

THOR INDUSTRIES INC  
Form 10-K  
October 01, 2007

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
WASHINGTON, D. C. 20549**

**FORM 10-K**

**Annual Report Pursuant to Section 13 or 15(d)  
of the Securities Exchange Act of 1934  
For the fiscal year ended July 31, 2007, 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 Number)

419 W. Pike Street, Jackson Center, Ohio

45334-0629

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: (937) 596-6849

Securities registered pursuant to Section 12(b) of the Exchange Act:

Title of each class:

Name of each exchange on which registered:

Common Stock (par value \$.10 per share)

New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Exchange Act: None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes  No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes  No

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 the filing requirements for the past 90 days. Yes  No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

Indicate by check mark whether the registrant is a shell company (as defined in Rule 126-2 of the Exchange Act.)

Yes  No

The aggregate market value of the voting and non-voting common equity held by non-affiliates of the registrant as of January 31, 2007 was \$1,528,332,097, based on the closing price of the registrant's common shares on January 31, 2007, the last business day of the registrant's most recently completed second fiscal quarter. Solely for the purpose of this calculation and for no other purpose, the non-affiliates of the registrant are assumed to be all shareholders of the registrant other than (i) directors of the registrant (ii) executive officers of the registrant who are identified as named executive officers pursuant to Item 11 of the registrant's Form 10-K and (iii) any shareholder that beneficially owns

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10% or more of the registrant's common stock. Such exclusion is not intended, nor shall it be deemed, to be an admission that such persons are affiliates of the registrant. The number of common shares of registrant's stock outstanding as of September 14, 2007 was 55,801,554. Documents incorporated by reference:

Portions of the Proxy Statement for the Annual Meeting of Shareholders to be held on December 4, 2007 are incorporated by reference in Part III of this Annual Report on Form 10-K.

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**PART I**

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

**ITEM 1. BUSINESS**

**General Development of Business**

Our company was founded in 1980 and produces and sells a wide range of recreation vehicles and small and mid-size buses in the United States and Canada. We are incorporated in Delaware and are the successor to a corporation of the same name which was incorporated in Nevada on July 29, 1980. Our principal executive office is located at 419 West Pike Street, Jackson Center, Ohio 45334 and our telephone number is (937) 596-6849. Our Internet address is [www.thorindustries.com](http://www.thorindustries.com). We maintain current reports, available free of charge, on our web site.

Our principal recreation vehicle operating subsidiaries are Airstream, Inc. (*Airstream*), CrossRoads RV (*CrossRoads*), Dutchmen Manufacturing, Inc. (*Dutchmen*), Four Winds International, Inc. (*Four Winds*), Keystone RV Company (*Keystone*), Komfort Corp. (*Komfort*), Citair, Inc. (*Citair*), Thor California, Inc. (*Thor California*), and Damon Corporation (*Damon*). Our principal bus operating subsidiaries are Champion Bus, Inc. (*Champion*), ElDorado National California, Inc. (*ElDorado California*), ElDorado National Kansas, Inc. (*ElDorado Kansas*) and Goshen Coach, Inc. (*Goshen Coach*).

On November 1, 2004 we completed our acquisition of the stock of DS Corp. dba CrossRoads RV, an Indiana corporation ( *CrossRoads* ), pursuant to an Agreement and Plan of Merger (the *Merger Agreement* ), dated as of October 28, 2004, by and among our Company, Thor Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of our Company ( *Acquisition Subsidiary* ), CrossRoads and the securityholders of CrossRoads. CrossRoads is engaged in the business of manufacturing towable recreation vehicles. Under the terms of the Merger Agreement, Acquisition Subsidiary merged with and into CrossRoads, and CrossRoads continued as the surviving corporation (the *Merger* ). In addition, as part of the Merger, certain members of management of CrossRoads entered into non-competition agreements with our Company.

The purchase price paid by us for the acquisition of the stock of CrossRoads was \$28,030, which was payable in cash and was funded from our cash on hand. The fair value of assets acquired and liabilities assumed was \$32,958 and \$4,928 respectively. The purchase price allocation includes \$1,176 of non-compete agreements, which will be amortized over two to seven years, \$20,485 of goodwill and \$794 for trademarks that are not currently subject to amortization.

On May 27, 2005, we completed our acquisition of the Goshen Coach Division of Veritrans Specialty Vehicles, Inc. pursuant to an asset purchase agreement dated May 26, 2005 for cash of \$10,083. The fair value of assets acquired and liabilities assumed was \$10,354 and \$271 respectively.

**Recreation Vehicles**

We believe that we are the largest unit and revenue manufacturer of recreation vehicles in North America based on retail statistics published by Statistical Surveys, Inc. and publicly reported results.

*Airstream*

Our Airstream subsidiary manufactures and sells premium and medium-high priced travel trailers and motorhomes under the trade name *Airstream Classic*. Airstream Classic vehicles are distinguished by their rounded shape and bright aluminum finish and, in our opinion, constitute the most recognized product in the recreation vehicle industry. Airstream, responding to the demands of the market for a lighter, lower-cost product, also manufactures and sells the *Airstream Safari, International, Bambi* and *Base Camp* travel trailers. Airstream also sells the *Interstate Class B* motorhome.

*Dutchmen*

Our Dutchmen subsidiary manufactures and sells conventional travel trailers and fifth wheels primarily under the trade names *Dutchmen, Four Winds, Aero, T@b, Grand Junction* and *Colorado*.

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*Four Winds*

Our Four Winds subsidiary manufactures and sells gasoline and diesel Class C and Class A motorhomes. Its products are sold under trade names such as *Four Winds, Hurricane, Windsport, Mandalay, Presidio, Dutchmen, Chateau* and *Fun Mover*.

*CrossRoads*

Our CrossRoads subsidiary manufactures and sells conventional travel trailers and fifth wheels under the trade names *Cross Terrain, Cruiser, Zinger* and *Sunset Trail*.

*Citair*

Our Citair subsidiary manufactures moderately-priced travel trailers, fifth wheels, Class C motorhomes and truck campers. It operates under the name *General Coach* and sells recreation vehicles under the trade names *Citation* and *Corsair*.

*Keystone*

Our Keystone subsidiary manufactures and sells travel trailers and fifth wheels under trade names such as *Montana, Springdale, Hornet, Sprinter, Outback, Laredo, Everest, Mountaineer, Challenger*, and *Cougar*.

*Komfort*

Our Komfort subsidiary manufactures and sells travel trailers and fifth wheels under the trade names *Komfort* and *Trailblazer* primarily in the western United States and western Canada.

*Thor California*

Our Thor California subsidiary manufactures and sells travel trailers and fifth wheels under the trade names *Tahoe, Summit, Wave* and *Jazz* primarily in the western United States.

*Damon Motor Coach*

Damon Motor Coach manufactures and sells gasoline and diesel Class A motor homes under the names *Daybreak, Challenger, Astoria, Tuscany* and *Outlaw*.

*Breckenridge*

Breckenridge is the park model division of Damon Corporation. Park models are factory built second homes designed for recreational living. They are towed to a destination site such as a lake, woods or park and are considered a country cottage.

**Buses**

We believe that our bus segment is the largest unit manufacturer of small and mid-size commercial buses in North America based on statistics published by the Mid-Size Bus Manufacturers Association.

*EIDorado National*

EIDorado National, comprised of our EIDorado Kansas and EIDorado California subsidiaries, manufactures and sells buses for transit, airport car rental and hotel/motel shuttles, paramedical transit for hospitals and nursing homes, tour and charter operations and other uses.

EIDorado National manufactures and sells buses under trade names such as *Aerolite, AeroElite, Aerotech, Escort, MST, Transmark, EZ Rider*, and *Axess*, its 40 foot bus. EIDorado National's plants are located in Salina, Kansas and Riverside, California.

**Table of Contents***Champion Bus*

Champion manufactures and sells small and mid-size buses under trade names such as *Challenger*, *Defender*, and *Crusader*.

*Goshen Coach*

Goshen Coach manufactures and sells small and mid-size buses under trade names such as *GC II* and *Pacer*.

**Product Line Sales and Segment Information**

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

The table below sets forth the contribution of each of the Company's product lines to net sales in each of the last three fiscal years.

|                           | 2007         |     | 2006         |     | 2005         |     |
|---------------------------|--------------|-----|--------------|-----|--------------|-----|
|                           | Amount       | %   | Amount       | %   | Amount       | %   |
| Recreation Vehicles:      |              |     |              |     |              |     |
| Towables                  | \$ 1,890,100 | 66  | \$ 2,173,483 | 71  | \$ 1,742,108 | 68  |
| Motorized                 | 565,523      | 20  | 577,025      | 19  | 566,138      | 22  |
| Total Recreation Vehicles | 2,455,623    | 86  | 2,750,508    | 90  | 2,308,246    | 90  |
| Buses                     | 400,685      | 14  | 315,768      | 10  | 249,895      | 10  |
| Total Net Sales           | \$ 2,856,308 | 100 | \$ 3,066,276 | 100 | \$ 2,558,141 | 100 |

Additional information concerning business segments is included in Note L of the Notes to the Company's Consolidated Financial Statements.

**Recreation Vehicles***Overview*

We manufacture and sell a wide variety of recreation vehicles throughout the United States and Canada, as well as related parts and accessories. Recreation vehicle classifications are based upon standards established by the Recreation Vehicle Industry Association (RVIA). The principal types of recreation vehicles that we produce include conventional travel trailers, fifth wheels, Class A and Class C motorhomes and park models.

Travel trailers are non-motorized vehicles which are designed to be towed by passenger automobiles, pickup trucks, SUV's or vans. Travel trailers provide comfortable, self-contained living facilities for short periods of time. We produce conventional, and fifth wheel travel trailers. Conventional trailers are towed by means of a frame hitch attached to the towing vehicle. Fifth wheel trailers, designed to be towed by pickup trucks, are constructed with a raised forward section that is attached to the bed area of the pickup truck.

Park models are recreational dwellings towed to a permanent site such as a lake, woods or park. The maximum size of park models is 400 square feet. They provide comfortable self contained living and are second homes for their owners, according to *The Recreational Park Trailer Association*.

A motorhome is a self-powered vehicle built on a motor vehicle chassis. Motorhomes are self-contained with their own lighting, heating, cooking, refrigeration, sewage holding and water storage facilities, so that they can be lived in without being attached to utilities.

Class A motorhomes, constructed on medium-duty truck chassis, are supplied complete with engine and drive train components by motor vehicle manufacturers such as Workhorse Custom Chassis, Spartan, Ford and Freightliner. We

design, manufacture and install the living area and driver's compartment of Class A motorhomes. Class C motorhomes are built on a Ford, General Motors or Daimler



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Chrysler small truck or van chassis which includes an engine, drive train components, and a finished cab section. We construct a living area which has access to the driver's compartment and attaches to the cab section. Although they are not designed for permanent or semi-permanent living, motorhomes can provide comfortable living facilities for short periods of time.

### *Production*

In order to minimize finished inventory, our recreation vehicles generally are produced to order. Our facilities are designed to provide efficient assembly line manufacturing of products. Capacity increases can be achieved at relatively low cost, largely by increasing the number of production employees or by acquiring or leasing additional facilities and equipment.

We purchase in finished form many of the components used in the production of our recreation vehicles. The principal raw materials used in the manufacturing processes for motorhomes and travel trailers are aluminum, lumber, plywood, plastic, fiberglass, and steel purchased from numerous suppliers. We believe that, except for chassis, substitute sources for raw materials and components are available with no material impact on our operations. We are able to obtain the benefit of volume price discounts for many of our purchases of raw materials and components by centralized purchasing.

Our relationship with our chassis suppliers is similar to all buyer/vendor relationships and no special contractual commitment is engaged in by either party. Historically, Ford and General Motors resort to an industry-wide allocation basis during restriction of supply. These allocations would be based on the volume of chassis previously purchased.

Sales of motor homes and small buses rely on these chassis and are affected accordingly.

Generally, all of our operating subsidiaries introduce new or improved lines or models of recreation vehicles each year. Changes typically include new sizes and floorplans, different decors or design features, and engineering improvements.

### *Seasonality*

Since recreation vehicles are used primarily by vacationers and campers, our recreation vehicle sales are seasonal and, in most geographical areas, tend to be significantly lower during the winter months than in other periods. As a result, recreation vehicle sales are historically lowest during the second fiscal quarter, which ends on January 31 of each year.

### *Marketing and Distribution*

We market our recreation vehicles through independent dealers located throughout the United States and Canada.

Each of our recreation vehicle operating subsidiaries maintains its own dealer organization, with some dealers carrying more than one of our product lines. As of July 31, 2007, there were approximately 1,532 dealers carrying our products in the U.S. and Canada. We believe that close working relationships between our management and sales personnel and the many independent dealers provide us with valuable information on customer preferences and the quality and marketability of our products. Additionally, by maintaining substantially separate dealer networks for each of our subsidiaries, our products are more likely to be competing against competitor's products in similar price ranges rather than against our other products. Park models are typically sold by park model dealers as well as by some travel trailer dealers.

Each of our recreation vehicle operating subsidiaries has an independent sales force to call on their dealers. Our most important sales promotions occur at the major recreation vehicle shows for dealers which take place throughout the year at different locations across the country. We benefit from the recreation vehicle awareness advertising and major marketing programs sponsored by the RVIA in national print media and television. We engage in a limited amount of consumer-oriented advertising for our recreation vehicles, primarily through industry magazines, the distribution of product brochures, direct mail advertising campaigns and the internet.

In our selection of individual dealers, we emphasize the dealer's financial strength to maintain a sufficient inventory of our products, as well as their reputation, experience, and ability to provide service. Many of our dealers carry the recreation vehicle lines of one or more of our competitors. Each of our operating subsidiaries has sales agreements with their dealers and these agreements are subject to annual review. No single recreation vehicle dealer accounted for more than 10% of our consolidated net sales of recreation vehicles during fiscal 2007.

Substantially all of our sales to dealers are made on terms requiring cash on delivery or within 10 days thereafter. We generally do not finance dealer purchases. Most dealers are financed on a floorplan basis by an unrelated bank or

financing company which lends the dealer all or substantially all of the wholesale purchase price and retains a security interest in the vehicles purchased. As is customary

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in the recreation vehicle industry, we will execute a repurchase agreement with a lending institution financing a dealer's purchase of our products upon the lending institution's request and after completion of a credit investigation of the dealer involved. Repurchase agreements provide that for up to 12 months after a unit is financed and in the event of default by the dealer we will repurchase the unit repossessed by the lending institution for the amount then due, which is often less than 100% of the dealer's cost. The risk of loss under repurchase agreements is spread over numerous dealers and is further reduced by the resale value of the units which we would be required to repurchase. In our experience, losses under repurchase agreements have not been significant and we believe that any future losses under these agreements would not have a material adverse effect on our company.

The losses incurred due to repurchase were approximately \$1,017, \$648 and \$1,865 in fiscal 2007, 2006 and 2005, respectively.

*Joint Ventures*

In March 1996, our Company and Cruise America, Inc. formed a 50/50 ownership joint venture, CAT Joint Venture LLC, to make short-term rentals of motorized recreation vehicles to the public. As of July 31, 2007 we were contingently liable for repurchase obligations of CAT Joint Venture inventory in the amount of approximately \$14,498.

Thor Credit Corporation, a 50/50 ownership joint venture with GE Consumer Finance and operated by GE Consumer Finance, provides retail credit to ultimate purchasers of any recreation vehicle purchased from a Thor dealer. This retail credit program is not limited to Thor products.

*Backlog*

As of July 31, 2007, the backlog for towable and motorized recreation vehicle orders was \$276,136 and \$84,718, respectively, compared to \$229,823 and \$103,214, respectively, at July 31, 2006. Backlog represents unfilled dealer orders on a particular day which can and do fluctuate on a seasonal basis. In the recreation vehicle business our manufacturing time is quite short.

Historically, the amount of our current backlog compared to our backlog in previous periods reflects general economic and industry conditions and, together with other relevant factors such as continued acceptance of our products by the consumer, may be an indicator of our revenues in the near term.

*Warranties*

We currently provide purchasers of our recreation vehicles with a standard one or two-year limited warranty against defects in materials and workmanship and a standard two year limited warranty on certain major components separately warranted by the suppliers of these components. The chassis and engines of our motorhomes are warranted for three years or 36,000 miles by their manufacturers. A wholly owned captive insurance company provides coverage for product warranties.

**Buses**

*Overview*

Our line of buses are sold under the names Eldorado National, Champion Bus and Goshen Coach. Our line of small and mid-size buses consists of airport shuttle buses, intra-urban and inter-urban mass transportation buses, and buses for tourist uses. Our *Axess* 40 foot bus is designed for transit and airport shuttle uses.

*Production*

Our bus production facilities in Salina, Kansas; Riverside, California; Imlay City, Michigan; and Elkhart, Indiana are designed to provide efficient assembly line manufacturing of our buses. The vehicles are produced according to specific orders which are normally obtained by dealers.

Some of the chassis, all of the engines and auxiliary units, and some of the seating and other components used in the production of our small and mid-size buses are purchased in finished form. Our Riverside, California, facility assembles chassis for our rear engine buses from industry standard components and assembles these buses directly on the chassis.

