

Edgar Filing: THOMAS INDUSTRIES INC - Form 10-Q/A

THOMAS INDUSTRIES INC
Form 10-Q/A
May 19, 2004

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q/A-1

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE
SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended March 31, 2004

Commission File Number 1-5426

THOMAS INDUSTRIES INC.

(Exact name of Registrant as specified in its Charter)

DELAWARE

61-0505332

(State of incorporation)

(I.R.S. Employer Identification Number)

4360 BROWNSBORO ROAD, SUITE 300, LOUISVILLE, KENTUCKY

40207

(Address of principal executive offices)

(Zip Code)

502/893-4600

(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes X No ___

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2) Yes X No ___

As of May 6, 2004, 17,371,539 shares of the registrant's Common Stock were outstanding (net of treasury shares).

EXPLANATORY NOTE:

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This amendment is being filed to complete information in the Registrant's Condensed Consolidated Statements of Cash Flow (unaudited) and Note E to Notes to Condensed Consolidated Financial Statement (unaudited), which information was omitted from the original filing.

PART I. - FINANCIAL INFORMATION

ITEM 1. Financial Statements (Unaudited)

THOMAS INDUSTRIES INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)
(IN THOUSANDS EXCEPT AMOUNTS PER SHARE)

	THREE MONTHS ENDED MARCH 31	
	2004	2003
	-----	-----
Net sales	\$ 109,518	\$ 92,346
Cost of products sold	71,135	59,231
	-----	-----
Gross profit	38,383	33,115
Selling, general and administrative expenses	29,000	24,578
Equity income from GTG	7,422	6,143
	-----	-----
Operating income	16,805	14,680
Interest expense	1,026	1,086
Interest income and other income (expense)	606	(39)
	-----	-----
Income before income taxes and minority interest	16,385	13,555
Income taxes	5,735	4,742
	-----	-----
Income before minority interest	10,650	8,813
Minority interest, net of tax	-	7
	-----	-----
	\$ 10,650	\$ 8,806
	=====	=====
Net income per share:		
Basic	\$ 0.61	\$ 0.51
Diluted	\$ 0.60	\$ 0.50
Dividends declared per share:	\$ 0.095	\$ 0.085
Weighted average number of shares outstanding:		
Basic	17,318	17,139

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Diluted

17,779

17,507

See notes to condensed consolidated financial statements.

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THOMAS INDUSTRIES INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(DOLLARS IN THOUSANDS)

	(Unaudited) March 2004

ASSETS	
Current assets:	
Cash and cash equivalents	\$ 3
Accounts receivable, less allowance (2004--\$2,136; 2003--\$2,270)	5
Inventories:	
Finished products	3
Raw materials	2
Work in process	-----
	6
Deferred income taxes	
Other current assets	-----
	17
Total current assets	17
Investment in GTG	22
Property, plant and equipment	18
Less accumulated depreciation and amortization	(7)

	10
Goodwill	6
Other intangible assets, net	2
Other assets	-----
	59
	=====
LIABILITIES AND SHAREHOLDERS' EQUITY	
Current liabilities:	
Notes payable	\$
Accounts payable	1
Accrued expense and other current liabilities	3
Dividends payable	
Income taxes payable	
Current portion of long-term debt	-----
	6
Total current liabilities	6
Deferred income taxes	

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Long-term debt, less current portion	10
Long-term pension liability	1
Other long-term liabilities	

Total liabilities	20
Shareholders' equity:	
Preferred stock, \$1 par value, 3,000,000 shares authorized - none issued	
Common stock, \$1 par value, shares authorized: 60,000,000; shares issued: 2004 - 18,181,078; 2003 - 18,108,664	1
Capital surplus	13
Deferred compensation	
Treasury stock held for deferred compensation	(
Retained earnings	22
Accumulated other comprehensive income (loss)	1
Less cost of 822,339 treasury shares	(1

Total shareholders' equity	38

Total liabilities and shareholders' equity	\$ 59
	=====

* Derived from the audited December 31, 2003 consolidated balance sheet.
See notes to condensed consolidated financial statements.

