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# **THOR**

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# **INDUSTRIES, INC.**

## **2012 ANNUAL REPORT**

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## DEAR FELLOW SHAREHOLDERS:

Fiscal 2012 was once again a successful year for your company. Not only did we achieve record sales, but we also positioned ourselves for continued growth.

Financial highlights of fiscal 2012 were:

- Record sales of \$3.1 billion, an increase of 12% from \$2.8 billion in fiscal 2011
- Net income for the year was up 15% to \$121.7 million, compared to \$106.3 in fiscal 2011
- Diluted earnings per share were up 18% to \$2.26 versus \$1.92 in fiscal 2011
- RV sales were \$2.6 billion, up 13% from \$2.3 billion in fiscal 2011
- Bus sales were \$444.9 million, compared to \$415.1 million in 2011
- Thor's RV backlog as of July 31, 2012 increased 48% to \$335.4 million from \$227.4 million as of July 31, 2011

The recreation vehicle industry continued to improve through the first half of calendar 2012. According to the Recreational Vehicle Industry Association (RVIA), wholesale shipments of travel trailers, fifth wheels and motorized RVs posted an 11% gain through July 31, 2012 compared to the same period in 2011. RVIA is currently forecasting wholesale shipments for all RV categories to grow 8% in the 2012 calendar year compared to 2011, with most of the growth expected in travel trailers and fifth wheels.

We believe that retail demand is the key to continued improvement in the RV industry. We are currently experiencing appropriate levels of dealer inventory, and we believe that the trend in RV industry wholesale shipments will generally follow on a one-to-one replenishment ratio with retail sales going forward.

Thor also made progress on the financial front, and in particular the priorities for our use of the cash generated by our operations. During the year, we were able to repurchase three million shares of our common stock, or 5% of our outstanding shares at an average price of \$25.67 per share, or \$77.0 million. We raised our quarterly dividend from \$0.10 per share to \$0.15 per share at the beginning of fiscal 2012, and then raised it again to \$0.18 per share in the first quarter of fiscal 2013.

We also made significant operating and senior management changes:

- We named Bob Martin RV Group President and then promoted him to President and Chief Operating Officer at year end
- We named Cam Boyer President of Dutchmen
- At Keystone, our largest subsidiary, we named Matt Zimmerman President, and David Chupp Chief Operating Officer
- In May, we hired respected industry veteran Chris Hermon to replace retiring Heartland President Brian Brady
- Also, Jeff Montgomery replaced Sheldon Walle, who is retiring as President of our Eldorado National Kansas bus subsidiary
- At year end, Todd Woelfer joined the company as Senior Vice President, General Counsel and Secretary, replacing George Lawrence, who left to pursue the practice of law in Indianapolis
- Shortly after the fiscal year end, we named Colleen Zuhl Interim Chief Financial Officer, replacing Christian Farman

I am proud of the progress we have made over the past year to strengthen our management and the steps that we have taken to position ourselves for a strong fiscal 2013. We look forward to an improved economy to fuel our growth in 2013 and beyond.



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

# FINANCIAL HIGHLIGHTS

(\$000), except per share amounts

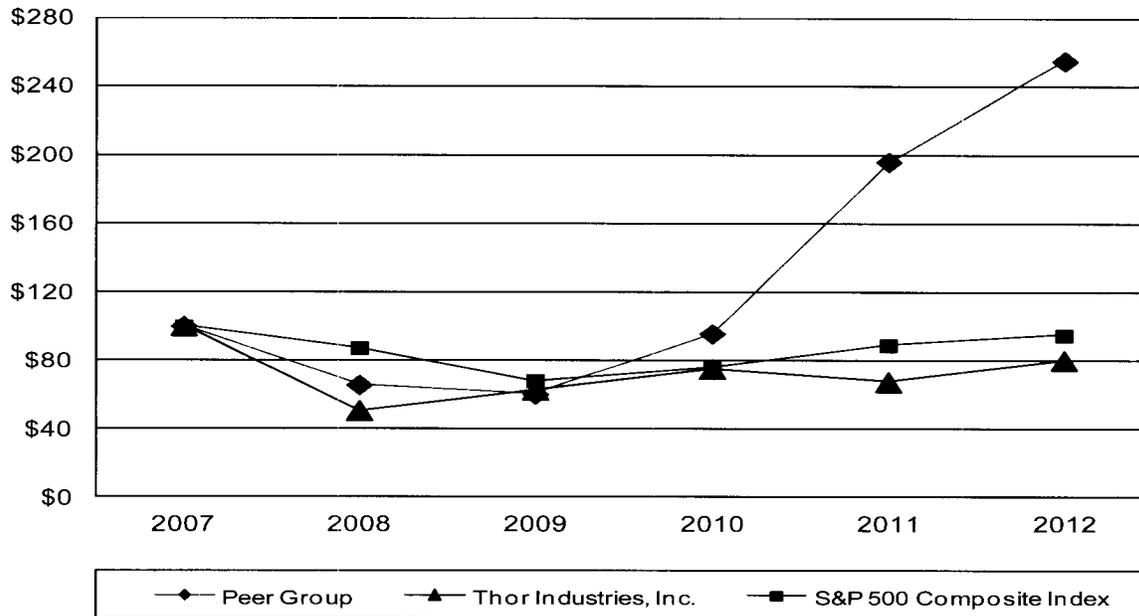
|                               | 2012         | 2011         | 2010         | 2009         | 2008         | 2007         |
|-------------------------------|--------------|--------------|--------------|--------------|--------------|--------------|
| Net Sales                     | \$ 3,084,660 | \$ 2,755,508 | \$ 2,276,557 | \$ 1,521,896 | \$ 2,640,680 | \$ 2,856,308 |
| Gross profit                  | \$ 356,776   | \$ 333,135   | \$ 307,086   | \$ 152,537   | \$ 322,426   | \$ 363,295   |
| Income before taxes           | \$ 180,691   | \$ 152,627   | \$ 171,393   | \$ 23,395    | \$ 152,407   | \$ 196,860   |
| Net income                    | \$ 121,739   | \$ 106,273   | \$ 110,064   | \$ 17,143    | \$ 92,706    | \$ 134,731   |
| Stockholders' equity          | \$ 850,827   | \$ 836,274   | \$ 657,278   | \$ 705,033   | \$ 699,696   | \$ 766,331   |
| Cash & investments            | \$ 220,047   | \$ 217,477   | \$ 253,078   | \$ 342,262   | \$ 316,023   | \$ 346,464   |
| Working capital               | \$ 373,796   | \$ 345,169   | \$ 345,006   | \$ 419,544   | \$ 279,504   | \$ 428,329   |
| Current ratio                 | 2.20         | 2.24         | 2.34         | 3.27         | 2.13         | 2.55         |
| Capital acquisitions          | \$ 10,442    | \$ 33,698    | \$ 12,767    | \$ 5,135     | \$ 14,815    | \$ 13,105    |
| Depreciation and amortization | \$ 24,978    | \$ 24,009    | \$ 13,229    | \$ 13,483    | \$ 17,021    | \$ 13,905    |
| Total assets                  | \$ 1,243,054 | \$ 1,198,070 | \$ 964,073   | \$ 951,124   | \$ 996,562   | \$ 1,059,297 |
| Per share amounts:            |              |              |              |              |              |              |
| Net income                    | \$ 2.26      | \$ 1.92      | \$ 2.08      | \$ 0.31      | \$ 1.67      | \$ 2.42      |
| Book value                    | \$ 16.08     | \$ 14.98     | \$ 12.77     | \$ 12.72     | \$ 12.62     | \$ 13.74     |

## STOCK PRICE PERFORMANCE GRAPH

The performance graph set forth below compares the cumulative total stockholder returns, for a five year period ended July 31, 2012, on the Common Stock of Thor Industries, Inc. (the "Company") assuming that \$100 is invested on July 31, 2007 and that all dividends are reinvested, against the cumulative total returns of the Standard and Poor's S&P 500 composite stock price index (S&P 500) and a "peer group" of companies selected by the Company whose primary business is in the recreation vehicle industry.

Our peer group, selected from the Recreational Vehicle Stock Index based on comparable market capitalization combined with recommendations from senior management, is composed of Brunswick Corp. ("BC"), Drew Industries ("DW"), Polaris Industries ("PII"), and Winnebago Industries ("WGO"). We are also utilizing the S&P 500 as a benchmark against our performance. The Company cautions that stock price performance noted below should not be considered indicative of potential future stock price performance.

**Comparison of Five-Year Cumulative Return**



|                         | Fiscal Year |         |         |         |          |          |
|-------------------------|-------------|---------|---------|---------|----------|----------|
|                         | 2007        | 2008    | 2009    | 2010    | 2011     | 2012     |
| Thor Industries, Inc.   | \$100.00    | \$50.55 | \$62.70 | \$74.85 | \$67.33  | \$80.04  |
| Peer Group              | \$100.00    | \$65.35 | \$60.07 | \$95.47 | \$195.98 | \$254.91 |
| S&P 500 Composite Index | \$100.00    | \$87.09 | \$67.86 | \$75.70 | \$88.80  | \$94.78  |

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

FORM 10-K

(Mark one)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended July 31, 2012, Commission File Number 1-9235

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from \_\_\_\_\_ to \_\_\_\_\_  
Commission file number 1-9235

THOR INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of  
incorporation or organization)

93-0768752

(I.R.S. Employer  
Identification Number)

419 West Pike Street, Jackson Center, Ohio

(Address of principal executive offices)

45334-0629

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

Name of each exchange on which registered:  
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 whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark 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, a non-accelerated filer or a smaller reporting company. See definitions, of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

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

Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 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, 2012 was \$1,090,511,937 based on the closing price of the registrant's common shares on January 31, 2012, 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) current executive officers of the registrant who are identified as "named executive officers" pursuant to Item 11 of the registrant's Form 10-K for the fiscal year ended July 31, 2011 and (iii) any shareholder that beneficially owns 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, 2012 was 52,923,010.

Documents incorporated by reference:

Portions of the Proxy Statement for the Annual Meeting of Stockholders to be held on December 11, 2012 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 dollar amounts are presented in thousands except per share data.

### ITEM 1. BUSINESS

#### General Development of Business

Our company was founded in 1980 and manufactures 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 copies of our recent filings with the Securities and Exchange Commission ("SEC"), available free of charge, on our web site. Unless the context otherwise requires or indicates, all references to "Thor", the "Company", "we", "our" and "us" refer to Thor Industries, Inc. and its subsidiaries.

Our principal recreation vehicle operating subsidiaries are Airstream, Inc. (*Airstream*), CrossRoads RV (*CrossRoads*), Dutchmen Manufacturing, Inc. (*Dutchmen*), Thor Motor Coach, Inc. (*Thor Motor Coach*), Keystone RV Company (*Keystone*) and Heartland Recreational Vehicles, LLC (*Heartland*). Our principal bus operating subsidiaries are Champion Bus, Inc. (*Champion*), EIDorado National California, Inc. (*EIDorado California*), EIDorado National Kansas, Inc. (*EIDorado Kansas*) and Goshen Coach, Inc. (*Goshen Coach*).

On March 1, 2010, we acquired 100% of SJC Industries, Corp. ("SJC"), a privately-held manufacturer of ambulances based in Elkhart, Indiana, for \$19,756 in cash and \$325 in future cash obligations for a total purchase price of \$20,081. We believe that the ambulance business is a natural fit with our bus business and have included the operations of SJC in our Buses reportable segment.

Effective September 8, 2010, the operations of Four Winds and Damon were combined to form Thor Motor Coach to optimize operations and garner cost efficiencies.

On September 16, 2010, we acquired 100% of Towable Holdings, Inc., the parent company of Heartland Recreational Vehicles, LLC ("Heartland") pursuant to a stock purchase agreement for \$99,732 in cash and 4,300,000 shares of our common stock. Heartland is located in Elkhart, Indiana and is a major manufacturer of towable recreation vehicles. Under our ownership, Heartland continues as an independent operation, in the same manner as our existing recreation vehicle and bus companies, and its operations are included in our Towables reportable segment.

Effective January 1, 2011, the operations of Breckenridge and Komfort were transferred into Dutchmen to form a single operating entity. The combination of these operations is intended to reduce overall costs and align management teams.

Effective January 21, 2011, the operations of Goshen Coach and SJC were combined under one management team. This reorganization was made in an effort to reduce overall costs and align management teams. There were no changes to the associated legal entities of Goshen Coach, Inc. and SJC Industries, Corp. In September 2011, the operations of Goshen Coach and SJC were combined within one facility.

#### Recreation Vehicles

We believe that we are the largest unit and revenue manufacturer of recreation vehicles ("RVs") 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*. Airstream 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 manufactures and sells travel trailers under the trade names *Airstream International*, *Classic Limited*, *Sport*, *Flying Cloud* and *Eddie Bauer*. Airstream also sells the *Interstate Class B* motorhome.

##### *CrossRoads*

Our CrossRoads subsidiary manufactures and sells conventional travel trailers and fifth wheels under the trade names *Cruiser*, *Rushmore*, *Zinger* and *Sunset Trail*, luxury fifth wheels under the trade name *Redwood* and park trailers under the trade name *Hampton*.

##### *Dutchmen*

Our Dutchmen subsidiary manufactures and sells conventional travel trailers, fifth wheels and park models primarily under the trade names *Dutchmen*, *Aerolite*, *Kodiak*, *Denali*, *Komfort*, *Voltage*, *Aspen Trail*, *Coleman*, *Infinity* and *Breckenridge*.

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.

### *Thor Motor Coach*

Thor Motor Coach manufactures and sells gasoline and diesel Class A and Class C motorhomes. Its products are sold under trade names such as *Four Winds, Hurricane, Windsport, Chateau, Daybreak, Challenger, Tuscany, Outlaw, Palazzo* and *A.C.E.*

### *Keystone*

Our Keystone subsidiary manufactures and sells conventional travel trailers and fifth wheels under trade names such as *Montana, Springdale, Hornet, Sprinter, Outback, Laredo, Alpine, Mountaineer, Avalanche, Raptor, Passport* and *Cougar*.

### *Heartland*

Our Heartland subsidiary manufactures and sells conventional travel trailers and fifth wheels under trade names such as *Landmark, Bighorn, Sundance, Elk Ridge, Trail Runner, Cyclone, Prowler* and *Wilderness*.

## **Buses**

We believe that our bus segment is the largest manufacturer of small and mid-size transit and commercial buses in North America (those up to 35 feet) based on statistics published by the Mid-Size Bus Manufacturers Association. We also build 40-foot buses for transit and airport shuttle use. Additionally, through our Goshen Coach operations, we manufacture and sell ambulances.

### *EIDorado National*

EIDorado National, comprised of our EIDorado Kansas and EIDorado California subsidiaries, manufactures and sells buses and mobility vans 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, AeroAccess II, Advantage, Passport* and *Axess*, its 40 foot bus.

### *Champion Bus*

Champion manufactures and sells small and mid-size buses under trade names such as *Challenger, Defender, CTS-RE, Crusader, American Crusader, American Coach*, and *EZ Street*.

### *Goshen Coach*

Effective January 21, 2011, the operations of Goshen Coach and SJC were combined under one management team. Goshen Coach manufactures and sells small and mid-size buses under trade names such as *GC II, G-Force* and *Pacer*. Ambulances are sold under trade names such as *McCoy Miller* and *Marque*.

## **Product Line Sales and Segment Information**

We have three reportable segments: 1) towable recreation vehicles, 2) motorized recreation vehicles and 3) buses. The towable recreation vehicle reportable segment consists of product lines from the following operating segments that have been aggregated: *Airstream, CrossRoads, Dutchmen, Heartland* (since its acquisition on September 16, 2010) and *Keystone*. The motorized recreation vehicle reportable segment consists of product lines from the following operating segments that have been aggregated: *Airstream* and *Thor Motor Coach*.

The buses reportable segment consists of the following operating segments that have been aggregated: *Champion Bus, EIDorado California, EIDorado Kansas* and *Goshen Coach* (including *SJC*, since its acquisition on March 1, 2010).

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

|                           | <b>2012</b>   |          | <b>2011</b>   |          | <b>2010</b>   |          |
|---------------------------|---------------|----------|---------------|----------|---------------|----------|
|                           | <b>Amount</b> | <b>%</b> | <b>Amount</b> | <b>%</b> | <b>Amount</b> | <b>%</b> |
| Recreation Vehicles:      |               |          |               |          |               |          |
| Towables                  | \$ 2,285,863  | 74       | \$ 1,977,416  | 72       | \$ 1,556,591  | 68       |
| Motorized                 | 353,935       | 12       | 363,026       | 13       | 291,958       | 13       |
| Total Recreation Vehicles | 2,639,798     | 86       | 2,340,442     | 85       | 1,848,549     | 81       |
| Buses                     | 444,862       | 14       | 415,066       | 15       | 428,008       | 19       |
| Total Net Sales           | \$ 3,084,660  | 100      | \$ 2,755,508  | 100      | \$ 2,276,557  | 100      |

## **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") and park model classifications are based upon standards established by the Recreation Park Trailer Industry Association ("RPTIA"). The principal types of recreation vehicles that we produce include conventional travel trailers, fifth wheels, park models, and Class A, Class C and Class B motorhomes.

Travel trailers are non-motorized vehicles which are designed to be towed by passenger automobiles, pickup trucks, SUVs 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 a receiver in 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 in the United States is 400 square feet. They provide comfortable self-contained living and are second homes for their owners, according to RPTIA.

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 drivetrain components by motor vehicle manufacturers such as Ford and Freightliner. We design, manufacture and install the living area and driver's compartment of Class A motorhomes. Class C and Class B motorhomes are built on a Ford, General Motors or Mercedes Benz small truck or van chassis which includes an engine, drivetrain 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 dealer 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 and key towable RV components sourced from a major supplier, Drew Industries, Inc. ("Drew"), substitute sources for raw materials and components are available with no material impact on our operations.

Our relationship with our chassis suppliers is similar to our other vendor relationships in that no long-term contractual commitments are engaged in by either party. Historically, Ford and General Motors resort to an industry-wide allocation system during periods when chassis supply is restricted. These allocations would be based on the volume of chassis previously purchased. Sales of motorhomes and small buses rely on these chassis and would be affected accordingly.

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

Generally, all of our operating subsidiaries introduce new or improved lines or models of recreation vehicles each year. Changes typically include new sizes and floor plans, 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 our 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, 2012, there were approximately 1,600 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 we work with 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 targeted to be competing against competitors' 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 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, product brochures, direct mail advertising campaigns and the internet.

In our selection of individual dealers, we emphasize the dealer's ability to maintain a sufficient inventory of our products, as well as their financial stability, credit worthiness, reputation, experience and ability to provide service. Many of our dealers carry the recreation vehicle lines of one or more of our competitors. Generally, each of our operating subsidiaries has sales agreements with their dealers and these agreements are subject to annual review.

During fiscal 2012, 2011 and 2010, one of our dealers, FreedomRoads, LLC, accounted for 14%, 14% and 18% of our consolidated recreation vehicle net sales and 12%, 12% and 15% of our consolidated net sales, respectively. This dealer also accounted for 20% of the Company's consolidated trade accounts receivable at July 31, 2012 and 14% at July 31, 2011. In January 2009, we entered into two credit agreements with Stephen Adams, in his individual capacity, and Stephen Adams and his successors, as trustee under the Stephen Adams Living Trust (the "Trust" and, together with each of the foregoing persons, the "Borrowers"), pursuant to which we made two \$10,000 loans to the Borrowers. The first loan matures on January 15, 2014. The second loan was scheduled to mature on June 30, 2012, however, this loan was paid in fiscal year 2012 prior to maturity. In addition, in December 2009, we entered into a credit agreement with Marcus Lemonis, Stephen Adams, in his individual capacity, and Stephen Adams and his successors, as trustee under the Trust (collectively, the "Third Loan Borrowers"), pursuant to which we made a \$10,000 loan to the Third Loan Borrowers that matures on December 22, 2014. The Borrowers and the Third Loan Borrowers own, directly or indirectly, a controlling interest in FreedomRoads Holding Company, LLC, the parent company of FreedomRoads, LLC.

Most of our sales to dealers are made on terms requiring cash on delivery or within 15 days of the invoice date. We generally do not finance dealer purchases. Most dealers are financed on a "floor plan" 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 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. Repurchase agreements provide that, for up to 18 months after a unit is financed, and in the event of default by the dealer and notification from the lending institution of the dealer default, we will repurchase all the dealer units 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. 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 \$360, \$853 and \$1,336 in fiscal 2012, 2011 and 2010, respectively.

#### *Joint Venture*

In March 1996, our Company and Cruise America, Inc. formed a 50/50 owned joint venture, CAT Joint Venture LLC ("CAT"), to make short-term rentals of motorized recreation vehicles to the public. Our total investment in this joint venture at July 31, 2012 is \$1,739.

#### *Backlog*

As of July 31, 2012, the backlog for towable and motorized recreation vehicle orders was \$224,603 and \$110,757, respectively, compared to \$187,946 and \$39,427, respectively, at July 31, 2011. 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 relatively short. The existing backlog of towable and motorized recreation vehicles is expected to be filled in fiscal 2013.

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.

#### *Product Warranties*

We generally provide retail purchasers of our recreation vehicles with a one-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.

## **Buses**

### *Overview*

We manufacture and sell small and mid-size bus products which consist of units used by mass transit, airport shuttles, nursing and retirement homes, church organizations and other commercial and tourist uses. Our larger Axess bus, which is available in various lengths up to 40 feet, is designed for transit and airport shuttle uses. Our ambulances are used by public and private rescue squads.

### *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 from transit agencies and dealers.

Some of the chassis, all of the engines and auxiliary units, all of the seating and most 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.

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, Navistar, Mercedes Benz and General Motors and engines from Cummins. 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.

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

### *Marketing and Distribution*

We market our small and mid-size buses through a network of approximately 70 independent dealers in the United States and Canada. We select dealers using several criteria, including financial stability, credit worthiness, geographic location and suitable premises.

During fiscal 2012, two of our dealers accounted for 28% of the Company's consolidated bus net sales. We also sell our small and mid-size buses directly to certain national accounts such as major rental car companies and hotel chains. 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 floor plan financing institutions. Sales to some state transportation agencies and other government agencies may be on longer terms.

### *Backlog*

As of July 31, 2012, the backlog for bus orders was \$222,152, compared to \$204,217 at July 31, 2011. 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 2013.

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 customer, may be an indicator of our revenues in the near term.

### *Product Warranties*

We generally provide retail 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 or 50,000 miles to 5 years or 75,000 miles. The chassis and engines of our small buses are warranted for 3 years or 36,000 miles by their manufacturers. The chassis and engines of our mid-size buses are warranted for 2 years and unlimited miles by their manufacturers.

## **Regulation**

We are subject to the provisions of the National Traffic and Motor Vehicle Safety Act ("NTMVSA") 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 our 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 ("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 plants and 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.

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

## **Competition**

### *Recreation Vehicles*

The recreation vehicle industry is generally characterized by 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. There are approximately 65 RV manufacturers in the U.S. and Canada.

Our primary competitors within the towables segment include Forest River, Inc. and Jayco, Inc. while our primary competitors within the motorized segment are Winnebago Industries, Inc. and Forest River, Inc. We estimate that we are the largest recreation vehicle manufacturer in terms of units produced and revenue. According to Statistical Surveys, Inc., for the six months ended June 30, 2012 our U.S. market share for travel trailers and fifth wheels was 38% and our U.S. market share for motorhomes was 21%.

### *Small and Mid-Size Buses*

Our competitors offer lines of buses which compete with all of our products. Price, quality and delivery are the primary competitive factors. There are approximately 15 North American bus manufacturers with which we compete. Our primary competitors within the bus segment are Forest River, Inc. and Supreme Industries, Inc. As with recreation vehicles, we believe that the quality, design and price of our 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. We estimate that we have a 35% market share of the U.S. and Canadian small and mid-size bus market, according to the Mid-Size Bus Manufacturers Association.

## **Trademarks and Patents**

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

## **Employee Relations**

At July 31, 2012, we had approximately 8,800 full-time employees in the United States of which approximately 1,300 were salaried. None of our employees are 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**

Export sales to Canada from our U.S. operations were \$463,130, \$444,364 and \$364,105 in fiscal 2012, 2011 and 2010, respectively. We sold our only foreign operations (Canada) in April 2010.

## 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 our expectations. Factors which could cause materially different results include, among others, fuel prices, lower consumer confidence and the level of discretionary consumer spending, interest rate increases, restrictive lending practices, increased material and component costs, recent management changes, the success of new product introductions, the pace of acquisitions, cost structure improvements, competition and general economic conditions and the other risks and uncertainties discussed more fully in ITEM 1A. 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.

## 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 Stockholders are made available, free of charge, on our website, [www.thorindustries.com](http://www.thorindustries.com), as soon as reasonably practicable after such reports have been filed with or furnished to the SEC. You may also read and copy any materials that we file with the SEC at the SEC’s Public Reference Room at 100 F Street, NE, Room 1580, Washington, D.C. 20549. You may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. In addition, the SEC maintains a website that contains reports, proxy and information statements and other information that is filed electronically with the SEC. The website can be accessed at [www.sec.gov](http://www.sec.gov).

## 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 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 existing and potential competitors. The recreation vehicle industry is generally characterized by 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. Competition in these industries is based upon price, design, value, quality and service. Competitive pressures, especially in the recreation vehicle market for towables and motorhomes, 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 production levels, shipments and operating results. Consequently, the results for any prior period may not be indicative of results for any future period.

*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. Since recreation vehicles are used primarily by vacationers and campers, 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 businesses may be affected by certain external factors beyond our control.*

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 credit availability, consumer confidence, employment rates, prevailing interest rates, inflation, 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”;
- interest rates and the availability of credit;
- employment trends;
- industry demand;
- public policy and government appropriation involving mass transit; and
- increases in raw material costs.

*The loss of one or more of our significant dealers could have a significant effect on our business.*

Two dealers accounted for an aggregate of 28% of our consolidated bus sales for fiscal year 2012. The loss of either of these dealers could have a significant effect on our bus business. Another dealer, FreedomRoads, LLC, accounted for 14% of our consolidated recreation vehicle net sales and 12% of our consolidated net sales for fiscal 2012. The loss of this dealer could have a significant adverse effect on our business. In addition, deterioration in the liquidity or credit worthiness of FreedomRoads, LLC could negatively impact our sales and accounts receivable and could trigger repurchase obligations under our repurchase agreements.

*Certain of our notes receivable may have collectability risk.*

In January 2009, we entered into two credit agreements with Stephen Adams, in his individual capacity, and Stephen Adams and his successors, as trustee under the Stephen Adams Living Trust (the “Trust” and, together with each of the foregoing persons, the “Borrowers”), pursuant to which we made two \$10,000 loans to the Borrowers. The first loan matures on January 15, 2014. The second loan was scheduled to mature on June 30, 2012, however, this loan was paid in fiscal year 2012 prior to maturity.

In addition, in December 2009, we entered into a credit agreement with Marcus Lemonis, Stephen Adams, in his individual capacity, and Stephen Adams and his successors, as trustee under the Trust (collectively, the “Third Loan Borrowers”), pursuant to which we made a \$10,000 loan to the Third Loan Borrowers that matures on December 22, 2014. The Borrowers and the Third Loan Borrowers own, directly or indirectly, a controlling interest in FreedomRoads Holding Company, LLC, the parent company of FreedomRoads, LLC, our largest dealer. While we believe that the notes receivable from the Borrowers and the Third Loan Borrowers are collectable, deterioration in the liquidity or credit worthiness of the Borrowers or the Third Loan Borrowers could impact the collectability of the notes receivable.

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

Approximately 65% of our bus sales for fiscal year 2012 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, decreased tax revenues 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.

