

# SUPREME INDUSTRIES INC

## FORM 10-K (Annual Report)

Filed 03/22/02 for the Period Ending 10/15/01

Address	P O BOX 237 2581 EAST KERCHER ROAD GOSHEN, IN 46528
Telephone	5746423070
CIK	0000350846
Symbol	STS
SIC Code	3713 - Truck and Bus Bodies
Industry	Auto, Truck & Motorcycle Parts
Sector	Consumer Cyclical
Fiscal Year	12/31

# SUPREME INDUSTRIES INC

## FORM 10-K (Annual Report)

Filed 3/22/2002 For Period Ending 10/15/2001

Address	P O BOX 237 2581 EAST KERCHER ROAD GOSHEN, Indiana 46528
Telephone	574-642-3070
CIK	0000350846
Industry	Auto & Truck Manufacturers
Sector	Consumer Cyclical
Fiscal Year	12/31

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-K**

(Mark One)

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the fiscal year ended December 31, 2001.  
or  
 TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934 For the transition period from to .

Commission File No. 1-8183

**SUPREME INDUSTRIES, INC.**  
*(Exact name of Registrant as specified in its charter)*

**Delaware 75-1670945**  
*(State of Incorporation) (IRS Employer Identification No.)*

**P.O. Box 237, 16441 CR 38, Goshen, Indiana 46528**  
*(Address of principal executive offices) (Zip Code)*

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

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

**Class A Common Stock (\$.10 Par Value) American Stock Exchange**  
*(Title of each class) (Name of Each Exchange on Which Registered)*

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

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

Indicate by check mark 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 the registrant's knowledge, in the definitive proxy or information statements incorporated by reference in Part III of the Form 10-K or any amendment hereto.

The aggregate market value of the voting stock held by non-affiliates of the registrant at March 4, 2002: \$ 39,581,953

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 4, 2002**  
**Class A Common Stock (\$.10 Par Value) 8,878,317 shares**  
**Class B Common Stock (\$.10 Par Value) 1,917,394 shares**

Documents Incorporated by Reference

Parts of Form 10-K Into Which the Document Document is Incorporated  
**Portions of the Proxy Statement for Annual Meeting of Shareholders to be held on May 1, 2002 Part III**

The Index to Exhibits is on page in the sequential numbering system. Total pages

**PART I**

## **ITEM 1. BUSINESS.**

### **History**

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

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

In August 1994, the Company acquired the business operations and substantially all of the operating assets of Murphy Body Company, Inc., Wilson, North Carolina. The acquisition provided additional refrigerated product lines that the Company did not currently produce and added additional capacity for the Company's existing product lines. The acquisition also provided better market penetration for all of the Company's product lines into Virginia and North and South Carolina.

### **Financial Information About Operating Segments**

The Company has two operating segments, specialized vehicles and vertically integrated fiberglass products. The vertically integrated fiberglass products segment does not meet the quantitative thresholds for separate disclosure.

### **General Description of the Company's Business**

The specialized vehicle industry consists of companies that manufacture and/or distribute specialized truck bodies and shuttle 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. See " Competition. "

Supreme's products are medium-priced with prices generally ranging from \$2,500 to \$175,000. Supreme's truck bodies and custom trailers are offered in aluminum or fiberglass reinforced plywood panel ( " FRP " ) construction and are available in lengths of 9 to 45 feet and heights up to 13 feet, 6 inches. Examples of optional equipment offered by Supreme include lift gates, cargo-handling equipment, customized doors, special bumpers, ladder racks, and refrigeration equipment, which are configured with the truck bodies to meet the end-user's needs.

Supreme also makes its own fiberglass wind deflectors under the name of Fuel Shark, which reduce wind resistance and improve fuel efficiency. Supreme is not in the business of manufacturing recreational vehicles or long-distance truck-trailers. The following is a brief summary of Supreme's products:

Van bodies. Supreme's van bodies are typically fabricated up to 28 feet in length with pre painted aluminum or FRP panels, aerodynamic front and side corners, hardwood floors and various door configurations to accommodate end-user loading and unloading requirements. This product is used for diversified dry freight transportation.

Refrigerated Chiller® insulated van bodies. Chiller® vans are insulated FRP bodies which can accommodate controlled temperature and refrigeration needs of end-users. All fiberglass exterior laminated walls are corrosion resistant and utilize foam insulation which permits varying levels of temperature to as low as minus twenty degrees Fahrenheit.

Kold King ® aluminum insulated van bodies. Supreme's advances in insulated foam technology have created this aluminum insulated body with greater strength, less weight and better thermal efficiency.

Iner-City® cutaway van bodies. Aluminum or FRP cutaway van bodies are manufactured on cutaway chassis which are available with access to the cargo area from the cab. The Iner-City® cutaway van body is similar to the regular van body except for floor construction and shorter lengths (10 feet to 15 feet) as compared with van bodies which are constructed to lengths of up to 28 feet.

Iner-City® walk-in van bodies. Supreme manufactures its walk-in vans on a rail truck chassis having no cab. Supreme fabricates the driver's compartment and body using FRP panels and aluminum. Some uses for this product include the distribution of food products and small packages.

Spartan mini-bodies. Spartan mini-bodies are produced in three different configurations and designed to be mounted on small trucks for diversified commercial use.

Armored Trucks. Supreme's armored trucks are built to customer specifications in either aluminum, galvaneal or

stainless steel.

StarTrans® shuttle buses. The StarTrans® shuttle buses 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 improved aerodynamic exterior design and is intended for use by hotels, nursing homes, car leasing companies, and airport-related users.

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

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

Customized trailers. Supreme manufactures a variety of customized trailers for special needs, including mobile laboratories, antique and race car haulers, and trailers for the broadcasting industry.

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

Chiller®, Kold King®, Nordica®, Iner-City®, Spartan, StarTrans®, and Fuel Shark are trademarks used by Supreme in its marketing of truck bodies and buses. Chiller®, Kold King®, Nordica®, Iner-City®, and StarTrans® 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. Supreme intends to continue to expand its product line, but there is no assurance that it will do so.

## **Manufacturing**

Supreme's manufacturing facilities are located in Goshen and Ligonier, Indiana; Griffin, Georgia; Cleburne, Texas; Moreno Valley, California; Jonestown, Pennsylvania and Wilson, North Carolina. Supreme's management estimates that the capacity utilization of its plants and equipment range from 60% to 90% of capacity when annualized on a one-shift basis. At various times during the year, several of the Company's plants operate at 100% capacity to meet fleet requirements.

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

Supreme is more vertically integrated than many of its competitors. The Company manufactures its own fiberglass reinforced plywood, fiberglass parts, and has extensive roll forming and metal bending capabilities. A portion of the excess capacity of these fabrication capabilities is used to supply products to the recreational vehicle and marine industries.

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 five years following the date of retail sale.

Supreme generally does not purchase vehicle chassis for its inventory. Supreme accepts shipment 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. In the event of a labor disruption or other uncontrollable event adversely affecting the limited number of companies which manufacture and/or deliver such chassis, Supreme's level of manufacturing could be substantially reduced. The Company has established relationships with all major chassis manufacturers and in the event of a disruption in supply from one manufacturer the Company would attempt to divert its demand to the other manufacturer. Approximately 30% of the chassis involved in Supreme's manufacturing have been secured through bailment or consignment agreements with three major chassis manufacturers that provide for truck chassis pools at each of Supreme's manufacturing facilities.

### **Raw Materials**

Supreme does not have any long-term raw material contracts and is dependent upon suppliers of lumber, fiberglass, aluminum and steel for its manufacturing. However, there are several readily available sources for these raw materials. Supreme's operations could be affected by labor disruptions at its raw material suppliers or freight carriers. The single greatest threat to Supreme would be the disruption of chassis availability as virtually all of Supreme's products are built on chassis. The Company believes it enjoys good relationships with all the chassis manufacturers that supply the chassis that its products are built on. In the event of a problem with one chassis supplier the Company would attempt to divert its products to other chassis suppliers.

### **Marketing**

Supreme normally sells the vehicle and/or equipment that has been installed on the chassis to either truck equipment distributors, truck dealers or directly to end-users. Truck bodies purchased by a truck dealer from Supreme are sold by the dealer to its own customers. Since Supreme or its distributors (and not the truck dealers) generally service all Supreme products sold by the truck dealers, each truck dealer is normally located within relatively close geographic proximity to Supreme or the distributor supplying such dealer.

Supreme's distributor/dealer network consists of approximately 40 bus distributors, 85 truck equipment distributors and 500 truck dealers. Management believes that this large distributor/dealer network, coupled with Supreme's geographically-dispersed plant and distribution sites, gives Supreme a distinct marketing advantage over its competitors. Supreme generally delivers its products within 4 to 8 weeks after the receipt of orders.

Supreme markets products direct to end users in geographic areas where the Company does not have a strong distributor. The Company currently has distribution facilities in the areas of St. Louis, MO; Louisville, KY; Cleveland, OH; Orlando, FL; Houston and San Antonio, TX; Denver, CO; San Francisco, CA and Woonsocket, RI. The Company plans to open a new distribution facility near Columbus, OH in the spring of 2002.

Approximately 85 employees are engaged in direct sales. Supreme engages in direct advertising in trade publications, trade shows and cooperative advertising campaigns with distributors.

### **Competition**

Specialized vehicles are produced by many companies, most of which compete on a regional basis. Management believes that Supreme enjoys a competitive advantage based upon its established distributor/dealer network and six manufacturing facilities and nine distribution centers. Chassis manufacturers have not generally shown an interest in manufacturing specialized vehicles, including truck bodies and shuttle 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.

### **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.

### **Working Capital**

The Company utilizes its revolving line of credit to finance its accounts receivable and inventories. The Company's Credit Agreement requires the Company to maintain a minimum working capital of not less than \$10 million. The Company had working capital of \$29.4 million at December 31, 2001.

**Major Customers**

The Company had one customer, Budget Group Inc., that accounted for approximately 11% of the Company's revenues during 1999. No single or group of customers accounted for 10% or more of the Company's revenues for the years ended December 31, 2001 and 2000. The Company's export sales are not significant.

**Environment Regulation**

The Company's manufacturing operations are subject to federal, state, and local statutes and regulations relating to the protection of the environment, work site safety standards, and product size and weight limitations. Such regulations increase the Company's cost of doing business. Because other companies are subject to similar regulations, such regulations are not believed to have an adverse effect on the Company's competitive position.

**Employees**

As of December 31, 2001, the Company employed approximately 1,800 employees, none of whom are represented by a collective bargaining unit. The Company considers its relations with its employees to be satisfactory.

**Back Log**

The Company's backlog of firm orders was \$43.5 million at December 31, 2001 compared to \$48.7 million at December 31, 2000.

**Executive Officers of the Registrant**

The name, age, business background, position held with the Registrant and tenure of each of the Registrant's executive officers are set forth below. No family relationship exists among any of the executive officers.

<b>Name, Age , and Business Experience</b>	<b>Served as Executive Officer Since</b>	<b>Positions With Company</b>
<p>Herbert M. Gardner, 62</p> <p>Senior Vice President of Janney Montgomery Scott Inc., investment bankers, since 1978; Chairman of the Board of the Company since 1979 and President of the Company since June 1992. Also a Director of: Nu Horizons Electronics Corp., an electronic component distributor; Idine Rewards Network Inc., formerly Transmedia Network, Inc., a company that develops and markets transaction-based dining and other consumer savings programs; Hirsch International Corp., importer of computerized embroidery machines, supplies, and developer of embroidery machine application software; Co-Active Marketing Group, Inc., a marketing and sales promotion company; TGC Industries, Inc., a company engaged in the geophysical services industry; and Rumson-Fair Haven Bank and Trust Company, a New Jersey state independent, commercial bank and trust</p>	1979	<p>Chairman of the Board, President</p>

company.

Omer G. Kropf, 60 Executive Vice President of the Company since August 1984; President and Chief Executive Officer of Supreme Corporation, a subsidiary of the Company, from January 1984 to November 2000 and co-holder of Office of the President since November 2000.

1984

Executive  
Vice  
President

**Name, Age , and Business Experience**

William J. Barrett, 62 Senior Vice President of Janney Montgomery Scott Inc., investment bankers, since 1976; Secretary and Assistant Treasurer of the Company and a Director since 1979. Also a Director of: TGC Industries, Inc. a company engaged in the geophysical services industry, American Country Holdings, Inc., a specialized property and casualty insurance company with focus on transportation and hospitality markets; and Rumson-Fair Haven Bank and Trust Company, a New Jersey state independent, commercial bank and trust company.

**Served as  
Executive  
Officer Since**

1979

**Positions  
With  
Company**  
Secretary and  
Assistant  
Treasurer

Robert W. Wilson, 57

Treasurer, Executive Vice President and Chief Financial Officer of the Company since December 1992; Vice President of Finance since 1988 and co-holder of Office of the President of Supreme Corporation, a subsidiary of the Company, since November 2000.

1992

Executive  
Vice  
President,  
Treasurer,  
Chief  
Financial  
Officer, and  
Assistant  
Secretary

## **ITEM 2. PROPERTIES.**

Set forth below is a brief summary of the properties which are owned or leased by the Registrant as of December 31, 2001.

	<u>Square</u> <u>Footage</u>	<u>Owned or</u> <u>Leased</u>	<u>Operating</u> <u>Segment</u>
<u>Manufacturing of Products</u>			
Goshen, Indiana	206,056	Leased	Specialized Vehicles
Goshen, Indiana	235,834	Owned	Specialized Vehicles
Jonestown, Pennsylvania	246,848	Owned	Specialized Vehicles
Wilson, North Carolina	113,694	Owned	Specialized Vehicles
Moreno Valley, California	96,928	Owned	Specialized Vehicles
Cleburne, Texas	115,060	Owned	Specialized Vehicles
Griffin, Georgia	102,795	Leased	Specialized Vehicles
Griffin, Georgia	26,150	Owned	Specialized Vehicles
	1,143,365		
<u>Manufacturing of Component Parts</u>			
Goshen, Indiana	57,570	Owned	Fiberglass Products
Ligonier, Indiana	93,212	Leased	Fiberglass Products
Ligonier, Indiana	31,134	Owned	Fiberglass Products
	181,916		
<u>Distribution</u>			
St. Louis, Missouri	15,000	Owned	Specialized Vehicles
Houston, Texas	12,841	Owned	Specialized Vehicles
Denver, Colorado	12,500	Leased	Specialized Vehicles
Woonsocket, Rhode Island	10,720	Owned	Specialized Vehicles
Streetsboro, Ohio	11,900	Owned	Specialized Vehicles
San Antonio, Texas	7,000	Owned	Specialized Vehicles
Vallejo, California	8,400	Leased	Specialized Vehicles
Louisville, Kentucky	6,664	Owned	Specialized Vehicles
Apopka, Florida	6,600	Owned	Specialized Vehicles
	91,625		

Total square footage

1,416,906

### **ITEM 3. LEGAL PROCEEDINGS.**

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

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

No matters were submitted by the Company to a vote of the Company's security holders, through the solicitation of proxies or otherwise, during the fourth quarter of the year ended December 31, 2001.

## **PART II**

### **ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY AND RELATED STOCKHOLDER MATTERS.**

The Company's Class A Common Stock is traded on the American Stock Exchange (ticker symbol STS). The number of record holders of the Class A Common Stock as of March 4, 2002 was approximately 357. Due to the number of shares held in nominee or street name, it is likely that there are more than 357 beneficial owners of the Company's Class A Common Stock.

