

SUPREME INDUSTRIES INC

FORM 10-K (Annual Report)

Filed 03/13/09 for the Period Ending 12/27/08

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

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

FORM 10-K

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

For the fiscal year ended: December 27, 2008

OR

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

COMMISSION FILE NUMBER: 1-8183

SUPREME INDUSTRIES, INC.

(Exact name of Registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation)

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

P.O. Box 237, 2581 E. Kercher Road
Goshen, Indiana
(Address of principal executive office)

46528
(Zip Code)

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

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

Title of each class:

Name of each exchange on which registered:

Class A Common Stock (\$.10 Par Value)

NYSE Alternext US

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
Yes [] No [X]

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

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

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

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

Large accelerated filer [] Accelerated filer [] Non-accelerated filer [] Smaller reporting company [X]

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

The aggregate market value of the voting and non-voting stock held by non-affiliates of the registrant as of the last business day of the registrant's most recently completed second fiscal quarter, based on the last closing sale price of \$4.48 per share for the common stock on the NYSE Alternext US (formerly American Stock Exchange) on such date was approximately \$44,178,024

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 6, 2009
Class A Common Stock (\$.10 Par Value)	12,150,823 shares
Class B Common Stock (\$.10 Par Value)	2,188,490 shares

Documents incorporated by reference

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

Portions of the Proxy Statement for the 2009 Annual Meeting of Stockholders to be held on May 5, 2009 — Part III

TABLE OF CONTENTS

PART I		1
ITEM 1.	BUSINESS	1
ITEM 1A.	RISK FACTORS	6
ITEM 1B.	UNRESOLVED STAFF COMMENTS	8
ITEM 2.	PROPERTIES	9
ITEM 3.	LEGAL PROCEEDINGS	10
ITEM 4.	SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS	10
PART II		10
ITEM 5.	MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES	10
ITEM 6.	SELECTED FINANCIAL DATA	12
ITEM 7.	MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	12
ITEM 7A.	QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK	23
ITEM 8.	FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA	23
ITEM 9.	CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE	48
ITEM 9A.	CONTROLS AND PROCEDURES	48
ITEM 9B.	OTHER INFORMATION	49
PART III		49
ITEM 10.	DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE	49
ITEM 11.	EXECUTIVE COMPENSATION	49
ITEM 12.	SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS	49
ITEM 13.	CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE	50
ITEM 14.	PRINCIPAL ACCOUNTANT FEES AND SERVICES	50
PART IV		50
ITEM 15.	EXHIBITS AND FINANCIAL STATEMENT SCHEDULES	50

PART I**ITEM 1. BUSINESS.****History**

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

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

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. See segment information in Note 1 - Nature of Operations and Accounting Policies, of the Notes to Consolidated Financial Statements (Item 8).

General Description of the Company’s Business

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

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

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 long-distance truck-trailers.

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

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Specialized vehicles:			
Trucks	\$ 161,037,364	\$ 209,180,974	\$ 259,849,141
Buses	79,139,207	65,409,725	59,396,203
Armored vehicles	6,002,900	13,813,434	8,361,974
Motorhomes	<u>12,477,135</u>	<u>11,617,653</u>	<u>4,063,359</u>
	258,656,606	300,021,786	331,715,677
Composites	<u>10,093,047</u>	<u>13,250,937</u>	<u>9,031,112</u>
	<u>\$ 268,749,653</u>	<u>\$ 313,272,723</u>	<u>\$ 340,746,789</u>

Table of Contents

The following is a brief summary of Supreme's products:

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

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

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

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

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

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

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

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

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

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

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

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

StarTrans® mid-size buses. Supreme's StarTrans® mid-size buses (President and Ambassador) are offered in lengths of up to 31 feet with capacities of up to 35 passengers. This product serves

the public transit and tour markets and provides the Company's dealer network with a more comprehensive product line.

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

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

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

Silver Crown. Silver Crown luxury motorcoaches are custom designed for the enthusiast in the race car, show horse, sports car, and motorcycle industries. The custom Silver Crown design combines large trailer towing capacity with the comforts of a high-end recreational vehicle.

Pony Xpress. Pony Xpress manufactures motor homes, motorhomes, and garages on a variety of OEM chassis. The product provides towing capacity and mobility for a variety of hauling needs with the comforts of a traditional recreation vehicle.

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

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

Manufacturing

Supreme's manufacturing facilities are located in Goshen and Ligonier, Indiana; Griffin, Georgia; Cleburne, Texas; Moreno Valley, California; Jonestown, Pennsylvania; Woodburn, Oregon, and White Pigeon, Michigan. Supreme's management estimates that the recent capacity utilization of its plants and equipment ranges from 40% to 75% of capacity when annualized on a one-shift basis. At various times during the year, several of the Company's plants operate at near capacity to fulfill large fleet order contracts.

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

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

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

Marketing

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

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

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

Approximately 70 employees are engaged in direct sales. Supreme engages in direct advertising in trade publications, trade shows, and cooperative advertising campaigns with distributors.

Trademarks

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

Working Capital

The Company utilizes its revolving line of credit to finance its accounts receivable and inventories. The Company believes that its days sales outstanding and its days inventories on hand are within normal industry levels. The Company had working capital of \$60.3 million and \$58.5 million at December 27, 2008, and December 29, 2007, respectively.

Major Customers

No single customer, or group of customers, accounted for 10% or more of the Company's net sales for the fiscal years ended in 2008, 2007, and 2006. The Company's export sales are not significant.

Competitive Conditions

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

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

Governmental Regulation

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

Seasonality of Business

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

Employees

As of December 27, 2008 and December 29, 2007, the Company employed approximately 1,500 and 2,100 employees, respectively, none of whom are represented by a collective bargaining unit. The Company considers its relations with its employees to be very favorable.

Back Log

The Company's backlog of firm orders was \$60.0 million at December 27, 2008 compared to \$87.0 million at December 29, 2007.

ITEM 1A. RISK FACTORS.

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

A sustained or substantially deep recession could have a significantly negative impact on our industry.

The present economic recession and the uncertainty over its breadth, depth, and duration have had a negative impact on the specialized vehicle industry. Accordingly, our financial results have been negatively impacted by the economic slowdown. Both our financial results and potential for growth could be further harmed if the economic recession continues for a significant period or becomes worse.

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

The Company and many of its suppliers rely on the availability of credit to provide operating funds. Likewise, many of our customers require the availability of financing to facilitate the purchase of our products. A continuing period of reduced credit availability in the marketplace could have further adverse effects on the Company's business.

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

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

Volatility in the supply of vehicle chassis and other vehicle components could adversely affect our business because it may reduce the number of truck bodies and buses that we can manufacture or result in excess inventory costs.

With the exception of some StarTrans products, Supreme generally does not purchase vehicle chassis for its inventory. Supreme accepts shipments of vehicle chassis owned by dealers or end-users for the purpose of installing and/or manufacturing its specialized truck bodies and buses on such chassis. In the event of a labor disruption or other uncontrollable event adversely affecting all or most of the 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. In the event of a disruption in supply from one manufacturer, the Company would attempt to divert its demand to the other manufacturers. Approximately 30% of the chassis involved in Supreme's manufacturing have been secured through converter pool agreements with three major chassis manufacturers. These agreements provide for truck chassis pools at each of Supreme's manufacturing facilities.

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

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

The competitive nature of the specialized vehicle industry creates a number of challenges for the Company. Important factors include product pricing, quality of product, lead times, geographic proximity to customers, and the ability to manufacture a product customized to customer specifications. Specialized vehicles are produced by a number of smaller, regional companies which create product pricing pressures that could adversely impact the

Company's profits. Chassis manufacturers have not generally shown an interest in manufacturing specialized vehicles, including truck bodies and 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.

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

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

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

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

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

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

Our manufacturer's warranties expose us to potentially significant claims.

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

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

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

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

Our Class A Common Stock has experienced, and may continue to experience, price volatility and low trading volumes. Overall market conditions, and other risk factors described herein, may cause the market price of our Class A Common Stock to fall. Our high and low sales prices for the twelve month period ended December 27, 2008, were \$5.95 and \$0.68, respectively. Our Class A Common Stock is listed on the NYSE Alternext US exchange under the symbol "STS." However, daily trading volumes for our Class A Common Stock are, and may continue to be, relatively small compared to many other publicly-traded securities. For example, during the twelve month period ended December 27, 2008, our daily trading volume has been as low as zero. It may be difficult for

you to sell your shares in the public market at any given time at prevailing prices, and the price of our Class A Common Stock may, therefore, be volatile.

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

As of March 6, 2009, our officers and directors as a group beneficially own 28.8 % of our Class A Common Stock and 90.1% of our Class B Common Stock. As a result, they will continue to be able to exercise significant influence, and in most cases, control, over matters requiring shareholder approval, including the election of directors, changes to our charter documents, and significant corporate transactions. This concentration of ownership makes it unlikely that any other holder or group of holders of our Class A Common Stock will be able to affect the way we are managed or the direction of our business.

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

Our outstanding Common Stock is split into two classes. The Class A Common Stock is listed on the NYSE Alternext US exchange, and the holders thereof are entitled to elect two members of the Company's Board of Directors. The majority (90.1%) of the Class B Common Stock is owned or controlled by the Company's officers and directors and is entitled to elect the remaining six members of the Company's Board of Directors. The continuing ability of the holders of our Class B Common Stock to elect a majority of the members of the Company's Board of Directors will make it difficult for another company to acquire us and for you to receive any related take-over premium for your shares (unless the controlling group approves the sale).

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

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

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

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

ITEM 2. PROPERTIES.