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The principal raw materials used in the manufacturing of our buses are fiberglass, steel, aluminum, plywood, and plastic. We purchase most of the raw materials and components from numerous suppliers. We purchase most of our bus chassis from Ford, Freightliner and General Motors and engines from Cummins, Caterpillar, and John Deere. We believe that, except for chassis, raw materials and components could be purchased from other sources, if necessary, with no material impact on our operations.

*Marketing and Distribution*

We market our small and mid-size buses through a network of 65 independent dealers in the United States and Canada. We select dealers using criteria similar to those used in selecting recreation vehicle dealers. During fiscal 2007, one of our dealers accounted for 22% of the Company's bus net sales and another accounted for 12%. We also sell our small and mid-size buses directly to certain national accounts such as major rental car companies, hotel chains, and transit authorities. Most of our bus sales are derived from contracts with state and local transportation authorities, in some cases with partial funding from federal agencies.

Terms of sale are typically cash on delivery or through national floorplan financing institutions. Sales to some state transportation agencies and other government agencies may be on longer terms.

*Backlog*

As of July 31, 2007 the backlog for bus orders was \$228,862 compared to \$216,454 at July 31, 2006. The time for fulfillment of bus orders is substantially longer than in the recreation vehicle industry because generally buses are made to customer specification. The existing backlog of bus orders is expected to be filled in fiscal 2008.

Historically, the amount of our current backlog compared to our backlog in previous periods reflects general economic and industry conditions and, together with other relevant factors such as continued acceptance of our products by the consumer, may be an indicator of our revenues in the near term.

*Warranties*

We currently provide purchasers of our buses with a limited warranty for one year or 12,000 miles against defects in materials and workmanship, excluding only certain specified components which are separately warranted by suppliers. We provide body structure warranty on buses ranging from 2 years 50,000 miles to 5 years 75,000 miles. The chassis and engines of our small and mid-size buses are warranted for three years or 36,000 miles by their manufacturers. A wholly owned captive insurance company provides coverage for product warranties.

**Regulation**

We are subject to the provisions of the National Traffic and Motor Vehicle Safety Act and the safety standards for recreation vehicles, buses and recreation vehicle and bus components which have been promulgated thereunder by the U.S. Department of Transportation. Because of our sales in Canada, we are also governed by similar laws and regulations issued by the Canadian government.

We are a member of the RVIA, a voluntary association of recreation vehicle manufacturers which promulgates recreation vehicle safety standards. We place an RVIA seal on each of our recreation vehicles to certify that the RVIA's standards have been met.

Both federal and state authorities have various environmental control standards relating to air, water, and noise pollution which affect our business and operations. For example, these standards, which are generally applicable to all companies, control our choice of paints, discharge of air compressor waste water and noise emitted by factories. We rely upon certifications obtained by chassis manufacturers with respect to compliance by our vehicles with all applicable emission control standards.

We are also subject to the regulations promulgated by the Occupational Safety and Health Administration, or OSHA. Our plants are periodically inspected by federal agencies concerned with health and safety in the work place, and by the RVIA, to ensure that our products comply with applicable governmental and industry standards.

We believe that our products and facilities comply in all material respects with applicable vehicle safety, environmental, RVIA, and OSHA regulations.

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We do not believe that compliance with the regulations discussed above will have any material effect on our capital expenditures, earnings or competitive position.

### **Competition**

#### *Recreation Vehicles*

The recreation vehicle industry is characterized by relative ease of entry, although the codes, standards, and safety requirements introduced in recent years are a deterrent to new competitors. The need to develop an effective dealer network also acts as a barrier to entry. The recreation vehicle market is intensely competitive with a number of other manufacturers selling products which compete directly with our products. Competition in the recreation vehicle industry is based upon price, design, value, quality, and service. We believe that the quality, design, and price of our products and the warranty coverage and service that we provide allow us to compete favorably for retail purchasers of recreation vehicles. We estimate that we are the largest recreation vehicle manufacturer in terms of units produced and revenue. According to Statistical Surveys, for the 7 months ending July 31, 2007, our market share for travel trailers and fifth wheels was 31% and our market share for motorhomes was 14%.

#### *Small and Mid-Size Buses*

We estimate that we have a 38% market share of the U.S. and Canadian small and mid-size bus market. Our competitors offer lines of buses which compete with all of our products. Price, quality, and delivery are the primary competitive factors. As with recreation vehicles, we believe that the quality, design, and price of small and mid-size buses, the warranty coverage and service that we provide, and the loyalty of our customers allow us to compete favorably with similar products of our competitors.

#### *Trademarks and Patents*

We have registered United States and Canadian trademarks or licenses covering the principal trade names and model lines under which our products are marketed. We are not dependent upon any patents or technology licenses for the conduct of our business.

### **Employee Relations**

At July 31, 2007, we had approximately 8,462 employees in the United States and 227 employees in Canada. Of these 8,689 employees, 1,108 are salaried. Citair's approximately 189 Canadian hourly employees are currently represented by certified labor organizations. Our Citair Hensall division labor contract was ratified on August 18, 2006 and will expire on August 18, 2009. Citair Oliver's labor contract was ratified on October 17, 2003 and will expire on October 16, 2008. Employees of our other subsidiaries are not represented by certified labor organizations. We believe that we maintain a good working relationship with our employees.

### **Information About Foreign and Domestic Operations and Export Sales**

Sales from our Canadian operations and export sales to Canada from our U.S. operations amounted to approximately 1.2% and 12.7% in fiscal 2007, 1.3% and 10.0% in fiscal 2006 and 1.5% and 9.8% in fiscal 2005, respectively, of our total net sales to unaffiliated customers.

### **Forward Looking Statements**

This Annual Report on Form 10-K includes certain statements that are forward looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934 as amended. These forward looking statements involve uncertainties and risks. There can be no assurance that actual results will not differ from the Company's expectations. Factors which could cause materially different results include, among others, additional issues that may arise in connection with the findings of the Audit Committee's investigation and the SEC's requests for additional information, the success of new product introductions, the pace of acquisitions and cost structure improvements, competition and general economic conditions and other risks and uncertainties discussed more fully in Item 1A. Risk Factors below. We disclaim any obligation or undertaking to disseminate any updates or revisions to any forward looking statements contained in this Annual Report on Form 10-K or to reflect any change in our expectations after the date of this Annual Report on Form 10-K or any change in events, conditions or circumstances on which any statement is based, except as required by law.

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**Available Information**

Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to those reports and the Proxy Statement for our Annual Meeting of Shareholders are made available, free of charge, on our web site, <http://www.thorindustries.com>, as soon as reasonably practicable after such reports have been filed with or furnished to the SEC.

**ITEM 1A. RISK FACTORS**

The following risk factors should be considered carefully in addition to the other information contained in this filing. The risks and uncertainties described below are not the only ones we face and represent some of the risks that our management believes are material to our company and our business. If any of the following risks actually occur, our business, financial condition or results of operations could be harmed.

**Risks Relating to Our Investigation**

**The SEC is reviewing the facts and circumstances giving rise to the restatement of our previously issued financial statements and related matters.**

As previously announced, in connection with an internal review of our Dutchmen Manufacturing, Inc. operating subsidiary, we promptly and voluntarily informed the SEC of the Audit Committee's independent investigation, and have been responding to SEC staff requests for additional information in connection with the staff's investigation. We continue to be in discussions with the SEC and intend to cooperate fully with the SEC. The investigation by the SEC staff could result in the SEC seeking various penalties and relief, including, without limitation, civil injunctive relief and/or civil monetary penalties or administrative relief. The nature of the relief or remedies the SEC may seek, if any, cannot be predicted at this time.

**Risks Relating To Our Business**

**The recreation vehicle and small and mid-size bus industries are highly competitive.**

The recreation vehicle and bus industries that we are currently engaged in are highly competitive and we have numerous competitors and potential competitors. Competition in these industries is based upon price, design, value, quality and service. Competitive pressures, especially in the entry-level segment of the recreation vehicle market for travel trailers, have, from time to time, resulted in a reduction of our profit margins. Sustained increases in these competitive pressures could have a material adverse effect on our results of operations. There can be no assurance that existing or new competitors will not develop products that are superior to our recreation vehicles or small or mid-size buses or that achieve better consumer acceptance, thereby adversely affecting our market share, sales volume and profit margins.

**Our businesses are cyclical and this can lead to fluctuations in our operating results.**

The industries in which we operate are cyclical and there can be substantial fluctuations in our manufacturing, shipments and operating results. Consequently, the results for any prior period may not be indicative of results for any future period.

**External factors affecting our business.**

Companies within the recreation vehicle and bus industries are subject to volatility in operating results due to external factors such as general economic conditions, including consumer confidence, employment rates, prevailing interest rates, inflation, and other economic conditions affecting consumer attitudes and disposable consumer income generally, demographic changes and political changes. Specific factors affecting the recreation vehicle and bus industries include:

overall consumer confidence and the level of discretionary consumer spending;

inventory levels, including the level of retail sales by our dealers;

general economic conditions;

demographics, such as the retirement of baby boomers ;

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interest rates;

employment trends;

the amount of backlog, which may be a predictor of near-term future revenues;

fuel availability and prices;

the adverse impact of terrorism on consumer spending and travel related activities; and

adverse impact on our margins of increases in raw material costs which we are unable to pass on to customers without negatively affecting sales.

**Two dealers accounted for an aggregate of 34% of our bus sales for fiscal year 2007. The loss of either dealer could have a significant effect on our bus business.**

**A significant portion of our sales of small and mid-size buses are derived from state and local transportation authorities.**

Approximately 60% of our bus sales for fiscal year 2007 were derived from contracts with state and local transportation authorities, in most cases with partial funding from federal agencies. There can be no assurance that these authorities will not reduce their expenditures for our buses in the future as a result of budgetary constraints or otherwise. A reduction in the purchase of our buses by these authorities could have an adverse effect on our business and results of operations.

**Our recreation vehicle business is seasonal, and this leads to fluctuations in sales, production and net income.**

We have experienced, and expect to continue to experience, significant variability in sales, production and net income as a result of seasonality in our businesses. Demand in the recreation vehicle industry generally declines during the winter season, while sales and profits are generally highest during the spring and summer months. In addition, unusually severe weather conditions in some markets may delay the timing of shipments from one quarter to another.

**Our business is affected by the availability and terms of financing to dealers and retail purchasers.**

Our business is affected by the availability and terms of financing to dealers and retail purchasers. Substantial increases in interest rates and decreases in the general availability of credit have had an adverse impact upon our business and results of operations in the past and may continue to do so in the future.

**Changes in consumer preferences for our products or our failure to gauge those preferences could lead to reduced sales and additional costs.**

We cannot be certain that historical consumer preferences for our products in general, and recreation vehicles in particular, will remain unchanged. We believe that the introduction of new features, designs and models will be critical to the future success of our recreation vehicle operations. Delays in the introduction of new models, designs or product features, or a lack of market acceptance of new models, designs or product features could have a material adverse effect on our business. Products may not be accepted for a number of reasons, including changes in consumer preferences or our failure to properly gauge consumer preferences. Further, we cannot be certain that new product introductions will not reduce revenues from existing models and adversely affect our results of operations. In addition, there can be no assurance that any of these new models or products will be introduced to the market on time or that they will be successful when introduced.

**If the frequency and size of product liability and other claims against us rises, our business, results of operations and financial condition may be harmed.**

We are subject, in the ordinary course of business, to litigation involving product liability and other claims against us, including wrongful death, related to personal injury and warranties. We partially self-insure our product liability claims and also purchase product liability insurance in the commercial insurance market. We cannot be certain that our insurance coverage will be sufficient to cover all future claims against us. Any increase in the frequency and size of these claims, as compared to our experience in prior years,





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may cause the premium that we are required to pay for insurance to rise significantly. It may also increase the amounts we pay in punitive damages, not all of which are covered by our insurance.

**When we introduce new products into the marketplace we may incur expenses that we did not anticipate, which, in turn, can result in reduced earnings.**

The introduction of new models of recreation vehicles and buses is critical to our future success. We may incur unexpected expenses, however, when we introduce new models of recreation vehicles and buses. For example, we may experience unexpected engineering or design flaws that will force a recall of a new product. The costs resulting from these types of problems could be substantial, and could have a significant adverse effect on our earnings.

**Fuel shortages, or continuing high prices for fuel, could have a negative effect on sales of our recreation vehicles.**

Gasoline or diesel fuel is required for the operation of recreation vehicles. There can be no assurance that the supply of these petroleum products will continue uninterrupted, that rationing will not be imposed or that the price of or tax on these petroleum products will not significantly increase in the future. Shortages of gasoline and substantial increases in the price of gasoline have had a material adverse effect on the recreation vehicle industry as a whole in the past and could have a material adverse effect on our business in the future.

**Our repurchase agreements with floor plan lenders could result in increased costs.**

In accordance with customary practice in the recreation vehicle industry, upon the request of a lending institution financing a dealer's purchase of our products and after completion of a credit investigation of the dealer involved, we will execute a repurchase agreement with the lending institution. Repurchase agreements provide that, for up to 12 months after a recreation vehicle is financed and in the event of default by the dealer, we will repurchase the recreation vehicle repossessed by the lending institution for the amount then due, which is usually less than 100% of the dealer's cost. The difference between the gross repurchase price and the price at which the repurchased product can then be resold, which is typically at a discount to the original sale price, is an expense to us. Thus, if we were obligated to repurchase a substantially greater number of recreation vehicles in the future, this would increase our costs.

**For some of our components, we depend on a small group of suppliers, and the loss of any of these suppliers could affect our ability to obtain components at competitive prices, which would decrease our margins.**

Most recreation vehicle and bus components are readily available from a variety of sources. However, a few components are produced by only a small group of quality suppliers that have the capacity to supply large quantities on a national basis. Primarily, this occurs in the case of chassis for our motor homes and buses, where Ford Motor Company and General Motors are the dominant suppliers. The recreation vehicle industry as a whole has from time to time experienced shortages of chassis due to the concentration or allocation of available resources by suppliers of chassis to the manufacturers of vehicles other than recreation vehicles or for other causes. Historically, in the event of an industry-wide restriction of supply, Ford Motor Company and General Motors have allocated chassis among us and our competitors based on the volume of chassis previously purchased. If Ford Motor Company or General Motors were to discontinue the manufacturing of motor home or bus chassis, or if as a group all of our chassis suppliers significantly reduced the availability of chassis to the industry, our business could be adversely effected. Similarly, shortages at, or production delays or work stoppages by the employees of Ford Motor Company, General Motors or other chassis suppliers could have a material adverse effect on our sales. Finally, as is standard in the industry, arrangements with chassis suppliers are terminable at any time by either our company or the chassis supplier. If we cannot obtain an adequate chassis supply, this could result in a decrease in our sales and earnings.

**Our business is subject to numerous federal, state and local regulations.**

We are subject to numerous federal, state and local regulations governing the manufacture and sale of our products, including the provisions of the National Traffic and Motor Vehicle Safety Act, or NTMVSA, and the safety standards for recreation vehicles and components which have been promulgated under the NTMVSA by the Department of Transportation. The NTMVSA authorizes the National Highway Traffic Safety Administration to require a manufacturer to recall and repair vehicles which contain certain hazards or defects. Any recalls of our vehicles, voluntary or involuntary, could have a material adverse effect on our company.

We are also subject to federal and numerous state consumer protection and unfair trade practice laws and regulations relating to the sale, transportation and marketing of motor vehicles, including so-called Lemon Laws . Federal and state laws and regulations also

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impose upon vehicle operators various restrictions on the weight, length and width of motor vehicles, including buses and motor homes, that may be operated in certain jurisdictions or on certain roadways. Certain jurisdictions also prohibit the sale of vehicles exceeding length restrictions. Finally, federal and state authorities also have various environmental control standards relating to air, water, noise pollution and hazardous waste generation and disposal which affect our business and operations. Failure to comply with any of the foregoing laws or regulations could have an adverse impact on our business.

**Risks Relating To Our Company**

**Provisions in our charter documents and of Delaware law may make it difficult for a third party to acquire our company and could depress the price of our common stock.**

Our Restated Certificate of Incorporation contains certain supermajority voting provisions that could delay, defer or prevent a change in control of our company. These provisions could also make it more difficult for you and other shareholders to elect directors, amend our Restated Certificate of Incorporation and take other corporate actions. We are also subject to certain provisions of the Delaware General Corporation Law that could delay, deter or prevent us from entering into an acquisition, including provisions which prohibit a Delaware corporation from engaging in a business combination with an interested stockholder unless specific conditions are met. The existence of these provisions could limit the price that investors are willing to pay in the future for shares of our common stock and may deprive you of an opportunity to sell your shares at a premium over prevailing prices.

**We will continue to be effectively controlled by one of our shareholders.**

Wade F. B. Thompson, our President and Chief Executive Officer and Chairman of our Board of Directors, owns directly or indirectly voting control over an aggregate of 16,420,470 shares of our common stock, representing 29.4% of our issued and outstanding voting stock as of September 14, 2007. As a result, Mr. Thompson will be able to significantly influence most matters requiring approval by our shareholders, including the election of board members and the approval of mergers or other business combination transactions.