The company's Class A Common Stock closed at a price of \$5.30 per share on the American Stock Exchange on March 4, 2002 on which date there were 8,878,317 shares of Class A Common Stock outstanding. High and low closing prices of the Class A Common Stock for the two-year period ended December 31, 2001 were:

	2001		2000	
	High	Low	High	Low
1st Quarter	\$4.25	\$2.88	\$6.55	\$4.05
2nd Quarter	4.66	2.76	6.82	4.38
3rd Quarter	4.60	2.80	5.50	3.75
4th Quarter	4.22	2.90	4.50	2.13

All of the 1,917,394 outstanding shares of the Company's Class B Common Stock were held by a total of 14 persons as of March 4, 2002. There is no established trading market for the Class B Common Stock. 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 shares is deemed to be beneficial ownership of the Class A shares under Rule 13d-3(d) (1) promulgated under the Securities Exchange Act of 1934.

No cash dividends were paid in 2001 or 2000. The Company paid a 5% stock dividend on May 22, 2000.

### **ITEM 6. SELECTED FINANCIAL DATA.**

For the Years Ended December 31,

#### **Consolidated Income Statement**

**Data:** (In Millions, Except Per Share)

Amounts)	<u>2001</u>	<u>2000</u>	<u>1999</u>	<u>1998</u>	<u>1997</u>
Net revenue <sup>(a)</sup>	\$ 226.7	\$ 263.5	\$ 258.7	\$ 236.3	\$ 206.7
Net income	4.9	8.0	8.3	9.0 (b)	8.6
Net income per share: <sup>(c)</sup>					
Basic earnings per share	.45	.72	.68	.68	.65
Diluted earnings per share	.45	.71	.68	.67	.64

**Consolidated Balance Sheet Data:**

(in millions)

Working capital	\$ 29.4	\$ 35.2	\$ 42.7	\$ 39.4	\$ 30.4
Total assets	91.6	103.0	110.6 110	94.2	85.9
Long-term debt (excluding current maturities)	13.1	25.9	35.3	18.3	17.4
Stockholders' equity	55.1	50.8	44.8	53.5	44.5

(a) Net revenue for years prior to 2001 has been restated to reflect the reclassification of freight costs billed to customers and sales of purchased chassis.

(b) Net income for 1998 was reduced by a \$1.3 million extraordinary loss.

(c) All per share amounts have been restated for all common stock dividends paid.

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

**Comparison of 2001 with 2000**

The Company experienced a revenue decline of \$36.8 million for the year ended December 31, 2001 when compared to the year ended December 31, 2000. The Company's truck product lines declined \$50.2 million to \$164.6 million from \$214.8 million for year ended December 31, 2000 while the Company's bus products increased to \$55.7 million from \$40.9 million for year ended December 31, 2000. Delivery and other income declined \$1.4 million from \$7.8 million to \$6.4 million for the year ended December 31, 2001.

The decline in truck revenues was consistent throughout the country as each of the Company's manufacturing facilities experienced a decline in revenue during 2001 ranging from approximately 18% to as high as 29%. Revenues from the Company's relatively small refrigerated product line produced in Wilson, North Carolina declined 42%.

The increase in bus revenues of approximately 36% is related to additional capacity added in February, 2001 to the Company's midsize and trolley production line. The additional capacity allowed the Company to maintain reasonable lead times giving it a competitive advantage over other competitors who could not deliver as timely. A portion of the Company's municipal bus business is awarded on a multi year contract basis further mitigating the economic ups and downs experienced on the truck side.

The Company's gross profit percentage declined 0.8% to 14.0% in 2001 compared to 14.8% in 2000. A slight increase in overhead expenses as a percentage of revenue was offset by a slight decrease in direct labor as a percentage of revenue. Material cost as a percentage of revenue was the significant factor in the decline in gross profit during 2001.

The Company has experienced decreases in the prices paid for its major raw material items: steel, aluminum, lumber and fiberglass related products. The reason for the increase in material cost as a percentage of revenue is a much more competitive marketplace due to excess capacity in conjunction with variations in product mix.

Selling, general and administrative expenses were \$21.5 million for the year ended December 31, 2001 compared to \$22.9 million for the prior year. The Company's target was to reduce these expenses by \$1.0 million in 2001; the actual reduction was \$1.4 million. Contributing to the reductions were decreases in consulting fees relating to the Company's operating software, declines in legal and professional fees and incentive compensation as well as improvements in OEM marketing programs.

Interest expense declined \$0.9 million to \$2.2 million for the year ended December 31, 2001 from \$3.1 million for the year ended December 31, 2000. A decline of \$1.0 million of interest expense on bank and other long term debt was offset by a \$0.1 million increase in chassis interest.

The Company's effective income tax rate was 39.0% for both 2001 and 2000.

### **Comparison of 2000 with 1999**

Revenues for the year ended December 31, 2000 increased slightly to \$263.5 million compared to \$258.7 million for the year ended December 31, 1999. A general slowing in the overall economy, particularly in the automotive and truck equipment sectors, negatively affected the third and fourth quarters of 2000 and continued into 2001. There was little change in the Company's overall product offerings in 2000 when compared to 1999. The Company's northeast market was the only market that experienced growth in 2000 when compared to 1999. This growth was offset by a decline in the Company's Midwest market combined with small fluctuations in the Company's other market areas.

Overall revenues by customer category changed little in 2000 when compared to 1999. No single customer represented more than 6% of the Company's annual revenues in 2000. Unit shipments declined approximately 3% in 2000 when compared to 1999.

The Company's gross profit percentage improved to 14.8% in 2000 compared to 14.0% in 1999. The Company experienced improvements in material and direct labor as a percentage of revenues in 2000 when compared to 1999. Overhead, both in dollars and as a percentage of revenue, increased slightly in 2000 when compared to 1999. Employee-related costs for health insurance and fringe benefits were up slightly in 2000 when compared to 1999. These costs are part of the Company's efforts to improve its overall benefit package to help alleviate high employee turnover during tight labor markets.

Selling, general and administrative expenses were \$22.9 million or 8.7% of revenue in 2000 compared to \$20.1 million or 7.8% of revenue in 1999. Expenses contributing to the increase in order of significance were: wage expense, depreciation on the new operating software and professional services. A significant portion of the increase relates to the new operating software implemented January 1, 2000. While depreciation and amortization expenses will remain higher as the software is amortized over three years (approximately \$800,000 annually), fees relating to professional services will decline in 2001. The Company plans to reduce selling, general and administrative expenses by \$1.0 million during 2001.

Interest expense increased \$0.9 million to \$3.1 million in 2000 from \$2.2 million in 1999. Contributing to the increase were the five-year term loan to finance the Dutch Auction completed in May of 1999 being outstanding for the full year of 2000, the \$2.5 million industrial revenue bond issued in November to purchase the Company's North Carolina manufacturing facility and a \$0.1 million increase in chassis interest expense.

The Company's effective income tax rate fell to 39.0% in 2000 from 39.7% in 1999. The decline is primarily the result of fluctuations in taxable income and varying tax rates in the states in which the Company transacts business.

## **Liquidity and Capital Resources**

Net income of \$4.9 million in 2001 and availability under the revolving credit agreement continue to be the Company's major sources of funds for operations and capital expenditures. Depreciation and amortization of \$4.5 million is the major noncash charge providing funds for operating activities. The Company's working capital management resulted in reductions of \$4.3 million in accounts receivable and \$5.1 million in inventories. Negatively impacting operating cash flow was a decrease in other current liabilities of \$1.9 million, an increase of \$0.7 million of other current assets and a reduction of \$0.2 million in trade accounts payable.

The Company plans to continue to aggressively manage accounts receivable and inventories, but the reductions achieved over the last two years may not be possible if the economy turns more favorable.

Capital expenditures were \$1.9 million during the year ended December 31, 2001, down from \$8.2 million in the prior year. The Company plans to continue to hold annual capital expenditures under \$4.0 million. The only exceptions to this would be major plant acquisitions for capacity expansion.

The major financing activity during the year was the \$13.7 million net repayment of long-term debt. The Company also purchased 132,575 shares of its Class A Common Stock for \$0.4 million. The Company had \$20.0 million of availability under its revolving credit facility at February 28, 2002.

The Company believes that cash flows from operations and funds available under the Company's revolving line of credit will be sufficient to meet the Company's cash requirements during 2002.

## **New Accounting Pronouncements**

The Company does not believe the implementation of SFAS Nos. 142, 143 or 144 (see Note A of Notes to Consolidated Financial Statements) will have a significant effect on the Company's financial position.

## **Forward-Looking Statements**

This report contains forward-looking statements, other than historical facts, which reflect the view of the Company's management with respect to future events. Such forward-looking statements are based on assumptions made by and information currently available to the Company's 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 have been correct. Important factors that could cause actual results to differ materially from such expectations include, without limitation, limitations on the availability of chassis on which the Company's product is dependent, availability of raw materials and severe interest rate increases. The forward-looking statements contained herein reflect the current views of the Company's 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**

In the normal course of business, operations of the Company are exposed to fluctuations in interest rates. These fluctuations can vary the cost of investing, financing and operating. The Company's primary risk exposure results from changes in short-term interest rates. In an effort to manage risk exposures, the Company strives to achieve an acceptable balance between fixed and floating rate debt positions. The Company's revolving line of credit is floating rate debt and bears interest at the bank's prime rate or LIBOR plus certain basis points depending on the pricing option selected and the Company's leverage ratio. At December 31, 2001, the Company is party to two (2) interest rate swap agreements dated September 30, 1998 and May 11, 1999. The September 30, 1998 interest rate swap agreement relates to a five-year term loan (original principal balance of \$7 million) and the May 11, 1999 interest rate swap agreement relates to a five-year term loan (original principal balance of \$17.1 million). Both of these term loans bear interest at LIBOR plus certain basis points determined by the Company's leverage ratio. The effective interest rates at December 31, 2001 for these term loans were 2.81%, on outstanding principal balances of \$2,449,987, and 3.13%, on outstanding principal balances of \$8,964,570. The interest rate swap agreements are contracts to exchange floating rate for fixed rate interest payments over the lives of the interest rate swap agreements, which coincide with the terms of the related debt, without exchange of the underlying notional amounts. The notional amounts of the interest rate swap agreements are used to measure interest to be paid or received and do not represent the amount of exposure of credit loss. The differential paid or received under the interest rate swap agreements is recognized as an adjustment to interest expense. The following is a summary of interest rate swap agreements outstanding at December 31, 2001:

Notional Amount Fixed Rate Maturity

\$2,450,000 5.8% September 30, 2003

Based on the Company's overall interest rate exposure at December 31, 2001, including floating rate debt and the related interest rate swap agreements, a hypothetical 10 percent change in interest rates applied to the fair value of the financial instruments as of December 31, 2001, would have no material impact on earnings, cash flows or fair values of interest rate risk sensitive instruments over a one-year period.

## **ITEM 8 . FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA.**

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## REPORT OF INDEPENDENT AUDITORS

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

We have audited the consolidated financial statements and the financial statement schedule of Supreme Industries, Inc. and its subsidiaries as of and for the year ended December 31, 2001 listed in the accompanying index. 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 audit.

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

In our opinion, the 2001 consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Supreme Industries, Inc. and its subsidiaries as of December 31, 2001, and the results of their operations and their cash flows for the year then ended in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the 2001 financial statement schedule referred to above presents fairly, in all material respects, the information set forth therein when read in conjunction with the 2001 consolidated financial statements.

As described in Note A to the consolidated financial statements, effective January 1, 2001 the Company changed its method of accounting for derivative instruments and hedging activities.

/s/Crowe, Chizek and Company LLP

South Bend, Indiana

February 8, 2002

### **Report of Independent Accountants**

To the Board of Directors and Stockholders of

Supreme Industries, Inc.

In our opinion, the accompanying consolidated balance sheet as of December 31, 2000 and the related consolidated statements of income, of stockholders' equity and of cash flows for each of the two years in the period ended December 31, 2000, present fairly, in all material respects, the financial position, results of operations and cash flows of Supreme Industries, Inc. and its subsidiaries at December 31, 2000 and for each of the two years in the period ended December 31, 2000, in conformity with accounting principles generally accepted in the United States of America. In addition, in our opinion, the 2000 and 1999 financial statement schedule listed in the accompanying index presents fairly, in all material respects, the information set forth therein when read in conjunction with the related consolidated financial statements. 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 of these statements in accordance with auditing standards generally accepted in the United States of America, which require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

/s/ PricewaterhouseCoopers LLP

South Bend, Indiana

February 2, 2001

### **Consolidated Balance Sheets**

*December 31, 2001 and 2000*

<b>ASSETS</b>
---------------

	<b>2001</b>	<b>2000</b>
<b>Current assets:</b>		
Cash and cash equivalents	\$ 192,662	\$ 184,004
Accounts receivable, net of allowance for doubtful accounts of \$350,000 in 2001 and \$409,000 in 2000.	20,526,224	24,974,317
Inventories	26,741,761	31,815,470
Deferred income taxes	1,353,315	1,315,298
Other current assets	1,946,978	1,262,324
<b>Total current assets</b>	<b>50,760,940</b>	<b>59,551,413</b>
<b>Property, plant and equipment, net</b>	<b>38,936,403</b>	<b>41,394,132</b>
<b>Intangible assets, net</b>	<b>938,576</b>	<b>1,095,456</b>
<b>Other assets</b>	<b>973,139</b>	<b>932,514</b>
<b>Total assets</b>	<b>\$ 91,609,058</b>	<b>\$ 102,973,515</b>

#### **LIABILITIES AND STOCKHOLDERS' EQUITY**

<b>Current liabilities:</b>		
Current maturities of long-term debt	\$ 4,303,239	\$ 5,181,761
Trade accounts payable	7,906,418	8,111,788
Accrued wages and benefits	3,150,183	4,475,008
Accrued income taxes	660,607	1,148,415
Other accrued liabilities	5,329,158	5,399,294
<b>Total current liabilities</b>	<b>21,349,605</b>	<b>24,316,266</b>
<b>Long-term debt</b>	<b>13,075,971</b>	<b>25,859,972</b>
<b>Deferred income taxes</b>	<b>1,710,718</b>	<b>1,984,466</b>
<b>Other long-term liabilities</b>	<b>396,834</b>	<b>-</b>
<b>Total liabilities</b>	<b>36,533,128</b>	<b>52,160,704</b>

#### **Commitments and contingencies (Note H )**

#### **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 11,220,565 shares	1,122,057	1,122,057
<b>Class B Common Stock, convertible into Class A Common</b> Stock on a one-for-one basis, \$.10 par value; authorized 5,000,000 shares, issued 1,917,394 shares	191,739	191,739
Additional paid-in capital	55,615,704	55,615,704
Retained earnings	18,532,324	13,620,142
Treasury stock, Class A Common Stock, at cost, 2,339,575 shares in 2001 and 2,207,000 shares in 2000	(20,143,825 )	(19,736,831 )
Accumulated other comprehensive loss	(242,069 )	-
<b>Total stockholders' equity</b>	55,075,930	50,812,811
<b>Total liabilities and stockholders' equity</b>	\$ 91,609,058	\$ 102,973,515

*The accompanying notes are a part of the consolidated financial statements.*

## Consolidated Statements Of Income

*for the years ended December 31, 2001, 2000 and 1999*

	2001	2000	1999
<b>Revenue:</b>			
Net sales	\$ 226,263,541	\$ 263,082,913	\$ 258,234,902
Other income	390,239	374,777	443,319
	226,653,780	263,457,690	258,678,221
<b>Costs and expenses:</b>			
Cost of sales	194,979,382	224,355,674	222,570,359
Selling, general and administrative	21,451,857	22,891,454	20,147,125
Interest	2,168,359	3,119,588	2,242,064
	218,599,598	250,366,716	244,959,548
<b>Income before income taxes</b>	8,054,182	13,090,974	13,718,673
Income taxes	3,142,000	5,106,000	5,451,000
<b>Net income</b>	\$ 4,912,182	\$ 7,984,974	\$ 8,267,673
<b>Earnings per share:</b>			
Basic	\$ .45	\$ .72	\$ .68

Diluted	.45	.71	.68
Shares used in the computation of earnings per share:			
Basic	10,809,135	11,132,967	12,191,155
Diluted	10,878,980	11,265,935	12,242,628