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

	<u>Square Footage</u>	<u>Owned or Leased</u>	<u>Operating Segment</u>
<u>Manufacturing of Products</u>			
Jonestown, Pennsylvania	429,376	Owned	Specialized Vehicles
Goshen, Indiana	320,146	Leased	Specialized Vehicles
Goshen, Indiana	195,939	Owned	Specialized Vehicles
Cleburne, Texas	177,035	Owned	Specialized Vehicles
Woodburn, Oregon	116,760	Owned	Specialized Vehicles
Griffin, Georgia	105,379	Leased	Specialized Vehicles
Moreno Valley, California	103,200	Owned	Specialized Vehicles
Griffin, Georgia	86,400	Owned	Specialized Vehicles
White Pigeon, Michigan	74,802	Owned	Specialized Vehicles
Ligonier, Indiana	23,540	Owned	Specialized Vehicles
	<u>1,632,577</u>		
<u>Manufacturing of Component Parts</u>			
Goshen, Indiana	57,570	Owned	Fiberglass Products
Ligonier, Indiana	52,142	Owned	Fiberglass Products
	<u>109,712</u>		
<u>Distribution</u>			
Harrisville, Rhode Island	20,000	Owned	Specialized Vehicles
Springfield, Ohio	11,200	Owned	Specialized Vehicles
Apopka, Florida	5,200	Owned	Specialized Vehicles
St. Louis, Missouri	4,800	Owned	Specialized Vehicles
Colorado Springs, Colorado	950	Leased	Specialized Vehicles
	<u>42,150</u>		
<u>Properties Held for Sale</u>			
Streetsboro, Ohio (1)	11,900	Owned	Not Applicable
Houston, Texas (2)	14,533	Owned	Not Applicable
Wilson, North Carolina (3)	113,694	Owned	Not Applicable
	<u>140,127</u>		
<u>Corporate Office Building</u>			
Goshen, Indiana	26,000	Owned	Not Applicable
Total square footage	<u><u>1,950,566</u></u>		

- (1) During the first quarter of 2009, the Company ceased business operations at its Streetsboro, Ohio distribution facility.
- (2) During the fourth quarter of 2008, the Company ceased business operations at its distribution facility in Houston, Texas.
- (3) During the third quarter of 2002, the Company ceased business operations at its facility in Wilson, North Carolina. Since then, the property has been, and continues to be, listed for sale; however, the Company has been unable to sell the property because of weak economic conditions and excess building facilities in this region of the country. While retaining the right to sell the property to interested buyers, the Company does currently lease a portion of this property to an unrelated business.

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

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 27, 2008.

PART II

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

The Company’s Class A Common Stock is traded on the NYSE Alternext US exchange (ticker symbol STS). The number of record holders of the Class A Common Stock as of March 6, 2009 was approximately 259. Due to the number of shares held in nominee or street name, it is likely that there are substantially more than 259 beneficial owners of the Company’s Class A Common Stock.

The Company’s Class A Common Stock closed at a price of \$0.77 per share on the NYSE Alternext US exchange on March 6, 2009 on which date there were 12,150,823 shares of Class A Common Stock outstanding. Adjusted for the two percent (2%) and six percent (6%) common stock dividends declared and paid during 2008 (see dividend data below), high and low sales prices of the Class A Common Stock for the two-year period ended December 27, 2008 were:

	2008		2007	
	High	Low	High	Low
1st Quarter	\$ 5.95	\$ 4.95	\$ 6.38	\$ 5.36
2nd Quarter	5.28	3.71	6.57	5.34
3rd Quarter	4.70	2.75	6.71	6.26
4th Quarter	2.83	0.68	7.49	5.09

All of the 2,188,490 outstanding shares of the Company’s Class B Common Stock were held by a total of 14 persons as of March 6, 2009. There is no established trading market for the Class B Common Stock. The Class B Common Stock is freely convertible on a one-for-one basis into an equal number of shares of Class A Common Stock, and ownership of the Class B Common Stock is deemed to be beneficial ownership of the Class A Common Stock under Rule 13d-3(d) (1) promulgated under the Securities Exchange Act of 1934.

Table of Contents

The Board of Directors approved the following stock dividends on its outstanding Class A and Class B Common Stock during the year ended December 27, 2008:

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

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

The Board of Directors approved the following cash dividends on its outstanding Class A and Class B Common Stock during the years ended December 27, 2008 and December 29, 2007. Adjusted for the common stock dividends declared and paid in 2008, cash dividends were:

<u>Declaration Date</u>	<u>Record Date</u>	<u>Paid Date</u>	<u>Cash Dividend Per Share</u>
<u>2008</u>			
February 12, 2008	February 25, 2008	March 3, 2008	\$.088
May 6, 2008	May 20, 2008	May 27, 2008	\$.088
<u>2007</u>			
February 14, 2007	February 27, 2007	March 5, 2007	\$.088
May 3, 2007	May 17, 2007	May 24, 2007	\$.088
August 7, 2007	August 21, 2007	August 28, 2007	\$.088
October 30, 2007	November 13, 2007	November 20, 2007	\$.088

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

Equity Compensation Plan Information

The following table provides information as of December 27, 2008 with respect to the shares of the Company's Class A Common Stock that may be issued under the Company's equity compensation plans:

<u>Plan category</u>	<u>(a) Number of securities to be issued upon exercise of outstanding options, warrants and rights</u>	<u>(b) Weighted-average exercise price of outstanding options, warrants and rights</u>	<u>(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))</u>
Equity compensation plans approved by security holders	1,061,975	\$ 5.65	244,207

ITEM 6. SELECTED FINANCIAL DATA.

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

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

	For Fiscal Years Ended				
	2008	2007	2006	2005	2004
Consolidated Statement of Operations Data:					
(in millions, except per share amounts)					
Net sales (a)	\$ 268.7	\$ 313.3	\$ 340.7	\$ 341.3	\$ 307.3
Net income (loss)	(3.1)	4.2	4.6	8.3	4.7
Net income (loss) per share:					
Basic earnings (loss) per share	(0.22)	.30	.33	.62	.36
Diluted earnings (loss) per share	(0.22)	.30	.33	.60	.35
Cash dividends per common share	.18	.35	.35	.24	.13
Consolidated Balance Sheet Data:					
(in millions)					
Working capital	\$ 60.3	\$ 58.5	\$ 66.6	\$ 60.8	\$ 50.9
Total assets	125.5	132.8	142.1	137.4	129.2
Long-term debt (excluding current maturities)	32.8	29.0	38.9	31.4	28.8
Stockholders’ equity	70.4	75.5	75.2	75.2	67.6

(a) Net sales for 2004 and 2005 have been adjusted from amounts previously reported as “Revenue” to exclude other income and report only net sales.

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

Overview

Established in 1974 as a truck body manufacturer, Supreme Industries, Inc., through its wholly-owned subsidiary Supreme Corporation, is one of the nation’s leading manufacturers of specialized vehicles. Utilizing a nationwide direct sales and distribution network, as well as manufacturing and service facilities in 11 states across the continental United States, Supreme is able to meet the needs of customers across all of North America.

The Company engages principally in the production and sale of customized truck bodies, shuttle buses, and other specialty vehicles. Building on its expertise in providing both cargo and passenger transportation solutions, the Company’s specialty offerings include products such as customized armored vehicles, homeland response vehicles, portable storage units and luxury motor coaches. Through vertical integration and proprietary processes, the Company also is a producer of high quality fiberglass and fiberglass-reinforced components. For more detailed information related to the Company and its products, see Business (Item 1) of this document.

Table of Contents

During 2008, Supreme continued to experience the impact of the economic recession and the unprecedented tight credit markets, particularly in its core truck business and motorhome operations. Although management foresaw a difficult environment, the downturn has been far more severe than anticipated. In response, the Company has been executing a strategy to navigate through these conditions and position the Company to emerge from the current economic environment even stronger.

First and foremost, management has and continues to take costs out of the business, right-sizing operations to fit the current market conditions. In 2008, the annualized cost reductions totaled approximately \$9.0 million with a large component of the saving resulting from our 29% headcount reduction year-over-year. While the benefits of these reductions began to emerge in the fourth quarter, the full impact of these savings will be realized in fiscal 2009. Additionally, management will continue to review its cost structure during 2009 and will reduce the size of operations as economic conditions warrant. However, Supreme is committed to invest in both the short and long-term as evidenced by the recent introduction of the Signature Van Body which is expected to help our competitiveness in the market. The new Signature Van Body enables easier and less expensive construction, improved inventory turns, and reduced lead-times to deliver the finished product. The Company also invested in the development of an Armored Suburban under the terms of a contract with the U.S. Department of State which calls for up to \$100 million of vehicles to be produced over a five year period, subject to periodic orders from the Department of State.

Supreme's healthy bus business has improved its market share and helped to partially offset the significant downturn in the core dry freight truck business. To meet increased customer demand, the Company has recently expanded its bus capacity on both the East and West coasts to better serve these markets.

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

The following discussion should be read in conjunction with the consolidated financial statements and related notes thereto, located at Item 8 of this document.

Results of Operations

Comparison of 2008 with 2007

Net Sales

Net sales for the year ended December 27, 2008 decreased \$44.6 million to \$268.7 million compared to \$313.3 million for the year ended December 29, 2007. The decrease in net sales was primarily related to our truck body sales, our largest product group, which declined by \$48.1 million. Our armored truck division and composite division experienced a decline in net sales of \$7.8 million and \$3.2 million, respectively. Partially offsetting these decreases was an increase in net sales by our StarTrans bus divisions of \$13.7 million, or 21.0%, to \$79.1 million for the year ended December 27, 2008. Our Silver Crown division experienced a slight increase in net sales of \$0.9 million for the year ended December 27, 2008.

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

(\$000's omitted)	2008	2007	Change	
Specialized vehicles:				
Trucks	\$ 161,037	\$ 209,181	\$ (48,144)	(23.0)%
Buses	79,139	65,410	13,729	21.0
Armored vehicles	6,003	13,813	(7,810)	(56.5)
Motorhomes	12,478	11,618	860	7.4
	258,657	300,022	(41,365)	(13.8)
Composites	10,093	13,251	(3,158)	(23.8)
	<u>\$ 268,750</u>	<u>\$ 313,273</u>	<u>\$ (44,523)</u>	<u>(14.2)%</u>

We attribute the decrease in our truck product sales to the economic recession which resulted in an industry-wide decline in the retail truck market. The decline in the truck market began in early 2007, and the prevailing expectation is that it will likely continue until at least 2010. Additionally, truck products were negatively impacted in the first half of the year by the cancellation of approximately \$2.6 million of orders from a major fleet customer due to the disruption in the supply of General Motors (“GM”) chassis resulting from a labor dispute between the United Auto Workers and GM’s axle supplier. This labor dispute was settled in the second quarter, although returning to normal conditions was further delayed by a second labor strike against a chassis delivery provider which has since been resolved. The disruption adversely affected our profitability and resulted in excess inventory carrying costs for both our fleet and retail business during the first half of 2008. We anticipate that the decrease in our truck business activity will create pent-up demand and we are poised to capitalize on the eventual expected recovery.

