced units were sold and at greater discounts than during the corresponding period from last year, resulting in the 4.6% reduction in net price per unit.

The overall industry increase in wholesale unit shipments of towables for August 2010 through April 2011 compared to the same period last year was 6.1% according to statistics published by the Recreation Vehicle Industry Association.

Cost of products sold increased \$300,056 to \$1,231,720 or 87.2% of towable net sales for the nine months ended April 30, 2011 compared to \$931,664 or 85.4% of towable net sales for the nine months ended April 30, 2010. The change in material, labor, freight-out and warranty comprised \$283,281 of the \$300,056 increase in cost of products sold due to increased sales volume. Material, labor, freight-out and warranty as a percentage of towable net sales was 81.1% for the nine months ended April 30, 2011 and 79.1% for the nine months ended April 30, 2010. This increase as a percentage of towable net sales is partially due to an increase in discounting, which effectively decreases net sales per unit and therefore increases the material percentage to net sales. Product mix and increases in material costs have also contributed to this percentage increase. Total manufacturing overhead as a percentage of towable net sales decreased from 6.3% to 6.1% due to the increase in production resulting in increased absorption of fixed overhead costs.

Towable gross profit increased \$20,984 to \$180,162 or 12.8% of towable net sales for the nine months ended April 30, 2011 compared to \$159,178 or 14.6% of towable net sales for the nine months ended April 30, 2010. The increase was primarily due to increased sales; however, the percentage to net sales decreased due to increased discounting in response to the current competitive market conditions and changes in the costs of products as a percentage of towable net sales as discussed above.

Selling, general and administrative expenses were \$77,463 or 5.5% of towable net sales for the nine months ended April 30, 2011 compared to \$64,423 or 5.9% of towable net sales for the nine months ended April 30, 2010. The primary reason for the \$13,040 increase in selling, general and administrative expenses was increased towable net sales, which caused related commissions and other compensation to increase by \$8,390. Sales related travel, advertising and promotion costs also increased \$3,223 in correlation with the increase in sales. Professional fees and legal expenses also increased \$2,065 including litigation related costs.

Towable income before income taxes decreased to 6.8% of towable net sales for the nine months ended April 30, 2011 from 8.6% of towable net sales for the nine months ended April 30, 2010. The primary reasons for this decrease were the increased discounting and cost of product increases noted above.

**MOTORIZED RECREATION VEHICLES**

Analysis of change in net sales for the nine months ended April 30, 2011 vs. the nine months ended April 30, 2010:

|                   | Nine Months Ended April 30, 2011 | % of Segment Net Sales | Nine Months Ended April 30, 2010 | % of Segment Net Sales | Change Amount | % Change |
|-------------------|----------------------------------|------------------------|----------------------------------|------------------------|---------------|----------|
| <b>NET SALES:</b> |                                  |                        |                                  |                        |               |          |
| Motorized         |                                  |                        |                                  |                        |               |          |
| Class A           | \$ 166,953                       | 60.8                   | \$ 115,163                       | 59.3                   | \$ 51,790     | 45.0     |
| Class C           | 91,540                           | 33.3                   | 67,467                           | 34.8                   | 24,073        | 35.7     |
| Class B           | 16,096                           | 5.9                    | 11,419                           | 5.9                    | 4,677         | 41.0     |
| Total Motorized   | \$ 274,589                       | 100.0                  | \$ 194,049                       | 100.0                  | \$ 80,540     | 41.5     |

|                    | Nine Months Ended April 30, 2011 | % of Segment Shipments | Nine Months Ended April 30, 2010 | % of Segment Shipments | Change Amount | % Change |
|--------------------|----------------------------------|------------------------|----------------------------------|------------------------|---------------|----------|
| <b># OF UNITS:</b> |                                  |                        |                                  |                        |               |          |
| Motorized          |                                  |                        |                                  |                        |               |          |
| Class A            | 1,819                            | 48.8                   | 1,184                            | 46.1                   | 635           | 53.6     |
| Class C            | 1,734                            | 46.5                   | 1,239                            | 48.2                   | 495           | 40.0     |
| Class B            | 178                              | 4.7                    | 146                              | 5.7                    | 32            | 21.9     |
| Total Motorized    | 3,731                            | 100.0                  | 2,569                            | 100.0                  | 1,162         | 45.2     |