*The accompanying notes are a part of the consolidated financial statements.*

## consolidated Statements Of Stockholders' Equity

for the years ended December 31, 2001, 2000 and 1999

	Class A Common Stock		Class B Common Stock		Additional Paid-In Capital	Retained Earnings	Treasury Stock
	Shares	Amount	Shares	Amount			
<b>Balance, January 1, 1999</b>	9,890,653	\$ 989,065	1,688,328	\$ 168,833	\$ 44,107,645	\$ 8,935,827	\$ (715,295)
Net income	-	-	-	-	-	8,267,673	-
Conversion of 32,003 shares of Class B Common Stock to Class A Common Stock	32,003	3,200	(32,003 )	(3,200 )	-	-	-
Exercise of stock options	20,416	2,042	-	-	93,583	-	-
5% Common Stock dividend	836,694	83,670	169,767	16,976	8,773,925	(8,874,571 )	-
Acquisition of 1,689,863 shares of treasury stock	-	-	-	-	-	-	(17,000,190)
<b>Balance, December 31, 1999</b>	10,779,766	1,077,977	1,826,092	182,609	52,975,153	8,328,929	(17,715,485)
Net income	-	-	-	-	-	7,984,974	-
5% Common Stock dividend	440,799	44,080	91,302	9,130	2,640,551	(2,693,761 )	-
Acquisition of 441,203 shares of treasury stock	-	-	-	-	-	-	(2,021,346)
<b>Balance, December 31, 2000</b>	11,220,565	1,122,057	1,917,394	191,739	55,615,704	13,620,142	(19,736,831)
Net income	-	-	-	-	-	4,912,182	-
Unrealized loss on hedge	-	-	-	-	-	-	-

activity, net of tax	-	-	-	-	-	-	-
Total comprehensive income							
Aquisition of 132,575 shares of treasury stock	-	-	-	-	-	-	(406,994)
<b>Balance, December 31, 2001</b>	11,220,565	\$ 1,122,057	1,917,394	\$ 191,739	\$ 55,615,704	18,532,324	\$ (20,143,825)

*The accompanying notes are a part of the consolidated financial statements.*

## Consolidated Statements Of Cash Flows

*for the years ended December 31, 2001, 2000 and 1999*

	2001	2000	1999
<b>Cash flows from operating activities:</b>			
Net income	\$ 4,912,182	\$ 7,984,974	\$ 8,267,673
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	4,329,171	4,122,320	2,985,064
Amortization of intangibles	156,880	203,310	203,310
Provision (credit) for losses on doubtful receivables	100,459	(134,991)	343,438
Deferred income taxes	(157,000)	(191,000)	474,000
Loss (gain) on sale of property, plant and equipment	(10,667)	103,272	(7,870)
Changes in operating assets and liabilities:			
Accounts receivable	4,347,634	4,187,059	(660,264)
Inventories	5,073,709	6,736,869	(9,759,689)
Other current assets	(684,654)	559,057	(221,144)
Trade accounts payable	(205,370)	(3,890,139)	1,765,963
Other current liabilities	(1,882,769)	(455,796)	2,780,687
<b>Net cash provided by operating activities</b>	15,979,575	19,224,935	6,171,168
<b>Cash flows from investing activities:</b>			
Proceeds from sale of property, plant and equipment	27,496	28,650	34,759
Additions to property, plant and equipment	(1,888,271)	(8,184,282)	(9,133,723)
Decrease (increase) in other assets	(40,625)	(52,268)	111,701
<b>Net cash (used in) investing activities</b>	(1,901,400)	(8,207,900)	(8,987,263)
<b>Cash flows from financing activities:</b>			
Proceeds from revolving line of credit and other long-term debt	55,341,024	106,025,242	114,786,099
Repayments of revolving line of credit and other			

long-term debt	(69,003,547 )	(115,107,862 )	(94,979,928 )
Proceeds from exercise of stock options	-	-	95,625
Acquisition of treasury stock	(406,994 )	(2,021,346 )	(17,000,190 )
<b>Net cash provided by (used in) financing activities</b>	<b>(14,069,517 )</b>	<b>(11,103,966 )</b>	<b>2,901,606</b>
<b>Increase (decrease) in cash and cash equivalents</b>	<b>8,658</b>	<b>(86,931 )</b>	<b>85,511</b>
<b>Cash and cash equivalents, beginning of year</b>	<b>184,004</b>	<b>270,935</b>	<b>185,424</b>
<b>Cash and cash equivalents, end of year</b>	<b>\$ 192,662</b>	<b>\$ 184,004</b>	<b>\$ 270,935</b>
<b>Supplemental disclosures of cash flow information :</b>			
Cash paid during the year for:			
Interest, net of amount capitalized in 1999	\$ 2,183,080	\$ 3,044,783	\$ 2,335,105
Income taxes	3,765,050	5,036,591	5,205,852
<b>Noncash investing and financing activities:</b>			
Common Stock dividends	-	2,693,761	8,874,571
Conversion of Class B Common Stock to Class A Common Stock	-	-	3,200
<i>The accompanying notes are a part of the consolidated financial statements.</i>			

## A. NATURE OF OPERATIONS AND ACCOUNTING POLICIES.

Supreme Industries, Inc. and its subsidiaries (collectively the "Company") manufacture specialized truck bodies that are mounted on new truck chassis produced by others. The Company's truck body products include cut-away and dry freight van bodies, refrigerated units, stake bodies and other specialized trucks. The Company also manufactures shuttle buses and trailers. At December 31, 2001, the Company had 17 manufacturing, distribution and supply facilities. The Company's customers are located principally in the United States.

The following is a summary of the significant accounting policies used in the preparation of the accompanying consolidated financial statements:

**Principles of Consolidation** - The accompanying consolidated financial statements include the accounts of Supreme Industries, Inc. and its wholly owned subsidiaries. All significant intercompany accounts and transactions have been eliminated in consolidation.

**Revenue Recognition** - The production of specialized truck bodies and shuttle buses starts when an order is received from the customer. Revenue is recognized when the unit is shipped to the customer in accordance with Securities and Exchange Commission Staff Accounting Bulletin 101, "Revenue Recognition in Financial Statements".

**Concentration of Credit Risk** - Concentration of credit risk is limited due to the large number of customers and their dispersion among many different industries and geographic regions. In 1999, the Company had one customer that accounted for approximately 11% of the Company's net sales. The Company performs an ongoing credit evaluation of its customers' financial condition, and credit is extended to customers on an unsecured basis. Future credit losses are provided for currently through the allowance for doubtful accounts and actual credit losses are charged to the allowance when incurred.

**Accounting for Freight Costs** - During 2001, the Company adopted Financial Accounting Standards Board Emerging Issues Task Force ("EITF") Issue No. 00-10, "Accounting for Shipping and Handling Fees and Costs". As required by EITF 00-10, freight costs billed to customers are considered sales revenue, while freight costs incurred should be classified as cost of sales. Net freight costs have historically been classified as selling, general and administrative expenses by the Company. Freight costs billed to customers of \$7,386,859 and \$6,687,872 for the years ended December 31, 2000 and 1999, respectively, have been reclassified to net sales to conform to the current presentation (freight revenue of \$5,972,431 is included in net sales for the year ended December 31, 2001).

Freight costs incurred by the Company of \$9,366,876 and \$8,143,935 for the years ended December 31, 2000 and 1999, respectively, have been reclassified to cost of sales to conform to the current presentation (freight costs of \$6,976,620 are included in cost of sales for the year ended December 31, 2001). The adoption of EITF 00-10 had no impact on net income.

#### **A. NATURE OF OPERATIONS AND ACCOUNTING POLICIES, Continued.**

**Financial Instruments and Fair Values** - The Company has entered into interest rate swap agreements to reduce the impact of changes in interest rates on certain of its floating rate debt (Term Notes B and C). The swap agreements are contracts to exchange the debt obligation's LIBOR floating rate (exclusive of the applicable spread) for fixed rate interest payments over the life of the debt obligations without exchange of the underlying notional amounts. The notional amounts of the interest rate swap agreements are used to measure interest to be paid or received and do not represent the amount of exposure of credit loss. The differential paid or received under interest rate swap agreements is recognized as an adjustment to interest expense.

The following is a summary of interest rate swap agreements outstanding at December 31, 2001 and 2000:

#### Notional Amount

2001	2000	Fixed Rate	Maturity	\$2,450,000	\$3,850,000	5.8%	September 30, 2003	8,964,600	12,401,100	5.8%	May 11, 2004
------	------	------------	----------	-------------	-------------	------	--------------------	-----------	------------	------	--------------

The actual market or credit exposure of these types of financial instruments are significantly less than the notional amounts. The primary risk associated with the swaps is the inability of counterparties to meet the terms of the contracts. The Company does not expect the counterparties to fail to meet their respective obligations. At December 31, 2000, the estimated fair value of the interest rate swap agreements, based on then current market rates, was not significant.

As of January 1, 2001, the Company adopted Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," which establishes accounting and reporting standards for derivative instruments and hedging activities. SFAS No. 133 requires the Company to recognize all derivatives as either assets or liabilities in the balance sheet and measure those instruments at fair value. It further provides criteria for derivative instruments to be designated as fair value, cash flow or foreign currency hedges, and establishes accounting standards for reporting changes in the fair value in the balance sheet and recognizing the offsetting gains or losses as adjustments to be reported in net income or other comprehensive income, as appropriate. The Company designated these hedge arrangements to be highly effective cash flow hedges to fix future interest payments. The Company expects to hold these interest rate swaps through their maturity and the fair value of the swaps will reverse out of accumulated other comprehensive loss with the passage of time. Based on the Company's derivative positions at December 31, 2001, the Company recorded a net liability of \$396,834 for the fair value of its derivative portfolio and a corresponding charge of \$242,069, net of income tax benefit, to other comprehensive income.

#### **A. NATURE OF OPERATIONS AND ACCOUNTING POLICIES, Continued.**

The carrying amounts of cash and cash equivalents, accounts receivable and trade accounts payable approximated fair value as of December 31, 2001 and 2000 because of the relatively short maturities of these instruments. The carrying amount of long-term debt, including current maturities, approximated fair value as of December 31, 2001 and 2000, based upon terms and conditions available to the Company at those dates in comparison to the terms and conditions of its outstanding long-term debt.

**Cash and Cash Equivalents** - The Company considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

**Inventories** - Inventories are stated at the lower of cost or market, with cost determined using the first-in, first-out method.

**Property, Plant and Equipment** - Property, plant and equipment are recorded at cost. For financial reporting purposes, depreciation is provided based on the straight-line method over the estimated useful lives of the assets. Amortization of leasehold improvements, for financial reporting purposes, is determined by the straight-line method over the lesser of the useful life of the asset or term of the lease. Upon sale or other disposition of assets, the cost and related accumulated depreciation and amortization are removed from the accounts and any resulting gain or loss is reflected in operations. Expenditures for maintenance and repairs are charged to operations as incurred. Betterments and major renewals are capitalized and recorded in the appropriate asset accounts.

**Capitalized Interest** - Interest costs capitalized during the construction period of plant and equipment were \$100,000 for the year ended December 31, 1999.

**Intangible Assets** - Intangible assets consist of goodwill - \$3,379,031 and patents - \$325,000, and are recorded at cost and shown net of accumulated amortization. Amortization of goodwill is provided using the straight-line method over the estimated benefit period (16 to 25 years), and patents are amortized over seven years using the straight-line method. Accumulated amortization at December 31, 2001 and 2000 was \$2,765,455 and \$2,608,575, respectively.

**Evaluation of Impairment of Long-Lived Assets** - In accordance with SFAS No. 121, "Accounting for the Impairment of Long-Lived Assets and Long-Lived Assets to be Disposed Of," the Company evaluates the carrying value of long-lived assets whenever significant events or changes in circumstances indicate the carrying value of these assets may be impaired. The Company evaluates potential impairment of long-lived assets by comparing the carrying value of the assets to the expected net future cash inflows resulting from use of the assets. Management believes that no material impairment of long-lived assets exists at December 31, 2001.

#### **A. NATURE OF OPERATIONS AND ACCOUNTING POLICIES, Continued.**

**Stock-Based Compensation** - The Company has adopted the disclosure only provisions of SFAS No. 123, "Accounting for Stock-Based Compensation" and, accordingly, accounts for its stock option plans under the provisions of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

**Warranty** - Estimated warranty costs are provided at the time of sale and are based upon historical experience.

**Income Taxes** - Deferred income taxes are determined using the liability method.

**Use of Estimates in the Preparation of Financial Statements** - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

**Earnings Per Share** - Basic earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding during the period. Diluted earnings per share is computed by dividing net income by the weighted average number of shares of common stock outstanding plus the dilutive effect of stock options. The computations of the number of shares used in the determination of basic and diluted earnings per share give retroactive recognition to all common stock dividends declared and paid during the periods.

**Segment Information** - The Company's principal business is manufacturing specialized vehicles. Management has not separately organized the business beyond specialized vehicles and vertically integrated fiberglass manufacturing processes. The vertically integrated fiberglass manufacturing subsidiary constitutes a segment by definition of SFAS No. 131, "Disclosures about Segments of an Enterprise and Related Information"; however, this segment does not meet the quantitative thresholds for separate disclosure as set forth in this statement. The vertically integrated fiberglass manufacturing subsidiary's revenues are less than 10 percent of consolidated revenues, the absolute amount of its reported income is less than 10 percent of the absolute amount of consolidated net income, and finally, its assets are less than 10 percent of consolidated assets.

**New Accounting Pronouncements** - In July 2001, the Financial Accounting Standards Board ("FASB") issued SFAS No. 142, "Goodwill and Other Intangible Assets", which is effective for fiscal years beginning after December 15, 2001. SFAS No. 142 primarily addresses the accounting for goodwill and other intangible assets subsequent to their acquisition. The most significant changes made by SFAS 142 are (1) goodwill and indefinite lived intangible assets will no longer be amortized, (2) goodwill will be tested for impairment at least annually at the reporting unit level, (3) other intangible assets deemed to have an indefinite life will be tested for impairment at least annually, and (4) the amortization period of intangible assets with finite lives will no longer be limited to forty years. Management anticipates the adoption of SFAS No. 142 will not have a

#### **A. NATURE OF OPERATIONS AND ACCOUNTING POLICIES, Concluded.**

significant effect on the Company's consolidated financial position or results of operations.

In June 2001, the FASB issued SFAS No. 143, "Accounting for Asset Retirement Obligations." SFAS No. 143 addresses accounting and reporting for obligations associated with the retirement of tangible long-lived assets and the associated asset retirement costs. This statement is effective for fiscal years beginning after June 15, 2002. The Company is currently assessing the impact of this new standard.

In July 2001, the FASB issued SFAS No. 144, "Impairment or Disposal of Long-Lived Assets," which is effective for fiscal years beginning after December 15, 2001. The provisions of this statement provide a single accounting model for impairment of long-lived assets. The Company is currently assessing the impact of this new standard.

**Reclassifications** - Certain amounts in the 2000 and 1999 consolidated financial statements have been reclassified to conform with the 2001 presentation. These reclassifications had no effect on total assets, stockholders' equity or net income as previously reported.