The armored division sales decline was the result of the economic environment and the highly competitive nature of the cash-in-transit business. We believe that the armored division is well positioned to increase its revenue in 2009 as a result of the U.S. Department of State contract mentioned above.

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

Our total sales backlog was \$60.0 million at December 27, 2008 compared to \$87.0 million at December 29, 2007.

Cost of sales and gross profit

Gross profit decreased by \$10.6 million, or 30.1%, to \$24.6 million for the year ended December 27, 2008 compared to \$35.2 million for the year ended December 29, 2007. The following table presents the components of cost of sales as a percentage of net sales and the changes from 2008 to 2007:

	2008	2007	Percent Change
Material	58.3%	57.4%	0.9%
Direct labor	13.8	13.6	0.2
Overhead	16.0	15.2	0.8
Delivery	2.8	2.6	0.2
Cost of sales	90.9	88.8	2.1
Gross profit	9.1%	11.2%	-2.1%

Material — Material cost as a percentage of net sales increased for the year ended December 27, 2008 when compared to the corresponding period in 2007. The change in the material percentage is primarily related to higher raw material costs and product mix. Our change in product mix relates to our bus division, which has a higher material percentage, and accounted for a 29.4% of our total sales in 2008 compared to 20.9% for the same period in 2007.

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

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

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

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

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

Selling, general and administrative expenses

Selling, general and administrative ("G&A") expenses decreased by \$0.4 million, or 1.4%, to \$27.4 million for the year ended December 27, 2008 compared to \$27.8 million for the year ended December 29, 2007. The following table presents selling and G&A expenses as a percentage of net sales and the changes from 2008 to 2007:

	2008	2007	Percent Change
Selling expenses	3.9%	3.3%	0.6%
G&A expenses	6.3	5.6	0.7
Total	10.2%	8.9%	1.3%

Selling expenses — Selling expenses increased by \$0.2 million, or 1.9%, to \$10.5 million for the year ended December 27, 2008 from \$10.3 million for the year ended December 29, 2007. This increase is due to the investment in training costs, literature, promotion and advertising expenses resulting from the new Signature Van Body. Partially offsetting this increase is a reduction in commission expense resulting from the lower sales volume in 2008 when compared to 2007.

G&A expenses — General and administrative expenses decreased by \$0.7 million, or 4.0%, to \$16.8 million for the year ended December 27, 2008 from \$17.5 million for the year ended December 29, 2007. This decrease in general and administrative expenses was primarily due to lower incentive compensation accruals as a result of the decrease in pretax income. Additionally, we incurred one-time professional fees during 2007 related to complying with the requirements of the Sarbanes-Oxley Act of 2002.

Intangible Asset Impairments

In the fourth quarter of 2008, the Company recorded a goodwill impairment charge of approximately \$0.7 million in accordance with Statement of Financial Accounting Standards ("SFAS") No. 142, "Goodwill and Other Intangible Assets." Additionally, the Company determined that a customer list totaling approximately \$0.6 million at December 27, 2008, which was associated with the acquisition of Pony Xpress, LLC, was fully impaired.

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

Intangible Assets - In connection with a business acquisition of Pony Xpress, LLC, in February 2006, the Company acquired a customer list totaling approximately \$0.7 million. Due to the

significant downturn in the economy, motorhome industry, and selected customers' financial positions, the Company recorded an impairment charge against the remaining balance of this asset in the fourth quarter of 2008. As a result of total impairment, no future amortization expense will be recorded against this intangible asset.

Other income

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

Interest expense

Interest expense was \$2.3 million (0.9% of net sales) for the year ended December 27, 2008 compared to \$2.5 million (0.8% of net sales) for the year ended December 29, 2007. This decrease in interest expense reflects lower prevailing interest rates coupled with lower working capital requirements resulting from lower sales volume.

Income taxes

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

Net income and earnings per share

Net income (loss) decreased by \$7.3 million to \$(3.1) million (-1.2% of net sales) for the year ended December 27, 2008, from \$4.2 million (1.3% of net sales) for the year ended December 29, 2007. The following table presents basic and diluted earnings (loss) per share and the changes from 2008 to 2007:

	2008	2007	Change
Earnings (loss) per share:			
Basic	\$ (0.22)	\$ 0.30	\$ (0.52)
Diluted	\$ (0.22)	\$ 0.30	\$ (0.52)

Comparison of 2007 with 2006

Net Sales

Net sales for the year ended December 29, 2007 decreased \$27.4 million, or 8.0%, to \$313.3 million compared to \$340.7 million for the year ended December 30, 2006. The decrease was primarily related to our core dry freight sales, our largest product group, which declined by \$40.7 million, or 22.6%. We attributed the decrease in our core dry freight products to continued industry-wide softness in the retail truck market. Partially offsetting this decrease were favorable sales contributions from our StarTrans bus division which experienced a 10.1% increase to \$65.4 million, and our armored division, which increased 64.3% over the prior year, to \$13.8 million in 2007. Additionally, Silver Crown, one of our specialty product divisions, increased sales to \$11.6 million, a 182.9% increase, resulting from the increased market penetration of this 2006 acquisition. Our total sales backlog was \$87.0 million at December 29, 2007 compared to \$97.5 million at December 30, 2006.

Cost of Sales and Gross Profit

Gross profit decreased by \$2.4 million, or 6.4%, to \$35.2 million (11.2% of net sales) for the year ended December 29, 2007 compared to \$37.6 million (11.0% of net sales) for the year ended December 30, 2006. The following table presents the components of cost of sales as a percentage of net sales for 2007 and 2006 and the changes from 2006:

	2007	2006	Percent Change
Material	57.4%	56.8%	0.6%
Direct labor	13.6	14.3	-0.7
Overhead	15.2	15.1	0.1
Delivery	2.6	2.8	-0.2
Cost of sales	88.8	89.0	-0.2
Gross profit	11.2%	11.0%	0.2%

Material — Material cost as a percentage of net sales was 57.4% in 2007 compared to 56.8% in 2006. The increase of 0.6% was attributable to our growing StarTrans bus division and our Silver Crown division which have a higher material content and accounted for a larger portion of our total sales volume in 2007. Partially offsetting the increase in the material percentage was an improvement of 2.2% in our core truck divisions which resulted from working with our material suppliers to strengthen our supply chain logistics while controlling material costs. However, raw material costs continued to remain a concern as costs increased for aluminum, steel, and petroleum-based raw materials. The Company closely monitored and managed all material costs through timely communication and negotiation with key suppliers and continued to make efforts to recover raw material cost increases through the pricing of our products. The Company also continued to strive to reduce the costs of its products through research into innovative materials and the use of robotics.

Historically, the Company has experienced and recorded both favorable and unfavorable physical inventory adjustments. Due to our product diversity, complexity, customization, and on-line engineering, inventory relief using standard bills of material does not provide full relief of our inventory. Therefore, the Company records an additional cost relief adjustment based on various factors. In addition, the Company intensified its bills of material accuracy initiatives and cost relief systems and methods in conjunction with performing additional interim physical inventories and recording any adjustments relating thereto. In 2007, the Company recorded favorable inventory adjustments of \$0.2 million. In the third quarter of fiscal year 2006, the Company recorded a \$1.9 million favorable inventory adjustment. In 2006, the Company improved its bills of materials accuracy without changing its cost relief adjustment to account for these improvements resulting in a favorable inventory adjustment for the year. The more frequent physical inventories, and the continued improvements from the process improvement initiatives, should enable the Company to continue to minimize the physical inventory adjustments (See “Inventory Relief” below in our discussion of “Critical Accounting Policies and Estimates”).

Direct Labor — Direct labor as a percentage of net sales was 13.6% in 2007 compared to 14.3% in 2006. The direct labor improvement was the result of the efficiencies realized from contracting fewer, more costly temporary workers at our core truck divisions due to reduced sales volume. Additionally, in the first half of 2006 we experienced a delay in OEM-supplied chassis which caused the Company to temporarily suspend production, thereby negatively affecting labor and overhead absorption. As noted earlier, while our StarTrans bus division and Silver Crown division material content is higher than our core truck products, the labor percentage is lower in these divisions further reducing the overall Company labor percentage as a result of the our change in product mix for 2007.

Overhead — Overhead as a percentage of net sales was 15.2% in 2007 compared to 15.1% in 2006. Overall, the Company was able to effectively manage its cost structure to the lower sales volume experienced in 2007. However, our group health insurance expense increased 6.3% when compared to 2006. To combat the increase in group health insurance, the Company continued to implement changes to its group health insurance plan design in an effort to control future claim costs. The Company continues to focus on reducing expenses and managing our overhead cost structure based on our level of sales volume.

Delivery — Delivery as a percentage of net sales was 2.6% in 2007 compared to 2.8% in 2006. The Company continued to utilize more cost effective outside delivery methods versus using its employees and owned equipment to deliver units. Fuel costs remained a concern, and the Company continued its efforts to attempt to pass on higher fuel costs despite competitive pressures in the marketplace.

Selling, General and Administrative Expenses

Selling, general and administrative (“G&A”) expenses decreased by \$0.7 million, or 2.5%, to \$27.8 million (8.9% of net sales) for the year ended December 29, 2007, compared to \$28.5 million (8.4% of net sales) for the year ended December 30, 2006. The following table presents selling and G&A expenses as a percentage of net sales and the changes from year to year:

	2007	2006	Percent Change
Selling expenses	3.3%	3.4%	-0.1%
G&A expenses	5.6	5.0	0.6
Total	8.9%	8.4%	0.5%

Selling expenses — Selling expenses decreased by \$1.2 million, or 10.4%, to \$10.3 million for the year ended December 29, 2007 from \$11.5 million for the year ended December 30, 2006. Selling expenses declined due to increased cooperative marketing credits the Company received from chassis manufacturers. These credits, determined solely by programs established by the chassis manufacturers, were used to offset marketing and promotional expenses. Additionally, sales commission expense decreased due to the lower sales volume experienced during 2007 compared to 2006.

