

SUPREME INDUSTRIES INC
Form 10-K
March 25, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM 10-K

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

For the fiscal year ended: December 25, 2010

OR

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
(State or other jurisdiction of incorporation)

75-1670945
(I.R.S. Employer Identification Number)

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P.O. Box 237, 2581 E. Kercher Road

Goshen, Indiana
(Address of principal executive office)

46528
(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 No

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

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

Indicate by check 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 files). Yes No

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

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

Accelerated filer

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

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 No

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 \$2.30 per share for the common stock on the NYSE Amex (formerly American Stock Exchange) on such date, was approximately \$24,590,765.

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 14, 2011
Class A Common Stock (\$.10 Par Value)	12,662,983 shares
Class B Common Stock (\$.10 Par Value)	1,716,937 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 2011 Annual Meeting of Stockholders to be held on May 5, 2011 Part III

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PART I

ITEM 1. BUSINESS.

History

Supreme Industries, Inc., a Delaware corporation (the Company, Supreme or we), 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.

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

On September 28, 2010, a restructuring transaction occurred pursuant to which Supreme Indiana Operations, Inc., a Delaware corporation (Supreme Indiana), merged upstream and into its parent, Supreme Corporation, with the surviving entity being Supreme Indiana.

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 more than \$100,000. Supreme's truck bodies are offered in aluminum, fiberglass reinforced plywood (FRP), FiberPanel, SignaturePlate 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 liftgates, cargo-handling

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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:

	2010	2009	2008
Specialized vehicles:			
Trucks	\$ 122,489,740	\$ 96,742,558	\$ 155,407,510
Buses	69,951,326	66,439,902	79,139,207
Armored vehicles	24,599,094	18,751,395	6,002,900
	217,040,160	181,933,855	240,549,617
Composites	3,848,426	4,140,608	10,093,047
	\$ 220,888,586	\$ 186,074,463	\$ 250,642,664

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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, FiberPanels, or SignaturePlate. 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 18 feet) than a van body.

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.

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.

Aero Body. Supreme's Aero-Body combined with Isuzu's ECO-MAX chassis achieves up to 30% improved fuel economy. Curved composite walls with nested wind fairing create a streamlined modern look.

Armored SUVs. Supreme's armored SUV products offer the same outside appearance and interior as a stock model SUV, but with armored protection against hostile fire. These protective vehicles are frequently 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. Popular products include SWAT rapid deployment vehicles and prisoner transport vehicles.

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.

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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; and Jonestown, Pennsylvania. Supreme's management estimates that the capacity utilization of its plants and equipment range from 40% to 75% of capacity, with recent utilization at the high end of this range.

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 or decals that the customer has specified. Throughout 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.

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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. 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.

We purchase raw materials and component parts from a number of sources. Although we have no long-term supply contracts, management believes that we have good relationships with our primary suppliers. In recent years prices have fluctuated significantly, but we have experienced no significant problems in obtaining adequate supplies of raw materials and component parts to meet the requirements of our production schedules. Management believes that the materials used in the production of our products are available at competitive prices from an adequate number of alternative suppliers. Accordingly, management does not believe that the loss of a single supplier would have a material adverse effect on our business.

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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 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 85 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 \$19.6 million and \$22.7 million at December 25, 2010, and December 26, 2009, respectively.

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 2010, 2009, and 2008. The Company's export sales are not significant. As of the years ended for 2010 and 2009, one customer did account for 16.6%, for both periods, 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 and diverse product offerings, the Company believes that it is well positioned to meet the competitive challenges presented.

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.

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Seasonality of Business

The Company's business is generally not seasonal in nature due to the normal replacement cycle of its products (historically approximately seven years). However, the Company does typically participate 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 25, 2010 and December 26, 2009, the Company employed approximately 1,700 and 1,400 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 \$101.6 million at December 25, 2010 compared to \$68.1 million at December 26, 2009.

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

The 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/or limited 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 adverse effects on the Company's business.

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. As a result the Company's gross margin could be adversely affected.

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

With the exception of some StarTrans bus and Armored SUV 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.

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.

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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 are currently subject to litigation, the unfavorable outcome of which might have a material adverse effect on our financial condition, results of operation, and cash flows.

On January 21, 2009, The Armored Group (TAG) filed a complaint against the Company in the Superior Court of the State of Arizona in and for the County of Maricopa alleging breach of oral contract, unjust enrichment, and other claims which complaint was removed to the United States District Court for the District of Arizona. Among other claims, TAG alleges that, under either an oral agreement between it and the Company or the claim of unjust enrichment, the Company has an obligation to pay to TAG a 10% commission on all sales of armored vehicles to the United States Department of State under a contract with the United States Department of State providing for up to \$98,000,000 in sales. As of December 25, 2010, sales of armored vehicles to the United States Department of State under this contract were approximately \$29,000,000. The Company filed a Motion for Summary Judgment which was denied by the trial court on October 6, 2010. A jury trial has been set for July 5, 2011. The Company has instructed its attorneys to vigorously contest TAG s claims through trial if necessary. However, due to the inherent nature of litigation, the ultimate outcome of this case (whether by jury trial or otherwise) is uncertain and unpredictable.

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. The Company has recently experienced a significant change in senior management (see *Management Changes under Item 7 of Part II*). 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 25, 2010 were \$4.28 and \$1.90, 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 25, 2010, 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 14, 2011, our officers and directors as a group beneficially owned 26.0% of our Class A Common Stock and 89.2% 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.

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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 (89.2%) 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).

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.

We have a history of losses, and we may incur losses again.

