SUPREME INDUSTRIES INC
Form 10-K
March 24, 2010
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM 10-K

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

For the fiscal year ended: December 26, 2009

OR

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

COMMISSION FILE NUMBER: 1-8183

SUPREME INDUSTRIES, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**75-1670945**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification Number)
P.O. Box 237, 2581 E. Kercher Road	
Goshen, Indiana	**46528**
(Address of principal executive office)	(Zip Code)

Registrant s telephone number, including area code: (574) 642-3070

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

Title of each class:	**Name of each exchange on which registered:**
Class A Common Stock ($.10 Par Value)	NYSE Amex

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 o No x

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 o No x

Indicate by check 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 o

Indicate by check 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such filed). Yes o No o

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. x

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 definition of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer o	Accelerated filer o
Non-accelerated filer o	Smaller reporting company x

Indicate by check mark whether the registrant is a shell company (as defined by Rule 12b-2 of the Exchange Act). Yes o No x

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of the last business day of the registrant s most recently completed second fiscal quarter, based on the last closing sale price of $1.30 per share for the common stock on the NYSE Amex (formerly American Stock Exchange) on such date, was approximately $13,719,958.

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

Class	Outstanding at March 8, 2010
Class A Common Stock ($.10 Par Value)	12,227,860 shares
Class B Common Stock ($.10 Par Value)	2,120,382 shares

Documents incorporated by reference

Listed below are documents, parts of which are incorporated herein by reference, and the part of this report into which the document is incorporated:

Portions of the Proxy Statement for the 2010 Annual Meeting of Stockholders to be held on May 6, 2010 Part III

Table of Contents

TABLE OF CONTENTS

PART I		1
ITEM 1.	BUSINESS	1
ITEM 1A.	RISK FACTORS	5
ITEM 1B.	UNRESOLVED STAFF COMMENTS	8
ITEM 2.	PROPERTIES	9
ITEM 3.	LEGAL PROCEEDINGS	10
ITEM 4.	RESERVED	10
PART II		10
ITEM 5.	MARKET FOR REGISTRANT S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES	10
ITEM 6.	SELECTED FINANCIAL DATA	12
ITEM 7.	MANAGEMENT S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	12
ITEM 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	25
ITEM 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	25
ITEM 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	50
ITEM 9A.	CONTROLS AND PROCEDURES	50
ITEM 9B.	OTHER INFORMATION	51
PART III		51
ITEM 10.	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	51
ITEM 11.	EXECUTIVE COMPENSATION	51
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	51
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	51
ITEM 14.	PRINCIPAL ACCOUNTANT FEES AND SERVICES	51
PART IV		52
ITEM 15.	EXHIBITS AND FINANCIAL STATEMENT SCHEDULES	52

Table of Contents

PART I

ITEM 1. BUSINESS.

History

Supreme Industries, Inc., a Delaware corporation (the Company or Supreme), is one of the nation s leading manufacturers of specialized vehicles, including trucks, buses and armored vehicles. The Company was incorporated in 1979 and originally had one operating subsidiary, TGC Industries, Inc., which was spun-off to stockholders of the Company effective July 31, 1986.

Supreme Corporation, the Company s wholly-owned operating subsidiary, was formed in January 1984 to acquire a company engaged in the business of manufacturing, selling, and repairing specialized truck bodies, buses, and related equipment.

Financial Information About Operating Segments

The Company has two operating segments specialized vehicles and fiberglass products. The fiberglass products segment does not meet the quantitative thresholds for separate disclosure. See segment information in Note 1 - Nature of Operations and Accounting Policies, of the Notes to Consolidated Financial Statements (Item 8).

General Description of the Company s Business

The specialized vehicle industry consists of companies that manufacture and/or distribute specialized truck bodies and buses. Depending on the product, it is either built directly on a truck chassis or built separately and installed at a later date. The truck chassis, which consists of an engine, frame with wheels, and in some cases a cab, is manufactured by third parties who are major automotive or truck companies. Such companies typically do not build specialized truck bodies.

Supreme s core truck products are medium-priced, although prices can range from $4,000 to $175,000. Supreme s truck bodies are offered in aluminum, fiberglass reinforced plywood (FRP), FiberPanel, or molded fiberglass construction and are available in lengths of 8 to 30 feet and heights of up to 109 inches. Examples of optional equipment offered by Supreme include lift gates, cargo-handling equipment, customized doors, special bumpers, ladder racks, and refrigeration equipment, which are configured with the truck bodies to meet the end-user s needs.

The following table shows net sales contributed by each of the Company s continuing operation product categories:

	2009	2008	2007
Specialized vehicles:			
Trucks	$ 98,167,373	$ 162,667,783	$ 209,180,974
Buses	70,976,280	79,139,207	65,409,725
Armored vehicles	18,751,395	6,002,900	13,813,434
	187,895,048	247,809,890	288,404,133
Composites	4,140,608	10,093,047	13,250,937
	$ 192,035,656	$ 257,902,937	$ 301,655,070

1

Table of Contents

The following is a brief summary of Supreme s products:

Signature Van bodies. Supreme s Signature Van bodies range from 10 to 28 feet in length with exterior walls assembled from one of several material options including pre-painted aluminum, FRP panels, or FiberPanels. Additional features include molded composite front and side corners, LED marker lights, sealed wiring harnesses, hardwood or pine flooring, and various door configurations to accommodate end-user loading and unloading requirements. This product is adaptable for a diverse range of uses in dry-freight transportation.

Iner-City® cutaway van bodies. An ideal route truck for a variety of commercial applications, the Iner-City bodies are manufactured on cutaway chassis which allow access from the cab to the cargo area. Borrowing many design elements from Supreme s larger van body, the Iner-City is shorter in length (10 to 17 feet) than a van body.

Portable storage containers. Supreme has also applied its truck body expertise in developing multiple sizes of storage containers for companies in the expanding market of portable storage containers which provide warehouse storage of household goods.

Spartan service bodies. Built on the cutaway chassis out of durable FRP, the Spartan Service Body is a virtual workshop on wheels. In lengths from 10 to 14 feet, the Spartan s selection of compartments, shelves, doors, and pre-designed options provides job-site protection from the weather while offering a secure lockable workspace.

Spartan cargo vans. Built on a cutaway chassis and constructed of FRP, the Spartan Cargo Van provides the smooth maneuverability of a commercial van with the full-height and spacious cargo area of a truck body. In lengths of 10 to 14 feet and available with a variety of pre-designed options, the Spartan Cargo Van is a bridge product for those moving up from a traditional cargo van into the truck body category.

Spartan MX insulated bodies. Designed for companies which make frequent hand-loaded refrigerated deliveries, the 10-foot and 12-foot Spartan MX insulated body provides superb thermal efficiency and maximum cubic load capacity compared to an insulated OEM cargo van.

Astro Body. Supreme has partnered with General Motors (GM) to develop the molded fiberglass Astro Body. As a replacement to GM s phased out Astro and Safari cargo vans, the Astro Body mounts to a pickup chassis and is available with various options providing a sleek, durable, and functional alternative to the cargo van.

Kold King® insulated van bodies. Kold King insulated bodies, in lengths of up to 28 feet, provide versatility and dependability for temperature controlled applications. Flexible for either hand-load or pallet-load requirements, they are ideal for multi-stop distribution of both fresh and frozen products.

Stake bodies. Stake bodies are flatbeds with various configurations of removable sides. The stake body is utilized for a broad range of agricultural and construction industries transportation needs.

Suburbans. Supreme s armored Suburban offers the same outside appearance and interior as a stock model Suburban, but with armored protection against hostile fire. The protective vehicle is used abroad by governmental agencies.

Armored trucks. Supreme s armored trucks are built to customer specifications in aluminum, galvaneal, or stainless steel.

Supreme Specialty Vehicles. The Supreme Specialty Vehicles (SSV) product line specializes in meeting the transportation needs of emergency response and homeland security personnel. Sample products include SWAT rapid deployment vehicles, prisoner transport, mobile command centers, and mobile medical units.

Table of Contents

StarTrans® shuttle buses. The StarTrans® shuttle buses (Senator and Candidate) have seating capacities for 12 to 29 people and are offered with a variety of seating arrangements and with options such as wheelchair lifts, custom interiors, and special exterior paint schemes. The shuttle bus line features an aerodynamic exterior design and is intended for use by hotels, nursing homes, car leasing companies, and airport-related users.

StarTrans® mid-size buses. Supreme s StarTrans® mid-size buses (President and Ambassador) are offered in lengths of up to 31 feet with capacities of up to 35 passengers. This product serves the public transit and tour markets and provides the Company s dealer network with a more comprehensive product line.

StarTrans® trolleys. Supreme s StarTrans® trolley line is similar in size to the mid-size bus line but resembles a San Francisco trolley car. It is marketed to resort areas, theme parks, and cities desiring unique transportation vehicles.

StarTrans® Tourliner. This luxury touring coach provides transportation for up to 39 passengers and is marketed to church groups, retirement communities, colleges, and other touring organizations.

StarTrans® Activity Bus. The Activity Bus is a stylish replacement for the former 15 passenger van and is marketed to churches, schools, day care centers, and other organizations in need of shuttle bus capabilities.

Kold King®, Iner-City®, Spartan, StarTrans®, TourLiner®, and Fuel Shark are tradenames used by Supreme in its marketing of truck bodies and buses. Kold King®, Iner-City®, StarTrans®, FiberPanel® and TourLiner® are trademarks registered in the U.S. Patent and Trademark Office.

Some examples of specialized vehicles that are not manufactured by Supreme are dump bodies, utility bodies, and garbage packers. Neither Supreme nor any of its competitors manufacture every type of specialized vehicle.