G&A expenses — General and administrative expenses increased by \$0.5 million, or 2.9%, to \$17.5 million for the year ended December 29, 2007 from \$17.0 million for the year ended December 30, 2006. The increase in general and administrative expenses was primarily due to non-recurring fees associated with complying with the requirements of the Sarbanes-Oxley Act of 2002.

Other Income

Other income remained relatively constant at \$0.6 million for the year ended December 29, 2007 and December 30, 2006. Other income consisted of rental income, gain on sale of assets, and other miscellaneous income received by the Company through its various business activities.

Interest Expense

Interest expense decreased by \$0.6 million, or 19.4%, to \$2.5 million (0.8% of net sales) for the year ended December 29, 2007 compared to \$3.1 million (0.9% of net sales) for the year ended December 30, 2006. The decrease in interest expense was due to less borrowing under the Company’s working capital line of credit and a decrease in chassis interest expense. The decrease in bank interest expense also reflected lower prevailing interest rates, coupled with an increased focus on working capital management and managing our working capital levels in accordance with the lower sales volume experienced in 2007. Additionally, the decrease in chassis interest expense was due to reduced consigned chassis inventory levels relating to light-duty chassis. In 2006, we experienced an unanticipated slowdown in the light-duty truck market causing a build-up of consigned chassis inventory which resulted in increased chassis interest expense.

Income Taxes

The Company’s effective income tax rate was 23.8% for the year ended December 29, 2007, compared to 30.2% for 2006. The effective income tax rates for both years were favorably impacted by tax-exempt underwriting income of our wholly-owned small captive insurance subsidiary, by the additional tax deduction allowed manufacturers under the 2004 American Jobs Creation Act, federal alternative fuel tax credits, and federal and state research and development tax credits.

Net Income and Earnings Per Share

Net income decreased by \$0.4 million, or 8.7%, to \$4.2 million (1.3% of net sales) for the year ended December 29, 2007 from \$4.6 million (1.4% of net sales) for the year ended December 30, 2006. The following table presents basic and diluted earnings per share and the changes from year to year:

	2007		2006		Change
Earnings per share:					
Basic	\$ 0.30	\$	0.33	\$	(0.03)
Diluted	\$ 0.30	\$	0.33	\$	(0.03)

Liquidity and Capital Resources

The Company believes that it has adequate availability in its credit facility to finance future foreseeable working capital requirements and intends to invest only in replacement equipment during 2009. 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.

All borrowings under the Credit Agreement are collateralized by certain inventories and trade receivables of the Company. The Credit Agreement provides for a revolving line of credit facility of up to \$30 million and increasing to \$33 million during the period each year from January 1 to June 30. 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 of December 27, 2008, the Company had \$29.9 million utilized under its credit facility. Any amounts outstanding under the revolving line of credit will be due at maturity, January 31, 2010.

The Credit Agreement contains, among other matters, certain restrictive covenants including compliance with financial measurements. As of December 27, 2008, the Company was in compliance with all covenants. Subsequent to year-end, the Company violated a covenant and entered into an amendment to the Credit Agreement with its lender to waive the covenant violation and to reset certain existing covenant measurements to provide temporary relief during this economic downturn.

Operating activities

Operating activities provided \$1.1 million of cash for the year ended December 27, 2008 compared to cash provided of \$18.4 million for the year ended December 29, 2007. In 2008, operating cash was favorably impacted by a \$3.0 million reduction in accounts receivable and a \$2.4 million decrease in inventory offset by a \$6.4 million decrease in accounts payable. Net income, adjusted for depreciation, amortization and noncash impairment charges provided cash flows from operating activities totaling \$2.6 million and \$8.5 million during the twelve months of 2008 and 2007, respectively.

Investing activities

Cash used in investing activities was \$3.1 million for the year ended December 27, 2008 compared to \$3.6 million for the year ended December 29, 2007. Capital expenditures for 2008 were \$3.6 million and consisted, in part, of investments in replacement equipment. The company received proceeds of \$1.0 million from the sale of two service and distribution centers in the fourth quarter of 2008.

Financing activities

Financing activities provided \$1.6 million of cash for the year ended December 27, 2008 compared to cash used of \$14.9 million for the year ended December 29, 2007. The lower level of financing activities for the year occurred as a result of the decrease in accounts receivable and inventory levels. The Company also received \$248,000 and \$844,000 from the exercise of stock options in 2008 and 2007, respectively. Adjusted for the two percent (2%) and

six percent (6%) common stock dividends declared and paid during 2008, the Company paid cash dividends of \$0.088 per share, or \$2.5 million, for each of the first and second quarters of 2008. The Company suspended the cash dividend in August 2008 and declared a two percent and six percent stock dividend on its outstanding Class A and Class B Common Stock in the third quarter and fourth quarter, respectively. Adjusted for the 2008 common stock dividends, the Company declared and paid cash dividends of \$0.088 per share for each of the four quarters of 2007, totaling \$4.9 million. Due to the present industry conditions and economic recession, the Board of Directors has decided to suspend all dividend programs. Future dividends will necessarily be subject to business conditions, the Company's financial position and requirements for working capital, property, plant, and equipment expenditures, and other corporate purposes.

Contractual Obligations

The Company's fixed, noncancelable obligations as of December 27, 2008 were as follows:

	Payments due by period				
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Debt (a)	\$ 33,628,647	\$ 823,297	\$ 31,938,345	\$ 467,005	\$ 400,000
Operating leases (b)	1,263,317	805,871	457,446	—	—
Total	\$ 34,891,964	\$ 1,629,168	\$ 32,395,791	\$ 467,005	\$ 400,000

- (a) Amounts are included on the Consolidated Balance Sheets. See Note 5 of the Notes to Consolidated Financial Statements for additional information regarding debt and related matters.
- (b) See Note 9 of the Notes to Consolidated Financial Statements for additional information regarding property leases.

Critical Accounting Policies and Estimates

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

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

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

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

Inventory Relief - For monthly and quarterly financial reporting, cost of sales is recorded and inventories are relieved by the use of standard bills of material adjusted for scrap and other estimated factors affecting inventory relief. Because of our large and diverse product line and the customized nature of each order, it is difficult to place

full reliance on the bills of material for accurate relief of inventories. Although the Company continues to refine the process of creating accurate bills of materials, manual adjustments (which are based on estimates) are necessary in an effort to assure correct relief of inventories for products sold. The calculations to estimate costs not captured in the bill of materials take into account the customized nature of products, historical inventory relief percentages, scrap variances, and other factors which could impact inventory relief.

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

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

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

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

Impairment of Goodwill - The Company evaluates the carrying value of goodwill during the fourth quarter of each year and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. When evaluating whether goodwill is impaired, the Company compares the fair value of the reporting unit to which the goodwill is assigned to the reporting unit's carrying amount, including goodwill. The fair value of the reporting unit is estimated using a combination of the discounted cash flows approach and consideration of the Company's aggregate market value of its common stock. As of December 27, 2008, the carrying amount of the Company's specialized vehicles reporting unit exceeded its fair value, which required a measurement of the impairment loss. The impairment loss was calculated by comparing the implied fair value of the reporting unit goodwill to its carrying amount. In calculating the implied fair value of the reporting unit goodwill, the fair value of the reporting unit is allocated to all of the other assets and liabilities of that unit based on their fair values. The Company determined there was no excess fair value over the amount assigned to the reporting unit's other assets and liabilities. An impairment loss was recognized for the full carrying value of the goodwill, which totaled \$735,014 at December 27, 2008.

Impairment of Intangible Assets - The Company evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. Such circumstances could include, but are not limited to (1) a significant decrease in the market value of an asset, (2) a significant adverse change in the extent or manner in which an asset is used, or (3) an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. The Company measures the carrying amount of the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The Company estimated the value of its customer list based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. The Company recorded an impairment charge for the full carrying amount of its customer list acquired in 2006 during the fourth quarter of 2008, which totaled \$588,507.

Pending Accounting Pronouncements

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

Forward-Looking Statements

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

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 27, 2008, the Company had in effect an interest rate swap agreement dated July 28, 2005. The interest rate swap agreement is a contract to exchange floating rate for fixed rate interest payments over the life of the interest rate swap agreement and is used to measure interest to be paid or received and does not represent the amount of exposure of credit loss. The differential paid or received under the interest rate swap agreement is recognized as an adjustment to interest expense. The following is a summary of the interest rate swap agreement outstanding at December 27, 2008.

Notional Amount	Fixed Rate	Maturity
\$ 15,000,000	4.71%	July 28, 2010

Based on the Company’s overall interest rate exposure at December 27, 2008, a hypothetical 10 percent change in interest rates applied to the fair value of the financial instruments as of December 27, 2008, 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.