For the year ended December 25, 2010, we had a net loss of \$11,529,081. For the year ended December 26, 2009, we had a net loss of \$8,742,733. For the year ended December 27, 2008, we had a net loss of \$3,061,419. Through 2007, we had positive net income (and no net losses). We have implemented a number of major changes in order to reverse this loss situation (see Item 7. *Comparison of 2010 with 2009*). However, our ability to be profitable in the future will depend upon many factors beyond our control such as assured chassis supply and credit provided by our lenders. Even if we do achieve profitability, we may not be able to sustain or increase profitability on a quarterly or annual basis.

Ability to sell closed down facilities.

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We currently own several manufacturing facilities which have been closed down and are currently being marketed for sale (see Item 2. *Properties*). Although management has exercised its best judgment to reflect accurate current market values of these properties in the Company's financial statements, there cannot be, due to current adverse market conditions, any assurance that these properties can be sold for these values anytime in the near future.

(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.

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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
<u>Manufacturing of Products</u>			
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
Griffin, Georgia	105,379	Leased	Specialized Vehicles
Moreno Valley, California	103,200	Owned	Specialized Vehicles
Griffin, Georgia	86,400	Owned	Specialized Vehicles
	1,385,125		
<u>Manufacturing of Component Parts</u>			
Ligonier, Indiana	52,142	Owned	Fiberglass Products
	52,142		
<u>Distribution</u>			
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, CO	950	Leased	Specialized Vehicles
	30,950		
<u>Properties Held for Sale</u>			
Woodburn, Oregon (1)	116,760	Owned	Not Applicable
Wilson, North Carolina (2)	113,694	Owned	Not Applicable
White Pigeon, Michigan (3)	74,802	Owned	Not Applicable
Goshen, Indiana (4)	57,570	Owned	Not Applicable
Ligonier, Indiana (4)	23,540	Owned	Not Applicable
Streetsboro, Ohio (5)	11,900	Owned	Not Applicable
	398,266		
<u>Corporate Office Building</u>			
Goshen, Indiana	26,000	Owned	Not Applicable
Total square footage	1,892,483		

(1) During the fourth quarter of 2010, the Company decided to cease operations at the Woodburn, Oregon manufacturing facility. Operations were ceased in 2011 and the facility is being marketed for sale.

(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.

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- (3) During the fourth quarter of 2009, the Company ceased business operations at its White Pigeon, Michigan facility which produced luxury motorhomes. This facility is currently being marketed for sale.
- (4) During the second half of 2009, the Company reduced and consolidated its fiberglass operations. The facilities are currently being marketed for sale.
- (5) 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. While retaining the right to sell the property to interested buyers, the Company does currently lease this property to an unrelated business.

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.

On January 21, 2009, The Armored Group (TAG) filed a complaint against the Company in the Superior Court of the State of Arizona in and for the County of Maricopa alleging breach of oral contract, unjust enrichment, and other claims which complaint was removed to the United States District Court for the District of Arizona. Among other claims, TAG alleges that, under either an oral agreement between it and the Company or the claim of unjust enrichment, the Company has an obligation to pay to TAG a 10% commission on all sales of armored vehicles to the United States Department of State under a contract with the United States Department of State providing for up to \$98,000,000 in sales. As of December 25, 2010, sales of armored vehicles to the United States Department of State under this contract were approximately \$29,000,000. The Company filed a Motion for Summary Judgment which was denied by the trial court on October 6, 2010. A jury trial has been set for July 5, 2011. The Company has instructed its attorneys to vigorously contest TAG 's claims through trial if necessary. However, due to the inherent nature of litigation, the ultimate outcome of this case (whether by jury trial or otherwise) is uncertain and unpredictable.

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 14, 2011 was approximately 249. Due to the number of shares held in nominee or street name, it is likely that there are substantially more than 249 beneficial owners of the Company 's Class A Common Stock.

The Company 's Class A Common Stock closed at a price of \$2.27 per share on the NYSE Amex exchange on March 14, 2011 on which date there were 12,662,983 shares of Class A Common Stock outstanding. High and low sales prices of the Class A Common Stock for the two-year periods ended December 25, 2010 and December 26, 2009 were:

	2010				2009			
	High	Low	High	Low	High	Low	High	Low
1st Quarter	\$ 3.47	\$ 2.00	\$ 1.65	\$ 0.73				
2nd Quarter	4.28	1.92	1.84	0.80				
3rd Quarter	2.72	2.00	3.17	1.55				

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4th Quarter	3.20	1.90	2.99	1.85
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All of the 1,716,937 outstanding shares of the Company's Class B Common Stock were held by a total of 13 persons as of March 14, 2011. 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.

The Company did not declare or pay any stock dividends during the years ended December 25, 2010 or December 26, 2009. 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.

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.

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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				
	2010	2009	2008	2007	2006
Consolidated Statement of Continuing Operations Data:					
(in millions, except per share amounts)					
Net sales	\$ 220.9	\$ 186.1	\$ 250.6	\$ 292.5	\$ 324.7
Net income (loss) from continuing operations	(8.6)	(5.7)	(1.7)	4.4	5.5
Net income (loss) from continuing operations per share:					
Basic earnings (loss) per share	(0.61)	(0.40)	(0.13)	0.31	0.40
Diluted earnings (loss) per share	(0.61)	(0.40)	(0.13)	0.31	0.40
Cash dividends per common share			0.18	0.35	0.35
Consolidated Balance Sheet Data:					
(in millions)					
Working capital (a)	\$ 19.6	\$ 22.7	\$ 60.3	\$ 58.5	\$ 66.6
Total assets	101.5	109.5	125.5	132.8	142.1
Total debt	26.6	27.3	33.6	29.8	40.7
Stockholders' equity	51.9	62.6	70.4	75.5	75.2

(a) 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.
OF OPERATIONS.**

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS

Company Overview

Established in 1974 as a truck body manufacturer, Supreme Industries, Inc., through its wholly-owned subsidiary, Supreme Indiana Operations, Inc., is one of the nation's leading manufacturers of specialized commercial vehicles. 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 vehicle offerings include products such as customized armored vehicles and homeland response vehicles.