During the fourth quarter of 2009, the Company exited its Silver Crown luxury motorhome business. The unprecedented tight credit markets caused by the severe economic recession led to a significant reduction of new motorhome orders and the cancellation of existing orders.

Manufacturing

Supreme s manufacturing facilities are located in Goshen and Ligonier, Indiana; Griffin, Georgia; Cleburne, Texas; Moreno Valley, California; Jonestown, Pennsylvania, and Woodburn, Oregon. Supreme s management estimates that the recent capacity utilization of its plants and equipment ranges from 40% to 75% of capacity when annualized on a one-shift basis.

Supreme builds specialized vehicles and installs other equipment on truck chassis, most of which are provided by converter pool agreements or are owned by dealers or end-users. These truck bodies are built on an assembly line from engineered structural components such as floors, roofs, and wall panels. These components are manufactured from Supreme s proprietary designs and are installed on the truck chassis. Supreme then installs optional equipment and applies any special finishes that the customer has specified. At each step of the manufacturing and installation process, Supreme conducts quality control procedures to ensure that the products meet its customers specifications. Supreme s products are generally produced to firm orders and are designed and engineered by Supreme. Order levels will vary depending upon price, competition, prevailing economic conditions, and other factors.

Supreme is more vertically integrated than many of its competitors. The Company manufactures its own fiberglass reinforced plywood and a portion of its fiberglass parts, and has extensive roll forming and metal bending capabilities. A portion of the excess capacity of these fabrication capabilities has historically been used to supply products to the recreational vehicle and marine industries. These component manufacturing facilities are located in Goshen and Ligonier, Indiana.

Supreme provides limited warranties against construction defects in its products. These warranties generally provide for the replacement or repair of defective parts or workmanship for periods of up to five years following the date of retail sale.

Table of Contents

Marketing

Supreme normally sells the vehicle and/or equipment that has been installed on the chassis to commercial dealers, distributors, fleet leasing companies, or directly to end-users. Products purchased by a dealer from Supreme are sold by the dealer to its own customers. Since Supreme or its distributors generally service all Supreme products sold by the dealers, each dealer is normally located within relatively close geographic proximity to a Supreme facility or the distributor supplying such dealer.

Supreme s distributor/dealer network consists of approximately 40 bus distributors, a limited number of truck equipment distributors, and approximately 1,000 commercial dealers. Management believes that this large network, coupled with Supreme s geographically-dispersed plant and distribution sites, gives Supreme a distinct marketing advantage over its competitors. Supreme generally delivers its products within 4 to 8 weeks after the receipt of orders.

Supreme directly markets products in geographic areas where the Company does not have a distributor. The Company currently operates distribution/mounting facilities in or near the cities of St. Louis, Missouri; Orlando, Florida; and Harrisville, Rhode Island.

Approximately 80 employees are engaged in direct sales. Supreme engages in direct advertising in trade publications, trade shows, and cooperative advertising campaigns with distributors.

Trademarks

The Company owns and maintains trademarks that are used in marketing specialized products manufactured by Supreme. Management believes that these trademarks have significant customer goodwill. For this reason, management anticipates renewing each trademark discussed above for an additional ten-year period prior to such trademark s expiration.

Working Capital

The Company utilizes its revolving line of credit to finance its accounts receivable and inventories. The Company believes that its days sales outstanding and its days inventories on hand are within normal industry levels. The Company had working capital of $21.5 million and $60.3 million at December 26, 2009, and December 27, 2008, respectively. During the third quarter of 2009, the Company reclassified its revolving line of credit from long-term to current (See Note 6 of the Notes to Consolidated Financial Statements for additional information regarding debt and related matters).

Major Customers

No single customer, or group of customers, accounted for 10% or more of the Company s net sales for the fiscal years ended in 2009, 2008, and 2007. The Company s export sales are not significant. For the years ended 2009 and 2008, one customer accounted for 16.6% and 13.3%, respectively, of the Company s total trade accounts receivable.

Competitive Conditions

The highly competitive nature of the specialized vehicle industry presents a number of challenges. With only a few national competitors, the Company often competes with smaller, regional companies. As a result of this broad competition, the Company is often faced with competitive pricing pressures. Other competitive factors include quality of product, lead times, geographic proximity to customers, and the ability to manufacture a product customized to customer specifications.

During favorable business cycles, the industry tends to see an increase in smaller, regional competitors, and then a similar decrease during times of challenging economic pressures. With its national presence, diverse product offerings, and strong financial position, the Company believes that it is well-positioned to meet the competitive challenges presented.

Table of Contents

Governmental Regulation

The Company s operations are subject to a variety of federal, state, and local environmental and health and safety statutes and regulations including those related to emissions to the air, discharges to the water, treatment, storage, and disposal of water, and remediation of contaminated sites. From time to time, the Company has received notices of noncompliance with respect to our operations. These notices have typically been resolved by investigating the alleged noncompliance and correcting any noncompliant conditions.

Seasonality of Business

The Company s business is generally not seasonal in nature due to the normal replacement cycle of its products (being approximately seven years). However, the Company historically has participated in bids for large fleet contracts and, if successful, is generally required to ship these fleet units in the first and second quarters. Additionally, our business depends on various factors that are particularly sensitive to general economic conditions and business cycles including: corporate profitability; interest rates; fuel costs; changes in government regulations (i.e. fuel standards); customer preferences; industrial, commercial, and consumer spending patterns, and availability of truck chassis.

Employees

As of December 26, 2009 and December 27, 2008, the Company employed approximately 1,400 and 1,500 employees, respectively, none of whom are represented by a collective bargaining unit. The Company considers its relations with its employees to be very favorable.

Back Log

The Company s backlog of firm orders was $68.1 million at December 26, 2009 compared to $60.0 million at December 27, 2008.

ITEM 1A. RISK FACTORS.

Any investment in our Common Stock involves a high degree of risk. You should carefully consider the risks and uncertainties described below and the other information included in this Form 10-K before purchasing our Common Stock. Although the risks described below are the risks that we believe are material, they are not the only risks relating to our business and our Common Stock. Additional risks and uncertainties, including those that are not yet identified or that we currently believe are immaterial, may also adversely affect our business, financial condition, or results of operations. If any of the events described below occur, our business and financial results could be materially and adversely affected. The market price of our Common Stock could decline due to any of these risks, perhaps significantly, and you could lose all or part of your investment.

The ongoing economic uncertainty is having a significant negative impact on our industry.

The recent recession and the uncertainty over its breadth, depth, and duration have had a negative impact on the specialized commercial vehicle industry. Accordingly, our financial results have been negatively impacted by the economic downturn notwithstanding cost-cutting measures taken by the Company in response to such downturn. Both our financial results and potential for growth could be further hindered if economic uncertainties continue for a significant period or become worse. The Company may be forced to take additional cost-cutting measures which may adversely affect the Company s ability to execute its business plan.

A lack of credit and financing availability to the Company, its vendors, dealers, or end users could adversely affect our business.

The Company s liquidity and financial condition may be materially and adversely affected if, under its current bank credit agreement, the Company s ability to borrow money from its existing lender to finance its operations is reduced or eliminated. Similar adverse effects may also result if the Company realizes lessened credit availability from trade creditors. Additionally, many of our customers require the availability of financing to facilitate the purchase of our products. As a result, a continuing period of reduced credit availability in the marketplace could have further adverse effects on the Company s business.

Table of Contents

Increases in the price and demand for raw materials could lower our margins and profitability.

Supreme does not have long-term raw material contracts and is dependent upon suppliers of steel, aluminum, wood products, and fiberglass materials, among others, for its manufacturing operations. Consequently, our ability to produce and deliver our products could be affected by disruptions encountered by our raw material suppliers or freight carriers. Additionally, competitive market conditions may prevent the Company from implementing price increases to offset raw material cost increases.

Volatility in the supply of vehicle chassis and other vehicle components could adversely affect our business.

With the exception of some StarTrans bus products, the Company generally does not purchase vehicle chassis for its inventory. The Company accepts shipments of vehicle chassis owned by dealers or end-users for the purpose of installing and/or manufacturing its specialized truck bodies and buses on such chassis. Historically, General Motors Corp. (GM) has been the Company s primary supplier of truck chassis, while Ford Motor Company (Ford) has been the primary supplier of bus chassis. In the event of a disruption in supply from one major supplier, the Company would attempt to use another major supplier, but there can be no assurance that this attempt would be successful. Nevertheless, in the event of chassis supply disruptions, there could be unforeseen consequences that may have a significant adverse effect on the Company s business operations.

The Company also faces risk relative to finance and storage charges for maintaining excess consigned chassis inventory from GM and Ford. Under these consigned inventory agreements, if a chassis is not delivered to a customer within a specified time frame, the Company is required to pay finance or storage charges on such chassis.

We compete in the highly competitive specialized vehicle industry which may impact our financial results.

The competitive nature of the specialized vehicle industry creates a number of challenges for the Company. Important factors include product pricing, quality of product, lead times, geographic proximity to customers, and the ability to manufacture a product customized to customer specifications. Specialized vehicles are produced by a number of smaller, regional companies which create product pricing pressures that could adversely impact the Company s profits. Chassis manufacturers have not generally shown an interest in manufacturing specialized vehicles, including truck bodies and buses, because such manufacturers highly-automated assembly line operations do not lend themselves to the efficient production of a wide variety of highly specialized vehicles with various options and equipment.

We have potential exposure to environmental and health and safety liabilities which may increase costs and lower profitability.

Our operations are subject to a variety of federal, state, and local environmental and health and safety statutes and regulations, including those relating to emissions to the air, discharges to water, treatment, storage, and disposal of waste, and remediation of contaminated sites. In certain cases, these requirements may limit the productive capacity of our operations.