**Our operations may be adversely affected if our Chief Executive Officer is unable to continue in his present roles.**

Wade F. B. Thompson continues as our Chairman, President, and Chief Executive Officer, but has relinquished most of his day to day operating responsibilities to H. Coleman Davis, III, the Chief Operating Officer, while Mr. Thompson undergoes medical treatment for cancer. If Mr. Thompson is unable to continue in these roles, the search for and appointment of a Chief Executive Officer will result in a transition period for our management team and our Board of Directors, which may adversely impact the Company's operations. Peter B. Orthwein, a co-founder of our company, continues in his role as Vice Chairman of our company and has undertaken additional responsibilities and an enhanced executive role.

**ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

**ITEM 2. PROPERTIES**

We own or lease approximately 6,133,000 square feet of plant and office space. We believe that our present facilities, consisting primarily of steel clad, steel or wood frame, and masonry construction, and the machinery and equipment contained in these facilities, are well maintained and in good condition. We believe that these facilities, together with facilities planned for fiscal 2008, are adequate for our current and foreseeable purposes and that we would be able to obtain replacement for our leased premises at acceptable costs should our leases not be renewed.

The following table describes the location, number and size of our facilities as of July 31, 2007.

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| <b>Locations</b>                        | <b>Owned or<br/>Leased</b> | <b>No. of<br/>Buildings</b> | <b>Approximate<br/>Building<br/>Area<br/>Square Feet</b> |
|---|----------------------------|-----------------------------|--|
| <b>RVs:</b>                             |                            |                             |  |
| Jackson Center, OH (Airstream)          | Owned                      | 9                           | 299,000  |
| Hensall, Ontario, Canada (Citair)       | Owned                      | 1                           | 97,000   |
| Oliver, B.C., Canada (Citair)           | Owned                      | 1                           | 55,000   |
| Middlebury, IN (Dutchmen)               | Owned                      | 1                           | 90,000   |
| Burley, ID (Dutchmen)                   | Owned                      | 5                           | 162,000  |
| Goshen, IN (Dutchmen)                   | Owned                      | 12                          | 513,000  |
| Bristol, IN (Dutchmen)                  | Owned                      | 1                           | 54,000   |
| Bristol, IN (Aero-Dutchmen) (2)         | Leased                     | 1                           | 40,000   |
| Goshen, IN (Aero-Dutchmen) (2)          | Leased                     | 1                           | 23,000   |
| Syracuse, IN (Aero-Dutchmen)            | Owned                      | 3                           | 133,000  |
| Syracuse, IN (Aero-Dutchmen) (1)        | Leased                     | 1                           | 49,000   |
| Elkhart, IN (Four Winds)                | Owned                      | 9                           | 707,000  |
| Elkhart, IN (Four Winds) (3)            | Leased                     | 2                           | 67,000   |
| Elkhart, IN (Damon)                     | Owned                      | 7                           | 239,000  |
| Elkhart, IN (Damon) (4)                 | Leased                     | 3                           | 41,000   |
| Nappanee, IN (Breckenridge)             | Owned                      | 2                           | 144,000  |
| Topeka, IN (CrossRoads)                 | Owned                      | 5                           | 250,000  |
| Clackamas, OR (Komfort)                 | Owned                      | 1                           | 107,000  |
| Moreno Valley, CA (Thor California) (5) | Leased                     | 3                           | 166,000  |
| Moreno Valley, CA (Thor California) (6) | Leased                     | 1                           | 49,000   |
| Moreno Valley, CA (Thor California)     | Owned                      | 1                           | 63,000   |
| Goshen, IN (Keystone) (7)               | Leased                     | 6                           | 396,000  |
| Goshen, IN (Keystone)                   | Owned                      | 14                          | 1,206,000  |
| Howe, IN (Keystone) (9)                 | Leased                     | 1                           | 168,000  |
| Pendleton, OR (Keystone)                | Owned                      | 1                           | 146,000  |
| Pendleton, OR (Keystone) (8)            | Leased                     | 1                           | 63,000   |
| <b>Buses:</b>                           |                            |                             |  |
| Salina, KS (ElDorado Kansas)            | Owned                      | 2                           | 252,000  |
| Riverside, CA (ElDorado California)     | Owned                      | 1                           | 227,000  |
| Imlay City, Michigan (Champion Bus)     | Owned                      | 5                           | 201,000  |
| Elkhart, IN (Goshen Coach)              | Owned                      | 3                           | 126,000  |
| <b>Total</b>                            |                            | 104                         | 6,133,000  |

(1) This location is occupied under a net lease which expires in 2010 with option to purchase.

- (2) This location is occupied under a net lease which expires in 2008.
- (3) These locations are occupied under net leases expiring at various times starting in 2008.
- (4) These locations are occupied under net leases expiring at various times starting in 2006 thru 2013.
- (5) This location is occupied under a net lease which expires in 2008.
- (6) This location is occupied under a net lease which expires October 2010.
- (7) These locations are occupied under net leases, expiring at various periods starting in 2007 thru 2012. Leases have extensions and or options to purchase.
- (8) This location is occupied under a net lease expiring in November 2011

with an option to  
renew for  
7 years.

- (9) This location is  
occupied under  
a net lease  
expiring in  
2010.

**ITEM 3. LEGAL PROCEEDINGS**

The SEC is reviewing the facts and circumstances giving rise to the restatement of our previously issued financial statements as of July 31, 2006 and 2005, and for each of the years in the three-year period ended July 31, 2006, and the financial results in each of the quarterly periods in 2006 and 2005, and our financial statements as of and for the three months ended October 31, 2006 and related matters. We intend to cooperate fully with the SEC. The investigation by the SEC staff could result in the SEC seeking various

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penalties and relief, including, without limitation, civil injunctive relief and/or civil monetary penalties or administrative relief. The nature of the relief or remedies the SEC may seek, if any, cannot be predicted at this time. In addition, we are involved in certain litigation arising out of our operations in the normal course of our business most of which are based upon state lemon laws, warranty claims, other claims and accidents (for which we carry insurance above a specified deductible amount). We do not believe that any one of these claims is material.

**ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS**

No matters submitted.

**PART II****ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES.****(a) Market Information**

The Company's Common Stock is traded on the New York Stock Exchange. Set forth below is the range of high and low prices for the common stock for each quarter during the Company's two most recent fiscal years, as quoted in the New York Stock Exchange Monthly Market Statistics and Trading Reports.

|                | Fiscal 2007 |         | Fiscal 2006 |         |
|----------------|-------------|---------|-------------|---------|
|                | High        | Low     | High        | Low     |
| First Quarter  | \$48.32     | \$39.16 | \$36.39     | \$30.63 |
| Second Quarter | 48.02       | 41.11   | 43.46       | 31.66   |
| Third Quarter  | 48.32       | 38.50   | 56.93       | 41.65   |
| Fourth Quarter | 46.82       | 39.65   | 53.28       | 42.00   |

**(b) Holders**

As of September 14, 2007, the number of holders of record of the Company's common stock was 149.

**(c) Dividends**

In fiscal 2007, we paid dividends as follows: We paid a special \$1 per share dividend as well as a \$.07 per share dividend in the first quarter of fiscal 2007. In each of the second, third and fourth quarters of fiscal 2007 we paid a \$.07 per share dividend. We paid a special \$.25 per share dividend as well as a \$.05 dividend in our first quarter of fiscal 2006. For the second quarter of fiscal 2006 we paid a \$.05 per share dividend. In the third and fourth quarters of fiscal 2006, we paid a \$.07 per share dividend in each quarter. Any payment of cash dividends in the future will be at the discretion of the Board of Directors and will depend upon our financial condition, capital requirements, earnings and any other factors which the Board of Directors may deem relevant. There are no limitations to the Company's ability to pay dividends pursuant to any credit facility. In August 2007, we declared a special \$2 per share dividend to be paid on October 8, 2007 to stockholders of record on September 27, 2007.

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|                           | <b>Fiscal years ended July 31,</b> |             |             |             |             |
|---------------------------|------------------------------------|-------------|-------------|-------------|-------------|
|                           | <b>2007</b>                        | <b>2006</b> | <b>2005</b> | <b>2004</b> | <b>2003</b> |
| Income statement data:    |                                    |             |             |             |             |
| Net sales (2) (3)         | \$2,856,308                        | \$3,066,276 | \$2,558,141 | \$2,187,739 | \$1,571,404 |
| Net income (2) (3)        | 134,731                            | 163,405     | 119,143     | 104,513     | 78,631      |
| Earnings per common share |                                    |             |             |             |             |
| (1) (2) (3)               |                                    |             |             |             |             |
| Basic                     | 2.42                               | 2.89        | 2.10        | 1.83        | 1.38        |
| Diluted                   | 2.41                               | 2.87        | 2.09        | 1.81        | 1.37        |
| Dividends declared per    |                                    |             |             |             |             |
| common share (1)          | 1.28                               | .19         | .42         | .09         | .025        |
| Dividends paid per        |                                    |             |             |             |             |
| common share (1)          | 1.28                               | .49         | .12         | .09         | .025        |
| Balance sheet data:       |                                    |             |             |             |             |
| Total assets (2) (3)      | \$1,059,297                        | \$1,004,725 | \$ 853,893  | \$ 762,163  | \$ 608,941  |

(1) Per share amounts were adjusted for the two-for-one stock split in January 2004.

(2) Selected financial data for 2007, 2006, 2005 and 2004 include the results of Damon Corporation, which was acquired on September 2, 2003.

(3) Selected financial data for 2007, 2006 and 2005 includes the results of CrossRoads RV, which was acquired on November 1, 2004, and



Goshen Coach,  
Inc. which was  
acquired on  
May 27, 2005.

## **ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

### *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 31%. In the motorized segment of the industry we have a market share of approximately 14%. Our market share in small and mid-size buses is approximately 38%. We also manufacture and sell 40-foot buses at our facility in Southern California designed for that product as well as our existing 30-foot and 35-foot buses.

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

We rely on internally generated cash flows from operations to finance our growth although we may borrow to make an acquisition if we believe the incremental cash flows will provide for rapid payback. We have invested significant capital to modernize and expand our plant facilities and expended \$13,105 for that purpose in fiscal 2007.

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

Our RV products are sold to dealers who, in turn, retail those products. Our buses are sold through dealers to municipalities and private purchasers such as rental car companies and hotels. We do not directly finance dealers but do provide repurchase agreements in order to facilitate the dealers obtaining floor plan financing. We have a joint venture, Thor Credit, operated by GE Consumer Finance, which provides retail credit to ultimate purchasers of any recreation vehicle purchased from a Thor dealer. This retail credit on recreation vehicles is not limited to Thor products only.

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*Restatement*

On January 29, 2007, we announced that the Audit Committee of our Board of Directors (the "Audit Committee") initiated an independent investigation regarding certain accounting issues at our Dutchmen Manufacturing, Inc. operating subsidiary ("Dutchmen"), primarily involving inventory, accounts receivable, accounts payable, and cost of products sold. We promptly and voluntarily informed the SEC of the Audit Committee's investigation, and have been responding to SEC staff requests for additional information in connection with the staff's investigation. The Audit Committee, assisted by independent outside legal counsel and accounting experts, thoroughly investigated the accounting issues raised at Dutchmen. The Audit Committee and its advisors also reviewed the internal controls at Dutchmen and other subsidiaries.

On April 9, 2007, we announced that on April 4, 2007 our Board of Directors, acting upon the recommendation of the Audit Committee and management, concluded that our previously issued consolidated financial statements relating to the fiscal years 2004, 2005 and 2006 and the three months ended October 31, 2006 contained in our filings with the SEC, including related reports of our independent registered public accounting firm, Deloitte & Touche LLP, and press releases, should no longer be relied upon.

Upon completing their investigation, the Audit Committee's independent advisors presented the findings and recommendations of the investigation to the Company's Board of Directors on April 17, 2007 and April 30, 2007 and to the SEC staff on May 4, 2007. The Audit Committee's investigation confirmed the Company's determination that income before income taxes recorded by Dutchmen was overstated in the amount of approximately \$26,000 in the aggregate from fiscal year 2004 to the second quarter of fiscal year 2007, as a result of misconduct by Dutchmen's former Vice President of Finance, the senior financial officer of Dutchmen in which he intentionally understated the cost of products sold. Dutchmen's Vice President of Finance manipulated accounts reflecting inventory, accounts receivable, accounts payable, and cost of products sold, by entering and approving his own inaccurate journal entries as well as reconciling the related accounts, and prepared fraudulent supporting documentation, with the net effect of overstating Dutchmen's income before income taxes by approximately \$26,000 during the relevant period. The Audit Committee's investigation found no evidence to conclude that anyone else, at Dutchmen or elsewhere in the Company, knew of or participated in this misconduct or that there was theft or misappropriation of company assets. The Audit Committee's investigation also identified issues with respect to internal controls at Dutchmen, certain of the Company's other operating subsidiaries, and the Company's corporate finance and accounting office.

The Company decided to restate 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 the financial statements as of and for the three months ended October 31, 2006, following the Company's evaluation, considering the results from the Audit Committee's investigation, of accounting practices employed at Dutchmen during these periods. The accompanying management's discussion and analysis of financial condition and results of operations gives effect to the restatement.

We have incurred expenses of \$6,858 in fiscal 2007 as a direct result of the Audit Committee's investigation and the Company's review of the accounting practices at Dutchmen and certain of our other operating subsidiaries. These costs primarily relate to professional services for legal, accounting and tax guidance. In addition, we have incurred costs related to the preparation, review and audit of our restated consolidated financial statements. We expect that we will continue to incur costs associated with these matters.

*Trends and Business Outlook*

The most important determinant of demand for recreation vehicles is demographics. The baby boomer population is now reaching retirement age and retirees are a large market for our products. The baby boomer retiree population in the United States is expected to grow five times as fast as the total United States population. We believe a primary indicator of the strength of the recreation vehicle industry is retail RV sales, which we closely monitor to determine industry trends. Recently, the towable segment of the RV industry has been stronger than the motorized segment. For the towable segment, retail sales as reported by Statistical Surveys, Inc. were up approximately 2.9% for the seven months ended July 31, 2007 compared with the same period last year. The motorized segment was down approximately 3.6%. Higher interest rates and fuel prices appear to affect the motorized segment more severely.

Government entities are primary users of our buses. Demand in this segment is subject to fluctuations in government spending on transit. In addition, hotel and rental car companies are also major users of our small and mid-size buses and therefore airline travel is an important indicator for this market. The majority of our buses have a 5-year useful life and are being continuously replaced by operators.. According to Mid Size Bus Manufacturers Association unit sales of small and mid-sized buses are up 22% for the six months ended June 30, 2007 compared with the same period last year.

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

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|   |            |      | <b>Fiscal 2007</b>                        | <b>Fiscal 2006</b>                        | <b>Change<br/>Amount</b> | <b>%</b> |
|---|------------|------|---|---|--------------------------|----------|
| <b>NET SALES</b>  |            |      |   |   |                          |          |
| Recreation Vehicles   |            |      |   |   |                          |          |
| Towables  |            |      | \$ 1,890,100                              | \$ 2,173,483                              | \$ (283,383)             | (13.0)   |
| Motorized   |            |      | 565,523                                   | 577,025                                   | (11,502)                 | (2.0)    |
| Total Recreation Vehicles                                   |            |      | 2,455,623                                 | 2,750,508                                 | (294,885)                | (10.7)   |
| Buses   |            |      | 400,685                                   | 315,768                                   | 84,917                   | 26.9     |
| Total   |            |      | \$ 2,856,308                              | \$ 3,066,276                              | \$ (209,968)             | (6.8)    |
| <b># OF UNITS</b>   |            |      |   |   |                          |          |
| Recreation Vehicles   |            |      |   |   |                          |          |
| Towables  |            |      | 87,506                                    | 112,103                                   | (24,597)                 | (21.9)   |
| Motorized   |            |      | 7,634                                     | 7,860                                     | (226)                    | (2.9)    |
| Total Recreation Vehicles                                   |            |      | 95,140                                    | 119,963                                   | (24,823)                 | (20.7)   |
| Buses   |            |      | 6,497                                     | 5,725                                     | 772                      | 13.5     |
| Total   |            |      | 101,637                                   | 125,688                                   | (24,051)                 | (19.1)   |
|   |            |      | <b>% of<br/>Segment<br/>Net<br/>Sales</b> | <b>% of<br/>Segment<br/>Net<br/>Sales</b> | <b>Change<br/>Amount</b> | <b>%</b> |
| <b>GROSS PROFIT</b>   |            |      |   |   |                          |          |
| Recreation Vehicles   |            |      |   |   |                          |          |
| Towables  | \$ 273,445 | 14.5 | \$ 350,954                                | 16.1                                      | \$ (77,509)              | (22.1)   |
| Motorized   | 55,334     | 9.8  | 55,622                                    | 9.6                                       | (288)                    | (0.5)    |
| Total Recreation Vehicles                                   | 328,779    | 13.4 | 406,576                                   | 14.8                                      | (77,797)                 | (19.1)   |
| Buses   | 34,516     | 8.6  | 24,882                                    | 7.9                                       | 9,634                    | 38.7     |
| Total   | \$ 363,295 | 12.7 | \$ 431,458                                | 14.1                                      | \$ (68,163)              | (15.8)   |
| <b>SELLING, GENERAL<br/>AND ADMINISTRATIVE<br/>EXPENSES</b> |            |      |   |   |                          |          |
| Recreation Vehicles   |            |      |   |   |                          |          |
| Towables  | \$ 107,804 | 5.7  | \$ 121,778                                | 5.6                                       | \$ (13,974)              | (11.5)   |
| Motorized   | 30,068     | 5.3  | 28,147                                    | 4.9                                       | 1,921                    | 6.8      |
| Total Recreation Vehicles                                   | 137,872    | 5.6  | 149,925                                   | 5.5                                       | (12,053)                 | (8.0)    |
| Buses   | 14,809     | 3.7  | 14,577                                    | 4.6                                       | 232                      | 1.6      |