	Page
Index to Financial Statements	
1. Financial Statements:	
Report of Crowe Horwath LLP, Independent Registered Public Accounting Firm	24
Consolidated Balance Sheets as of December 27, 2008 and December 29, 2007	25
Consolidated Statements of Operations for the years ended December 27, 2008, December 29, 2007 and December 30, 2006	26
Consolidated Statements of Stockholders’ Equity for the years ended December 27, 2008, December 29, 2007 and December 30, 2006	27
Consolidated Statements of Cash Flows for the years ended December 27, 2008, December 29, 2007 and December 30, 2006	28
Notes to Consolidated Financial Statements	29-45
2. Financial Statement Schedule:	
Schedule II - Valuation and Qualifying Accounts for the years ended December 27, 2008, December 29, 2007 and December 30, 2006	46
All other schedules are omitted because they are not applicable.	
3. Supplementary Data	
Quarterly Results (Unaudited)	47

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

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

We have audited the accompanying consolidated balance sheets of Supreme Industries, Inc. and its subsidiaries as of December 27, 2008 and December 29, 2007, and the related consolidated statements of operations, stockholders' equity, and cash flows for each of the three years in the period ended December 27, 2008. In connection with our audits of the consolidated financial statements, we also have audited the financial statement schedule, Schedule II — Valuation and Qualifying Accounts. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. The Company is not required to have, nor were we engaged to perform, an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Supreme Industries, Inc. and its subsidiaries as of December 27, 2008 and December 29, 2007, and the results of their operations and their cash flows for each of the three years in the period ended December 27, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Crowe Horwath LLP

South Bend, Indiana
February 12, 2009

Supreme Industries, Inc. And Subsidiaries
Consolidated Balance Sheets

December 27, 2008 and December 29, 2007

	2008	2007
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 932,608	\$ 1,266,133
Investments	2,509,848	2,215,267
Accounts receivable, net of allowance for doubtful accounts of \$290,000 in 2008 and \$160,000 in 2007	25,423,842	28,628,324
Refundable income taxes	2,244,129	805,082
Inventories	44,248,516	46,643,480
Deferred income taxes	1,642,363	1,192,331
Other current assets	2,449,248	3,174,090
Total current assets	<u>79,450,554</u>	<u>83,924,707</u>
Property, plant and equipment, net	45,778,908	47,429,725
Intangible assets, net	—	636,877
Goodwill	—	735,014
Other assets	295,109	64,860
Total assets	<u>\$ 125,524,571</u>	<u>\$ 132,791,183</u>
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current maturities of long-term debt	\$ 823,297	\$ 748,406
Trade accounts payable	8,266,945	14,642,616
Accrued wages and benefits	1,924,311	3,062,950
Accrued self-insurance	1,847,727	2,652,350
Customer deposits	1,644,234	81,894
Accrued warranty	1,473,000	1,476,000
Accrued income taxes	675,200	498,162
Other accrued liabilities	2,459,840	2,236,901
Total current liabilities	<u>19,114,554</u>	<u>25,399,279</u>
Long-term debt	32,805,350	29,002,718
Deferred income taxes	2,403,698	2,589,055
Other long-term liabilities	818,053	333,046
Total liabilities	<u>55,141,655</u>	<u>57,324,098</u>
Commitments and contingencies (Note 9)		
Stockholders' equity:		
Preferred Stock, \$1 par value; authorized 1,000,000 shares, none issued	—	—
Class A Common Stock, \$.10 par value; authorized 20,000,000 shares, issued 14,586,634 Shares in 2008 and 13,461,174 in 2007	1,458,664	1,346,118
Class B Common Stock, convertible into Class A Common Stock on a one-for-one basis, \$.10 par value; authorized 5,000,000 shares, issued 2,188,490 shares in 2008 and 2,024,133 in 2007	218,849	202,413
Additional paid-in capital	70,603,235	67,348,018
Retained earnings	20,573,244	28,285,847
Treasury stock, Class A Common Stock, at cost, 2,641,050 shares in 2008 and 2,569,522 shares in 2007	(21,853,337)	(21,515,892)
Accumulated other comprehensive (loss)	(617,739)	(199,419)
Total stockholders' equity	<u>70,382,916</u>	<u>75,467,085</u>
Total liabilities and stockholders' equity	<u>\$ 125,524,571</u>	<u>\$ 132,791,183</u>

See accompanying notes to consolidated financial statements.

Supreme Industries, Inc. And Subsidiaries
Consolidated Statements of Operations
for the years ended December 27, 2008, December 29, 2007 and December 30, 2006

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Net sales	\$ 268,749,653	\$ 313,272,723	\$ 340,746,789
Cost of sales	244,179,662	278,089,294	303,182,249
Gross profit	24,569,991	35,183,429	37,564,540
Selling, general and administrative expenses	27,350,730	27,838,011	28,483,091
Goodwill and intangible asset impairment	1,323,521	—	—
Other income	(1,126,044)	(594,654)	(560,045)
Operating income (loss)	(2,978,216)	7,940,072	9,641,494
Interest expense	2,251,888	2,472,267	3,054,726
Income (loss) before income taxes	(5,230,104)	5,467,805	6,586,768
Income tax expense (benefit)	(2,168,685)	1,304,000	1,992,000
Net income (loss)	\$ (3,061,419)	\$ 4,163,805	\$ 4,594,768
Earnings (Loss) Per Share:			
Basic	\$ (0.22)	\$.30	\$.33
Diluted	(0.22)	.30	.33
Shares used in the computation of earnings (loss) per share:			
Basic	14,110,103	13,871,471	13,727,561
Diluted	14,110,103	13,983,749	13,917,896
Cash dividends per common share	\$.18	\$.35	\$.35

See accompanying notes to consolidated financial statements.

Table of Contents

Supreme Industries, Inc. And Subsidiaries
Consolidated Statements of Stockholders' Equity

for the years ended December 27, 2008, December 29, 2007 and December 30, 2006

	Class A Common Stock		Class B Common Stock		Additional Paid- In Capital	Retained Earnings	Treasury Stock	Accumulated Other Comprehensive Income (Loss)	Total Stockholders' Equity
	Shares	Amount	Shares	Amount					
Balance, December 31, 2005	13,041,826	\$1,304,183	2,109,133	\$210,913	\$65,259,480	\$29,236,254	\$(20,857,438)	\$12,064	\$75,165,456
Net income	—	—	—	—	—	4,594,768	—	—	4,594,768
Unrealized gain on hedge activity, net of tax	—	—	—	—	—	—	—	71,393	71,393
Unrealized holding gain on investments, net of tax	—	—	—	—	—	—	—	9,360	9,360
Total comprehensive income									4,675,521
Cash dividends (\$.35 per share)	—	—	—	—	—	(4,822,789)	—	—	(4,822,789)
Exercise of stock options	18,334	1,833	—	—	83,915	—	(52,735)	—	33,013
Conversion of 85,000 shares of Class B Common Stock to 85,000 shares of Class A Common Stock	85,000	8,500	(85,000)	(8,500)	—	—	—	—	—
Issuance of 10,000 shares of restricted stock	10,000	1,000	—	—	(1,000)	—	—	—	—
Stock-based compensation	—	—	—	—	123,000	—	—	—	123,000
Tax benefit of disqualifying stock option Dispositions	—	—	—	—	34,480	—	—	—	34,480
Balance, December 30, 2006	13,155,160	\$1,315,516	2,024,133	\$202,413	\$65,499,875	\$29,008,233	\$(20,910,173)	\$92,817	\$75,208,681
Net income	—	—	—	—	—	4,163,805	—	—	4,163,805
Unrealized loss on hedge activity, net of tax	—	—	—	—	—	—	—	(300,888)	(300,888)
Unrealized holding gain on investments, net of tax	—	—	—	—	—	—	—	8,652	8,652
Total comprehensive income									3,871,569
Cash dividends (\$.35 per share)	—	—	—	—	—	(4,873,991)	—	—	(4,873,991)
Exercise of stock options	302,834	30,284	—	—	1,502,229	—	(688,719)	—	843,794
Issuance of 10,000 shares of common stock	—	—	—	—	—	(12,200)	83,000	—	70,800
Issuance of restricted stock	3,180	318	—	—	16,631	—	—	—	16,949
Stock-based compensation	—	—	—	—	255,899	—	—	—	255,899
Tax benefit of disqualifying stock option Dispositions	—	—	—	—	73,384	—	—	—	73,384
Balance, December 29, 2007	13,461,174	\$1,346,118	2,024,133	\$202,413	\$67,348,018	\$28,285,847	\$(21,515,892)	\$(199,419)	\$75,467,085
Net loss	—	—	—	—	—	(3,061,419)	—	—	(3,061,419)
Unrealized loss on hedge activity, net of tax	—	—	—	—	—	—	—	(310,607)	(310,607)
Unrealized holding loss on investments, net of tax	—	—	—	—	—	—	—	(107,713)	(107,713)
Total comprehensive loss								—	(3,479,739)
Common stock dividends	911,209	91,121	164,357	16,436	2,014,575	(2,122,132)	—	—	—
Cash dividends (\$.18 per share)	—	—	—	—	—	(2,491,612)	—	—	(2,491,612)
Exercise of stock options	148,500	14,850	—	—	668,255	—	(435,605)	—	247,500
Issuance of 12,000 shares of common stock	—	—	—	—	—	(37,440)	98,160	—	60,720
Issuance of restricted stock	65,751	6,575	—	—	366,873	—	—	—	373,448
Stock-based compensation	—	—	—	—	205,514	—	—	—	205,514
Balance, December 27, 2008	14,586,634	\$1,458,664	2,188,490	\$218,849	\$70,603,235	\$20,573,244	\$(21,853,337)	\$(617,739)	\$70,382,916

See accompanying notes to consolidated financial statements.

Supreme Industries, Inc. And Subsidiaries
Consolidated Statements of Cash Flows
for the years ended December 27, 2008, December 29, 2007 and December 30, 2006

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Cash flows from operating activities:			
Net income (loss)	\$ (3,061,419)	\$ 4,163,805	\$ 4,594,768
Adjustments to reconcile net income (loss) to net cash provided by operating activities:			
Depreciation	4,268,447	4,295,739	4,260,632
Amortization of intangibles	48,370	48,370	40,309
Goodwill and intangible asset impairment	1,323,521	—	—
Provision for losses on doubtful receivables	238,580	177,785	223,859
Deferred income taxes	(412,700)	(331,000)	(307,000)
Stock-based compensation expense	639,682	343,648	123,000
Losses (gains) on sale of property, plant, and equipment, net	(234,894)	24,284	(4,718)
Changes in operating assets and liabilities, net of effect of business acquisition in 2006:			
Accounts receivable	2,965,902	2,310,167	(1,589,116)
Inventories	2,394,964	6,862,887	(2,534,290)
Other current assets	(714,205)	(778,759)	(275,712)
Trade accounts payable	(6,375,671)	1,134,175	(2,329,854)
Other current liabilities	16,055	194,529	(514,863)
Net cash provided by operating activities	<u>1,096,632</u>	<u>18,445,630</u>	<u>1,687,015</u>
Cash flows from investing activities:			
Business acquisition	—	—	(1,050,000)
Proceeds from sale of property, plant, and equipment	955,363	66,003	1,937,551
Additions to property, plant and equipment	(3,577,094)	(3,426,268)	(5,187,712)
Proceeds from sale of investments	832,670	544,804	893,285
Purchases of investments	(1,283,253)	(1,203,900)	(1,251,186)
Decrease in other assets	8,746	408,745	42,079
Net cash used in investing activities	<u>(3,063,568)</u>	<u>(3,610,616)</u>	<u>(4,615,983)</u>
Cash flows from financing activities:			
Proceeds from revolving line of credit and other long-term debt	120,761,270	105,717,892	100,172,242
Repayments of revolving line of credit and other long-term debt	(116,883,747)	(116,637,422)	(92,696,047)
Payment of cash dividends	(2,491,612)	(4,873,991)	(4,822,789)
Tax benefit of disqualifying stock option dispositions	—	73,384	34,480
Proceeds from exercise of stock options	247,500	843,793	33,013
Net cash provided by (used in) financing activities	<u>1,633,411</u>	<u>(14,876,344)</u>	<u>2,720,899</u>
Change in cash and cash equivalents	<u>(333,525)</u>	<u>(41,330)</u>	<u>(208,069)</u>
Cash and cash equivalents, beginning of year	<u>1,266,133</u>	<u>1,307,463</u>	<u>1,515,532</u>
Cash and cash equivalents, end of year	<u>\$ 932,608</u>	<u>\$ 1,266,133</u>	<u>\$ 1,307,463</u>
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	\$ 2,223,660	\$ 2,563,934	\$ 2,986,054
Income taxes, net	(694,256)	1,794,197	1,834,272
Noncash investing and financing activities:			
Common stock dividends	2,122,132	—	—
Liabilities assumed in business acquisition	—	—	163,222

See accompanying notes to consolidated financial statements.