%  
Increase/(Decrease)

**Impact of Change In Price On Net Sales:**

|                 |       |
|-----------------|-------|
| Motorized       |       |
| Class A         | (8.6) |
| Class C         | (4.3) |
| Class B         | 19.1  |
| Total Motorized | (3.7) |

The increase in motorized net sales of 41.5% compared to the prior year period resulted from a 45.2% increase in unit shipments and a 3.7% decrease in the impact of the change in the net price per unit resulting primarily from mix of product and increased discounting. The overall market increase in unit shipments of motorhomes was 30.0% for the nine month period of August 2010 through April 2011 compared to the prior year period according to statistics published by the Recreation Vehicle Industry Association.

The overall impact of the change in the net price per motorized unit was a decrease of 3.7%. The decrease in the net price per unit within the Class A product line is primarily due to increased demand for the more moderately priced gas units as compared to the generally larger and more expensive diesel units. Within the Class C product line, customer demand is currently trending toward the lower to more moderately priced units. In addition, due to current competitor and dealer pressures, discounting in both product lines has increased as well, which also effectively lowers unit sales prices. Within the Class B product line, the increase in the net price per unit is due to a greater concentration of higher

priced models in the current year, as certain lower priced products are no longer offered this year.

Cost of products sold increased \$69,968 to \$247,745 or 90.2% of motorized net sales for the nine months ended April 30, 2011 compared to \$177,777 or 91.6% of motorized net sales for the nine months ended April 30, 2010. The change in material, labor, freight-out and warranty comprised \$67,539 of the \$69,968 increase in cost of products sold due to increased sales volume.

Material, labor, freight-out and warranty as a percentage of motorized net sales remained relatively consistent at 84.6% from 84.9% for the prior year period. Total manufacturing overhead as a percentage of motorized net sales decreased to 5.6% from 6.7% due to the increase in unit production resulting in higher absorption of fixed wages and overhead costs and due to resulting benefits of ongoing cost reduction initiatives.

Motorized gross profit increased \$10,572 to \$26,844 or 9.8% of motorized net sales for the nine months ended April 30, 2011 compared to a gross profit of \$16,272 or 8.4% of motorized net sales for the nine months ended April 30, 2010. The increase in margin was due to the significant 41.5% increase in sales and the reduction in cost of products sold as a percentage of net sales discussed above.

Selling, general and administrative expenses were \$15,680 or 5.7% of motorized net sales for the nine months ended April 30, 2011 compared to \$11,172 or 5.8% of motorized net sales for the nine months ended April 30, 2010. The increase of \$4,508 was primarily due to increased motorized net sales and increased income before income taxes, which caused related commissions, bonuses and other compensation to increase by \$4,385.

Motorized income before income taxes was 3.3% of motorized net sales for the nine months ended April 30, 2011 and 2.6% of motorized net sales for the nine months ended April 30, 2010. The primary factors for this increase were the improved gross profit on increased motorized net sales combined with the cost percentage reduction in manufacturing overhead described above. These improvements were partially offset by a \$2,036 trademark impairment charge included in the results for the nine months ended April 30, 2011.