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THOMAS INDUSTRIES INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOW (UNAUDITED)
(DOLLARS IN THOUSANDS)

	THREE MONTH MARCH

	2004

OPERATING ACTIVITIES	
Net income	\$ 10,650
Adjustments to reconcile net income to net cash provided by operating activities:	
Depreciation and intangible amortization	4,017
Deferred income taxes	(515)
Equity income from GTG	(7,422)
Other items	158
Changes in operating assets and liabilities net of effect of acquisitions:	
Accounts receivable	(6,865)
Inventories	(2,674)
Accounts payable	2,707
Income taxes payable	5,439
Accrued expenses and other current liabilities	1,355
Other	(1,309)

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Net cash provided by operating activities	5,541
INVESTING ACTIVITIES	
Purchases of property, plant and equipment	(3,740)
Sales of property, plant and equipment	2

Net cash used in investing activities	(3,738)
FINANCING ACTIVITIES	
Proceeds (payments) on short-term debt, net	171
Proceeds from long-term debt	16,534
Payments from long-term debt	(10,769)
Dividends paid	(1,642)
Other	1,082

Net cash provided by financing activities	5,376
Effect of exchange rate changes	117

Net increase in cash and cash equivalents	7,296
Cash and cash equivalents at beginning of period	23,933

Cash and cash equivalents at end of period	\$ 31,229
	=====

See notes to condensed consolidated financial statements.

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THOMAS INDUSTRIES INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note A - Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of Thomas Industries Inc. ("Thomas" or the "Company") have been prepared in accordance with accounting principles generally accepted in the United States for interim financial reporting and with the instructions to Form 10-Q and Article 10-01 of Regulation S-X. Accordingly, they do not include all the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements.

The results of operations for the three-month period ended March 31, 2004 are not necessarily indicative of the results that may be expected for the year ending December 31, 2004. In the opinion of the Company's management, the unaudited consolidated financial statements include all adjustments, consisting

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only of normal recurring accruals, considered necessary for a fair presentation of the financial position and the results of operations. For further information, refer to the consolidated financial statements and footnotes included in the Company's Annual Report on Form 10-K for the year ended December 31, 2003.

Note B - Acquisitions

On November 20, 2003, the Company purchased the remaining 25% minority interests in the Company's New Zealand subsidiary for \$244,000. All of the purchase price was allocated to goodwill. The Company now owns 100% of the New Zealand subsidiary.

On July 31, 2003, the Company purchased all of the outstanding equity interests of Aldax AB, of Stockholm, Sweden for \$2.6 million, of which \$1.7 million was paid in cash at the acquisition date, while \$900,000 was recorded as a long-term liability to be paid on July 31, 2005 in accordance with the purchase agreement. Approximately \$2.0 million of the purchase price was allocated to goodwill.

On April 11, 2003, the Company purchased the remaining 20% minority interests in the Company's Italian subsidiary for \$1.5 million. All of the purchase price was allocated to goodwill. The Company now owns 100% of the Italian subsidiary.

Note C - Contingencies

On August 13, 2002, a petition was filed in the District Court of Jefferson County, Texas, adding Thomas Industries Inc. as a third party defendant in a lawsuit captioned Hydro Action, Inc. v. Jesse James, individually and d/b/a James Backhoe Service of Dietrich, Illinois, Inc. and Original Septic Solutions, Inc. (the "Third Party Plaintiffs") (the "Original Lawsuit"). The Original Lawsuit alleged that the Company violated the Texas Deceptive Trade Practices Act and breached warranties of merchantability and fitness for a particular purpose with respect to pumps sold by the Company and used in septic tanks manufactured or sold by the plaintiffs. The Original Lawsuit has been stayed as a result of the bankruptcy filing by Hydro Action, Inc. On October 8, 2003, a lawsuit was filed against the Company, Gig Drewery, Yasunaga Corporation and Aqua-Partners, Ltd. in the District Court of Jefferson County, Texas, making the same allegations set forth in the Original Lawsuit and requesting class-action certification. No class has been certified. The Third Party Plaintiffs are plaintiffs in this action. This complaint has been amended to include approximately 28 plaintiffs. The complaint currently seeks \$3 million per plaintiff and punitive and exemplary damages. The total sales related to these products were approximately \$900,000. Although this litigation is in the preliminary stages, the Company believes it has meritorious defenses to the claims and intends to vigorously defend this matter. Litigation is subject to

many uncertainties and the Company cannot guarantee the outcome of these proceedings. However, based upon information currently available, the Company does not believe that the outcome of these proceedings will have a material adverse effect on the consolidated financial position, results of operations or cash flows of the Company.

The Company, like other similar manufacturers, is subject to environmental rules and regulations regarding the use, disposal and cleanup of substances regulated under environmental protection laws. It is the Company's policy to comply with these rules and regulations, and the Company believes that its practices and

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procedures are designed to meet this compliance. The Company is involved in remedial efforts at certain of its present and former locations; and when costs can be reasonably estimated, the Company records appropriate liabilities for such matters. Management does not believe that the ultimate resolution of environmental matters will have a material adverse effect on its financial position, results of operations or liquidity.