Certain laws, including the Federal Comprehensive Environmental Response, Compensation, and Liability Act of 1980, as amended, have imposed strict and, under certain circumstances, joint and several liability for costs to remediate contaminated sites upon designated responsible parties including site owners or operators and persons who dispose of wastes at, or transport wastes to, such sites.

From time to time, we have received notices of noncompliance with respect to our operations. These notices have typically been resolved by investigating the alleged noncompliance and correcting any non-compliant conditions. New environmental requirements, more aggressive enforcement of existing ones, or discovery of presently unknown conditions could require material expenditures or result in liabilities which could limit expansion or otherwise have a material adverse effect on our business, financial condition, and operating cash flows.

Table of Contents

A product liability claim in excess of our insurance coverage, or an inability to acquire or maintain insurance at commercially reasonable rates, could have a materially adverse effect upon our business.

We face an inherent risk of exposure to product liability claims if the use of our current and formerly manufactured products result, or are alleged to result, in personal injury and/or property damage. If we manufacture a defective product, we may experience material product liability losses in the future. In addition, we may incur significant costs to defend product liability claims. We could also incur damages and significant costs in correcting any defects, lost sales, and suffer damage to our reputation. Our product liability insurance coverage may not be adequate for liabilities we could incur and may not continue to be available on terms acceptable to us.

Our manufacturer s warranties expose us to potentially significant claims.

We are subject to product warranty claims in the ordinary course of our business. If we manufacture poor quality products or receive defective materials, we may incur unforeseen costs in excess of what we have reserved in our financial statements. These costs could have a material adverse affect on our business and operating cash flows.

We depend on the services of our key executives. Any loss of our key executives could have a material adverse effect on our operations.

Our ability to compete successfully and implement our business strategy depends on the efforts of our senior management personnel. The loss of the services of any one or more of these individuals could have a material adverse effect on our business. We do not maintain key-man life insurance policies on any of our executives. If we were unable to attract qualified personnel to our management, our existing management resources could become strained which would harm our business and our ability to implement our strategies.

Our relatively low trading volumes may limit our stockholders ability to sell their shares.

Our Class A Common Stock has experienced, and may continue to experience, price volatility and low trading volumes. Overall market conditions, and other risk factors described herein, may cause the market price of our Class A Common Stock to fall. Our high and low sales prices for the twelve month period ended December 26, 2009, were $3.17 and $0.73, respectively. Our Class A Common Stock is listed on the NYSE Amex exchange under the symbol STS. However, daily trading volumes for our Class A Common Stock are, and may continue to be, relatively small compared to many other publicly-traded securities. For example, during the twelve month period ended December 26, 2009, our daily trading volume has been as low as zero. It may be difficult for you to sell your shares in the public market at any given time at prevailing prices, and the price of our Class A Common Stock may, therefore, be volatile.

Our officers and directors own a large percentage of our common stock. They may vote their shares in ways with which you disagree.

As of March 8, 2010, our officers and directors as a group beneficially owned 29.5% of our Class A Common Stock and 91.1% of our Class B Common Stock. As a result, they will continue to be able to exercise significant influence, and in most cases, control, over matters requiring shareholder approval, including the election of directors, changes to our charter documents, and significant corporate transactions. This concentration of ownership makes it unlikely that any other holder or group of holders of our Class A Common Stock will be able to affect the way we are managed or the direction of our business.

Our split classes of stock may make it more difficult or expensive for a third party to acquire the Company which may adversely affect our stock price.

Our outstanding Common Stock is split into two classes. The Class A Common Stock is listed on the NYSE Amex exchange, and the holders thereof are entitled to elect two members of the Company s Board of Directors. The majority (91.1%) of the Class B Common Stock is owned or controlled by the Company s officers and directors and is entitled to elect the remaining six members of the Company s Board of Directors. The continuing ability of the holders of our Class B Common Stock to elect a majority of the members of the Company s Board of Directors will make it difficult for another company to acquire us and for you to receive any related take-over premium for your shares (unless the controlling group approves the sale).

Table of Contents

Our internal controls provide only reasonable assurance that objectives are met. Failure of one or more of these controls could adversely affect the Company.

While the Company believes that its control systems are effective, there are inherent limitations in all control systems, and misstatements due to error or fraud may occur and not be detected. The Company continues to take action to assure compliance with the internal controls, disclosure controls, and other requirements of the Sarbanes-Oxley Act of 2002. Management, including our Chief Executive Officer and Chief Financial Officer, cannot guarantee that our internal controls and disclosure controls will prevent all possible errors or all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints, and the benefit of controls must be relative to their costs. Because of the inherent limitations in all control systems, no system of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Further, controls can be circumvented by individual acts of some persons, by collusion of two or more persons, or by management override of the controls. The design of any system of controls is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may be inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

(See other risk factors listed under the following captions: Critical Accounting Policies and Estimates and Forward-Looking Statements).

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

Table of Contents

ITEM 2. PROPERTIES.

Set forth below is a brief summary of the properties which are owned or leased by the Company.

	Square Footage	Owned or Leased	Operating Segment
Manufacturing of Products			
Jonestown, Pennsylvania	429,376	Owned	Specialized Vehicles
Goshen, Indiana	287,796	Leased	Specialized Vehicles
Goshen, Indiana	195,939	Owned	Specialized Vehicles
Cleburne, Texas	177,035	Owned	Specialized Vehicles
Woodburn, Oregon	116,760	Owned	Specialized Vehicles
Griffin, Georgia	105,379	Leased	Specialized Vehicles
Moreno Valley, California	103,200	Owned	Specialized Vehicles
Griffin, Georgia	86,400	Owned	Specialized Vehicles
White Pigeon, Michigan (1)	74,802	Owned	Specialized Vehicles
Ligonier, Indiana	23,540	Owned	Specialized Vehicles
	1,600,227		
Manufacturing of Component Parts			
Goshen, Indiana	57,570	Owned	Fiberglass Products
Ligonier, Indiana	52,142	Owned	Fiberglass Products
	109,712		
Distribution			
Harrisville, Rhode Island	20,000	Owned	Specialized Vehicles
Apopka, Florida	5,200	Owned	Specialized Vehicles
St. Louis, Missouri	4,800	Owned	Specialized Vehicles
Colorado Springs, Colorado	950	Leased	Specialized Vehicles
	30,950		
Properties Held for Sale			
Wilson, North Carolina (2)	113,694	Owned	Not Applicable
Streetsboro, Ohio (3)	11,900	Owned	Not Applicable
Springfield, Ohio (4)	11,200	Owned	Not Applicable
	136,794		
Corporate Office Building			
Goshen, Indiana	26,000	Owned	Not Applicable
Total square footage	1,903,683		

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(1) During the fourth quarter of 2009, the Company ceased business operations at its White Pigeon, Michigan facility which produced luxury motorhomes. The Company is in the process of assessing the viability of selling or leasing this facility.

(2) During the third quarter of 2002, the Company ceased business operations at its manufacturing facility in Wilson, North Carolina. Since then, the property has been, and continues to be, listed for sale; however, the Company has been unable to sell the property because of weak economic conditions and excess building facilities in this region of the country. While retaining the right to sell the property to interested buyers, the Company does currently lease a portion of this property to an unrelated business.

(3) During the first quarter of 2009, the Company ceased business operations at its Streetsboro, Ohio distribution facility. This facility is currently being marketed for sale.

(4) During the second quarter of 2009, the Company ceased business operations at its distribution facility in Springfield, Ohio. This facility was sold on January 26, 2010.

The facilities owned or leased by the Company are well maintained, in good condition, and adequate for our purposes.

Table of Contents

ITEM 3. LEGAL PROCEEDINGS

The Company is subject to various investigations, claims, and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be resolved unfavorably to the Company. The Company has established accruals for matters that are probable and reasonably estimable. Management believes that any liability that may ultimately result from the resolution of these matters in excess of accruals and or amounts provided by insurance coverage will not have a material adverse effect on the consolidated financial position or results of operations of the Company.

ITEM 4. RESERVED

PART II

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

The Company s Class A Common Stock is traded on the NYSE Amex exchange (ticker symbol STS). The number of record holders of the Class A Common Stock as of March 8, 2010 was approximately 251. Due to the number of shares held in nominee or street name, it is likely that there are substantially more than 251 beneficial owners of the Company s Class A Common Stock.

The Company s Class A Common Stock closed at a price of $2.70 per share on the NYSE Amex exchange on March 8, 2010 on which date there were 12,227,860 shares of Class A Common Stock outstanding. Adjusted for the two percent (2%) and six percent (6%) common stock dividends declared and paid during 2008 (see dividend data below), high and low sales prices of the Class A Common Stock for the two-year period ended December 26, 2009 were:

	2009		2008	
	High	Low	High	Low
1st Quarter	$ 1.65	$ 0.73	$ 5.95	$ 4.95
2nd Quarter	1.84	0.80	5.28	3.71
3rd Quarter	3.17	1.55	4.70	2.75
4th Quarter	2.99	1.85	2.83	0.68

All of the 2,120,382 outstanding shares of the Company s Class B Common Stock were held by a total of 14 persons as of March 8, 2010. There is no established trading market for the Class B Common Stock. The Class B Common Stock is freely convertible on a one-for-one basis into an equal number of shares of Class A Common Stock, and ownership of the Class B Common Stock is deemed to be beneficial ownership of the Class A Common Stock under Rule 13d-3(d) (1) promulgated under the Securities Exchange Act of 1934.