## **BUSES**

Analysis of change in net sales for the nine months ended April 30, 2011 vs. the nine months ended April 30, 2010:

|                                               | <b>Nine Months<br/>Ended<br/>April 30, 2011</b> | <b>Nine Months<br/>Ended<br/>April 30, 2010</b> | <b>Change<br/>Amount</b> | <b>%<br/>Change</b> |
|-----------------------------------------------|-------------------------------------------------|-------------------------------------------------|--------------------------|---------------------|
| Net Sales                                     | \$ 298,499                                      | \$ 327,878                                      | \$(29,379)               | (9.0)               |
| # of Units                                    | 4,571                                           | 4,589                                           | (18)                     | (0.4)               |
| <b>Impact of Change in Price on Net Sales</b> |                                                 |                                                 |                          | <b>(8.6)</b>        |

The decrease in buses net sales of 9.0% compared to the prior year period resulted from a 0.4% decrease in unit shipments and an 8.6% decrease in the impact of the change in the net price per unit. The decrease in the impact of the change in the net price per unit is primarily driven by the current trend toward more moderately priced units, partially attributable to federal stimulus money not being as readily available as it was for the corresponding period of the prior year.

Cost of products sold decreased \$18,262 to \$272,800 or 91.4% of buses net sales for the nine months ended April 30, 2011 compared to \$291,062 or 88.8% of buses net sales for the nine months ended April 30, 2010. The decrease in material, labor, freight-out and warranty due to the sales decrease represents \$22,390 of the \$18,262 decrease in cost of products sold. Material, labor, freight-out and warranty as a percentage of buses net sales increased slightly to 82.5% from 82.0%, primarily due to increased warranty costs. Total manufacturing overhead increased \$4,128, primarily due to increased indirect labor and employee health insurance costs, which in conjunction with the sales decrease caused manufacturing overhead to increase to 8.9% from 6.8% as a percentage of buses net sales.

Buses gross profit decreased \$11,117 to \$25,699 or 8.6% of buses net sales for the nine months ended April 30, 2011 compared to \$36,816 or 11.2% of buses net sales for the nine months ended April 30, 2010. The decrease was due to the reduction in sales and increase in manufacturing overhead as noted above.

Selling, general and administrative expenses were \$13,966 or 4.7% of buses net sales for the nine months ended April 30, 2011 compared to \$15,095 or 4.6% of buses net sales for the nine months ended April 30, 2010.

The primary reason for the \$1,129 decrease in selling, general and administrative expenses was a reduction in net income before income taxes, which caused related bonuses to decrease by \$1,275.

Buses income before income taxes was 5.9% of buses net sales for the nine months ended April 30, 2011 compared to 7.2% of buses net sales for the nine months ended April 30, 2010. The percentage decrease of 1.3% was primarily due to the decrease in gross profit as a percentage of net sales noted above, and the trademark impairment charge of \$1,430 taken in the three month period ended April 30, 2011. These decreases were partially offset by the favorable impact of the increase in the gain on involuntary conversion of \$6,368 relating to the fire at our Champion/General Coach America bus north production facility for the nine months ended April 30, 2011.

#### **Financial Condition and Liquidity**

As of April 30, 2011, we had \$59,247 in cash and cash equivalents compared to \$247,751 at July 31, 2010.

Long-term investments net of temporary impairments totaled \$2,982 as of April 30, 2011 and \$5,327 as of July 31, 2010. These investments were comprised of auction rate securities, or ARS. In the nine months ended April 30, 2011, \$2,600 of our ARS were redeemed at par. See Note 8 to our Condensed Consolidated Financial Statements contained elsewhere in this report for a description of developments related to our investments in ARS.

Working capital at April 30, 2011 was \$305,117 compared to \$345,006 at July 31, 2010. We have no long-term debt. Capital expenditures of \$28,825 for the nine months ended April 30, 2011 were made primarily for the purchase of land, building and building improvements and to replace machinery and equipment used in the ordinary course of business.

The Company anticipates additional capital expenditures in fiscal 2011 of approximately \$8,000. These expenditures will be made primarily for expanding our recreation vehicle facilities and replacing and upgrading machinery and equipment and other assets to be used in the ordinary course of business. Anticipated capital expenditures will be funded by operations and/or cash on hand.

#### ***Operating Activities***

Net cash used in operating activities for the nine months ended April 30, 2011 was \$49,787 as compared to \$1,186 for the nine months ended April 30, 2010. The combination of net income and non-cash items (primarily depreciation, amortization, trademark impairment and gain on involuntary conversion of assets) provided \$90,707 of operating cash compared to \$74,804 in the prior year period. However, this cash inflow of \$90,707 was more than offset by the increase in inventories and accounts receivable and by tax payments made in the nine month period ended April 30, 2011.