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The Company utilizes a nationwide direct sales and distribution network consisting of approximately 40 bus distributors, a limited number of truck equipment distributors, and approximately 1,000 commercial truck dealers. The Company's manufacturing and service facilities are located in eight states across the continental United States allowing us to meet the needs of customers across all of North America. Additionally, the Company's significant customer goodwill, strong brand recognition, extensive product offerings, bailment chassis arrangements, and product innovation competitively positions Supreme in the markets it serves.

The Company and its product offerings are affected by 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.

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Management Changes

As previously announced on February 2, 2011, the Company introduced a new President, the third in its history, and the following senior management changes (effective immediately):

- Robert W. Wilson, President and Chief Operating Officer of the Company and President and Chief Executive Officer of the Company's wholly-owned operating subsidiary, Supreme Indiana Operations, Inc. (Supreme Indiana), announced his retirement. He will work with the Company to support a successful transition in leadership as an advisor to the Board on Special Projects. He will continue in his position on the Board of Directors.
- Kim Korth, President and owner of IRN Inc., a leading consulting firm in the vehicle and transportation industry, has been appointed President and Chief Executive Officer of the Company and Supreme Indiana. Ms. Korth brings over 25 years of industry experience, and her firm has been working with the Company for the last year. Ms. Korth has been added to the Company's Board of Directors.
- Herbert M. Gardner, the Chairman of the Board and Chief Executive Officer of the Company and the Chairman of the Board of Supreme Indiana, will continue as Chairman of the Board of both entities, but he has relinquished the role of Chief Executive Officer of the Company. He will be actively involved in supporting the transition of management.

Results of Operations

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 pertains to continuing operations unless otherwise noted.

Comparison of 2010 with 2009

For the year ended December 25, 2010, Supreme experienced increased demand for our products but incurred a loss for 2010. As a result, we have restructured our senior management team as described above, identified areas of additional improvements, implemented new processes, and will continue to focus on increasing our gross margins and reducing our operating costs. The major structural changes in the organization include:

- Closing the Oregon manufacturing facility;

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- Eliminating low margin and low volume product lines;
- Replacing a general manager at an underperforming location;
- Reducing headcount in selected areas of the business; and
- Reducing the selling prices of assets held for sale of certain idled facilities to reflect the current depressed market conditions which will further facilitate the sales of these properties to improve cash flow.

Having taken the above-described actions, we believe that we are more competitively positioned. We are also encouraged by our large backlog which totaled \$101.6 million at year end compared with \$68.1 million from a year ago. Based upon industry analysts, increasing age of fleet vehicles in use, our own evaluated backlog and large fleet orders received for spring 2011, we are beginning to see improved market demand. While we are experiencing firmer demand across all of our major product categories, the Company needs to continue its focus on restoring profitability. As we increase production to meet our backlog, we will continue to maintain a conservative and cautious view of our markets as we move forward.

While we were extremely disappointed in the loss incurred in 2010, we experienced increased revenues, and accordingly, reduced our loss from continuing operations before income taxes of \$9.5 million in 2009 to \$8.1 million for the year ended December 25, 2010. We improved our gross profit in 2010 by 35% as compared with 2009. The above comparison to 2009 reflects the effects of the recession and restrictive credit markets which prompted a severe and pervasive downturn in the commercial vehicle industry. The 2010 results were further impacted by approximately \$1.1 million of impairment charges on selected idle assets, an increase in certain contingent obligations, and higher group health insurance claims. The Company also had certain underperforming locations during 2010 where field operating management changes have subsequently been implemented.

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Additionally, in December of 2010 we made a decision to close our Oregon manufacturing facility to exit this unprofitable geographic region. In the fourth quarter of 2009, the Company terminated its Silver Crown luxury motorhome operations due to the unprecedented tight credit markets caused by the severe economic recession which led to a significant reduction of new motorhome orders and the cancellation of existing orders. The Company has reclassified prior period results accordingly as discontinued operations for these two operations.

The Company's asset management improved during the year as evidenced by its improved inventory turns, days sales outstanding, and its cash flow cycle which was reduced by approximately 17 days, or 20%, when compared with the prior year end.

In our effort to maximize profits, we have invested in product improvements, technology, and our sales organization. With improvements from our 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 new product development is critical to growing our revenue base since changing market conditions require innovative new products.

Net Sales

Net sales for the year ended December 25, 2010 increased \$34.8 million to \$220.9 million as compared with \$186.1 million for the year ended December 26, 2009. The following table presents the components of net sales and the changes from 2010 to 2009:

(\$000 s omitted)	2010	2009	Change	
Specialized vehicles:				
Trucks	\$ 122,490	\$ 96,742	\$ 25,748	26.6%
Buses	69,951	66,440	3,511	5.3
Armored vehicles	24,599	18,751	5,848	31.2
	217,040	181,933	35,107	19.3
Composites	3,849	4,141	(292)	(7.1)
	\$ 220,889	\$ 186,074	\$ 34,815	18.7%

The truck division sales increase of \$25.7 million, or 27% for the year, was primarily attributable to an improved retail truck market and increased fleet shipments. We have experienced improved backlog for trucks and believe that we are well positioned to benefit from favorable industry indicators and the expectation that customers will begin replacing aging equipment. Additionally, we are encouraged by large fleet orders received with shipments to commence during the first half of 2011.

Our StarTrans bus division continued to experience good demand for its product in 2010, increasing its sales by \$3.5 million, or 5%. This increase was the result of contract awards for niche products and the availability of funds from the 2009 federal economic stimulus plan enabling state and local transit authorities to purchase new units. We anticipate 2011 sales to remain comparable, or decrease slightly, due to contracts expiring and the uncertainty of the availability of federal funds for transit vehicles.