In the normal course of business, the Company is a party to legal proceedings and claims. When costs can be reasonably estimated, appropriate liabilities for such matters are recorded. While management currently believes the amount of ultimate liability, if any, with respect to these actions will not materially affect the financial position, results of operations, or liquidity of the Company, the ultimate outcome of any litigation is uncertain. Were an unfavorable outcome to occur, the impact could be material to the Company.

Note D - Comprehensive Income

The reconciliation of net income to comprehensive income follows (in thousands):

	THREE MONTHS ENDED MARCH 31	
	2004	2003
Net income	\$10,650	\$ 8,806
Other comprehensive income (loss):		
Minimum pension liability (increase)	7	(27)
Related tax expense (credit)	(3)	9
Derivative adjustment	(293)	-
Related tax expense	111	-
Foreign currency translation	(7,458)	3,835
	(7,636)	3,817
Total change in other comprehensive income (loss)		
	\$ 3,014	\$12,623
	=====	=====

Note E - Net Income Per Share

The computation of the numerator and denominator in computing basic and diluted net income per share follows (in thousands):

	THREE MONTHS ENDED MARCH 31	
	2004	2003
Numerator:		
Net income	\$10,650	\$8,806
	=====	=====
Denominator:		
Weighted average shares outstanding	17,318	17,139
Effect of dilutive securities:		
Director and employee stock options	445	322

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Employee performance shares	16	46
	-----	-----
Dilutive potential common shares	461	368
	-----	-----
Denominator for diluted earnings per share - adjusted weighted average shares and assumed conversions	17,779	17,507
	=====	=====

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Note F - Segment Disclosures

(In thousands)

	THREE MONTHS ENDED MARCH 31	
	2004	2003
	----	----
Total net sales including intercompany sales		
Pump and Compressor	\$135,716	\$ 112,127
Intercompany sales		
Pump and Compressor	(26,198)	(19,781)
	-----	-----
Net sales to unaffiliated customers		
Pump and Compressor	\$109,518	\$ 92,346
	=====	=====
Operating income		
Pump and Compressor	\$11,643	\$ 10,325
Lighting*	7,422	6,143
Corporate	(2,260)	(1,788)
	-----	-----
	\$16,805	\$ 14,680
	=====	=====

*Three months ended March 31 consists of equity income of \$7,512,000 in 2004 and \$6,222,000 in 2003 from our 32% interest in the joint venture, Genlyte Thomas Group LLC (GTG), less \$90,000 in 2004 and \$79,000 in 2003 related to expense recorded for Thomas Industries stock options issued to GTG employees.

Note G - Goodwill and Other Intangible Assets

The changes in net carrying amount of goodwill for the three months ended March 31, 2004 were as follows (in thousands):

	THREE MONTHS ENDED MARCH 31, 2004

Balance at beginning of period	\$ 70,164
Translation adjustments and other	(2,415)

Balance at end of period	\$ 67,749

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The goodwill included in the balance sheets is related to the Pump and Compressor Segment.

Certain intangible assets have definite lives and are being amortized. Amortizable intangible assets consist of the following (in thousands):

	March 31, 2004			December 31, 2003		
	Life	Cost	Accumulated Amortization	Life	Cost	Accumulated Amortization
Licenses	18-19	\$ 494	\$ 209	18-19	\$ 503	\$
Patents	5-20	5,688	860	5-20	5,917	
Other	1-15	3,721	946	1-10	3,619	
Total		\$ 9,903	\$ 2,015		\$ 10,039	\$

The total intangible amortization expense for the three months ended March 31, 2004 and 2003 was \$219,000 and \$291,000, respectively.

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The estimated amortization expense for the next five years beginning January 1, 2004 through December 31, 2008 is as follows (in thousands):

2004	\$873
2005	874
2006	874
2007	867
2008	819

The Company has various trademarks totaling \$12,334,000 at March 31, 2004 and \$12,831,000 at December 31, 2003, that are not amortized. Also included in other intangible assets is an intangible asset associated with the minimum pension liability of \$786,000 as of March 31, 2004 and December 31, 2003.

Note H - Long-lived Assets

Consistent with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company evaluates long-lived assets for impairment and assesses their recoverability based upon anticipated future cash flows. If facts and circumstances lead the Company's management to believe that the cost of one of its assets may be impaired, the Company will evaluate the extent to which that cost is recoverable by comparing the future undiscounted cash flows estimated to be associated with that asset to the asset's carrying amount and write down that carrying amount to market value to the extent necessary.