**B. INVENTORIES.**

Inventories consist of the following:

	<b>2001</b>	<b>2000</b>
Raw materials	\$ 15,974,583	\$ 19,822,278
Work-in-progress	3,501,635	5,384,975
Finished goods	7,265,543	6,608,217
Total	\$ 26,741,761	\$ 31,815,470

**C. PROPERTY, PLANT AND EQUIPMENT.**

Property, plant and equipment consists of the following:

	<b>2001</b>	<b>2000</b>
Land and improvements	\$ 6,923,432	\$ 6,718,824
Buildings and improvements	20,531,981	20,150,010
Leasehold improvements	7,237,466	7,203,791
Machinery and equipment	33,821,870	32,764,119
	68,514,749	66,836,744
Less, Accumulated depreciation and amortization	29,578,346	25,442,612
Property, plant and equipment, net	\$ 38,936,403	\$ 41,394,132

**D. LONG-TERM DEBT.**

Long-term debt consists of the following:

	<b>2001</b>	<b>2000</b>
Revolving line of credit	\$ 883,009	\$ 8,969,802
Term Note C, payable in quarterly installments of \$609,143 plus interest at LIBOR plus certain basis points determined by the Company's leverage ratio (effective rates of 3.13% and 7.90% at December 31, 2001 and 2000, respectively), with final maturity in May 2004	8,964,570	12,401,142

Term Note B, payable in monthly installments of \$116,667 plus interest at LIBOR plus certain basis points determined by the Company's leverage ratio (effective rates of 2.81% and 7.78% at December 31, 2001 and 2000, respectively), with final maturity in September 2003	2,449,987	3,849,991
Obligations under industrial development revenue bonds, variable rates, with maturities in August 2010 and April 2015, collateralized by real estate	5,081,644	5,405,937
Real estate mortgage, fixed rate of 6.36%, with final maturity in July 2001	-	414,861
<b>Total</b>	<b>17,379,210</b>	<b>31,041,733</b>
Less, Current maturities	4,303,239	5,181,761
<b>Long-term debt</b>	<b>\$ 13,075,971</b>	<b>\$ 25,859,972</b>

The revolving line of credit, term notes and a letter of credit facility are part of a master credit agreement (the "Credit Agreement"). All borrowings under the Credit Agreement are unsecured. The Credit Agreement provides for a revolving line of credit facility as defined, up to \$20 million. Interest on outstanding borrowings under the revolving line of credit is based on the bank's prime rate or certain basis points above LIBOR depending on the pricing option selected and the Company's leverage ratio, as defined. There were no outstanding borrowings under the revolving line of credit at December 31, 2001, except for checks outstanding in excess of bank balances. The weighted average interest rate on borrowings outstanding at December 31, 2000 was 8.4%. The revolving line of credit also requires a quarterly commitment fee ranging from 1/8% to 3/16% per annum depending on the Company's leverage ratio and based upon the annualized average unused portion. All amounts outstanding under the revolving line of credit will be due at maturity, April 30, 2003.

#### **D. LONG-TERM DEBT, Concluded.**

In addition to the required quarterly installments, Term Note C requires an annual principal payment to be paid within 105 days after year end, equal to 20% of the preceding year's net income which exceeds \$5.0 million, with such additional annual payment not to exceed \$1.0 million in any year. No additional principal payment is required to be made in 2002 based on net income for the year ended December 31, 2001 (\$596,995 was paid in 2001 based on 2000 net income). The Company also made an additional principal payment of \$403,005 during 2001.

Outstanding letters of credit, which reduce availability under the credit facility, aggregated \$1.8 million and \$1.2 million at December 31, 2001 and 2000, respectively. Under separate agreements, at December 31, 2001 the Company has outstanding \$4.6 million (\$4.9 million at December 31, 2000) in irrevocable letters of credit in favor of bond trustees as a credit enhancement for bondholders of two industrial development revenue bonds.

The Credit Agreement contains, among other matters, certain restrictive covenants including maintenance of a minimum consolidated tangible net worth of \$28 million plus 50% of cumulative net income of the Company, as defined, commencing with the year ended December 31, 1999 (\$38.6 million at December 31, 2001), minimum consolidated working capital of \$10 million and required financial ratios.

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. Checks outstanding in excess of bank balances at December 31, 2001 and 2000 aggregated \$883,000 and \$2,670,000, respectively.

Maturities of long-term debt for each of the next five years are as follows: 2002 - \$4,303,239; 2003 - \$3,819,892; 2004 - \$4,558,093; 2005 -

\$433,333 and 2006 - \$366,667.

## **E. RETIREMENT PLAN.**

The Company maintains a defined contribution plan which covers substantially all employees of the Company who have reached the age of twenty-one years and have completed one year of credited service. The plan provides that eligible employees can contribute from one to fifteen percent of their annual compensation and the Company will match thirty percent of employees' contributions up to seven percent of the employees' compensation. The Board of Directors may increase or decrease the Company's contribution on a year-by-year basis. Expense related to this plan for the years ended December 31, 2001, 2000 and 1999 was \$436,045, \$482,706 and \$413,829, respectively.

## **F. STOCKHOLDERS' EQUITY.**

### **Preferred Stock**

The Company is authorized to issue 1,000,000 shares of preferred stock (\$1 par value), of which none has been issued. The Board of Directors is vested with the authority to determine and state the designations and relative preferences, limitations, voting rights, if any, and other rights of the preferred shares.

### **Common Stock Dividends**

The Board of Directors approved the following 5% common stock dividends during the years ended December 31, 2000 and 1999:

Declaration Date	Record Date	Paid Date
June 29, 1999	July 12, 1999	July 19, 1999
November 17, 1999	November 29, 1999	December 6, 1999
April 27, 2000	May 15, 2000	May 22, 2000

### **Convertible Class B Common Stock**

Class B Common Stock is convertible into Class A Common Stock on a one-for-one basis. Holders of Class A Common Stock are entitled to elect one-third of the Board of Directors, rounded to the lowest whole number. Holders of Class B Common Stock elect the remainder of the directors.

### **Stock Options**

During 1992, the Company adopted the 1992 Stock Option Plan under which 401,117 (adjusted for all subsequent stock dividends through December 1998) shares of Class A Common Stock were reserved for grant. On October 29, 1998, the Company's Board of Directors approved, and the Company's stockholders subsequently ratified, the 1998 Stock Option Plan under which 790,079 (adjusted for all subsequent stock dividends) shares of Class A Common Stock were reserved for grant. On January 31, 2001, the Company's Board of Directors approved, and the Company's stockholders subsequently ratified, the 2001 Stock Option Plan under which 750,000 shares of Class A Common Stock were reserved for grant. Under the terms of the stock option plans, both incentive stock options and non-statutory stock options can be granted by a specially designated Stock Option Committee. No options may be exercised during the first year after the date of grant. Options are exercisable cumulatively in three installments of 33 1/3 % each year thereafter. Options granted under the stock option plans expire five years after the date of grant.

## **F. STOCKHOLDERS' EQUITY, Continued.**

The following table summarizes stock option activity:

	Number of Shares	Weighted - Average Exercise Price
Outstanding, January 1, 1999	347,983	\$ 6.60

Exercised	(21,437 )	4.46
Expired or canceled	(14,968 )	6.77
Outstanding, December 31, 1999	311,578	6.75
Granted	722,606	4.15
Expired or canceled	(12,425 )	6.28
Outstanding, December 31, 2000	1,021,759	4.92
Granted	85,000	3.13
Expired or canceled	(54,823 )	5.07
Outstanding, December 31, 2001	1,051,936	4.77

As of December 31, 2001, 726,015 shares were reserved for the granting of future stock options compared to 6,192 shares at December 31, 2000.

Options outstanding at December 31, 2001 have a weighted-average remaining contractual life of 3.25 years. Information about stock options outstanding and exercisable at December 31, 2001 is as follows:

Exercise Price	Options Outstanding			Options Exercisable	
	Number Outstanding At December 31, 2001	Weighted - Average Remaining Contractual Life	Weighted - Average Exercise Price	Number Exercisable At December 31, 2001	Weighted - Average Exercise Price
	\$7.15	244,330	1.83 years	\$7.15	244,330
5.36	330,606	3.32 years	5.36	117,201	5.36
3.44	30,000	3.84 years	3.44	10,000	3.44
3.13	362,000	3.84 years	3.13	120,667	3.13
3.13	85,000	4.34 years	3.13	-	3.13
	1,051,936			492,198	5.66

At December 31, 2000 and 1999, there were exercisable options outstanding to purchase 217,703 and 142,624 shares at weighted-average exercise prices of \$6.63 and \$6.30, respectively.

The weighted-average grant-date fair values of options granted during the years ended December 31, 2001 and 2000 were \$1.42 and \$1.72, respectively.

#### F. STOCKHOLDERS' EQUITY, Concluded.

Had the Company adopted the provisions of SFAS No. 123, "Accounting for Stock-Based Compensation," the Company's net income and net income per share would have been:

	2001	2000	1999
Pro forma net income	\$4,650,437	\$7,827,164	\$8,172,275
Pro forma net income per share:			

Basic	.43	.70	.67
Diluted	.43	.69	.67

The pro forma amounts shown above and the weighted-average grant-date fair values of options granted were estimated using the Black-Scholes option-pricing model with the following assumptions:

	2001	2000	1999
Risk free interest rate	5.8%	5.8%	4.6%
Expected life	5 years	5 years	5 years
Expected volatility	38.3%	36.3%	34.5%
Expected dividends	-	-	-

#### G. INCOME TAXES.

Income taxes consist of the following:

	2001	2000	1999
Federal:			
Current	\$ 2,882,000	\$ 4,411,000	\$ 3,978,000
Deferred	(129,000 )	(156,000 )	389,000
	2,753,000	4,255,000	4,367,000
State:			
Current	417,000	886,000	999,000
Deferred	(28,000 )	(35,000 )	85,000
	389,000	851,000	1,084,000
Total	\$ 3,142,000	\$ 5,106,000	\$ 5,451,000

#### G. INCOME TAXES, Concluded.

The components of the net deferred tax asset and the net deferred tax liability were as follows:

	2001	2000
Current deferred tax asset (liability):		
Receivables	\$ 138,656	\$ 82,134
Inventories	229,130	217,534
Accrued liabilities	1,026,746	1,038,243
Other	(41,217 )	(22,613 )
Deferred tax asset	\$ 1,353,315	\$ 1,315,298

Long-term deferred tax liability (asset):		
Depreciation	\$ 1,998,377	\$ 2,167,025
Accrued liabilities	(162,426 )	(177,539 )
Unrealized hedge loss	(154,765 )	-
Other	29,532	(5,020 )
Deferred tax liability	\$ 1,710,718	\$ 1,984,466

A reconciliation of the provision for income taxes to the amount computed by applying the statutory Federal income tax rate (34% in 2001 and 35% in 2000 and 1999) to income before income taxes is as follows:

	2001	2000	1999
Income taxes at statutory rate	\$ 2,738,400	\$ 4,581,800	\$ 4,801,500
State income taxes, net of federal benefit	256,700	553,200	704,600
Amortization of goodwill	36,900	36,900	36,900
Other, net	110,000	(65,900 )	(92,000 )
Total	\$ 3,142,000	\$ 5,106,000	\$ 5,451,000

## H. COMMITMENTS AND CONTINGENCIES.

### Lease Commitments and Related Party Transactions

The Company leases certain office and manufacturing facilities under operating lease agreements which expire at various dates from May 2002 through July 2006. Certain of the lease agreements are with related parties for which related party rent expense was \$742,187, \$665,562 and \$499,762 for the years ended December 31, 2001, 2000 and 1999, respectively.

Rent expense under all operating leases aggregated \$922,986, \$1,018,856 and \$1,019,714 for the years ended December 31, 2001, 2000 and 1999, respectively.

At December 31, 2001, future minimum rental payments under noncancelable operating leases aggregated \$2,793,268 and are payable as follows: 2002 - \$877,911; 2003 - \$734,156; 2004 - \$693,059; 2005 - \$439,338 and 2006 - \$48,804.

## H. COMMITMENTS AND CONTINGENCIES, Continued.

In addition to the above related party lease transactions, the Company purchases delivery services and rents the use of an aircraft from companies owned by officers/directors of the Company. During the years ended December 31, 2001, 2000 and 1999, the Company had related party transactions with officers/directors aggregating \$2,756,000, \$3,821,000 and \$2,832,000, respectively.

### Consigned Inventories

The Company obtains vehicle chassis for its specialized vehicle products directly from the chassis manufacturer under converter pool agreements. Chassis are obtained from the manufacturers based on orders from customers, and to a lesser extent, for unallocated orders. Although each manufacturer's agreement has different terms and conditions, the agreements generally provide that the manufacturer will provide a supply of chassis to be maintained from time to time at the Company's various production facilities under the conditions that the Company will store such chassis and will not make any additions or modifications to such chassis and will not move, sell or otherwise dispose of such chassis, except under the terms of the agreement. The manufacturer does not transfer the certificate of origin to the Company and, accordingly, the Company accounts for the chassis as consigned inventory belonging to the manufacturer. Under these agreements if the chassis is not delivered to a customer within a specified timeframe, the Company is required to pay a finance charge on the chassis. At December 31, 2001 and 2000, chassis inventory, accounted for as consigned inventory to the Company by the manufacturers, aggregated \$44.8 million and \$45.6 million, respectively. Typically, chassis are converted and delivered to customers within 90 days of the receipt of the chassis by the Company.

### Self-Insurance

The Company is self-insured for a portion of product liability (\$50,000 per occurrence with no annual aggregate), certain employee health benefits (\$125,000 annually per employee with an annual aggregate of approximately \$5,000,000) and workers' compensation in certain states (\$250,000 per occurrence with an annual aggregate of approximately \$4,500,000). The Company accrues for the estimated losses occurring from both asserted and unasserted claims. The estimate of the liability for unasserted claims arising from incurred but not reported claims is based on an analysis of historical claims data.

### **Stock Repurchase Programs**

On April 12, 1999, the Company announced a "Dutch Auction" offer to its stockholders to acquire up to 2,000,000 shares of its Class A and Class B Common Stock at a cash purchase price not greater than \$10.00 per share nor less than \$8.75 per share. The Company purchased 1,688,823 shares of Class A Common Stock at \$10.00 per share, plus expenses of \$103,653, through the offer. The Company financed this stock repurchase program with a term note (see Note D). During the year ended December 31, 1999, the Company also purchased 1,040 shares of Class A Common Stock for \$8,307.

### **H. COMMITMENTS AND CONTINGENCIES, Concluded.**

On December 28, 1999, the Board of Directors authorized the Company to repurchase up to 500,000 shares of Class A Common Stock in open market purchases or privately negotiated transactions through the close of business on June 30, 2000. The Company purchased 245,635 shares under this repurchase program.

On July 14, 2000, the Board of Directors authorized the Company to repurchase up to 500,000 shares of Class A Common Stock in open market or privately negotiated transactions through the close of business on December 31, 2000. The program was subsequently terminated with the last purchase under the program on December 14, 2000. The Company purchased 195,568 shares under this repurchase program.

On December 20, 2000, the Board of Directors announced a "Dutch Auction" offer to its stockholders to acquire up to 1,500,000 shares of its Class A and Class B Common Stock at a price not greater than \$3 nor less than \$2.25 per share through the close of business on January 23, 2001. The Company purchased 123,475 shares under this repurchase program.

On February 2, 2001, the Board of Directors authorized the Company to repurchase up to 1,000,000 shares of Class A Common Stock in open market purchases or privately negotiated transactions commencing on February 7, 2001 and ending on the close of business on December 31, 2002. The Company has purchased 9,100 shares under this repurchase program.

### **Other**

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

## **SUPREME INDUSTRIES, INC. AND SUBSIDIARIES SCHEDULE II--VALUATION AND QUALIFYING ACCOUNTS**

<u>Description</u>	Column A	Column B Balance Beginning of Period	Column C Additions Charged to Costs and Expenses	Column D Deductions	Column E Balance End of Period
Year ended December 31, 2001:					
Reserves and allowances deducted from asset accounts:					
Allowance for doubtful receivables		\$ 644,000	\$ 100,000	\$ 159,000 (1)	
Year ended December 31, 2000:					

Reserves and allowances deducted from  
asset accounts:

Allowance for doubtful receivables	844,000	(135,000)	65,000 (1)
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Year ended December 31, 1999:

Reserves and allowances deducted from  
asset accounts:

Allowance for doubtful receivables	691,000	300,000	300,000	147,000 (1)
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(1) Uncollectible accounts written off, net of recoveries.