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The armored division continued to experience strong demand with revenue increases of \$5.8 million, or 31% for the year ended December 25, 2010. The increase was primarily the result of our contract with the U.S. Department of State (DOS) to produce armored Suburbans for embassies abroad and improved demand for cash-in-transit vehicles. We believe that the DOS business will remain strong during 2011, and we are encouraged by the positive response we are receiving from other governmental agencies regarding our armored product offerings and quality. The cash-in-transit and other armored vehicles are well positioned to enable us to increase these revenues as we move into 2011.

The composite division sells fiberglass reinforced plywood and other fiberglass products to Supreme for use in the production of certain of its truck bodies and to third parties. The decrease for the year of \$0.3 million, or 7%, was due to lower sales to third parties.

Table of Contents*Cost of sales and gross profit*

Gross profit increased by \$4.8 million, or 35%, to \$18.4 million for the year ended December 25, 2010 as compared with \$13.6 million for the year ended December 26, 2009. The following table presents the components of cost of sales as a percentage of net sales and the changes from 2010 to 2009:

	2010	2009	Percent Change
Material	57.1%	58.2%	(1.1)%
Direct Labor	15.0	13.9	1.1
Overhead	17.0	18.2	(1.2)
Delivery	2.6	2.4	0.2
Cost of sales	91.7	92.7	(1.0)
Gross profit	8.3%	7.3%	1.0%

Material Material cost as a percentage of net sales decreased by 1.1% for the year ended December 25, 2010 as compared with 2009. The decrease in the material percentage was attributable to changes in our product mix reflecting our increased sales of truck and armored product, which have a lower material percentage than our bus product. The bus product line accounted for 32% of our sales in 2010 compared with 36% in 2009. This was partially offset by an increase in the material percentage in the truck division due to a competitive pricing environment.

As the general economic environment begins to show signs of improvement, the potential for future raw material cost increases remains a concern for certain commodities (including but not limited to aluminum, steel, and wood). We closely monitor all major commodities and periodically review the financial stability of our primary vendors. The Company will continue to address certain raw material cost escalations by increasing the price of our products as necessary and as our market will accept them. We also strive to reduce manufacturing costs through the use of improved technologies, processes, and supply-chain management tactics and strategies.

Direct Labor Direct labor as a percentage of net sales increased by 1.1% for the year ended December 25, 2010 as compared with 2009. The increase in the direct labor percentage was due to inefficiencies at certain plant locations and new employee training costs in order to support the higher production and sales levels in 2010. In addition, our labor percentage increased during the last quarter of the year to train additional new employees to fulfill our large backlog of fleet orders with shipments commencing in 2011.

Overhead Manufacturing overhead as a percentage of net sales decreased by 1.2% for the year ended December 25, 2010 as compared with 2009. The overall overhead percentage declined due to the fixed nature of certain overhead expenses that do not fluctuate with sales volume changes. Partially offsetting the decrease in the percentage were group health insurance costs which were considerably higher than anticipated as a result of several large claims. In an effort to control future claim costs, the Company continues to implement design changes to its group health insurance plan. 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 increased by 0.2% for the year ended December 25, 2010 as compared with 2009. The Company continues to utilize more cost-effective delivery methods to counteract the adverse impact of high fuel costs.

Table of Contents***Selling, general and administrative expenses***

Selling, general and administrative (G&A) expenses increased by \$1.6 million, or 7%, to \$23.2 million for the year ended December 25, 2010 as compared with \$21.6 million for the year ended December 26, 2009. The following table presents selling and G&A expenses as a percentage of net sales and the changes from 2010 to 2009:

(\$000 s omitted)	2010		2009		Change				
Selling expenses	\$	8,000	3.6%	\$	7,308	3.9%	\$	692	(0.3)%
G&A expenses		15,190	6.9		14,339	7.7		851	(0.8)
Total	\$	23,190	10.5%	\$	21,647	11.6%	\$	1,543	(1.1)%

Selling expenses Selling expenses increased for the year ended December 25, 2010 as compared with 2009. The increase for the period was primarily attributable to higher commission expenses resulting from the improvement in the sales volume. However, selling expenses as a percentage of sales decreased 0.3% for the year as compared with 2009. This reflects the steps taken over the course of the year that increased the productivity and effectiveness of our sales and marketing process, including new leadership for this function, rigorous analysis and refinement of our market targeting and positioning.

G&A expenses G&A expenses increased for the year ended December 25, 2010 as compared with 2009. The increase was primarily attributable to costs incurred to engage a consulting firm to assist the Company with its profit improvement plan and higher legal fees resulting from a lawsuit the Company is vigorously contesting. These costs were offset by reduced employee headcount and the related payroll and benefit cost savings. G&A expenses as a percentage of sales decreased 0.8% as compared with the corresponding periods in 2009.

Impairment of assets held for sale

During the fourth quarters of 2010 and 2009, analyses were prepared to determine if the carrying value of certain buildings and equipment exceeded their fair value. These analyses resulted in impairment charges of \$1.1 million (0.5% of net sales) for the year ended December 25, 2010, and \$0.1 million for the year ended December 26, 2009. The Company reduced the selling prices of certain assets held for sale to reflect current market conditions and maximize the opportunity to divest and improve cash flow. However, market conditions in certain areas of the country for industrial real estate remain suppressed and could have an adverse effect on the timing and ultimate prices received for certain of the properties for sale. (See Risk Factors and the Financial Statements.)

Other (income) expense

For the year ended December 25, 2010, other expense was \$0.9 million (0.4% of net sales) as compared with other income of (\$0.8) million (0.4% of net sales) for the year ended December 26, 2009. During the fourth quarter of 2010, the Company recorded certain accrual, on reserves (see Risk Factors under Item 1A. of Part I). Additional items included in other (income) expense consisted of rental income, gain on sale of assets, and other miscellaneous income received by the Company.