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|                                       |            |     |            |      |             |        |
|---------------------------------------|------------|-----|------------|------|-------------|--------|
| Corporate                             | 25,016     |     | 19,424     |      | 5,592       | 28.8   |
| Total                                 | \$ 177,697 | 6.2 | \$ 183,926 | 6.0  | \$ (6,229)  | (3.4)  |
| <b>INCOME BEFORE<br/>INCOME TAXES</b> |            |     |            |      |             |        |
| Recreation Vehicles                   |            |     |            |      |             |        |
| Towables                              | \$ 165,259 | 8.7 | \$ 228,592 | 10.5 | \$ (63,333) | (27.7) |
| Motorized                             | 25,140     | 4.4 | 27,404     | 4.7  | (2,264)     | (8.3)  |
| Total Recreation Vehicles             | 190,399    | 7.8 | 255,996    | 9.3  | (65,597)    | (25.6) |
| Buses                                 | 18,997     | 4.7 | 9,356      | 3.0  | 9,641       | 103.0  |
| Corporate                             | (12,536)   |     | (9,241)    |      | (3,295)     | (35.7) |
| Total                                 | \$ 196,860 | 6.9 | \$ 256,111 | 8.4  | (\$59,251)  | (23.1) |

**ORDER BACKLOG**

|                           | As of<br>July 31,<br>2007 | As of<br>July 31,<br>2006 | Change<br>Amount | %      |
|---------------------------|---------------------------|---------------------------|------------------|--------|
| Recreation Vehicles       |                           |                           |                  |        |
| Towables                  | \$ 276,136                | \$ 229,823                | \$ 46,313        | 20.2   |
| Motorized                 | 84,718                    | 103,214                   | (18,496)         | (17.9) |
| Total Recreation Vehicles | 360,854                   | 333,037                   | 27,817           | 8.4    |
| Buses                     | 228,862                   | 216,454                   | 12,408           | 5.7    |
| Total                     | \$ 589,716                | \$ 549,491                | \$ 40,225        | 7.3    |

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

Net sales and gross profit for fiscal 2007 were down 6.8% and 15.8%, respectively, compared to fiscal 2006. We estimate that in fiscal year 2006 approximately \$122,258 or 5.6% of towable net sales were related to hurricane relief units sold through our dealer network. There have been no sales of hurricane relief units in fiscal 2007. Selling, general and administrative expenses for fiscal 2007 decreased 3.4% compared to fiscal 2006. Income before income taxes for fiscal 2007 was down 23.1% compared to fiscal 2006. The specifics on changes in net sales, gross profit, general and administrative expense and income before income taxes are addressed in the segment reporting below. Corporate costs in selling, general and administrative were \$25,016 for fiscal 2007 compared to \$19,424 for fiscal 2006. This increase of \$5,592 is primarily the result of costs associated with the investigation regarding certain accounting issues at our Dutchmen Manufacturing operating subsidiary and the restatement of our financial statements. Corporate interest income and other income was \$12,499 for fiscal 2007 compared to \$10,194 for fiscal 2006.

The overall annual effective tax rate for fiscal 2007 was 31.6% compared to 36.2% for fiscal 2006. The primary reason for this reduction was that in fiscal 2007 the Company recorded an income tax benefit of approximately \$9,300 resulting from the settlement of an Internal Revenue Service examination and a tax dispute with the State of Indiana. Of the \$9,300, \$7,800 was recorded in the fourth quarter of fiscal 2007.

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

Analysis of Percentage Change in Net Sales Versus Prior Year

|                     | <b>Average<br/>Price<br/>Per Unit</b> | <b>Units</b> | <b>Net Change</b> |
|---------------------|---------------------------------------|--------------|-------------------|
| Recreation Vehicles |                                       |              |                   |
| Towables            | 9.0%                                  | (22.0)%      | (13.0)%           |
| Motorized           | .9%                                   | (2.9)%       | (2.0)%            |

**TOWABLE RECREATION VEHICLES**

The decrease in towable net sales of 13% resulted primarily from a 21.9% decrease in unit shipments. We estimate that in fiscal year 2006 approximately \$122,258, or 5.6%, of towable net sales were related to hurricane relief units sold through our dealer network. There have been no sales of hurricane relief units in fiscal 2007. Excluding the effect of hurricane relief units, towables net sales for fiscal year 2007 decreased 7.9% compared to fiscal year 2006. The overall industry decrease in towables shipments for August 2006 through July 2007 was 16% according to statistics provided by the Recreation Vehicle Industry Association. Increases in the average price per unit resulted from product mix and no hurricane unit sales in fiscal 2007. Hurricane unit pricing in fiscal 2006 was substantially lower than the average price per unit of other towables.

Towables gross profit percentage decreased to 14.5% of net sales for fiscal 2007 from 16.1% of net sales for fiscal 2006. The primary factor for this decrease in gross profit percentage was the decrease in net sales which included a \$15,887 increase in discounts and allowances on lower volumes. Selling, general and administrative expenses were 5.7% of net sales for fiscal 2007 compared to 5.6% of net sales for fiscal 2006.

Towables income before income taxes decreased to 8.7% of net sales for fiscal 2007 from 10.5% of net sales for fiscal 2006. The primary factor for this decrease was the reduction in unit sales and corresponding margins.

**MOTORIZED RECREATION VEHICLES**

The decrease in motorized net sales of 2.0% resulted primarily from a 2.9% decrease in unit shipments. The decrease in units sold of approximately 2.9% compared to an overall market decrease in motorhome shipments of 1.1% for the period August 2006 through July 2007 according to statistics published by the Recreation Vehicle Industry Association.

Motorized gross profit percentage was 9.8% of net sales for fiscal 2007 and 9.6% of net sales for fiscal 2006. Selling, general and administrative expense were 5.3% of net sales for fiscal 2007 compared to 4.9% of net sales for fiscal 2006.

Motorized income before income taxes was 4.4% of net sales for fiscal 2007 and 4.7% of net sales for fiscal 2006.



**Table of Contents****BUSES**

## Analysis of Percentage Change in Net Sales Versus Prior Year

|       | <b>Average Price Per<br/>Unit</b> | <b>Units</b> | <b>Net<br/>Change</b> |
|-------|-----------------------------------|--------------|-----------------------|
| Buses | 13.4%                             | 13.5%        | 26.9%                 |

The increase in buses net sales of 26.9% resulted from a combination of an increase in both average price per unit and unit shipments. The overall industry increase in small and mid-sized bus unit sales for the six months ended June 30, 2007 compared to the same period in 2006 was 22%, according to the Mid-Size Bus Manufacturers Association. The increase in the average price per unit resulted primarily from product mix.

Buses gross profit percentage increased to 8.6% of net sales for fiscal 2007 from 7.9% of net sales for fiscal 2006. The primary reason for the increase in buses gross profit percentage was the increase in buses net sales. Selling, general and administrative expenses were 3.7% of net sales for fiscal 2007 and 4.6% for fiscal 2006.

Buses income before income taxes increased to 4.7% of net sales for 2007 from 3.0% of net sales for fiscal 2006 due to increased sales volume.

**Table of Contents****FISCAL 2006 VS. FISCAL 2005**

|   |            |      | <b>Fiscal 2006</b>                        | <b>Fiscal 2005</b>                        | <b>Change<br/>Amount</b> | <b>%</b> |
|---|------------|------|---|---|--------------------------|----------|
| <b>NET SALES</b>  |            |      |   |   |                          |          |
| Recreation Vehicles   |            |      |   |   |                          |          |
| Towables  |            |      | \$ 2,173,483                              | \$ 1,742,108                              | \$ 431,375               | 24.8     |
| Motorized   |            |      | 577,025                                   | 566,138                                   | 10,887                   | 1.9      |
| Total Recreation Vehicles                                   |            |      | 2,750,508                                 | 2,308,246                                 | 442,262                  | 19.2     |
| Buses   |            |      | 315,768                                   | 249,895                                   | 65,873                   | 26.4     |
| Total   |            |      | \$ 3,066,276                              | \$ 2,558,141                              | \$ 508,135               | 19.9     |
| <b># OF UNITS</b>   |            |      |   |   |                          |          |
| Recreation Vehicles   |            |      |   |   |                          |          |
| Towables  |            |      | 112,103                                   | 88,471                                    | 23,632                   | 26.7     |
| Motorized   |            |      | 7,860                                     | 8,158                                     | (298)                    | (3.7)    |
| Total Recreation Vehicles                                   |            |      | 119,963                                   | 96,629                                    | 23,334                   | 24.1     |
| Buses   |            |      | 5,725                                     | 4,372                                     | 1,353                    | 30.9     |
| Total   |            |      | 125,688                                   | 101,001                                   | 24,687                   | 24.4     |
|   |            |      | <b>% of<br/>Segment<br/>Net<br/>Sales</b> | <b>% of<br/>Segment<br/>Net<br/>Sales</b> | <b>Change<br/>Amount</b> | <b>%</b> |
| <b>GROSS PROFIT</b>   |            |      |   |   |                          |          |
| Recreation Vehicles   |            |      |   |   |                          |          |
| Towables  | \$ 350,954 | 16.1 | \$ 261,272                                | 15.0                                      | \$ 89,682                | 34.3     |
| Motorized   | 55,622     | 9.6  | 52,993                                    | 9.4                                       | 2,629                    | 5.0      |
| Total Recreation Vehicles                                   | 406,576    | 14.8 | 314,265                                   | 13.6                                      | 92,311                   | 29.4     |
| Buses   | 24,882     | 7.9  | 21,270                                    | 8.5                                       | 3,612                    | 17.0     |
| Total   | \$ 431,458 | 14.1 | \$ 335,535                                | 13.1                                      | \$ 95,923                | 28.6     |
| <b>SELLING, GENERAL<br/>AND ADMINISTRATIVE<br/>EXPENSES</b> |            |      |   |   |                          |          |
| Recreation Vehicles   |            |      |   |   |                          |          |
| Towables  | \$ 121,778 | 5.6  | \$ 98,235                                 | 5.6                                       | \$ 23,543                | 24.0     |
| Motorized   | 28,147     | 4.9  | 28,314                                    | 5.0                                       | (167)                    | (0.6)    |
| Total Recreation Vehicles                                   | 149,925    | 5.5  | 126,549                                   | 5.5                                       | 23,376                   | 18.5     |
| Buses   | 14,577     | 4.6  | 13,463                                    | 5.4                                       | 1,114                    | 8.3      |
| Corporate   | 19,424     |      | 12,487                                    |   | 6,937                    | 55.6     |

|                                       |            |      |            |     |           |        |
|---------------------------------------|------------|------|------------|-----|-----------|--------|
| Total                                 | \$ 183,926 | 6.0  | \$ 152,499 | 6.0 | \$ 31,427 | 20.6   |
| <b>INCOME BEFORE<br/>INCOME TAXES</b> |            |      |            |     |           |        |
| Recreation Vehicles                   |            |      |            |     |           |        |
| Towables                              | \$ 228,592 | 10.5 | \$ 164,343 | 9.4 | \$ 64,249 | 39.1   |
| Motorized                             | 27,404     | 4.7  | 24,607     | 4.3 | 2,797     | 11.4   |
| Total Recreation Vehicles             | 255,996    | 9.3  | 188,950    | 8.2 | 67,046    | 35.5   |
| Buses                                 | 9,356      | 3.0  | 7,492      | 3.0 | 1,864     | 24.9   |
| Corporate                             | (9,241)    |      | (7,063)    |     | (2,178)   | (30.8) |
| Total                                 | \$ 256,111 | 8.4  | \$ 189,379 | 7.4 | \$ 66,732 | 35.2   |

**ORDER BACKLOG**

|                           |  | <b>As of<br/>July 31,<br/>2006</b> | <b>As of<br/>July 31,<br/>2005</b> | <b>Change<br/>Amount</b> | <b>%</b> |
|---------------------------|--|------------------------------------|------------------------------------|--------------------------|----------|
| Recreation Vehicles       |  |                                    |                                    |                          |          |
| Towables                  |  | \$ 229,823                         | \$ 202,177                         | \$ 27,646                | 13.7     |
| Motorized                 |  | 103,214                            | 133,924                            | (30,710)                 | (22.9)   |
| Total Recreation Vehicles |  | 333,037                            | 336,101                            | (3,064)                  | (.9)     |
| Buses                     |  | 216,454                            | 130,566                            | 85,888                   | 65.8     |
| Total                     |  | \$ 549,491                         | \$ 466,667                         | \$ 82,824                | 17.7     |

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

Net sales and gross profit for fiscal 2006 were up 19.9% and 28.6% respectively compared to fiscal 2005. Income before income taxes for fiscal 2006 was up 35.2% compared to fiscal 2005. Selling, general and administrative expenses for fiscal 2006 increased 20.6% compared to fiscal 2005. The specifics on changes in net sales, gross profit, general and administrative expense and income before income taxes are addressed in the segment reporting below. Corporate costs in selling, general and administrative were \$19,424 for fiscal 2006 compared to \$12,487 in fiscal 2005. This increase of \$6,937 is primarily the result of increased insurance costs, legal expenses, and increased compensation expenses.

Other income for fiscal 2005 included a \$2,037 gain from the sale of our Thor America property.

Net sales and income before income taxes for fiscal 2006 included net sales and income (loss) before income taxes of \$41,510 and \$(892) respectively, for Goshen Coach acquired May 27, 2005. The overall effective tax rate for fiscal 2006 was 36.2% compared to 37.1% for fiscal 2005.

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

Analysis of Percentage Change in Net Sales Versus Prior Year

|                     | <b>Impact<br/>from<br/>Acquisitions</b> | <b>Impact from Internal<br/>Growth<br/>Average<br/>Price<br/>Per Unit</b> | <b>Units</b> | <b>Net<br/>Change</b> |
|---------------------|---|---|--------------|-----------------------|
| Recreation Vehicles |   |   |              |                       |
| Towables            | 2.2%                                    | (1.9)%  | 24.5%        | 24.8%                 |
| Motorized           |   | 5.6%  | (3.7)%       | 1.9%                  |

**TOWABLE RECREATION VEHICLES**

The increase in towable net sales of 24.8% resulted primarily from an increase in unit shipments. The overall industry increase in towables for August 2005 through July 2006 was 20.4% according to statistics provided by the Recreation Vehicle Industry Association. Decreases in the average price per unit resulted from product mix. We estimate that \$122,258 or 5.6% of towable net sales were related to hurricane relief units which were sold through our dealer network. We have no comparable industry statistics for the total hurricane relief units sold.

Towables gross profit percentage increased to 16.1% of net sales for fiscal 2006 from 15.0% of net sales for fiscal 2005. The primary factors for the 34.3% increase in gross profit were the 24.8% increase in net sales, improved manufacturing cost and reduced warranty cost as a percentage of net sales. Selling, general and administrative expenses were 5.6% of net sales for fiscal 2006 and fiscal 2005.

Towables income before income taxes increased to 10.5% of net sales for fiscal 2006 from 9.4% of net sales for fiscal 2005. The primary factors for this increase were our 24.8% revenue increase and reduced manufacturing and warranty costs as a percentage of net sales.

**MOTORIZED RECREATION VEHICLES**

The increase in motorized net sales of 1.9% resulted primarily from an increase in average price per unit. The decrease in units sold of approximately 3.7% outperformed the overall market decrease in motorhomes of 13.7% for the period August 2005 through July 2006 according to statistics published by the Recreation Vehicle Industry Association.

Motorized gross profit percentage was 9.6% of net sales for fiscal 2006 and 9.4% of net sales for fiscal 2005. Selling, general and administrative expense were 4.9% of net sales for fiscal 2006 compared to 5.0% of net sales for fiscal 2005.

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Motorized income before income taxes was 4.7% of net sales for fiscal 2006 and 4.3% of net sales for fiscal 2005. This increase of 11.4% includes an impairment charge of \$1,360 reflected in cost of goods sold in fiscal 2006 due to a decision to not produce a planned motorized product line.

**BUSES**

Analysis of Percentage Change in Net Sales Versus Prior Year

|       |                                | <b>Impact from Internal Growth</b> |              |                   |
|-------|--------------------------------|------------------------------------|--------------|-------------------|
|       | <b>Impact from Acquisition</b> | <b>Average Price Per Unit</b>      | <b>Units</b> | <b>Net Change</b> |
| Buses | 16.6%                          | 6.8%                               | 3.0%         | 26.4%             |

The increase in buses net sales of 26.4% resulted from a combination of an increase in both average price per unit and unit shipments and our acquisition of Goshen Coach.