(2) Reflected in the consolidated balance sheets as follows: deducted from accounts receivable - \$350,000 at December 31, 2001, \$409,000 at December 31, 2000 and \$609,000 at December 31, 1999; deducted from other receivables included in other assets - \$235,000 at December 31, 2001, 2000 and 1999.

2000 and 1999.

## SUPREME INDUSTRIES, INC. AND SUBSIDIARIES

### SUPPLEMENTARY DATA

#### Quarterly Results

##### First Second Third Fourth

##### 2001 Quarter

Net revenue \$57,267,419 \$60,890,049 \$53,862,738 \$54,633,574

Gross profit 8,096,689 9,394,477 6,946,539 7,236,693

Net income 1,174,211 1,600,691 866,141 1,271,139

Per share:

Basic .11 .15 .08 .12

Diluted .11 .15 .08 .12

##### 2000 Quarter

Net revenue \$75,531,868 \$72,425,947 \$58,502,357 \$56,997,518

Gross profit 11,729,945 10,290,951 8,345,753 8,735,367

Net income 2,809,107 2,175,929 1,171,886 1,828,052

Per share:

Basic .25 .20 .11 .17

Diluted .25 .20 .11 .17

Accounting adjustments, net of tax effect, for book to physical inventory results and year-end adjustments to certain assets and accrued liabilities had a favorable impact on fourth quarter results in 2000 of \$1,055,000. Book to physical inventory results had a favorable impact on third quarter results in 2000 of \$1,530,000.

The sum of quarterly earnings per share for the four quarters may not equal annual earnings per share due to rounding and changes in the diluted potential common shares.

Net revenue and gross profit for each quarter prior to the fourth quarter of 2001 have been restated to reflect the reclassification of freight costs billed to customers and sales of purchased chassis.

## **ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS**

### **ON ACCOUNTING AND FINANCIAL DISCLOSURE.**

The required Form 8-K, Item 4, "Changes in Registrant's Certifying Accountants", dated October 9, 2001, was filed with the Securities and Exchange Commission on October 12, 2001, and is incorporated herein by reference.

## **PART III**

## **ITEM 10. DIRECTORS AND EXECUTIVE OFFICERS OF THE REGISTRANT.**

(a) Directors - Certain information required by Item 10 of Form 10-K is hereby incorporated by reference from the Company's definitive proxy statement, which will be filed pursuant to Regulation 14A within 120 days after the Company's year end for the year covered by this report, under the caption "Election of Directors" of the proxy statement.

(b) Executive Officers - See "Executive Officers of the Registrant" in Item 1 of Part I of this Form 10-K.

## **ITEM 11. EXECUTIVE COMPENSATION.**

The information required by Item 11 of Form 10-K is hereby incorporated by reference from the Company's definitive proxy statement, which will be filed pursuant to Regulation 14A within 120 days after the Company's year end for the year covered by this report, under the caption "Executive Compensation" of the proxy statement.

## **ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND**

### **MANAGEMENT .**

The information required by Item 12 of Form 10-K is hereby incorporated by reference from the Company's definitive proxy statement, which will be filed pursuant to Regulation 14A within 120 days after the Company's year end for the year covered by this report, under the caption "Security Ownership of Certain Beneficial Owners and Management" of the proxy statement.

## **ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS.**

The information required by Item 13 of Form 10-K is hereby incorporated by reference from the Company's definitive proxy statement, which will be filed pursuant to Regulation 14A within 120 days after the Company's year end for the year covered by this report, under the caption "Transactions with Management" of the proxy statement.

## **PART IV**

## **ITEM 14. EXHIBITS, FINANCIAL STATEMENT SCHEDULES, AND REPORTS ON FORM 8-K.**

- a. The following financial statements and financial statement schedule

are included in Item 8 herein:

1. Financial Statements

Report of Crowe, Chizek and Company LLP, Independent Auditors

Report of PricewaterhouseCoopers LLP, Independent Accountants

Consolidated Balance Sheets as of December 31, 2001 and 2000

Consolidated Statements of Income for the years ended  
December 31, 2001, 2000 and 1999

Consolidated Statements of Stockholders' Equity for the years  
ended December 31, 2001, 2000 and 1999

Consolidated Statements of Cash Flows for the years ended  
December 31, 2001, 2000 and 1999

Notes to Consolidated Financial Statements

2. Financial Statement Schedule

Schedule II - Valuation and Qualifying Accounts

3. Exhibits

See Index to Exhibits

b. Reports on Form 8-K

A report on Form 8-K dated October 9, 2001 was filed by the Company on  
October 12, 2001 to report a change in the Company's certifying accountant.

SIGNATURES

Pursuant to the requirements of Section 13 and 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SUPREME INDUSTRIES, INC.

Date: March 22, 2002 By: /s/Herbert M. Gardner  
Herbert M. Gardner, Chairman  
of the Board

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

/s/Herbert M. Gardner Chairman of the Board March 22, 2002  
Herbert M. Gardner and President (Principal)

Executive Officer)

/s/Omer G. Kropf Executive Vice President March 22, 2002  
Omer G. Kropf and Director

/s/William J. Barrett Secretary, Assistant March 22, 2002  
William J. Barrett Treasurer and Director

/s/Robert W. Wilson Executive Vice President, March 22, 2002  
Robert W. Wilson Treasurer, Chief Financial  
Officer, Assistant Secretary  
and Director (Principal  
Financial and Accounting Officer)

/s/Robert J. Campbell Director March 22, 2002  
Robert J. Campbell

/s/Thomas Cantwell Director March 22, 2002  
Thomas Cantwell

/s/Rice M. Tilley, Jr. Assistant Secretary and Director March 22, 2002  
Rice M. Tilley, Jr.

/s/H. Douglas Schrock Director March 22, 2002 H. Douglas Schrock

/s/Rick L. Horn Director March 22, 2002  
Rick L. Horn

#### INDEX TO EXHIBITS

<u>Exhibit</u>	<u>Description</u>
3.1	Certificate of Incorporation of the Company, filed as Exhibit 3(a) to the Company's Registration Statement on Form 8-A, filed with the Commission on September 18, 1989, and incorporated herein by reference.
3.2	Certificate of Amendment of Certificate of Incorporation of the Company filed with the Secretary of State of Delaware on June 10, 1993 filed as Exhibit 3.2 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference.
3.3	Certificate of Amendment of Certificate of Incorporation of the Company filed with the Secretary of State of Delaware on May 29, 1996 filed as Exhibit 3.3 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1996, and incorporated herein by reference.
3.4	Bylaws of the Company, filed as Exhibit 3(b) to the Company's Registration Statement on Form 8-A, filed with the Commission on September 18, 1989, and incorporated herein by reference.
4.1	Credit Agreement dated as of April 25, 1994, between the Company, Supreme Corporation, and NBD Bank and signed in connection with certain

- long-term indebtedness, filed as Exhibit 4.25 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1994, and incorporated herein by reference.
- 4.2 First Amendment to Credit Agreement dated February 20, 1996 filed as Exhibit 4.2 to the Company's annual report on form 10-K for the fiscal year ended December 31, 1996, and incorporated herein by reference.
- 4.3 Second Amendment to Credit Agreement dated October 25, 1996 filed as Exhibit 4.3 to the Company's annual report on form 10-K for the fiscal year ended December 31, 1996, and incorporated herein by reference.
- 4.4 Third Amendment to Credit Agreement dated June 23, 1998, filed as Exhibit 4.4 to the Company's annual report on form 10-K for the fiscal year ended December 31, 1998, and incorporated herein by reference.
- 4.5 Fourth Amendment to the Credit Agreement dated September 30, 1998 signed in connection with certain long term indebtedness, filed as Exhibit 4.5 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1998 and incorporated herein by reference.
- 4.6 Fifth Amendment to the Credit Agreement dated May 12, 1999 signed in connection with certain long term indebtedness, filed as Exhibit 4.6 to the Company's annual report on form 10-K for the fiscal year ended December 31, 1999 and incorporated herein by reference.
- 4.7 Sixth Amendment to the Credit Agreement dated May 31, 2000 signed in connection with certain long term indebtedness, filed as Exhibit 4.7 to the Company's annual report of Form 10-K for the fiscal year ended December 31, 2000 and incorporated herein by reference.
- 4.8 Seventh Amendment to the Credit Agreement dated April 30, 2001 signed in connection with certain long term indebtedness.
- 10.1 The Company's 1992 Stock Option Plan, filed as Exhibit 10.7 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1992, and incorporated herein by reference.

- 10.2 Form of Stock Option grant agreement used to evidence options granted under the Company's 1992 Stock Option Plan, filed as Exhibit 10.8 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1992, and incorporated herein by reference.
- 10.3 The Company's 1998 Stock Option Plan, filed as Exhibit 10.3 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1998 and incorporated herein by reference.
- 10.4 Amendment No. 1 to the Company's 1998 Stock Option Plan, filed as Exhibit 10.4 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1999 and incorporated herein by reference.
- 10.5 Amendment No. 2 to the Company's 1998 Stock Option Plan, filed as Exhibit 10.4A to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2000 and incorporated herein by reference.
- 10.6 The Company's 2001 Stock Option Plan.
- 10.7 Amendment No. 1 to the Company's 2001 Stock Option Plan.
- 10.8 Inventory Loan and Security Agreement dated October 12, 1988, among General Motors Acceptance Corporation and the Company, its subsidiaries, and certain subsidiaries of Supreme Corporation, filed as Exhibit 10.19 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1988, and incorporated herein by reference.
- 10.9 Form of Demand Promissory Note dated September 28, 1988, from the Company, and relating to the Agreement described 10.3 above, filed as Exhibit 10.20 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1988, and incorporated herein by reference.
- 10.10 Intercreditor Agreement dated as of December 31, 1991, among General Motors Acceptance Corporation and Congress Financial Corporation, and relating to the Agreement described in 10.3 above filed as Exhibit 10.14 to the Company's

annual report on Form 10-K for the fiscal year ended December 31, 1991, and incorporated herein by reference.

- 10.11 Pool Company Wholesale Finance Plan Application for Wholesale Financing and Security Agreements, dated December 5, 1990, among Ford Motor Credit Company and each of Supreme Corporation, Supreme Truck Bodies of California, Inc., Supreme Corporation of Texas, and Supreme Mid-Atlantic Corporation, filed as Exhibit 10.15 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1991, and incorporated herein by reference.
- 10.12 Lease dated July 25, 1988, between Supreme Corporation and G-2, Ltd., a Texas limited partnership, relating to Supreme Corporation's Goshen, Indiana facilities, filed as Exhibit 10.22 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1988, and incorporated herein by reference.
- 10.13 Lease dated July 25, 1988, between Supreme Corporation and G-2, Ltd., a Texas limited partnership, relating to Supreme Corporation's Griffin, Georgia facilities, filed as Exhibit 10.23 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1988, and incorporated herein by reference.
- 10.14 Lease dated August 27, 1990, between Supreme Truck Bodies of California, Inc. and Edgar Maas, individually and as Trustee of the Marsha Maas Testamentary Trust, relating to Supreme Corporation's Riverside, California facility, filed as Exhibit 10.19 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1991, and incorporated herein by reference.
- 10.15 License Agreement dated to be effective November 5, 1992, between Supreme Corporation as licensee and ACCGRUPPENAB, a Swedish Corporation, as licensor, with respect to certain know-how and patent rights, filed as Exhibit 10.19 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference.
- 10.16 Employment Contract dated to be effective May 1, 1998, between Supreme Corporation and Omer G. Kropf, filed as Exhibit 10.12 to the Company's annual report on form 10-K for the fiscal year

ended December 31, 1998 and incorporated herein by reference.

- 10.17 Consulting Agreement dated to be effective January 1, 1993, between the Company and William J. Barrett, filed as Exhibit 10.21 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference.
- 10.18 Consulting Agreement dated to be effective January 1, 1993, between the Company and Herbert M. Gardner, filed as Exhibit 10.22 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference.
- 10.19 Consulting Agreement dated to be effective April 15, 1993, between the Company and Rice M. Tilley, Jr., filed as Exhibit 10.23 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference.
- 10.20 Consulting Agreement dated to be effective April 15, 1993, between the Company and H. Douglas Schrock, filed as Exhibit 10.24 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1993, and incorporated herein by reference.
- 10.21 Employment Contract dated to be effective January 1, 1998, between Supreme Corporation and Robert W. Wilson, filed as Exhibit 10.16 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 1997, and incorporated herein by reference.
- 10.22 Amendment number One to employment contract effective January 1, 1998, between Supreme Corporation and Robert W. Wilson, filed as Exhibit 10.19 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2000, and incorporated herein by reference.
- 21.1 Subsidiaries of the Company.
- 23.1 Consent of Crowe, Chizek and Company LLP.
- 23.2 Consent of PricewaterhouseCoopers LLP.

## SEVENTH AMENDMENT TO CREDIT AGREEMENT

THIS SEVENTH AMENDMENT TO CREDIT AGREEMENT, dated as of April 30, 2001 (this "Amendment"), is among SUPREME INDUSTRIES, INC., a Delaware corporation ("SI") and SUPREME CORPORATION, a Texas corporation ("SC" and together with SI referred to collectively as the "Borrowers" and each individually as a "Borrower") and BANK ONE, INDIANA, N.A., f/k/a NBD BANK, a national banking association (the "Bank").

### *RECITALS*

1111111A. The Borrowers and the Bank are parties to a Credit Agreement, dated as of April 25, 1994, as amended by a First Amendment to Credit Agreement dated as of February 20, 1996, a Second Amendment to Credit Agreement dated as of October 25, 1996, a Third Amendment to Credit Agreement dated as of June 23, 1998, a Fourth Amendment to Credit Agreement dated as of September 30, 1998, a Fifth Amendment to Credit Agreement dated as of May 12, 1999 and a Sixth Amendment to Credit Agreement dated as of May 31, 2000 (as now and hereafter amended, the "Credit Agreement"), pursuant to which the Bank agreed, subject to the terms and conditions thereof, to extend credit to the Borrowers.

B. The Borrowers desire to amend the Credit Agreement and the Bank is willing to do so strictly in accordance with the terms hereof.

### *TERMS*

In consideration of the premises and of the mutual agreements herein contained, the parties agree as follows:

ARTICLE I. AMENDMENTS. Upon fulfillment of the conditions set forth in Article III hereof, the Credit Agreement shall be amended as follows:

1.1 The paragraph after "Introduction" shall be deleted in its entirety and the following shall be inserted in its place:

The Borrower desires to obtain a revolving credit facility, including letters of credit, in the aggregate principal amount of \$20,000,000, together with term loans, in order to provide funds for refinancing existing indebtedness of the Borrower and other corporate purposes, and the Bank is willing to make such term loans and to establish such a credit facility in favor of the Borrower on the terms and conditions herein set forth.

1.2 The definition of "Commitment" in Section 1.1 shall be deleted in its entirety and the following shall be inserted in its place:

" Commitment " shall mean the commitment of the Bank to make Loans and Letter of Credit Advances pursuant to Section 2.1 in amounts not exceeding an aggregate principal amount outstanding at any time of \$20,000,000, as such amount may be reduced from time to time pursuant to Section 2.2. Term Loan A was disbursed on the Effective Date, Term Loan B was disbursed on the Fourth Amendment Effective Date and Term Loan C shall be disbursed on the Fifth Amendment Effective Date in the original principal amount of \$17,056,000.

1.3 The form of Revolving Credit Note attached as Exhibit A-1 shall be substituted and replaced with the form of Revolving Credit Note attached hereto (the "New Revolving Credit Note").

ARTICLE II. REPRESENTATIONS. Each Borrower represents and warrants to the Bank that:

22222223.3 The execution, delivery and performance of this Amendment and are within its powers, have been duly authorized and are not in contravention with any law, of the terms of its Articles of Incorporation or By-laws, or any undertaking to which it is a party or by which it is bound.