Table of Contents

The Company did not declare or pay any stock dividends during the year ended December 26, 2009. The Board of Directors approved the following stock dividends on its outstanding Class A and Class B Common Stock during the year ended December 27, 2008:

Declaration Date	Record Date	Paid Date	Stock Dividend Per Share
2008			
August 11, 2008	August 22, 2008	August 29, 2008	2%
November 10, 2008	November 21, 2008	November 28, 2008	6%

All basic and diluted shares outstanding have been adjusted to reflect the two percent (2%) and six percent (6%) common stock dividends declared and paid during 2008.

The Company did not declare or pay any cash dividends during the year ended December 26, 2009. The Board of Directors approved the following cash dividends on its outstanding Class A and Class B Common Stock during the year ended December 27, 2008. Adjusted for the common stock dividends declared and paid in 2008, cash dividends were:

Declaration Date	Record Date	Paid Date	Cash Dividend Per Share	
2008				
February 12, 2008	February 25, 2008	March 3, 2008	$	.088
May 6, 2008	May 20, 2008	May 27, 2008	$	.088

Future dividend payments will necessarily be subject to business conditions, the Company s financial position, and requirements for working capital, property, plant and equipment expenditures, and other corporate purposes.

Equity Compensation Plan Information

The following table provides information as of December 26, 2009 with respect to the shares of the Company s Class A Common Stock that may be issued under the Company s equity compensation plans:

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights	(b) Weighted-average exercise price of outstanding options, warrants and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))

Equity compensation plans approved by security holders	1,246,082	$ 5.00	60,100

Table of Contents

ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data has been derived from our consolidated financial statements. The data set forth below should be read in conjunction with Management s Discussion and Analysis of Financial Condition and Results of Operations and our consolidated financial statements and notes thereto.

All per share data have been adjusted to reflect the two percent (2%) and six percent (6%) common stock dividends declared and paid during 2008.

	For Fiscal Years Ended				
	2009	**2008**	**2007**	**2006**	**2005**
Consolidated Statement of Continuing Operations Data: (in millions, except per share amounts)					
Net sales (a)	$ 192.0	$ 257.9	$ 301.7	$ 336.7	$ 341.3
Net income (loss) from continuing operations	(6.5)	(2.1)	4.2	4.9	8.3
Net income (loss) from continuing operations per share:					
Basic earnings (loss) per share	(0.46)	(0.15)	0.30	0.35	0.62
Diluted earnings (loss) per share	(0.46)	(0.15)	0.30	0.35	0.60
Cash dividends per common share		0.18	0.35	0.35	0.24
Consolidated Balance Sheet Data: (in millions)					
Working capital (b)	$ 21.5	$ 60.3	$ 58.5	$ 66.6	$ 60.8
Total assets	109.4	125.5	132.8	142.1	137.4
Total debt	27.3	33.6	29.8	40.7	33.2
Stockholders equity	62.6	70.4	75.5	75.2	75.2

(a) Net sales for 2005 have been adjusted from amounts previously reported as Revenue to exclude other income and report only net sales.

(b) During the third quarter of 2009, the Company reclassified its revolving line of credit from long-term to current (See Note 6 of the Notes to Consolidated Financial Statements for additional information regarding debt and related matters).

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

Overview

Established in 1974 as a truck body manufacturer, Supreme Industries, Inc., through its wholly-owned subsidiary Supreme Corporation, is one of the nation s leading manufacturers of specialized commercial vehicles. Utilizing a nationwide direct sales and distribution network, as well as manufacturing and service facilities in nine states across the continental United States, Supreme is able to meet the needs of customers across all of North America.

The Company engages principally in the production and sale of customized truck bodies, buses, and other specialty vehicles. Building on its expertise in providing both cargo and passenger transportation solutions, the Company s specialty offerings include products such as customized armored vehicles, homeland response vehicles, and portable storage units.

Table of Contents

The Company and its product offerings are sensitive to various factors which include, but are not limited to, economic conditions, interest rate fluctuations, volatility in the supply chain of vehicle chassis, and the availability of credit and financing to the Company, our vendors, dealers, or end users. The Company s business is also affected by the availability and costs of certain raw materials that serve as significant components of its product offerings. The Company s risk factors are disclosed in Item 1A Risk Factors of this document.

The following discussion should be read in conjunction with the consolidated financial statements and related notes thereto located in Item 8 of this document and pertain to continuing operations unless otherwise noted.

Results of Operations

Comparison of 2009 with 2008

For the year ended 2009, Supreme continued to experience significantly lower demand for its core dry-freight trucks. We endured recession-related weak demand in the commercial truck market which resulted in a 52% year-over-year decline in unit shipments which was in addition to the 13% decrease in unit shipments experienced in 2008 as compared with 2007. As core dry-freight trucks and related products having historically represented approximately 65% of our revenues, our total revenues have been dramatically affected by these conditions. In our efforts to ultimately emerge from the current economic environment as one of the strongest companies in our industry, we continued to execute on our strategy of cost containment, production efficiencies, market expansion, and product diversification.

By the end of 2009, we had reduced our annualized operating costs by more than $15 million but were unable to adjust our cost structure rapidly enough to avoid losses for the past two years, which were the first loss years in the Company s 35-year history. We continue to look for opportunities to make our operations leaner and have implemented additional cost reductions that should be realized in 2010. The cumulative cost reductions have been derived from, among other factors, personnel and salary reductions, suspension of the Company s 401K contributions, process improvements, plant closures and consolidations, outsourcing, and improved inventory management.

In addition, during the fourth quarter of 2009, the Company terminated its Silver Crown luxury motorhome business and has reclassified prior-period results accordingly as discontinued operations. The unprecedented tight credit markets caused by the severe economic recession led to a significant reduction of new motorhome orders and the cancellation of existing orders. During the year, we also incurred production start-up costs in both our Pennsylvania and Oregon bus operations as we expanded capacity in those locations to meet the recent increase in bus demand.

Having taken the above-described actions, we believe that we are more competitively positioned and look forward to achieving earnings when revenues improve from either core truck or other products. In our effort to increase revenues, we have invested in product improvements, technology, and our sales organization. We also increased efforts to sell product lines that have reasonable continuing market demand (i.e. buses, armored vehicles, etc.) while pursuing profitable dry-freight orders as business conditions permit. With recent improvements to our new Signature body and improved production processes, we believe that our truck division is well-positioned to capitalize on an increase in demand for dry-freight units. Further, we continually work to improve our operational processes, researching new materials to increase value to our customers with an emphasis on green materials and technologies, while also upgrading existing and developing new product offerings.

We believe that the commercial truck market is poised for a rebound since the average age of fleet vehicles in use is estimated to be more than nine years compared with the historic average of seven years. Some industry analysts are predicting truck sales to increase by double-digits in each of the next two years. With Supreme s product diversification, cost reductions, and overall market share, we are positioned for a meaningful improvement in our financial performance if these predictions hold true. However, in the event the dry-freight truck demand remains low and does not rebound from current levels during 2010, we will take additional measures to improve our financial performance while continuing to push for increased revenues from other product groups.

Table of Contents

Finally, the Company s focus on asset management continues as evidenced by our total debt-to-equity ratio which improved since the beginning of 2009, along with a total debt level decrease of 19% or $6.3 million.

Net Sales

Net sales for the year ended December 26, 2009 decreased $65.9 million to $192.0 million as compared with $257.9 million for the year ended December 27, 2008. The following table presents the components of net sales and the changes from 2009 to 2008:

($000 s omitted)	2009	2008	Change	
Specialized vehicles:				
Trucks	$ 98,167	$ 162,668	$ (64,501)	(39.7)%
Buses	70,976	79,139	(8,163)	(10.3)
Armored vehicles	18,752	6,003	12,749	212.4
	187,895	247,810	(59,915)	(24.2)
Composites	4,141	10,093	(5,952)	(59.0)
	$ 192,036	$ 257,903	$ (65,867)	(25.5)%

We attribute the decrease in our truck product sales primarily to the economic recession which resulted in an industry-wide decline in demand within the retail truck market. This, combined with decreased orders from major fleet customers in 2009, resulted in a revenue decrease of almost 40% for the year when compared to the 2008 year. Based on industry data, we do not believe that we lost market share during 2008 and 2009 but rather the domestic dry-freight industry demand declined dramatically as a result of the overall economic conditions. According to the POLK *Commercial Vehicle Market Intelligence Report*, calendar year 2009 represented the lowest total for new commercial vehicle registrations in a calendar year since POLK started tracking the data in 1985.

Although sales were down $8.2 million (10.3%) for the year, our StarTrans bus division continued to experience good demand due in part to the availability of funds from the 2009 federal economic stimulus plan and an increased use of more economical public transportation. With our recently expanded capacity and our strong backlog for this division, we anticipate continued favorable contributions from our bus division in 2010.

The armored division sales increase of $12.7 million was primarily the result of our contract with the U.S. Department of State to produce armored Suburbans for embassies abroad. We believe that the armored division is also well-positioned for 2010 due to the increased backlog and the positive response we are receiving from other governmental agencies regarding our armored product offerings and product quality.

The decrease in composite sales of fiberglass reinforced plywood and other fiberglass products of $6 million (59%) was due to the overall decline in the commercial truck market.

The Company s sales backlog began to increase during the final quarter of 2009 reaching its highest level in more than a year and was up 13% to $68.1 million at December 26, 2009 as compared with $60.0 million at the end of December 2008. The improved backlog is related to increased

demand for buses and armored vehicles while the truck backlog decreased from the prior year and was quite low when compared with backlog levels in more normal economic conditions. Although not reflected in our year-end backlog levels, increased quoting activity in most of the Company s sales territories, as well as signs of stabilization in the commercial truck market, have been observed.