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

Gasoline or diesel fuel is required for the operation of recreation vehicles and most of our buses. 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 diesel fuel and substantial increases in the price of fuel 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 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. Generally, recreation vehicle dealers finance their purchases of inventory with financing provided by lending institutions. A decrease in the availability of this type of wholesale financing can prevent dealers from carrying adequate levels of inventory, which limits product offerings and could lead to reduced demand. In addition, two of the major financial flooring institutions held approximately 85% of our portion of our dealers' total floored dollars outstanding at July 31, 2012. Substantial increases in interest rates and decreases in the general availability of credit have also had an adverse impact upon our business and results of operations in the past and may do so in the future. In particular, credit availability may have a significant impact on our business. Further, a decrease in availability of consumer credit resulting from unfavorable economic conditions may cause consumers to reduce discretionary spending which could, in turn, reduce demand for our products and negatively affect our profitability.

*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 or 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 rise, 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, personal injury and warranties. We generally self-insure our product liability and other claims and also purchase product liability and other insurance in the commercial insurance market. We cannot be certain that our insurance coverage will be sufficient to cover all future claims against us. We have a self-insured retention ("SIR") for products liability and personal injury matters of \$5,000 per occurrence. Beginning April 1, 2012, this SIR for bus related matters is \$7,500.

Amounts above the SIR, up to a certain dollar amount, are covered by our excess insurance policy. Currently, we maintain excess liability insurance aggregating \$50,000 with outside insurance carriers to minimize our risks related to catastrophic claims in excess of our self-insured positions for products liability and personal injury matters. Any material change in the aforementioned factors could have an adverse impact on our operating results. Any increase in the frequency and size of these claims, as compared to our experience in prior years, 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.

*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, we will execute a repurchase agreement with the lending institution. Repurchase agreements provide that, for up to 18 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. In difficult economic times this amount could become material.

*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 currently 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 1) chassis for our motorhomes and buses, where Ford Motor Company and General Motors are dominant suppliers, and 2) windows and doors, chassis and slide-out mechanisms, axles and upholstered furniture for our recreation vehicles, where Drew is a major supplier for these items within the RV industry.

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 motorhome 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 affected. 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. The supply of chassis is currently adequate; we are unaware of any conditions in the U.S. auto industry which are likely to cause a significant negative impact on the availability of chassis; and we believe that available inventory would compensate for changes in supply schedules if they occur. To date, we have not experienced any unusual cost increases from our chassis suppliers. If the condition of the U.S. auto industry were to significantly deteriorate, this could result in supply interruptions and a decrease in our sales and earnings while we obtain replacement chassis from other sources.

Drew is a major supplier of a number of key components of our towable recreation vehicles such as windows and doors, chassis and slide-out mechanisms, axles and upholstered furniture. We have not experienced any significant shortages or delays in delivery related to these items; however, if industry demand were to increase faster than Drew can respond, or other factors impact their ability to continue to supply our needs for these key components, our business could be adversely affected.

Finally, as is standard in the industry, arrangements with chassis and other suppliers such as Ford Motor Company, General Motors and Drew are terminable at any time by either our Company or the supplier. If we cannot obtain an adequate supply of chassis or key components, 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 ("NTMVSA") and the safety standards for recreation vehicles, buses and recreation vehicle and bus 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 impose upon vehicle operators various restrictions on the weight, length and width of motor vehicles, including buses and motorhomes, 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.

As a publicly-traded Company, we are subject to the regulations promulgated by the Securities and Exchange Commission and the rules of the New York Stock Exchange.

Failure to comply with any of the foregoing laws or regulations could have an adverse impact on our business. Additionally, amendments to these regulations and the implementation of new regulations could increase the cost of manufacturing, purchasing, operating or selling our products and therefore could have an adverse impact on our business.

*Changes in accounting standards could affect our reported financial results.*

New accounting standards or pronouncements or changes in interpretations of existing standards that may be announced from time to time that are applicable to our Company could have a significant impact on our reported results.

*Our risk management policies and procedures may not be fully effective in achieving their purposes.*

Our policies, procedures, controls and oversight to monitor and manage our enterprise risks may not be fully effective in achieving their purpose and may leave exposure to identified or unidentified risks. Past or future misconduct by our employees or vendors could result in violations of law by us, regulatory sanctions and/or serious reputational harm or financial harm. The Company monitors its policies, procedures and controls; however, there can be no assurance that our policies, procedures and controls will be sufficient to prevent all forms of misconduct. We review our compensation policies and practices as part of our overall enterprise risk management program, but it is possible that our compensation policies could incentivize inappropriate risk taking or misconduct. If such inappropriate risks or misconduct occurs, it is possible that it could have a material adverse affect on our results of operations and/or our financial condition.

*Interruption of information service or misappropriation or breach of our cyber systems could cause disruption and damage to our reputation.*

Our business relies on information systems and other technology (“information systems”) to support our business operations, including but not limited to procurement, supply chain, manufacturing, distribution, invoicing and collection of payments. We use information systems to report and audit our operational results. Additionally, we rely upon information systems in our marketing and communication efforts. Due to our reliance on our information systems, our business processes may be negatively impacted in the event of substantial disruption of service. Further, misuse, leakage or falsification of information could result in a violation of privacy laws and damage to our reputation which could, in turn, have a negative impact on our results.

*We may not be able to protect our intellectual property and may be subject to infringement claims.*

We rely on certain trademarks and patents, including contractual rights with third parties. We endeavor to protect our rights; however, third parties may infringe upon our intellectual property rights. We may be forced to take steps to protect our rights, including through litigation. This could result in a diversion of resources. The inability to protect our intellectual property rights could have a material adverse affect on our business. We may also be subject to claims by third parties, seeking to enforce their claimed intellectual property rights.

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

We have a significant amount of goodwill, intangible assets and other long-lived assets. At least annually, we review goodwill for impairment. Long-lived assets, identifiable intangible assets and goodwill 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. These events or circumstances could include a significant change in the business climate, legal factors, operating performance indicators, competition, sale or disposition of a significant portion of the business or other factors. If the carrying value of a long-lived asset is considered impaired, an impairment charge is recorded for the amount by which the carrying value of the long-lived asset exceeds its fair value. Our determination of future cash flows, future recoverability and fair value of our long-lived assets includes significant estimates and assumptions. Changes in those estimates or assumptions or lower than anticipated future financial performance may result in the identification of an impaired asset and a non-cash impairment charge, which could be material. Any such charge could adversely affect our operating results and financial condition.

*Our operations are dependent upon the services of key individuals, the loss of whom could materially harm us.*

We rely upon the knowledge, experience and skills of our employees to compete effectively in our businesses and manage our operations. In addition, our future success will depend on, among other factors, our ability to attract and retain executive management, key employees and other qualified personnel. Upon the departure of key employees, our success may depend upon the existence of adequate succession plans. The loss of key employees or the failure to attract or retain employees could have a material adverse effect on us in the event that our succession plans prove inadequate. If we are unable to attract and retain qualified employees, our operations could be materially adversely affected.

## **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 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 shareholder 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 investors of an opportunity to sell shares at a premium over prevailing prices.

## **ITEM 1B. UNRESOLVED STAFF COMMENTS**

None.

## ITEM 2. PROPERTIES

We own or lease approximately 6,109,000 square feet of manufacturing 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 are adequate for our current and foreseeable purposes and that we would be able to obtain replacements for our leased premises at acceptable costs should our leases not be renewed.

The following table describes the location, number and size of our principal manufacturing plants and other materially important physical properties as of July 31, 2012:

| Locations                               | Owned or Leased | No. of Buildings | Approximate Building Area Square Feet |
|---|-----------------|------------------|---------------------------------------|
| <b>RVs:</b>                             |                 |                  |                                       |
| Jackson Center, OH (Airstream) (4)(5)   | Owned           | 9                | 299,000                               |
| Middlebury, IN (Dutchmen) (4)           | Owned           | 1                | 90,000                                |
| Burley, ID (Dutchmen) (4)               | Owned           | 5                | 162,000                               |
| Goshen, IN (Dutchmen) (4)               | Owned           | 7                | 387,000                               |
| Bristol, IN (Dutchmen) (1)(4)           | Owned           | 1                | 54,000                                |
| Syracuse, IN (Dutchmen) (4)             | Owned           | 1                | 50,000                                |
| Clackamas, OR (Dutchmen) (4)            | Owned           | 1                | 107,000                               |
| Nappanee, IN (Dutchmen) (4)             | Owned           | 2                | 144,000                               |
| Elkhart, IN (Thor Motor Coach) (5)      | Owned           | 9                | 710,000                               |
| Elkhart, IN (Thor Motor Coach) (2)(5)   | Leased          | 1                | 23,000                                |
| Elkhart, IN (Thor Motor Coach) (3)(5)   | Leased          | 2                | 26,000                                |
| Topeka, IN (CrossRoads) (4)             | Owned           | 5                | 250,000                               |
| Syracuse, IN (CrossRoads) (4)           | Owned           | 1                | 105,000                               |
| Elkhart, IN (Heartland) (4)             | Owned           | 6                | 518,000                               |
| Elkhart, IN (Heartland) (1)(4)          | Owned           | 2                | 89,000                                |
| Elkhart, IN (Heartland) (4)             | Leased          | 6                | 319,000                               |
| Elkhart, IN (Heartland) (3)(4)          | Leased          | 2                | 75,000                                |
| Goshen, IN (Keystone) (4)               | Owned           | 17               | 1,468,000                             |
| Pendleton, OR (Keystone) (4)            | Owned           | 7                | 404,000                               |
| <b>Buses:</b>                           |                 |                  |                                       |
| Salina, KS (EIDorado Kansas) (6)        | Owned           | 2                | 255,000                               |
| Riverside, CA (EIDorado California) (6) | Owned           | 1                | 227,000                               |
| Imley City, Michigan (Champion Bus) (6) | Owned           | 5                | 186,000                               |
| Elkhart, IN (Goshen Coach) (6)          | Owned           | 3                | 161,000                               |
| <b>Total</b>                            |                 | <u>96</u>        | <u>6,109,000</u>                      |

(1) These locations are vacant and have been placed on the market.

(2) This location is occupied under a net lease expiring in fiscal 2014 with an option to purchase the building.

(3) These locations are under net leases expiring in fiscal 2013. Locations are currently vacant and are on the market for sub-leasing.

(4) Included in the towable recreation vehicles reportable segment.

(5) Included in the motorized recreation vehicles reportable segment.

(6) Included in the buses reportable segment.

## ITEM 3. LEGAL PROCEEDINGS

In addition to the matter described below, the Company is involved in certain litigation arising out of its operations in the normal course of its business, most of which is based upon state "lemon laws", warranty claims and vehicle accidents (for which the Company carries insurance above a specified self-insured retention or deductible amount). The outcomes of legal proceedings and claims brought against the Company are subject to significant uncertainty. There is significant judgment required in assessing both the probability of an adverse outcome and the determination as to whether an exposure can be reasonably estimated. In management's opinion, the ultimate disposition of any current legal proceedings or claims against the Company will not have a material effect on the Company's financial condition, operating results or cash flows, except that an adverse outcome in a significant litigation matter could have a material effect on the operating results of a particular reporting period.

### FEMA Trailer Formaldehyde Litigation

Beginning in 2006, a number of lawsuits were filed against numerous trailer and manufactured housing manufacturers, including complaints against the Company. The complaints were filed in various state and federal courts throughout Louisiana, Alabama, Texas and Mississippi on behalf of Gulf Coast residents who lived in travel trailers, park model trailers and manufactured homes provided by the Federal Emergency Management Agency ("FEMA") following Hurricanes Katrina and Rita in 2005. The complaints generally allege that residents who occupied FEMA supplied emergency housing units, such as travel trailers, were exposed to formaldehyde emitted from the trailers. The plaintiffs allege various injuries from exposure, including health issues and emotional distress. Most of the initial cases were filed as class action suits. The Judicial Panel on Multidistrict Litigation (the "MDL panel") has the authority to designate one court to coordinate and consolidate discovery and pretrial proceedings in a proceeding known as multidistrict litigation ("MDL"). The MDL panel transferred the actions to the United States District Court for the Eastern District of Louisiana (the "MDL Court") because the actions in different jurisdictions involved common questions of fact. The MDL Court denied class certification in December 2008, and consequently, the cases are now being administered as a mass joinder of claims (the "MDL proceeding"). There are approximately 4,100 suits currently pending in the MDL Court.

The number of cases currently pending against the Company is approximately 500. Many of these lawsuits involve multiple plaintiffs, each of whom have brought claims against the Company. A number of cases against the Company have been dismissed for various reasons, including duplicative and unmatched lawsuits and failure of plaintiffs to appear or prosecute their claims. In the event a case does not settle or is not dismissed during the MDL proceeding, it is remanded back to the original court for disposition or trial. In September 2009, the MDL Court commenced hearing both bellwether jury trials and bellwether summary jury trials. The summary jury trial process is an alternative dispute resolution method which is non-binding and confidential. The Company has participated in one confidential summary jury trial.

On December 21, 2011, the MDL Court issued an Order that, among other matters, mandated certain manufacturing defendants in the litigation, including the Company and several of its RV subsidiaries, to participate in mediation in January 2012. The Company's Heartland subsidiary participated in a mediation on January 27, 2012 and reached an agreement in principle to resolve the pending claims against it on February 2, 2012. The other Thor RV subsidiaries involved in the MDL proceeding collectively participated in a mediation on January 19, 2012 and during a second mediation session held on February 10, 2012 reached an agreement in principle to resolve the litigation. On March 27, 2012, Heartland and its insurance carriers entered into a Memorandum of Understanding ("MOU") memorializing the February 2, 2012 settlement. On March 30, 2012, Thor Industries, Inc., for itself and on behalf of its other RV subsidiaries involved in the MDL proceeding, and its insurance carriers, entered into an MOU memorializing the settlement reached on February 10, 2012.

As previously reported on April 19, 2012 by the Company on its Form 8-K, the Company and its RV subsidiaries involved in the MDL proceeding, their respective insurance carriers, several unaffiliated manufacturers of RVs and their insurers, and legal representatives of the plaintiffs each executed a Stipulation of Settlement in April 2012 (the "Stipulation of Settlement"). As set forth more fully in the Stipulation of Settlement, if the MDL Court grants final approval, the claims against the Company will be dismissed with prejudice and released, such that every member of the settlement class will be forever barred from asserting against the Company any claims alleged in the MDL proceeding. In furtherance of the settlement, a payment of \$6,250 was made by the Company and its insurance carriers for the benefit of the settlement class into the registry of the court, and a payment of \$553 was made by Heartland, a subsidiary of the Company, and its insurance carriers for the benefit of the settlement class.

On May 31, 2012, the MDL Court granted preliminary approval of the proposed settlement class. The Company had previously recorded adequate amounts for this settlement and paid \$4,700 into the Registry of the United States District Court for the Eastern District of Louisiana on June 1, 2012.

On September 6, 2012, pursuant to an Order of the MDL Court, counsel for the plaintiffs produced the list of members of the class who requested exclusion from the proposed settlement. Only one individual making a claim against the Company and/or its RV subsidiaries requested to be excluded from the proposed class settlement.

On September 27, 2012, the MDL Court is scheduled to conduct a Fairness Hearing during which final approval of the proposed settlement will be evaluated. In the event that the MDL Court finds the proposed settlement to be reasonable, it is expected that all claims made in the litigation, excepting only the single claim that requested exclusion from proposed settlement, will be finally resolved in accordance with the terms of the Stipulation of Settlement identified above.

#### **ITEM 4. MINE SAFETY DISCLOSURES**

Not applicable.

## **PART II**

#### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES**

##### **Market Information**

The Company's Common Stock, par value \$0.10 per share (the "Common Stock"), is traded on the New York Stock Exchange ("NYSE"). 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 NYSE Monthly Market Statistics and Trading Reports:

|                | <b>Fiscal 2012</b> |            | <b>Fiscal 2011</b> |            |
|----------------|--------------------|------------|--------------------|------------|
|                | <b>High</b>        | <b>Low</b> | <b>High</b>        | <b>Low</b> |
| First Quarter  | \$ 29.08           | \$ 17.62   | \$ 35.50           | \$ 22.50   |
| Second Quarter | 31.82              | 22.25      | 37.45              | 29.15      |
| Third Quarter  | 34.56              | 29.81      | 39.12              | 29.31      |
| Fourth Quarter | 34.70              | 26.27      | 33.79              | 24.22      |

## Holders

As of September 14, 2012, the number of holders of record of the Common Stock was 113.

## Dividends

In fiscal 2012, we paid a \$.15 per share dividend in each quarter. In fiscal 2011, we paid a \$.10 per share dividend in each quarter. On September 6, 2012, we increased the quarterly dividend to \$.18 per share.

The Company's Board currently intends to continue quarterly cash dividend payments in the future. The declaration of future dividends and the establishment of the per share amounts, record dates and payment dates for any such future dividends are subject to the determination of the Board, and will be dependent upon future earnings, cash flows and other factors.

There are no limitations on the Company's ability to pay dividends pursuant to any credit facility.

**Equity Compensation Plan Information** – see ITEM 12

## ITEM 6. SELECTED FINANCIAL DATA

|  | Fiscal Years Ended July 31, |               |              |              |              |
|--|-----------------------------|---------------|--------------|--------------|--------------|
|  | 2012                        | 2011(1)(2)(3) | 2010(3)(4)   | 2009(5)      | 2008(6)      |
| Income statement data:                       |                             |               |              |              |              |
| Net sales                                    | \$ 3,084,660                | \$ 2,755,508  | \$ 2,276,557 | \$ 1,521,896 | \$ 2,640,680 |
| Net income                                   | 121,739                     | 106,273       | 110,064      | 17,143       | 92,706       |
| Earnings per common share                    |                             |               |              |              |              |
| Basic  | 2.26                        | 1.92          | 2.08         | 0.31         | 1.67         |
| Diluted                                      | 2.26                        | 1.92          | 2.07         | 0.31         | 1.66         |
| Dividends declared and paid per common share | 0.60                        | 0.40          | 0.78         | 0.28         | 2.28         |
| Balance sheet data:                          |                             |               |              |              |              |
| Total assets                                 | \$ 1,243,054                | \$ 1,198,070  | \$ 964,073   | \$ 951,124   | \$ 996,562   |

- (1) Selected financial data for 2011 includes non-cash trademark impairments of \$2,036 and \$1,430, respectively, for trademarks associated with subsidiaries in our motorized and bus segments.
- (2) Selected financial data for 2011 includes expenses of \$6,333 attributable to legal and professional fees in connection with the Heartland acquisition and costs associated with the resolution of an SEC matter.
- (3) Selected financial data for 2011 and 2010 includes gains on the involuntary conversion of assets of \$9,417 and \$7,593, respectively, related to the fiscal 2010 fire at a subsidiary in our bus segment.
- (4) Selected financial data for 2010 includes a non-cash trademark impairment of \$500 for a trademark associated with a subsidiary in our towables segment.
- (5) Selected financial data for 2009 includes non-cash goodwill and trademark impairments of \$9,717 and \$564, respectively, for the goodwill and trademarks associated with subsidiaries in our motorized segment.
- (6) Selected financial data for 2008 includes a non-cash goodwill impairment of \$7,535 for the goodwill associated with a subsidiary within our motorized segment, an impairment of \$1,962 to adjust certain properties to fair market value and provisions of \$5,411 recorded in connection with the sale of our Thor California travel trailer and fifth wheel business.

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

Our Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) should be read in conjunction with the Company's Consolidated Financial Statements and Notes thereto included in ITEM 8 of this Report.

### Executive Overview

We were founded in 1980 and have grown to be the largest manufacturer of RVs and a major manufacturer of commercial buses in North America. Our U.S. market share in the travel trailer and fifth wheel portion of the towable segment is approximately 38% for the calendar year to date period ended June 30, 2012. In the motorized segment of the RV industry, we have a U.S. market share of approximately 21% for the calendar year to date period ended June 30, 2012. Our U.S. and Canadian market share in small and mid-size buses is approximately 35% for the calendar year to date period ended June 30, 2012. We also manufacture and sell 40 foot buses at our facility in Southern California and ambulances at our Goshen Coach facility in Elkhart, Indiana.

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

Our RV products are sold to dealers who, in turn, retail those products. Our buses are sold through dealers to municipalities and private purchasers such as rental car companies and hotels. We generally do not finance dealers directly, but do provide repurchase agreements to the dealers' floor plan lenders.

Our growth has been internal and by acquisition. Our strategy has been to increase our profitability in North America in the RV industry and in the bus 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. Capital acquisitions of \$10,442 in fiscal 2012 were made primarily for building improvements and to replace machinery and equipment used in the ordinary course of business.

#### *Recent Significant Events*

During the year ended July 31, 2012, we purchased a combined total of 3,000,000 shares of the Company's common stock and held them as treasury stock at a total cost of \$77,000. Of the 3,000,000 shares, 2,000,000 were repurchased from the Estate of Wade F.B. Thompson (the "Estate") in two separate private transactions at a total cost of \$48,500. Both of these transactions were evaluated and approved by members of our board of directors who are not affiliated with the Estate. In a third separate private transaction, we repurchased 1,000,000 shares from Catterton Partners VI, L.P., Catterton Partners VI Offshore, L.P., CP6 Interest Holdings, L.L.C., and CPVI Coinvest, L.L.C. at a total cost of \$28,500. We used available cash to purchase all of these shares, which collectively represented 5.4% of our issued and outstanding common stock prior to the repurchases. Each of these transactions is more fully discussed in Note 14 to the Consolidated Financial Statements.

On September 16, 2010, we acquired 100% of Towable Holdings, Inc., the parent company of Heartland Recreational Vehicles, LLC ("Heartland"), pursuant to a stock purchase agreement. Heartland is located in Elkhart, Indiana and is a major manufacturer of towable recreation vehicles. Under our ownership, Heartland continues as an independent operation, in the same manner as our existing recreation vehicle and bus companies, and its operations are included in our Towables reportable segment.

On March 1, 2010, we acquired SJC Industries Corp. ("SJC"), a privately-held manufacturer of ambulances based in Elkhart, Indiana. We have included the operations of SJC in our buses reportable segment because we believe the ambulance business is a natural fit with our bus business. SJC has similar economic characteristics to our bus businesses and the nature of products, production processes, types of customers, distribution channels and regulatory environment are also similar to those for our bus businesses. Effective January 21, 2011, the operations of SJC were combined with Goshen Coach under one management team. In September 2011, the operations of Goshen Coach and SJC were combined within one facility.

#### *Industry Outlook*

The Company monitors the industry conditions in the RV market through the use of monthly wholesale shipment data as reported by the Recreation Vehicle Industry Association ("RVIA") which is typically issued on a one month lag and represents the manufacturers' RV production and delivery to dealers. In addition, the Company also utilizes monthly retail sales trends as reported by Statistical Surveys, Inc. ("Stat Surveys"). Stat Surveys data is typically issued on a month and a half lag. The Company believes that monthly RV retail sales data is important as consumer purchases impact future dealer orders and ultimately our production.

After declining wholesale shipments in calendar years 2008 and 2009, industry conditions in the RV market substantially improved in calendar year 2010, with RV wholesale shipments of travel trailers, fifth wheels and motorized RVs up 48.1% for the twelve months ended December 31, 2010, according to RVIA. This large increase in shipments in calendar year 2010 was attributable to a number of forces in the market including: RV dealers' restocking of depleted lot inventories, improved floor plan financing availability to RV dealers and improved retail sales to consumers. Calendar year 2011 wholesale shipments slowed to a year over year increase of 5.9% as a result of the restocking that was completed in calendar year 2010, coupled with continuing lower consumer confidence and uncertain economic conditions. Calendar year 2012 wholesale shipments of travel trailers, fifth wheels and motorized RVs have posted a 10.5% gain through July 31, 2012 compared to the same period of 2011 according to RVIA, with travel trailers and fifth wheels posting a gain of 11.7% and motorized RVs posting a gain of 0.7%.

We believe our dealer inventory is at appropriate levels for seasonal consumer demand, with dealers remaining cautious given continuing economic uncertainties and the upcoming RV Open House in September 2012. Thor's RV backlog as of July 31, 2012 increased 47% to \$335,360 from \$227,373 as of July 31, 2011.

## Industry Wholesale Statistics

Key wholesale statistics for the RV industry, as reported by RVIA (rounded to nearest hundred) are as follows:

|                      | U.S. and Canada Wholesale Shipments |                |                        |             |
|----------------------|-------------------------------------|----------------|------------------------|-------------|
|                      | Calendar Year                       |                | Increase<br>(Decrease) | Change      |
|                      | 2011                                | 2010           |                        |             |
| Towables - Units (1) | 212,900                             | 199,200        | 13,700                 | 6.9%        |
| Motorized - Units    | 24,800                              | 25,200         | (400)                  | (1.6)%      |
| <b>Total</b>         | <b>237,700</b>                      | <b>224,400</b> | <b>13,300</b>          | <b>5.9%</b> |

|                      | U.S. and Canada Wholesale Shipments |                |                        |              |
|----------------------|-------------------------------------|----------------|------------------------|--------------|
|                      | Calendar Year                       |                | Increase<br>(Decrease) | Change       |
|                      | 2010                                | 2009           |                        |              |
| Towables - Units (1) | 199,200                             | 138,300        | 60,900                 | 44.0%        |
| Motorized - Units    | 25,200                              | 13,200         | 12,000                 | 90.9%        |
| <b>Total</b>         | <b>224,400</b>                      | <b>151,500</b> | <b>72,900</b>          | <b>48.1%</b> |

(1) Excluding folding camp trailers and truck campers, which the Company does not manufacture.

According to the RVIA, 2012 calendar year wholesale shipments for all RV categories are forecast to total 273,600 units, an 8.4% increase over calendar year 2011, with most of the 2012 growth expected in travel trailers and fifth wheels. Travel trailers and fifth wheels are expected to account for 85% of all RV shipments in 2012. The outlook for calendar 2012 growth in RV sales is based on slow but consistent income growth and improving unemployment during the remainder of 2012. RVIA has also forecast that 2013 calendar year shipments will total 275,300 units, a 1% increase from the expected 2012 wholesale shipments.

We believe that retail demand is the key to continued improvement in the RV industry. With appropriate levels of dealer inventory currently, we believe that RV industry wholesale shipments will generally be on a one-to-one replenishment ratio with retail sales going forward. We also believe that current levels of discounting will continue in the near term due to current economic conditions and competitive pressures.

## Industry Retail Statistics

Key retail statistics for the RV industry, as reported by Stat Surveys, Inc., are as follows:

|                      | U.S. and Canada Retail Registrations |                |                        |             |
|----------------------|--------------------------------------|----------------|------------------------|-------------|
|                      | Calendar Year                        |                | Increase<br>(Decrease) | Change      |
|                      | 2011                                 | 2010           |                        |             |
| Towables - Units (1) | 200,216                              | 189,068        | 11,148                 | 5.9%        |
| Motorized - Units    | 23,983                               | 24,006         | (23)                   | (0.1)%      |
| <b>Total</b>         | <b>224,199</b>                       | <b>213,074</b> | <b>11,125</b>          | <b>5.2%</b> |

|                      | U.S. and Canada Retail Registrations |                |                        |              |
|----------------------|--------------------------------------|----------------|------------------------|--------------|
|                      | Calendar Year                        |                | Increase<br>(Decrease) | Change       |
|                      | 2010                                 | 2009           |                        |              |
| Towables - Units (1) | 189,068                              | 167,178        | 21,890                 | 13.1%        |
| Motorized - Units    | 24,006                               | 22,150         | 1,856                  | 8.4%         |
| <b>Total</b>         | <b>213,074</b>                       | <b>189,328</b> | <b>23,746</b>          | <b>12.5%</b> |

(1) Excluding camping trailers, which the Company does not manufacture.

Note: Data reported by Statistical Surveys, Inc. is based on official state records. This information is subject to adjustment and is continuously updated.