4.4 This Amendment is and the New Revolving Credit Note when issued hereunder will be, the legal, valid and binding

obligations of the Borrower enforceable against it in accordance with the terms thereof.

5.5 After giving effect to the amendments herein contained, the representations and warranties contained in Article IV of the Credit Agreement are true on and as of the date hereof with the same force and effect as if made on and as of the date hereof.

6.6 No Event of Default or any event or condition which might become an Event of Default with notice or lapse of time, or both, exists or has occurred and is continuing on the date hereof.

ARTICLE III. CONDITIONS OF EFFECTIVENESS. This Amendment shall not become effective until each of the following has been satisfied:

773333338.8 This Amendment shall be signed by the Borrowers and the Bank.

9.9 The New Revolving Credit Note shall be signed and delivered by the Borrowers to the Bank.

ARTICLE IV. MISCELLANEOUS.

10104444411.11 References in the Credit Agreement or in any note, certificate, instrument or other document to the "Credit Agreement" shall be deemed to be references to the Credit Agreement as amended hereby and as further amended from time to time.

4.2 The Borrowers agree that the Bank may provide any information the Bank may have about the Borrowers or about any matter relating to the Credit Agreement to Bank One Corporation, or any of its subsidiaries or affiliates or their successors, or to any one or more assignees or potential assignees of the Credit Agreement.

12.3 The Borrowers agree to pay and to save the Bank harmless for the payment of all costs and expenses arising in connection with this Amendment, including the reasonable fees of counsel to the Bank in connection with preparing this Amendment and the related documents.

13.4 Each Borrower acknowledges and agrees that the Bank has fully performed all of their obligations under all documents executed in connection with the Credit Agreement and all actions taken by the Bank are reasonable and appropriate under the circumstances and within their rights under the Credit Agreement and all other documents executed in connection therewith and otherwise available. Each Borrower represents and warrants that it is not aware of any claims or causes of action against the Bank, any participant lender or any of their successors or assigns.

14.5 Except as expressly amended hereby, each Borrower agrees that the Credit Agreement, the Notes, the Security Documents and all other documents and agreements executed by the Company in connection with the Credit Agreement in favor of the Bank are ratified and confirmed and shall remain in full force and effect and that it has no set off, counterclaim or defense with respect to any of the foregoing. Terms used but not defined herein shall have the respective meanings ascribed thereto in the Credit Agreement.

15.6 This Amendment may be signed upon any number of counterparts with the same effect as if the signatures thereto and hereto were upon the same instrument.

IN WITNESS WHEREOF, the parties signing this Amendment have caused this Amendment to be executed and delivered as of April 30, 2001.

SUPREME INDUSTRIES, INC.

By:

Its:

SUPREME CORPORATION

By:

Its:

BANK ONE, INDIANA, N.A.

By:

Its:

CONSENT AND AGREEMENT

As of the date and year first above written, each of the undersigned hereby:

(5) fully consents to the terms and provisions of the above Amendment and the consummation of the transactions contemplated hereby and agrees to all terms and provisions of the above Amendment applicable to it;

(6) agrees that each Guaranty and all other agreements executed by any of the undersigned in connection with the Credit Agreement or otherwise in favor of the Bank (collectively, the "Security Documents") are hereby ratified and confirmed and shall remain in full force and effect, and each of the undersigned acknowledges that it has no setoff, counterclaim or defense with respect to any Security Document; and

(7) acknowledges that its consent and agreement hereto is a condition to the Bank's obligation under this Amendment and it is in its interest and to its financial benefit to execute this consent and agreement.

SUPREME CORPORATION OF TEXAS

By:

Its:

SUPREME TRUCK BODIES OF CALIFORNIA, INC.

By:

Its:

SUPREME MID-ATLANTIC CORPORATION

By:

Its:

SUPREME/MURPHY TRUCK BODIES, INC.

By:

Its:

SC TOWER LAMINATING, INC.

By:

Its:

**EXHIBIT A-1**

**REVOLVING CREDIT NOTE**

\$20,000,000 April 30, 2001

FOR VALUE RECEIVED, **SUPREME INDUSTRIES, INC.**, a Delaware corporation and **SUPREME CORPORATION**, a Texas corporation (together, the "Borrower"), hereby jointly and severally promise to pay to the order of **BANK ONE, INDIANA, N.A.**, f/k/a **NBD BANK**, an national banking association (the "Bank"), at its principal banking office in the City of Elkhart, Indiana, or such other place as the Bank or the holder hereof may from time to time specify, in lawful money of the United States of America and in immediately available funds, the principal sum of TWENTY MILLION DOLLARS (\$20,000,000), or such lesser amount as is recorded on the schedule attached hereto, or in the books and records of the Bank, on the Termination Date; and to pay interest on the unpaid principal balance hereof from time to time outstanding, in like money and funds, for the period from the date hereof until the Revolving Credit Loans evidenced hereby shall be paid in full, at the rates per annum and on the dates provided in the Credit Agreement referred to below.

The Bank is hereby authorized by the Borrower to record on the schedule attached to this Revolving Credit Note, or on its books and records, the date, amount and type of each Revolving Credit Loan, the duration of the related Interest Period (if applicable), the amount of each payment or prepayment of principal thereon and the other information provided for on such schedule, which schedule or such books and records, as the case may be, shall constitute prima facie evidence of the information so recorded, provided, however, that any failure by the Bank to record any such information shall not relieve the Borrower of its obligation to repay the outstanding principal amount of such Revolving Credit Loans, all accrued interest thereon and any amount payable with respect thereto in accordance with the terms of this Revolving Credit Note and the Credit Agreement.

The Borrower and each endorser or guarantor hereof waives demand, presentment, protest, diligence, notice of dishonor and any other formality in connection with this Revolving Credit Note. Should the indebtedness evidenced by this Revolving Credit Note or any part thereof be collected in any proceeding or be placed in the hands of attorneys for collection, the Borrower agrees to pay, in addition to the principal, interest and other sums due and payable hereon, all costs of collecting this Revolving Credit Note, including attorneys' fees and expenses.

This Revolving Credit Note evidences one or more Revolving Credit Loans made under a Credit Agreement, dated as April 25, 1994, as now and hereafter amended (the "Credit Agreement"), by and between the Borrower and the Bank, to which reference is hereby made for a statement of the circumstances under which this Revolving Credit Note is subject to prepayment and under which its due date may be accelerated and for a description of the collateral and security securing this Revolving Credit Note. Capitalized terms used but not defined in this Revolving Credit Note shall have the respective meanings assigned to them in the Credit Agreement.

This Revolving Credit Note is made under, and shall be governed by and construed in accordance with, the laws of the State of Indiana applicable to contracts made and to be performed entirely within such State and without giving effect to choice of law principles of such State.

SUPREME INDUSTRIES, INC.

By:

Its:

SUPREME CORPORATION

By:

Its:

**2001 Stock Option Plan**  
**of**  
**Supreme Industries, Inc.**

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**2001 Stock Option Plan**  
**of**  
**Supreme Industries, Inc.**

This Supreme Industries, Inc. 2001 Stock Option Plan (the "Plan") provides for the granting of:

- (a) Incentive Stock Options (hereinafter defined) to certain key employees of Supreme Industries, Inc., a Delaware corporation ("Company"), and/or its Affiliates (hereinafter defined), and
- (b) Nonstatutory Stock Options (hereinafter defined) to certain key employees of Company, and/or its Affiliates, and to certain individuals who are not employees of Company or its Affiliates.

The purpose of the Plan is to provide an incentive for key employees of Company and/or its Affiliates, and for individuals who are not employees of Company and/or its Affiliates but who from time to time provide substantial advice or other assistance or services to Company and/or its Affiliates, to remain in the service of Company and/or its Affiliates or continue to provide such assistance, to extend to them the opportunity to acquire a proprietary interest in Company so that they will apply their best efforts for the benefit of Company, and to aid Company in attracting able persons to enter the service of Company and/or its Affiliates or provide such assistance.

## Article I

### Definitions

**Sec. 1:1. Act** . "Act" shall mean the Securities Exchange Act of 1934, as amended.

**Sec. 1:2. Affiliates** . "Affiliates" shall mean: (a) any corporation, other than Company, in an unbroken chain of corporations ending with Company if each of the corporations, other than Company, owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain; and (b) any corporation, other than Company, in an unbroken chain of corporations beginning with Company if each of the corporations, other than the last corporation in the unbroken chain, owns stock possessing fifty percent (50%) or more of the total combined voting power of all classes of stock in one of the other corporations in such chain.

**Sec. 1:3. Agreement** . "Agreement" shall mean the written agreement between Company and a Holder evidencing the Option granted by Company and the understanding of the parties with respect thereto.

**Sec. 1:4. Board of Directors** . "Board of Directors" shall mean the board of directors of Company.

**Sec. 1:5. Code** . "Code" shall mean the Internal Revenue Code of 1986, as amended.

**Sec. 1:6. Committee** . "Committee" shall mean the committee designated in Article III hereof by the Board of Directors to administer this Plan.

**Sec. 1:7. Eligible Individuals** . "Eligible Individuals" shall mean: (a) key employees, including officers and/or directors who are also employees of Company and/or of any of its Affiliates; and (b) individuals who are not employees of Company and/or of its Affiliates but who from time to time provide substantial advice or other assistance or services to Company and/or its Affiliates.

**Sec. 1:8. Fair Market Value** . "Fair Market Value" shall mean, if the Stock is traded on one or more established markets or exchanges, the mean of the opening and closing prices of the Stock on the primary market or exchange on which the Stock is traded, and if the Stock is not so traded or the Stock does not trade on the relevant date, the value determined in good faith by the Board of Directors. For purposes of valuing Incentive Stock Options, the Fair Market Value of stock shall be determined without regard to any restriction other than one which, by its terms, will never lapse.

**Sec. 1:9. Holder** . "Holder" shall mean an Eligible Individual to whom an Option has been granted.

**Sec. 1:10. Incentive Stock Options** . "Incentive Stock Options" shall mean stock options that are intended to satisfy the requirements of Sec. 422 of the Code.

**Sec. 1:11. Nonstatutory Stock Options** . "Nonstatutory Stock Options" shall mean stock options that are not intended to be, or are not denominated as, Incentive Stock Options.

**Sec. 1:12. Options** . "Options" shall mean either Incentive Stock Options or Nonstatutory Stock Options, or both.

**Sec. 1:13. Stock** . "Stock" shall mean Company's authorized \$.10 par value Class A Common Stock.

## Article II

## **Stock and Maximum Number of Shares Subject to the Plan**

**Sec. 2:1. Description of Stock and Maximum Shares Allocated** . The Stock which Options granted hereunder give a Holder the right to purchase may be unissued or reacquired shares of Stock, as the Board of Directors may, in its sole and absolute discretion, from time to time determine. Subject to the adjustments in Sec. 6.6 hereof, the aggregate number of shares of Stock to be issued pursuant to the exercise of all Options granted hereunder may equal, but may not exceed, **750,000** shares of Company's Stock.

**Sec. 2:2. Restoration of Shares** . If an Option hereunder expires, terminates, or is not exercised for any reason during the term of this Plan, the shares of Stock which were subject to such Option shall be "restored" to the Plan by again being available for Options granted after the shares' restoration, effective as of the first day of the year following such expiration, termination, or non-exercise.

### **Article III**

#### **Administration of the Plan**

**Sec. 3:1. Stock Option Committee** . This Plan will be administered by a Committee consisting of between three and six members to be appointed by Company's Board of Directors. The members of the Stock Option Committee must be members of the Company's Board of Directors.

**Sec. 3:2. Duration, Removal, Etc** . The members of the Committee shall serve at the pleasure of the Board of Directors, which shall have the power, at any time and from time to time, to remove members from the Committee or to add members thereto. Vacancies on the Committee, however caused, shall be filled by the Board of Directors.

**Sec. 3:3. Meetings and Actions of Committee** . The Committee shall elect one of its members as its Chairman and shall hold its meetings at such times and places as it may determine. All decisions and determinations of the Committee shall be made by the majority vote of all of its members present at a meeting; provided, however, that any decision or determination reduced to writing and signed by all of the members of the Committee shall be as fully effective as if it had been made at a meeting duly called and held. The Committee may make any rules and regulations for the conduct of its business that are not inconsistent with the provisions hereof and with the Bylaws of Company.

**Sec. 3:4. Committee's Powers** . Subject to the express provisions hereof, the Committee shall have the authority, in its sole and absolute discretion to: (a) adopt, amend, and rescind administrative and interpretive rules and regulations relating to the Plan; (b) determine the terms and provisions of the respective Agreements (which need not be identical), including provisions defining or otherwise relating to: (i) subject to Article VI of the Plan, the term and the period or periods and extent of exercisability of the Options, (ii) the extent to which the transferability of shares of Stock issued upon exercise of Options is restricted, (iii) the effect of termination of employment upon the exercisability of the Options, and (iv) the effect of approved leaves of absence (consistent with any applicable regulations of the Internal Revenue Service); (c) accelerate the time of exercisability of any Option that has been granted; (d) construe the respective Option Agreements and the Plan; and (e) make all other determinations and perform all other acts necessary or advisable for administering the Plan, including the delegation of such ministerial acts and responsibilities as the Committee deems appropriate. The Committee may correct any defect or supply any omission or reconcile any inconsistency in the Plan or in any Agreement in the manner and to the extent it shall deem expedient to carry it into effect, and it shall be the sole and final judge of such expediency. The determination of the Committee on the matters referred to in this Sec. 3.4 shall be final and conclusive.

### **Article IV**

#### **Eligibility and Participation**

**Sec. 4:1. Eligible Individuals** . Options may be granted hereunder only to persons who are Eligible Individuals at the time of the grant thereof. Notwithstanding any provision contained herein to the contrary, a person may not receive an Incentive Stock Option hereunder unless he or she is an employee of Company and/or an Affiliate, nor shall a person be eligible to receive an Incentive Stock Option hereunder if he or she, at the time such Option is granted, would own (within the meaning of Secs. 422 and 424 of the Code) stock possessing more than ten percent (10%) of the total

combined voting power or value of all classes of stock of Company or an Affiliate, unless at the time such Incentive Stock Option is granted the exercise price per share is at least one hundred ten percent (110%) of the Fair Market Value of each share of stock to which the Incentive Stock Option relates and the Incentive Stock Option is not exercisable after the expiration of five (5) years from the date it is granted.

**Sec. 4:2. No Right to Option** . The adoption of the Plan shall not be deemed to give any person a right to be granted an Option.

## Article V

### Grant of Options and Certain Terms of the Agreements

**Sec. 5:1. Determination of Eligible Individuals** . Subject to the express provisions hereof, the Committee shall determine which Eligible Individuals shall be granted Options hereunder from time to time. In making grants, the Committee shall take into consideration the contribution the potential Holder has made or may make to the success of Company and/or its Affiliates along with such other considerations as the Board of Directors may from time to time specify. The Committee shall also determine the number of shares subject to each of such Options and shall authorize and cause Company to grant Options in accordance with such determinations.

**Sec. 5:2. Date of Grant** . The date on which the Committee completes all action constituting an offer of an Option to an individual, including the specification of the number of shares of Stock to be subject to the Option, shall be the date on which the Option covered by an Agreement is granted, even though certain terms of the Agreement may not be determined at such time and even though the Agreement may not be executed until a later time. For purposes of the preceding sentence, an offer shall be deemed made if the Committee has completed all such action and has communicated the grant thereof to the potential Holder. In no event, however, may an Optionee gain any rights in addition to those specified by the Committee in its grant, regardless of the time that may pass between the grant of the Option and the actual execution of the Agreement by Company and the Optionee.