#### ***Investing Activities***

Net cash used in investing activities of \$123,536 for the nine months ended April 30, 2011 was primarily due to the cash consideration paid of \$99,562 for the acquisition of Heartland and its parent company on September 16, 2010 and capital expenditures of \$28,825. During the nine months ended April 30, 2010, net cash provided by investing activities of \$14,100 was primarily due to ARS redemptions of \$44,200 at par and \$4,958 of proceeds from the disposition of assets, offset by the issuance of a \$10,000 note receivable, \$19,756 used to acquire SJC, and \$8,210 of capital spending, \$4,008 of which was for the purchase of land and buildings to expand our towable operations in Oregon.

#### ***Financing Activities***

Net cash used in financing activities of \$15,181 for the nine months ended April 30, 2011 primarily represented dividend payments. The Company increased its regular quarterly dividend of \$0.07 per share to \$0.10 per share starting in October 2010. During the nine months ended April 30, 2010, net cash used in financing activities of \$154,210 was related to the repurchase of 3,980,000 shares of common stock of the Company for \$115,420 and for dividend payments.

See Note 7 to our Condensed Consolidated Financial Statements contained elsewhere in this report for a description of the share repurchase transaction. The Company paid a regular quarterly \$0.07 per share dividend in each of the first three quarters of fiscal 2010 and a special \$0.50 per share dividend in October 2009, the combination of which totaled \$38,806.

### **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*

At least annually, we review the carrying amount 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 amount of a long-lived asset is considered impaired, an impairment charge is recorded for the amount by which the carrying amount 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. The liability for workers' compensation claims is determined by the Company with the assistance of a third party administrator and actuary using various state statutes and historical claims experience. Group medical reserves are estimated using historical claims experience. We have a self-insured retention (SIR) for product 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. Amounts above the SIR, up to a certain dollar amount, are covered by our excess insurance policy. 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 for product liability and personal injury matters. Any material change in the aforementioned factors could have an adverse impact on our operating results.

#### *Product Warranties*

We generally provide customers of our products with a one-year warranty covering defects in material or workmanship, 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 ASC 740, *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. Fluctuations in the actual outcome of these future tax consequences could materially impact the Company's financial position or its results of operations.

We recognize liabilities for uncertain tax positions based on a two-step process. 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 re-evaluate 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.

Significant judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities and valuation allowances recorded against our deferred tax assets, if any. Valuation allowances must be considered due to the uncertainty of realizing deferred tax assets. ASC 740 requires that companies assess whether valuation allowances should be established against their deferred tax assets on a tax jurisdictional basis based on the consideration of all available evidence, using a more likely than not standard. We have evaluated the sustainability of our deferred tax assets on our consolidated balance sheet which includes the assessment of the cumulative income over recent prior periods. As of April 30, 2011, based on ASC guidelines, we determined a valuation allowance was not required to be recorded against deferred income tax assets in any of the tax jurisdictions in which we currently operate.

#### *Revenue Recognition*

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

- 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 credit sales upon shipment and COD sales upon payment and delivery. Most sales are made by dealers financing their purchases under financing 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*

We are contingently liable under terms of repurchase agreements with financial institutions providing inventory financing for certain dealers of certain of our products. These arrangements, which are customary in the industry, provide for the repurchase of products sold to dealers in the event of default by the dealer. The repurchase price is generally determined by the original sales price of the product and pre-defined curtailment arrangements and we typically resell the repurchased product at a discount from its repurchase price. We account for the guarantee under our repurchase agreements of our dealers' financing by estimating and deferring a portion of the related product sale that represents the estimated fair value of the repurchase obligation. This deferred amount is included in our repurchase and guarantee reserve. Additionally, the repurchase and guarantee reserve includes our estimated loss upon resale of expected repurchases. This estimate is based on recent historical experience supplemented by management's assessment of current economic and other conditions affecting its dealers.