Company Wholesale and Retail Statistics

For the calendar years 2011, 2010 and 2009, the Company's wholesale RV shipments, including Heartland since its acquisition in September 2010, were as follows:

|                  | U.S. and Canada Wholesale Shipments |        |                        |        |
|------------------|-------------------------------------|--------|------------------------|--------|
|                  | Calendar Year                       |        | Increase<br>(Decrease) | Change |
|                  | 2011                                | 2010   |                        |        |
| Towables - Units | 84,089                              | 73,179 | 10,910                 | 14.9%  |
| Motorized -Units | 4,620                               | 4,516  | 104                    | 2.3%   |
| Total            | 88,709                              | 77,695 | 11,014                 | 14.2%  |

|                   | U.S. and Canada Wholesale Shipments |        |                        |        |
|-------------------|-------------------------------------|--------|------------------------|--------|
|                   | Calendar Year                       |        | Increase<br>(Decrease) | Change |
|                   | 2010                                | 2009   |                        |        |
| Towables - Units  | 73,179                              | 50,689 | 22,490                 | 44.4%  |
| Motorized - Units | 4,516                               | 2,512  | 2,004                  | 79.8%  |
| Total             | 77,695                              | 53,201 | 24,494                 | 46.0%  |

Retail shipments of the Company's RV products, as reported by Statistical Surveys, Inc., including Heartland since its acquisition in September 2010, were as follows for calendar years 2011, 2010 and 2009:

|                   | U.S. and Canada Retail Registrations |        |                        |        |
|-------------------|--------------------------------------|--------|------------------------|--------|
|                   | Calendar Year                        |        | Increase<br>(Decrease) | Change |
|                   | 2011                                 | 2010   |                        |        |
| Towables - Units  | 76,425                               | 67,126 | 9,299                  | 13.9%  |
| Motorized - Units | 4,595                                | 4,190  | 405                    | 9.7%   |
| Total             | 81,020                               | 71,316 | 9,704                  | 13.6%  |

|                   | U.S. and Canada Retail Registrations |        |                        |        |
|-------------------|--------------------------------------|--------|------------------------|--------|
|                   | Calendar Year                        |        | Increase<br>(Decrease) | Change |
|                   | 2010                                 | 2009   |                        |        |
| Towables - Units  | 67,126                               | 52,224 | 14,902                 | 28.5%  |
| Motorized - Units | 4,190                                | 3,446  | 744                    | 21.6%  |
| Total             | 71,316                               | 55,670 | 15,646                 | 28.1%  |

Note: Data reported by Statistical Surveys, Inc. is based on official state records. This information is subject to adjustment and is continuously updated.

For the fiscal years ended July 31, 2012 and 2011, the Company's wholesale RV shipments were as follows:

|                   | U.S. and Canada Wholesale Shipments |        |                        |        |
|-------------------|-------------------------------------|--------|------------------------|--------|
|                   | Fiscal Year Ended July 31,          |        | Increase<br>(Decrease) | Change |
|                   | 2012                                | 2011   |                        |        |
| Towables - units  | 87,872                              | 81,234 | 6,638                  | 8.2%   |
| Motorized - units | 4,720                               | 4,975  | (255)                  | (5.1)% |
| Total             | 92,592                              | 86,209 | 6,383                  | 7.4%   |

Retail shipments of the Company's RV products, as reported by Statistical Surveys, Inc., were as follows for the six month periods ended June 30, 2012 and 2011:

|                   | <b>U.S. and Canada Retail Registrations</b> |               |                                |               |
|-------------------|---|---------------|--------------------------------|---------------|
|                   | <b>Six-Months Ended June 30,</b>            |               |                                |               |
|                   | <b>2012</b>                                 | <b>2011</b>   | <b>Increase<br/>(Decrease)</b> | <b>Change</b> |
| Towables - units  | 44,113                                      | 41,920        | 2,193                          | 5.2%          |
| Motorized - units | 2,874                                       | 2,852         | 22                             | 0.8%          |
| <b>Total</b>      | <b>46,987</b>                               | <b>44,772</b> | <b>2,215</b>                   | <b>4.9%</b>   |

Note: Data reported by Statistical Surveys, Inc. is based on official state records. This information is subject to adjustment and is continuously updated.

Our outlook for future retail sales is tempered by the continuing uncertain economic conditions faced by consumers related to fuel prices, the rate of unemployment, the level of consumer confidence, the income growth of consumers, credit availability, the pace of recovery in the housing market and the likelihood of rising taxes, all of which could negatively impact the pace of RV sales. However, if consumer confidence improves, retail and wholesale credit remain available, interest rates remain low and economic uncertainties begin to dissipate, we would expect to see an improvement in RV sales and expect to benefit from our ability to increase production. In addition, a positive longer-term outlook for the RV segment is supported by favorable demographics as more people reach the age brackets that historically have accounted for the bulk of retail RV sales. The number of consumers between the ages of 55 and 70 will total 56 million by 2020, 27% higher than in 2010 according to the RVIA.

Economic or industry-wide factors affecting our RV business include the costs of commodities used in the manufacture of our products. Material cost is the primary factor determining our cost of products sold. Commodity cost increases witnessed early in calendar year 2011 partially abated late in the calendar year for steel, aluminum and copper, while thermoplastic prices held steady at the higher cost levels. Although calendar year 2012 raw material prices began the year lower than the same period in 2011 for most commodities, we have recently incurred increased costs in certain raw materials and components (wood, lumber and resin products) and any future increases in raw material costs would impact our profit margins negatively if we were unable to raise prices for our products by corresponding amounts. Historically, we have been able to pass along those cost increases to consumers.

Government entities are the primary purchasers or end users of our buses. Demand in this segment is subject to fluctuations in government spending on transit. In addition, hotel, rental car and parking lot operators, nursing and retirement homes and church organizations are also major users of our small and mid-sized buses and therefore travel is an important indicator for this market. The majority of our buses have useful lives of 5 – 7 years and are being continuously replaced by operators. According to the Mid Size Bus Manufacturers Association ("MSBMA"), unit sales of small and mid-sized buses decreased 7.5% for the twelve months ended December 31, 2011 compared with the same period in 2010, while unit sales have increased 7.9% for the six months ended June 30, 2012 compared with the same period in 2011. Federal stimulus funds helped the transit industry in the recent economic downturn, however, that funding has expired. Municipal budgets have been reduced and transit agencies' operating costs have increased. We have, however, recently started to see public agencies and private operators begin to replace their fleets. As of July 31, 2012, our buses reportable segment backlog increased by 9% to \$222,152 as compared to \$204,217 as of July 31, 2011. Longer term, we expect positive trends in our bus segment, which we believe will be supported by increased federal funding for transit, the replacement cycle for buses among public and private bus customers and the introduction of new bus products.

The supply of chassis, used in both motorized RV and bus production, is currently adequate for current production levels; we are unaware of any conditions in the U.S. auto industry which are likely to cause a significant negative impact on the availability of chassis and we believe that available inventory would compensate for changes in supply schedules if they occur. To date, we have not experienced any unusual cost increases from our chassis suppliers. If the condition of the U.S. auto industry were to deteriorate, this could result in supply interruptions and a decrease in our sales and earnings while we obtain replacement chassis from other sources.

FISCAL 2012 VS. FISCAL 2011

|   | <u>Fiscal 2012</u>         |                               | <u>Fiscal 2011</u>         |                               | <u>Change Amount</u> | <u>%</u> |
|---|----------------------------|-------------------------------|----------------------------|-------------------------------|----------------------|----------|
| <b>NET SALES</b>                                    |                            |                               |                            |                               |                      |          |
| Recreation Vehicles                                 |                            |                               |                            |                               |                      |          |
| Towables  | \$ 2,285,863               |                               | \$ 1,977,416               |                               | \$ 308,447           | 15.6     |
| Motorized   | 353,935                    |                               | 363,026                    |                               | (9,091)              | (2.5)    |
| Total Recreation Vehicles                           | 2,639,798                  |                               | 2,340,442                  |                               | 299,356              | 12.8     |
| Buses   | 444,862                    |                               | 415,066                    |                               | 29,796               | 7.2      |
| Total   | <u>\$ 3,084,660</u>        |                               | <u>\$ 2,755,508</u>        |                               | <u>\$ 329,152</u>    | 11.9     |
| <b># OF UNITS</b>                                   |                            |                               |                            |                               |                      |          |
| Recreation Vehicles                                 |                            |                               |                            |                               |                      |          |
| Towables  | 87,872                     |                               | 81,234                     |                               | 6,638                | 8.2      |
| Motorized   | 4,720                      |                               | 4,975                      |                               | (255)                | (5.1)    |
| Total Recreation Vehicles                           | 92,592                     |                               | 86,209                     |                               | 6,383                | 7.4      |
| Buses   | 6,600                      |                               | 6,248                      |                               | 352                  | 5.6      |
| Total   | <u>99,192</u>              |                               | <u>92,457</u>              |                               | <u>6,735</u>         | 7.3      |
|   | <u>Fiscal 2012</u>         | <u>% of Segment Net Sales</u> | <u>Fiscal 2011</u>         | <u>% of Segment Net Sales</u> | <u>Change Amount</u> | <u>%</u> |
| <b>GROSS PROFIT</b>                                 |                            |                               |                            |                               |                      |          |
| Recreation Vehicles                                 |                            |                               |                            |                               |                      |          |
| Towables  | \$ 283,039                 | 12.4                          | \$ 264,698                 | 13.4                          | \$ 18,341            | 6.9      |
| Motorized   | 36,491                     | 10.3                          | 34,238                     | 9.4                           | 2,253                | 6.6      |
| Total Recreation Vehicles                           | 319,530                    | 12.1                          | 298,936                    | 12.8                          | 20,594               | 6.9      |
| Buses   | 37,246                     | 8.4                           | 34,199                     | 8.2                           | 3,047                | 8.9      |
| Total   | <u>\$ 356,776</u>          | 11.6                          | <u>\$ 333,135</u>          | 12.1                          | <u>\$ 23,641</u>     | 7.1      |
| <b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> |                            |                               |                            |                               |                      |          |
| Recreation Vehicles                                 |                            |                               |                            |                               |                      |          |
| Towables  | \$ 114,080                 | 5.0                           | \$ 109,005                 | 5.5                           | \$ 5,075             | 4.7      |
| Motorized   | 18,016                     | 5.1                           | 19,421                     | 5.3                           | (1,405)              | (7.2)    |
| Total Recreation Vehicles                           | 132,096                    | 5.0                           | 128,426                    | 5.5                           | 3,670                | 2.9      |
| Buses   | 20,177                     | 4.5                           | 18,665                     | 4.5                           | 1,512                | 8.1      |
| Corporate   | 16,881                     | -                             | 33,767                     | -                             | (16,886)             | (50.0)   |
| Total   | <u>\$ 169,154</u>          | 5.5                           | <u>\$ 180,858</u>          | 6.6                           | <u>\$ (11,704)</u>   | (6.5)    |
| <b>INCOME (LOSS) BEFORE INCOME TAXES</b>            |                            |                               |                            |                               |                      |          |
| Recreation Vehicles                                 |                            |                               |                            |                               |                      |          |
| Towables  | \$ 158,973                 | 7.0                           | \$ 146,361                 | 7.4                           | \$ 12,612            | 8.6      |
| Motorized   | 18,469                     | 5.2                           | 12,777                     | 3.5                           | 5,692                | 44.5     |
| Total Recreation Vehicles                           | 177,442                    | 6.7                           | 159,138                    | 6.8                           | 18,304               | 11.5     |
| Buses   | 16,020                     | 3.6                           | 21,951                     | 5.3                           | (5,931)              | (27.0)   |
| Corporate   | (12,771)                   | -                             | (28,462)                   | -                             | 15,691               | 55.1     |
| Total   | <u>\$ 180,691</u>          | 5.9                           | <u>\$ 152,627</u>          | 5.5                           | <u>\$ 28,064</u>     | 18.4     |
|   | <u>As of July 31, 2012</u> |                               | <u>As of July 31, 2011</u> |                               | <u>Change Amount</u> | <u>%</u> |
| <b>ORDER BACKLOG</b>                                |                            |                               |                            |                               |                      |          |
| Recreation Vehicles                                 |                            |                               |                            |                               |                      |          |
| Towables  | \$ 224,603                 |                               | \$ 187,946                 |                               | \$ 36,657            | 19.5     |
| Motorized   | 110,757                    |                               | 39,427                     |                               | 71,330               | 180.9    |
| Total Recreation Vehicles                           | 335,360                    |                               | 227,373                    |                               | 107,987              | 47.5     |
| Buses   | 222,152                    |                               | 204,217                    |                               | 17,935               | 8.8      |
| Total   | <u>\$ 557,512</u>          |                               | <u>\$ 431,590</u>          |                               | <u>\$ 125,922</u>    | 29.2     |

## CONSOLIDATED

Consolidated net sales and consolidated gross profit for fiscal 2012 increased 11.9% and 7.1%, respectively, compared to fiscal 2011. Heartland, acquired in fiscal 2011, accounted for \$83,485 of the \$329,152 increase in consolidated net sales, as Heartland's results include twelve months in the current year total as compared with ten and a half months in the prior year from the date of its acquisition by the Company. Consolidated gross profit for fiscal 2012 increased \$23,641, or 7.1%, compared to fiscal 2011. Consolidated gross profit was 11.6% of consolidated net sales for fiscal 2012 compared to 12.1% of consolidated net sales for fiscal 2011. The 0.5% decrease in gross profit percentage was driven primarily by increased discounting and dealer incentive programs within the RV towable segment in the current year, as dealer and competitor pressures necessitated greater discounting and incentives to secure sales. Selling, general and administrative expenses for fiscal 2012 decreased 6.5% compared to fiscal 2011. Income before income taxes for fiscal 2012 was \$180,691 as compared to \$152,627 in fiscal 2011, an increase of 18.4%. The specifics on changes in net sales, gross profit, selling, general and administrative expenses and income before income taxes are addressed in the segment reporting below.

Corporate costs in selling, general and administrative expenses were \$16,881 for fiscal 2012 compared to \$33,767 for fiscal 2011. This decrease of \$16,886 is attributable to one-time legal and professional fees of \$1,826 incurred in fiscal 2011 in connection with the Heartland acquisition and \$4,249 in additional fees in fiscal 2011 related to the now completed SEC review. Product liability costs also decreased \$3,415 primarily as a result of \$750 being allocated to the towables segment and \$1,500 being allocated to the buses segment for claims activity previously reserved for at the Corporate level as part of the Company's actuarially determined product liability reserve. In addition, there were favorable historical claims experience adjustments to our actuarially determined product liability reserve. Ongoing legal and other professional fees have also decreased \$1,946. In addition, deferred compensation plan liability expense decreased \$889 in tandem with the related decrease in deferred compensation plan asset value included in other income as discussed below. Stock option expense also decreased \$2,019 due to management changes in the RV segments.

Corporate interest and other income was \$4,110 in fiscal 2012 compared to \$5,305 for fiscal 2011. The \$1,195 decrease is primarily due to a reduction of \$889 in other income, principally due to the market value appreciation on the Company's deferred compensation plan assets being \$311 in the current year as compared to the greater appreciation of \$1,200 in the prior year. Interest income on our notes receivable decreased \$315 due to lower note balances in fiscal 2012 as compared to fiscal 2011.

The overall annual effective tax rate for fiscal 2012 was 32.6% on \$180,691 of income before income taxes, compared to 30.4% on \$152,627 of income before income taxes for fiscal 2011. The primary reason for the increase in the overall effective income tax rate was the larger favorable settlement of certain uncertain tax positions that occurred in the fiscal year ended July 31, 2011 compared to the fiscal year ended July 31, 2012, as well as the expiration of certain tax credits in fiscal 2012 and the fiscal 2011 impact of the retroactive reinstatement of the federal research and development tax credit on December 17, 2010.

The changes in costs and price within our businesses due to inflation were not significantly different from inflation in the United States economy as a whole. Levels of capital investment, pricing and inventory investment in our business were not materially affected by changes caused by inflation.

## SEGMENT REPORTING

### Towable Recreation Vehicles

#### Analysis of Change in Net Sales for Fiscal 2012 vs. Fiscal 2011

|                   | <u>Fiscal 2012</u>  | <u>% of<br/>Segment<br/>Net Sales</u> | <u>Fiscal 2011</u>  | <u>% of<br/>Segment<br/>Net Sales</u> | <u>Change<br/>Amount</u> | <u>%<br/>Change</u> |
|-------------------|---------------------|---------------------------------------|---------------------|---------------------------------------|--------------------------|---------------------|
| <b>NET SALES:</b> |                     |                                       |                     |                                       |                          |                     |
| Towables          |                     |                                       |                     |                                       |                          |                     |
| Travel Trailers   | \$ 1,068,350        | 46.7                                  | \$ 925,784          | 46.8                                  | \$ 142,566               | 15.4                |
| Fifth Wheels      | 1,195,235           | 52.3                                  | 1,030,722           | 52.1                                  | 164,513                  | 16.0                |
| Other             | 22,278              | 1.0                                   | 20,910              | 1.1                                   | 1,368                    | 6.5                 |
| Total Towables    | <u>\$ 2,285,863</u> | <u>100.0</u>                          | <u>\$ 1,977,416</u> | <u>100.0</u>                          | <u>\$ 308,447</u>        | <u>15.6</u>         |

|                    | <u>Fiscal 2012</u> | <u>% of<br/>Segment<br/>Shipments</u> | <u>Fiscal 2011</u> | <u>% of<br/>Segment<br/>Shipments</u> | <u>Change<br/>Amount</u> | <u>%<br/>Change</u> |
|--------------------|--------------------|---------------------------------------|--------------------|---------------------------------------|--------------------------|---------------------|
| <b># OF UNITS:</b> |                    |                                       |                    |                                       |                          |                     |
| Towables           |                    |                                       |                    |                                       |                          |                     |
| Travel Trailers    | 55,518             | 63.2                                  | 50,111             | 61.7                                  | 5,407                    | 10.8                |
| Fifth Wheels       | 31,653             | 36.0                                  | 30,445             | 37.5                                  | 1,208                    | 4.0                 |
| Other              | 701                | 0.8                                   | 678                | 0.8                                   | 23                       | 3.4                 |
| Total Towables     | <u>87,872</u>      | <u>100.0</u>                          | <u>81,234</u>      | <u>100.0</u>                          | <u>6,638</u>             | <u>8.2</u>          |

#### IMPACT OF CHANGE IN PRICE ON NET SALES:

|                 | <u>%<br/>Increase</u> |
|-----------------|-----------------------|
| Towables        |                       |
| Travel Trailers | 4.6                   |
| Fifth Wheels    | 12.0                  |
| Other           | 3.1                   |
| Total Towables  | 7.4                   |

The increase in total towables net sales of 15.6% compared to the prior year period resulted from an 8.2% increase in unit shipments and a 7.4% increase in the impact of the change in the net price per unit. Heartland accounted for \$83,485 of the total \$308,447 increase in towables net sales and for 1,695 of the 6,638 increase in total towable unit sales, as Heartland's results include twelve months in the current year as compared with the ten and a half months of operations in the prior year period from the date of its acquisition.

The increase in the net price per unit within the travel trailer and fifth wheel product lines is due to current customer preference trending toward higher priced units with additional features and upgrades compared to a year ago, many of which were introduced at the Thor Open House in September 2011. In addition, average fifth wheel selling prices have also increased due to the introductions of the Redwood and other luxury product lines and certain upscale toy hauler lines since the spring of 2011. In addition, selling price increases were implemented for many models within both the travel trailer and fifth wheel product lines since the spring of 2011. These increases were partially offset by increased discounting and dealer sales incentive programs, including interest reimbursement programs, as compared to the prior year period, which effectively reduces the net sales price per unit. The "other" category relates primarily to sales in the park model industry.

The overall industry increase in travel trailer and fifth wheel wholesale unit shipments for the twelve month period ended July 31, 2012 was 10.9% compared to the same period last year according to statistics published by RVIA.

Cost of products sold increased \$290,106 to \$2,002,824, or 87.6% of towable net sales, for fiscal 2012 compared to \$1,712,718, or 86.6% of towable net sales, for fiscal 2011. The change in material, labor, freight-out and warranty comprised \$277,602 of the \$290,106 increase in cost of products sold and was due to increased sales volume. Material, labor, freight-out and warranty as a combined percentage of towable net sales increased to 81.9% from 80.7% from fiscal 2011 to 2012. This 1.2% increase as a percentage of towable net sales is partially due to an increase in discounting in fiscal 2012, which effectively decreases the net sales price per unit and therefore increases the unit material cost percentage to net sales. Product mix, material cost increases and higher warranty costs due to increasing product complexities have also contributed to this percentage increase. Total manufacturing overhead increased \$12,504 to \$130,390 in fiscal 2012 compared to \$117,886 in fiscal 2011.

Variable costs in manufacturing overhead increased \$14,041 to \$120,104 or 5.3% of towable net sales for fiscal 2012 compared to \$106,063 or 5.4% of towable net sales for fiscal 2011 due to increased production. Fixed costs in manufacturing overhead, which consists primarily of facility costs, property taxes and depreciation, decreased \$1,537 to \$10,286 in fiscal 2012 from \$11,823 in fiscal 2011 reflecting property tax assessment reductions in fiscal 2012.

Towable gross profit increased \$18,341 to \$283,039, or 12.4% of towable net sales, for fiscal 2012 compared to \$264,698, or 13.4% of towable net sales, for fiscal 2011. The increase in gross profit was due primarily to the 8.2% increase in unit sales volume, whereas the decrease in gross profit percentage was primarily due to the increased discounting percentage in fiscal 2012 and the increase in cost of products as a percentage of net sales noted above.

Selling, general and administrative expenses were \$114,080, or 5.0% of towable net sales, for fiscal 2012 compared to \$109,005, or 5.5% of towable net sales, for fiscal 2011. The primary reason for the \$5,075 increase in selling, general and administrative expenses was increased towable net sales, which caused related commissions and other compensation to increase by \$8,383. Sales related travel, advertising and promotion costs also increased \$2,214 in correlation with the increase in sales. These cost increases were partially offset by the effects of management changes within the towables segment, which caused related bonus expense to decrease by \$2,023. Litigation and settlement related costs also decreased \$3,646, primarily related to the FEMA Trailer Formaldehyde Litigation costs included in fiscal 2011.

Towable income before income taxes decreased to 7.0% of towable net sales for fiscal 2012 from 7.4% of towable net sales for fiscal 2011. The primary factors for this decrease in percentage were the increases in the unit discounting percentage and cost of products sold as a percentage of net sales noted above.

### **Motorized Recreation Vehicles**

#### **Analysis of Change in Net Sales for Fiscal 2012 vs. Fiscal 2011**

|                   | <u>Fiscal 2012</u> | <u>% of Segment Net Sales</u> | <u>Fiscal 2011</u> | <u>% of Segment Net Sales</u> | <u>Change Amount</u> | <u>% Change</u> |
|-------------------|--------------------|-------------------------------|--------------------|-------------------------------|----------------------|-----------------|
| <b>NET SALES:</b> |                    |                               |                    |                               |                      |                 |
| Motorized         |                    |                               |                    |                               |                      |                 |
| Class A           | \$ 214,713         | 60.7                          | \$ 219,345         | 60.4                          | \$ (4,632)           | (2.1)           |
| Class C           | 108,849            | 30.8                          | 121,640            | 33.5                          | (12,791)             | (10.5)          |
| Class B           | 30,373             | 8.5                           | 22,041             | 6.1                           | 8,332                | 37.8            |
| Total Motorized   | <u>\$ 353,935</u>  | <u>100.0</u>                  | <u>\$ 363,026</u>  | <u>100.0</u>                  | <u>\$ (9,091)</u>    | <u>(2.5)</u>    |

|                    | <u>Fiscal 2012</u> | <u>% of Segment Shipments</u> | <u>Fiscal 2011</u> | <u>% of Segment Shipments</u> | <u>Change Amount</u> | <u>% Change</u> |
|--------------------|--------------------|-------------------------------|--------------------|-------------------------------|----------------------|-----------------|
| <b># OF UNITS:</b> |                    |                               |                    |                               |                      |                 |
| Motorized          |                    |                               |                    |                               |                      |                 |
| Class A            | 2,354              | 49.9                          | 2,417              | 48.6                          | (63)                 | (2.6)           |
| Class C            | 2,064              | 43.7                          | 2,313              | 46.5                          | (249)                | (10.8)          |
| Class B            | 302                | 6.4                           | 245                | 4.9                           | 57                   | 23.3            |
| Total Motorized    | <u>4,720</u>       | <u>100.0</u>                  | <u>4,975</u>       | <u>100.0</u>                  | <u>(255)</u>         | <u>(5.1)</u>    |

#### **IMPACT OF CHANGE IN PRICE ON NET SALES:**

|                 | <u>% Increase</u> |
|-----------------|-------------------|
| Motorized       |                   |
| Class A         | 0.5               |
| Class C         | 0.3               |
| Class B         | 14.5              |
| Total Motorized | 2.6               |

The decrease in total motorized net sales of 2.5% compared to the prior year period resulted from a 5.1% decrease in unit shipments and a 2.6% overall increase in the impact of the change in the net price per unit resulting primarily from mix of product. The overall market decrease in unit shipments of motorhomes was 12.2% for the twelve month period ended July 31, 2012 compared to the same period last year according to statistics published by RVIA.

The overall minimal increase in the net price per unit within the Class A product line is primarily due to the current year sales mix of the more moderately priced gas units as compared to the generally larger and more expensive diesel units remaining consistent with the prior year. Overall, Class A gas unit prices increased slightly while overall Class A diesel prices decreased slightly. The slight increase in the net price per unit within the Class C product line is due to the impact of a smaller concentration of lower priced rental units being sold in the current year. Within the Class B product line, the increase in the net price per unit is due to a greater concentration of higher priced models in the current year.

Cost of products sold decreased \$11,344 to \$317,444, or 89.7% of motorized net sales, for fiscal 2012 compared to \$328,788, or 90.6% of motorized net sales, for fiscal 2011. The change in material, labor, freight-out and warranty comprised \$9,937 of the \$11,344 decrease in cost of products sold and was due to decreased sales volume. Material, labor, freight-out and warranty as a combined percentage of motorized net sales decreased to 84.4% from 85.0% from fiscal 2011 to 2012. Total manufacturing overhead costs decreased \$1,407 to \$18,899 in fiscal 2012 compared to \$20,306 in fiscal 2011. Variable costs in manufacturing overhead decreased \$895 to \$16,957, or 4.8% of motorized net sales, for fiscal 2012 compared to \$17,852, or 4.9% of motorized net sales, for fiscal 2011. Fixed costs in manufacturing overhead, which consists primarily of facility costs, property taxes and depreciation, decreased \$512 to \$1,942 in fiscal 2012 from \$2,454 in fiscal 2011.

Motorized gross profit increased \$2,253 to \$36,491, or 10.3% of motorized net sales, for fiscal 2012 compared to \$34,238, or 9.4% of motorized net sales, for fiscal 2011. The increases in gross profit and gross profit percentage were due primarily to the cost of products sold reductions as a percentage of motorized sales noted above.

Selling, general and administrative expenses were \$18,016, or 5.1% of motorized net sales, for fiscal 2012 compared to \$19,421, or 5.3% of motorized net sales, for fiscal 2011. The decrease of \$1,405 is primarily due to a decrease of \$883 in bonus expense and \$748 in office salaries due to management changes within the motorized segment.

Motorized income before income taxes was 5.2% of motorized net sales for fiscal 2012 and 3.5% of motorized net sales for fiscal 2011. This increase in percentage reflects the favorable impact of the increase in gross profit percentage in fiscal 2012 and the negative impact of the fiscal 2011 trademark impairment charge of \$2,036.

## **Buses**

### **Analysis of Change in Net Sales for Fiscal 2012 vs. Fiscal 2011**

|   | <u>Fiscal 2012</u> | <u>Fiscal 2011</u> | <u>Change<br/>Amount</u> | <u>% Change</u> |
|---|--------------------|--------------------|--------------------------|-----------------|
| Net Sales                                     | \$ 444,862         | \$ 415,066         | \$ 29,796                | 7.2             |
| # of Units                                    | 6,600              | 6,248              | 352                      | 5.6             |
| <b>Impact of Change in Price on Net Sales</b> |                    |                    |                          | <b>1.6</b>      |

The increase in buses net sales of 7.2% resulted from a 5.6% increase in unit shipments and a 1.6% increase from the impact of the change in net price per unit.

The modest 1.6% increase in the impact of the change in net price per unit of buses is primarily due to a slightly greater concentration of more moderately priced units in the current year.