Table of Contents

Cost of sales and gross profit

Gross profit decreased by $11.4 million, or 47.5%, to $12.6 million for the year ended December 26, 2009 as compared with $24.0 million for the year ended December 27, 2008. The following table presents the components of cost of sales as a percentage of net sales and the changes from 2009 to 2008:

	2009	2008	Percent Change
Material	58.8%	57.5%	1.3%
Direct Labor	14.0	14.0	
Overhead	18.3	16.3	2.0
Delivery	2.3	2.9	(0.6)
Cost of sales	93.4	90.7	2.7
Gross profit	6.6%	9.3%	(2.7)%

Material Material cost as a percentage of net sales increased by 1.3% for the year ended December 26, 2009 as compared with 2008. The change in the material percentage was primarily related to changes in our product mix reflecting our increased sales in our bus division, which has a higher material percentage than our core truck products, and accounted for 37.0% of our total net sales in 2009 compared to 30.7% for the same period in 2008. The material percentage for the truck division increased slightly during the year resulting from higher sales discounts to win sales orders and due to producing more specialized truck units.

Raw material costs have recently stabilized for certain commodities, particularly for aluminum and steel products. The Company closely monitors all major commodities and continually reviews the financial viability of its primary vendors. We also strive to reduce manufacturing costs through the use of improved technologies, processes, and supply chain management tactics and strategies.

Direct Labor The direct labor as a percentage of net sales (14%) was unchanged for the year ended December 26, 2009 as compared with 2008. During this economic downturn the Company has worked toward improving the overall direct labor percentage and continues its effort in this regard.

Overhead Overhead as a percentage of net sales increased by 2.0% for the year ended December 26, 2009 as compared with 2008. The majority of the increase in the overhead percentage was due to the fixed nature of certain expenses that do not fluctuate when sales volume changes. Additionally, group health insurance expense was higher than anticipated as a result of a few large medical claims. In an effort to control its health care costs, the Company continues to implement changes to its employee benefit plan design with an increased focus on preventive care. We continue to focus on reducing operating expenses and managing our overhead cost structure based on prevailing sales levels.

Delivery Delivery as a percentage of net sales decreased by 0.6% for the year ended December 26, 2009 as compared with 2008. The Company continues to utilize more cost-effective delivery methods to counteract the adverse impact of high fuel costs.

Selling, general and administrative expenses

Selling, general and administrative (G&A) expenses decreased by $4.0 million, or 15.3%, to $22.1 million for the year ended December 26, 2009 as compared with $26.1 million for the year ended December 27, 2008. The following table presents selling and G&A expenses as a percentage of net sales and the changes from 2009 to 2008:

Table of Contents

($000 s omitted)	2009		2008		Change	
Selling expenses	$ 7,358	3.8%	$ 9,844	3.8%	$ (2,486)	%
G&A expenses	14,712	7.7	16,297	6.3	(1,585)	1.4
Total	$ 22,070	11.5%	$ 26,141	10.1%	$ (4,071)	1.4%

Selling expenses Selling expenses declined for the year ended December 26, 2009 as compared with 2008. The decrease was a result of lower commission expense, selling wages, and other employee-related expenses due to lower sales volumes and several proactive cost reduction efforts. These declines were partially offset by fewer cooperative marketing credits the Company received from chassis manufacturers.

G&A expenses G&A expenses decreased for the year ended December 26, 2009 as compared with 2008. The decrease was primarily attributable to reduced employee headcount and the related payroll and benefits which are a large part of the cost savings initiatives begun in mid-2008. The increase as a percentage of sales was due to the fixed nature of certain G&A expenses that do not fluctuate when sales volume changes.

Other income

For the year ended December 26, 2009, other income was $0.8 million (0.4% of net sales) as compared with $1.1 million (0.4% of net sales) for the year December 27, 2008. Other income consisted of rental income, gain on sale of assets, and other miscellaneous income received by the Company.

Interest expense

Interest expense was $2.2 million (1.1% of net sales) for the year ended December 26, 2009 as compared with $1.9 million (0.7% of net sales) for the year ended December 27, 2008. The increased bank interest expense reflected higher interest rates under the Company s credit facility due to recent operating losses. This was somewhat offset by lower prevailing LIBOR and prime interest rates coupled with reduced debt levels due to lower working capital requirements. Chassis interest expense increased due to the slowdown in the light-duty truck market causing a build-up of consigned chassis inventory. The Company continuously monitors the age of consigned chassis with the objective of minimizing chassis interest expense.

Income taxes

The Company s estimated effective income tax rate was (39.6)% for the year ended December 26, 2009 as compared with (41.5)% for the year ended December 27, 2008. The estimated effective income tax rate for both periods were favorably impacted by tax benefits associated with the Company s wholly-owned captive insurance subsidiary, federal alternative fuel tax credits, and research and development tax credits. The combination of these tax benefits along with the incurred pretax losses resulted in an overall tax benefit position for the Company in each of the 2009 and 2008 years.

Net loss

Net loss from continuing operations increased by $4.4 million to $6.5 million (-3.4% of net sales) for the year ended December 26, 2009 from a net loss of $2.1 million (-0.8% of net sales) for the year ended December 27, 2008.

Table of Contents

Discontinued Operations

As noted earlier, the Company terminated its Silver Crown luxury motorhome business and has reclassified prior-period results accordingly as discontinued operations. The unprecedented tight credit markets caused by the severe economic recession led to a significant reduction of new motorhome orders and the cancellation of existing orders. The after tax loss from discontinued operations related to our Silver Crown recreational vehicle division was $2.2 million in 2009 and $0.9 million in 2008.

Basic and diluted loss per share

The following table presents basic and diluted loss per share and the changes from 2009 to 2008:

	2009	2008	Change
Basic and diluted net loss per share:			
Loss from continuing operations	$ (0.46)	$ (0.15)	$ (0.31)
Loss from discontinued operations	(0.16)	(0.07)	(0.09)
Net loss	$ (0.62)	$ (0.22)	$ (0.40)

Comparison of 2008 with 2007

Discontinued operations

During the fourth quarter of 2009, the Company terminated its Silver Crown luxury motorhome business and has reclassified prior-period results accordingly as discontinued operations. As a result, certain amounts in the comparison of 2008 with 2007 have been adjusted to reflect the reported discontinued operations to conform to the 2009 presentation. These changes had no effect on stockholders equity or overall net income or losses as previously reported.

General

The following consolidated results of operations pertain to continuing operations unless otherwise noted.

Net Sales

Net sales for the year ended December 27, 2008 decreased $43.8 million to $257.9 million as compared with $301.7 million for the year ended December 29, 2007. The decrease in net sales was primarily related to our truck body sales, our largest product group, which declined by $46.5 million. Our armored truck division and composite division experienced a decline in net sales of $7.8 million and $3.2 million, respectively. Partially offsetting these decreases was an increase in net sales by our StarTrans bus division of $13.7 million, or 21.0%, to $79.1 million for the year ended December 27, 2008.

The following table presents the components of net sales and the changes from 2008 to 2007:

($000 s omitted)		**2008**		**2007**		**Change**	
Specialized vehicles:							
Trucks	$	162,668	$	209,181	$	(46,513)	(22.2)%
Buses		79,139		65,410		13,729	21.0
Armored vehicles		6,003		13,813		(7,810)	(56.5)
		247,810		288,404		(40,594)	(14.1)
Composites		10,093		13,251		(3,158)	(23.8)
	$	257,903	$	301,655	$	(43,752)	(14.5)%

Table of Contents

We attributed the decrease in our truck product sales to the economic recession which resulted in an industry-wide decline in the retail truck market. Additionally, truck products were negatively impacted in the first half of 2008 by the cancellation of approximately $2.6 million of orders from a major fleet customer due to the disruption in the supply of General Motors (GM) chassis resulting from a labor dispute between the United Auto Workers and GM s axle supplier. This labor dispute was settled in the second quarter, but returning to normal conditions was further delayed by a second labor strike against a chassis delivery provider which was later resolved. The disruption adversely affected our profitability and resulted in excess inventory carrying costs for both our fleet and retail business during the first half of 2008.

The armored division sales decline was the result of the economic environment and the highly competitive nature of the cash-in-transit business.

StarTrans bus division continued to experience strong demand resulting from increased use of mass transit due to the volatility of fuel prices and increased ridership as more individuals conserve energy to live a green life style.

Total sales backlog was $60.0 million at December 27, 2008 as compared with $87.0 million at December 29, 2007.

Cost of sales and gross profit

Gross profit decreased by $9.7 million, or 28.8%, to $24.0 million for the year ended December 27, 2008 as compared with $33.7 million for the year ended December 29, 2007. The following table presents the components of cost of sales as a percentage of net sales and the changes from 2008 to 2007:

	2008	**2007**	**Percent Change**
Material	57.5%	56.7%	0.8%
Direct Labor	14.0	13.9	0.1
Overhead	16.3	15.5	0.8
Delivery	2.9	2.7	0.2
Cost of sales	90.7	88.8	1.9
Gross profit	9.3%	11.2%	(1.9)%

Material Material cost as a percentage of net sales increased for the year ended December 27, 2008 as compared with 2007. The change in the material percentage was primarily related to higher raw material costs and product mix. Our change in product mix related to our bus division, which had a higher material percentage and accounted for a 30.7% of our total sales in 2008 compared to 21.7% for the same period in 2007.

Raw material costs, particularly for aluminum, steel, and petroleum-based products, increased in 2008. We attempted to address the unavoidable raw material cost increases by increasing the prices of our products to the limited extent that our highly competitive markets permitted. We announced price increases of 3.0% and 5.0% in March and June, respectively, on all core truck product lines. Our StarTrans bus division implemented price increases of 2.5% and 3.0% effective in January and June, respectively. We also strived to reduce manufacturing costs through the use of technology (i.e., robotics, innovative materials, etc.), lean manufacturing, and improved processes. The ongoing efforts, as well as product diversification and the introduction of our Signature Van Body, helped us to mitigate the effect of any future increases in raw

material costs.