Our risk of loss under these repurchase agreements is reduced because (a) we sell our products to a large number of dealers under these arrangements, (b) the repurchase price we are obligated to pay declines over the period of the agreements (generally up to eighteen months) while the value of the related product may not decline ratably and (c) we have historically been able to readily resell any repurchased product. We believe that any future losses under these agreements will not have a significant effect on the Company's consolidated financial position or results of operations.

#### **Accounting Pronouncements**

In June 2009, the Financial Accounting Standards Board, ( FASB ), issued SFAS No. 167, Amendments to FASB Interpretation No. 46(R) ( SFAS 167 ). SFAS 167 amends ASC 810 (formerly FASB Interpretation No. 46(R)) by adding previously considered qualifying special purpose entities (the concept of these entities was eliminated by SFAS No. 166). In addition, companies must perform an analysis to determine whether the company's variable interest or interests give it a controlling financial interest in a variable interest entity. Companies must also reassess on an ongoing basis whether the company is the primary beneficiary of a variable interest entity. The amendments to ASC 810 are effective for fiscal years beginning after November 15, 2009. The Company adopted the amendments effective August 1, 2010. The adoption of the amendments did not have any impact on our financial statements. In July 2010, the FASB issued Accounting Standards Update, or ASU, 2010-20 Disclosures about the Credit Quality of Financing Receivables and Allowance for Credit Losses. The new disclosure guidance expands the existing requirements. The enhanced disclosures provide information on the nature of credit risk in a company's financing of receivables, how that risk is analyzed in determining the related allowance for credit losses, and changes to the allowance during the reporting period. The new disclosures became effective for the Company's interim and annual reporting periods ending after December 15, 2010. The Company has included applicable disclosures within Note 14 to the Condensed Consolidated Financial Statements contained elsewhere in this report.

#### **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 (the Exchange Act ). These forward looking statements involve uncertainties and risks. There can be no assurance that actual results will not differ from our expectations. Factors which could cause materially different results include, among others, additional issues that may arise in connection with the review by the independent consultant required under our recent settlement with the Securities and Exchange Commission, fuel prices, fuel availability, lower consumer confidence, interest rate increases, restrictive lending practices, increased material and component costs, the success of new product introductions, the pace of acquisitions, cost structure improvements, 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, 2010 and Part II, Item 1A of this report. We disclaim 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**

None

#### **ITEM 4. CONTROLS AND PROCEDURES**

We maintain disclosure controls and procedures, as such term is defined under 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 rules and forms of the SEC, 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, our 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 our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible controls and procedures. We carried out an evaluation, as of the end of the period covered by this report, under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of our disclosure controls and procedures. Based on this evaluation, each of our Chief Executive Officer and Chief Financial Officer has concluded that our disclosure controls and procedures were effective to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified by the SEC's rules and forms and accumulated and communicated to our management as appropriate to allow for timely decisions regarding required disclosures.

During the three months ended April 30, 2011, there were 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.

## **PART II Other Information**

### **ITEM 1. LEGAL PROCEEDINGS**

In addition to the matters described below, we are involved in certain litigation arising out of our operations in the normal course of our business, most of which is based upon state lemon laws, warranty claims, other claims and accidents (for which we carry insurance above a specified self-insured retention or deductible amount). While it is impossible to estimate with certainty the ultimate legal and financial liability with respect to the litigation arising out of our operations in the normal course of business, including the pending litigation described below, we believe that while the final resolution of any such litigation may have an impact on our consolidated results for a particular reporting period, the ultimate disposition of such litigation will not have a material adverse effect on our financial position, results of operations or liquidity.

#### **SEC Matter**

The Company has been subject to an SEC review since 2007 regarding the facts and circumstances giving rise to the restatement of its 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 its financial statements as of and for the three months ended October 31, 2006 and related matters. The Company has reached an agreement with the SEC resolving this matter. The settlement was approved by the U.S. District Court for the District of Columbia and a final judgment incorporating its terms was entered on May 23, 2011. The Company cooperated fully with the SEC in the resolution of this matter.