Buses gross profit percentage decreased to 7.9% of net sales for fiscal 2006 from 8.5% of net sales for fiscal 2005 due to low gross profit on bus contracts assumed in the purchase of Goshen Coach and highly competitive market conditions. Selling, general and administrative expenses were 4.6% of net sales for fiscal 2006 and 5.4% for fiscal 2005.

Buses income before income taxes was 3.0% of net sales for fiscal 2006 and fiscal 2005.

**Financial Condition and Liquidity**

As of July 31, 2007, we had \$346,464 in cash, cash equivalents and short-term investments, compared to \$264,373 on July 31, 2006. Effective August 1, 2006, the Company began classifying all short term investment purchases as available-for-sale. This change was based on the Company's decision to change its investment strategy from one of generating profits on short term differences in price to one of preserving capital.

At July 31, 2007, all investments short term are comprised of auction rate securities that are classified as available-for-sale and are reported at fair value in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. The Company purchases its auction rate securities at par, which either mature or reset at par, and generally there are no unrealized or realized gains or losses to report. Cost is determined on the specific identification basis. Interest income is accrued as earned. All of the available-for-sale securities held at July 31, 2007 mature within one year.

As of July 31, 2006, the Company held short-term debt and equity investments classified as trading securities. These trading securities were all sold or matured during the three months ended October 31, 2006 and were recorded as trading securities activity. Realized and unrealized gains and losses on trading securities are included in earnings.

Dividend and interest income were recognized when earned.

Working capital at July 31, 2007 was \$428,329 compared to \$360,751 at July 31, 2006. We have no long-term debt. We currently have a \$30,000 revolving line of credit which bears interest at negotiated rates below prime and expires on November 30, 2007. There were no borrowings on this line of credit during the year ended July 31, 2007. The loan agreement executed in connection with the line of credit contains certain covenants, including restrictions on additional indebtedness, and requires us to maintain certain financial ratios. We believe that internally generated funds and the line of credit will be sufficient to meet our current needs and any additional capital requirements. Capital expenditures of approximately \$13,105 for fiscal year ended July 31, 2007 were primarily for planned expansions and improvements of \$11,738 at our recreation vehicle facilities and \$1,226 for our bus operations. We paid a special \$1.00 dividend in fiscal 2007 totaling \$55,716. We also bought back 40,400 shares of Thor common stock in fiscal 2007 at a total cost of \$1,630. On August 6, 2007 the Company's Board of Directors approved a special dividend of \$2 per share. This dividend of approximately \$111,669 will be paid on October 8, 2007 to stockholders of record on September 27, 2007.

The Company anticipates capital expenditures in fiscal 2008 of approximately \$13,000. These expenditures will be made primarily for planned capacity expansions and for replacement of machinery and equipment to be used in the ordinary course of business and expansions primarily in our recreation vehicle segment.

*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

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periods presented. We believe that of our accounting policies, the following may involve a higher degree of judgments, estimates, and complexity:

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

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

*Insurance Reserves*

Generally, we are self-insured for workers' compensation and group medical insurance. Under these plans, liabilities are recognized for claims incurred, including those incurred but not reported, and changes in the reserves. The liability for workers' compensation claims is determined by the Company with the assistance of a third party administrator using various state statutes and reserve requirements and historical claims experience. Group medical reserves are funded through a trust and are estimated using historical claims experience. We have a self-insured retention for products liability and personal injury matters of \$5,000 per occurrence. We have established a reserve on our balance sheet for such occurrences based on historical data and actuarial information. We maintain excess liability insurance aggregating \$25,000 with outside insurance carriers to minimize our risks related to catastrophic claims in excess of all our self-insured positions. Any material change in the aforementioned factors could have an adverse impact on our operating results.

*Warranty*

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

*Income Taxes*

The Company accounts for income taxes under the provision of SFAS No. 109 Accounting for Income Taxes. The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in the Company's financial statements or tax returns. Judgment is required in assessing the future tax consequence 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.

*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.

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Certain shipments are sold to customers on credit or 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 flooring arrangements with banks or finance companies. Products are not sold on consignment, dealers do not have the right to return products, and dealers are typically responsible for interest costs to floorplan lenders. On average, the Company receives payments from floor-plan lenders on products sold to dealers within 15 days of the invoice date.

**Repurchase Commitments**

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

**Principal Contractual Obligations and Commercial Commitments**

Our principal contractual obligations and commercial commitments at July 31, 2007 are summarized in the following charts. We have no other off balance sheet commitments.

| <b>Contractual Obligations</b>     | <b>Total</b> | <b>Payments Due By Period</b> |                         |                         |                      |
|------------------------------------|--------------|-------------------------------|-------------------------|-------------------------|----------------------|
|                                    |              | <b>Fiscal 2008</b>            | <b>Fiscal 2009-2010</b> | <b>Fiscal 2011-2012</b> | <b>After 5 Years</b> |
| Operating leases                   | \$ 9,410     | \$ 3,529                      | \$ 4,023                | \$ 1,654                | \$ 204               |
| Total contractual cash obligations | \$ 9,410     | \$ 3,529                      | \$ 4,023                | \$ 1,654                | \$ 204               |

| <b>Other Commercial Commitments</b> | <b>Total Amounts Committed</b> | <b>Amount of Commitment Expiration Per Period Less Than 1 Year</b> |                  |                     |    |
|-------------------------------------|--------------------------------|--|------------------|---------------------|----|
|                                     |                                | <b>1-3 Years</b>   | <b>4-5 Years</b> | <b>Over 5 Years</b> |    |
| Guarantees                          | \$ 2,021                       | \$ 2,021   | \$               | \$                  | \$ |
| Standby repurchase obligations      | \$ 844,673                     | \$ 844,673   | \$               | \$                  | \$ |
| Total commercial commitments        | \$ 846,694                     | \$ 846,654   | \$               | \$                  | \$ |

**Accounting Pronouncements**

In July 2006, the FASB issued FASB Interpretation (FIN) 48, Accounting for Uncertainty in Income Taxes. FIN 48 addresses the accounting and disclosure of uncertain tax positions. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. We have adopted FIN 48 effective August 1, 2007. We estimate that the adoption of FIN 48 will result in a net decrease to beginning retained earnings of less than \$20,000 primarily related to the accrual of the estimated tax liabilities related to the uncertain tax positions, plus estimated interest and penalties.

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



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

**Table of Contents****ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

The Company's cash flows and earnings are exposed to market risk from changes in foreign currency related to its operations in Canada. However, because of the size of the Company's Canadian operations, a hypothetical 10% change in the Canadian dollar as compared to the U.S. dollar would not have a material impact on the Company's financial position or results of operations.

The Company's cash flows and earnings are also exposed to market risks related to interest rates because of the significant amount of cash that is invested in investments, including corporate debt securities. The vast majority of our investments are invested in institutional money market funds or securities whose interest rate is re-set every 7-14 days, minimizing the risk of interest rate fluctuations on their fair value. The Company has established an investment policy which governs its investment strategy and stipulates that it diversify investments among United States Treasury securities and other high credit quality debt instruments that it believes to be low risk. The Company is averse to principal loss and seeks to preserve its invested funds by limiting default risk and market risk. A hypothetical 10% change in interest rates would not have a material impact on the Company's financial position or results of operations. The Company has no debt and currently does not use interest rate swaps, futures contracts or options on futures, or other types of derivative financial instruments.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA (UNAUDITED) SEE ITEM 15  
Quarterly Financial Data**

|                                       | October 31 | January 31 | April 30  | July 31   |
|---------------------------------------|------------|------------|-----------|-----------|
| <b>Fiscal 2007</b>                    |            |            |           |           |
| Net Sales                             | \$727,716  | \$584,049  | \$789,643 | \$754,900 |
| Gross profit                          | 89,168     | 61,169     | 102,980   | 109,978   |
| Net income                            | 30,597     | 18,252     | 35,569    | 50,313    |
| Earnings per common share             |            |            |           |           |
| Basic                                 | .55        | .33        | .64       | .90       |
| Diluted                               | .55        | .33        | .64       | .90       |
| Dividends declared per common share   | 1.07       | .07        | .07       | .07       |
| Dividends paid per common share       | 1.07       | .07        | .07       | .07       |
| <b>Market prices per common share</b> |            |            |           |           |
| High                                  | \$ 48.32   | \$ 48.02   | \$ 48.32  | \$ 46.82  |
| Low                                   | \$ 39.16   | \$ 41.11   | \$ 38.50  | \$ 39.65  |
|                                       | October 31 | January 31 | April 30  | July 31   |
| <b>Fiscal 2006</b>                    |            |            |           |           |
| Net Sales                             | \$761,323  | \$642,047  | \$857,615 | \$805,291 |
| Gross profit                          | 108,495    | 86,852     | 124,109   | 112,002   |
| Net income                            | 41,373     | 29,905     | 48,669    | 43,458    |
| Earnings per common share             |            |            |           |           |
| Basic                                 | .73        | .53        | .86       | .77       |
| Diluted                               | .73        | .52        | .85       | .77       |
| Dividends declared per common share   |            | .05        | .07       | .07       |
| Dividends paid per common share       | .30        | .05        | .07       | .07       |
| <b>Market prices per common share</b> |            |            |           |           |
| High                                  | \$ 36.39   | \$ 43.46   | \$ 56.93  | \$ 53.28  |
| Low                                   | \$ 30.63   | \$ 31.66   | \$ 41.65  | \$ 42.00  |

**ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE**

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None.

**ITEM 9A. CONTROLS AND PROCEDURES***Part A Disclosure Controls and Procedures.*

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

*Part B Management's Annual Report on Internal Control Over Financial Reporting*

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as defined in Exchange Act Rule 13a-15(f). Internal control over financial reporting refers to a process designed by, or under the supervision of, our Chief Executive Officer and Chief Financial Officer and effected by our Board of Directors, management and other personnel, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with accounting principles generally accepted in the United States of America and includes those policies and procedures that: (i) pertain to the maintenance of records that in reasonable detail accurately and fairly reflect the transactions and dispositions of our assets; (ii) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with accounting principles generally accepted in the United States of America, and that our receipts and expenditures are being made only in accordance with authorizations of our management and members of our Board of Directors; and (iii) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of our assets that could have a material effect on our financial statements. Because of its inherent limitations, internal control over financial reporting cannot provide absolute assurance of achieving financial reporting objectives. Internal control over financial reporting is a process that involves human diligence and compliance and is subject to lapses in judgment and breakdowns resulting from human failures. Internal control over financial reporting also can be circumvented by collusion or improper override. Because of such limitations, there is a risk that material misstatements may not be prevented or detected on a timely basis by internal control over financial reporting. Projections of any evaluation of effectiveness to future periods are also subject to the risk that controls may become inadequate because of changes in conditions or that the degree of compliance with established policies or procedures may deteriorate.

The Company's management conducted an assessment of the effectiveness of our internal control over financial reporting as of July 31, 2007, using the criteria set forth in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). Based on its assessment, the Company believes that as of July 31, 2007, the Company's internal control over financial reporting is effective based on those criteria.

Management's assessment of the effectiveness of internal control over financial reporting as of July 31, 2007 has been audited by Deloitte & Touche LLP, the independent registered public accounting firm that audited our consolidated financial statements included in this Annual Report on Form 10-K. As stated in their attestation report on management's assessment of the Company's internal control over financial reporting, Deloitte has expressed an

unqualified opinion on management's assessment.

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*Part C Remediation of Material Weakness*

As a result of the findings of the independent investigation of the Audit Committee of the Board of Directors into our Dutchmen Manufacturing, Inc. operating subsidiary and the restatement of the Company's financial statements, management identified a material weakness in the Company's internal control over financial reporting as of July 31, 2006.

During fiscal year 2007, the Company took the following actions to remediate the material weakness.

The Company terminated the employment of the former Dutchmen Vice President of Finance and hired a new Vice President of Finance at Dutchmen;

The Company eliminated the excessive accounting and information system access rights found to be available to the former Dutchmen Vice President of Finance;

Since discovery of the activities of the former Dutchmen Vice President of Finance, the Company has assigned a member of its internal audit department to Dutchmen to assist in implementing full segregation of duties in Dutchmen's accounting function;

The Company has modified the duties of accounting personnel to improve segregation of duties and modified certain information access rights at certain of its other operating subsidiaries;

The Company provided additional training on fraud risk and awareness and assisted management and other key personnel to understand the lessons learned through the Dutchmen review;

To improve the Company's oversight of internal controls at its subsidiaries, the Company's Board of Directors hired a professional services firm to lead and coordinate ongoing compliance efforts under Sarbanes-Oxley section 404 and partner with the internal audit function of the Company;

The Company has conducted more frequent and in-depth periodic, unannounced internal audits of controls at the subsidiary level;

The Company enhanced its corporate level monitoring of the operating subsidiaries' accounts receivable, accounts payable and cash reconciliations, including verification that financial information submitted by the operating subsidiaries agrees with the financial information recorded in the operating subsidiaries' information systems; and

The Company modified its reporting relationships so that heads of subsidiary accounting departments report directly to the Chief Financial Officer of the Company as opposed to subsidiary level presidents.

*Part D Changes in Internal Control Over Financial Reporting*

Other than the foregoing initiatives, during the fourth quarter of fiscal year 2007 and through the date of this report, there have been no material changes in our internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

*Part E Attestation Report of Independent Registered Public Accounting Firm*

***To the Board of Directors and Stockholders of Thor Industries, Inc.:***

We have audited management's assessment, included in the accompanying Management's Report on Internal Controls Over Financial Reporting that Thor Industries, Inc. and subsidiaries (the Company) maintained effective internal control over financial reporting as of July 31, 2007 based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.



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We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinions. A company's internal control over financial reporting is a process designed by, or under the supervision of, the company's principal executive and principal financial officers, or persons performing similar functions, and effected by the company's board of directors, management, and other personnel to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of the inherent limitations of internal control over financial reporting, including the possibility of collusion or improper management override of controls, material misstatements due to error or fraud may not be prevented or detected on a timely basis. Also, projections of any evaluation of the effectiveness of the internal control over financial reporting to future periods are subject to the risk that the controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that the Company maintained effective internal control over financial reporting as of July 31, 2007, is fairly stated, in all material respects, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Also in our opinion, the Company maintained in all material respects, effective internal control over financial reporting as of July 31, 2007, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated financial statements of the Company as of and for the year ended July 31, 2007 and our report dated September 28, 2007 expressed an unqualified opinion on those financial statements.

DELOITTE & TOUCHE LLP

Dayton, Ohio

September 28, 2007.

**ITEM 9B. OTHER INFORMATION**

None.

**PART III****ITEM 10. DIRECTORS EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE**

The Company has adopted a written code of ethics, the Thor Industries, Inc. Business Ethics Policy which is applicable to all directors, officers and employees of the Company, including the Company's principal executive officer, principal financial officer, principal accounting officer or controller and other executive officers identified pursuant to this Item 10 who perform similar functions (collectively, the Selected Officers). In accordance with the rules and regulations of the Securities and Exchange Commission a

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copy of the code has been posted on the Company's website. The Company intends to disclose any changes in or waivers from its code of ethics applicable to any Selected Officer on its website at <http://www.thorindustries.com> or by filing a Form 8-K.

The other information in response to this Item is included under the captions BUSINESS EXPERIENCE OF DIRECTORS AND EXECUTIVE OFFICERS, BOARD OF DIRECTORS, COMMITTEES AND ATTENDANCE AT MEETINGS and SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE, in the Company's definitive Proxy Statement, to be filed with the Commission pursuant to Regulation 14A, which portion of said Proxy Statement is hereby incorporated by reference.

**ITEM 11. EXECUTIVE COMPENSATION**

The information required in response to this Item is contained under the captions Executive Compensation and Director Compensation; in the Company's definitive Proxy Statement to be filed with the Commission pursuant to Regulation 14A, which portion of said Proxy Statement is hereby incorporated by reference.

**Compensation Committee Interlocks and Insider Participation**

No member of the Compensation Committee of the Board of Directors is or was formerly an officer or employee of the Company or any of its subsidiaries. During fiscal 2007, no executive officer of the Company or any of its subsidiaries served on the compensation committee (or equivalent), or the Board of Directors, of another entity whose executive officer(s) served on our Compensation Committee or Board of Directors.

**ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED SHAREHOLDER MATTERS****Equity Compensation Plan Information**

The following table provides information as of July 31, 2007 about the Company's Common Stock that is authorized for issuance under the Company's equity compensation plans, including the Thor Industries, Inc. 2006 Equity Incentive Plan and the Thor Industries, Inc. 1999 Stock Option Plan.

| Plan Category  | Number of securities                                      | Weighted-average  | Number of securities  |
|--|---|---|---|
|  | to be issued  |   | remaining available for future issuance                                       |
|  | upon exercise of outstanding options, warrants and rights | exercise price of outstanding options warrants and rights | under equity compensation plans (excluding securities reflected in column(a)) |
|  | (a)   | (b)   | (c)   |
| Equity compensation plans approved by security holders         | 409,420(1)  | \$ 21.92  | 1,100,000(2)  |
| Equity compensation plans not approved by security holders (1) |   |   |   |
| Total  | 409,420   | \$ 21.92  | 1,100,000   |

(1) Represents shares



underlying stock options granted pursuant to the Thor Industries, Inc. 1999 Stock Option Plan (the 1999 Plan ). This plan was frozen in 2006 upon the adoption of the Thor Industries, Inc. 2006 Equity Incentive Plan (the 2006 Plan ). As a result, no further grants may be made under the 1999 Plan.