Direct Labor Direct labor as a percentage of net sales increased for the year ended December 27, 2008 as compared with 2007. The slight increase in the direct labor percentage was the result of inefficiencies resulting from the labor strikes (as discussed previously), timing of fleet customer buying patterns, and the normal startup costs of additional production lines to fulfill fleet orders.

Additionally, our StarTrans bus division experienced an increase in its labor percentage due to employee training costs associated with our regional plants bus production line start-up costs. The expanded capacity improved plant utilization while accelerating delivery to satisfy our bus backlog.

Table of Contents

Overhead Overhead as a percentage of net sales increased for the year ended December 27, 2008 as compared with 2007. The majority of the increase in the overhead percentage was due to the fixed nature of certain expenses that do not fluctuate when sales volume changes. The Company also experienced higher costs for research and development which was associated with the investments in Signature Van Body and the armored Suburban contract. During 2008, the Company reduced its cost and benefited from changes to its group health insurance plan design. Additionally, the Company s continued safety efforts decreased our workers compensation expense year-over-year as additional programs were implemented. We continued to focus on reducing expenses and managing our overhead cost structure based on our level of sales volume.

Delivery Delivery as a percentage of net sales increased for the year ended December 27, 2008 as compared with 2007. The Company continued to research and utilize more cost-effective delivery methods to reduce the adverse impact of volatile fuel costs.

Selling, general and administrative expenses

Selling, general and administrative (G&A) expenses decreased by $0.5 million, or 1.9%, to $26.1 million for the year ended December 27, 2008 as compared with $26.6 million for the year ended December 29, 2007. The following table presents selling and G&A expenses as a percentage of net sales and the changes from 2008 to 2007:

($000 s omitted)		**2008**			**2007**			**Change**	
Selling expenses	$	9,844	3.8%	$	9,658	3.2%	$	186	0.6%
G&A expenses		16,297	6.3		16,911	5.6		(614)	0.7
Total	$	26,141	10.1%	$	26,569	8.8%	$	(428)	1.3%

Selling expenses Selling expenses increased by $0.1 million, or 1.0%, to $9.8 million for the year ended December 27, 2008 from $9.7 million for the year ended December 29, 2007. This increase was due to the investment in training costs, literature, promotion, and advertising expenses resulting from the new Signature Van Body. Partially offsetting this increase was a reduction in commission expense resulting from the lower sales volume in 2008 when compared to 2007.

G&A expenses General and administrative expenses decreased by $0.6 million, or 3.6%, to $16.3 million for the year ended December 27, 2008 from $16.9 million for the year ended December 29, 2007. This decrease in general and administrative expenses was primarily due to lower incentive compensation accruals as a result of the decrease in pretax income. Additionally, we incurred one-time professional fees during 2007 related to complying with the requirements of the Sarbanes-Oxley Act of 2002.

Goodwill Impairment

In the fourth quarter of 2008, the Company recorded a goodwill impairment charge of approximately $0.7 million. Goodwill was tested for impairment at December 27, 2008 and due primarily to the depressed market price of the Company s Class A Common Stock and consequent difference between the market capitalization and book value of the Company, management recorded an impairment charge against the full balance of this asset.

19

Table of Contents

Other income

For the year ended December 27, 2008, other income was $1.1 million (0.4% of net sales) as compared with $0.6 million (0.2% of net sales) for the year ended December 29, 2007. Other income consisted of rental income, gain on sale of assets, and other miscellaneous income received by the Company through its various business activities. This increase was primarily the result of gains recognized on the sale of two service and distribution centers. The closure of the service and distribution centers resulted from the Company s continued strategy to maximize efficiency through streamlined operations and reduced costs.

Interest expense

Interest expense was $1.9 million (0.7% of net sales) for the year ended December 27, 2008 as compared with $2.2 million (0.7% of net sales) for the year ended December 29, 2007. This decrease in interest expense reflected lower prevailing interest rates coupled with lower working capital requirements resulting from lower sales volume.

Income taxes

The Company s effective income tax rate was (41.5)% for the year ended December 27, 2008, as compared with 23.8% for the year ended December 29, 2007. The estimated effective income tax rate for both periods was favorably impacted by tax benefits associated with the Company s wholly-owned captive insurance subsidiary, federal alternative fuel tax credits, and research and development tax credits. The substantially lower pretax income for fiscal 2008 resulted in a tax benefit position for the Company.

Net income (loss)

Net income (loss) from continuing operations decreased by $6.3 million to $(2.1) million (-0.8% of net sales) for the year ended December 27, 2008, from $4.2 million (1.4% of net sales) for the year ended December 29, 2007.

Intangible asset impairment on discontinued operations

In connection with a business acquisition of Pony Xpress, LLC, in February 2006, the Company acquired a customer list totaling approximately $0.7 million. Due to the significant downturn in the economy, motorhome industry, and selected customers financial positions, the Company recorded an impairment charge against the remaining balance of this asset in the fourth quarter of 2008. As a result of total impairment, no future amortization expense will be recorded against this intangible asset.

Basic and diluted earning (loss) per share

The following table presents basic and diluted earnings (loss) per share and the changes from 2008 to 2007:

	2008	2007	Change
Basic and diluted net earning (loss) per share:			
Earning (loss) from continuing operations	$ (0.15)	$ 0.30	$ (0.45)
Earning (loss) from discontinued operations	(0.07)		(0.07)
Net earnings (loss)	$ (0.22)	$ 0.30	$ (0.52)

Table of Contents

Liquidity and Capital Resources

Cash Flows

The Company s primary sources of liquidity have been cash flows from operating activities and borrowings under a credit facility with JPMorgan Chase Bank, N. A., entered into by Supreme Corporation, the Company s wholly-owned subsidiary. Principal uses of cash have been to support working capital demands, meet debt service requirements, and finance capital expenditure needs.

Operating activities

Cash flows from operations represent the net income earned or the net loss sustained in the reported periods adjusted for non-cash charges and changes in operating assets and liabilities. Operating activities provided $7.3 million of cash for the year ended December 26, 2009 as compared with cash provided of $1.1 million for the year ended December 27, 2008. In 2009, cash provided by operating activities was favorably impacted by a $12.7 million reduction in inventory due to lower production levels related to lower sales and also improved inventory management. During 2009, the Company improved its inventory management resulting in higher inventory turns which increased by over 20% year-over-year. Further, the accounts receivable decreased by $2.3 million resulting from the lower revenues and accounts payable increased by $1.6 million as a result of ongoing operating cash management strategies. This was offset by a $2.7 million increase in other current assets resulting principally from an increase in income tax refund claims receivable. Additionally, other accrued liabilities decreased $1.6 million principally due to lower customer deposits in 2009. The net loss, adjusted for depreciation and amortization, unfavorably impacted cash flows by $4.7 million for the year ended December 26, 2009.

Investing activities

Cash used in investing activities was $0.4 million for the year ended December 26, 2009 as compared with $3.1 million for the year ended December 27, 2008. Capital expenditures for the year totaled $1.9 million and consisted primarily of replacement machinery and equipment to improve efficiencies at our armored truck division. This was offset by the sale of investments of $1.1 million in our wholly-owned captive insurance subsidiary and an additional $0.5 million in proceeds from the sale of assets during the year ended December 26, 2009.

Financing activities

Financing activities used $6.7 million of cash for the year ended December 26, 2009 principally to pay down bank debt as compared with cash provided of $1.6 million for the year ended December 27, 2008. The lower level of bank borrowings for the year occurred primarily as a result of the decreased inventories resulting principally from lower production and inventory management practices. Effective December 23, 2009, the Company terminated its interest rate swap arrangement and paid $375,000 (the fair value of the swap on such date). Because of the prevailing industry conditions, the Company s Board of Directors suspended paying cash dividends effective as of February 16, 2009. Future dividends will be subject to business conditions, the Company s financial position, and requirements for working capital, property, plant, and equipment expenditures, and other corporate purposes.

Capital Resources

During the quarter ended December 26, 2009, Supreme Corporation, the Company s wholly-owned subsidiary, was not in compliance with an earnings-related covenant and a minimum tangible net worth covenant in its Credit Agreement. The Company is in the process of obtaining an amendment to the Credit Agreement that will waive the covenant defaults and suspend the measurements until the second quarter of 2010 to provide the Company, with the assistance of consultants engaged in February 2010, time to refine and implement its profit improvement plan. Additionally, the amendment will require the Company and its subsidiaries to pledge all assets as collateral under the Credit Agreement. Management, based on discussions with the bank, is reasonably confident that in the near future the Company will conclude a satisfactory amendment with the bank. Despite the non-compliance with covenants, the Company has made every scheduled payment of principal and interest on a timely basis. The remaining terms of the Credit Agreement are substantially the same as the previous Credit Agreement disclosed in the Annual Report on Form 10-K for the year ended December 27, 2008.

Table of Contents

During the third quarter, and as a result of previous covenant violations, management changed the classification of the Company s bank revolving credit facility obligations from a long-term liability to a current liability. Management was of the opinion that the Company may not be able to cure potential covenant defaults at measurement dates that are within the next twelve months. This reclassification had no effect on previously-reported Consolidated Statement of Operations or Consolidated Statement of Cash Flows for the 2009 year.