Interest expense

Interest expense was \$1.4 million (0.6% of net sales) for the year ended December 25, 2010 as compared with \$2.1 million (1.1% of net sales) for the year ended December 26, 2009. A reduction in chassis interest expense was partially attributable to measures implemented to improve bailment chassis inventory management. The Company continuously monitors the age of consigned chassis with the objective of minimizing chassis interest expense. The bank interest expense reflected lower market prevailing interest rates coupled with reduced debt levels due to lower working capital levels. This was somewhat offset by higher (performance-based) pricing provisions under our bank credit facility as recent operating losses triggered an increase in interest rates.

Table of Contents***Income taxes***

For the year ended December 25, 2010, income tax expense of \$0.5 million was the result of a valuation allowance that was recorded against the Company's net deferred tax asset position. The Company fully utilized its federal net operating loss carryback benefits during its 2009 tax year, for which refunds have been subsequently received. At December 25, 2010, the Company had net operating loss carryforwards totaling \$6.8 million for federal tax purposes and approximately \$24 million for state tax purposes. Additionally, the Company had research and experiment credits totaling \$0.2 million for federal tax purposes and \$0.4 million for state tax purposes. Given the accumulated net operating losses in the prior three years, it is currently more likely than not that these deferred tax assets will not be realized. Accordingly, after consideration of these factors the Company provided a valuation allowance for the deferred tax assets net of the deferred tax liabilities expected. The valuation allowance does not impact the Company's ability to utilize its net operating loss carryforwards to offset taxable earnings in the future. For the year ended December 26, 2009, the Company's estimated effective income tax rate was (39.8)%. The estimated effective income tax rate for the year 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 combination of these tax benefits along with the incurred pretax loss resulted in an overall tax benefit position for the Company in 2009.

Net loss

Net loss from continuing operations increased by \$2.9 million to \$8.6 million (-3.9% of net sales) for the year ended December 25, 2010 from a net loss of \$5.7 million (-3.1% of net sales) for the year ended December 26, 2009.

Discontinued operations

Discontinued operations include the operating results as well as impairment charges for selected buildings and equipment. The Company decided in December of 2010 to discontinue its Oregon operations and its Silver Crown luxury motorhome business during the fourth quarter of 2009. The Company has reclassified prior period results accordingly as discontinued operations for the two operations. The Oregon operations were ceased in the first quarter of 2011 due to the Company's decision to exit this unprofitable geographic region. The after tax loss from the discontinued operations related to our Oregon operations was \$1.7 million in 2010 and \$0.8 million in 2009. The Silver Crown operations were terminated as a result of the unprecedented tight credit markets caused by the severe economic recession which 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 \$1.2 million in 2010 and \$2.2 million in 2009.

Basic and diluted loss per share

The following table presents basic and diluted loss per share and the changes from 2010 to 2009:

	2010	2009	Change
Basic and diluted net loss per share:			

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Loss from continuing operations	\$	(0.61)	\$	(0.40)	\$	(0.21)
Loss from discontinued operations		(0.20)		(0.22)		0.02
Net loss	\$	(0.81)	\$	(0.62)	\$	(0.19)

Comparison of 2009 with 2008

Discontinued operations

The Company made the decision to discontinue its Oregon operations in 2010, ceasing operations during the first quarter of 2011. The Company also discontinued its Silver Crown luxury motorhome business during the fourth quarter of 2009. The Company has reclassified prior period results accordingly as discontinued operations for these two businesses. As a result, certain amounts in the comparison of 2009 and 2008 have been adjusted to reflect the reported discontinued operations to conform to the 2010 presentation. These changes had no effect on stockholders' equity or overall net income or loss as previously reported.

General

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

Table of Contents*Net Sales*

Net sales for the year ended December 26, 2009 decreased \$64.5 million to \$186.1 million as compared with \$250.6 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	\$	96,742	\$	155,408	\$	(58,666) (37.7)%
Buses		66,440		79,139		(12,699) (16.0)
Armored vehicles		18,751		6,003		12,748 212.4
		181,933		240,550		(58,617) (24.4)
Composites		4,141		10,093		(5,952) (59.0)
	\$	186,074	\$	250,643	\$	(64,569) (25.8)%

We attributed 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 38% for the year when compared to 2008.

Although sales were down \$12.7 million (16.0%) 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.

The armored division sales increased \$12.7 million and were primarily the result of our contract with the U.S. Department of State to produce armored Suburbans for embassies abroad.

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 was 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.

Cost of sales and gross profit

Gross profit decreased by \$10.2 million, or 42.9%, to \$13.6 million for the year ended December 26, 2009 as compared with \$23.8 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

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from 2009 to 2008:

	2009	2008	Percent Change
Material	58.2%	57.5%	0.7%
Direct Labor	13.9	13.9	
Overhead	18.2	16.2	2.0
Delivery	2.4	2.9	(0.5)
Cost of sales	92.7	90.5	2.2
Gross profit	7.3%	9.5%	(2.2)%

Material Material cost as a percentage of net sales increased by 0.7% 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 increased sales in our bus division, which has a higher material percentage than our core truck products, and accounted for 36% of our total net sales in 2009 compared to 32% for the same period in 2008. The material percentage for the truck division increased slightly during the year resulting from higher sales discounts to obtain sales orders and greater production of more specialized truck units.

Direct Labor The direct labor as a percentage of net sales (13.9%) 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.

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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.