- (2) Represents shares authorized for issuance pursuant to the 2006 Plan.

The other information required in response to this Item is contained under the caption OWNERSHIP OF COMMON STOCK in the Company's definitive Proxy Statement, to be filed with the Commission pursuant to Regulation 14A, which portion of said Proxy Statement is hereby incorporated by reference.

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**ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS AND DIRECTOR INDEPENDENCE**

The information required in response to this Item is contained under the captions CERTAIN RELATIONSHIPS AND TRANSACTIONS WITH MANAGEMENT and BOARD OF DIRECTORS, COMMITTEES AND ATTENDANCE AT MEETINGS in the Company's definitive Proxy Statement to be filed with the Commission pursuant to Regulation 14A, which portion of said Proxy Statement is hereby incorporated by reference.

**ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES**

The information required in response to this Item is contained under the caption Independent Auditor fees in the Company's definitive Proxy Statement, to be filed with the Commission pursuant to Regulation 14A, which portion of said Proxy Statement is hereby incorporated by reference.

**Table of Contents****PART IV****ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES****(a) (1) Financial Statements**

|   | <b>Page</b> |
|---|-------------|
| <u>Report of Independent Registered Public Accounting Firm</u>  | F-1         |
| <u>Consolidated Balance Sheets, July 31, 2007 and 2006</u>  | F-2         |
| <u>Consolidated Statements of Income for the Years Ended July 31, 2007, 2006 and 2005</u>   | F-4         |
| <u>Consolidated Statements of Stockholders' Equity, and Comprehensive Income for the Years Ended July 31, 2007, 2006 and 2005</u> | F-5         |
| <u>Consolidated Statements of Cash Flows for the Years Ended July 31, 2007, 2006 and 2005</u>                                     | F-6         |
| <u>Notes to Consolidated Financial Statements for the Years Ended July 31, 2007, 2006 and 2005</u>                                | F-7         |

**(b) Exhibits**

| <b>Exhibit</b> | <b>Description</b>   |
|----------------|--|
| 3.1            | Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3(a) of the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2001)                            |
| 3.2            | Certificate of Amendment to Amended and Restated Certificate of Incorporation (incorporated by reference to Exhibit 3.2 of the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2004) |
| 3.3            | By-laws (incorporated by reference to Exhibit 3(b) of the Company's Registration Statement No. 33-13827)   |
| 4.1            | Form of Common Stock Certificate. (incorporated by reference to Exhibit 4(a) of the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 1987)  |
| 10.1           | Thor Industries, Inc. 1999 Stock Option Plan (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-8 dated November 5, 1999)   |
| 10.2           | Thor Industries, Inc. Restricted Stock Plan (incorporated by reference to Exhibit 4.1 of the Company's Registration Statement on Form S-8 dated December 3, 1997)  |
| 10.3           | Thor Industries, Inc. Select Executive Incentive Plan (incorporated by reference to Exhibit 10(c) of the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2000)                       |
| 10.4           | Thor Industries, Inc. 2006 Equity Incentive Plan*  |
| 10.5           | Thor Industries, Inc. Non-Qualified Deferred Compensation Plan*  |
| 10.6           | Amendment to Thor Industries, Inc. Deferred Compensation Plan*   |
| 14.1           | Thor Industries, Inc. Business Ethics Policy (Incorporated by reference to Exhibit 14.1 of the Company's Annual Report on Form 10-K/A for the fiscal year ended July 31, 2003)                               |
| 21.1           | Subsidiaries of the Company*   |
| 31.1           | Certification of the Chief Executive Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*  |
| 31.2           | Certification of the Chief Financial Officer filed pursuant to Section 302 of the Sarbanes-Oxley Act of 2002*  |
| 32.1           | Certification of the Chief Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**   |
| 32.2           | Certification of the Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002**   |

\* Filed herewith

\*\* Furnished  
herewith



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SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) 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.

(Signed) /S/ Wade F.B. Thompson  
Wade F. B. Thompson  
Chairman, President, and Chief Executive  
Officer

Date: September 28, 2007

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the Registrant and in the capacities and on the dates indicated.

(Signed) /S/ Peter B. Orthwein  
  
Peter B. Orthwein  
Vice Chairman, Treasurer and Director

(Signed) /S/ Walter L. Bennett  
  
Walter L. Bennett  
Chief Financial Officer  
(Principal Financial Officer & Principal  
Accounting Officer)

Date: September 28, 2007

Date: September 28, 2007

(Signed) /S/ Wade F.B. Thompson  
  
Wade F. B. Thompson  
Chairman, President, Chief Executive  
Officer and Director  
(Principal Executive Officer)

(Signed) /S/ Alan Siegel  
  
Alan Siegel  
Director

Date: September 28, 2007

Date: September 28, 2007

(Signed) /S/ William C. Tomson  
  
William C. Tomson  
Director

(Signed) /S/ Neil D. Chrisman  
  
Neil D. Chrisman  
Director

Date: September 28, 2007

Date: September 28, 2007

(Signed) /S/ H. Coleman Davis  
  
H. Coleman Davis  
Director

(Signed) /S/ Jan H. Suwinski  
  
Jan H. Suwinski  
Director

Date: September 28, 2007

Date: September 28, 2007

(Signed) /S/ Geoffrey A. Thompson

Geoffrey A. Thompson  
Director

Date: September 28, 2007

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

***To the Board of Directors and Stockholders of Thor Industries, Inc.***

We have audited the accompanying consolidated balance sheets of Thor Industries, Inc. and subsidiaries (the Company ) as of July 31, 2007 and 2006, and the related consolidated statements of income, stockholders' equity and comprehensive income, and cash flows for each of the three years in the period ended July 31, 2007. These consolidated financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, such consolidated financial statements present fairly, in all material respects, the financial position of Thor Industries, Inc. and subsidiaries at July 31, 2007 and 2006, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 2007, in conformity with accounting principles generally accepted in the United States of America.

We have also audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of the Company's internal control over financial reporting as of July 31, 2007, based on the criteria established in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated September 28, 2007, expressed an unqualified opinion on management's assessment of the effectiveness of the Company's internal control over financial reporting and an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

DELOITTE & TOUCHE LLP

Dayton, Ohio

September 28, 2007

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**Table of Contents****Consolidated Balance Sheets, July 31, 2007 and 2006**

(amounts in thousands except share data)

|  | 2007             | 2006             |
|--|------------------|------------------|
| <b>Assets</b>  |                  |                  |
| Current assets:  |                  |                  |
| Cash and cash equivalents  | \$ 171,889       | \$ 196,136       |
| Investments-short term (Note A)  | 174,575          | 68,237           |
| Accounts receivable:   |                  |                  |
| Trade, less allowance for doubtful accounts \$122 in 2007 and \$105 in 2006 (Note A) | 171,596          | 188,104          |
| Other  | 5,799            | 5,639            |
| Inventories (Note D)   | 168,980          | 183,169          |
| Deferred income taxes and other (Note F)   | 12,689           | 11,431           |
| <br>Total current assets   | <br>705,528      | <br>652,716      |
| Property, plant and equipment:   |                  |                  |
| Land   | 21,795           | 21,323           |
| Buildings and improvements   | 134,352          | 131,649          |
| Machinery and equipment  | 64,572           | 55,656           |
| <br>Total cost   | <br>220,719      | <br>208,628      |
| Less accumulated depreciation  | 63,477           | 51,163           |
| <br>Net property, plant and equipment  | <br>157,242      | <br>157,465      |
| Investments Joint ventures (Note K)  | 2,671            | 2,737            |
| Other assets:  |                  |                  |
| Goodwill (Note C)  | 165,663          | 165,663          |
| Noncompete agreements Net (Note C)   | 1,906            | 2,841            |
| Trademarks (Note C)  | 13,900           | 13,900           |
| Other  | 12,387           | 9,403            |
| <br>Total other assets   | <br>193,856      | <br>191,807      |
| <br>Total  | <br>\$ 1,059,297 | <br>\$ 1,004,725 |

**See notes to consolidated financial statements.**

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|   | <b>2007</b>  | <b>2006</b>  |
|---|--------------|--------------|
| <b>Liabilities and Stockholders Equity</b>  |              |              |
| Current liabilities:  |              |              |
| Accounts payable  | \$ 123,433   | \$ 145,609   |
| Accrued liabilities:  |              |              |
| Compensation and related items  | 39,242       | 37,161       |
| Product warranties (Note M)   | 64,310       | 59,795       |
| Taxes   | 17,991       | 18,709       |
| Promotions and rebates  | 11,697       | 12,953       |
| Product/property liability and related liabilities  | 11,691       | 10,423       |
| Other   | 8,835        | 7,315        |
| Total current liabilities   | 277,199      | 291,965      |
| Deferred income taxes and other liabilities (Note F)  | 15,767       | 12,911       |
| Contingent liabilities and commitments (Note I)   |              |              |
| Stockholders equity (Note J):   |              |              |
| Preferred stock authorized 1,000,000 shares; none outstanding   |              |              |
| Common stock par value of \$.10 a share; authorized, 250,000,000 shares; issued 57,222,404 shares at July 31, 2007 and 57,100,286 shares at July 31, 2006 | 5,722        | 5,710        |
| Additional paid-in capital  | 90,247       | 86,538       |
| Retained earnings   | 727,729      | 664,322      |
| Accumulated other comprehensive income  | 2,756        | 1,772        |
| Less treasury shares of 1,441,600 in 2007 and 1,401,200 in 2006, at cost  | 60,123       | 58,493       |
| Total stockholders equity   | 766,331      | 699,849      |
| Total   | \$ 1,059,297 | \$ 1,004,725 |

**See notes to consolidated financial statements.**

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Consolidated Statements of Income for the Years Ended July 31, 2007, 2006 and 2005  
(amounts in thousands except per share data)

|  | <b>2007</b>  | <b>2006</b>  | <b>2005</b>  |
|--|--------------|--------------|--------------|
| Net sales                                    | \$ 2,856,308 | \$ 3,066,276 | \$ 2,558,141 |
| Cost of products sold                        | 2,493,013    | 2,634,818    | 2,222,606    |
| Gross profit                                 | 363,295      | 431,458      | 335,535      |
| Selling, general and administrative expenses | 177,697      | 183,926      | 152,499      |
| Amortization of intangibles                  | 935          | 949          | 967          |
| Interest income                              | 11,376       | 9,020        | 3,155        |
| Interest expense                             | (774)        | (1,248)      | (580)        |
| Other income                                 | 1,595        | 1,756        | 4,735        |
| Income before income taxes                   | 196,860      | 256,111      | 189,379      |
| Income taxes (Note F)                        | 62,129       | 92,706       | 70,236       |
| Net income                                   | \$ 134,731   | \$ 163,405   | \$ 119,143   |
| Earnings per common share (Note A)           |              |              |              |
| Basic  | \$ 2.42      | \$ 2.89      | \$ 2.10      |
| Diluted                                      | \$ 2.41      | \$ 2.87      | \$ 2.09      |

**See notes to consolidated financial statements.**

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**Table of Contents****Consolidated Statements of Stockholders Equity and Comprehensive Income for the Years Ended July 31, 2007, 2006 and 2005**

(amounts in thousands except share and per share data)

|   | Treasury Stock |          | Common Stock |          | Additional<br>Paid-In<br>Capital | Restricted<br>Stock<br>Plan | Accumulated<br>Other<br>Comprehensive<br>Income<br>(Loss) | Retained<br>Earnings | Compre-<br>hensive<br>Income |
|---|----------------|----------|--------------|----------|----------------------------------|-----------------------------|---|----------------------|------------------------------|
|   | Shares         | Amount   | Shares       | Amount   |                                  |                             |   |                      |                              |
| July 31, 2004                           |                | \$       | 57,146,160   | \$ 5,715 | \$ 81,019                        | \$ (1,128)                  | \$ 64   | \$ 424,362           |                              |
| Net income                              |                |          |              |          |                                  |                             |   | 119,143              | \$ 119,143                   |
| Shares purchased                        | 579,200        | (15,521) |              |          |                                  |                             |   |                      |                              |
| Shares retired                          | (323,200)      | 8,490    | (323,200)    | (32)     | (458)                            |                             |   | (8,000)              |                              |
| Stock option activity                   |                |          | 110,636      | 10       | 2,094                            |                             |   |                      |                              |
| Restricted stock activity               |                |          | (113)        |          | (3)                              | 3                           |   |                      |                              |
| Cash dividends \$ .42 per common share  |                |          |              |          |                                  |                             |   | (23,824)             |                              |
| Foreign currency translation adjustment |                |          |              |          |                                  |                             | 879   |                      | 879                          |
| Compensation expense                    |                |          |              |          |                                  | 378                         |   |                      |                              |
| July 31, 2005                           | 256,000        | (7,031)  | 56,933,483   | 5,693    | 82,652                           | (747)                       | 943   | 511,681              | \$ 120,022                   |
| Net income                              |                |          |              |          |                                  |                             |   | 163,405              | \$ 163,405                   |
| Shares purchased                        | 1,145,200      | (51,462) |              |          |                                  |                             |   |                      |                              |
| Stock option activity                   |                |          | 171,003      | 17       | 3,331                            |                             |   |                      |                              |
| Restricted stock activity               |                |          | (4,200)      |          | 191                              | 42                          |   |                      |                              |
| Cash dividends \$ .19 per common share  |                |          |              |          |                                  |                             |   | (10,764)             |                              |
| Adoption of SFAS 123R                   |                |          |              |          | (494)                            | 494                         |   |                      |                              |
| Foreign currency translation adjustment |                |          |              |          |                                  |                             | 829   |                      | 829                          |
|   |                |          |              |          | 858                              | 211                         |   |                      |                              |

Compensation  
expense

|  |           |             |            |          |           |          |            |            |
|--|-----------|-------------|------------|----------|-----------|----------|------------|------------|
| July 31, 2006                                    | 1,401,200 | (58,493)    | 57,100,286 | 5,710    | 86,538    | 1,772    | 664,322    | \$ 164,234 |
| Net income                                       |           |             |            |          |           |          | 134,731    | 134,731    |
| Shares<br>purchased                              | 40,400    | (1,630)     |            |          |           |          |            |            |
| Stock option<br>activity                         |           |             | 123,618    | 12       | 2,623     |          |            |            |
| Restricted<br>stock activity                     |           |             | (1,500)    |          | 476       |          |            |            |
| Cash<br>dividends<br>\$1.28 per<br>common share  |           |             |            |          |           |          | (71,324)   |            |
| Foreign<br>currency<br>translation<br>adjustment |           |             |            |          |           | 984      |            | 984        |
| Compensation<br>expense                          |           |             |            |          | 610       |          |            |            |
| July 31, 2007                                    | 1,441,600 | \$ (60,123) | 57,222,404 | \$ 5,722 | \$ 90,247 | \$ 2,756 | \$ 727,729 | \$ 135,715 |

**See notes to consolidated financial statements.**

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**Table of Contents****Consolidated Statements of Cash Flows for the Years Ended July 31, 2007, 2006 and 2005**

(amounts in thousands)

|   | <b>2007</b>       | <b>2006</b>       | <b>2005</b>       |
|---|-------------------|-------------------|-------------------|
| <b>Cash flows from operating activities:</b>  |                   |                   |                   |
| <b>Net income</b>   | <b>\$ 134,731</b> | <b>\$ 163,405</b> | <b>\$ 119,143</b> |
| Adjustments to reconcile net income to net cash provided by operating activities:           |                   |                   |                   |
| Depreciation  | 12,970            | 13,097            | 9,808             |
| Amortization of intangibles   | 935               | 949               | 967               |
| Deferred income taxes   | (1,324)           | (4,094)           | 6,831             |
| (Gain) loss on disposition of property, plant and equipment                                 | 82                | 5                 | (2,164)           |
| Loss on sale of trading investments   | 104               | 439               | 1,369             |
| Unrealized (gain) loss on trading investments   |                   | 10                | (233)             |
| Stock based compensation  | 610               | 1,069             |                   |
| <b>Changes in assets and liabilities, net of effects from acquisitions and divestments:</b> |                   |                   |                   |
| Purchase of trading investments   |                   | (255,491)         | (221,223)         |
| Proceeds from sale of trading investments   | 68,133            | 232,024           | 237,914           |
| Accounts receivable   | 16,348            | (50,108)          | (3,467)           |
| Inventories   | 14,189            | (22,684)          | (4,982)           |
| Deferred taxes and other  | (3,213)           | (2,120)           | (1,145)           |
| Accounts payable  | (21,537)          | 23,888            | (10,176)          |
| Accrued liabilities   | 7,410             | 35,212            | (3,232)           |
| Other   | 3,315             | 1,658             | 441               |
| <b>Net cash provided by operating activities</b>  | <b>232,753</b>    | <b>137,259</b>    | <b>129,851</b>    |
| <b>Cash flows from investing activities:</b>  |                   |                   |                   |
| Purchases of property, plant and equipment  | (13,654)          | (30,166)          | (46,178)          |
| Proceeds from disposition of property plant and equipment                                   | 232               | 263               | 3,054             |
| Purchase of available for sale investments  | (295,765)         |                   |                   |
| Proceeds from sale of available for sale investments  | 121,046           |                   |                   |
| Acquisitions net of cash acquired   |                   |                   | (38,113)          |
| <b>Net cash (used in) investing activities</b>  | <b>(188,141)</b>  | <b>(29,903)</b>   | <b>(81,237)</b>   |
| <b>Cash flows from financing activities:</b>  |                   |                   |                   |
| Cash dividends  | (71,324)          | (27,764)          | (6,824)           |
| Purchase of common stock held as treasury shares  | (1,630)           | (51,462)          | (7,031)           |
| Purchase of common stock for retirement   |                   |                   | (8,490)           |
| Retirement of acquired debt   |                   |                   | (1,001)           |
| Proceeds from issuance of common stock  | 3,111             | 3,581             | 1,329             |
| <b>Net cash (used in) financing activities</b>  | <b>(69,843)</b>   | <b>(75,645)</b>   | <b>(22,017)</b>   |
| Effect of exchange rate changes on cash   | 984               | 829               | 879               |
| Net (decrease) increase in cash and cash equivalents  | (24,247)          | 32,540            | 27,476            |