Cost of products sold increased \$26,749 to \$407,616, or 91.6% of buses net sales, for fiscal 2012 compared to \$380,867, or 91.8% of buses net sales, for fiscal 2011. Material, labor, freight-out and warranty increased \$28,016 due to the sales increase. Material, labor, freight-out and warranty as a combined percentage of buses net sales increased slightly to 83.8% from 83.1% primarily due to lower margin product mix. Total manufacturing overhead decreased \$1,267 to \$34,844 in fiscal 2012 compared to \$36,111 in fiscal 2011. Variable costs in manufacturing overhead decreased \$1,091 to \$32,706, or 7.4% of buses net sales, for fiscal 2012 compared to \$33,797, or 8.1% of buses net sales for fiscal 2011. Fixed costs in manufacturing overhead, which consist primarily of facility costs, property taxes and depreciation, decreased \$176 to \$2,138 in fiscal 2012 from \$2,314 in fiscal 2011.

Buses gross profit increased \$3,047 to \$37,246, or 8.4% of buses net sales, for fiscal 2012 compared to \$34,199, or 8.2% of buses net sales, for fiscal 2011. The increases in gross profit and gross profit percentage resulted primarily from the increase in buses net sales.

Selling, general and administrative expenses were \$20,177, or 4.5% of buses net sales, for fiscal 2012 compared to \$18,665, or 4.5% of buses net sales, for fiscal 2011. The primary reason for the \$1,512 increase in selling, general and administrative expenses was an increase of \$2,000 in product liability related costs and an increase of \$200 in professional fees, partially offset by an \$812 decrease in bonus expense correlating with the decrease in buses income before income taxes.

Buses income before income taxes decreased to 3.6% of buses net sales for fiscal 2012 from 5.3% of buses net sales for fiscal 2011. The percentage decrease of 1.7% was primarily due to the favorable impact of the gain on involuntary conversion of \$9,417 relating to the fire at our Champion Bus production facility in fiscal 2011, partially offset by the increase in gross profit percentage in fiscal 2012 due to the sales increase.

**FISCAL 2011 VS. FISCAL 2010**

|   | <u>Fiscal 2011</u>         |                               | <u>Fiscal 2010</u>         |                               | <u>Change Amount</u> | <u>%</u> |
|---|----------------------------|-------------------------------|----------------------------|-------------------------------|----------------------|----------|
| <b>NET SALES</b>                                    |                            |                               |                            |                               |                      |          |
| Recreation Vehicles                                 |                            |                               |                            |                               |                      |          |
| Towables  | \$ 1,977,416               |                               | \$ 1,556,591               |                               | \$ 420,825           | 27.0     |
| Motorized   | 363,026                    |                               | 291,958                    |                               | 71,068               | 24.3     |
| Total Recreation Vehicles                           | 2,340,442                  |                               | 1,848,549                  |                               | 491,893              | 26.6     |
| Buses   | 415,066                    |                               | 428,008                    |                               | (12,942)             | (3.0)    |
| Total   | <u>\$ 2,755,508</u>        |                               | <u>\$ 2,276,557</u>        |                               | <u>\$ 478,951</u>    | 21.0     |
| <b># OF UNITS</b>                                   |                            |                               |                            |                               |                      |          |
| Recreation Vehicles                                 |                            |                               |                            |                               |                      |          |
| Towables  | 81,234                     |                               | 69,804                     |                               | 11,430               | 16.4     |
| Motorized   | 4,975                      |                               | 3,966                      |                               | 1,009                | 25.4     |
| Total Recreation Vehicles                           | 86,209                     |                               | 73,770                     |                               | 12,439               | 16.9     |
| Buses   | 6,248                      |                               | 6,025                      |                               | 223                  | 3.7      |
| Total   | <u>92,457</u>              |                               | <u>79,795</u>              |                               | <u>12,662</u>        | 15.9     |
|   | <u>Fiscal 2011</u>         | <u>% of Segment Net Sales</u> | <u>Fiscal 2010</u>         | <u>% of Segment Net Sales</u> | <u>Change Amount</u> | <u>%</u> |
| <b>GROSS PROFIT</b>                                 |                            |                               |                            |                               |                      |          |
| Recreation Vehicles                                 |                            |                               |                            |                               |                      |          |
| Towables  | \$ 264,698                 | 13.4                          | \$ 235,858                 | 15.2                          | \$ 28,840            | 12.2     |
| Motorized   | 34,238                     | 9.4                           | 26,628                     | 9.1                           | 7,610                | 28.6     |
| Total Recreation Vehicles                           | 298,936                    | 12.8                          | 262,486                    | 14.2                          | 36,450               | 13.9     |
| Buses   | 34,199                     | 8.2                           | 44,600                     | 10.4                          | (10,401)             | (23.3)   |
| Total   | <u>\$ 333,135</u>          | 12.1                          | <u>\$ 307,086</u>          | 13.5                          | <u>\$ 26,049</u>     | 8.5      |
| <b>SELLING, GENERAL AND ADMINISTRATIVE EXPENSES</b> |                            |                               |                            |                               |                      |          |
| Recreation Vehicles                                 |                            |                               |                            |                               |                      |          |
| Towables  | \$ 109,005                 | 5.5                           | \$ 88,921                  | 5.7                           | \$ 20,084            | 22.6     |
| Motorized   | 19,421                     | 5.3                           | 15,942                     | 5.5                           | 3,479                | 21.8     |
| Total Recreation Vehicles                           | 128,426                    | 5.5                           | 104,863                    | 5.7                           | 23,563               | 22.5     |
| Buses   | 18,665                     | 4.5                           | 21,857                     | 5.1                           | (3,192)              | (14.6)   |
| Corporate   | 33,767                     | -                             | 20,687                     | -                             | 13,080               | 63.2     |
| Total   | <u>\$ 180,858</u>          | 6.6                           | <u>\$ 147,407</u>          | 6.5                           | <u>\$ 33,451</u>     | 22.7     |
| <b>INCOME (LOSS) BEFORE INCOME TAXES</b>            |                            |                               |                            |                               |                      |          |
| Recreation Vehicles                                 |                            |                               |                            |                               |                      |          |
| Towables  | \$ 146,361                 | 7.4                           | \$ 145,604                 | 9.4                           | \$ 757               | 0.5      |
| Motorized   | 12,777                     | 3.5                           | 10,628                     | 3.6                           | 2,149                | 20.2     |
| Total Recreation Vehicles                           | 159,138                    | 6.8                           | 156,232                    | 8.5                           | 2,906                | 1.9      |
| Buses   | 21,951                     | 5.3                           | 29,904                     | 7.0                           | (7,953)              | (26.6)   |
| Corporate   | (28,462)                   | -                             | (14,743)                   | -                             | (13,719)             | (93.1)   |
| Total   | <u>\$ 152,627</u>          | 5.5                           | <u>\$ 171,393</u>          | 7.5                           | <u>\$ (18,766)</u>   | (10.9)   |
|   | <u>As of July 31, 2011</u> |                               | <u>As of July 31, 2010</u> |                               | <u>Change Amount</u> | <u>%</u> |
| <b>ORDER BACKLOG</b>                                |                            |                               |                            |                               |                      |          |
| Recreation Vehicles                                 |                            |                               |                            |                               |                      |          |
| Towables  | \$ 187,946                 |                               | \$ 195,788                 |                               | \$ (7,842)           | (4.0)    |
| Motorized   | 39,427                     |                               | 65,528                     |                               | (26,101)             | (39.8)   |
| Total Recreation Vehicles                           | 227,373                    |                               | 261,316                    |                               | (33,943)             | (13.0)   |
| Buses   | 204,217                    |                               | 227,414                    |                               | (23,197)             | (10.2)   |
| Total   | <u>\$ 431,590</u>          |                               | <u>\$ 488,730</u>          |                               | <u>\$ (57,140)</u>   | (11.7)   |

## CONSOLIDATED

Consolidated net sales and consolidated gross profit for fiscal 2011 increased 21.0% and 8.5%, respectively, compared to fiscal 2010. Heartland, acquired in fiscal 2011, accounted for \$365,389 of the \$478,951 increase in consolidated net sales. Selling, general and administrative expenses for fiscal 2011 increased 22.7% compared to fiscal 2010. Income before income taxes for fiscal 2011 decreased 10.9% compared to fiscal 2010. The specifics on changes in net sales, gross profit, selling, general and administrative expenses and income before income taxes are addressed in the segment reporting below.

Corporate costs in selling, general and administrative expenses were \$33,767 for fiscal 2011 compared to \$20,687 for fiscal 2010. This increase of \$13,080 includes an increase of \$5,586 in legal and professional fees in connection with the Heartland acquisition and costs associated with the resolution of an SEC matter. Costs related to our Corporate repurchase reserve required for vehicle repurchase commitments increased by \$3,174 in fiscal 2011 as compared to fiscal 2010, primarily due to a non-recurring \$3,024 favorable accrual adjustment in fiscal 2010 as compared to expense of \$150 in fiscal 2011. In addition, stock option compensation expense increased \$1,320, deferred compensation plan expense increased \$1,199 and salary and bonus costs increased \$1,289.

Corporate interest and other income was \$5,305 in fiscal 2011 compared to \$5,944 for fiscal 2010. The \$639 decrease is primarily due to a decrease of \$1,256 in interest income on our auction rate securities and cash and investments due to both cash and security balances being lower and a \$235 reduction in interest on our notes receivable, also due to lower note balances in fiscal 2011. These decreases were partially offset by market appreciation income related to our deferred compensation plan assets.

The overall annual effective tax rate for fiscal 2011 was 30.4% on \$152,627 of income before income taxes, compared to 35.8% on \$171,393 of income before income taxes for fiscal 2010. The primary reasons for this decrease in rate were the favorable settlement of certain uncertain tax benefits, the retroactive reinstatement of the Federal research and development credit enacted on December 17, 2010, an overall reduction in the Company's state blended tax rate and increased benefits related to income tax credits.

The changes in costs and price within our businesses due to inflation were not significantly different from inflation in the United States economy as a whole. Levels of capital investment, pricing and inventory investment in our business were not materially affected by changes caused by inflation.

## SEGMENT REPORTING

### Towable Recreation Vehicles

#### Analysis of Change in Net Sales for Fiscal 2011 vs. Fiscal 2010

|                   | <u>Fiscal 2011</u>  | <u>% of<br/>Segment<br/>Net Sales</u> | <u>Fiscal 2010</u>  | <u>% of<br/>Segment<br/>Net Sales</u> | <u>Change<br/>Amount</u> | <u>%<br/>Change</u> |
|-------------------|---------------------|---------------------------------------|---------------------|---------------------------------------|--------------------------|---------------------|
| <b>NET SALES:</b> |                     |                                       |                     |                                       |                          |                     |
| Towables          |                     |                                       |                     |                                       |                          |                     |
| Travel Trailers   | \$ 925,784          | 46.8                                  | \$ 799,249          | 51.3                                  | \$ 126,535               | 15.8                |
| Fifth Wheels      | 1,030,722           | 52.1                                  | 727,167             | 46.7                                  | 303,555                  | 41.7                |
| Other             | 20,910              | 1.1                                   | 30,175              | 2.0                                   | (9,265)                  | (30.7)              |
| Total Towables    | <u>\$ 1,977,416</u> | <u>100.0</u>                          | <u>\$ 1,556,591</u> | <u>100.0</u>                          | <u>\$ 420,825</u>        | <u>27.0</u>         |

|                    | <u>Fiscal 2011</u> | <u>% of<br/>Segment<br/>Shipments</u> | <u>Fiscal 2010</u> | <u>% of<br/>Segment<br/>Shipments</u> | <u>Change<br/>Amount</u> | <u>%<br/>Change</u> |
|--------------------|--------------------|---------------------------------------|--------------------|---------------------------------------|--------------------------|---------------------|
| <b># OF UNITS:</b> |                    |                                       |                    |                                       |                          |                     |
| Towables           |                    |                                       |                    |                                       |                          |                     |
| Travel Trailers    | 50,111             | 61.7                                  | 45,453             | 65.1                                  | 4,658                    | 10.2                |
| Fifth Wheels       | 30,445             | 37.5                                  | 23,421             | 33.6                                  | 7,024                    | 30.0                |
| Other              | 678                | 0.8                                   | 930                | 1.3                                   | (252)                    | (27.1)              |
| Total Towables     | <u>81,234</u>      | <u>100.0</u>                          | <u>69,804</u>      | <u>100.0</u>                          | <u>11,430</u>            | <u>16.4</u>         |

## IMPACT OF CHANGE IN PRICE ON NET SALES:

|                 | <u>%<br/>Increase/<br/>(Decrease)</u> |
|-----------------|---------------------------------------|
| Towables        |                                       |
| Travel Trailers | 5.6                                   |
| Fifth Wheels    | 11.7                                  |
| Other           | (3.6)                                 |
| Total Towables  | 10.6                                  |

The increase in towable net sales of 27.0% resulted primarily from a 16.4% increase in unit shipments and a 10.6% increase in the impact of the change in the net price per unit. Heartland, acquired in fiscal 2011, accounted for \$365,389 of the \$420,825 increase in towable net sales and for 13,534 of the 11,430 increase in total towable unit sales. The overall industry increase in wholesale travel trailer and fifth wheel unit shipments for August 2010 through July 2011, as compared with the same period the prior year, was 5.3%, according to statistics published by the RVIA.

The impact of the change in net price per unit of total towables was an increase of 10.6%, which included increases in travel trailers of 5.6% and increases in fifth wheels of 11.7% in fiscal year 2011 as compared to fiscal year 2010. As the industry continued to stabilize in fiscal 2011, overall customer preference in the travel trailer and fifth wheel markets was toward higher priced units with additional features and upgrades compared to the same period from a year ago. This was partially offset by increased discounting, which effectively reduces the net sales price per unit. The "Other" market in our towable segment relates primarily to the park model industry, which has not fully recovered from the depressed market conditions of the past few years.

Cost of products sold increased \$391,985 to \$1,712,718, or 86.6% of towable net sales, for fiscal 2011 compared to \$1,320,733, or 84.8% of towable net sales, for fiscal 2010. The change in material, labor, freight-out and warranty comprised \$368,129 of the \$391,985 increase in cost of products sold and was due to increased sales volume. Material, labor, freight-out and warranty as a combined percentage of towable net sales increased to 80.7% from 78.8% from fiscal 2010 to 2011. This 1.9% increase as a percentage of towable net sales is due to an increase in discounting in fiscal 2011, which effectively decreases the net sales price per unit and therefore increases the unit material cost percentage to net sales. Product mix and material cost increases have also contributed to this percentage increase. Total manufacturing overhead increased \$23,856 to \$117,886 in fiscal 2011 compared to \$94,030 in fiscal 2010.

Variable costs in manufacturing overhead increased \$22,273 to \$106,063 or 5.4% of towable net sales for fiscal 2011 compared to \$83,790 or 5.4% of towable net sales for fiscal 2010 due to increased production. Fixed costs in manufacturing overhead, which consists primarily of facility costs, property taxes and depreciation, increased \$1,583 to \$11,823 in fiscal 2011 from \$10,240 in fiscal 2010 reflecting the expansion of our towables operations in fiscal 2011.

Towable gross profit increased \$28,840 to \$264,698, or 13.4% of towable net sales, for fiscal 2011 compared to \$235,858, or 15.2% of towable net sales, for fiscal 2010. The increase in gross profit was due primarily to the 16.4% increase in unit sales volume, whereas the decrease in gross profit percentage was primarily due to the increased discounting percentage in fiscal 2011 and the increase in cost of products as a percentage of net sales noted above.

Selling, general and administrative expenses were \$109,005, or 5.5% of towable net sales, for fiscal 2011 compared to \$88,921, or 5.7% of towable net sales, for fiscal 2010. The primary reason for the \$20,084 increase in selling, general and administrative expenses was increased towable net sales and income before income taxes, which caused related commissions, bonuses and other compensation to increase by \$9,579. Sales related travel, advertising and promotion costs also increased \$4,204 in correlation with the increase in sales. Litigation related costs also increased \$5,289, primarily related to the FEMA Trailer Formaldehyde Litigation.

Towable income before income taxes decreased to 7.4% of towable net sales for fiscal 2011 from 9.4% of towable net sales for fiscal 2010. The primary factors for this decrease in percentage were the increases in the unit discounting percentage and cost of products sold as a percentage of net sales noted above.

## Motorized Recreation Vehicles

### Analysis of Change in Net Sales for Fiscal 2011 vs. Fiscal 2010

|                   | <u>Fiscal 2011</u> | <u>% of Segment Net Sales</u> | <u>Fiscal 2010</u> | <u>% of Segment Net Sales</u> | <u>Change Amount</u> | <u>% Change</u> |
|-------------------|--------------------|-------------------------------|--------------------|-------------------------------|----------------------|-----------------|
| <b>NET SALES:</b> |                    |                               |                    |                               |                      |                 |
| Motorized         |                    |                               |                    |                               |                      |                 |
| Class A           | \$ 219,345         | 60.4                          | \$ 167,679         | 57.4                          | \$ 51,666            | 30.8            |
| Class C           | 121,640            | 33.5                          | 110,745            | 37.9                          | 10,895               | 9.8             |
| Class B           | 22,041             | 6.1                           | 13,534             | 4.7                           | 8,507                | 62.9            |
| Total Motorized   | <u>\$ 363,026</u>  | <u>100.0</u>                  | <u>\$ 291,958</u>  | <u>100.0</u>                  | <u>\$ 71,068</u>     | <u>24.3</u>     |

|                    | <u>Fiscal 2011</u> | <u>% of Segment Shipments</u> | <u>Fiscal 2010</u> | <u>% of Segment Shipments</u> | <u>Change Amount</u> | <u>% Change</u> |
|--------------------|--------------------|-------------------------------|--------------------|-------------------------------|----------------------|-----------------|
| <b># OF UNITS:</b> |                    |                               |                    |                               |                      |                 |
| Motorized          |                    |                               |                    |                               |                      |                 |
| Class A            | 2,417              | 48.6                          | 1,738              | 43.8                          | 679                  | 39.1            |
| Class C            | 2,313              | 46.5                          | 2,056              | 51.9                          | 257                  | 12.5            |
| Class B            | 245                | 4.9                           | 172                | 4.3                           | 73                   | 42.4            |
| Total Motorized    | <u>4,975</u>       | <u>100.0</u>                  | <u>3,966</u>       | <u>100.0</u>                  | <u>1,009</u>         | <u>25.4</u>     |

### IMPACT OF CHANGE IN PRICE ON NET SALES:

|                 | <u>% Increase/ (Decrease)</u> |
|-----------------|-------------------------------|
| Motorized       |                               |
| Class A         | (8.3)                         |
| Class C         | (2.7)                         |
| Class B         | 20.5                          |
| Total Motorized | (1.1)                         |

The increase in motorized net sales of 24.3% resulted primarily from a 25.4% increase in unit shipments and a 1.1% decrease in the impact of the change in net price per unit. The overall industry increase in wholesale unit shipments of motorhomes for the period August 2010 through July 2011, as compared with the same period the prior year, was 18.6% according to statistics published by the RVIA.

The overall impact of the change in the net price per unit of total motorized was a decrease of 1.1%. The decrease in the net price per unit within the Class A product line is primarily due to increased demand for the more moderately priced gas units as compared to the generally larger and more expensive diesel units. Within the Class C product line, customer preference was toward the lower to more moderately priced units compared to fiscal 2010. In addition, due to current competitor and dealer pressures, discounting in both product lines has increased as well, which also effectively lowers unit sales prices. Within the Class B product line, the increase in the net price per unit is due to a greater concentration of higher priced models in the current year, as certain lower priced products were no longer offered this year.

Cost of products sold increased \$63,458 to \$328,788, or 90.6% of motorized net sales, for fiscal 2011 compared to \$265,330, or 90.9% of motorized net sales, for fiscal 2010. The change in material, labor, freight-out and warranty comprised \$61,267 of the \$63,458 increase in cost of products sold and was due to increased sales volume. Material, labor, freight-out and warranty as a combined percentage of motorized net sales increased to 85.0% from 84.7% from fiscal 2010 to 2011. This 0.3% increase as a percentage of motorized net sales is due to an increase in discounts in fiscal 2011, which therefore decreased net sales per unit and thereby increases the unit material costs as a percentage of motorized net sales. Total manufacturing overhead costs increased \$2,191 to \$20,306 in fiscal 2011 compared to \$18,115 in fiscal 2010. Variable costs in manufacturing overhead increased \$3,340 to \$17,852, or 4.9% of motorized net sales, for fiscal 2011 compared to \$14,512, or 5.0% of motorized net sales, for fiscal 2010. Fixed costs in manufacturing overhead, which consists primarily of facility costs, property taxes and depreciation, decreased \$1,149 to \$2,454 in fiscal 2011 from \$3,603 in fiscal 2010.

Motorized gross profit increased \$7,610 to \$34,238, or 9.4% of motorized net sales, for fiscal 2011 compared to \$26,628 or 9.1% of motorized net sales, for fiscal 2010. The increases in gross profit and gross profit percentage were due primarily to the 25.4% increase in unit sales volume and the cost reductions as a percentage of motorized sales noted above.

Selling, general and administrative expenses were \$19,421, or 5.3% of motorized net sales, for fiscal 2011 compared to \$15,942 or 5.5% of motorized net sales, for fiscal 2010. The increase of \$3,479 is primarily due to the impact of the increase in motorized net sales and income before taxes, which increased related commissions, bonuses and other compensation costs by \$4,184. Sales related travel, advertising and promotion costs also increased \$733. These increases were partially offset by a \$1,145 reduction in legal and settlement expenses.

Motorized income before income taxes was 3.5% of motorized net sales for fiscal 2011 and 3.6% of motorized net sales for fiscal 2010. This decrease reflects the favorable impact of the increase in unit sales being offset by the increased discounting percentage and the trademark impairment charge of \$2,036 taken in the three month period ended October 31, 2010.

## **Buses**

### **Analysis of Change in Net Sales for Fiscal 2011 vs. Fiscal 2010**

|            | <u>Fiscal 2011</u> | <u>Fiscal 2010</u> | <u>Change<br/>Amount</u> | <u>% Change</u> |
|------------|--------------------|--------------------|--------------------------|-----------------|
| Net Sales  | \$ 415,066         | \$ 428,008         | \$ (12,942)              | (3.0)           |
| # of Units | 6,248              | 6,025              | 223                      | 3.7             |

**Impact of Change in Price on Net Sales** (6.7)

The decrease in buses net sales of 3.0% resulted from a 3.7% increase in unit shipments and a 6.7% decrease from the impact of the change in net price per unit.

The 6.7% decrease in the impact of the change in net price per unit of buses is primarily due to a greater concentration of more moderately priced units in the current year, partially attributable to federal stimulus money not being as available as it was in the prior year. In addition, the current competitive pricing environment led to increased discounting, which effectively lowers unit sales prices.

Cost of products sold decreased \$2,541 to \$380,867, or 91.8% of buses net sales, for fiscal 2011 compared to \$383,408, or 89.6% of buses net sales, for fiscal 2010. Material, labor, freight-out and warranty decreased \$7,757 due to the sales decrease. Material, labor, freight-out and warranty as a combined percentage of buses net sales increased to 83.1% from 82.4% primarily due to increased warranty and labor costs. Total manufacturing overhead increased \$5,216 to \$36,111 in fiscal 2011 compared to \$30,895 in fiscal 2010. Variable costs in manufacturing overhead increased \$5,087 to \$33,797, or 8.1% of buses net sales, for fiscal 2011 compared to \$28,710, or 6.7% of buses net sales for fiscal 2010, primarily due to increased indirect labor and employee health insurance costs. Fixed costs in manufacturing overhead, which consist primarily of facility costs, property taxes, and depreciation increased \$129 to \$2,314 in fiscal 2011 from \$2,185 in fiscal 2010.

Buses gross profit decreased \$10,401 to \$34,199, or 8.2% of buses net sales, for fiscal 2011 compared to \$44,600, or 10.4% of buses net sales, for fiscal 2010. The decreases in gross profit and gross profit percentage resulted primarily from the decrease in net sales and the increase in cost of products sold as a percentage of net sales as discussed above.

Selling, general and administrative expenses were \$18,665, or 4.5% of buses net sales, for fiscal 2011 compared to \$21,857, or 5.1% of buses net sales, for fiscal 2010. The primary reason for the \$3,192 decrease in selling, general and administrative expenses is a reduction in legal costs of \$2,241, following the settlement of a large product liability claim in fiscal 2010. In addition, the reduction in income before income taxes in fiscal 2011 caused related bonuses to decrease by \$1,316.

Buses income before income taxes decreased to 5.3% of buses net sales for fiscal 2011 from 7.0% of buses net sales for fiscal 2010. The percentage decrease of 1.7% was primarily due to the decrease in gross profit as a percentage of net sales noted above, and the trademark impairment charge of \$1,430 taken in the three month period ended April 30, 2011. These decreases were partially offset by the favorable increase in the gain on involuntary conversion of \$1,824 relating to the fire at our Champion Bus production facility in fiscal 2011 as compared to fiscal 2010.

### **Financial Condition and Liquidity**

As of July 31, 2012, we had \$218,642 in cash and cash equivalents compared to \$215,435 on July 31, 2011. The change is primarily due to the \$118,841 provided by operations, while \$10,063 was used for capital expenditures, \$77,000 was used for the purchase of treasury stock and \$32,322 was used for the payment of cash dividends to our stockholders.

Working capital at July 31, 2012 was \$373,796 compared to \$345,169 at July 31, 2011. We have no long-term debt. Capital acquisitions of \$10,442 for the fiscal year ended July 31, 2012 were made primarily to purchase land and buildings to expand our towable operations and replace machinery and equipment used in the ordinary course of business.

We believe our on hand cash and cash equivalents and funds generated from operations will be sufficient to fund expected future operational requirements. 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.

The Company anticipates capital expenditures in fiscal 2013 of approximately \$25,000. These expenditures will be made primarily for expanding our recreation vehicle facilities and replacing and upgrading machinery, equipment and other assets to be used in the ordinary course of business. Anticipated capital expenditures will be funded by operations and/or cash on hand.

The Company's Board currently intends to continue quarterly cash dividend payments in the future. The declaration of future dividends and the establishment of the per share amounts, record dates and payment dates for any such future dividends are subject to the determination of the Board, and will be dependent upon future earnings, cash flows and other factors.

Future purchases of the Company's common stock may occur based upon market and business conditions, and excess cash availability, subject to applicable legal limitations.

#### *Operating Activities*

Net cash provided by operating activities for fiscal 2012 was \$118,841 compared to net cash provided by operating activities of \$114,802 for fiscal 2011. The combination of net income and non-cash items (primarily depreciation, amortization, impairments, stock-based compensation and deferred income taxes) provided \$143,754 of operating cash for fiscal 2012 compared to \$133,687 in the prior year period. However, the amount of \$143,754 provided in fiscal 2012 was offset by the net increase in accounts receivable and accounts payable due to the increased production and revenues in the current year as compared to the prior year.

#### *Investing Activities*

Net cash used in investing activities for fiscal 2012 was \$7,854, primarily for capital expenditures of \$10,063. The capital expenditures of \$10,063 included approximately \$4,600 and \$2,800, respectively, for plant expansions and machinery and equipment upgrades in our towable operations. During fiscal 2011, net cash used in investing activities of \$126,352 was primarily due to the cash consideration paid of \$99,562 for the acquisition of Heartland and its parent company on September 16, 2010 and capital expenditures of \$33,749. The capital expenditures of \$33,749 included approximately \$5,460 for the construction of the new Champion Bus plant, approximately \$9,700 for the purchase of recreation vehicle plants that were previously leased and approximately \$9,100 and \$1,600 for plant expansions in our towable and bus operations, respectively.