Delivery Delivery as a percentage of net sales decreased by 0.5% 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 \$4.5 million, or 17.2%, to \$21.6 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:

(\$000 s omitted)	2009		2008		Change			
Selling expenses	\$	7,308	3.9%	\$	9,577	3.8%	\$ (2,269)	0.1%
G&A expenses		14,339	7.7		16,577	6.6	(2,238)	1.1
Total	\$	21,647	11.6%	\$	26,154	10.4%	(4,507)	1.2%

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, 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

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Interest expense was \$2.1 million (1.1% of net sales) for the year ended December 26, 2009 as compared with \$1.8 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.

Income taxes

The Company's estimated effective income tax rate was (39.8)% for the year ended December 26, 2009 as compared with (42.0)% for the year ended December 27, 2008. 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 combination of these tax benefits, along with the incurred pretax losses, resulted in an overall tax benefit position for the Company in both 2009 and 2008.

Net loss

Net loss from continuing operations increased by \$4.0 million to \$5.7 million (-3.1% of net sales) for the year ended December 26, 2009 from a net loss of \$1.7 million (-0.7% of net sales) for the year ended December 27, 2008.

Table of Contents***Discontinued Operations***

As previously noted, the Company decided to discontinue its Oregon operations in 2010, ceasing operations during the first quarter of 2011. The Company also discontinued its Silver Crown luxury motorhome business during the fourth quarter of 2009. The Company has reclassified prior period results accordingly as discontinued operations for the two businesses. The after tax loss from the discontinued operations related to our Oregon operations was \$0.8 million in 2009 and \$0.4 million in 2008. The terminated Silver Crown operation was the result of the unprecedented tight credit markets caused by the severe economic recession which 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	\$	(0.40)	\$	(0.13)	\$ (0.27)
Loss from discontinued operations		(0.22)		(0.09)	(0.13)
Net loss	\$	(0.62)	\$	(0.22)	\$ (0.40)

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 entered into by Supreme Indiana Operations, Inc., the Company's wholly-owned subsidiary, and certain of its affiliates. Principal uses of cash have been to fund recent operating losses, support working capital needs, meet debt service requirements, and fund 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 \$1.4 million of cash for the year ended December 25, 2010 as compared with cash provided of \$7.3 million for the year ended December 26, 2009. In 2010, our net loss, adjusted for depreciation and amortization and impairment charges, unfavorably impacted cash flows by \$6.0 million. Cash provided by operating activities was favorably impacted by a federal income tax refund generated by our 2009 net operating loss carryback totaling \$4.2 million, a \$1.4 million decrease in accounts receivable due to improved collection cycles, and a \$1.7 million increase in accounts payable. Additionally, other accrued liabilities increased

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\$3.0 million principally due to recording increases in selected reserves. This was offset by a \$4.1 million increase in inventories due to higher production levels to support the increased backlog and the increased sales volume. The Company's asset management continued to improve as shown by inventory turns, days sales outstanding, and a cash flow cycle which was reduced by approximately 17 days, or 20%, when compared with the prior year end.

Investing activities

Cash used in investing activities was \$0.8 million for the year ended December 25, 2010 as compared with \$0.4 million for the year ended December 26, 2009. In 2010, the Company made short-term investments totaling \$1.0 million and sold investments totaling \$1.5 million through its wholly-owned captive insurance subsidiary. Capital expenditures for the year totaled \$1.9 million and consisted primarily of replacement machinery and equipment to improve efficiencies at our facilities. These amounts were reduced by the proceeds from the sale of assets of \$0.6 million.

Financing activities

Financing activities used \$0.7 million of cash for the year ended December 25, 2010 principally to pay down bank debt as compared with cash used of \$6.7 million for the year ended December 26, 2009. 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.

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Capital Resources

On October 18, 2010 Supreme Industries, Inc. entered into an Amended and Restated Credit Agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A. (the "Lender") which agreement was effective as of September 30, 2010. Under the terms of the Credit Agreement, the Lender agreed to provide the Company with a revolving line of credit of up to \$30,000,000 (previously \$25,000,000) through December 31, 2011. The line of credit was limited to \$25,000,000 until the Company met certain post-closing conditions which were outlined in the Credit Agreement. During the term of this revolving credit, the Company is required to comply with two financial covenants, consisting of a minimum required EBITDA (Earnings Before Interest Taxes Depreciation and Amortization) and a minimum tangible net worth.

During the quarter ended December 25, 2010, and for the months of January and February 2011, Supreme Indiana Operations Inc. ("SIO"), the Company's wholly-owned subsidiary, was not in compliance with its financial covenants contained in the Credit Agreement which constituted events of default under such agreement.

On March 24, 2011, the Company entered into a First Amendment to Amended and Restated Credit Agreement (the "First Amendment"). Pursuant to the First Amendment, the Lender waived noncompliance with the financial covenants and other events of default under the Credit Agreement. The revolving commitment amount under the Credit Agreement was lowered to \$25,000,000, and such revolving commitment amount will be further reduced on a monthly basis beginning April 15, 2011. By August 31, 2011, the revolving commitment amount will be reduced to \$11,560,000, unless the Company's workers compensation letter of credit is returned to the Lender, in which case the revolving commitment amount will be reduced to \$13,560,000. The revolving commitment decreases further to \$13,230,000 by November 2011 and is due and payable December 31, 2011. These reductions are consistent with the Company's seasonal working capital needs.

Also pursuant to the First Amendment, on March 24, 2011, the Lender agreed to make certain term loans in the aggregate principal amount of \$4,000,000, due December 31, 2011 which are expected to be funded on March 28, 2011. The Lender also has the discretion to make additional term loans on or after April 15, 2011 in the aggregate principal amount of \$3,000,000 due December 31, 2011. If the Lender decides in its sole discretion to make the additional \$3,000,000 of term loans, certain conditions must be met to fund the loans including receipt by the Company or its subsidiaries of cash proceeds not less than \$3,000,000 from either (i) a sale-leaseback transaction involving the Company's California manufacturing facility, (ii) the sale of any other real property owned by any of the Company's subsidiaries, or (iii) subordinated debt or equity capital, in each case to be payable to Lender for the purpose of generating liquidity under the revolver. An option agreement for the sale of the California real estate is currently in place. In connection with the First Amendment, certain mortgages and deeds of trust were executed on additional real property to secure the revolving line of credit and term loans.