Supreme Industries, Inc. And Subsidiaries
Notes to Consolidated Financial Statements

1. NATURE OF OPERATIONS AND ACCOUNTING POLICIES.

Supreme Industries, Inc. and its subsidiaries (collectively the “Company”) manufacture specialized vehicles including truck bodies, buses, and armored vehicles. The Company’s core products include cutaway and dry freight van bodies, refrigerated units, stake bodies and other specialized vehicles, including shuttle buses. At December 27, 2008, the Company operated at 12 manufacturing, distribution and component manufacturing locations. The Company’s customers are located principally in the United States of America.

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.

Fiscal Year End - The Company’s fiscal year ends the last Saturday in December. The fiscal years ended December 27, 2008, December 29, 2007 and December 30, 2006 each contained 52 weeks, respectively.

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.

Revenue Recognition - The production of specialized truck bodies and shuttle buses starts when an order is received from the customer and revenue is recognized when the unit is shipped to the customer. Revenue on certain customer requested bill and hold transactions is recognized subsequent to when the customer is notified that the products have been completed according to customer specifications, have passed all of the Company’s quality control inspections and are ready for delivery based upon established delivery terms. These transactions meet the requirements for bill and hold accounting under Securities and Exchange Commission Staff Accounting Bulletin Topic 13, “Revenue Recognition.”

Net sales are net of cash discounts which the Company offers its customers in the ordinary course of business.

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. Due to the completion and shipment of several units for one particular customer near the year’s end, this customer composed 13.3% of the Company’s total trade accounts receivable for the year ended December 27, 2008. As of year-end, no other customer represented more than 10% of the Company’s total accounts receivable. The Company performs ongoing credit evaluations of its customers and credit is extended on an unsecured basis.

Advertising - The Company expenses advertising costs as incurred. Advertising costs for the years ended December 27, 2008, December 29, 2007 and December 30, 2006 were \$184,376, \$230,634, and \$260,715, respectively.

Supreme Industries, Inc. And Subsidiaries
Notes to Consolidated Financial Statements, Continued

1. NATURE OF OPERATIONS AND ACCOUNTING POLICIES, Continued.

Financial Instruments and Fair Values - The Company has utilized interest rate swap agreements to reduce the impact of changes in interest rates on certain of its floating rate debt. 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 term of the swap agreement 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.

At December 27, 2008 and December 29, 2007, the Company had an interest rate swap agreement outstanding with a notional amount of \$15,000,000. The interest rate swap agreement provides a 4.71% fixed interest rate and matures on July 28, 2010. In accordance with Statement of Financial Accounting Standards ("SFAS") No. 133, "Accounting for Derivative Instruments and Hedging Activities," the interest rate swap agreement is designated and qualified as a cash flow hedging instrument. It is fully effective, resulting in no net gain or loss recorded in the consolidated statements of operations. The fair value of the contract at December 27, 2008 and December 29, 2007 was a liability of \$818,053 and \$333,046, respectively and under SFAS No. 133 changes in fair value of the financial instrument, net of applicable income taxes, are adjusted through accumulated other comprehensive income (loss).

Statement of Financial Accounting Standards ("SFAS") No. 157, "Fair Value Measurements," defines fair value as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. SFAS No. 157 also establishes a fair value hierarchy which requires an entity to maximize the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The standard describes three levels of inputs that may be used to measure fair value:

Level 1: Quoted prices (unadjusted) or identical assets or liabilities in active markets that the entity has the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect a company's own assumptions about the assumptions that market participants would use in pricing an asset or liability.

The Company's derivative instruments consist of interest rate swaps. As such, significant fair value inputs can generally be verified and do not typically involve significant management judgments (Level 2 inputs).

The carrying amounts of cash and cash equivalents, accounts receivable and trade accounts payable approximated fair value as of December 27, 2008 and December 29, 2007 because of the relatively short maturities of these financial instruments. The carrying amount of long-term debt, including current maturities, approximated fair value as of December 27, 2008 and December 29, 2007, 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.

Supreme Industries, Inc. And Subsidiaries
Notes to Consolidated Financial Statements, Continued

1. NATURE OF OPERATIONS AND ACCOUNTING POLICIES, Continued.

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

Investments - The Company accounts for its investments in debt and equity securities under SFAS No. 115, "Accounting for Certain Investments in Debt and Equity Securities," which requires certain securities to be categorized as either trading, available-for-sale or held-to-maturity. The Company's investments are comprised of available-for-sale securities and are carried at fair value with unrealized gains and losses, net of applicable income taxes, recorded within accumulated other comprehensive income (loss). Per SFAS No. 157, the Company determined fair values of investments available for sale by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs). Dividend and interest income are accrued as earned. The Company reviews its investments quarterly for declines in market value that are other than temporary.

Accounts Receivable - The Company accounts for trade receivables based on the amounts billed to customers. Past due receivables are determined based on contractual terms. The Company does not accrue interest on any of its trade receivables.

Allowance for Doubtful Accounts - The allowance for doubtful accounts is determined by management based on the Company's historical losses, specific customer circumstances and general economic conditions. Periodically, management reviews accounts receivable and adjusts the allowance based on current circumstances and charges off uncollectible receivables against the allowance when all attempts to collect the receivable have failed.

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. The useful life of each class of property is as follows: land improvements (22 years); buildings (40 years); and machinery and equipment (3 to 10 years). For financial reporting purposes, leasehold improvements are amortized using the straight-line method over the lesser of the useful life of the asset or term of the lease, except for the leasehold improvements associated with the leased facilities in Goshen, Indiana and Griffin, Georgia which are leased from a related party (a partnership whose partners include four directors/stockholders of the Company). These related party leases include a provision whereby upon termination of the leases, the lessor is obligated to pay the lessee a cash payment equal to the unamortized balance of any leasehold improvements. Accordingly, leasehold improvements to these leased facilities are amortized over the useful life of the asset (15 to 40 years). 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 (included in other income in the consolidated statements of operations). Expenditures for repairs and maintenance are charged to operations as incurred. Betterments and major renewals are capitalized and recorded in the appropriate asset accounts.

Intangible Assets - The Company evaluates the recoverability of identifiable intangible assets whenever events or changes in circumstances indicate that an intangible asset's carrying amount may not be recoverable. Such circumstances could include, but are not limited to (1) a significant decrease in the market value of an asset, (2) a significant adverse change in the extent or manner in which an asset is used, or (3) an accumulation of costs significantly in excess of the amount originally expected for the acquisition of an asset. The Company measures the carrying amount of

Supreme Industries, Inc. And Subsidiaries
Notes to Consolidated Financial Statements, Continued

1. NATURE OF OPERATIONS AND ACCOUNTING POLICIES, Continued.

the asset against the estimated undiscounted future cash flows associated with it. Should the sum of the expected future net cash flows be less than the carrying value of the asset being evaluated, an impairment loss would be recognized. The impairment loss would be calculated as the amount by which the carrying value of the asset exceeds its fair value. The Company estimated the value of its customer list based on various valuation techniques, including the discounted value of estimated future cash flows. The evaluation of asset impairment requires the Company to make assumptions about future cash flows over the life of the asset being evaluated. These assumptions require significant judgment and actual results may differ from assumed and estimated amounts. The Company recorded an impairment charge for the full carrying amount of its customer list acquired in 2006 during the fourth quarter of 2008, which totaled \$588,507.

Goodwill - The Company evaluates the carrying value of goodwill during the fourth quarter of each year and between annual evaluations if events occur or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. Such circumstances could include, but are not limited to (1) a significant adverse change in legal factors or in business climate, (2) unanticipated competition, or (3) an adverse action or assessment by a regulator. When evaluating whether goodwill is impaired, the Company compares the fair value of the reporting unit to which the goodwill is assigned to the reporting unit's carrying amount, including goodwill. The fair value of the reporting unit is estimated using a combination of the discounted cash flows approach and consideration of the Company's aggregate market value of its common stock. As of December 27, 2008, the carrying amount of the Company's specialized vehicles reporting unit exceeded its fair value, which required a measurement of the impairment loss. The impairment loss was calculated by comparing the implied fair value of the reporting unit goodwill to its carrying amount. In calculating the implied fair value of the reporting unit goodwill, the fair value of the reporting unit is allocated to all of the other assets and liabilities of that unit based on their fair values. The Company determined there was no excess fair value over the amount assigned to the reporting unit's other assets and liabilities. An impairment loss was recognized for the full carrying value of the goodwill, which totaled \$735,014 at December 27, 2008.

Evaluation of Impairment of Long-Lived Assets - In accordance with SFAS No. 144, "Impairment or Disposal of Long-Lived Assets," 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.