#### *Financing Activities*

Net cash used in financing activities of \$107,780 for fiscal 2012 was primarily related to the repurchase of a total of 3,000,000 shares of common stock of the Company for \$77,000 and cash dividend payments of \$32,322. The Company repurchased the shares at a discount to the then current market price and did not incur brokerage fees. The Company considered the repurchases of shares to be a good use of its cash and does not believe future liquidity will be negatively impacted. See Note 14 to our Consolidated Financial Statements contained elsewhere in this report for a description of the share repurchase transactions. The Company increased its previous regular quarterly dividend of \$0.10 per share to \$0.15 per share in October 2011. During fiscal 2011, net cash used in financing activities of \$20,766 was primarily for cash dividend payments of \$22,329. The Company increased its previous regular quarterly dividend of \$0.07 per share to \$0.10 per share in October 2010. A special \$0.50 per share dividend was also paid in fiscal 2010.

#### **Critical Accounting Principles**

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

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

We review our long-lived assets (individually or in a related group as appropriate) for impairment whenever events or changes in circumstances indicate that the carrying amount of such assets may not be recoverable from future cash flows attributable to the assets. Additionally, we review our goodwill for impairment at least annually on April 30 of each year. Accordingly, we continually assess whether events or changes in circumstances represent a 'triggering' event that would require us to complete an impairment assessment. Factors that we consider in determining whether a triggering event has occurred include, among other things, whether there has been a significant adverse change in legal factors, business climate or competition related to the operation of the asset, whether there has been a significant decrease in actual or expected operating results related to the asset and whether there are current plans to sell or dispose of the asset. The determination of whether a triggering event has occurred is subject to significant management judgment, including at which point or fiscal quarter a triggering event has occurred when the relevant adverse factors persist over extended periods.

Should a triggering event be deemed to occur, and for each of the annual goodwill impairment assessments, management is required to estimate the expected net cash flows to be realized over the life of the asset and/or the asset's fair value. Fair values are often determined by a discounted cash flow model, although we also use a market approach in determining fair values when appropriate. These estimates are also subject to significant management judgment including the determination of many factors such as sales growth rates, gross margin patterns, cost growth rates, terminal value assumptions, discount rates and comparable companies. Changes in these estimates can have a significant impact on the determination of cash flows and fair value and could potentially result in future material impairments. Management engages an independent valuation firm in many cases to assist in its impairment assessments.

As a result of the annual impairment assessment as of April 30, 2012, no impairment of goodwill was identified.

The Company has five individual reporting units that carry goodwill. One reporting unit carries 49% of our consolidated goodwill of \$245,209 and a second reporting unit carries another 38% of our consolidated goodwill. For these two reporting units, our estimate of their fair values exceeded their respective carrying values by 305% and 35%, respectively, as of our April 30, 2012 assessment. Our other reporting units' fair values exceeded their respective carrying values by 15% - 309%. The reporting unit that had fair value exceeding carrying value by 15% carried approximately 3% of our consolidated goodwill.

In regards to our April 2012 assessment for the reporting unit that had fair value exceeding carrying value by 15%, we used both a discounted cash flows model and a market approach to determine an estimate of its fair value. Assumptions which more significantly impact the discounted cash flows used in estimating the fair value of this unit included forecasted annual sales increases over the next five years, margin percentages over those years, terminal sales growth and weighted average cost of capital. Each of these estimates is subject to significant management judgment; however, we believe each to be reasonable based on currently available information regarding this unit's current and expected operations. Should new information or future actual results require us to reduce our expectations for this reporting unit, future impairment assessments may indicate that the related goodwill and/or other intangible assets may be impaired.

Our assessment of whether any triggering events occurred during the fourth quarter ended July 31, 2012 for which we should further analyze whether an impairment exists through that date did not result in the identification of such a triggering event.

In September 2011, the FASB issued ASU No. 2011-08, "Testing Goodwill for Impairment", to simplify how entities test goodwill for impairment. This guidance permits an entity to assess qualitative factors to determine whether it is more likely than not (defined as more than fifty percent) that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the current two-step goodwill impairment test. The two-step goodwill impairment test that begins with estimating the fair value of the reporting unit will only be required if the entity determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. ASU No. 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The adoption of this guidance in fiscal year 2013 is not expected to have a significant impact on the Company's Consolidated Financial Statements.

#### *Insurance Reserves*

Generally, we are self-insured for workers' compensation, products liability and group medical insurance. Under these plans, liabilities are recognized for claims incurred, including those incurred but not reported. The liability for workers' compensation claims is determined by the Company with the assistance of a third party administrator and actuary using various state statutes and historical claims experience. Group medical reserves are estimated using historical claims experience. We have a self-insured retention ("SIR") for products liability and personal injury matters of \$5,000 per occurrence. Beginning April 1, 2012, this SIR for bus related matters is \$7,500 per occurrence. We have established a liability on our balance sheet for such occurrences based on historical data, known cases and actuarial information. Amounts above the SIR, up to a certain dollar amount, are covered by our excess insurance policy. Currently, we maintain excess liability insurance aggregating \$50,000 with outside insurance carriers to minimize our risks related to catastrophic claims in excess of our self-insured positions for products liability and personal injury matters. Any material change in the aforementioned factors could have an adverse impact on our operating results.

#### *Product Warranty*

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

#### *Income Taxes*

We account for income taxes under the provisions of ASC 740, "Income Taxes." The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns. Fluctuations in the actual outcome of these tax consequences could materially impact our financial position or results of operations.

We recognize liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires us to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as we have to determine the probability of various possible outcomes. We reevaluate these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision.

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

#### *Revenue Recognition*

Revenues from the sale of recreation vehicles and buses are recorded primarily 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 flooring 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 our property for delivery to the dealer who placed the order.

Certain shipments are sold to customers on credit or cash on delivery ("COD") terms. We recognize revenue on credit sales upon shipment and COD sales upon payment and delivery. Most sales are made to 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 floor plan lenders. Most of our sales to dealers are made on terms requiring cash on delivery or within 15 days of the invoice date.

#### *Repurchase Commitments*

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

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

## Principal Contractual Obligations and Commercial Commitments

Our principal contractual obligations and commercial commitments at July 31, 2012 are summarized in the following charts. We have no other material off balance sheet commitments:

| <b>Contractual Obligations</b>            | <b>Payments Due By Period</b> |                    |                         |                         |                      |
|---|-------------------------------|--------------------|-------------------------|-------------------------|----------------------|
|   | <b>Total</b>                  | <b>Fiscal 2013</b> | <b>Fiscal 2014-2015</b> | <b>Fiscal 2016-2017</b> | <b>After 5 Years</b> |
| Operating leases and other                | \$ 1,726                      | \$ 1,163           | \$ 505                  | \$ 58                   | \$ —                 |
| Chassis consigned inventory               | 21,507                        | 21,507             | —                       | —                       | —                    |
| Unrecognized tax benefits (1)             | 2,649                         | 2,649              | —                       | —                       | —                    |
| <b>Total contractual cash obligations</b> | <b>\$ 25,882</b>              | <b>\$ 25,319</b>   | <b>\$ 505</b>           | <b>\$ 58</b>            | <b>\$ —</b>          |

(1) We have included in unrecognized tax benefits \$2,649 for payments expected to be made in fiscal 2013. Unrecognized tax benefits in the amount of \$44,516 have been excluded from the table because we are unable to determine a reasonably reliable estimate of the timing of future payment.

| <b>Other Commercial Commitments</b> | <b>Total Amounts Committed</b> | <b>Amount of Commitment Expiration Per Period</b> |                   |                  |                     |
|-------------------------------------|--------------------------------|---|-------------------|------------------|---------------------|
|                                     |                                | <b>Less Than One Year (1)</b>                     | <b>1-3 Years</b>  | <b>4-5 Years</b> | <b>Over 5 Years</b> |
| Guarantees                          | \$ 900                         | \$ 900  | \$ —              | \$ —             | \$ —                |
| Standby repurchase obligations      | 861,738                        | 469,513   | 392,225           | —                | —                   |
| <b>Total commercial commitments</b> | <b>\$ 862,638</b>              | <b>\$ 470,413</b>                                 | <b>\$ 392,225</b> | <b>\$ —</b>      | <b>\$ —</b>         |

(1) The standby repurchase obligations generally extend up to eighteen months from the date of sales of the related product to the dealer. In estimating the expiration of the standby repurchase obligations, we used inventory reports as of July 31, 2012 from our dealers' lending institutions and made an assumption for obligations for inventory aged 0-12 months that it was financed evenly over the twelve month period.

## Accounting Pronouncements

Reference is made to Note 1 to our Consolidated Financial Statements contained in this report for a summary of our recently adopted accounting pronouncements, which summary is hereby incorporated by reference.

## ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

None.

**ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA — SEE ITEM 15**

**Quarterly Financial Data (Unaudited)**

|  | <u>October 31</u>     |    | <u>January 31</u> |    | <u>April 30</u>     |    | <u>July 31</u> |
|--|-----------------------|----|-------------------|----|---------------------|----|----------------|
| <b>Fiscal 2012</b>                           |                       |    |                   |    |                     |    |                |
| Net sales                                    | \$ 673,000            | \$ | 596,970           | \$ | 926,458             | \$ | 888,232        |
| Gross profit                                 | 74,978                |    | 59,380            |    | 109,470             |    | 112,948        |
| Net income                                   | 22,358                |    | 13,680            |    | 41,341              |    | 44,360         |
| Earnings per common share (1)                |                       |    |                   |    |                     |    |                |
| Basic  | 0.41                  |    | 0.25              |    | 0.78                |    | 0.84           |
| Diluted                                      | 0.41                  |    | 0.25              |    | 0.78                |    | 0.84           |
| Dividends declared and paid per common share | 0.15                  |    | 0.15              |    | 0.15                |    | 0.15           |
| <b>Market prices per common share</b>        |                       |    |                   |    |                     |    |                |
| High   | \$ 29.08              | \$ | 31.82             | \$ | 34.56               | \$ | 34.70          |
| Low  | \$ 17.62              | \$ | 22.25             | \$ | 29.81               | \$ | 26.27          |
| <br>   |                       |    |                   |    |                     |    |                |
|  | <u>October 31 (2)</u> |    | <u>January 31</u> |    | <u>April 30 (3)</u> |    | <u>July 31</u> |
| <b>Fiscal 2011</b>                           |                       |    |                   |    |                     |    |                |
| Net sales                                    | \$ 606,684            | \$ | 526,227           | \$ | 852,059             | \$ | 770,538        |
| Gross profit                                 | 76,578                |    | 47,643            |    | 108,484             |    | 100,430        |
| Net income                                   | 23,688                |    | 5,688             |    | 40,008              |    | 36,889         |
| Earnings per common share                    |                       |    |                   |    |                     |    |                |
| Basic  | 0.44                  |    | 0.10              |    | 0.72                |    | 0.66           |
| Diluted                                      | 0.44                  |    | 0.10              |    | 0.72                |    | 0.66           |
| Dividends declared and paid per common share | 0.10                  |    | 0.10              |    | 0.10                |    | 0.10           |
| <b>Market prices per common share</b>        |                       |    |                   |    |                     |    |                |
| High   | \$ 35.50              | \$ | 37.45             | \$ | 39.12               | \$ | 33.79          |
| Low  | \$ 22.50              | \$ | 29.15             | \$ | 29.31               | \$ | 24.22          |

- (1) Earnings per common share are computed independently for each of the quarters presented. The summation of quarterly amounts does not necessarily equal the total earnings per common share reported for the year. This is due to changes in the weighted average shares outstanding during the year.
- (2) The first quarter ended October 31, 2010 includes a non-cash trademark impairment of \$2,036 for trademarks associated with a subsidiary within our motorized segment.
- (3) The third quarter ended April 30, 2011 includes a non-cash trademark impairment of \$1,430 for a trademark associated with a subsidiary within our bus segment.

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

None.

### ITEM 9A. CONTROLS AND PROCEDURES

#### *Part A – Disclosure Controls and Procedures*

The Company maintains “disclosure controls and procedures”, as such term is defined under Securities Exchange Act Rule 13a-15(e), that are designed to ensure that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized and reported within the time periods specified in the SEC’s rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures. In designing and evaluating the disclosure controls and procedures, the Company’s management recognizes 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 is 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 and accumulated and communicated to the Company’s management as appropriate to allow for timely decisions regarding required disclosure.

#### *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 our 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, 2012 using the criteria set forth in *Internal Control — Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on its assessment, management believes that as of July 31, 2012, the Company’s internal control over financial reporting is effective based on those criteria.

Our independent registered public accounting firm, Deloitte & Touche LLP, has issued an attestation report on our internal control over financial reporting. The report appears in Part D of this Item 9A.

#### *Part C – Changes in Internal Control Over Financial Reporting*

During the fourth quarter of fiscal year 2012, there have been no 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 D – Attestation Report of Independent Registered Public Accounting Firm*

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Thor Industries, Inc.  
Jackson Center, Ohio

We have audited the internal control over financial reporting of Thor Industries, Inc. and subsidiaries (the “Company”) as of July 31, 2012, based on 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, included in the accompanying Management’s Annual Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company’s internal control over financial reporting based on our audit.

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, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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, the Company maintained, in all material respects, effective internal control over financial reporting as of July 31, 2012, 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, 2012 and our report dated September 26, 2012 expressed an unqualified opinion on those financial statements.

/s/ Deloitte & Touche LLP  
Chicago, Illinois  
September 26, 2012

**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 SEC, a copy of the code has been posted on the Company's website and is also available in print to any person, without charge, upon request. The Company intends to disclose any changes in or waivers from its code of ethics applicable to any Selected Officer on its website at [www.thorindustries.com](http://www.thorindustries.com) or by filing a Form 8-K.

The other information in response to this Item is included under the captions OUR BOARD OF DIRECTORS; EXECUTIVE OFFICERS WHO ARE NOT DIRECTORS; BOARD OF DIRECTORS: STRUCTURE, COMMITTEES AND CORPORATE GOVERNANCE and SECTION 16(A) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE, in the Company's definitive Proxy Statement to be filed with the SEC pursuant to Regulation 14A, which portions of said Proxy Statement are 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 SEC pursuant to Regulation 14A, which portions of said Proxy Statement are 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 2012, 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, 2012 about the Company's Common Stock that is authorized for issuance under the Company's equity compensation plans, including the Thor Industries, Inc. 2010 Equity and Incentive Plan (the "2010 Plan"), the Thor Industries, Inc. 2006 Equity Incentive Plan (the "2006 Plan") and the Thor Industries, Inc. 1999 Stock Option Plan (the "1999 Plan").

| Plan Category  | Number of securities to be issued upon exercise of outstanding options, warrants and rights<br>(a) | Weighted-average exercise price of outstanding options, warrants and rights<br>(b) | Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))<br>(c) |
|--|--|--|--|
| Equity compensation plans approved by security holders     | 732,725 (1)  | \$ 28.89   | 1,889,959 (2)  |
| Equity compensation plans not approved by security holders | —  | —  | —  |
| Total  | <u>732,725</u>   | <u>\$ 28.89</u>  | <u>1,889,959</u>   |

(1) Represents shares underlying stock options granted pursuant to the 2010 Plan, the 2006 Plan and the 1999 Plan. The 1999 Plan was frozen in 2006 upon the adoption of the 2006 Plan.

(2) Represents shares remaining available for future issuance pursuant to the 2010 Plan and the 2006 Plan.

The other information required in response to this Item is contained under the captions OWNERSHIP OF COMMON STOCK and SUMMARIES OF EQUITY COMPENSATION PLANS in the Company's definitive Proxy Statement, to be filed with the SEC pursuant to Regulation 14A, which portions of said Proxy Statement are hereby incorporated by reference.

**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: STRUCTURE, COMMITTEES AND CORPORATE GOVERNANCE in the Company's definitive Proxy Statement to be filed with the SEC pursuant to Regulation 14A, which portions of said Proxy Statement are 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 REGISTERED PUBLIC ACCOUNTING FIRM 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.

**PART IV**

**ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES**

**(a) (1) Financial Statements**

|   | <b>Page</b> |
|---|-------------|
| Report of Independent Registered Public Accounting Firm   | F-1         |
| Consolidated Balance Sheets, July 31, 2012 and 2011   | F-2         |
| Consolidated Statements of Income and Comprehensive Income for the Years Ended July 31, 2012, 2011 and 2010 | F-4         |
| Consolidated Statements of Stockholders' Equity for the Years Ended July 31, 2012, 2011 and 2010            | F-5         |
| Consolidated Statements of Cash Flows for the Years Ended July 31, 2012, 2011 and 2010                      | F-6         |
| Notes to the Consolidated Financial Statements for the Years Ended July 31, 2012, 2011 and 2010             | 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)   |
| 3.4            | First Amendment to the By-laws of the Company (incorporated by reference to Exhibit 3(ii) of the Company's Current Report on Form 8-K dated March 11, 2010)  |
| 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. 2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 of the Company's Annual Report on Form 10-K for the fiscal year ended July 31, 2007)   |
| 10.4           | Thor Industries, Inc. Amended and Restated Deferred Compensation Plan (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated December 15, 2008)  |
| 10.5           | Thor Industries, Inc. 2008 Annual Incentive Plan (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated December 15, 2008)   |
| 10.6           | Offer Letter of Christian G. Farman (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated May 6, 2008)  |
| 10.7           | Thor Industries, Inc. Form of Indemnification Agreement for executive officers and directors of the Company (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended January 31, 2011)   |
| 10.8           | Thor Industries, Inc. Form of Stock Option Agreement for grants under the Thor Industries, Inc. 2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K dated May 6, 2008)   |
| 10.9           | Thor Industries, Inc. Form of Restricted Stock Award Certificate and Restricted Stock Award Agreement – for grants to directors for grants under the Thor Industries, Inc. 2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K dated May 6, 2008)                          |
| 10.10          | Thor Industries, Inc. Form of Restricted Stock Award Certificate and Restricted Stock Award Agreement – for grants to employees and consultants for grants under the Thor Industries, Inc. 2006 Equity Incentive Plan (incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K dated May 6, 2008)          |
| 10.11          | Credit Agreement between the Company and Stephen Adams, in his individual capacity, and Stephen Adams and his successors, as trustee under the Stephen Adams Living Trust, dated January 15, 2009 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated January 22, 2009)                         |
| 10.12          | Credit Agreement between the Company and Stephen Adams, in his individual capacity, and Stephen Adams and his successors, as trustee under the Stephen Adams Living Trust, dated January 30, 2009 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated February 3, 2009)                         |
| 10.13          | Repurchase Agreement, dated as of December 17, 2009, between the Company and the Estate of Wade F.B. Thompson (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated December 17, 2009)  |
| 10.14          | Credit Agreement between the Company and Marcus Lemonis, Stephen Adams, in his individual capacity, and Stephen Adams and his successors, as trustee under the Stephen Adams Living Trust, dated as of December 22, 2009 (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated December 22, 2009) |

- 10.15 Amended and Restated Dealer Exclusivity Agreement, dated as of January 30, 2009, by and among Thor Industries, Inc., FreedomRoads Holding Company, LLC, and certain subsidiaries of FreedomRoads, LLC (incorporated by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2011)
- 10.16 Amendment to Exclusivity Agreement between the Company, FreedomRoads Holding Company, LLC, FreedomRoads, LLC and certain subsidiaries of FreedomRoads, LLC, dated as of December 22, 2009 (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated December 22, 2009)
- 10.17 First Amendment to Credit Agreement, dated January 15, 2009, between the Company and Stephen Adams, in his individual capacity, and Stephen Adams and his successors, as trustee under the Stephen Adams Living Trust, dated December 22, 2009 (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K dated December 22, 2009)
- 10.18 First Amendment to Credit Agreement, dated January 30, 2009, between the Company and Stephen Adams, in his individual capacity, and Stephen Adams and his successors, as trustee under the Stephen Adams Living Trust, dated December 22, 2009 (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K dated December 22, 2009)
- 10.19 Stock Purchase Agreement, dated as of March 1, 2010, by and among the Company, SJC Industries Corp. and Christopher J. Graff (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated March 5, 2010)
- 10.20 Non-Competition Agreement, dated as of March 1, 2010, by and between the Company and Christopher J. Graff (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated March 5, 2010)
- 10.21 Stock Option Agreement between the Company and Ronald Fenech, dated April 28, 2010 (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2010)
- 10.22 Thor Industries, Inc. 2010 Equity and Incentive Plan (incorporated by reference to Appendix D to the Company's Proxy Statement on Schedule 14A filed on November 2, 2010)
- 10.23 Form of Stock Option Agreement for grants under the Thor Industries, Inc. 2010 Equity and Incentive Plan (incorporated by reference to Exhibit 10.2 of the Company's Quarterly Report on Form 10-Q for the quarterly period ended April 30, 2011)
- 10.24 Stock Purchase Agreement, dated as of September 16, 2010, by and among Thor Industries, Inc., Heartland RV Holdings, L.P., Towable Holdings, Inc. and Heartland Recreational Vehicles, LLC and certain other persons named therein (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated September 22, 2010)
- 10.25 Registration Rights Agreement, dated as of September 16, 2010, by and among Thor Industries, Inc. and certain holders of shares of capital stock of Thor Industries, Inc. (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated September 22, 2010)
- 10.26 Letter Agreement, dated July 8, 2011, by and among Thor Industries, Inc., Catterton Partners VI, L.P., Catterton Partners VI Offshore, L.P., CP6 Interest Holdings, LLC, and CPVI Coinvest, LLC (incorporated by reference to Exhibit 99.1 of the Company's Current Report on Form 8-K dated July 13, 2011)
- 10.27 Repurchase Agreement, dated as of August 12, 2011, between the Company and the Estate of Wade F.B. Thompson (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated August 12, 2011)
- 10.28 Repurchase Agreement, dated as of January 18, 2012, between the Company and the Estate of Wade F.B. Thompson (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated January 18, 2012)
- 10.29 Repurchase Agreement, dated as of January 18, 2012, between the Company and Catterton Partners VI, L.P. (incorporated by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K dated January 18, 2012)
- 10.30 Repurchase Agreement, dated as of January 18, 2012, between the Company and Catterton Partners VI Offshore, L.P. (incorporated by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K dated January 18, 2012)
- 10.31 Repurchase Agreement, dated as of January 18, 2012, between the Company and CP6 Interest Holdings, L.L.C. (incorporated by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K dated January 18, 2012)
- 10.32 Repurchase Agreement, dated as of January 18, 2012, between the Company and CPVI Coinvest, L.L.C. (incorporated by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K dated January 18, 2012)
- 10.33 Employment offer letter, dated January 26, 2012, from the Company to Bob Martin (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated January 31, 2012)
- 10.34 Stipulation of Settlement, executed on April 13, 2012 by the Company, in the case of In Re: FEMA Trailer Formaldehyde Product Liability Litigation, MDL No. 1873, before the United States District Court, Eastern District of Louisiana (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated April 13, 2012)
- 10.35 Form of Restricted Stock Award Certificate and Restricted Stock Award Agreement of Robert W. Martin (incorporated by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K dated June 7, 2012)
- 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 for the year ended July 31, 2010)
- 21.1 Subsidiaries of the Company\*
- 23.1 Consent of Deloitte & Touche LLP, dated September 26, 2012\*
- 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\*\*

101.INS XBRL Instance Document\*\*  
101.SCH XBRL Taxonomy Extension Schema Document\*\*  
101.CAL XBRL Taxonomy Calculation Linkbase Document\*\*  
101.PRE XBRL Taxonomy Presentation Linkbase Document\*\*  
101.LAB XBRL Taxonomy Label Linkbase Document\*\*  
101.DEF XBRL Taxonomy Extension Definition Linkbase Document\*\*

Attached as Exhibits 101 to this report are the following financial statements from the Company's Annual Report on Form 10-K for the year ended July 31, 2012 formatted in XBRL ("eXtensible Business Reporting Language"): (i) the Consolidated Balance Sheets, (ii) the Consolidated Statements of Income and Comprehensive Income, (iii) Consolidated Statements of Stockholders' Equity, (iv) the Consolidated Statements of Cash Flows and (v) related notes to these financial statements.

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

\* Filed herewith

\*\* Furnished herewith

## 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 September 26, 2012 on its behalf by the undersigned, thereunto duly authorized.

THOR INDUSTRIES, INC.

(Signed) /s/ Peter B. Orthwein

Peter B. Orthwein  
Chairman of the Board  
and Chief Executive Officer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed on September 26, 2012 by the following persons on behalf of the Registrant and in the capacities indicated.

(Signed) /s/ Christian G. Farman

Christian G. Farman  
Senior Vice President, Treasurer and Chief Financial Officer  
(Principal Financial Officer & Principal  
Accounting Officer)

(Signed) /s/ Peter B. Orthwein

Peter B. Orthwein  
Chairman of the Board  
and Chief Executive Officer

(Signed) /s/ Andrew E. Graves

Andrew E. Graves  
Director

(Signed) /s/ James L. Ziemer

James L. Ziemer  
Director

(Signed) /s/ Geoffrey A. Thompson

Geoffrey A. Thompson  
Director

(Signed) /s/ Jan H. Suwinski

Jan H. Suwinski  
Director

(Signed) /s/ J. Allen Kosowsky

J. Allen Kosowsky  
Director

(Signed) /s/ Alan Siegel

Alan Siegel  
Director

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of  
Thor Industries, Inc.  
Jackson Center, Ohio

We have audited the accompanying Consolidated Balance Sheets of Thor Industries, Inc. and subsidiaries (the "Company") as of July 31, 2012 and 2011, and the related consolidated statements of income and comprehensive income, stockholders' equity, and cash flows for each of the three years in the period ended July 31, 2012. These financial statements are the responsibility of 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, 2012 and 2011, and the results of their operations and their cash flows for each of the three years in the period ended July 31, 2012, 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 Company's internal control over financial reporting as of July 31, 2012, 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 26, 2012 expressed an unqualified opinion on the Company's internal control over financial reporting.