Under the terms of the settlement, the Company has consented, without admitting or denying the allegations in the SEC's complaint, to the entry of a final judgment of the Court ordering the Company to comply with the Cease and Desist Order issued by the SEC on October 18, 1999, enjoining the Company from violating the books and records and internal control provisions of the federal securities laws and regulations thereunder, imposing a civil cash penalty of \$1 million and requiring the Company to hire an independent consultant not unacceptable to the SEC staff. As of April 30, 2011, the \$1 million civil cash penalty, which was previously provided for, was held in an escrow account and classified as Restricted cash on the Condensed Consolidated Balance Sheets. Subsequent to the entry of a final judgment by the Court approving the settlement on May 23, 2011, the escrow agent released the funds to the SEC. The independent consultant will review and evaluate certain specified aspects of internal accounting controls over financial reporting and record-keeping policies and procedures at each of the Company's operating subsidiaries and will issue a report with recommendations for necessary improvements or enhancements that the Company should adopt going forward. The Company has retained an independent consultant and it is anticipated that the independent consultant's report will be completed on or before September 7, 2011.

#### **FEMA Litigation**

Beginning in 2006, a number of lawsuits were filed against numerous trailer and manufactured housing manufacturers, including complaints against the Company. The complaints were filed in various state and federal courts throughout Louisiana, Alabama, Texas, and Mississippi on behalf of Gulf Coast residents who lived in travel trailers, park model trailers and manufactured homes provided by the Federal Emergency Management Agency (FEMA) following Hurricanes Katrina and Rita in the late summer of 2005. The complaints generally alleged that Gulf Coast residents who occupied FEMA supplied emergency housing units, such as travel trailers, were exposed to formaldehyde emitted from the trailers. The residents alleged various damages from exposure, including health problems and emotional distress. Most of the initial cases were filed as class action suits. Because of the number of suits, the federal Judicial Panel of Multi-District Litigation (known as the MDL panel) transferred the suits to the United States District Court for the Eastern District of Louisiana (New Orleans). The Court denied class certification in December 2008, and consequently, the cases are now being administered as a mass joinder of claims. There are over 5,000 suits currently pending in the MDL. The number of cases currently pending against the Company is approximately 745. Many of these lawsuits involve multiple plaintiffs, each of whom have brought claims against the Company. Due to the sheer size of the litigation, beginning in September 2009, the Court began hearing both bellwether jury trials and bellwether summary jury trials. The summary jury trial process is an alternative dispute resolution method which is non-binding and confidential. The Company has participated in one confidential summary jury trial. Settlements have been reached with a few of the trailer manufacturers and a group of the manufactured

housing defendants. The Company continues to strongly dispute the allegations and continues to vigorously defend the complaints.

## **ITEM 1A. RISK FACTORS**

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, 2010, except as noted below.

### **We cannot assure you that Heartland will be successfully integrated by us.**

If we cannot successfully integrate the operations of Heartland with our existing operations, we may experience material negative consequences to our business, financial condition or results of operations. The integration of companies that have previously been operated separately involves a number of risks, including, but not limited to:

- demands on management related to the increase in our size after the Heartland acquisition;
- the diversion of management's attention from the management of daily operations to the integration of operations;
- difficulties in the assimilation and retention of employees;
- difficulties in the integration of departments, systems, including accounting systems, technologies, books and records and procedures, as well as in maintaining uniform standards, controls, including internal accounting controls, procedures and policies; and
- expenses of any undisclosed or potential legal liabilities.

Prior to the acquisition, Heartland and Thor operated as separate entities. We may not be able to maintain the levels of revenue, earnings or operating efficiency that each entity had achieved or might achieve separately. Heartland's growth could occur at the expense of our other towable companies. Successful integration of Heartland's operations will depend on our ability to manage those operations, realize opportunities for revenue growth presented by strengthened product offerings and to eliminate redundant and excess costs.