**Sec. 5:3. Stock Option Agreement** . Each Option granted hereunder shall be evidenced by an Agreement, executed by Company and the Eligible Individual to whom the Option is granted, incorporating such terms as the Committee deems necessary or desirable. More than one Option may be granted hereunder to the same Eligible Individual and be outstanding concurrently hereunder. In the event an Eligible Individual is granted both one or more Incentive Stock Options and one or more Nonstatutory Stock Options, such grants shall be evidenced by separate Agreements, one for each of the Incentive Stock Option grants and one for each of the Nonstatutory Stock Option grants.

**Sec. 5:4. Forfeiture of Stock** . Each Agreement may provide for conditions giving rise to the forfeiture of the Stock acquired pursuant to an Option granted hereunder and/or such restrictions on the transferability of shares of Stock acquired pursuant to an Option granted hereunder as the Committee in its sole and absolute discretion deems proper or advisable. Such conditions giving rise to forfeiture may include, but need not be limited to, the requirement that the Holder render substantial services to Company and/or its Affiliates for a specified period of time. Such restrictions on transferability may include, but need not be limited to, options and rights of first refusal in favor of Company.

**Sec. 5:5. Cash Awards** . In addition, the Board of Directors may authorize the Committee to grant cash awards payable in connection with the exercise of an Option upon such terms and conditions as are specified by the Board of Directors; provided that no such cash award shall be effective unless it complies with any applicable requirements for exemption from liability pursuant to Rule 16b-3 promulgated under the Act.

## Article VI

### Terms and Conditions of Options

All Options granted hereunder shall comply with, be deemed to include, and shall be subject to, the following terms and conditions:

**Sec. 6:1. Number of Shares** . Each Agreement shall state the number of shares of Stock to which it relates. Except to the extent an Agreement otherwise provides, the following limitations shall apply to the exercise of each Option:

A. First Year. A Holder may not exercise his or her Option during the first twelve (12) month period following the date of grant of such Option.

B. After First Year. A Holder may exercise up to (but not more than) one-third of the total shares of Stock subject to his or her Option at any time after the first twelve (12) month period following the day of grant of such Option.

C. After Second Year. A Holder may exercise up to (but not more than) two-thirds of the total shares of Stock subject to his or her Option at any time after the first twenty-four (24) month period following the date of grant of such Option.

D. After Third Year. A Holder may exercise all of the shares of Stock subject to his or her Option at any time after the first thirty-six (36) month period following the date of grant of such Option.

E. Senior Status. Notwithstanding the limitations stated above, if a Holder is sixty-five (65) years of age or older at the time his or her Option is granted, such Holder may exercise up to (but not more than) one-half of the total shares of Stock subject to such Option at any time during the first twelve (12) month period following the date of grant of such Option and thereafter may exercise all of the shares of Stock subject to such Option.

F. De Minimis Limitation. Subject to the limitations stated above, each Option may be exercised at one time or on several successive occasions; however, each Option may not be exercised in an amount less than one hundred (100) shares at any one time (unless such exercise is being made as to the entire portion of Stock which may be purchased pursuant to this Plan).

**Sec. 6:2. Exercise Price .** Each Agreement shall state the exercise price per share of Stock. The exercise price per share of stock subject to an Incentive Stock Option shall not be less than the greater of: (a) the par value per share of the Stock; or (b) one hundred percent (100%) of the Fair Market Value per share of Company's Stock on the date of the grant of the Option. The exercise price per share of stock subject to a Nonstatutory Stock Option shall not be less than fifty percent (50%) of the Fair Market Value per share of the Stock on the date of the grant of the Option.

**Sec. 6:3. Medium and Time of Payment, Method of Exercise, and Withholding Taxes .**

A. Exercise of Option. Except as otherwise permitted below, the exercise price of stock covered by an Option shall be payable upon the exercise of the Option in cash, by certified or cashier's check. Exercise of an Option shall not be effective until Company has received written notice of exercise. Such notice must specify the number of whole shares to be purchased and be accompanied by payment in full of the aggregate exercise price of the number of shares purchased. Company shall not in any case be required to sell, issue, or deliver a fractional share with respect to any Option.

1. Stock-for-Stock Exercise. With the consent of the Committee, the Holder may pay the exercise price with shares of Stock of Company which have been held by the Holder for at least six (6) months prior to the date of exercise, or with the consent of the Committee, by a combination of cash and such shares. Such Stock shall be duly endorsed for transfer to Company. Such Stock shall be deemed to have a fair market value on the date of delivery equal to the aggregate purchase price of the shares with respect to which such Option or portion thereof is being exercised.

2. Cashless Exercise/Sale Method. With the consent of the Committee, payment in full of the exercise price of the Option may be made through the Company's receipt of a copy of instructions to a broker directing such broker to sell the Stock for which the Option is being exercised, to remit to the Company an amount equal to the aggregate exercise price of such Option, with the balance being remitted to Holder.

B. New Options. In the event that a Holder pays the exercise price of his Option, in whole or in part, with previously owned shares of Stock, pursuant to the rules specified above, then, if and to the extent approved by the Committee, in addition to the shares of Stock purchased pursuant to the Option exercise, such Holder shall also receive a new Option, subject to the terms and conditions set forth below and in the Holder's individual Stock Option Agreement. Upon exercise of the Option with payment in the form of either shares of Stock or a combination of cash and shares of Stock, the Committee may, in its sole and absolute discretion, grant the Holder a new Option for shares of Stock equal to the number of shares that were delivered by the Holder to Company to pay, in whole or in part, the exercise price of the previous Option. The exercise price of the new Option shall be equal to at least 100% of the Fair Market Value per

share of the Stock on the date of the exercise of the previous Option. Provided, however, the new Option cannot be exercised by the Holder until the later of: (1) the exercisability dates specified in the individual Option Agreement; or (2) six (6) months after the date of grant. As a further condition on the exercisability of the new Option, the shares of Stock received by the Holder upon exercise of his or her previous Option must be held by the Holder for at least six (6) months prior to any sale of such shares by the Holder. Any sale of such shares by a Holder prior to the expiration of the six (6) month holding period shall render the new Option non-exercisable. Nothing in this paragraph shall prevent the Committee from granting a Holder another new Option in the future when the previous new Option is exercised by the Holder with the payment of previously owned shares of Stock.

### C. Withholding.

1. General. The Committee may, in its discretion, require a Holder to pay to Company at the time of exercise of an Option (or portion thereof) the amount that Company deems necessary to satisfy its obligation to withhold Federal, state, or local income or other taxes incurred by reason of the exercise. Upon the exercise of an Option requiring tax withholding, a Holder may make a written request to have shares of stock withheld by Company from the shares otherwise to be received. The number of shares so withheld shall have an aggregate Fair Market Value on the date of exercise sufficient to satisfy the applicable withholding taxes. The acceptance of any such request by a Holder shall be at the sole discretion of the Committee, including, if deemed necessary by the Committee, approval by the Securities and Exchange Commission and the satisfaction of any additional requirements necessary to obtain such approval.

2. Additional Sec. 16b Requirements. Currently, with respect to Option holders subject to liability under Section 16b of the Act, such additional requirements include the following: (1) any previously owned shares of Stock used to satisfy the withholding obligation must have been held by the taxpayer for at least six (6) months, and any Option shares otherwise issuable hereunder to be withheld to satisfy such obligations may be so withheld only if both the exercise of the Option and the election to have shares withheld are made at least six (6) months after the date of grant; (2) the Option holder's election must be made: (a) at least six (6) months less one day prior to the date on which the option exercise becomes taxable, or (b) within a 10-day "window period" beginning on the third business day following the release of Company's annual or quarterly financial reports and ending on the twelfth day thereafter (but in no event later than the date the option exercise becomes taxable); (3) Company has been subject to the Act's reporting requirements for more than a year and has filed all reports and statements required to be filed pursuant to Section 13 of the Act; (4) Company regularly issues quarterly or annual summary statements of sales and earnings; (5) all members of the Committee administering the Plan with respect to Option holders subject to liability under Section 16b of the Act are "disinterested" in accordance with Rule 16b-3 promulgated under the Act; (6) the Committee will be empowered to consent to or disapprove an Option holder's withholding election; and (7) any withholding election will be required to be irrevocable.

### **Sec. 6:4. Terms, Time of Exercise, and Transferability of Options.**

A. Decrease in Term of Option. In addition to such other terms and conditions as may be included in a particular Agreement granting an Option, an Option shall be exercisable during a Holder's lifetime only by him or her or by his or her guardian or legal representative (or assignee after a permitted assignment). An Incentive Stock Option shall not be transferrable other than by will or by the laws of descent and distribution. A non-statutory stock option shall not be transferrable other than by will or the laws of descent and distribution or to a qualified charity or a member of the Holder's family. For this purpose, a "qualified charity" shall mean an organization described in Section 170(c) of the Internal Revenue Code of 1986, as amended. Each Option shall also be subject to the following terms and conditions (except to the extent a Holder's Agreement otherwise provides):

#### 1. Termination of Employment or Directorship.

a. Voluntary Termination. If a Holder ceases to be employed by at least one of the employers in the group of employers consisting of Company and its Affiliates because the Holder voluntarily terminates his or her employment with such group of employers and the Holder does not remain or thereupon become a director of Company or one or more of its Affiliates, or if a Holder ceases to be a director of at least one of the corporations in the group of corporations consisting of Company and its Affiliates and the Holder does not remain or thereupon become an employee of Company or one or more of its Affiliates, the portion (if any) of an Option that remains unexercised, including that portion (if any) that pursuant to the Agreement is not yet exercisable, as of the date of the Holder's termination of

employment or ceasing to be a director, whichever occurs later, shall terminate and cease to be exercisable as of such date (or ninety [90] days prior thereto if the Holder elected to exercise his or her Option in anticipation of such termination [to be determined in the sole discretion of the Committee]).

b. Termination for Cause. If a Holder ceases to be employed by at least one of the employers in the group of employers consisting of Company and its Affiliate because any of such entities terminates the Holder's employment for cause, the portion (if any) of an Option that remains unexercised, including that portion (if any) that pursuant to the Agreement is not yet exercisable, at the time of the Holder's termination of employment, shall terminate and cease to be exercisable immediately upon such termination (or ninety [90] days prior thereto if the Holder elected to exercise his or her Option in anticipation of such termination [to be determined in the sole discretion of the Committee]). A Holder's employment shall be deemed terminated "for cause" if terminated by the Board of Directors of Company (or the board of directors of an Affiliate) because of incompetence, insubordination, dishonesty, other acts detrimental to the interest of Company and/or its Affiliates, or any material breach by the Holder of any employment, nondisclosure, noncompetition, or other contract with Company and/or one of its Affiliates. Whether "cause" exists shall be determined by such Board of Directors in its sole discretion and in good faith. The exercise of an option in anticipation of a termination for cause shall be null and void.

c. Termination Without Cause. If a Holder ceases to be employed by at least one of the employers in the group of employers consisting of Company and its Affiliates because one or more of such entities terminates the employment of the Holder for otherwise than for "cause," and the Holder does not remain or thereupon become a director of Company and/or one or more of its Affiliates, the Holder shall have the right for thirty (30) days following such termination to exercise the Option with respect to that portion thereof that has become exercisable pursuant to Holder's Agreement as of the date of such termination, and thereafter the Option shall terminate and cease to be exercisable.

2. Disability. If a Holder ceases to be employed by at least one of the employers in the group of employers consisting of Company and its Affiliates by reason of disability (as defined in Sec. 22(e)(3) of the Code) and does not remain or thereupon become a director of Company or one or more of its Affiliates, or if the Holder ceases by reason of such disability to be a director of at least one of the corporations in the group of corporations consisting of Company and its Affiliates, the Holder shall have the right for ninety (90) days after the date of termination of employment with, or cessation of directorship of, such group of employers by reason of disability, whichever occurs later, to exercise an Option to the extent such Option is exercisable on the date of his or her termination of employment, and thereafter the Option shall terminate and cease to be exercisable.

3. Death. If a Holder dies while in the employ of Company or an Affiliate, or dies while a director of Company or an Affiliate, his or her Option shall be exercisable by his or her legal representatives, legatees, or distributees for six (6) months following the date of the Holder's death to the extent such Option is exercisable on the Holder's date of death, and thereafter the Option shall terminate and cease to be exercisable.

B. Term of Option. Notwithstanding any other provision of this Plan, including the provisions of Subsection A above, no Incentive Stock Option may be exercised after the expiration of ten (10) years from the date it was granted (or the period specified in Sec. 4.1, if applicable). The Committee may prescribe in any Agreement that the Option evidenced thereby may be exercised in full or in part as to any number of shares subject thereto at any time or from time to time during the term of the Option, or in such installments at such times during said term as the Committee may prescribe. Except as provided above and unless otherwise provided in any Agreement, an Option may be exercised at any time or from time to time during the term of the Option. Such exercise may be as to any or all whole (but no fractional) shares which have become purchasable under the Option.

C. Issuance of Stock Certificates. Within a reasonable time, or such time as may be permitted by law, after Company receives written notice that the Holder has elected to exercise all or a portion of an Option, such notice to be accompanied by payment in full of the aggregate exercise price of the number of shares purchased, Company shall issue and deliver a certificate representing the shares acquired as a result of the exercise and any other amounts payable in consequence of such exercise. In the event that a Holder exercises both an Incentive Stock Option, or portion thereof, and a Nonstatutory Stock Option, or a portion thereof, separate Stock certificates shall be issued, one for the Stock subject to the Incentive Stock Option and one for the Stock subject to the Nonstatutory Stock Option. The number of shares of Stock transferrable due to an exercise of an Option under this Plan shall not be increased due to the passage of time, except as may be provided in an Agreement.

D. Issuance in Compliance With Securities Laws. Nothing herein or in any Option granted hereunder shall require Company to issue any shares upon exercise of any Option if such issuance would, in the opinion of counsel for Company, constitute a violation of the Securities Act of 1933, as amended, or any similar or superseding statute or statutes, or any other applicable statute or regulation, as then in effect.

E. Investment Legend. At the time of exercise of an Option, Company may, as a condition precedent to the exercise of such Option, require from the Holder of the Option (or in the event of his or her death, his or her legal representatives, legatees, or distributees) such written representations, if any, concerning his or her intentions with regard to the retention or disposition of the shares being acquired by exercise of such Option and such written covenants and agreements, if any, as to the manner of disposal of such shares as, in the opinion of counsel to Company, may be necessary to ensure that any disposition by such Holder (or in the event of his or her death, his or her legal representatives, legatees, or distributees), will not involve a violation of the Securities Act of 1933, as amended, or any similar or superseding statute or statutes, or any other applicable state or federal statute or regulation, as then in effect. Certificates for shares of Stock, when issued, may have the following legend, or statements of other applicable restrictions, endorsed thereon, and may not be immediately transferable:

The shares of Stock evidenced by this certificate have been issued to the registered owner in reliance upon written representations that these shares have been purchased for investment. These shares may not be sold, transferred, or assigned unless, in the opinion of Company and its legal counsel, such sale, transfer, or assignment will not be in violation of the Securities Act of 1933, as amended, applicable rules and regulations of the Securities and Exchange Commission, and any applicable state securities laws.

**Sec. 6:5. Limitation on Aggregate Value of Shares That May Become First Exercisable During Any Calendar Year Under an Incentive Stock Option .** With respect to any Incentive Stock Option granted under this Plan, to the extent that the aggregate Fair Market Value of shares of Stock exceed \$100,000, then such excess over \$100,000 shall not be considered as subject to an Incentive Stock Option, but rather shall be considered as subject to a Nonstatutory Stock Option. This rule shall be applied by taking shares of Stock subject to Incentive Stock Options that are purchasable for the first time in the calendar year into account in the order in which such Incentive Stock Options were granted.