/s/ Deloitte & Touche LLP  
Chicago, Illinois  
September 26, 2012

**Consolidated Balance Sheets, July 31, 2012 and 2011**

(amounts in thousands except share and per share data)

|   | <u>2012</u>         | <u>2011</u>         |
|---|---------------------|---------------------|
| <b>Assets</b>   |                     |                     |
| Current assets:   |                     |                     |
| Cash and cash equivalents   | \$ 218,642          | \$ 215,435          |
| Accounts receivable:  |                     |                     |
| Trade, less allowance for doubtful accounts — \$527 in 2012 and \$549 in 2011 | 221,655             | 162,188             |
| Other   | 10,430              | 7,305               |
| Inventories   | 186,083             | 184,498             |
| Notes receivable  | 1,000               | 7,562               |
| Prepaid expenses and other  | 6,179               | 5,191               |
| Deferred income taxes   | 40,897              | 41,588              |
| Total current assets  | <u>684,886</u>      | <u>623,767</u>      |
| Property, plant and equipment:  |                     |                     |
| Land  | 23,704              | 23,261              |
| Buildings and improvements  | 166,868             | 162,627             |
| Machinery and equipment   | 84,863              | 82,349              |
| Total cost  | <u>275,435</u>      | <u>268,237</u>      |
| Less accumulated depreciation   | 111,041             | 100,023             |
| Net property, plant and equipment   | <u>164,394</u>      | <u>168,214</u>      |
| Investments — Joint venture   | <u>1,739</u>        | <u>2,741</u>        |
| Other assets:   |                     |                     |
| Goodwill  | 245,209             | 244,452             |
| Amortizable intangible assets   | 114,227             | 125,255             |
| Long-term notes receivable  | 22,160              | 22,801              |
| Other   | 10,439              | 10,840              |
| Total other assets  | <u>392,035</u>      | <u>403,348</u>      |
| <b>Total Assets</b>   | <u>\$ 1,243,054</u> | <u>\$ 1,198,070</u> |

**See notes to the Consolidated Financial Statements.**

|   | <u>2012</u>         | <u>2011</u>         |
|---|---------------------|---------------------|
| <b>Liabilities and Stockholders' Equity</b>   |                     |                     |
| Current liabilities:  |                     |                     |
| Accounts payable  | \$ 143,139          | \$ 119,494          |
| Accrued liabilities:  |                     |                     |
| Compensation and related items  | 41,295              | 34,599              |
| Product warranties  | 73,280              | 66,054              |
| Income and other taxes  | 16,129              | 14,037              |
| Promotions and rebates  | 11,053              | 12,345              |
| Product/property liability and related liabilities  | 11,044              | 16,241              |
| Other   | 15,150              | 15,828              |
| Total current liabilities   | <u>311,090</u>      | <u>278,598</u>      |
| Other liabilities   | 15,687              | 15,315              |
| Unrecognized income tax benefits  | 44,516              | 43,024              |
| Deferred income taxes, net  | 20,934              | 24,859              |
| Total long-term liabilities   | <u>81,137</u>       | <u>83,198</u>       |
| Contingent liabilities and commitments  | -                   | -                   |
| Stockholders' equity:   |                     |                     |
| Preferred stock—authorized 1,000,000 shares; none outstanding   | -                   | -                   |
| Common stock—par value of \$.10 a share; authorized, 250,000,000 shares; issued 61,777,849 shares in 2012 and 61,697,349 shares in 2011 | 6,178               | 6,170               |
| Additional paid-in capital  | 192,248             | 190,127             |
| Retained earnings   | 918,565             | 829,148             |
| Accumulated other comprehensive loss—unrealized loss on available-for-sale investments  | (60)                | (67)                |
| Less treasury shares of 8,857,339 in 2012 and 5,857,339 in 2011, at cost  | (266,104)           | (189,104)           |
| Total stockholders' equity  | <u>850,827</u>      | <u>836,274</u>      |
| <b>Total Liabilities and Stockholders' Equity</b>   | <u>\$ 1,243,054</u> | <u>\$ 1,198,070</u> |

**See notes to the Consolidated Financial Statements.**

**Consolidated Statements of Income and Comprehensive Income for the Years Ended July 31, 2012, 2011 and 2010**

(amounts in thousands, except per share data)

|   | <b>2012</b>       | <b>2011</b>       | <b>2010</b>       |
|---|-------------------|-------------------|-------------------|
| Net sales   | \$ 3,084,660      | \$ 2,755,508      | \$ 2,276,557      |
| Cost of products sold   | 2,727,884         | 2,422,373         | 1,969,471         |
| Gross profit  | 356,776           | 333,135           | 307,086           |
| Selling, general and administrative expenses  | 169,154           | 180,858           | 147,407           |
| Impairment of goodwill and trademarks   | -                 | 3,466             | 500               |
| Amortization of intangible assets   | 11,135            | 10,262            | 510               |
| Gain on involuntary conversion  | -                 | 9,417             | 7,593             |
| Interest income   | 3,765             | 3,910             | 5,515             |
| Interest expense  | 560               | 212               | 395               |
| Other income, net   | 999               | 963               | 11                |
| Income before income taxes  | 180,691           | 152,627           | 171,393           |
| Income taxes  | 58,952            | 46,354            | 61,329            |
| Net income  | <u>\$ 121,739</u> | <u>\$ 106,273</u> | <u>\$ 110,064</u> |
| Earnings per common share   |                   |                   |                   |
| Basic   | \$ 2.26           | \$ 1.92           | \$ 2.08           |
| Diluted   | \$ 2.26           | \$ 1.92           | \$ 2.07           |
| Net income  | \$ 121,739        | \$ 106,273        | \$ 110,064        |
| Unrealized appreciation on investments, net of tax effects of \$6, \$158 and \$231  | 7                 | 257               | 368               |
| Foreign currency translation adjustment, net of tax effects of \$0, \$0 and \$1,080 | -                 | -                 | (1,762)           |
| Total other comprehensive income (loss)   | <u>7</u>          | <u>257</u>        | <u>(1,394)</u>    |
| Comprehensive income  | <u>\$ 121,746</u> | <u>\$ 106,530</u> | <u>\$ 108,670</u> |

**See notes to the Consolidated Financial Statements.**

## Consolidated Statements of Stockholders' Equity for the Years Ended July 31, 2012, 2011 and 2010

(amounts in thousands, except share and per share data)

|  | Treasury Stock |              | Common Stock |          | Additional<br>Paid-in<br>Capital | Retained<br>Earnings | Accumulated<br>Other<br>Comprehensive<br>Income (Loss) |
|--|----------------|--------------|--------------|----------|----------------------------------|----------------------|--|
|  | Shares         | Amount       | Shares       | Amount   |                                  |                      |  |
| July 31, 2009  | 1,877,339      | \$ (73,684)  | 57,318,263   | \$ 5,732 | \$ 94,367                        | \$ 677,548           | \$ 1,070   |
| Net income   | -              | -            | -            | -        | -                                | 110,064              | -  |
| Shares purchased                                       | 3,980,000      | (115,420)    | -            | -        | -                                | -                    | -  |
| Stock option activity                                  | -              | -            | 586          | -        | 16                               | -                    | -  |
| Cash dividends - \$.78 per<br>common share             | -              | -            | -            | -        | -                                | (42,408)             | -  |
| Unrealized appreciation on<br>investments, net of tax  | -              | -            | -            | -        | -                                | -                    | 368  |
| Foreign currency translation<br>adjustment, net of tax | -              | -            | -            | -        | -                                | -                    | (1,762)  |
| Stock compensation expense                             | -              | -            | -            | -        | 1,387                            | -                    | -  |
| July 31, 2010  | 5,857,339      | (189,104)    | 57,318,849   | 5,732    | 95,770                           | 745,204              | (324)  |
| Net income   | -              | -            | -            | -        | -                                | 106,273              | -  |
| Stock option activity                                  | -              | -            | 78,500       | 8        | 1,549                            | -                    | -  |
| Cash dividends - \$.40 per<br>common share             | -              | -            | -            | -        | -                                | (22,329)             | -  |
| Unrealized appreciation on<br>investments, net of tax  | -              | -            | -            | -        | -                                | -                    | 257  |
| Heartland acquisition                                  | -              | -            | 4,300,000    | 430      | 90,101                           | -                    | -  |
| Stock compensation expense                             | -              | -            | -            | -        | 2,707                            | -                    | -  |
| July 31, 2011  | 5,857,339      | (189,104)    | 61,697,349   | 6,170    | 190,127                          | 829,148              | (67)   |
| Net income   | -              | -            | -            | -        | -                                | 121,739              | -  |
| Shares purchased                                       | 3,000,000      | (77,000)     | -            | -        | -                                | -                    | -  |
| Stock option and restricted stock<br>activity          | -              | -            | 80,500       | 8        | 1,433                            | -                    | -  |
| Cash dividends - \$.60 per<br>common share             | -              | -            | -            | -        | -                                | (32,322)             | -  |
| Unrealized appreciation on<br>investments, net of tax  | -              | -            | -            | -        | -                                | -                    | 7  |
| Stock compensation expense                             | -              | -            | -            | -        | 688                              | -                    | -  |
| July 31, 2012  | 8,857,339      | \$ (266,104) | 61,777,849   | \$ 6,178 | \$ 192,248                       | \$ 918,565           | \$ (60)  |

See notes to the Consolidated Financial Statements.

**Consolidated Statements of Cash Flows for the Years Ended July 31, 2012, 2011 and 2010**

(amounts in thousands)

|   | 2012              | 2011              | 2010              |
|---|-------------------|-------------------|-------------------|
| <b>Cash flows from operating activities:</b>                                      |                   |                   |                   |
| Net income  | \$ 121,739        | \$ 106,273        | \$ 110,064        |
| Adjustments to reconcile net income to net cash provided by operating activities: |                   |                   |                   |
| Depreciation  | 13,843            | 13,747            | 12,719            |
| Amortization of intangibles   | 11,135            | 10,262            | 510               |
| Goodwill and trademark impairment   | -                 | 3,466             | 500               |
| Deferred income tax benefit   | (3,442)           | (2,839)           | (3,459)           |
| (Gain)/Loss on disposition of property, plant & equipment                         | (209)             | 71                | 252               |
| Stock-based compensation  | 688               | 2,707             | 1,387             |
| Excess tax benefits from stock-based awards                                       | (101)             | (516)             | -                 |
| Gain on involuntary conversion of assets  | -                 | (2,190)           | (3,216)           |
| Loss on divestiture of operating subsidiary                                       | -                 | -                 | 323               |
| Changes in assets and liabilities (excluding acquisitions):                       |                   |                   |                   |
| Accounts receivable   | (62,592)          | 14,648            | (49,184)          |
| Inventories   | (1,585)           | (17,448)          | (29,987)          |
| Notes receivable  | 7,062             | 2,424             | 1,884             |
| Prepaid expenses and other  | (1,181)           | (3,118)           | 3,283             |
| Accounts payable  | 23,435            | (15,403)          | 25,238            |
| Accrued liabilities   | 8,185             | (3,275)           | 42,005            |
| Other liabilities   | 1,864             | 5,993             | (11,667)          |
| Net cash provided by operating activities   | <u>118,841</u>    | <u>114,802</u>    | <u>100,652</u>    |
| <b>Cash flows from investing activities:</b>                                      |                   |                   |                   |
| Purchases of property, plant & equipment  | (10,063)          | (33,749)          | (12,297)          |
| Proceeds from dispositions of property, plant & equipment                         | 629               | 690               | 4,966             |
| Proceeds from dispositions of investments   | 650               | 3,700             | 115,850           |
| Proceeds from notes receivable  | 500               | -                 | -                 |
| Issuance of notes receivable  | -                 | -                 | (10,000)          |
| Insurance proceeds from involuntary conversion of assets                          | -                 | 2,569             | 4,214             |
| Acquisition of operating subsidiaries   | (170)             | (99,562)          | (19,756)          |
| Other   | 600               | -                 | -                 |
| Net cash provided by (used in) investing activities                               | <u>(7,854)</u>    | <u>(126,352)</u>  | <u>82,977</u>     |
| <b>Cash flows from financing activities:</b>                                      |                   |                   |                   |
| Cash dividends  | (32,322)          | (22,329)          | (42,408)          |
| Purchase of treasury stock  | (77,000)          | -                 | (115,420)         |
| Excess tax benefits from stock-based awards                                       | 101               | 516               | -                 |
| Proceeds from issuance of common stock  | 1,441             | 1,047             | 16                |
| Net cash used in financing activities   | <u>(107,780)</u>  | <u>(20,766)</u>   | <u>(157,812)</u>  |
| Effect of exchange rate changes on cash   | -                 | -                 | 250               |
| Net increase (decrease) in cash and cash equivalents                              | 3,207             | (32,316)          | 26,067            |
| Cash and cash equivalents, beginning of year                                      | 215,435           | 247,751           | 221,684           |
| <b>Cash and cash equivalents, end of year</b>                                     | <u>\$ 218,642</u> | <u>\$ 215,435</u> | <u>\$ 247,751</u> |
| <b>Supplemental cash flow information:</b>  |                   |                   |                   |
| Income taxes paid   | \$ 61,549         | \$ 57,789         | \$ 54,206         |
| Interest paid   | \$ 560            | \$ 212            | \$ 395            |
| <b>Non-cash transactions:</b>   |                   |                   |                   |
| Capital expenditures in accounts payable  | \$ 851            | \$ 472            | \$ 523            |
| Common stock issued in business acquisition                                       | \$ -              | \$ 90,531         | \$ -              |

See notes to the Consolidated Financial Statements.

## Notes to the Consolidated Financial Statements for the Years Ended July 31, 2012, 2011 and 2010

(All dollar amounts presented in thousands except per share data)

### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

**Nature of Operations** — Thor Industries, Inc. was founded in 1980 and, together with its subsidiaries (the “Company”), manufactures a wide range of recreation vehicles and small and mid-size buses at various manufacturing facilities across the United States. These products are sold to independent dealers and municipalities primarily throughout the United States and Canada. Unless the context otherwise requires or indicates, all references to “Thor”, the “Company”, “we”, “our” and “us” refer to Thor Industries, Inc. and its subsidiaries.

The Company's core business activities are comprised of three distinct operations, which include the design, manufacture and sale of motorized recreation vehicles, towable recreation vehicles and buses. Accordingly, the Company has presented segmented financial information for these three segments at Note 3 of the Notes to the Consolidated Financial Statements.

**Principles of Consolidation** — The accompanying Consolidated Financial Statements include the accounts of Thor Industries, Inc. and its wholly-owned subsidiaries. All intercompany balances and transactions are eliminated upon consolidation.

**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. Key estimates include reserves for inventory, incurred but not reported medical claims, warranty claims, recalls, workers' compensation claims, vehicle repurchases, uncertain tax positions, product and non-product litigation and assumptions made in asset impairment assessments. The Company bases its estimates on historical experience and on various other assumptions believed to be reasonable under the circumstances. The Company believes that such estimates are made using consistent and appropriate methods. Actual results could differ from these estimates.

**Cash and Cash Equivalents** — Interest-bearing deposits and other investments with maturities of three months or less when purchased are considered cash equivalents. At July 31, 2012 and 2011, cash and cash equivalents of \$183,615 and \$181,012, respectively, were held by one financial institution. The remaining \$35,027 and \$34,423 at July 31, 2012 and 2011, respectively, were held at various other financial institutions.

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

**Inventories** — Substantially all inventories are stated at the lower of cost or market, determined on the last-in, first-out (“LIFO”) basis. Manufacturing costs include materials, labor, freight-in and manufacturing overhead. Unallocated overhead and abnormal costs are expensed as incurred.

**Depreciation** — Property, plant and equipment are 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

Depreciation expense is recorded in cost of products sold except for \$3,175, \$3,022 and \$2,545 in fiscal 2012, 2011 and 2010, respectively, which is recorded in selling, general and administrative expenses.

**Intangible Assets** — Intangible assets consist of goodwill, trademarks, dealer networks, design technology assets and non-compete agreements. Trademarks are being amortized on a straight-line basis over 20 to 25 years. Dealer networks are primarily amortized on an accelerated cash flow basis over 12 to 14 years, and design technology assets and non-compete agreements are amortized using the straight-line method over 5 to 15 years. Goodwill is not amortized but is tested at least annually for impairment. Goodwill is reviewed for impairment by applying a fair-value based test on an annual basis at April 30, or more frequently if events or circumstances indicate a potential impairment.

**Long-lived Assets** — Property, plant and equipment and identifiable intangibles that are amortized are reviewed for impairment 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.

**Allowance for Doubtful Accounts** — The allowance for doubtful accounts represents management's estimate of probable credit losses in existing accounts receivable, as determined from a review of past due balances and other specific account information.

A summary of allowance for doubtful accounts activity is as follows:

|                                       | <u>2012</u>   | <u>2011</u>   | <u>2010</u>   |
|---------------------------------------|---------------|---------------|---------------|
| Beginning Balance                     | \$ 549        | \$ 422        | \$ 302        |
| Net charged to expense                | 32            | 3             | 195           |
| Write-offs net of recoveries/payments | (54)          | (116)         | (75)          |
| Heartland acquisition                 | —             | 240           | —             |
| Ending Balance                        | <u>\$ 527</u> | <u>\$ 549</u> | <u>\$ 422</u> |

*Insurance Reserves* — Generally, we are self-insured for workers' compensation, products liability and group medical insurance. Under these plans, liabilities are recognized for claims incurred, including those incurred but not reported. The liability for workers' compensation claims is determined by the Company with the assistance of a third party administrator and actuary using various state statutes and historical claims experience. Group medical reserves are estimated using historical claims experience. We have a self-insured retention ("SIR") for products liability and personal injury matters of \$5,000 per occurrence. Beginning April 1, 2012, this SIR for bus related matters is \$7,500 per occurrence. We have established a liability on our balance sheet for such occurrences based on historical data, known cases and actuarial information. Currently, we maintain excess liability insurance aggregating \$50,000 with outside insurance carriers to minimize our risks related to catastrophic claims in excess of all our self-insured positions for products liability and personal injury matters.

*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 primarily FOB shipping point.

Revenues from the sale of recreation vehicles and buses are primarily 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 flooring 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 to 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 floor plan lenders. Most of our sales to dealers are made on terms requiring cash on delivery or within 15 days of the invoice date.

Amounts billed to dealers for delivery of product are recognized as revenue with the corresponding delivery expense charged to costs of products sold.

*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 later of the time products are sold or the date the rebate or incentive is offered. Advertising costs, which consist primarily of tradeshow, were \$7,863, \$7,149 and \$5,377 in fiscal 2012, 2011 and 2010, respectively.

*Repurchase Agreements* - The Company is contingently liable under terms of repurchase agreements with financial institutions providing inventory financing for certain dealers of certain of its products. These arrangements, which are customary in the industry, provide for the repurchase of products sold to dealers in the event of default by the dealer. The risk of loss from these agreements is spread over numerous dealers. The repurchase price is generally determined by the original sales price of the product and pre-defined curtailment arrangements and the Company typically resells the repurchased product at a discount from its repurchase price. The Company accounts for the guarantee under its repurchase agreements of its dealers' financing by estimating and deferring a portion of the related product sale that represents the estimated fair value of the repurchase obligation. The estimated fair value takes into account our estimate of the loss we will incur upon resale of any repurchases. This estimate is based on recent historical experience supplemented by management's assessment of current economic and other conditions affecting our dealers. This deferred amount is included in our repurchase and guarantee reserve which is included in other current liabilities on the Consolidated Balance Sheets.

*Income Taxes* – The Company accounts for income taxes under the provisions of ASC 740, "Income Taxes." The objectives of accounting for income taxes are to recognize the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our financial statements or tax returns. Judgment is required in assessing the future tax consequences of events that have been recognized in our financial statements or tax returns. Fluctuations in the actual outcome of these tax consequences could materially impact our financial position or results of operations.

The Company recognizes liabilities for uncertain tax positions based on a two-step process. The first step is to evaluate the tax position for recognition by determining if the weight of available evidence indicates that it is more likely than not that the position will be sustained on audit, including resolution of related appeals or litigation processes, if any. The second step requires the Company to estimate and measure the tax benefit as the largest amount that is more than 50% likely to be realized upon ultimate settlement. It is inherently difficult and subjective to estimate such amounts, as the Company has to determine the probability of various possible outcomes. The Company reevaluates these uncertain tax positions on a quarterly basis. This evaluation is based on factors including, but not limited to, changes in facts or circumstances, changes in tax law, effectively settled issues under audit, and new audit activity. Such a change in recognition or measurement would result in the recognition of a tax benefit or an additional charge to the tax provision.

Significant judgment is required in determining the Company's provision for income taxes, the Company's deferred tax assets and liabilities and any valuation allowance recorded against the Company's deferred tax assets, if any. Valuation allowances must be considered due to the uncertainty of realizing deferred tax assets. ASC 740 requires that companies assess whether valuation allowances should be established against their deferred tax assets on a tax jurisdictional basis based on the consideration of all available evidence, using a more likely than not standard. The Company has evaluated the sustainability of our deferred tax assets on our Consolidated Balance Sheets which includes the assessment of the cumulative income over recent prior periods. Based on the provisions of ASC 740, the Company determined a valuation allowance was not required to be recorded against deferred income tax assets in any of the tax jurisdictions in which the Company currently operate.

*Foreign Currency* – Revenues and expenses of the Company's Canadian operations (which ceased operations in fiscal 2010) reported in the Consolidated Statements of Income and Comprehensive Income for fiscal 2010 have been translated at the average exchange rate for that year. Translation adjustments have been included in accumulated other comprehensive income (loss). Transaction gains and losses were not significant.

*Stock Options* – The Company uses the Black-Scholes option pricing model 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 5 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 unvested restricted stock.

|  | <u>2012</u>       | <u>2011</u>       | <u>2010</u>       |
|--|-------------------|-------------------|-------------------|
| Weighted average shares outstanding for basic earnings per share | 53,845,697        | 55,271,340        | 53,019,008        |
| Stock options and unvested restricted stock                      | 54,151            | 102,301           | 100,356           |
| Weighted average shares outstanding assuming dilution            | <u>53,899,848</u> | <u>55,373,641</u> | <u>53,119,364</u> |

The Company excludes stock options and unvested restricted stock that have an antidilutive effect from its calculation of weighted average shares outstanding assuming dilution. At July 31, 2012, 2011 and 2010, the Company had stock options outstanding of 412,000, 729,826 and 784,000, respectively, that were excluded from this calculation as their effect would be antidilutive.

## Accounting Pronouncements

In May 2011, the Financial Accounting Standards Board (the "FASB") issued Accounting Standards Update ("ASU") No. 2011-04, "Fair Value Measurement (Topic 820): Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRS", which is intended to improve comparability of fair value measurements presented and disclosed in financial statements prepared in accordance with U.S. generally accepted accounting principles and International Financial Reporting Standards. This standard clarifies the application of existing fair value measurement requirements, including (1) the application of the highest and best use valuation premise, (2) the methodology to measure the fair value of an instrument classified in a reporting entity's shareholders' equity, (3) disclosure requirements for quantitative information on Level 3 fair value measurements and (4) guidance on measuring the fair value of financial instruments managed within a portfolio. In addition, the standard requires additional disclosures of the sensitivity of fair value to changes in unobservable inputs for Level 3 securities. This standard is effective for interim and annual reporting periods beginning after December 15, 2011. The Company adopted the guidance effective February 1, 2012. The adoption of this guidance did not have any impact on the Company's Consolidated Financial Statements.

In June 2011, the FASB issued ASU No. 2011-05, "Presentation of Comprehensive Income", which requires that comprehensive income be presented either in a single continuous statement of comprehensive income or in two separate but consecutive statements. In December 2011, the FASB issued ASU No. 2011-12, which indefinitely deferred certain provisions of ASU No. 2011-05. The provisions of ASU No. 2011-05 that remain eliminate the option for companies to present components of other comprehensive income only in the statement of equity. This standard is effective for annual reporting periods, and interim periods within those years, beginning after December 15, 2011. The Company adopted the guidance on a retrospective basis effective July 31, 2012.

In September 2011, the FASB issued ASU No. 2011-08, "Testing Goodwill for Impairment", to simplify how entities test goodwill for impairment. This guidance permits an entity to assess qualitative factors to determine whether it is more likely than not (defined as more than fifty percent) that the fair value of a reporting unit is less than its carrying amount as a basis for determining whether it is necessary to perform the current two-step goodwill

impairment test. The two-step goodwill impairment test that begins with estimating the fair value of the reporting unit will only be required if the entity determines that it is more likely than not that the fair value of a reporting unit is less than its carrying amount. ASU No. 2011-08 is effective for annual and interim goodwill impairment tests performed for fiscal years beginning after December 15, 2011, with early adoption permitted. The adoption of this guidance in fiscal year 2013 is not expected to have a significant impact on the Company's Consolidated Financial Statements.

## 2. ACQUISITIONS

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

Pursuant to the purchase agreement entered into in connection with the acquisition, the Company paid \$99,732 in cash (includes \$99,562 paid on the acquisition date and \$170 in subsequent working capital true-up adjustments) and issued 4,300,000 shares of the Company's unregistered common stock ("Thor Shares") valued at an aggregate of \$90,531. The value of the Thor Shares was based on an independent appraisal. The cash portion of the consideration was funded entirely from the Company's cash on hand. The Company expensed \$1,826 of transaction costs as part of corporate selling, general and administrative expense in connection with the acquisition during fiscal year 2011.

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

The following table summarizes the fair value of the net assets acquired, which are based on internal and independent external evaluations, at the date of the closing. Adjustments to the allocation were made in the three months ended October 31, 2011 to reflect the finalization of certain indemnification matters which resulted in an increase to goodwill of \$757.

|   |                   |
|---|-------------------|
| Current assets                          | \$ 48,913         |
| Property, plant and equipment           | 9,993             |
| Dealer network                          | 67,000            |
| Goodwill                                | 94,308            |
| Trademarks                              | 25,200            |
| Design technology assets                | 21,300            |
| Non-compete agreements                  | 4,130             |
| Backlog                                 | 690               |
| Current liabilities                     | (41,830)          |
| Deferred income tax liabilities         | (37,364)          |
| Other liabilities                       | (2,077)           |
| Total fair value of net assets acquired | <u>\$ 190,263</u> |

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

The primary reasons for the acquisition include Heartland's future earning potential, its fit with the Company's existing operations, its market share and its cash flow. Heartland's results of operations included in the Company's Consolidated Statements of Income and Comprehensive Income from the September 16, 2010 date of acquisition through July 31, 2011 include net sales of \$365,389 and net income before tax of \$13,132. Net income before tax includes one-time costs of \$746 related to the step-up in finished goods inventory and \$690 for amortization of backlog. In addition, Heartland's results from September 16, 2010 through July 31, 2011 included ongoing amortization costs of \$8,563.

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

|                                   | <b>Fiscal Year Ended July 31,</b> |              |
|-----------------------------------|-----------------------------------|--------------|
|                                   | <b>2011</b>                       | <b>2010</b>  |
| Net sales                         | \$ 2,817,400                      | \$ 2,673,976 |
| Net income                        | \$ 109,431                        | \$ 119,676   |
| Basic earnings per common share   | \$ 1.96                           | \$ 2.09      |
| Diluted earnings per common share | \$ 1.96                           | \$ 2.08      |

On March 1, 2010, the Company acquired 100% of SJC Industries Corp. ("SJC"), a privately-held manufacturer of ambulances based in Elkhart, Indiana, for \$19,756 in cash and \$325 of future cash obligations to the seller for a total purchase price of \$20,081. The Company believes that the ambulance business is a natural fit with its bus business and has included the operations of SJC in its Buses reportable segment. Fiscal year 2010 includes SJC sales of \$13,218 since its March 1, 2010 acquisition date. In fiscal 2012, production of the SJC products was moved to the Company's Goshen Coach facility.

The following table summarizes the fair value of the net assets acquired, which are based on internal and independent external evaluations, at the date of the closing.

|                               |                  |
|-------------------------------|------------------|
| Net working capital           | \$ 7,412         |
| Property, plant and equipment | 2,459            |
| Dealer network                | 5,230            |
| Goodwill                      | 2,490            |
| Trademarks                    | 2,100            |
| Design technology assets      | 270              |
| Non-compete                   | 120              |
|                               | <u>\$ 20,081</u> |

At the time of the acquisition, amortizable intangible assets had a weighted average useful life of 13.4 years. The dealer network is being amortized on a straight line basis over 14 years, and the design technology assets and non-compete agreements are both being amortized on a straight line basis over 5 years. The trademarks are being amortized on a straight line basis over 20 years. Goodwill is not subject to amortization. The entire goodwill balance is tax deductible. Pro forma financial information has not been presented due to its insignificance.