### **We could incur asset impairment charges for goodwill, intangible assets or other long-lived assets.**

We have a significant amount of goodwill, intangible assets and other long-lived assets. At least annually, we review goodwill and indefinite-lived trademarks for impairment. Long-lived assets, identifiable intangibles that are amortized, goodwill and indefinite-lived trademarks 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. 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. Our determination of future cash flows, future recoverability and fair value of our long-lived assets includes significant estimates and assumptions. Changes in those estimates or assumptions or lower than anticipated future financial performance may result in the identification of an impaired asset and a non-cash impairment charge, which could be material. Any such charge will adversely affect our operating results and financial condition.

### **We have been subject to an SEC review regarding the facts and circumstances giving rise to the restatement of our previously issued financial statements and related matters.**

We have been subject to an SEC review since 2007 regarding 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 reached an agreement with the SEC resolving this matter. The settlement was approved by the U.S. District Court for the District of Columbia and a final judgment incorporating its terms was entered on May 23, 2011. We cooperated fully with the SEC in the resolution of this matter.

Under the terms of the settlement, we have consented, without admitting or denying the allegations in the SEC's complaint, to the entry of a final judgment of the Court ordering us to comply with the Cease and Desist Order issued by the SEC on October 18, 1999, enjoining us from violating the books and records and internal control provisions of the federal securities laws and regulations thereunder, imposing a civil cash penalty of \$1 million and requiring us to hire an independent consultant not unacceptable to the SEC staff.

The independent consultant will review and evaluate certain specified aspects of internal accounting controls over financial reporting and record-keeping policies and procedures at each of our operating subsidiaries and will issue a report with recommendations for necessary improvements or enhancements that we should adopt going forward. We have retained an independent consultant and it is anticipated that the independent consultant's report will be completed on or before September 7, 2011.

The independent consultant's report could include recommendations for improvements or enhancements that may be costly to implement. In addition, the report could also raise issues with respect to our internal controls and record-keeping that may require remediation.

**ITEM 6. EXHIBITS**

| Exhibit | Description                                                                                                                                                                                              |
|---------|----------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------------|
| 10.1    | Amended and Restated Dealer Exclusivity Agreement, dated as of January 30, 2009, by and among Thor Industries, Inc., FreedomRoads Holding Company, LLC, FreedomRoads, LLC and the other parties thereto. |
| 10.2    | Form of Stock Option Agreement under the Thor Industries, Inc. 2010 Equity and Incentive Plan.                                                                                                           |
| 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 of 2002.                                                                                             |
| 32.2    | Chief Financial Officer's Certification furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.                                                                                             |
| 101.INS | XBRL Instance Document.                                                                                                                                                                                  |
| 101.SCH | XBRL Taxonomy Extension Schema Document.                                                                                                                                                                 |
| 101.CAL | XBRL Taxonomy Calculation Linkbase Document.                                                                                                                                                             |
| 101.PRE | XBRL Taxonomy Presentation Linkbase Document.                                                                                                                                                            |
| 101.LAB | XBRL Taxonomy Label Linkbase Document.                                                                                                                                                                   |

Attached as Exhibits 101 to this report are the following financial statements from the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2011 formatted in XBRL ( eXtensible Business Reporting Language ): (i) the Condensed Consolidated Balance Sheets, (ii) the Condensed Consolidated Statements of Operations, (iii) the Condensed Consolidated Statements of Cash Flows, and (iv) related notes to these financial statements tagged as blocks of text.

The XBRL related information in Exhibits 101 to this Quarterly Report on Form 10-Q shall not be deemed filed or a part of a registration statement or prospectus for purposes of Section 11 or 12 of the Securities Act of 1933, as amended, and is not filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended, or otherwise subject to the liabilities of those sections.

**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 8, 2011

/s/ Peter B. Orthwein  
Peter B. Orthwein  
Chairman of the Board, President  
and Chief Executive Officer

DATE: June 8, 2011

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

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