Under the First Amendment, the minimum tangible net worth requirements and the minimum EBITDA requirements have been revised and the Company expects to be in compliance with such covenant requirements.

As of December 25, 2010, the Company had unused credit capacity of approximately \$2.6 million under its credit agreement. Interest on outstanding borrowings under the revolving line of credit was based on the bank's prime rate or LIBOR depending on the pricing option selected and the Company's leverage ratio, as defined (effective rate of 5.09% and 4.05% at December 25, 2010 and December 26, 2009, respectively). The First Amendment changes the interest rate for the revolving line of credit and term loans to 2.5% above the bank's prime rate or 4.5% above LIBOR.

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Additional events of default were added by the First Amendment. These additional events of default include: (i) the Company's failure to receive a \$3,000,000 payment from the above described sale-leaseback transaction, sale of real estate, or the issuance of subordinated debt or equity capital by May 2, 2011; (ii) the suspension, withdrawal, termination, or reduction of the Company's OEM chassis bailment pool; or (iii) the settlements of any claims or causes of action for amounts in excess of any amounts covered by insurance if such excess amounts are in excess of the reserves for such claims or causes of action on March 24, 2011 or the aggregate amount of all settlement payments is in excess of \$250,000.

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. However, outstanding checks are excluded from the revolving line of credit when determining the Company's availability under the Credit Agreement. Checks outstanding in excess of bank balances were \$3,125,881 at December 25, 2010, and

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\$3,629,137 at December 26, 2009. The revolving line of credit also requires a quarterly commitment fee ranging from 0.20% to 0.50% per annum depending on the Company's financial ratios and based upon the average daily unused portion. Under the First Amendment, the unused commitment fee is 0.50%.

Outstanding letters of credit related to the Company's workers' compensation insurance policies, aggregated \$3.5 million for the years ended December 25, 2010, and December 26, 2009. Under separate agreements, the Company had irrevocable letters of credit aggregating \$1.2 million and \$1.7 million at December 25, 2010, and December 26, 2009, respectively, in favor of bond trustees as a credit enhancement for bondholders of two industrial development revenue bonds.

Maturities of long-term debt for each of the next five years are as follows: 2011-\$25,874,365; 2012-\$149,730; 2013-\$221,117; 2014-\$200,000; and 2015-\$200,000.

On March 4, 2011, SIO entered into an Inventory Loan and Security Agreement (the "Ally Bank Loan and Security Agreement") with Ally Bank ("Ally Bank") under which Ally Bank agreed, on a discretionary basis, to finance the delivery of certain chassis inventory (the "Chassis Inventory") in a maximum aggregate amount not to exceed \$25,750,000.

On March 4, 2011, SIO and Ally Financial, Inc. ("Ally Financial") entered into the GMAC Master Manufacturer's Finance Plan Agreement (the "Master Agreement") pursuant to which Ally Financial agreed to provide financing for the delivery of Chassis Inventory. The Master Agreement incorporated the terms of the Ally Bank Loan and Security Agreement and provided that the maximum aggregate amount available to SIO under both the Ally Bank Loan and Security Agreement and the Master Agreement was \$25,750,000.

To secure repayment of all amounts owed under the Ally Bank Loan and Security Agreement and the Master Agreement, Supreme has granted Ally Bank and Ally Financial (collectively "Ally") a first priority lien and security interest in Chassis Inventory. As additional collateral security for amounts due to Ally, SIO has also agreed to grant Ally a first lien covering its manufacturing plant in Pike County, Georgia. In addition, on March 21, 2011, SIO entered into a Credit Balance Agreement with Ally Financial under which SIO agreed to maintain a credit balance with Ally Financial at all times of at least \$500,000 to ensure payments of amounts due to Ally. The amounts due to Ally under the Ally Bank Loan and Security Agreement and the Master Agreement have also been guaranteed by the Company.

On March 24, 2011, SIO entered into an Inventory Loan and Security Agreement with Ally Financial (the "Ally Financial Loan and Security Agreement") under which Ally Financial agreed, on a discretionary basis, to finance the delivery of the Chassis Inventory in a maximum aggregate amount not to exceed \$25,750,000. The maximum aggregate amount available to SIO under both the Ally Bank Inventory Agreement and the Ally Financial Inventory Agreement is \$25,750,000. The Ally Financial Loan and Security Agreement replaced the Master Agreement which is no longer in effect. The guaranty by the Company of the Master Agreement now applies to the Ally Financial Loan and Security Agreement.

Due to the Company's increased backlog for the first quarter 2011, Ally has permitted the Company to extend the \$25,750,000 maximum availability. The availability is being reduced over time with the maximum availability being \$25,750,000 on June 15, 2011.

Table of ContentsSummary 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 will be obtained through selling products and collecting the resulting trade accounts receivable. Additionally, during 2010, the Company reduced the selling prices on selected idle assets to reflect the market conditions and maximize the opportunity to divest itself of these assets to improve liquidity. This resulted in asset impairment charges. The funds collected are used to pay creditors, employees, and to fund working capital requirements.

The Company has a substantial asset collateral base and a strong equity position which Management believes adequately supports the outstanding revolving line of credit arrangement or would support an alternative facility. Management is pursuing an alternative facility. The Company maintains a substantial working capital surplus, which can be managed to provide funds to make paydowns related to the required obligations under the Credit Agreement. The amended Credit Agreement requires the Company to obtain additional funding of at least \$3.0 million. Lastly, the Company is executing on plans to sell certain idled assets of the Company, which if completed, will provide additional liquidity. The funds collected would be used to pay down the Company's obligations on its Credit Agreement.