### 3. BUSINESS SEGMENTS

The Company has three reportable segments: 1) towable recreation vehicles, 2) motorized recreation vehicles and 3) buses. The towable recreation vehicle reportable segment consists of product lines from the following operating segments that have been aggregated: Airstream, CrossRoads, Dutchmen, Keystone and Heartland. The motorized recreation vehicle reportable segment consists of product lines from the following operating segments that have been aggregated: Airstream and Thor Motor Coach. The bus reportable segment consists of the following operating segments 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 through fiscal 2010, 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 and deferred income tax assets.

|                           | <b>2012</b>         | <b>2011</b>         | <b>2010</b>         |
|---------------------------|---------------------|---------------------|---------------------|
| <b>Net sales:</b>         |                     |                     |                     |
| Recreation vehicles       |                     |                     |                     |
| Towables                  | \$ 2,285,863        | \$ 1,977,416        | \$ 1,556,591        |
| Motorized                 | 353,935             | 363,026             | 291,958             |
| Total recreation vehicles | <u>2,639,798</u>    | <u>2,340,442</u>    | <u>1,848,549</u>    |
| Buses                     | 444,862             | 415,066             | 428,008             |
| <b>Total</b>              | <u>\$ 3,084,660</u> | <u>\$ 2,755,508</u> | <u>\$ 2,276,557</u> |

|   | <u>2012</u>         | <u>2011</u>         | <u>2010</u>       |
|---|---------------------|---------------------|-------------------|
| <b>Income (loss) before income taxes:</b>     |                     |                     |                   |
| Recreation vehicles                           |                     |                     |                   |
| Towables                                      | \$ 158,973          | \$ 146,361          | \$ 145,604        |
| Motorized                                     | 18,469              | 12,777              | 10,628            |
| Total recreation vehicles                     | <u>177,442</u>      | <u>159,138</u>      | <u>156,232</u>    |
| Buses   | 16,020              | 21,951              | 29,904            |
| Corporate                                     | <u>(12,771)</u>     | <u>(28,462)</u>     | <u>(14,743)</u>   |
| <b>Total</b>                                  | <u>\$ 180,691</u>   | <u>\$ 152,627</u>   | <u>\$ 171,393</u> |
| <b>Identifiable assets:</b>                   |                     |                     |                   |
| Recreation vehicles                           |                     |                     |                   |
| Towables                                      | \$ 734,439          | \$ 696,059          | \$ 413,112        |
| Motorized                                     | 82,904              | 93,586              | 86,726            |
| Total recreation vehicles                     | <u>817,343</u>      | <u>789,645</u>      | <u>499,838</u>    |
| Buses   | 143,324             | 126,224             | 124,374           |
| Corporate                                     | <u>282,387</u>      | <u>282,201</u>      | <u>339,861</u>    |
| <b>Total</b>                                  | <u>\$ 1,243,054</u> | <u>\$ 1,198,070</u> | <u>\$ 964,073</u> |
| <b>Depreciation and amortization expense:</b> |                     |                     |                   |
| Recreation vehicles                           |                     |                     |                   |
| Towables                                      | \$ 20,010           | \$ 18,506           | \$ 7,735          |
| Motorized                                     | 2,122               | 2,474               | 3,058             |
| Total recreation vehicles                     | <u>22,132</u>       | <u>20,980</u>       | <u>10,793</u>     |
| Buses   | 2,537               | 2,716               | 1,981             |
| Corporate                                     | <u>309</u>          | <u>313</u>          | <u>455</u>        |
| <b>Total</b>                                  | <u>\$ 24,978</u>    | <u>\$ 24,009</u>    | <u>\$ 13,229</u>  |
| <b>Capital acquisitions:</b>                  |                     |                     |                   |
| Recreation vehicles                           |                     |                     |                   |
| Towables                                      | \$ 8,830            | \$ 22,835           | \$ 8,971          |
| Motorized                                     | 798                 | 1,393               | 706               |
| Total recreation vehicles                     | <u>9,628</u>        | <u>24,228</u>       | <u>9,677</u>      |
| Buses   | 771                 | 9,417               | 2,888             |
| Corporate                                     | <u>43</u>           | <u>53</u>           | <u>202</u>        |
| <b>Total</b>                                  | <u>\$ 10,442</u>    | <u>\$ 33,698</u>    | <u>\$ 12,767</u>  |

Export sales to Canada from the Company's U.S. operations were \$463,130, \$444,364 and \$364,105 in fiscal 2012, 2011 and 2010, respectively.

#### 4. INVENTORIES

Major classifications of inventories are:

|                                      | <u>July 31,</u>   |                   |
|--------------------------------------|-------------------|-------------------|
|                                      | <u>2012</u>       | <u>2011</u>       |
| Finished products                    | \$ 16,570         | \$ 14,179         |
| Work in process                      | 59,803            | 48,575            |
| Raw materials                        | 104,446           | 104,360           |
| Chassis                              | <u>39,044</u>     | <u>46,548</u>     |
| Subtotal                             | 219,863           | 213,662           |
| Excess of FIFO costs over LIFO costs | <u>(33,780)</u>   | <u>(29,164)</u>   |
| <b>Total inventories</b>             | <u>\$ 186,083</u> | <u>\$ 184,498</u> |

Of the \$219,863 and \$213,662 of inventory at July 31, 2012 and 2011, all but \$36,887 and \$25,530, respectively, at certain subsidiaries were valued on a last-in, first-out basis. The \$36,887 and \$25,530 of inventory were valued on a first-in, first-out method.

The Company's reserves for inventory obsolescence were \$1,866 at July 31, 2012 and \$2,039 at July 31, 2011.

## 5. GOODWILL AND OTHER INTANGIBLE ASSETS

The components of amortizable intangible assets are as follows:

|  | Weighted Average<br>Years Remaining Life | July 31, 2012     |                             | July 31, 2011     |                             |
|--|--|-------------------|-----------------------------|-------------------|-----------------------------|
|  |  | Cost              | Accumulated<br>Amortization | Cost              | Accumulated<br>Amortization |
| Dealer networks                            | 11                                       | \$ 72,230         | \$ 13,343                   | \$ 72,230         | \$ 6,154                    |
| Non-Compete agreements                     | 3  | 6,321             | 3,678                       | 6,851             | 3,300                       |
| Trademarks                                 | 23                                       | 36,775            | 2,522                       | 36,669            | 1,008                       |
| Design technology and other<br>intangibles | 13                                       | 21,300            | 2,856                       | 22,260            | 2,293                       |
| Total amortizable intangible<br>assets     |  | <u>\$ 136,626</u> | <u>\$ 22,399</u>            | <u>\$ 138,010</u> | <u>\$ 12,755</u>            |

Aggregate amortization expense for amortizable intangibles for the fiscal years ended July 31, 2012, 2011 and 2010 were \$11,135, \$10,262 and \$510, respectively. The dealer networks are primarily being amortized on an accelerated cash flow basis. Non-compete agreements and other intangibles are amortized on a straight-line basis. Prior to the Heartland acquisition, the Company had deemed its various trademarks to have indefinite lives and therefore not subject to amortization. However, in assessing the trademarks obtained in the Heartland acquisition, the Company determined that with the cyclical nature in the RV industry and the extent of competition in the industry it was more appropriate to consider those trademarks as definite-lived assets with 25 year useful lives. The Company also re-assessed its other trademarks and, effective on May 1, 2011, re-characterized all of its trademarks as definite-lived assets with useful lives of 20-25 years. Accordingly, all trademarks are now subject to amortization. All of the Company's previously classified indefinite-lived trademarks were subject to the Company's April 30, 2011 impairment assessment.

### Estimated Amortization Expense:

|   |           |
|---|-----------|
| For the fiscal year ending July 31, 2013                | \$ 10,944 |
| For the fiscal year ending July 31, 2014                | \$ 10,676 |
| For the fiscal year ending July 31, 2015                | \$ 10,318 |
| For the fiscal year ending July 31, 2016                | \$ 9,262  |
| For the fiscal year ending July 31, 2017                | \$ 8,875  |
| For the fiscal year ending July 31, 2018 and thereafter | \$ 64,152 |

Goodwill is not subject to amortization.

During the first quarter of fiscal year 2011, management decided to combine its Damon and Four Winds motorized operations to form Thor Motor Coach to optimize operations and garner cost efficiencies. As a result, related intangible assets were reviewed at that time for a potential impairment, trademarks associated with one of the former operating companies were discontinued and the related trademark values of \$2,036 were written off.

For the annual impairment test at April 30, 2012, 2011 and 2010, management engaged an independent valuation firm to assist in its impairment assessment reviews. The fair value of all previously indefinite-lived trademarks was determined using a royalty savings methodology similar to that employed when the associated businesses were acquired but using updated estimates of sales, royalty and discount rates. The fair value of the Company's reporting units for purposes of goodwill testing was determined by employing a discounted cash flow methodology and a market approach, when appropriate.

As a result of the annual impairment assessment as of April 30, 2012, no impairment of goodwill was identified.

The April 30, 2011 review resulted in a non-cash trademark impairment of \$1,430 in the third quarter of fiscal 2011 associated with an operating subsidiary in the Company's bus segment. This impairment resulted from lower anticipated sales than previously expected. The fair value of the trademark was determined using Level 3 inputs as defined by ASC 820. As a result of the annual impairment assessment as of April 30, 2011, no impairment of goodwill or indefinite-lived intangible assets was identified other than the trademark impairment described above.

The Company completed an impairment review as of April 30, 2010 that resulted in a non-cash trademark impairment of \$500 in the third quarter of fiscal 2010 for the trademark associated with an operating subsidiary in the towables segment. This impairment resulted from the sluggish market and outlook for the park model business.

Changes in the carrying amount of goodwill by reportable segment as of July 31, 2012 and 2011 are summarized as follows:

|   | 2012              |             |                 |                   | 2011              |             |                 |                   |
|---|-------------------|-------------|-----------------|-------------------|-------------------|-------------|-----------------|-------------------|
|   | Towables          | Motorized   | Buses           | Total             | Towables          | Motorized   | Buses           | Total             |
| Balance as of beginning of fiscal year: |                   |             |                 |                   |                   |             |                 |                   |
| Goodwill                                | \$ 237,346        | \$ 17,252   | \$ 7,106        | \$ 261,704        | \$ 143,795        | \$ 17,252   | \$ 7,106        | \$ 168,153        |
| Accumulated impairment charges          | –                 | (17,252)    | –               | (17,252)          | –                 | (17,252)    | –               | (17,252)          |
| Net Balance at beginning of fiscal year | 237,346           | –           | 7,106           | 244,452           | 143,795           | –           | 7,106           | 150,901           |
| Fiscal year activity:                   |                   |             |                 |                   |                   |             |                 |                   |
| Goodwill acquired – Heartland           | 757               | –           | –               | 757               | 93,551            | –           | –               | 93,551            |
| Balance as of end of fiscal year:       |                   |             |                 |                   |                   |             |                 |                   |
| Goodwill                                | 238,103           | 17,252      | 7,106           | 262,461           | 237,346           | 17,252      | 7,106           | 261,704           |
| Accumulated impairment charges          | –                 | (17,252)    | –               | (17,252)          | –                 | (17,252)    | –               | (17,252)          |
| Net Balance as of July 31:              | <u>\$ 238,103</u> | <u>\$ –</u> | <u>\$ 7,106</u> | <u>\$ 245,209</u> | <u>\$ 237,346</u> | <u>\$ –</u> | <u>\$ 7,106</u> | <u>\$ 244,452</u> |

## 6. CONCENTRATION OF RISK

Two dealers accounted for 28%, 26% and 17% of the Company's bus sales for fiscal 2012, 2011 and 2010, respectively. The loss of either of these dealers could have a significant effect on the Company's bus business. One dealer, FreedomRoads, LLC, accounted for 14%, 14% and 18% of the Company's consolidated recreation vehicle net sales for fiscal 2012, 2011 and 2010, respectively, and 12%, 12% and 15% of its consolidated net sales for fiscal 2012, 2011 and 2010, respectively. This dealer also accounted for 20% of the Company's consolidated trade accounts receivable at July 31, 2012 and 14% at July 31, 2011. The loss of this dealer could have a significant effect on the Company's business.

## 7. LOAN TRANSACTIONS AND RELATED NOTES RECEIVABLE

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

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

On January 30, 2009, the Company entered into a second Credit Agreement (the "Second Credit Agreement") with the Borrowers pursuant to which the Company loaned an additional \$10,000 to the Borrowers (the "Second Loan"). Pursuant to the terms of the Second Credit Agreement, the Borrowers agreed to use the proceeds of the Second Loan solely to make an equity contribution to FreedomRoads Holding to be used by FreedomRoads Holding or its subsidiaries to purchase the Company's products. As a result, payments received on the Second Loan are classified as operating activities in the Consolidated Statements of Cash Flows.

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

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

The maturity date of the Third Loan is December 22, 2014. The principal amount of the Third Loan is payable on the following dates in the following amounts: December 31, 2011— \$500; December 31, 2012 — \$1,000; December 31, 2013 — \$1,100 and December 22, 2014 — \$7,400. The principal amount of the Third Loan bears interest at a rate of 12% per annum. Interest is payable, at the option of the Third Loan Borrowers, either in cash or in-kind at each calendar quarter end from March 31, 2010 through September 30, 2011, and thereafter in cash quarterly in arrears from December 31, 2011 through the maturity date. The Third Loan Borrowers opted to pay the interest due at each quarter end from March 31, 2010 to September 30, 2011 in-kind and it was capitalized as part of the long-term note receivable. All payments of principal and interest due to date have been paid in full and principal payments received on the Third Loan are classified as investing activities in the Consolidated Statements of Cash Flows.

The First Credit Agreement, the Second Credit Agreement and the Third Credit Agreement each contain customary representations and warranties, affirmative and negative covenants, events of default and acceleration provisions for loans of this type. As required by the credit agreements, the Company receives on a quarterly basis financial information from the Borrowers and the Third Loan Borrowers and from the companies in which the Borrowers and the Third Loan Borrowers have significant ownership interests, including FreedomRoads Holding.

This financial information is evaluated as to any changes in the overall credit quality of the Borrowers and the Third Loan Borrowers. Based on the current credit review, the Company does not consider these receivables impaired or requiring an allowance for credit losses.

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

For fiscal 2012, FreedomRoads accounted for 14% of the Company's consolidated recreation vehicle net sales and 12% of its consolidated net sales. For fiscal 2011, FreedomRoads accounted for 14% of the Company's consolidated recreation vehicle net sales and 12% of its consolidated net sales. For fiscal year 2010, FreedomRoads accounted for 18% of the Company's consolidated recreation vehicle net sales and 15% of the Company's consolidated net sales.

## **8. INVESTMENTS AND FAIR VALUE MEASUREMENTS**

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (i.e., an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The standard describes a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable, that may be used to measure fair value which are the following:

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

Level 2 – Inputs other than Level 1 that are observable, either directly or indirectly, such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active or other inputs that are observable or can be corroborated by observable market data for substantially the full term of the assets or liabilities.

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

The only Company assets or liabilities carried at fair value in the financial statements are its investments in auction rate securities ("ARS") - measured with Level 3 inputs, and in other securities (primarily in mutual funds) held for the benefit of certain employees of the Company as part of a deferred compensation plan - measured with Level 1 inputs. ARS balances of \$1,405 and \$2,042 and deferred compensation plan asset balances of \$8,970 and \$8,715 were recorded as of July 31, 2012 and 2011, respectively, as components of other assets in the Consolidated Balance Sheets. An equal and offsetting accrued liability was also recorded in regards to the deferred compensation plan. Changes in the fair value of the plan assets and the related deferred liability are both reflected in income.

The ARS underlying assets are primarily student loans which are substantially backed by the federal government. While the ARS's are subject to periodic settlements via open auctions, the Company may need to wait until the final maturity of the underlying loans to realize the full value of the ARS.

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

|  | <u>2012</u>     | <u>2011</u>     |
|--|-----------------|-----------------|
| Balances at beginning of year            | \$ 2,042        | \$ 5,327        |
| Net change in other comprehensive income | 13              | 415             |
| Sales/Maturities                         | (650)           | (3,700)         |
| Balances at end of year                  | <u>\$ 1,405</u> | <u>\$ 2,042</u> |

## 9. PRODUCT WARRANTY

The Company generally provides retail customers of its products with a one-year warranty covering defects in material or workmanship, with longer warranties of up to five years on certain structural components. The Company records a liability based on its best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet date. Factors used in estimating the warranty liability include a history of units sold, existing dealer inventory, average cost incurred and a profile of the distribution of warranty expenditures over the warranty period. 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 at least a quarterly basis.

|                       | <u>2012</u>      | <u>2011</u>      | <u>2010</u>      |
|-----------------------|------------------|------------------|------------------|
| Beginning Balance     | \$ 66,054        | \$ 51,467        | \$ 41,717        |
| Provision             | 74,491           | 61,922           | 57,314           |
| Payments              | (67,265)         | (57,514)         | (47,564)         |
| Heartland acquisition | -                | 10,179           | -                |
| Ending Balance        | <u>\$ 73,280</u> | <u>\$ 66,054</u> | <u>\$ 51,467</u> |

## 10. INCOME TAXES

The components of the provision (benefit) for income taxes are as follows:

| <b>Income Taxes:</b>     | <u>2012</u>      | <u>2011</u>      | <u>2010</u>      |
|--------------------------|------------------|------------------|------------------|
| Federal                  | \$ 57,736        | \$ 48,943        | \$ 55,462        |
| State and local          | 4,658            | 250              | 9,337            |
| Foreign                  | -                | -                | (11)             |
| Total current expense    | <u>62,394</u>    | <u>49,193</u>    | <u>64,788</u>    |
| Federal                  | (3,387)          | (2,989)          | (3,430)          |
| State and local          | (55)             | 150              | (29)             |
| Total deferred benefit   | <u>(3,442)</u>   | <u>(2,839)</u>   | <u>(3,459)</u>   |
| Total income tax expense | <u>\$ 58,952</u> | <u>\$ 46,354</u> | <u>\$ 61,329</u> |

The primary components of the changes in current federal tax expense and current state and local tax expense between fiscal 2012 and 2011 are described in the following paragraphs.

### *Current Federal Tax Expense*

Current federal tax expense increased \$8,793 to \$57,736 from fiscal year 2011 to fiscal year 2012. Of this amount, \$9,822 was due to the increase in pre-tax income of \$28,064. Current federal tax expense also increased by \$1,441 in 2012 as a result of reduced income tax credits and incentives. In addition, current federal tax expense decreased by \$409 as a result of the increased Domestic Manufacturing Deduction in 2012 and decreased by \$1,586 due to decreases in various temporary items. The other changes to current federal tax expense are included in the schedule below.

Current federal tax expense decreased \$6,519 to \$48,943 from fiscal year 2010 to fiscal year 2011. Of this decrease, \$6,568 was due to the reduction in pre-tax income of \$18,766. In addition, current federal tax expense decreased by \$1,491 as a result of the increased Domestic Manufacturing Deduction in fiscal year 2011 and increased by \$1,207 due to increases in various temporary items. Further, current federal tax expense decreased by \$1,578 when compared to fiscal year 2010 as a result of a disallowed executive compensation deduction in 2010. The other changes to current federal tax expense are included in the schedule below.

*Current State and Local Tax Expense*

Current state and local tax expense increased \$4,408 to \$4,658 from fiscal year 2011 to fiscal year 2012. Of this amount, \$617 was due to the increase in pre-tax income of \$28,064. In addition, current state and local tax expense increased by \$4,244 due to an increase in the Company's unrecognized tax benefits.

Current state and local tax expense decreased \$9,087 to \$250 from fiscal year 2010 to fiscal year 2011. Of this decrease, \$657 was due to the reduction in pre-tax income of \$18,766. In addition, current state and local tax expense increased \$232 due to increases in various temporary items. Current state and local tax expense decreased by \$2,329 due to a decrease in the Company's state related unrecognized tax benefits and also decreased by \$3,731 as a result of a reduction in the Company's state blended tax rate and increased income tax credits. Further, current state and local tax expense decreased \$212 when compared to fiscal year 2010 as a result of a disallowed executive compensation deduction in 2010.

The table below shows the components of the total current income tax expense for fiscal 2012, 2011 and 2010:

|   | <b>2012</b>      | <b>2011</b>      | <b>2010</b>      |
|---|------------------|------------------|------------------|
| Federal tax expense at statutory rates                                | \$ 63,242        | \$ 53,420        | \$ 59,988        |
| State tax expense at various state tax rates (net of federal benefit) | 1,054            | 956              | 5,153            |
| Current tax expense effect of accrued product warranties              | 2,371            | 1,698            | 3,622            |
| Current tax expense effect of other temporary items                   | (270)            | 1,989            | (407)            |
| Federal income tax credits and incentives                             | (980)            | (2,421)          | (1,069)          |
| Domestic production activities deduction                              | (5,645)          | (5,236)          | (3,745)          |
| Executive compensation limitation                                     | 38               | -                | 1,578            |
| Change in uncertain tax positions                                     | 2,540            | (1,426)          | (1,931)          |
| Adjustments to current tax payable                                    | (301)            | (1,169)          | 807              |
| Other permanent items   | 345              | 1,382            | 792              |
| <b>Total Current Income Taxes</b>                                     | <b>\$ 62,394</b> | <b>\$ 49,193</b> | <b>\$ 64,788</b> |

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

|  | <b>2012</b>      | <b>2011</b>      | <b>2010</b>      |
|--|------------------|------------------|------------------|
| Provision at federal statutory rate                                  | \$ 63,242        | \$ 53,420        | \$ 59,988        |
| State and local income taxes (net of federal benefit)                | 975              | 978              | 5,124            |
| Federal income tax credits and incentives                            | (980)            | (2,421)          | (1,069)          |
| Domestic production activities deduction                             | (5,645)          | (5,236)          | (3,745)          |
| Change in uncertain tax positions                                    | 1,619            | (1,124)          | (278)            |
| Executive compensation limitation                                    | 38               | -                | 1,578            |
| Reduction of excess current tax payable and deferred tax liabilities | (642)            | (645)            | (1,061)          |
| Other permanent items  | 345              | 1,382            | 792              |
| <b>Income Taxes</b>  | <b>\$ 58,952</b> | <b>\$ 46,354</b> | <b>\$ 61,329</b> |

Income before income taxes includes foreign loss of \$8,154 in fiscal 2010. The Company's foreign subsidiary was sold on April 30, 2010.

A summary of deferred income taxes is as follows:

|   | <u>July 31,</u><br><u>2012</u> | <u>July 31,</u><br><u>2011</u> |
|---|--------------------------------|--------------------------------|
| <b>Current deferred tax asset (liability):</b>    |                                |                                |
| Inventory basis                                   | \$ (589)                       | \$ (251)                       |
| Employee benefits                                 | 2,026                          | 3,102                          |
| Self-insurance reserves                           | 8,556                          | 8,036                          |
| Accrued product warranties                        | 26,690                         | 24,443                         |
| Accrued incentives                                | 2,369                          | 2,948                          |
| Sales returns and allowances                      | 1,145                          | 1,231                          |
| Accrued expenses                                  | 1,399                          | 2,938                          |
| Unrecognized tax benefits                         | 963                            | 597                            |
| Other   | (1,662)                        | (1,456)                        |
| <b>Total current net deferred tax asset</b>       | <u>40,897</u>                  | <u>41,588</u>                  |
| <b>Long-term deferred tax asset (liability):</b>  |                                |                                |
| Property basis                                    | (4,482)                        | (5,166)                        |
| Investments                                       | (433)                          | (898)                          |
| Deferred compensation                             | 5,069                          | 4,836                          |
| Intangibles                                       | (35,524)                       | (37,513)                       |
| Unrecognized tax benefits                         | 14,436                         | 13,882                         |
| <b>Total net long-term deferred tax liability</b> | <u>(20,934)</u>                | <u>(24,859)</u>                |
| <b>Net deferred tax asset</b>                     | <u>\$ 19,963</u>               | <u>\$ 16,729</u>               |

The Company's net deferred tax assets increased \$3,234 to \$19,963 from July 31, 2011 to July 31, 2012. Of this increase, \$2,247 was from an increase in the product warranty reserve. In addition, the liability for intangibles decreased \$1,989. These changes were offset by a \$1,539 decrease in accrued expenses. As of July 31, 2012, the Company had recorded a \$143 capital loss carryover that it expects to realize prior to expiration.

#### Unrecognized Tax Benefits:

The benefits of tax positions reflected on income tax returns but whose outcome remains uncertain are only recognized for financial accounting purposes if they meet the minimum recognition threshold specified in ASC 740, which also provides guidance on derecognition, measurement, classification, interest and penalties, and disclosure. The total amount of unrecognized tax benefits that, if recognized, would impact the Company's effective tax rate were \$22,454 for 2012, \$21,453 for 2011 and \$20,719 for 2010.

Changes in the unrecognized tax benefit during fiscal year 2012, 2011 and 2010 were as follows:

|  | <u>2012</u>      | <u>2011</u>      | <u>2010</u>      |
|--|------------------|------------------|------------------|
| Beginning balance                      | \$ 32,174        | \$ 31,039        | \$ 30,235        |
| Tax positions related to prior years:  |                  |                  |                  |
| Additions                              | 562              | 1,817            | 760              |
| Reductions                             | (284)            | (1,062)          | (1,883)          |
| Tax positions related to current year: |                  |                  |                  |
| Additions                              | 3,995            | 3,713            | 4,095            |
| Settlements                            | (1,364)          | (2,642)          | (817)            |
| Lapses in statute of limitations       | (1,183)          | (691)            | (1,351)          |
| Ending balance                         | <u>\$ 33,900</u> | <u>\$ 32,174</u> | <u>\$ 31,039</u> |

It is the Company's policy to recognize interest and penalties accrued relative to unrecognized tax benefits in income tax expense. Interest and penalties are not included in the schedule above of unrecognized tax benefits. The total amount of liabilities accrued for interest and penalties related to unrecognized tax benefits as of July 31, 2012, 2011 and 2010 were \$13,265, \$12,533 and \$13,326, respectively. The total amount of interest and penalties expense (benefit) recognized in the Consolidated Statements of Income and Comprehensive Income for July 31, 2012, 2011 and 2010 were \$503, \$(995) and \$(2,200), respectively.

The total unrecognized tax benefits above, along with the related accrued interest and penalties, are reported within the liability section of the Consolidated Balance Sheets. A portion of the unrecognized tax benefits is classified as short-term and is included in the "Income and other taxes" line of the balance sheet, while the remainder is classified as a long-term liability.

The components of total unrecognized tax benefits are summarized as follows:

|  | <u>2012</u>      | <u>2011</u>      | <u>2010</u>      |
|--|------------------|------------------|------------------|
| Unrecognized tax benefits                        | \$ 33,900        | \$ 32,174        | \$ 31,039        |
| Accrued interest and penalties                   | 13,265           | 12,533           | 13,326           |
| Total unrecognized tax benefits                  | <u>\$ 47,165</u> | <u>\$ 44,707</u> | <u>\$ 44,365</u> |
| Short-term, included in "Income and other taxes" | \$ 2,649         | \$ 1,683         | \$ 8,679         |
| Long-term  | 44,516           | 43,024           | 35,686           |
| Total unrecognized tax benefits                  | <u>\$ 47,165</u> | <u>\$ 44,707</u> | <u>\$ 44,365</u> |

The Company anticipates a decrease of approximately \$3,700 in unrecognized tax benefits, \$900 in interest and \$40 in penalties during fiscal 2013 from expected settlements or payments of uncertain tax positions and lapses of the applicable statutes of limitations. In addition, the Company is currently in the process of pursuing a variety of settlement alternatives with taxing authorities. It is reasonably possible that some of these settlements could be successfully finalized in the next 12 months. If these settlements are successfully finalized within the next 12 months, the gross unrecognized tax benefits may decrease between \$3,200 and \$13,100 and related accrued interest and penalties may decrease between \$1,800 and \$5,800. Actual results may differ materially from these estimates.

Generally, fiscal years 2009, 2010 and 2011 remain open for federal, state and foreign income tax purposes. The Company and its corporate subsidiaries file a consolidated U.S. federal income tax return and multiple state income tax returns. The federal returns are subject to examination by taxing authorities for all years after fiscal 2008. The Company is currently being audited by the state of California for tax years ended July 31, 2007 and July 31, 2008 and by the state of Indiana for tax years ended July 31, 2008, 2009 and 2010. The Company believes it has fully reserved for its exposure to additional payments for uncertain tax positions related to its California and Indiana income tax returns in its liability for unrecognized tax benefits. In addition, the Company paid approximately \$113 in tax and interest during fiscal year 2012 to finalize the state of Oregon tax audit for the tax years ended July 31, 2006 through 2008 and also paid approximately \$7 in tax and interest to finalize certain state of Michigan tax audits for tax years ended July 31, 2006 through 2008.

## 11. CONTINGENT LIABILITIES AND COMMITMENTS

The Company is contingently liable under terms of repurchase agreements with financial institutions providing inventory financing for certain dealers of certain of its products. These arrangements, which are customary in the industry, provide for the repurchase of products sold to dealers in the event of default by the dealer on the agreement to pay the financial institution. The repurchase price is generally determined by the original sales price of the product and pre-defined curtailment arrangements and the Company typically resells the repurchased product at a discount from its repurchase price. The risk of loss from these agreements is spread over numerous dealers. In addition to the guarantee under these repurchase agreements, the Company also provides limited guarantees to certain of its dealers, certain of which expired in fiscal 2012.