Interest on outstanding borrowings under the bank revolving line of credit is based on the bank s prime rate, or certain basis points above LIBOR, depending on the pricing option selected and the Company s leverage ratio (effective rate of 4.05% and 5.35% at December 26, 2009 and December 27, 2008, respectively).

Summary of Liquidity and Capital Resources

The Company s primary capital requirements are to support working capital demands, meet its debt service obligations, and finance capital expenditure requirements. The Company has a substantial asset collateral base which it believes is more than sufficient to support the outstanding revolving line of credit balance. Further, additional liquidity is obtained through selling products and collecting the resulting trade accounts receivable. The funds collected are used to pay creditors, employees, and to fund working capital requirements.

The Company s cash management system and revolving line of credit are designed to maintain zero cash balances and, accordingly, checks outstanding in excess of bank balances are classified as additional borrowings under the revolving line of credit.

As of December 26, 2009, the Company had $22.0 million utilized under its $25.0 million credit facility. The Company believes that it has adequate availability under its current bank credit facility and sufficient additional liquidity resources to finance working capital requirements for 2010.

Contractual Obligations

The Company s fixed, noncancelable obligations as of December 26, 2009 were as follows:

		Payments due by period			
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Debt (a)	$ 27,341,699	$ 26,226,289	$ 498,332	$ 417,078	$ 200,000
Operating leases (b)	468,551	443,401	25,150		
Total	$ 27,810,250	$ 26,669,690	$ 523,482	$ 417,078	$ 200,000

(a) Amounts are included on the Consolidated Balance Sheets. See Note 6 of the Notes to Consolidated Financial Statements for additional information regarding debt and related matters.

(b) See Note 10 of the Notes to Consolidated Financial Statements for additional information regarding property leases.

The Company s historical practice has been to exclude the interest payments from the contractual obligations table due to the variability of its interest rates and the variability in its revolving line of credit which represented 94% of its debt obligations at December 26, 2009.

Table of Contents

Critical Accounting Policies and Estimates

Management s discussion and analysis of its financial position and results of operations are based upon the Company s consolidated financial statements which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. The Company s significant accounting policies are discussed in Note 1 of the Notes to Consolidated Financial Statements. In management s opinion, the Company s critical accounting policies include revenue recognition, allowance for doubtful accounts, excess and obsolete inventories, inventory relief, accrued insurance, accrued warranty, and impairment of goodwill and intangible assets.

Revenue Recognition - The Company generally recognizes revenue when products are shipped to the customer. Revenue on certain customer requested bill and hold transactions is recognized after the customer is notified that the products have been completed according to customer specifications, have passed all of the Company s quality control inspections, and are ready for delivery based on established delivery terms.

Allowance for Doubtful Accounts - The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of our customers to make required payments. If the financial conditions of our customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required which would adversely affect our future operating results.

Excess and Obsolete Inventories - The Company must make estimates regarding the future use of raw materials and finished products and provide for obsolete or slow-moving inventories. If actual product life cycles, product demand, and/or market conditions are less favorable than those projected by management, additional inventory write-downs may be required which would adversely affect future operating results.

Inventory Relief - For monthly and quarterly financial reporting, cost of sales is recorded and inventories are relieved by the use of standard bills of material adjusted for scrap and other estimated factors affecting inventory relief. Because of our large and diverse product line and the customized nature of each order, it is difficult to place full reliance on the bills of material for accurate relief of inventories. Although the Company continues to refine the process of creating accurate bills of materials, manual adjustments (which are based on estimates) are necessary in an effort to assure correct relief of inventories for products sold. The calculations to estimate costs not captured in the bill of materials take into account the customized nature of products, historical inventory relief percentages, scrap variances, and other factors which could impact inventory relief.

The accuracy of the inventory relief is not fully known until physical inventories are conducted at each of the Company s locations. We conduct semi-annual physical inventories at a majority of locations and schedule them in a manner that provides coverage in each of our calendar quarters. We have invested significant resources in our continuing effort to improve the physical inventory process and accuracy of our

inventory accounting system.

Accrued Insurance - The Company has a self-insured retention against product liability claims with insurance coverage over and above the retention. The Company is also self-insured for a portion of its employee medical benefits and workers compensation. Product liability claims are routinely reviewed by the Company s insurance carrier, and management routinely reviews other self-insurance risks for purposes of establishing ultimate loss estimates. In addition, management must determine estimated liability for claims incurred but not reported. Such estimates, and any subsequent changes in estimates, may result in adjustments to our operating results in the future.

The Company utilizes a wholly-owned small captive insurance company to insure certain of its business risks. Certain risks, traditionally self-insured by the Company and its subsidiaries, are insured by the captive insurance subsidiary. The captive insurance subsidiary helps the Company manage its risk exposures and, under the Internal Revenue Code, the net underwriting income of such a small captive is not taxable.

Accrued Warranty - The Company provides limited warranties for periods of up to five years from the date of retail sale. Estimated warranty costs are accrued at the time of sale and are based upon historical experience.

Impairment of Goodwill - The Company has a policy of evaluating the carrying value of goodwill during the fourth quarter of each year and between annual evaluations if events occurred or circumstances changed that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to: (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. When evaluating whether goodwill is impaired, the Company compares the fair value of the reporting unit to which the goodwill is assigned to the reporting unit s carrying amount, including goodwill. The fair value of the reporting unit is estimated using a combination of the discounted cash flows approach and consideration of the Company s aggregate market value of its common stock. As of December 26, 2009, the Company did not carry a goodwill balance.

For the year ended December 27, 2008, the carrying amount of the Company s specialized vehicles reporting unit exceeded its fair value which required a measurement of the impairment loss. The impairment loss was calculated by comparing the implied fair value of the reporting unit goodwill to its carrying amount. In calculating the implied fair value of the reporting unit goodwill, the fair value of the reporting unit is allocated to all of the other assets and liabilities of that unit based on their fair values. The Company has determined there was no excess fair value over the amount assigned to the reporting unit s other assets and liabilities. An impairment loss was recognized for the full carrying value of the goodwill which totaled $735,014 at December 27, 2008.

Impairment of Intangible Assets - The Company evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset s carrying amount may not be recoverable. Such circumstances could include, but are not limited to: (1) a significant decrease in the market value of an asset, (2) a significant adverse change in the extent or manner in which an asset is used, or (3) an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. The Company measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss is recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The Company estimates the value of its customer list based on various valuation techniques including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment, and actual results may differ from assumed and estimated amounts. As of December 26, 2009, the Company did not carry an intangible asset balance. During the fourth quarter of 2008, the Company recorded an impairment charge for the full carrying amount of its customer list which totaled $588,507.

Pending Accounting Pronouncements

See Recent Accounting Pronouncements in Note 1 of Notes to Consolidated Financial Statements.

Forward-Looking Statements

This report contains forward-looking statements, other than historical facts, which reflect the view of management with respect to future events. When used in this report, words such as believe, expect, anticipate, estimate, intend, and similar expressions, as they relate to the Company or plans or operations, identify forward-looking statements. Such forward-looking statements are based on assumptions made by, and information currently available to, management. Although management believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that the expectations reflected in such forward-looking statements are reasonable, and it can give no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from such expectations include, without limitation, an economic slowdown in the specialized vehicle industry, limitations on the availability of chassis on which the Company s product is dependent, availability of raw materials, raw material cost increases, and severe interest rate increases. Furthermore, the Company can provide no assurance that such raw material cost increases can be passed on to its customers through implementation of price increases for the Company s products. The forward-looking statements contained herein reflect the current view of management with respect to future events and are subject to those factors and other risks, uncertainties, and assumptions relating to the operations, results of operations, cash flows, and financial position of the Company. The Company assumes no obligation to update the forward-looking statements or to update the reasons actual results could differ from those contemplated by such forward-looking statements.

Table of Contents

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

Not applicable.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

Index to Financial Statements

	Page
1. Financial Statements:	
Report of Crowe Horwath LLP, Independent Registered Public Accounting Firm	26
Consolidated Balance Sheets as of December 26, 2009 and December 27, 2008	27
Consolidated Statements of Operations for the years ended December 26, 2009, December 27, 2008 and December 29, 2007	28
Consolidated Statements of Stockholders Equity for the years ended December 26, 2009, December 27, 2008 and December 29, 2007	29
Consolidated Statements of Cash Flows for the years ended December 26, 2009, December 27, 2008 and December 29, 2007	30
Notes to Consolidated Financial Statements	31-47
2. Financial Statement Schedule:	
Schedule II - Valuation and Qualifying Accounts for the years ended December 26, 2009, December 27, 2008 and December 29, 2007	48
All other schedules are omitted because they are not applicable.	
3. Supplementary Data	
Quarterly Results (Unaudited)	49

Table of Contents

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

To the Board of Directors and Stockholders of

Supreme Industries, Inc.