Stock-Based Compensation - Effective January 1, 2006, the Company adopted SFAS No. 123R (revised 2004), "Share-Based Payment" as interpreted by SEC Staff Accounting Bulletin No. 107. SFAS No. 123R supersedes Accounting Principles Board ("APB") Opinion No. 25, "Accounting for Stock Issued to Employees," and amends SFAS No. 95, "Statement of Cash Flows." Generally, the approach in SFAS No. 123R is similar to the approach described in SFAS No. 123, "Accounting for Stock-Based Compensation." However, SFAS No. 123R requires all stock-based payments to employees, including grants of employee stock options, to be recognized in the consolidated statements of operations based on their fair values at the date of grant.

The Company has elected to use the modified prospective transition method for implementing SFAS No. 123R. Under this transition method, compensation expense will include: (a) compensation expense for all share-based payments granted prior to, but not yet vested as of, January 1, 2006, based on the grant date fair value estimated in accordance with the original

Supreme Industries, Inc. And Subsidiaries
Notes to Consolidated Financial Statements, Continued

1. NATURE OF OPERATIONS AND ACCOUNTING POLICIES, Continued.

provisions of SFAS No. 123, and (b) compensation expense for all share-based payments granted on or after January 1, 2006, based on the grant date fair value estimated in accordance with the provisions of SFAS No. 123R. Because the Company elected to use the modified prospective transition method, results for prior periods have not been restated and new awards are valued and accounted for prospectively upon adoption.

The Company currently uses the Black-Scholes option pricing model to determine the fair value of stock options. The determination of the fair value of stock-based payment awards on the date of grant using an option-pricing model is affected by stock price as well as assumptions regarding a number of complex and subjective variables. These variables include expected stock price volatility over the term of the awards, actual and projected employee stock option exercise behaviors, risk-free interest rate and expected dividends.

Compensation expense (net of estimated forfeitures), relative to stock-based awards (see Note 7), included in the consolidated statements of operations for the years ended December 27, 2008, December 29, 2007 and December 30, 2006 was \$639,682, \$343,648 and \$123,000, respectively. The weighted-average assumptions utilized in the determination of stock-based compensation expense were as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Risk free interest rate	2.69%	4.51%	5.03%
Expected life	6.8 years	5 years	5 years
Expected volatility	41.19%	25.57%	32.23%
Expected dividends	0.59%	6.08%	5.39%

The risk-free interest rate is determined based on observed U.S. Treasury yields in effect at the time of grant for maturities equivalent to the expected life of the option. The expected life of the option (estimated average period of time the option will be outstanding) is estimated based on the historical exercise behavior of employees, with executives displaying somewhat longer holding periods than other employees. Expected volatility is based on historical volatility measured daily for a time period equal to the option's expected life, ending on the day of grant. The expected dividend yield is estimated based on the dividend yield at the time of grant, adjusted for expected dividend increases and historical payout policy.

Warranty - The Company provides limited product warranties for periods of up to five years from the date of retail sale. Estimated warranty costs are provided at the time of sale and are based upon historical experience. Warranty activity for the years ended December 27, 2008, December 29, 2007 and December 30, 2006 is as follows:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Accrued warranty, beginning of year	\$ 1,476,000	\$ 1,541,000	\$ 1,385,000
Warranty expense	1,680,643	1,344,327	1,794,057
Warranty claims paid	(1,683,643)	(1,409,327)	(1,638,057)
Accrued warranty, end of year	<u>\$ 1,473,000</u>	<u>\$ 1,476,000</u>	<u>\$ 1,541,000</u>

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

Earnings Per Share - Basic earnings per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding during the period. Diluted

Supreme Industries, Inc. And Subsidiaries
Notes to Consolidated Financial Statements, Continued

1. NATURE OF OPERATIONS AND ACCOUNTING POLICIES, Continued.

earnings per share is computed by dividing net income (loss) by the weighted average number of shares of common stock outstanding plus the dilutive effect of stock options and restricted stock awards. The stock options and restricted stock awards were not included in the 2008 computation of diluted earnings per share as their effect would have been anti-dilutive.

Comprehensive Income - Other comprehensive income refers to revenues, expenses, gains and losses that, under generally accepted accounting principles, are included in comprehensive income but are excluded from net income as these amounts are recorded directly as an adjustment to stockholders' equity. The Company's other comprehensive income is comprised of unrealized gains and losses on hedge activities and available-for-sale securities, net of tax.

Segment Information - The Company's principal business is manufacturing specialized vehicles. Management has not separately organized the business beyond specialized vehicles (includes four categories of products) 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.

Net sales consist of the following:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Specialized vehicles:			
Trucks	\$ 161,037,364	\$ 209,180,974	\$ 259,894,141
Buses	79,139,207	65,409,725	59,396,203
Armored vehicles	6,002,900	13,813,434	8,361,974
Motorhomes	12,477,135	11,617,653	4,063,359
	<u>258,656,606</u>	<u>300,021,786</u>	<u>331,715,677</u>
Composites	10,093,047	13,250,937	9,031,112
	<u>\$ 268,749,653</u>	<u>\$ 313,272,723</u>	<u>\$ 340,746,789</u>

Recent Accounting Pronouncements - In September 2006, the Financial Accounting Standards Board ("FASB") issued SFAS No. 157, "Fair Value Measurements" ("SFAS 157"), which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurements. SFAS 157 does not require any new fair value measurements, but provides guidance on how to measure fair value by providing a fair value hierarchy used to classify the source of the information. SFAS 157 is effective for fiscal years beginning after November 15, 2007; however, on February 12, 2008, the FASB issued FSP FAS 157-2 which delayed the effective date of SFAS 157 for all nonfinancial assets and nonfinancial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (at least annually). This FSP partially deferred the effective date of Statement 157 to fiscal years beginning after November 15, 2008, and interim periods within those fiscal years for items within the scope of this FSP. Effective for 2008, we adopted SFAS 157 except as it applies to those nonfinancial assets and nonfinancial liabilities as noted in FSP FAS 157-2. The partial adoption of SFAS 157 did not have a material impact on our consolidated financial position, results of operations or cash flows.

Supreme Industries, Inc. And Subsidiaries
Notes to Consolidated Financial Statements, Continued

1. NATURE OF OPERATIONS AND ACCOUNTING POLICIES, Concluded.

In February 2007, the FASB issued SFAS No. 159, “The Fair Value Option for Financial Assets and Financial Liabilities- including an Amendment of FASB Statement No. 115” (“SFAS 159”), which allows an entity to choose to measure certain financial instruments and liabilities at fair value. Subsequent measurements for the financial instruments and liabilities an entity elects to fair value will be recognized in earnings. SFAS 159 also establishes additional disclosure requirements. SFAS 159 became effective for the Company beginning in fiscal 2008. The Company did not adopt the fair value option permitted under this statement.

In December 2007, the FASB issued SFAS No. 141 (revised 2007), “Business Combinations” (“SFAS 141R”). SFAS 141R establishes principles and requirements for how an acquirer recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, any noncontrolling interest in the acquiree and the goodwill acquired. SFAS 141R also establishes disclosure requirements to enable the evaluation of the nature and financial effects of the business combination. This statement is effective for us beginning in fiscal 2009. The adoption of this statement is not expected to have a material impact on our consolidated financial position, results of operations or cash flows.

In December 2007, the FASB issued SFAS No. 160, “Noncontrolling Interests in Consolidated Financial Statements—an amendment of Accounting Research Bulletin No. 51” (“SFAS 160”). SFAS 160 establishes accounting and reporting standards for ownership interests in subsidiaries held by parties other than the parent, the amount of consolidated net income attributable to the parent and to the noncontrolling interest, changes in a parent’s ownership interest, and the valuation of retained noncontrolling equity investments when a subsidiary is deconsolidated. SFAS 160 also establishes disclosure requirements that clearly identify and distinguish between the interests of the parent and the interests of the noncontrolling owners. This statement is effective for us beginning in fiscal 2009.

2. INVESTMENTS.

Investment securities consist of the following:

	2008	2007
Intermediate bond fund-cost	\$ 2,654,059	\$ 2,202,222
Unrealized gains (losses)	(144,211)	13,045
Intermediate bond fund-fair value	<u>\$ 2,509,848</u>	<u>\$ 2,215,267</u>

Sales of securities were \$832,670 and \$544,804 during 2008 and 2007, respectively, and resulted in losses of \$10,701 and \$4,210, respectively. Investment income (included in other income) consisted of dividend income and aggregated \$125,440 and \$111,968 for the years ended December 27, 2008 and December 29, 2007, respectively.

Supreme Industries, Inc. And Subsidiaries
Notes to Consolidated Financial Statements, Continued

3. INVENTORIES.

Inventories consist of the following:

	<u>2008</u>	<u>2007</u>
Raw materials	\$ 24,596,109	\$ 25,042,022
Work-in-progress	8,204,857	9,676,040
Finished goods	<u>11,447,549</u>	<u>11,925,417</u>
Total	<u>\$ 44,248,516</u>	<u>\$ 46,643,480</u>

4. PROPERTY, PLANT AND EQUIPMENT.

Property, plant and equipment consists of the following:

	<u>2008</u>	<u>2007</u>
Land	\$ 5,242,325	\$ 5,441,130
Land improvements	5,895,386	5,990,390
Buildings	29,107,282	29,106,547
Leasehold improvements	7,575,979	7,448,543
Machinery and equipment	<u>46,307,433</u>	<u>44,543,581</u>
	94,128,405	92,530,190
Less, Accumulated depreciation and Amortization	<u>48,349,497</u>	<u>45,100,465</u>
Property, plant and equipment, net	<u>\$ 45,778,908</u>	<u>\$ 47,429,725</u>

Supreme Industries, Inc. And Subsidiaries
Notes to Consolidated Financial Statements, Continued

5. LONG-TERM DEBT.

Long-term debt consists of the following:

	<u>2008</u>	<u>2007</u>
Revolving line of credit	\$ 29,928,679	\$ 25,294,766
Obligations under industrial development revenue bonds, variable rates, with maturities in August 2010 and April 2015, collateralized by real estate	2,050,000	2,500,000
Mortgage note, payable in monthly installments including interest at a fixed rate of 2.5%, with final maturity in October 2010, collateralized by a real estate mortgage	1,260,388	1,426,846
Term loan, payable in monthly installments including interest at a fixed rate of 2.5%, with final maturity in October 2010, collateralized by specific equipment	181,082	276,323
Term loan, payable in monthly installments including interest at a fixed rate of 2.75%, with final maturity in May 2013, collateralized by specific equipment	<u>208,498</u>	<u>253,189</u>
Total	33,628,647	29,751,124
Less, Current maturities	<u>823,297</u>	<u>748,406</u>
Long-term debt	<u>\$ 32,805,350</u>	<u>\$ 29,002,718</u>

The revolving line of credit, term note and a letter of credit facility are part of a Credit Agreement as recently amended and restated on December 23, 2008 (the "Credit Agreement"). All borrowings under the Credit Agreement are collateralized by certain inventories and trade receivables of the Company. The Credit Agreement provides for a revolving line of credit facility, as defined, up to \$30 million and increasing to \$33 million during the period each year from January 1 to June 30. 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 (effective rate of 7.05% and 6.34% at December 27, 2008 and December 29, 2007, respectively). 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 were \$7,528,679 at December 27, 2008 and \$2,394,766 at December 29, 2007. The revolving line of credit also requires a quarterly commitment fee ranging from 0.20% to 0.40% per annum depending on the Company's financial ratios and based upon the average daily unused portion. Any amounts outstanding under the revolving line of credit will be due at maturity, January 31, 2010.