**Sec. 6:6. Adjustments Upon Changes in Capitalization, Merger, Etc.**

A. Method of Adjustment. In the event of any change in the number of outstanding shares of Stock effected without receipt of consideration therefor by Company (other than as a result of the conversion of Company's Class B Common Stock into Class A Common Stock) by reason of a stock dividend, or split, combination, exchange of shares or other recapitalization, merger, or otherwise, in which Company is the surviving corporation, the aggregate number and class of the reserved shares, the number and class of shares subject to each outstanding Option, and the exercise price of each outstanding Option shall be automatically adjusted to accurately and equitably reflect the effect thereon of such change (provided that any fractional share resulting from such adjustment may be eliminated). In the event of a dispute concerning such adjustment, the decision of the Committee shall be conclusive. The number of reserved shares or the number of shares subject to any outstanding Option shall be automatically reduced by any fraction included therein which results from any adjustment made pursuant hereto.

B. Termination of Option. The following provisions shall apply unless a Holder's Agreement provides otherwise. A dissolution or liquidation of Company; a sale of all or substantially all of the assets of Company where it is contemplated that within a reasonable period of time thereafter Company will either be liquidated or converted into a nonoperating company or an extraordinary dividend will be declared resulting in a partial liquidation of Company (but in all cases only with respect to those employees whom it is anticipated will lose their employment with Company and its Affiliates as a result of such sale of assets); a merger or consolidation (other than a merger effecting a reincorporation of Company in another state or any other merger or a consolidation in which the shareholders of the surviving corporation and their proportionate interests therein immediately after the merger or consolidation are substantially identical to the shareholders of Company and their proportionate interests therein immediately prior to the merger or consolidation) in which Company is not the surviving corporation (or survives only as a subsidiary of another corporation in a transaction in which the shareholders of the parent of Company and their proportionate interests therein immediately after the transaction are not substantially identical to the shareholders of Company and their proportionate interests therein immediately prior to the transaction) shall cause every Option then outstanding to

terminate, but the Holders of each such then outstanding Option shall, in any event, have the right, immediately prior to such dissolution, liquidation, sale of assets, merger, consolidation, or transaction, to exercise each such Option, to the extent not theretofore exercised, without regard to the determination as to the periods and installments of exercisability made pursuant to a Holder's Agreement if (and only if) such Options have not at that time expired or been terminated.

**Sec. 6:7. Rights as a Shareholder** . A Holder shall have no right as a shareholder with respect to any shares covered by his or her Option until a certificate representing such shares is issued to him or her. No adjustment shall be made for dividends (ordinary or extraordinary, whether in cash or other property) or distributions or other rights for which the record date is prior to the date such certificate is issued (except as provided in Sec. 6.6. Hereof).

**Sec. 6:8. Modification, Extension, and Renewal of Options** . Subject to the terms and conditions of and within the limitations of the Plan, the Committee may modify, extend, or renew outstanding Options granted under the Plan, or accept the surrender of Options outstanding hereunder (to the extent not theretofore exercised) and authorize the granting of new Options hereunder in substitution therefor (to the extent not theretofore exercised). The Committee may not, however, without the consent of the Holder, modify any outstanding Incentive Stock Options so as to specify a lower exercise price or accept the surrender of outstanding Incentive Stock Options and authorize the granting of new Options in substitution therefor specifying a lower option price. In addition, no modification of an Option granted hereunder may, without the consent of the Holder, alter or impair any rights or obligations under any Option theretofore granted hereunder to such Holder under the Plan, except as may be necessary with respect to Incentive Stock Options to satisfy the requirements of Sec. 422 of the Code.

**Sec. 6:9. Furnish Information** . Each Holder shall furnish to Company all information requested by Company to enable it to comply with any reporting or other requirements imposed upon Company by or under any applicable statute or regulation.

**Sec. 6:10. Obligation to Exercise; Termination of Employment** . The granting of an Option hereunder shall impose no obligation upon the Holder to exercise the same or any part thereof. In the event of a Holder's termination of employment with Company or an Affiliate, the unexercised portion of an Option granted hereunder shall terminate in accordance with Sec. 6.4 hereof.

**Sec. 6:11. Agreement Provisions** . The Agreements authorized under the Plan shall contain such provisions in addition to those required by the Plan (including, without limitation, restrictions or the removal of restrictions upon the exercise of the Option and the retention or transfer of shares thereby acquired) as the Committee deems advisable. Each Agreement shall identify the Option evidenced thereby as an Incentive Stock Option or Nonstatutory Stock Option, as the case may be, and no Agreement shall cover both an Incentive Stock Option and Nonstatutory Stock Option. Except as provided by Subsection B of Sec. 6.6, each Agreement relating to an Incentive Stock Option granted hereunder shall contain such limitations and restrictions upon the exercise of the Incentive Stock Option to which it relates as is necessary for the Incentive Stock Option to which such Agreement relates to constitute an incentive stock option, as defined in Sec. 422 of the Code.

## **Article VII**

### **Duration of Plan**

No Incentive Stock Options may be granted hereunder after the date that is ten (10) years from the earlier of: (i) the date this Plan is adopted by the Board of Directors; or (ii) the date this Plan is approved by Company's shareholders. In addition, with respect to shares of Stock not currently covered by an outstanding Option, this Plan may be terminated at any time by the Board of Directors.

## **Article VIII**

### **Amendment of Plan**

The Board of Directors may, insofar as permitted by law, with respect to any shares at the time are not subject to Options, suspend or discontinue the Plan or revise or amend it in any respect whatsoever; provided, however, that, without the approval of the holders of a majority of the outstanding shares of voting stock of all classes of Company,

no such revision or amendment shall: (a) change the number of shares of the Stock subject to the Plan, (b) change the designation of the class of employees eligible to receive Options, (c) decrease the price at which Incentive Stock Options may be granted, (d) remove the administration of the Plan from the Committee, or (e) without the consent of the affected Holder, cause the Incentive Stock Options granted hereunder and outstanding at such time that satisfied the requirements of Sec. 422 of the Code to no longer satisfy such requirements.

## Article IX

### General

**Sec. 9:1. Application of Funds** . The proceeds received by Company from the sale of shares pursuant to Options shall be used for general corporate purposes.

**Sec. 9:2. Right of Company and Affiliates to Terminate Employment** . Nothing contained in the Plan, or in any Agreement, shall confer upon any Holder the right to continue in the employ of Company or any Affiliate, or interfere in any way with the rights of Company or any Affiliate to terminate his or her employment at any time.

**Sec. 9:3. No Liability for Good Faith Determinations** . Neither the members of the Board of Directors nor any member of the Committee shall be liable for any act, omission, or determination taken or made in good faith with respect to the Plan or any Option granted under it, and members of the Board of Directors and the Committee shall be entitled to indemnification and reimbursement by Company in respect of any claim, loss, damage, or expense (including attorneys' fees, the costs of settling any suit, provided such settlement is approved by independent legal counsel selected by Company, and amounts paid in satisfaction of a judgment, except a judgment based on a finding of bad faith) arising therefrom to the full extent permitted by law and under any directors and officers liability or similar insurance coverage that may from time to time be in effect.

**Sec. 9:4. Information Confidential** . As partial consideration for the granting of each Option hereunder, the Holder shall agree with Company that he or she will keep confidential all information and knowledge that he or she has relating to the manner and amount of his participation in the Plan; provided, however, that such information may be disclosed as required by law and may be given in confidence to the Holder's spouse, tax, and financial advisors, or to a financial institution to the extent that such information is necessary to secure a loan. In the event any breach of this promise comes to the attention of the Committee, it shall take into consideration such breach, in determining whether to recommend the grant of any future Option to such Holder, as a factor militating against the advisability of granting any such future Option to such individual.

**Sec. 9:5. Other Benefits** . Participation in the Plan shall not preclude the Holder from eligibility in any other stock option plan of Company or any Affiliate or any old age benefit, insurance, pension, profit sharing retirement, bonus, or other extra compensation plans which Company or any Affiliate has adopted, or may, at any time, adopt for the benefit of its employees.

**Sec. 9:6. Execution of Receipts and Releases** . Any payment of cash or any issuance or transfer of shares of Stock to the Holder, or to his or her legal representative, heir, legatee, or distributee, in accordance with the provisions hereof, shall, to the extent thereof, be in full satisfaction of all claims of such persons hereunder. The Committee may require any Holder, legal representative, heir, legatee, or distributee, as a condition precedent to such payment, issuance, or transfer, to execute a release and receipt therefor in such form as it shall determine.

**Sec. 9:7. No Guarantee of Interests** . Neither the Committee nor Company guarantees the Stock of Company from loss or depreciation.

**Sec. 9:8. Payment of Expenses** . All expenses incident to the administration, termination, or protection of the Plan, including, but not limited to, legal and accounting fees, shall be paid by Company or its Affiliates.

**Sec. 9:9. Company Records** . Records of Company or its Affiliates regarding the Holder's period of employment, termination of employment and the reason therefor, leaves of absence, re-employment, and other matters shall be conclusive for all purposes hereunder, unless determined by the Committee to be incorrect.

**Sec. 9:10. Information** . Company and its Affiliates shall, upon request or as may be specifically required hereunder, furnish or cause to be furnished, all of the information or documentation which is necessary or required by the Committee to perform its duties and functions under the Plan.

**Sec. 9:11. No Liability of Company** . Company assumes no obligation or responsibility to the Holder or his or her personal representatives, heirs, legatees, or distributees for any act of, or failure to act on the part of, the Committee.

**Sec. 9:12. Company Action** . Any action required of Company shall be by resolution of its Board of Directors or by a person authorized to act by resolution of the Board of Directors.

**Sec. 9:13. Severability** . If any provision of this Plan is held to be illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining provisions hereof, but such provision shall be fully severable, and the Plan shall be construed and enforced as if the illegal or invalid provision had never been included herein.

**Sec. 9:14. Notices** . Whenever any notice is required or permitted hereunder, such notice must be in writing and personally delivered or sent by mail. Any notice required or permitted to be delivered hereunder shall be deemed to be delivered on the date on which it is personally delivered, or, whether actually received or not, on the third business day after it is deposited in the United States mail, certified or registered, postage prepaid, addressed to the person who is to receive it at the address which such person has theretofore specified by written notice delivered in accordance herewith. Company or a Holder may change, at any time and from time to time, by written notice to the other, the address which it or he had theretofore specified for receiving notices. Until changed in accordance herewith, Company and each Holder shall specify as its and his or her address for receiving notices the address set forth in the Agreement pertaining to the shares to which such notice relates.

**Sec. 9:15. Waiver of Notice** . Any person entitled to notice hereunder may waive such notice.

**Sec. 9:16. Successors** . The Plan shall be binding upon the Holder, his or her heirs, legatees, and legal representatives, upon Company, its successors, and assigns, and upon the Committee, and its successors.

**Sec. 9:17. Headings** . The titles and headings of Sections and Subsections are included for convenience of reference only and are not to be considered in construction of the provisions hereof.

**Sec. 9:18. Governing Law** . All questions arising with respect to the provisions of the Plan shall be determined by application of the laws of the State of Delaware except to the extent Delaware law is preempted by federal law. Questions arising with respect to the provisions of an Agreement that are matters of contract law shall be governed by the laws of the state specified in the Agreement, except to the extent Delaware corporate law conflicts with the contract law of such state, in which event Delaware corporate law shall govern. The obligation of Company to sell and deliver Stock hereunder is subject to applicable laws and to the approval of any governmental authority required in connection with the authorization, issuance, sale, or delivery of such Stock.

**Sec. 9:19. Word Usage** . Words used in the masculine shall apply to the feminine where applicable, and wherever the context of this Plan dictates, the plural shall be read as the singular and the singular as the plural.

**Sec. 9:20. Remedies** . Company may recover from a Holder reasonable attorneys' fees incurred in connection with the enforcement of the terms and provisions of the Plan and any Agreement whether by an action to enforce specific performance or for damages for its breach or otherwise.

## **Article X**

### **Approval of Shareholders**

The Plan shall take effect on the date it is adopted by the Board of Directors. However, if this Plan is not approved by the holders of a majority of the outstanding shares of Company's Class A and Class B Common Stock at the Annual Meeting of Shareholders scheduled to be held in 2001, any Options granted hereunder shall be null, void, and of no force and effect as of their grant date.

IN WITNESS WHEREOF, Supreme Industries, Inc., acting by and through its officers hereunto duly authorized has executed this instrument to be effective the 31st day of January, 2001.

**SUPREME INDUSTRIES, INC .**

By: /s/

Herbert M. Gardner,

Chairman of the Board

Exhibit 10.7

**AMENDMENT NO. 1**  
**TO**  
**2001 STOCK OPTION PLAN**  
**OF**  
**SUPREME INDUSTRIES, INC.**

By means of a 2001 Stock Option Plan (the "Plan") dated January 31, 2001, Supreme Industries, Inc. (the "Company") put into effect a Stock Option Plan for the benefit of its officers, employees, and advisors.

Article VIII of the Plan permits the Board of Directors of the Company to amend the Plan from time to time.

In order to provide a more accurate method for determining the fair market value of the Company's stock, at its meeting held on May 2, 2001, the Company's Board of Directors passed a resolution agreeing to amend the Plan so as to provide for a more accurate method.

The purpose of this Amendment is to amend the Plan by deleting Section 1:8 in its entirety and substituting therefor the following:

" **Sec. 1:8. Fair Market Value.** ' *Fair Market Value*' shall mean, if the Stock is traded on an established market or exchange, the closing price of the Stock on the market or exchange on which the Stock is traded on the immediately preceding business day, and if the Stock is not so traded or the Stock does not trade on a relevant date, the value determined in good faith by the Board of Directors. For purposes of valuing Incentive Stock Options, the Fair Market Value of Stock shall be determined without regard to any restriction other than one which, by its terms, will never lapse."

DATED to be effective May 2, 2001.

SUPREME INDUSTRIES, INC.

By: /s/

Herbert M. Gardner

Chairman of the Board

Exhibit 21.1

Subsidiaries of the Registrant (a)

Supreme Corporation, a Texas corporation

Supreme Corporation of Texas, a Texas corporation

Supreme SCT Operations, L.P., a Texas limited partnership

Supreme SCT Corporation, a Delaware corporation

Supreme SCT Operating Co., Inc., a Delaware corporation

Supreme Truck Bodies of California, Inc., a California corporation

Supreme STB Corporation, a California corporation

Supreme SMA Operations, L.P., a Pennsylvania corporation

Supreme SMA Corporation, a Delaware corporation

Supreme SMA Operating Co., Inc., a Delaware corporation

Supreme Mid-Atlantic Corporation, a Texas corporation

Supreme/Murphy Truck Bodies, Inc., a North Carolina corporation

SC Tower Structural Laminating, Inc., a Texas corporation

PA Land Holding Corp., a Texas corporation

(a) All subsidiaries are 100% owned by the Registrant.

Exhibit 23.1

**CONSENT OF INDEPENDENT ACCOUNTANTS**

We consent to the incorporation by reference in the registration statements of Supreme Industries, Inc. (formerly ESI Industries, Inc.) on Form S-3 (File No. 33-64047) and on Form S-8 (File Nos. 333-89867 and 33-59343) and in the related Prospectus of our report dated February 8, 2002 on our audit of the consolidated financial statements and financial statement schedule of Supreme Industries, Inc. and its subsidiaries as of December 31, 2001 and for the year then ended, which report is included in this Annual Report on Form 10-K.

/s/Crowe, Chizek and Company LLP

South Bend, Indiana

March 22, 2002

Exhibit 23.2

**CONSENT OF INDEPENDENT ACCOUNTANTS**

We hereby consent to the incorporation by reference in the registration statements of Supreme Industries, Inc. (formerly ESI Industries, Inc.) on Form S-3 (File No. 33-64047) and on Form S-8 (File Nos. 333-89867 and 33-59343) and in the related Prospectus of our report dated February 2, 2001, relating to the financial statements and financial statement schedule of Supreme Industries, Inc. and its subsidiaries at December 31, 2000 and for each of the two years in the period ended December 31, 2000, which report is included in this Annual Report on Form 10-K.

/s/ PricewaterhouseCoopers LLP

Chicago, Illinois

March 22, 2002

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**End of Filing**

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