We have audited the accompanying consolidated balance sheets of Supreme Industries, Inc. and subsidiaries as of December 26, 2009 and December 27, 2008, and the related consolidated statements of operations, stockholders equity, and cash flows for each of the three years in the period ended December 26, 2009. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule, Schedule II Valuation and Qualifying Accounts. These financial statements and financial statement schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and financial statement schedule 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. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. 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, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Supreme Industries, Inc. and subsidiaries as of December 26, 2009 and December 27, 2008, and the results of their operations and their cash flows for each of the three years in the period ended December 26, 2009, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Crowe Horwath LLP

South Bend, Indiana
March 24, 2010

Table of Contents

Supreme Industries, Inc. And Subsidiaries

Consolidated Balance Sheets

December 26, 2009 and December 27, 2008

		2009		2008
ASSETS				
Current assets:				
Cash and cash equivalents	$	1,222,411	$	932,608
Investments		1,645,407		2,509,848
Accounts receivable, net of allowance for doubtful accounts of $70,000 in 2009 and $290,000 in 2008		22,710,669		25,423,842
Refundable income taxes		5,028,061		2,244,129
Inventories		31,553,351		44,248,516
Deferred income taxes		1,758,179		1,642,363
Other current assets		2,084,060		2,449,248
Total current assets		66,002,138		79,450,554
Property, plant and equipment, net		42,237,084		45,778,908
Other assets		1,181,357		295,109
Total assets	$	109,420,579	$	125,524,571
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Current maturities of long-term debt	$	26,226,289	$	823,297
Trade accounts payable		9,906,429		8,266,945
Accrued wages and benefits		1,714,801		1,924,311
Accrued self-insurance		1,454,069		1,847,727
Customer deposits		539,553		1,644,234
Accrued warranty		1,377,000		1,473,000
Accrued income taxes		989,300		675,200
Other accrued liabilities		2,300,828		2,459,840
Total current liabilities		44,508,269		19,114,554
Long-term debt		1,115,410		32,805,350
Deferred income taxes		1,211,262		2,403,698
Other long-term liabilities				818,053
Total liabilities		46,834,941		55,141,655
Commitments and contingencies (Note 10)				
Stockholders equity:				
Preferred Stock, $1 par value; authorized 1,000,000 shares, none issued				
Class A Common Stock, $.10 par value; authorized 20,000,000 shares, issued 14,704,399 shares in 2009 and 14,586,634 in 2008		1,470,440		1,458,664
Class B Common Stock, convertible into Class A Common Stock on a one-for-one basis, $.10 par value; authorized 5,000,000 shares, issued 2,161,058 shares in 2009 and 2,188,490 shares in 2008		216,106		218,849

Additional paid-in capital		71,185,093		70,603,235
Retained earnings		11,762,111		20,573,244
Treasury stock, Class A Common Stock, at cost, 2,631,500 shares in 2009 and 2,641,050 shares in 2008		(21,771,537)		(21,853,337)
Accumulated other comprehensive loss		(276,575)		(617,739)
Total stockholders equity		62,585,638		70,382,916
Total liabilities and stockholders equity	$	109,420,579	$	125,524,571

See accompanying notes to consolidated financial statements.

Table of Contents

Supreme Industries, Inc. And Subsidiaries

Consolidated Statements of Operations

for the years ended December 26, 2009, December 27, 2008 and December 29, 2007

	2009	2008	2007
Net sales	$ 192,035,656	$ 257,902,937	$ 301,655,070
Cost of sales	179,411,490	233,946,559	267,957,812
Gross profit	12,624,166	23,956,378	33,697,258
Selling, general and administrative expenses	22,070,040	26,140,767	26,569,551
Goodwill impairment		735,014	
Other income	(838,032)	(1,123,848)	(586,878)
Operating income (loss)	(8,607,842)	(1,795,555)	7,714,585
Interest expense	2,212,168	1,853,463	2,209,253
Income (loss) from continuing operations before income taxes	(10,820,010)	(3,649,018)	5,505,332
Income tax expense (benefit)	(4,286,818)	(1,512,535)	1,312,931
Income (loss) from continuing operations	(6,533,192)	(2,136,483)	4,192,401
Discontinued operations			
Operating loss of discontinued motorhome operations, net of tax	(2,209,541)	(924,936)	(28,596)
Net income (loss)	$ (8,742,733)	$ (3,061,419)	$ 4,163,805
Earnings (loss) Per Share:			
Earnings (loss) from continuing operations	$ (0.46)	$ (0.15)	$ 0.30
Earnings (loss) from discontinued operations	(0.16)	(0.07)	
Net earnings (loss)	$ (0.62)	$ (0.22)	$ 0.30
Shares used in the computation of earnings (loss) per share:			
Basic	14,187,207	14,110,103	13,871,471
Diluted	14,187,207	14,110,103	13,983,749
Cash dividends per common share	$	$ .18	$ .35

See accompanying notes to consolidated financial statements.

Table of Contents

Supreme Industries, Inc. And Subsidiaries

Consolidated Statements of Stockholders Equity

for the years ended December 26, 2009, December 27, 2008 and December 29, 2007

	Class A Common Stock		Class B Common Stock		Additional	Retained	Treasury	Accumulated Other Comprehensive	Total Stockholders
	Shares	Amount	Shares	Amount	Paid-In Capital	Earnings	Stock	Income (Loss)	Equity
Balance, December 30, 2006	13,155,160	$ 1,315,516	2,024,133	$ 202,413	$ 65,499,875	$ 29,008,233	$ (20,910,173)	$ 92,817	$ 75,208,681
Net income						4,163,805			4,163,805
Unrealized loss on hedge activity, net of tax								(300,888)	(300,888)
Unrealized holding gain on investments, net of tax								8,652	8,652
Total comprehensive income									3,871,569
Cash dividends ($.35 per share)						(4,873,991)			(4,873,991)
Exercise of stock options	302,834	30,284			1,502,229		(688,719)		843,794
Issuance of 10,000 shares of common stock						(12,200)	83,000		70,800
Issuance of restricted stock	3,180	318			16,631				16,949
Stock-based compensation					255,899				255,899
Tax benefit of disqualifying stock option dispositions					73,384				73,384
Balance, December 29, 2007	13,461,174	1,346,118	2,024,133	202,413	67,348,018	28,285,847	(21,515,892)	(199,419)	75,467,085
Net loss						(3,061,419)			(3,061,419)
Unrealized loss on hedge activity, net of tax								(310,607)	(310,607)
Unrealized holding loss on investments, net of tax								(107,713)	(107,713)
Total comprehensive loss									(3,479,739)
	911,209	91,121	164,357	16,436	2,014,575	(2,122,132)			

Common stock dividends									
Cash dividends ($.18 per share)						(2,491,612)			(2,491,612)
Exercise of stock options	148,500	14,850			668,255		(435,605)		247,500
Issuance of 12,000 shares of common stock						(37,440)	98,160		60,720
Issuance of restricted stock	65,751	6,575			366,873				373,448
Stock-based compensation					205,514				205,514
Balance, December 27, 2008	14,586,634	1,458,664	2,188,490	218,849	70,603,235	20,573,244	(21,853,337)	(617,739)	70,382,916
Net loss						(8,742,733)			(8,742,733)
Unrealized gain on hedge activity, net of tax								275,353	275,353
Unrealized holding gain on investments, net of tax								65,811	65,811
Total comprehensive loss									(8,401,569)
Issuance of 10,000 shares of common stock						(68,400)	81,800		13,400
Issuance of restricted stock	90,333	9,033			454,999				464,032
Conversion of 27,432 shares of Class B shares to Class A shares	27,432	2,743	(27,432)	(2,743)					
Stock-based compensation					126,859				126,859
Balance, December 26, 2009	14,704,399	$ 1,470,440	2,161,058	$ 216,106	$ 71,185,093	$ 11,762,111	$ (21,771,537)	$ (276,575)	$ 62,585,638

See accompanying notes to consolidated financial statements.

Table of Contents

Supreme Industries, Inc. And Subsidiaries

Consolidated Statements of Cash Flows

for the years ended December 26, 2009, December 27, 2008 and December 29, 2007

	2009	2008	2007
Cash flows from operating activities:			
Net income (loss)	$ (8,742,733)	$ (3,061,419)	$ 4,163,805
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	4,085,025	4,268,447	4,295,739
Building impairment	80,000		
Amortization of intangibles		48,370	48,370
Goodwill and intangible asset impairment		1,323,521	
Provision for losses on doubtful receivables	762,871	238,580	177,785
Deferred income taxes	(1,509,858)	(412,700)	(331,000)
Stock-based compensation expense	604,291	639,682	343,648
Losses (gains) on sale of property, plant, and equipment, net	(179,129)	(234,894)	24,284
Changes in operating assets and liabilities			
Accounts receivable	2,250,302	2,965,902	2,310,167
Inventories	12,695,165	2,394,964	6,862,887
Other current assets	(2,718,744)	(714,205)	(778,759)
Trade accounts payable	1,639,484	(6,375,671)	1,134,175
Other current liabilities	(1,648,761)	16,055	194,529
Net cash provided by operating activities	7,317,913	1,096,632	18,445,630
Cash flows from investing activities:			
Proceeds from sale of property, plant, and equipment	511,571	955,363	66,003
Additions to property, plant and equipment	(1,850,637)	(3,577,094)	(3,426,268)
Proceeds from sale of investments	1,053,054	832,670	544,804
Purchases of investments	(88,896)	(1,283,253)	(1,203,900)
Decrease in other assets	8,746	8,746	408,745
Net cash used in investing activities	(366,162)	(3,063,568)	(3,610,616)
Cash flows from financing activities:			
Proceeds from revolving line of credit and other long-term debt	70,742,407	120,761,270	105,717,892
Repayments of revolving line of credit and other long-term debt	(77,029,355)	(116,883,747)	(116,637,422)
Settlement of interest rate swap	(375,000)		
Payment of cash dividends		(2,491,612)	(4,873,991)
Tax benefit of disqualifying stock option dispositions			73,384
Proceeds from exercise of stock options		247,500	843,793
Net cash provided by (used in) financing activities	(6,661,948)	1,633,411	(14,876,344)
Change in cash and cash equivalents	289,803	(333,525)	(41,330)
Cash and cash equivalents, beginning of year	932,608	1,266,133	1,307,463
Cash and cash equivalents, end of year	$ 1,222,411	$ 932,608	$ 1,266,133

Supplemental disclosure of cash flow information:

Cash paid during the year for:			
Interest	$ 2,630,245	$ 2,223,660	$ 2,563,934
Income taxes, net	(58,912)		