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|   |                   |                   |                   |
|---|-------------------|-------------------|-------------------|
| Cash and cash equivalents, beginning of year  | 196,136           | 163,596           | 136,120           |
| <b>Cash and cash equivalents, end of year</b> | <b>\$ 171,889</b> | <b>\$ 196,136</b> | <b>\$ 163,596</b> |
| <b>Supplemental cash flow information:</b>    |                   |                   |                   |
| Income taxes paid                             | \$ 62,121         | \$ 82,817         | \$ 76,665         |
| Interest paid                                 | \$ 774            | \$ 1,248          | \$ 580            |
| <b>Non-cash transactions:</b>                 |                   |                   |                   |
| Retirement of treasury shares                 | \$                | \$                | \$ 8,490          |
| Dividends payable                             | \$                | \$                | \$ 17,000         |
| Deferred taxes                                | \$                | \$                | \$ 775            |
| Capital expenditures in accounts payable      | \$ 203            | \$ 842            | \$ 1,492          |
| Cancellation of restricted stock              | \$ 35             | \$ 42             | \$                |

**See notes to consolidated financial statements.**

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**Table of Contents****Notes to the Consolidated Financial Statements for the Years Ended July 31, 2007, 2006 and 2005  
(All amounts presented in thousands except share and per share data)****A. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES**

*Principles of Consolidation* The accompanying consolidated financial statements include the accounts of Thor Industries, Inc. and its wholly-owned domestic and foreign subsidiaries (collectively, the Company). All intercompany balances and transactions are eliminated upon consolidation.

*Cash and Cash Equivalents* Interest-bearing deposits and other investments with maturities of three months or less when purchased are considered cash equivalents. Cash, cash equivalents and short term investments of \$321,468 are held by three financial institutions. The remaining \$24,996 is held at various other financial institutions.

*Investments* Effective August 1, 2006, the Company began classifying all short term investment purchases as available-for-sale. This change was based on the Company's decision to change its investment strategy from one of generating profits on short term differences in price to one of preserving capital.

At July 31, 2007, all investments short term are comprised of auction rate securities that are classified as available-for-sale and are reported at fair value in accordance with SFAS No. 115, Accounting for Certain Investments in Debt and Equity Securities. The Company purchases its auction rate securities at par, which either mature or reset at par, and generally there are no unrealized or realized gains or losses to report. Cost is determined on the specific identification basis. Interest income is accrued as earned. All of the available-for-sale securities held at July 31, 2007 mature within one year.

As of July 31, 2006, the Company held short-term debt and equity investments classified as trading securities. These trading securities were all sold or matured during the three months ended October 31, 2006 and were recorded as trading securities activity. Realized and unrealized gains and losses on trading securities are included in earnings. Dividend and interest income were recognized when earned.

*Fair Value of Financial Investments* The carrying amount of cash equivalents, investments, accounts receivable, and accounts payable approximate fair value because of the relatively short maturity of these financial instruments.

*Inventories* Inventories are stated at the lower of cost or market, determined principally by the last-in, first-out (LIFO) basis.

*Depreciation* Property, plant and equipment is recorded at cost and depreciated using the straight-line method over the estimated useful lives of the assets as follows:

Buildings and improvements 10 to 39 years

Machinery and equipment 3 to 10 years

*Other Assets* Other assets consist of goodwill, trademarks, and non-compete agreements. Non-compete agreements are amortized using the straight-line method over 5 to 10 years. Goodwill and trademarks are not amortized but are tested at least annually for impairment. Trademarks are not amortized because they have indefinite useful lives.

*Long-lived Assets* Long-lived assets and identifiable intangibles that are amortized are reviewed for impairment annually or whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable from future cash flows. If the carrying value of a long-lived asset is impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value.

*Product Warranties* Estimated warranty costs are provided at the time of sale of the warranted products. Warranty reserves are reviewed and adjusted as necessary on a quarterly basis.

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*Allowance for Doubtful Accounts* A summary of bad debt activity is as follows:

|                                       | <b>Year<br/>Ended<br/>July 31,<br/>2007</b> | <b>Year<br/>Ended<br/>July 31,<br/>2006</b> | <b>Year<br/>Ended<br/>July 31,<br/>2005</b> |
|---------------------------------------|---|---|---|
| Beginning Balance                     | \$ 105                                      | \$ 506                                      | \$ 558                                      |
| Charged to expense                    | 72  | 98  | 76  |
| Write-offs net of recoveries/payments | (55)  | (499)                                       | (128)                                       |
| Ending Balance                        | \$ 122                                      | \$ 105                                      | \$ 506                                      |

*Insurance Reserves* Generally, we are self-insured for workers' compensation and group medical insurance. Under these plans, liabilities are recognized for claims incurred, including those incurred but not reported, and changes in the reserves. The liability for workers' compensation claims is determined by the Company with the assistance of a third party administrator using various state statutes and reserve requirements and historical claims experience. Group medical reserves are funded through a trust and are estimated using historical claims experience. We have a self-insured retention for products liability and personal injury matters of \$5,000 per occurrence. We have established a reserve on our balance sheet for such occurrences based on historical data and actuarial information. We maintain excess liability insurance aggregating \$25,000 with outside insurance carriers to minimize our risks related to catastrophic claims in excess of all our self-insured positions.

*Revenue Recognition* Revenues from the sale of recreation vehicles and buses are recognized when title passes, which is when shipped to dealers, distributors, or contract buyers in accordance with shipping terms, which are FOB shipping point.

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 on credit or 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.

*Dealer Volume Rebates Sales Incentives and Advertising Costs* Estimated costs related to dealer volume rebates and sales incentives are accrued as a reduction of revenue at the latter of the time products are sold or the date the rebate or incentive is offered. Advertising costs, which consist primarily of tradeshow costs, were \$8,104, \$8,659 and \$8,651 in fiscal 2007, 2006 and 2005, respectively.

*Estimates* The preparation of financial statements in conformity with accounting principles generally accepted in the U.S. requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amount of revenues and expenses during the reporting period. Actual results could differ from those estimates.

*Foreign Currency* Assets and liabilities of the Company's Canadian operations reported in the consolidated balance sheets have been translated at current exchange rates. Revenues and expenses reported in the consolidated statements of income have been translated at the average exchange rate for the year. Translation adjustments have been included in accumulated other comprehensive income. Transaction gains and losses are not significant.



*Stock Options* Effective August 1, 2005, we adopted Statement of Financial Accounting Standard ( SFAS ) No. 123R, Share Based Payment, using the modified prospective transition method. Under the modified prospective transition method, awards that are granted, modified or settle after the date of the adoption are measured and accounted for in accordance with SFAS 123R. SFAS 123R establishes a fair-value method of accounting for employee stock options. The Company uses the Black-Scholes option pricing model

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to estimate the grant date fair value of its option grants. The fair value, and related compensation costs are recognized over the option vesting period which is 3 to 4 years.

*Earnings Per Share* Basic earnings per common share ( EPS ) is computed by dividing net income by the weighted average number of common shares outstanding. Diluted EPS is computed by dividing net income by the weighted average number of common shares outstanding assuming dilution. The difference between basic EPS and diluted EPS is the result of outstanding stock options and restricted stock.

|  | 2007       | 2006       | 2005       |
|--|------------|------------|------------|
| Weighted average shares outstanding for basic earnings per share | 55,665,275 | 56,502,865 | 56,726,200 |
| Stock options and restricted stock                               | 257,833    | 394,174    | 381,363    |
| Weighted average shares outstanding assuming dilution            | 55,923,108 | 56,897,039 | 57,107,563 |

The following table illustrates the pro forma effect on net income and income per share for fiscal 2005 assuming the Company had applied the fair value recognition provisions of Statement 123R to all previously granted share-based awards. The fair value of each option grant is estimated at the grant date using the Black-Scholes option pricing model based on the assumptions listed in Footnote J.

|   |                    |
|---|--------------------|
| Net income as reported  | 2005<br>\$ 119,143 |
| Deduct: Total stock-based employee compensation expense determined under fair value method for all awards, net of related tax effects | (1,161)            |
| Pro forma   | \$ 117,982         |
| Earnings per common share basic   |                    |
| As reported   | \$ 2.10            |
| Pro forma   | \$ 2.08            |
| Earnings per common share diluted   |                    |
| As reported   | \$ 2.09            |
| Pro forma   | \$ 2.07            |

**Accounting Pronouncements**

In July 2006, the FASB issued FASB Interpretation (FIN) 48, Accounting for Uncertainty in Income Taxes. FIN 48 addresses the accounting and disclosure of uncertain tax positions. FIN 48 prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. We have adopted FIN 48 effective August 1, 2007. We estimate that the adoption of FIN 48 will result in a net decrease to beginning retained earnings of less than \$20,000 primarily related to the accrual of the estimated tax liabilities related to the uncertain tax positions plus estimated interest and penalties.

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

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

**B. ACQUISITIONS**

On May 27, 2005, we completed our acquisition of the Goshen Coach Division of Veritrans Specialty Vehicles Inc. pursuant to an asset purchase agreement dated May 26, 2005 for cash of \$10,083. The fair value of assets acquired and liabilities assumed was \$10,354 and \$271, respectively.

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On November 1, 2004, we completed our acquisition of the stock of DS Corp. dba CrossRoads RV, an Indiana corporation, pursuant to an Agreement and Plan of Merger (the Merger Agreement), dated as of October 28, 2004, by and among our company, Thor Acquisition Corp., a Delaware corporation and a wholly-owned subsidiary of our company (Acquisition Subsidiary), CrossRoads and the security holders of CrossRoads. CrossRoads is engaged in the business of manufacturing towable recreation vehicles. Under the terms of the Merger Agreement, Acquisition Subsidiary merged with and into CrossRoads, and CrossRoads continued as the surviving corporation (the Merger). In addition, as part of the Merger, certain members of management of CrossRoads entered into non-competition agreements with our company.

The purchase price paid by us for the acquisition of the stock of CrossRoads was \$28,030, which was payable in cash and was funded from our cash on hand. The fair value of assets acquired and liabilities assumed was \$32,958, and \$4,928 respectively. The purchase price allocation includes \$1,176 of non-compete agreements, which will be amortized over two to seven years, \$20,485 of goodwill and \$794 for trademarks that are not subject to amortization.

**C. GOODWILL AND OTHER INTANGIBLE ASSETS**

Statement of Financial Accounting Standards (SFAS) No. 142, Goodwill and Other Intangible Assets, requires goodwill to be tested for impairment at least annually and more frequently if an event occurs which indicates the goodwill may be impaired. On an annual basis, we test goodwill for impairment as of April 30.

The components of other intangibles are as follows:

|   | July 31, 2007 |                          | July 31, 2006 |                          |
|---|---------------|--------------------------|---------------|--------------------------|
|   | Cost          | Accumulated Amortization | Cost          | Accumulated Amortization |
| Amortizable Intangible Assets- Non-compete agreements | \$6,256       | \$ 4,350                 | \$15,889      | \$ 13,048                |

Aggregate amortization expense for non-compete agreements for the years ended, July 31, 2007, 2006 and 2005 were \$935, \$949, and \$967, respectively. Non-compete agreements are amortized on a straight-line basis.

The weighted average remaining amortization period at July 31, 2007 is 3.1 years.

Estimated Amortization Expense:

|                               |       |
|-------------------------------|-------|
| For the year ending July 2008 | \$812 |
| For the year ending July 2009 | \$476 |
| For the year ending July 2010 | \$322 |
| For the year ending July 2011 | \$239 |
| For the year ending July 2012 | \$ 57 |

There was no change in the carrying value of goodwill and trademarks for the years ended July 31, 2007 and July 31, 2006.

Goodwill and trademarks by segment totaled as follows:

|                     | July 31, 2007 |           | July 31, 2006 |           |
|---------------------|---------------|-----------|---------------|-----------|
|                     | Goodwill      | Trademark | Goodwill      | Trademark |
| Recreation Vehicles |               |           |               |           |
| Towables            | \$ 143,795    | \$ 10,237 | \$ 143,795    | \$ 10,237 |
| Motorized           | 17,252        | 2,600     | 17,252        | 2,600     |
| Buses               | 4,616         | 1,063     | 4,616         | 1,063     |
| Total               | \$ 165,663    | \$ 13,900 | \$ 165,663    | \$ 13,900 |

**D. INVENTORIES**

Major classifications of inventories are:



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|   | <b>As of July 31,</b> |             |
|---|-----------------------|-------------|
|   | <b>2007</b>           | <b>2006</b> |
| Finished products                         | \$ 12,326             | \$ 13,416   |
| Work in process                           | 52,102                | 51,208      |
| Raw materials                             | 87,245                | 99,807      |
| Chassis                                   | 42,528                | 39,772      |
| Subtotal                                  | 194,201               | 204,203     |
| Less excess of FIFO costs over LIFO costs | 25,221                | 21,034      |
| Total inventories                         | \$ 168,980            | \$ 183,169  |

**E. LINE OF CREDIT**

The Company has a \$30,000 unsecured revolving line of credit which bears interest at prime less 2.15% (6.1% at July 31, 2007) and expires on November 30, 2007. There was no outstanding balance at July 31, 2007 and July 31, 2006. The loan agreement executed in connection with the line of credit contains certain covenants, including restrictions on additional indebtedness, and requires the Company to maintain certain financial ratios. The Company intends to renew the unsecured revolving line of credit prior to expiration.

**F. INCOME TAXES**

|                          | <b>Years ended July 31,</b> |             |             |
|--------------------------|-----------------------------|-------------|-------------|
|                          | <b>2007</b>                 | <b>2006</b> | <b>2005</b> |
| <b>Income taxes:</b>     |                             |             |             |
| Federal                  | \$ 66,049                   | \$ 82,256   | \$ 54,963   |
| State and local          | (3,065)                     | 13,415      | 7,645       |
| Foreign                  | 470                         | 1,129       | 797         |
| Total current            | 63,454                      | 96,800      | 63,405      |
| Federal deferred         | (1,396)                     | (3,863)     | 5,934       |
| State and local deferred | 72                          | (231)       | 897         |
| Total deferred           | (1,324)                     | (4,094)     | 6,831       |
| Income taxes             | \$ 62,129                   | \$ 92,706   | \$ 70,236   |

During the year ended July 31, 2007, the Company settled an Internal Revenue Service examination and a tax dispute with the State of Indiana. The Company reversed related income tax reserves and recognized a current tax benefit in the provision for income taxes of approximately \$9,300. The increase in deferred tax liabilities for the year ended July 31, 2005 was due primarily to increased funding of self-insured reserves.