Note I - Genlyte Thomas Group LLC (GTG)

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The following table contains certain unaudited financial information for GTG.

Genlyte Thomas Group LLC		
Condensed Financial Information		
(Dollars in Thousands)		
(Unaudited)		
	March 31,	December 31,
	2004	2003
	----	----
GTG balance sheets:		
Current assets	\$471,149	\$444,272
Long-term assets	287,014	288,499
Current liabilities	188,741	185,809
Long-term liabilities	51,750	51,003
	Three Months	
	Ended March 31	

	2004	2003
	----	----
GTG income statements (unaudited):		
Net sales	\$277,362	\$ 237,913
Gross profit	95,116	81,830
Earnings before interest and taxes	25,219	21,163
Net income	23,474	19,445
Amounts recorded by Thomas Industries Inc.:		
Equity income from GTG	\$ 7,512	\$ 6,222
Stock option expense	(90)	(79)
	-----	-----
Equity income reported by Thomas	\$ 7,422	\$ 6,143
	=====	=====

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Note J - Stock-Based Compensation

Stock options are granted under various stock compensation programs to employees and independent directors. In December 2003, the Company adopted the fair value recognition provisions of accounting for stock-based compensation under Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation," (SFAS 123) which required the Company to expense the fair value of employee stock options prospectively for all employee awards granted, modified or settled after January 1, 2003. Awards under the Company's plan vest over a period of five years. For employee stock options granted prior to 2003, the Company continues to use the intrinsic value based method of accounting prescribed by Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees" ("APB 25"). For purposes of pro forma disclosures, the estimated fair value of the options is amortized to expense over the options' vesting period.

Included in stock option activity, but accounted for in accordance with SFAS No. 123, are options granted to GTG employees, for which the Company has recorded compensation expense. This compensation expense, shown net of tax, is also included in the pro forma information below.

The following table illustrates the effect on net income and earnings per share if the fair value based method had been applied to all outstanding and unvested

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awards in each period.

	Three Months Ended March 31	
	2004	2003
Net income (as reported)	\$ 10,650	\$ 8,806
Add: Stock-based compensation expense for GTG employees included in reported net income, net of related tax effect.	81	46
Deduct: Total stock-based employee compensation determined under fair value based method for all awards, net of related tax effect.	(195)	(194)
Net income (pro forma)	\$ 10,536	\$ 8,658
Net income per share (Basic) -		
As reported	\$.61	\$.51
Pro forma	.61	.51
Net income per share (Diluted) -		
As reported	.60	.50
Pro forma	.59	.50

Note K - Product Warranty Costs

The Company generally offers warranties for most of its products for periods from one to five years. The specific terms and conditions of these warranties vary depending on the product sold and country in which the Company does business. The Company estimates the costs that may be incurred under its warranty and records a liability in the amount of such costs at the time product revenue is recognized. Factors that affect the Company's warranty liability include that number of units sold, historical and anticipated rates of warranty claims, and cost per claim. The Company periodically assesses the adequacy of its recorded warranty liability and adjusts the amount as necessary.

Changes in the Company's warranty liability for March 31, 2004 are as follows (in thousands):

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	THREE MONTHS ENDED MARCH 31, 2004
Balance at beginning of period	\$5,382
Warranties accrued	970
Settlements made and other	(835)
Balance at end of period	\$5,517

Note L - Currency Risk Management

All derivative instruments are recorded at fair value on the balance sheet and all changes in fair value are recorded to earnings or to shareholders' equity through other comprehensive income in accordance with SFAS No. 133, as amended, "Accounting for Derivatives and Hedging Activity" (SFAS 133).

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The Company uses forward currency exchange contracts to manage its exposures to the variability of cash flows primarily related to the purchase of inventory manufactured in Europe but inventoried and sold in non Euro-denominated countries. These contracts are designated as cash flow hedges.

The Company does not use derivative instruments for trading or speculative purposes.

All of the Company's derivative contracts are adjusted to current market values each period and qualify for hedge accounting under SFAS 133. The periodic gains and losses of the contracts designated as cash flows are deferred in other comprehensive income until the underlying transactions are recognized. Upon recognition, such gains and losses are recorded in operations as an adjustment to the carrying amounts of the underlying transactions in the period in which these transactions are recognized. The carrying values of derivative contracts are included in other current assets.