Our principal commercial commitments under repurchase agreements and dealer inventory financing guarantees at July 31, 2012 and 2011 are summarized in the following chart:

| <u>Commitment</u>                                 | <u>Total Amount Committed</u> |                      | <u>Term of Commitments</u> |
|---|-------------------------------|----------------------|----------------------------|
|   | <u>July 31, 2012</u>          | <u>July 31, 2011</u> |                            |
| Guarantee on dealer financing                     | \$ 900                        | \$ 1,684             | Various                    |
| Standby repurchase obligation on dealer financing | \$ 861,738                    | \$ 791,933           | Up to eighteen months      |

We account for the guarantee under our repurchase agreements of our dealers' financing by deferring a portion of the related product sale that represents the estimated fair value of the guarantee. The estimated fair value takes into account our estimate of the losses we will incur upon resale of any repurchases. This estimate is based on recent historical experience supplemented by management's assessment of current economic and other conditions affecting our dealers.

This deferred amount is included in our repurchase and guarantee reserve balances of \$3,150 and \$3,479 as of July 31, 2012 and July 31, 2011, respectively, which are included in other current liabilities on the Consolidated Balance Sheets. These reserves do not include any amounts for dealer inventory financing guarantees as the Company does not currently expect any losses from such guarantees and believes the fair value of these guarantees is immaterial.

The table below reflects losses incurred under repurchase agreements for the past three fiscal years. 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.

|                             | <u>Fiscal 2012</u> | <u>Fiscal 2011</u> | <u>Fiscal 2010</u> |
|-----------------------------|--------------------|--------------------|--------------------|
| Cost of units repurchased   | \$ 2,881           | \$ 5,876           | \$ 10,001          |
| Realization of units resold | <u>2,521</u>       | <u>5,023</u>       | <u>8,665</u>       |
| Losses due to repurchase    | <u>\$ 360</u>      | <u>\$ 853</u>      | <u>\$ 1,336</u>    |

The Company obtains certain vehicle chassis from automobile manufacturers under converter pool agreements. These agreements generally provide that the manufacturer will supply chassis at the Company's various production facilities under the terms and conditions set forth in the agreement. The manufacturer does not transfer the certificate of origin to the Company and, accordingly, the Company accounts for the chassis as consigned, unrecorded inventory. Upon being put into production, the Company becomes obligated to pay the manufacturer for the chassis. Chassis are typically converted and delivered to customers within 90 days of delivery. If the chassis are not converted within 90 days of delivery to the Company, the Company generally purchases the chassis and records the inventory. At July 31, 2012, chassis on hand accounted for as consigned, unrecorded inventory was approximately \$21,507. In addition to this consigned inventory, at July 31, 2012, an additional \$9,762 of chassis provided by customers were located at the Company's production facilities pending further manufacturing. The Company never purchases these chassis and does not include their cost in its billings to the customer for the completed unit.

### Legal Matters

In addition to the matter described below, the Company is involved in certain litigation arising out of its operations in the normal course of its business, most of which is based upon state "lemon laws", warranty claims and vehicle accidents (for which the Company carries insurance above a specified self-insured retention or deductible amount). The outcomes of legal proceedings and claims brought against the Company are subject to significant uncertainty. There is significant judgment required in assessing both the probability of an adverse outcome and the determination as to whether an exposure can be reasonably estimated. In management's opinion, the ultimate disposition of any current legal proceedings or claims against the Company will not have a material effect on the Company's financial condition, operating results or cash flows, except that an adverse outcome in a significant litigation matter could have a material effect on the operating results of a particular reporting period.

### FEMA Trailer Formaldehyde Litigation

Beginning in 2006, a number of lawsuits were filed against numerous trailer and manufactured housing manufacturers, including complaints against the Company. The complaints were filed in various state and federal courts throughout Louisiana, Alabama, Texas and Mississippi on behalf of Gulf Coast residents who lived in travel trailers, park model trailers and manufactured homes provided by the Federal Emergency Management Agency ("FEMA") following Hurricanes Katrina and Rita in 2005. The complaints generally allege that residents who occupied FEMA supplied emergency housing units, such as travel trailers, were exposed to formaldehyde emitted from the trailers. The plaintiffs allege various injuries from exposure, including health issues and emotional distress. Most of the initial cases were filed as class action suits. The Judicial Panel on Multidistrict Litigation (the "MDL panel") has the authority to designate one court to coordinate and consolidate discovery and pretrial proceedings in a proceeding known as multidistrict litigation ("MDL"). The MDL panel transferred the actions to the United States District Court for the Eastern District of Louisiana (the "MDL Court") because the actions in different jurisdictions involved common questions of fact. The MDL Court denied class certification in December 2008, and consequently, the cases are now being administered as a mass joinder of claims (the "MDL proceeding"). There are approximately 4,100 suits currently pending in the MDL Court.

The number of cases currently pending against the Company is approximately 500. Many of these lawsuits involve multiple plaintiffs, each of whom have brought claims against the Company. A number of cases against the Company have been dismissed for various reasons, including duplicative and unmatched lawsuits and failure of plaintiffs to appear or prosecute their claims. In the event a case does not settle or is not dismissed during the MDL proceeding, it is remanded back to the original court for disposition or trial. In September 2009, the MDL Court commenced hearing both bellwether jury trials and bellwether summary jury trials. The summary jury trial process is an alternative dispute resolution method which is non-binding and confidential. The Company has participated in one confidential summary jury trial.

On December 21, 2011, the MDL Court issued an Order that, among other matters, mandated certain manufacturing defendants in the litigation, including the Company and several of its RV subsidiaries, to participate in mediation in January 2012. The Company's Heartland subsidiary participated in a mediation on January 27, 2012 and reached an agreement in principle to resolve the pending claims against it on February 2, 2012. The other Thor RV subsidiaries involved in the MDL proceeding collectively participated in a mediation on January 19, 2012 and during a second mediation session held on February 10, 2012 reached an agreement in principle to resolve the litigation. On March 27, 2012, Heartland and its insurance carriers entered into a Memorandum of Understanding ("MOU") memorializing the February 2, 2012 settlement. On March 30, 2012, Thor Industries, Inc., for itself and on behalf of its other RV subsidiaries involved in the MDL proceeding, and its insurance carriers, entered into an MOU memorializing the settlement reached on February 10, 2012.

As previously reported on April 19, 2012 by the Company on its Form 8-K, the Company and its RV subsidiaries involved in the MDL proceeding, their respective insurance carriers, several unaffiliated manufacturers of RVs and their insurers, and legal representatives of the plaintiffs each executed a Stipulation of Settlement in April 2012 (the "Stipulation of Settlement"). As set forth more fully in the Stipulation of Settlement, if the MDL Court grants final approval, the claims against the Company will be dismissed with prejudice and released, such that every member of the settlement class will be forever barred from asserting against the Company any claims alleged in the MDL proceeding. In furtherance of the settlement, a payment of \$6,250 was made by the Company and its insurance carriers for the benefit of the settlement class into the registry of the court, and a payment of \$553 was made by Heartland, a subsidiary of the Company, and its insurance carriers for the benefit of the settlement class.

On May 31, 2012, the MDL Court granted preliminary approval of the proposed settlement class. The Company had previously recorded adequate amounts for this settlement and paid \$4,700 into the Registry of the United States District Court for the Eastern District of Louisiana on June 1, 2012.

On September 6, 2012, pursuant to an Order of the MDL Court, counsel for the plaintiffs produced the list of members of the class who requested exclusion from the proposed settlement. Only one individual making a claim against the Company and/or its RV subsidiaries requested to be excluded from the proposed class settlement.

On September 27, 2012, the MDL Court is scheduled to conduct a Fairness Hearing during which final approval of the proposed settlement will be evaluated. In the event that the MDL Court finds the proposed settlement to be reasonable, it is expected that all claims made in the litigation, excepting only the single claim that requested exclusion from proposed settlement, will be finally resolved in accordance with the terms of the Stipulation of Settlement identified above.

## **12. LEASES**

The Company has operating leases principally for land, buildings and equipment. Future minimum rental payments required under these operating leases as of July 31, 2012 are \$1,726 which includes the following amounts due in each of the next five fiscal years: \$1,163 in fiscal 2013; \$360 in fiscal 2014; \$145 in fiscal 2015; \$37 in fiscal 2016 and \$21 in fiscal 2017. Rent expense was \$1,874 in fiscal 2012, \$2,201 in fiscal 2011 and \$2,139 in fiscal 2010.

## **13. EMPLOYEE BENEFIT PLANS**

Substantially all non-highly compensated employees are eligible to participate in a 401(k) plan. The Company may make discretionary contributions to the 401(k) plan according to a matching formula determined by each operating subsidiary. Total expense for the plan was \$316 in fiscal 2012, \$293 in fiscal 2011 and \$294 in fiscal 2010.

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 value and reported as other assets. The obligation to the participants is reported as other liabilities. No net income or loss is recorded through the Consolidated Statements of Income and Comprehensive Income. The Company does not make contributions to the plan. The balance of investments held in this plan, and the offsetting liability to the executives, was \$8,970 at July 31, 2012 and \$8,715 at July 31, 2011.

## **14. STOCKHOLDERS' EQUITY**

In December 2009, the Company purchased 3,980,000 shares of its common stock at \$29.00 per share and held them as treasury stock at a total cost of \$115,420. The shares were repurchased by the Company from the Estate of Wade F. B. Thompson (the "Estate") in a private transaction. The Estate holds shares of common stock of the Company previously owned by the late Wade F. B. Thompson, the Company's co-founder and former Chief Executive Officer. Alan Siegel, a member of the board of directors of the Company (the "Board"), is a co-executor of the Estate. The repurchase transaction was evaluated and approved by members of the Board who are not affiliated with the Estate. At the time of the repurchase, the shares represented 7.2% of the Company's common stock outstanding. The Company used available cash to purchase the shares.

The Company entered into a repurchase agreement, dated as of August 12, 2011 (the "August 2011 Repurchase Agreement"), to purchase shares of its common stock from the Estate in a private transaction. Pursuant to the terms of the August 2011 Repurchase Agreement, on August 15, 2011, the Company purchased from the Estate 1,000,000 shares of its common stock at a price of \$20.00 per share, and held them as treasury stock,

representing an aggregate purchase price of \$20,000. The closing price of Thor common stock on August 12, 2011 was \$20.62. The repurchase transaction was evaluated and approved by members of the Board who are not affiliated with the Estate. The Company used available cash to purchase the shares. The number of shares repurchased by the Company represented 1.8% of the Company's issued and outstanding common stock prior to the repurchase.

The Company entered into a repurchase agreement, dated as of January 18, 2012 (the "January 2012 Repurchase Agreement"), to purchase shares of its common stock from the Estate in a private transaction. Pursuant to the terms of the January 2012 Repurchase Agreement, on January 20, 2012, the Company purchased from the Estate 1,000,000 shares of its common stock at a price of \$28.50 per share, and held them as treasury stock, representing an aggregate purchase price of \$28,500. The closing price of Thor common stock on January 18, 2012 was \$29.34. The repurchase transaction was evaluated and approved by members of the Board who are not affiliated with the Estate. The Company used available cash to purchase the shares. The number of shares repurchased by the Company represented 1.8% of the Company's issued and outstanding common stock prior to the repurchase.

The Company also entered into separate repurchase agreements (collectively, the "Catterton Repurchase Agreements") with each of Catterton Partners VI, L.P., Catterton Partners VI Offshore, L.P., CP6 Interest Holdings, L.L.C., and CPVI Coinvest, L.L.C. (collectively, "Catterton"), each dated as of January 18, 2012, to purchase shares of its common stock from Catterton in a private transaction. Pursuant to the terms of the Catterton Repurchase Agreements, on January 20, 2012, the Company purchased from Catterton an aggregate of 1,000,000 shares of its common stock at a price of \$28.50 per share, and held them as treasury stock, representing an aggregate purchase price of \$28,500. The closing price of Thor common stock on January 18, 2012 was \$29.34. The Company used available cash to purchase the shares. The number of shares repurchased by the Company represented 1.8% of the Company's issued and outstanding common stock prior to the repurchase.

The Board approved the Thor Industries, Inc. 2010 Equity and Incentive Plan (the "2010 Equity and Incentive Plan") on October 25, 2010 and the 2006 Equity Incentive Plan (the "2006 Equity Incentive Plan") on October 16, 2006. These plans were subsequently approved by shareholders at the 2010 and 2006 annual meetings. These plans are 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 2006 Equity Incentive Plan, the 1999 Plan and the 1997 Plan were frozen. As a result, there will be no further grants pursuant to either the 1999 Plan or the 1997 Plan. However, outstanding grants under the 1999 Plan remain outstanding, subject to the respective terms and conditions of the Plan. The maximum number of shares issuable under the 2010 Equity Incentive Plan is 2,000,000 and under the 2006 Equity Incentive Plan is 1,100,000. Remaining shares available to be granted under the 2010 Equity Incentive Plan are 1,859,959 and under the 2006 Equity Incentive Plan are 30,000 as of July 31, 2012. 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. Options expire 10 years from the date of grant and are vested evenly over 3 to 5 years from the date of grant.

Stock Options – A summary of option activity under the 1999 Plan, the 2010 Equity and Incentive Plan and the 2006 Equity Incentive Plan is as follows:

|  | 2012           |                                 | 2011             |                                 | 2010             |                                 |
|--|----------------|---------------------------------|------------------|---------------------------------|------------------|---------------------------------|
|  | Shares         | Weighted-Average Exercise Price | Shares           | Weighted-Average Exercise Price | Shares           | Weighted-Average Exercise Price |
| Outstanding at beginning of year           | 1,433,225      | \$ 30.90                        | 1,381,725        | \$ 30.20                        | 513,561          | \$ 23.47                        |
| Exercised                                  | (80,500)       | 17.74                           | (78,500)         | 13.33                           | (586)            | 26.91                           |
| Forfeited                                  | (600,000)      | 35.18                           | –                | –                               | –                | –                               |
| Expired                                    | (20,000)       | 29.25                           | –                | –                               | (1,250)          | 27.40                           |
| Granted                                    | –              | –                               | 130,000          | 27.72                           | 870,000          | 34.17                           |
| Outstanding at end of year                 | <u>732,725</u> | <u>\$ 28.89</u>                 | <u>1,433,225</u> | <u>\$ 30.90</u>                 | <u>1,381,725</u> | <u>\$ 30.20</u>                 |
| Vested and expected to vest at end of year | <u>712,725</u> | <u>\$ 28.82</u>                 | <u>833,225</u>   | <u>\$ 27.82</u>                 | <u>1,381,725</u> | <u>\$ 30.20</u>                 |
| Exercisable at end of year                 | <u>566,059</u> | <u>\$ 29.24</u>                 | <u>609,891</u>   | <u>\$ 27.84</u>                 | <u>445,057</u>   | <u>\$ 22.99</u>                 |

The weighted average remaining contractual life for outstanding options and exercisable options at July 31, 2012, was 6.33 and 5.68 years, respectively.

The aggregate intrinsic value of options outstanding and exercisable as of July 31, 2012, 2011 and 2010 is as follows:

|   | <u>2012</u> | <u>2011</u> | <u>2010</u> |
|---|-------------|-------------|-------------|
| Aggregate intrinsic value of options outstanding and expected to vest | \$ 966      | \$ 647      | \$ 2,350    |
| Aggregate intrinsic value of options exercisable                      | \$ 738      | \$ 647      | \$ 2,263    |

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 the Company's stock. The expected term of the options represents the period of time that options granted are expected to be outstanding and is estimated using the Company's historical exercise and termination behavior.

The weighted average fair value of options granted in fiscal 2011 and fiscal 2010 were \$10.80 and \$14.69, respectively, as calculated by the Black-Scholes method. There were no option grants during fiscal 2012. The assumptions used in determining the fair value of the options granted during fiscal 2011 and fiscal 2010 are as follows:

| <b>Grant Date</b>       | <u>July 19, 2011</u> | <u>March 14, 2011</u> | <u>July 20, 2010</u> | <u>April 28, 2010</u> |
|-------------------------|----------------------|-----------------------|----------------------|-----------------------|
| Expected volatility     | 46%                  | 46%                   | 45%                  | 45%                   |
| Expected life of grant  | 6 years              | 6 years               | 6 years              | 6 years               |
| Risk-free interest rate | 1.8%                 | 2.3%                  | 2.2%                 | 3.1%                  |
| Expected dividend rate  | 1.8%                 | 1.2%                  | 0.9%                 | 0.9%                  |

In fiscal years 2012, 2011 and 2010, the Company recorded expenses of \$645, \$2,707 and \$1,375, respectively, for stock option awards. At July 31, 2012, there was \$1,786 of total unrecognized compensation costs related to stock options that is expected to be recognized over a weighted average period of 3.16 years.

Cash received from stock option exercises for the fiscal years ended July 31, 2012, 2011 and 2010 was \$1,428, \$1,047 and \$16, respectively. The total intrinsic value of stock options exercised in fiscal years 2012, 2011 and 2010 was \$931, \$1,551 and \$3, respectively.

The Company recognized a tax benefit related to stock based compensation expense of \$224, \$1,172 and \$481 in fiscal 2012, 2011 and 2010, respectively.

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

Stock Awards – There was no restricted stock activity under the 2010 Equity and Incentive Plan in fiscal 2011 or fiscal 2010, and a summary of restricted stock award activity under this Plan for fiscal 2012 is as follows:

|                              | <u>2012</u>   |   |
|------------------------------|---------------|---|
|                              | <u>Shares</u> | <u>Weighted-Average Grant Date Fair Value</u> |
| Nonvested, Beginning of year | –             | \$ –  |
| Granted                      | 10,041        | 29.46   |
| Vested                       | –             | –   |
| Forfeited                    | –             | –   |
| Nonvested, End of year       | <u>10,041</u> | <u>\$ 29.46</u>                               |

In fiscal 2012, 2011 and 2010, the Company recorded expense for restricted stock awards under this plan of \$43, \$0 and \$0, respectively. At July 31, 2012, there was \$560 of total unrecognized compensation costs related to restricted stock awards that is expected to be recognized over a weighted average period of 4.88 years. This restricted stock vests evenly over 5 years from the date of grant.

The Company's 1997 Restricted Stock Plan allowed for the granting of up to 600,000 shares of restricted stock to select executives. The last shares to vest under this plan did so in 2010. In fiscal 2012, 2011, and 2010, the Company recorded expense for restricted stock awards under this plan of \$0, \$0 and \$12, respectively. No further grants have been made under the plan. Restrictions expire 50% after five years following the date of issue and the balance after six years.

## 15. JOINT VENTURE

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. The Company's total investment in this joint venture at July 31, 2012 and 2011 was \$1,739 and \$2,741, respectively.

This investment is 50% owned and is accounted for using the equity method. The Company's share of the earnings for this investment was \$198, \$267 and \$217 in fiscal 2012, 2011 and 2010, respectively, and is included in the other income caption of the Consolidated Statements of Income and Comprehensive Income. During fiscal 2012 the Company received dividends totaling \$1,200.

During fiscal 2012, 2011 and 2010, the Company's Thor Motor Coach segment had sales to Cruise America of \$30,785, \$26,872 and \$27,859, respectively. During fiscal 2012, 2011 and 2010, Cruise America did not have any sales to CAT.

## 16. SALE OF BUSINESSES

In October 2009, the Company decided to close its Citair General Coach production facility in Oliver, British Columbia and move all General Coach RV and park model production to its other Citair General Coach facility in Hensall, Ontario. As of April 30, 2010, all production ceased at the Citair Oliver facility. Related closure costs of approximately \$3,640 were recorded in fiscal 2010, consisting of \$1,710 primarily in cost of products sold for inventory and warranty and \$1,930 in severance and other costs included in selling, general and administrative expenses.

On April 30, 2010, the Company sold its Citair travel trailer and park model business to a former member of Citair's management. The Company recorded a \$323 pre-tax loss on the sale in fiscal 2010.

## 17. FIRE AT BUS PRODUCTION FACILITY

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

The Company maintains a property and business interruption insurance policy that provided substantial coverage for the losses arising from this incident, less the first \$5,000 representing the Company's deductible per the policy.

For the fiscal year ended July 31, 2011, the Company received \$10,203 of insurance proceeds which included \$6,315 for business interruption. Recognized insurance recoveries for the fiscal year ended July 31, 2011 of \$10,437 included the \$10,203 of insurance proceeds along with \$234 of insurance recoveries deferred from fiscal 2010. For the fiscal year ended July 31, 2010, the Company received \$13,313 of insurance proceeds. Of these proceeds, \$13,079 represented insurance recoveries, net of the deductible and \$234 represented advances recorded as deferred revenue in other liabilities. For the years ended July 31, 2011 and 2010, a gain on involuntary conversion of \$9,417 and \$7,593, respectively, was reported in the Company's Consolidated Statements of Income and Comprehensive Income as follows:

|  | Year Ended<br>July 31, 2011 | Year Ended<br>July 31, 2010 | Cumulative Total<br>Since Fire |
|--|-----------------------------|-----------------------------|--------------------------------|
| Insurance recoveries recognized            | \$ 10,437                   | \$ 18,079                   | \$ 28,516                      |
| Deductible                                 | –                           | (5,000)                     | (5,000)                        |
| Work in process and raw material destroyed | –                           | (4,305)                     | (4,305)                        |
| Property and equipment destroyed           | (165)                       | (578)                       | (743)                          |
| Clean-up and other costs                   | (855)                       | (603)                       | (1,458)                        |
| Gain on involuntary conversion             | \$ 9,417                    | \$ 7,593                    | \$ 17,010                      |

The costs incurred to date of reconstructing the Facility and replacing inventory have been accounted for in the normal course of business. The costs incurred to reconstruct the Facility totaled \$6,943 (\$5,460 was incurred in fiscal year 2011, with the difference having been incurred in fiscal year 2010). The Facility was substantially completed and operational as of September 28, 2010.

No related costs or additional insurance proceeds have been recognized in fiscal 2012.

## 18. SUBSEQUENT EVENT

On September 17, 2012, the Company entered into an Asset Purchase Agreement with Krystal Infinity, LLC dba Krystal Enterprises ("Krystal") for the acquisition of Krystal's bus operation assets for cash consideration of approximately \$3,900, subject to adjustment. The acquisition is subject to certain pre-closing conditions and is expected to close by September 30, 2012. The Company purchased the assets to expand the market share of its bus business and absorb the Company's fixed overhead costs across a larger revenue base.

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## Exhibit 21.1

### Subsidiaries of the Registrant

The subsidiaries of the Registrant, excluding those which, considered in the aggregate as a single subsidiary, would not constitute a significant subsidiary as of July 31, 2012, are:

Airstream, Inc. *(a Nevada corporation)*  
DS Corp. dba CrossRoads RV *(an Indiana corporation)*  
Damon Corporation *(a Delaware corporation)*  
Dutchmen Manufacturing, Inc. *(a Delaware corporation)*  
Thor Motor Coach, Inc. *(a Delaware corporation)*  
Komfort Corp. *(a Delaware corporation)*  
Keystone RV Company *(a Delaware corporation)*  
ElDorado National California, Inc. *(a California corporation)*  
ElDorado National Kansas, Inc. *(a Kansas corporation)*  
Champion Bus, Inc. *(a Delaware corporation)*  
General Coach America, Inc. *(a Delaware corporation)*  
Goshen Coach, Inc. *(an Indiana corporation)*  
SJC Industries, Corp. *(an Indiana corporation)*  
Thor Tech, Inc. *(a Nevada corporation)*  
Towable Holdings, Inc. *(a Delaware corporation)*  
Heartland Recreational Vehicles, LLC *(an Indiana limited liability company)*

**Exhibit 23.1**

**CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

We consent to the incorporation by reference in Registration Statement Nos. 333-171385, 333-41409, 333-90375 and 333-165605 on Form S-8 of our reports dated September 26, 2012, relating to the consolidated financial statements of Thor Industries, Inc. and subsidiaries, and the effectiveness of Thor Industries, Inc. and subsidiaries' internal control over financial reporting, appearing in this Annual Report on Form 10-K of Thor Industries, Inc. and subsidiaries for the year ended July 31, 2012.

/s/ Deloitte & Touche LLP  
Chicago, Illinois  
September 26, 2012

**Exhibit 31.1**  
**CERTIFICATION OF THE CHIEF EXECUTIVE OFFICER PURSUANT TO**  
**SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Peter B. Orthwein, certify that:

1. I have reviewed this annual report on Form 10-K of Thor Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 26, 2012

/s/ PETER B. ORTHWEIN

\_\_\_\_\_  
Peter B. Orthwein  
Chairman of the Board and Chief Executive  
Officer

**Exhibit 31.2**

**CERTIFICATION OF THE CHIEF FINANCIAL OFFICER PURSUANT TO  
SECTION 302 OF THE SARBANES-OXLEY ACT OF 2002**

I, Christian G. Farman, certify that:

1. I have reviewed this annual report on Form 10-K of Thor Industries, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a. Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b. Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;
  - c. Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d. Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
  - a. All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b. Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: September 26, 2012

/s/ CHRISTIAN G. FARMAN

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

**Exhibit 32.1**

**SARBANES-OXLEY ACT SECTION 906 CERTIFICATION**

In connection with this annual report on Form 10-K of Thor Industries, Inc. for the period ended July 31, 2012, I, Peter B. Orthwein, Chairman of the Board and Chief Executive Officer of Thor Industries, Inc., hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. this Form 10-K for the period ended July 31, 2012 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in this Form 10-K for the period ended July 31, 2012 fairly presents, in all material respects, the financial condition and results of operations of Thor Industries, Inc.

Date: September 26, 2012

/s/ PETER B. ORTHWEIN

Peter B. Orthwein  
Chairman of the Board and Chief Executive  
Officer  
(Principal executive officer)

**Exhibit 32.2**

**SARBANES-OXLEY ACT SECTION 906 CERTIFICATION**

In connection with this annual report on Form 10-K of Thor Industries, Inc. for the period ended July 31, 2012, I, Christian G. Farman, Chief Financial Officer of Thor Industries, Inc., hereby certify pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002, that:

1. this Form 10-K for the period ended July 31, 2012 fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. the information contained in this Form 10-K for the period ended July 31, 2012 fairly presents, in all material respects, the financial condition and results of operations of Thor Industries, Inc.

Date: September 26, 2012

/s/ CHRISTIAN G. FARMAN

Christian G. Farman  
Senior Vice President, Treasurer and Chief Financial Officer  
(Principal financial and accounting officer)

## **DIRECTORS**

Peter B. Orthwein

Chairman of the Board and Chief Executive Officer

J. Allen Kosowsky

President, J. Allen Kosowsky, C.P.A., P.C.

Alan Siegel

Officer and Director of the Thompson Family Foundation

Geoffrey A. Thompson

Retired President and C.E.O., Marine Midland Banks, Inc.

Andrew E. Graves

President, Brunswick Boat Group, a division of Brunswick Corporation

Jan H. Suwinski

Professor of Business Operations, Johnson Graduate School of Management, Cornell University

James L. Ziemer

Retired President and C.E.O., Harley-Davidson, Inc.

## **OFFICERS**

Peter B. Orthwein

Chairman of the Board and Chief Executive Officer

Robert W. Martin

President and Chief Operating Officer

Colleen A. Zuhl

Interim Chief Financial Officer

W. Todd Woelfer

Senior Vice President, General Counsel and Corporate Secretary

Andrew Imahse

Group President, Bus

Kenneth D. Julian

Vice President of Human Resources

## **SENIOR OPERATING MANAGEMENT**

### **Recreation Vehicles**

Cameron D. Boyer

President, Dutchmen

Donald C. Emahiser

President, Crossroads

Christopher J. Hermon

President, Heartland

Jeff L. Kime

President, Thor Motor Coach

Robert H. Wheeler, III

President, Airstream

Matthew T. Zimmerman

President, Keystone

### **Buses**

Jeffrey W. Montgomery

President, ElDorado Kansas

John A. Resnik

President, Champion Bus

Troy M. Snyder

President, Goshen Coach

Anthony W. Wayne

President, ElDorado California

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Thor is traded on the New York Stock Exchange under the symbol THO.  
Transfer Agent and Registrar: Computershare Investor Services

**THO**  
**LISTED**  
**NYSE .**



The use of recycled paper in this annual report and our product brochures is part of Thor's effort to minimize waste, conserve our resources and reduce litter. Providing our customers with safe, fuel-efficient recreation vehicles and buses is another major objective. It's our way of demonstrating we are the industry leader in preserving our nation's environment.

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**THO**  
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