The differences between income taxes at the federal statutory rate and the actual income taxes are as follows:

|  | <b>Years ended July 31,</b> |             |             |
|--|-----------------------------|-------------|-------------|
|  | <b>2007</b>                 | <b>2006</b> | <b>2005</b> |
| Provision at statutory rates                             | \$ 68,901                   | \$ 89,639   | \$ 66,283   |
| State and local income taxes, net of federal tax benefit | 5,363                       | 8,730       | 5,552       |
| Extraterritorial income benefit                          | (362)                       | (1,013)     | (1,221)     |
| Credits and incentives                                   | (1,150)                     | (233)       | (490)       |

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|  |           |             |           |
|--|-----------|-------------|-----------|
| Domestic production activities deduction         | (1,988)   | (2,396)     |           |
| Other, including reversal of income tax reserves | (8,635)   | (2,021)     | 112       |
| Income taxes                                     | \$ 62,129 | \$ (92,706) | \$ 70,236 |

Income before income taxes includes foreign income of \$1,226 in fiscal 2007, \$2,962 in fiscal 2006, and \$2,101 in fiscal 2005.

|  | <b>July 31,<br/>2007</b> | <b>July 31,<br/>2006</b> |
|--|--------------------------|--------------------------|
| <b>A summary of deferred income taxes is:</b>  |                          |                          |
| <b>Current deferred tax asset (liability):</b> |                          |                          |
| Inventory basis                                | \$ (1,166)               | \$ (1,076)               |
| Employee benefits                              | 1,454                    | 2,110                    |
| Self-insurance                                 | 2,506                    | (518)                    |
| Product warranties                             | 1,980                    | 3,377                    |
| Other  | 1,231                    | 1,005                    |

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|   |                          |                          |
|---|--------------------------|--------------------------|
|   | <b>July 31,<br/>2007</b> | <b>July 31,<br/>2006</b> |
| <b>Total current deferred tax asset included in deferred income taxes and other</b>                       | <b>6,005</b>             | <b>4,898</b>             |
| <b>Long-term deferred tax asset (liability):</b>  |                          |                          |
| Property basis  | (2,203)                  | (2,211)                  |
| Investments   | 168                      | 162                      |
| Deferred compensation   | 4,773                    | 3,859                    |
| Intangibles   | (3,250)                  | (3,547)                  |
| Other   | (2,848)                  | (1,840)                  |
| <b>Total net long-term deferred tax liability included in deferred income taxes and other liabilities</b> | <b>(3,360)</b>           | <b>(3,577)</b>           |
| <b>Net deferred tax asset (liability)</b>   | <b>\$ 2,645</b>          | <b>\$ 1,321</b>          |

**G. LEASES**

The Company has operating leases principally for land, buildings and equipment. Future minimum rental payments required under these operating leases are \$9,410, which includes the following amount due in each of the next five fiscal years ending July 31: \$3,529 in fiscal 2008; \$2,278 in fiscal 2009; \$1,745 in fiscal 2010; \$978 in fiscal 2011; \$676 in fiscal 2012 and \$204 thereafter. Rent expense was \$4,736 in fiscal 2007, \$4,956 in fiscal 2006 and \$4,918 in fiscal 2005.

**H. EMPLOYEE BENEFIT PLANS**

Substantially all non-highly compensated employees are eligible to participate in a 401(k) plan. Company contributions are at the discretion of the Company's Board of Directors. Total expense for the plan was \$571 in fiscal 2007, \$644 in fiscal 2006, and \$630 in fiscal 2005.

The Company has established a deferred compensation plan for executives who do not participate in a 401(k) plan. This plan allows executives to defer a portion of their compensation and to direct the Company to invest the funds in mutual fund investments held by the Company. Participant benefits are limited to the value of the investments held on their behalf. Investments held by the Company are accounted for at fair market value and reported as other assets. The obligation to the participants is reported as a liability. No income or loss is recorded through the Consolidated Statements of Income. The Company does not make contributions to the plan. The balance of investments held in this plan was \$10,515 at July 31, 2007 and \$7,542 at July 31, 2006.

**I. CONTINGENT LIABILITIES AND COMMITMENTS**

It is customary practice for companies in the recreation vehicle industry to enter into repurchase agreements with financing institutions to provide financing to their dealers. Generally, these agreements provide for the repurchase of products from the financing institution in the event of a dealer's default.

Our principal commercial commitments at July 31, 2007 are summarized in the following chart:

| <b>Commitment</b>                                 | <b>Total<br/>Amount<br/>Commitment</b> | <b>Term of<br/>Guarantee</b> |
|---|--|------------------------------|
| Guarantee on dealer financing                     | \$ 2,021                               | less than 1<br>year          |
| Standby repurchase obligation on dealer financing | \$ 844,673                             | less than 1<br>year          |

The risk of loss under these agreements is spread over numerous dealers and further reduced by the resale value of the units which the company would be required to repurchase. Losses under these agreements have not been significant in



the periods presented in the consolidated financial statements, and management believes that any future losses under these agreements will not have a significant effect on the Company's consolidated financial position or results of operations.

The Company records repurchase and guarantee reserves based on prior experience and known current events. The combined repurchase and guarantee reserve balances are approximately \$1,293 as of July 31, 2007 and \$1,563 as of July 31, 2006.

|                             | <b>Fiscal<br/>2007</b> | <b>Fiscal<br/>2006</b> | <b>Fiscal<br/>2005</b> |
|-----------------------------|------------------------|------------------------|------------------------|
| Cost of units repurchased   | \$ 10,078              | \$ 4,878               | \$ 11,220              |
| Realization of units resold | 9,061                  | 4,230                  | 9,355                  |
| Losses due to repurchase    | \$ 1,017               | \$ 648                 | \$ 1,865               |

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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. 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 purchases the chassis and records the inventory. At July 31, 2007 and July 31, 2006, chassis on hand accounted for as consigned, unrecorded inventory was approximately \$45,848 and \$24,970 respectively.

The Company is involved in various litigation generally incidental to normal operations.

**J. STOCKHOLDERS' EQUITY**

The Company purchased 40,400 shares of Thor's common stock in fiscal 2007 at an average cost of \$40.35 per share to be held as treasury shares. In fiscal 2006, the Company purchased 1,145,200 shares of Thor's common stock at an average cost of \$44.94 per share to be held as treasury shares.

Effective August 1, 2005, we adopted Statement of Financial Accounting Standard (SFAS) No. 123R, Share Based Payment, using the modified prospective transition method. Under the modified prospective transition method, awards that are granted, modified or settled after the date of the adoption are measured and accounted for in accordance with SFAS 123R.

The Board approved the Thor Industries, Inc. 2006 Equity Incentive Plan (the Equity Incentive Plan) on October 16, 2006 and this plan was subsequently approved by shareholders at the 2006 annual meeting. The Equity Incentive Plan is designed, among other things, to replace the Company's 1999 Stock Option Plan (the 1999 Plan) and the Company's 1997 Restricted Stock Plan (the 1997 Plan). Upon approval of the Equity Incentive Plan, the 1999 Plan and the 1997 Plan were frozen. As a result, there will be no further grants under options, restricted stock or other equity-based awards pursuant to either the 1999 Plan or the 1997 Plan. However, outstanding grants of both plans remain outstanding, subject to the respective terms and conditions of the plans. The maximum number of shares issuable under the Equity Incentive Plan is 1,100,000. Awards may be in the form of options (incentive stock options and non-statutory stock options), restricted stock, restricted stock units, performance compensation awards and stock appreciation rights.

**Stock Options** The Company's Board of Directors approved the 1999 Stock Option Plan. 2,000,000 shares were authorized under the Plan. Options expire 10 years from the date of grant and are vested evenly over 3 to 4 years from the date of grant.

A summary of option activity under the 1999 Stock Option Plan is as follows:

|                                  | 2007      |                                 | 2006      |                                 | 2005      |                                 |
|----------------------------------|-----------|---------------------------------|-----------|---------------------------------|-----------|---------------------------------|
|                                  | Shares    | Weighted-Average Exercise Price | Shares    | Weighted-Average Exercise Price | Shares    | Weighted-Average Exercise Price |
| Outstanding at beginning of year | 533,038   | \$ 21.29                        | 704,041   | \$ 19.63                        | 792,344   | \$ 18.07                        |
| Exercised                        | (123,618) | 15.60                           | (171,003) | 14.47                           | (110,636) | 11.79                           |
| Canceled                         |           |                                 |           |                                 | (12,667)  |                                 |
| Granted                          |           |                                 |           |                                 | 35,000    | 30.51                           |
| Outstanding at end of year       | 409,420   | \$ 21.92                        | 533,038   | \$ 21.29                        | 704,041   | \$ 19.63                        |
| Exercisable at year-end          | 388,420   | \$ 21.53                        | 382,843   | \$ 18.79                        | 426,375   | \$ 14.48                        |

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The weighted average fair value of options granted was \$12.31 in fiscal 2005 as calculated by the Black-Scholes method. The weighted average-remaining contractual life for options outstanding and exercisable at July 31, 2007, was 5.8 years, respectively. The aggregate intrinsic value of options outstanding and exercisable at July 31, 2007 was \$7,818 and \$7,571, respectively. The aggregate intrinsic value of options outstanding and exercisable at July 31, 2006 was \$11,486 and \$9,209 respectively.

The assumptions used in determining the fair value of options granted during fiscal 2005 is as follows:

|                         | <b>2005</b> |
|-------------------------|-------------|
| Expected volatility     | 38%         |
| Expected life of grant  | 6 years     |
| Risk free interest rate | 3.90%       |
| Expected dividend rate  | .30%        |

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The fair value of each option award is estimated on the date of grant using the Black-Scholes option-pricing model. Assumptions utilized in the model are evaluated when awards are granted. Forfeiture assumptions are revised as necessary to reflect experience. The fair value of the stock options is based upon the market price of the underlying common stock as of the date of the grant, reduced by the present value of estimated future dividends, and risk-free interest rates. The risk-free rate for periods within the contractual life of the option is based on the U.S. treasury security rate estimated for the expected life of the options at the date of grant. Expected volatilities are based on the historical volatility of our stock. The expected term of the options represents the period of time that options granted are outstanding and is estimated using historical exercise and termination behavior.

In fiscal year 2007 and 2006, the Company recorded expenses of \$408 and \$858 respectively for stock option awards. The amount expensed in the current period under SFAS No. 123R is consistent with prior proforma disclosures under SFAS 123. At July 31, 2007, there was \$88 of total unrecognized compensation costs related to stock options that is expected to be recognized over a weighted average period of 0.7 years.

Cash received from stock option exercises for the year ended July 31, 2007 and July 31, 2006 was \$2,373 and \$2,474 respectively. The total intrinsic value of stock options exercised in 2007, 2006 and 2005 was \$2,923, \$5,417 and \$2,518, respectively.

Exercises of options are satisfied with the issuance of new shares from authorized shares.

**Stock Awards** The Company has a stock award plan which allows for the granting of up to 600,000 shares of restricted stock to selected executives. Restrictions expire 50% after 5 years following the date of issue and the balance after six years.

A summary of stock award activity under this Plan for the year ended July 31, 2007 and July 31, 2006 is as follows:

|                              | <b>2007</b>   |   | <b>2006</b>   |   |
|------------------------------|---------------|---|---------------|---|
|                              | <b>Shares</b> | <b>Weighted<br/>Average<br/>Grant<br/>Date Fair<br/>Value</b> | <b>Shares</b> | <b>Weighted<br/>Average<br/>Grant<br/>Date Fair<br/>Value</b> |
| Nonvested, Beginning of year | 94,700        | \$ 14.33  | 115,700       | \$ 12.93  |
| Granted                      |               |   |               |   |
| Vested                       | 22,200        | 7.62  | 16,800        | 5.77  |
| Forfeited                    | (1,500)       | 23.38   | (4,200)       | 9.98  |
| Nonvested, End of year       | 71,000        | \$ 16.24  | 94,700        | \$ 14.33  |

In fiscal 2007 and 2006, the Company recorded expense for restricted stock awards of \$202 and \$211, respectively. At July 31, 2007, there was \$257 of total unrecognized compensation costs related to restricted stock awards that is expected to be recognized over a weighted average period of 1.6 years.

The total fair value of restricted shares vested during fiscal year 2007 and 2006 was \$970 and \$604, respectively.

**K. JOINT VENTURES**

In March 1996, the Company and Cruise America, Inc., an unrelated third party, formed a joint venture, CAT Joint Venture LLC ( CAT ), to make short-term rentals of motorized recreation vehicles to the public. As of July 31, 2007 we were contingently liable for repurchase obligations of CAT inventory in the amount of approximately \$14,498. Any losses related to these obligations would be shared equally by the Company and Cruise America. The Company's total investment is \$1,115.

In March 1994, the Company and a financial services company formed a joint venture, Thor Credit Corporation (TCC), to finance the sales of recreation vehicles to consumer buyers. Historically, the majority of these financing arrangements were provided to consumers buying recreation vehicles manufactured by unrelated parties. The Company's total investment is \$1,556.

These investments are 50% owned and are accounted for using the equity method. The Company's share of the combined earnings (loss) for these investments was \$(66), \$(63), and \$640, in fiscal 2007, 2006 and 2005 respectively, and is included in the other income caption of the Consolidated Statements of Income. Additionally, TCC pays the Company a referral fee based upon the amount of loans generated from Thor dealerships. The Company recognized referral income of \$1,519, \$1,564 and \$1,859 in fiscal 2007, 2006 and 2005 respectively, which is included in the other income caption of the Consolidated Statements of Income.

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During fiscal 2007, our Four Winds subsidiary had sales to Cruise America of \$32,688 and Cruise America had sales to CAT of \$11,315. During fiscal 2006, our Four Winds subsidiary had sales to Cruise America of \$32,277 and Cruise America had sales to CAT of \$6,657. During fiscal 2005, our Four Winds subsidiary had sales to Cruise America of \$57,979 and Cruise America had sales to CAT of \$9,521.

**L. BUSINESS SEGMENTS**

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

Manufacturing and sales are conducted in the United States and, to a much lesser extent, in Canada. Identifiable assets are those assets used in the operation of each reportable segment. Corporate assets primarily consist of cash and cash equivalents, investments-short term, deferred income tax assets, the cash value of Company-owned life insurance and various investments.

|                                    | 2007                | 2006                | 2005                |
|------------------------------------|---------------------|---------------------|---------------------|
| <b>Net sales:</b>                  |                     |                     |                     |
| Recreation vehicles                |                     |                     |                     |
| Towables                           | \$ 1,890,100        | \$ 2,173,483        | \$ 1,742,108        |
| Motorized                          | 565,523             | 577,025             | 566,138             |
| Total Recreation Vehicles          | 2,455,623           | 2,750,508           | 2,308,246           |
| Buses                              | 400,685             | 315,768             | 249,895             |
| <b>Total</b>                       | <b>\$ 2,856,308</b> | <b>\$ 3,066,276</b> | <b>\$ 2,558,141</b> |
| <b>Income before income taxes:</b> |                     |                     |                     |
| Recreation vehicles                |                     |                     |                     |
| Towables                           | \$ 165,259          | \$ 228,592          | \$ 164,343          |
| Motorized                          | 25,140              | 27,404              | 24,607              |
| Total recreation vehicles          | 190,399             | 255,996             | 188,950             |
| Buses                              | 18,997              | 9,356               | 7,492               |
| Corporate                          | (12,536)            | (9,241)             | (7,063)             |
| <b>Total</b>                       | <b>\$ 196,860</b>   | <b>\$ 256,111</b>   | <b>\$ 189,379</b>   |
| <b>Identifiable assets:</b>        |                     |                     |                     |
| Recreation vehicles                |                     |                     |                     |
| Towables                           | \$ 449,276          | \$ 483,324          | \$ 380,306          |
| Motorized                          | 147,598             | 150,058             | 126,045             |
| Total recreation vehicles          | 596,874             | 633,382             | 506,351             |
| Buses                              | 105,864             | 103,861             | 96,942              |
| Corporate                          | 356,559             | 267,482             | 250,600             |
| <b>Total</b>                       | <b>\$ 1,059,297</b> | <b>\$ 1,004,725</b> | <b>\$ 853,893</b>   |

**Depreciation and amortization expense:**

|                           |                  |                  |                  |
|---------------------------|------------------|------------------|------------------|
| Recreation vehicles       |                  |                  |                  |
| Towables                  | \$ 8,913         | \$ 8,012         | \$ 6,505         |
| Motorized                 | 2,916            | 4,365            | 2,672            |
| Total recreation vehicles | 11,829           | 12,377           | 9,177            |
| Buses                     | 1,877            | 1,629            | 1,556            |
| Corporate                 | 200              | 40               | 42               |
| <b>Total</b>              | <b>\$ 13,906</b> | <b>\$ 14,046</b> | <b>\$ 10,775</b> |

**Capital expenditures:**

|                           |                  |                  |                  |
|---------------------------|------------------|------------------|------------------|
| Recreation vehicles       |                  |                  |                  |
| Towables                  | \$ 7,825         | \$ 23,575        | \$ 32,371        |
| Motorized                 | 3,913            | 2,955            | 14,562           |
| Total recreation vehicles | 11,738           | 26,530           | 46,933           |
| Buses                     | 1,226            | 4,395            | 683              |
| Corporate                 | 141              | 83               | 54               |
| <b>Total</b>              | <b>\$ 13,105</b> | <b>\$ 31,008</b> | <b>\$ 47,670</b> |

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Thor provides customers of our product with a warranty covering defects in material or workmanship for periods generally ranging from one to two years, with longer warranties of up to five years 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 reserves are 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.

|                   | <b>Year Ended<br/>July 31,<br/>2007</b> | <b>Year Ended<br/>July 31,<br/>2006</b> | <b>Year Ended<br/>July 31,<br/>2005</b> |
|-------------------|---|---|---|
| Beginning Balance | \$ 59,795                               | \$ 55,118                               | \$ 45,829                               |
| Provision         | 66,324                                  | 63,137                                  | 60,084                                  |
| Payments          | (61,809)                                | (58,460)                                | (51,940)                                |
| Acquisitions      |   |   | 1,145                                   |
| Ending Balance    | <b>\$ 64,310</b>                        | <b>\$ 59,795</b>                        | <b>\$ 55,118</b>                        |

**N. SUBSEQUENT EVENT**

On August 6, 2007, Thor's Board of Directors approved a special dividend of \$2 per share. This dividend of approximately \$111,669 will be paid on October 8, 2007 to stockholders of record on September 27, 2007.

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