The Company's policy requires that contracts used as hedges must be effective at reducing the risk associated with the exposure being hedged and must be designated as a hedge at the inception of the contract. Hedging effectiveness is assessed periodically. Any contract that is either not designated as a hedge, or is so designated but is ineffective, is marked to market and recognized in earnings immediately. If a cash flow hedge ceases to qualify for hedge accounting or is terminated, the contract would continue to be carried on the balance sheet at fair value until settled and future adjustments to the contract's fair value would be recognized in earnings immediately. If a forecasted transaction were no longer probable to occur, amounts previously deferred in other comprehensive income would be recognized immediately in earnings.

Note M - Pension and Other Postretirement Benefit Costs

The components of net periodic benefit cost consisted of the following:

	PENSION BENEFITS				P
	FOREIGN PLANS		U.S. PLANS		
	2004	2003	2004	2003	
Service cost	\$ 62	\$ 72	\$ 84	\$ 71	\$ 2
Interest cost	141	148	131	128	2
Expected return on plan assets	-	-	(144)	(135)	
Other amortization and deferral	4	-	60	51	1
	-----	-----	-----	-----	-----
Net Periodic Benefit cost	\$ 207	\$ 220	\$ 131	\$ 115	\$ 5
	=====	=====	=====	=====	=====

The Company previously disclosed in its financial statements for the year ended December 31, 2003, that it expected to contribute \$570,000 to its pension plans

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in 2004. As of March 31, 2004, no contributions have been made. The Company continues to anticipate contributions to the plans of \$570,000 for 2004.

In January 2004, the FASB issued FASB Staff Position No. 106-1, "Accounting and Disclosure Requirements Related to the Medicare Prescription Drug, Improvement and Modernization Act of 2003" ("FSP FAS 106-1"). FSP FAS 106-1 allows companies to assess the effect of the Medicare Prescription Drug, Improvement and Modernization Act of 2003 ("MMA") on their postretirement benefit obligations and costs and reflect the effects in the 2003 financial statements, pursuant to SFAS No. 106, "Employer's Accounting for Postretirement Benefits Other Than Pensions." Companies are also allowed to make a one-time election to defer accounting for the effects of MMA until authoritative guidance is issued. The guidance in FSP FAS 106-1 is effective for years ending after December 7, 2003. In accordance with FSP FAS 106-1, the Company made the one-time election to defer accounting for the effects of MMA and, therefore, the accumulated postretirement benefit obligation and postretirement net periodic benefit costs in the Company's consolidated financial statements and disclosed in this note do not reflect the effects of MMA on the Company's plans. In addition, specific authoritative guidance on the accounting for the federal subsidy, one of the provisions of MMA, is pending, and that guidance, when issued, could require the Company to change previously reported information. However, in the Company's opinion, any change due to the accounting for the federal subsidy would be immaterial.

Note N - Recent Accounting Pronouncements

In January 2003, the FASB issued Interpretation No. 46 "Consolidation of Variable Interest Entities" ("FIN 46"). FIN 46 requires a company to consolidate a variable interest entity if that company is subject to a majority of the risk of loss from the variable interest entity's activities or is entitled to receive a majority of the entity's residual returns, or both. The Company has adopted the provisions of FIN 46, which did not have an impact on the Company's financial statements or disclosures.

In May 2003, the FASB issued SFAS No. 150, "Accounting for Certain Financial Instruments with Characteristics of both Liabilities and Equity." SFAS No. 150 requires that certain financial instruments, which under previous guidance were accounted for as equity, must now be accounted for as liabilities. The financial instruments affected include mandatorily redeemable stock, certain financial instruments that require or may require the issuer to buy back some of its shares in exchange for cash or other assets, and certain obligations that can be settled with shares of stock. Although certain portions of SFAS No. 150 have been deferred indefinitely, certain portions of the statement became effective during the third quarter of 2003. The provisions of this statement did not have and are not expected to have an impact on the Company's statement of financial position.

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PART II. OTHER INFORMATION

ITEM 6. Exhibits and Reports on Form 8-K

(a) Exhibits

- 31.1 Certification of Chief Executive Officer pursuant to Rule 13a-14(b) and Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith

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- 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-14(b) and Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith
- 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant Section 906 of the Sarbanes - Oxley Act of 2002, filed herewith.

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this Amendment No. 1 to be signed on its behalf by the undersigned thereunto duly authorized.

THOMAS INDUSTRIES INC.

Registrant

/s/ Phillip J. Stuecker

Phillip J. Stuecker, Vice President
& Chief Financial Officer

Date: May 19, 2004