Management believes based on its operating projections and sale of idle asset for the upcoming year that it should have available funds necessary to allow the Company to meet the payment requirements related to its existing Credit Agreement and to continue to operate. Accordingly, the accompanying financial statements have been prepared assuming the continued operations of the Company at least through the upcoming year.

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.

Contractual Obligations

The Company's fixed, noncancelable obligations as of December 25, 2010 were as follows:

	Total	Payments due by period			
		Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Debt (a)	\$ 26,645,212	\$ 25,874,365	\$ 370,847	\$ 400,000	\$
Operating leases (b)	3,130,435	683,004	2,049,012	398,419	
Total	\$ 29,775,647	\$ 26,557,369	\$ 2,419,859	\$ 798,419	\$

(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 96% of its debt obligations at December 25, 2010.

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, and accrued warranty.

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.

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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.

Forward-Looking Statements

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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's 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, restrictions on financing imposed by the Company's primary lender or major chassis suppliers, 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.

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

Not applicable.

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ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.

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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 25, 2010 and December 26, 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 25, 2010. 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 25, 2010 and December 26, 2009, and the results of their operations and their cash flows for each of the three years in the period ended December 25, 2010, 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 25, 2011

Table of Contents**Supreme Industries, Inc. And Subsidiaries****Consolidated Balance Sheets***December 25, 2010 and December 26, 2009*

	2010	2009
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 1,050,047	\$ 1,222,411
Investments	1,208,831	1,645,407
Accounts receivable, net of allowance for doubtful accounts of \$100,000 in 2010 and \$70,000 in 2009	21,305,281	22,710,669
Refundable income taxes	591,594	5,147,061
Inventories	35,676,353	31,553,351
Deferred income taxes		1,758,179
Assets held for sale	6,334,110	1,133,988
Other current assets	2,277,723	2,084,060
Total current assets	68,443,939	67,255,126
Property, plant and equipment, net	33,054,891	42,237,084
Other assets	38,624	47,369
Total assets	\$ 101,537,454	\$ 109,539,579
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 25,874,365	\$ 26,226,289
Trade accounts payable	11,571,902	9,906,429
Accrued wages and benefits	2,195,236	1,714,801
Accrued self-insurance	1,874,721	1,454,069
Customer deposits	796,731	539,553
Accrued warranty	1,636,000	1,377,000
Accrued income taxes	1,040,096	989,300
Other accrued liabilities	3,844,879	2,300,828
Total current liabilities	48,833,930	44,508,269
Long-term debt	770,847	1,115,410
Deferred income taxes		1,330,262
Total liabilities	49,604,777	46,953,941
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 15,237,438 shares in 2010 and 14,704,399 in 2009	1,523,744	1,470,440
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 1,716,937 shares in 2010 and 2,161,058 in 2009	171,694	216,106
Additional paid-in capital	71,725,540	71,185,093

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Retained earnings	99,266	11,762,111
Treasury stock, Class A Common Stock, at cost, 2,608,830 shares in 2010 and 2,631,500 in 2009	(21,587,778)	(21,771,537)
Accumulated other comprehensive income/(loss)	211	(276,575)
Total stockholders equity	51,932,677	62,585,638
Total liabilities and stockholders equity	\$ 101,537,454	\$ 109,539,579

See accompanying notes to consolidated financial statements.

Table of Contents**Supreme Industries, Inc. And Subsidiaries****Consolidated Statements of Operations***for the years ended December 25, 2010, December 26, 2009 and December 27, 2008*

	2010	2009	2008
Net sales	\$ 220,888,586	\$ 186,074,463	\$ 250,642,664
Cost of sales	202,478,129	172,499,498	226,865,612
Gross profit	18,410,457	13,574,965	23,777,052
Selling, general and administrative expenses	23,190,389	21,646,519	26,153,882
Impairment of assets held for sale	1,079,807	80,000	
Other (income) expense	885,422	(761,953)	(1,119,738)
Operating loss	(6,745,161)	(7,389,601)	(1,257,092)
Interest expense	1,387,506	2,100,518	1,758,360
Loss from continuing operations before income taxes	(8,132,667)	(9,490,119)	(3,015,452)
Income tax expense (benefit)	499,625	(3,774,810)	(1,268,612)
Loss from continuing operations	\$ (8,632,292)	\$ (5,715,309)	\$ (1,746,840)
Discontinued operations			
Operating loss of discontinued motorhome operations, net of tax	(1,239,113)	(2,209,541)	(924,936)
Operating loss of discontinued Oregon operations, net of tax	(1,657,676)	(817,883)	(389,643)
Total Discontinued operations	(2,896,789)	(3,027,424)	(1,314,579)
Net loss	\$ (11,529,081)	\$ (8,742,733)	\$ (3,061,419)
Loss Per Share:			
Loss from continuing operations	\$ (0.61)	\$ (0.40)	\$ (0.13)
Loss from discontinued operations	(0.20)	(0.22)	(0.09)
Net loss	\$ (0.81)	\$ (0.62)	\$ (0.22)
Shares used in the computation of loss per share:			
Basic	14,305,866	14,187,207	14,110,103
Diluted	14,305,866	14,187,207	14,110,103
Cash dividends per common share	\$	\$	\$.18

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 25, 2010, December 26, 2009 and December 27, 2008*

	Class A Common Stock		Class B Common Stock		Additional	Retained	Treasury	Accumulated Other Comprehensive	Total
	Shares	Amount	Shares	Amount	Paid-In Capital	Earnings	Stock	Income (Loss)	Stockholders Equity
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)
Common Stock dividends	911,209	91,121	164,357	16,436	2,014,575	(2,122,132)			
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									