Outstanding letters of credit, related to the Company's workers' compensation insurance policies, aggregated \$4.0 million and \$3.7 million at December 27, 2008 and December 29, 2007, respectively. Under separate agreements the Company had irrevocable letters of credit aggregating \$2.1 million and \$2.5 million at December 27, 2008 and December 29, 2007, respectively, in favor of bond trustees as a credit enhancement for bondholders of two industrial development revenue bonds.

**Supreme Industries, Inc. And Subsidiaries
Notes to Consolidated Financial Statements, Continued**

5. LONG-TERM DEBT, Concluded.

The Credit Agreement contains, among other matters, certain restrictive covenants including compliance with financial measurements. As of December 27, 2008, the Company was in compliance with all covenants. Subsequent to year-end, the Company violated a covenant and entered into an amendment to the Credit Agreement with its lender to waive the covenant violation and to reset certain existing covenant measurements to provide temporary relief during this economic downturn.

Maturities of long-term debt for each of the next five years are as follows: 2009 - \$823,297; 2010 - \$31,689,861; 2011 - \$248,484, 2012 - \$249,848 and 2013 - \$217,157.

6. 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 thirty days of credited service. The plan provides that eligible employees can contribute from one to fifteen percent of their annual compensation. The Company formerly maintained a policy to match thirty percent of each employee's contributions up to seven percent of the employee's compensation. Effective September 1, 2008, however, the Company temporarily suspended this contribution match. The Board of Directors may reinstate, increase or decrease the Company's contribution on a year-to-year basis and as business conditions permit. Expense related to this plan was \$385,763, \$583,793, and \$657,563 for the fiscal years ended 2008, 2007 and 2006, respectively.

7. 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

The Board of Directors approved the following common stock dividends during the year ended December 27, 2008:

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

Supreme Industries, Inc. And Subsidiaries
Notes to Consolidated Financial Statements, Continued

7. STOCKHOLDERS' EQUITY, Continued.

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.

Restricted Stock

The following table summarizes the activity for our unvested restricted stock units and restricted stock for the twelve months ended December 27, 2008.

	<u>Shares</u>	<u>Weighted - Average Grant Date Fair Value</u>
Unvested, December 30, 2007	111,320	\$ 6.23
Granted	156,500	4.16
Vested	(65,751)	5.68
Unvested, December 27, 2008	<u>202,069</u>	4.81

The total fair value of shares vested during the year ended December 27, 2008 was \$373,448.

Stock Options

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 886,469 shares of Class A Common Stock were reserved for grant. This plan was terminated on October 29, 2008. 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 891,990 shares of Class A Common Stock were reserved for grant. On January 23, 2004, the Company's Board of Directors approved, and the Company's stockholders subsequently ratified, the 2004 Stock Option Plan, as recently amended, under which 1,297,440 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 Awards Committee. The Amended and Restated 2004 Stock Option Plan also allows for awards of common stock, including restricted stock awards. Options granted under the stock option plans generally vest and become exercisable in annual installments of 33 1/3% beginning on the first anniversary date and the options expire five or seven years after the date of grant. The Company generally issues new shares to satisfy stock option exercises.

Supreme Industries, Inc. And Subsidiaries
Notes to Consolidated Financial Statements, Continued

7. STOCKHOLDERS' EQUITY, Continued.

The following table summarizes stock option activity:

	Options	Weighted - Average Exercise Price
Outstanding, December 31, 2005	996,675	\$ 5.24
Granted	381,481	6.59
Exercised	(19,823)	4.33
Expired or canceled	(30,274)	4.80
Outstanding, December 30, 2006	1,328,060	5.66
Granted	119,143	5.94
Exercised	(327,424)	4.68
Forfeited	(50,276)	6.22
Outstanding, December 29, 2007	1,069,502	5.96
Granted	234,513	3.01
Exercised	(160,566)	4.25
Forfeited	(81,474)	4.84
Outstanding, December 27, 2008	<u>1,061,975</u>	5.65

The weighted-average grant-date fair values of options granted during the fiscal years ended 2008, 2007 and 2006 was \$0.71, \$0.86 and \$1.47, respectively. The total intrinsic value of options exercised during the fiscal years ended 2008, 2007 and 2006 approximated \$67,540, \$1,532,000 and \$44,000, respectively. Total unrecognized compensation expense related to all share-based awards outstanding at December 27, 2008 is approximately \$1,079,314 and is to be recorded over a weighted-average contractual life of 2.00 years.

In connection with the exercise of certain stock options in 2008 and 2007, officers and directors exchanged shares of Class A Common Stock as consideration for their exercise of stock options and received new stock options pursuant to the reload feature included in the stock option plan. There were 93,500 and 132,000 stock options exercised using the reload feature during 2008 and 2007, respectively. The officers and directors exchanged 83,528 and 110,195 shares of Class A Common Stock and received the same number of new stock options during 2008 and 2007, respectively. The exercise of stock options and the related issuance of shares of Class A Common Stock in exchange for the shares of Class A Common Stock, with a fair value of \$435,605 and \$688,719, for 2008 and 2007, respectively, was a noncash financing activity.

Supreme Industries, Inc. And Subsidiaries
Notes to Consolidated Financial Statements, Continued

7. STOCKHOLDERS' EQUITY, Concluded.

Information about stock options outstanding and exercisable at December 27, 2008 is as follows:

Range of Exercise Prices	Outstanding			Exercisable	
	Number Outstanding	Weighted - Average Remaining Contractual Life in Years	Weighted - Average Exercise Price	Number Exercisable	Weighted - Average Exercise Price
\$5.60 – 6.16	57,741	1.31	5.87	57,741	5.87
6.33	27,030	1.35	6.33	27,030	6.33
6.15 – 6.77	285,436	1.44	6.21	285,436	6.21
8.20 – 9.03	24,055	1.83	8.63	24,055	8.63
7.14	7,385	2.19	7.14	7,385	7.14
6.52 – 7.17	340,578	4.35	6.58	248,676	6.61
5.78 – 6.36	85,240	5.34	6.00	69,097	6.05
5.73	6,487	6.06	5.73	3,244	5.73
4.72 – 5.34	96,795	6.36	4.99	32,112	5.11
1.42	131,228	6.84	1.42	0	n/a
	<u>1,061,975</u>	2.98	5.65	<u>754,775</u>	6.34

At December 27, 2008, the exercise price for all exercisable options exceeded the last closing sale price of the Company's common stock. Consequently, there is no aggregate intrinsic value of options exercisable. Likewise, the exercise price for all options outstanding at December 27, 2008 also exceeded the last closing price of the Company's common stock, resulting in no intrinsic value of options outstanding at December 27, 2008.

At December 29, 2007 and December 30, 2006, there were exercisable options outstanding to purchase 752,886 and 908,905 shares at weighted-average exercise prices of \$6.31 and \$5.77, respectively.

As of December 27, 2008, 244,207 shares were reserved for the granting of future share-based awards (stock options and restricted stock) compared to 173,185 shares at December 29, 2007.

Supreme Industries, Inc. And Subsidiaries
Notes to Consolidated Financial Statements, Continued

8. INCOME TAXES.

Income taxes consist of the following:

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Federal:			
Current	\$ (1,881,985)	\$ 1,525,000	\$ 2,060,000
Deferred	(66,800)	(318,000)	(307,000)
	<u>(1,948,785)</u>	<u>1,207,000</u>	<u>1,753,000</u>
State:			
Current	126,000	110,000	239,000
Deferred	(345,900)	(13,000)	—
	<u>(219,000)</u>	<u>97,000</u>	<u>239,000</u>
Total	<u>\$ (2,168,685)</u>	<u>\$ 1,304,000</u>	<u>\$ 1,992,000</u>

The deferred tax assets and the deferred tax liabilities were as follows:

	<u>2008</u>	<u>2007</u>
Deferred tax assets:		
Receivables	\$ 111,650	\$ 61,600
Inventories	618,601	457,340
Accrued liabilities	1,417,145	1,656,487
Stock-based compensation	59,862	103,927
Intangible asset	226,575	—
Unrealized hedge loss	294,700	120,300
State net operating losses and credit carryforwards	337,428	—
Other	48,242	455
Total deferred tax assets	<u>3,114,203</u>	<u>2,400,109</u>
Deferred tax liabilities:		
Depreciation	(2,984,835)	(2,813,282)
Prepays and other	(890,703)	(983,551)
Total deferred tax liabilities	<u>(3,875,538)</u>	<u>(3,796,833)</u>
Net deferred income tax liabilities	<u>\$ (761,335)</u>	<u>\$ (1,396,724)</u>
Presented in the consolidated balance sheets as:		
Current deferred tax assets	\$ 1,642,363	\$ 1,192,331
Long-term deferred tax liabilities	<u>(2,403,698)</u>	<u>(2,589,055)</u>
	<u>\$ (761,335)</u>	<u>\$ (1,396,724)</u>

A reconciliation of the provision for income taxes to the amount computed by applying the statutory federal income tax rate (34% in 2008, 2007 and 2006) to income before income taxes is as follows:

Supreme Industries, Inc. And Subsidiaries
Notes to Consolidated Financial Statements, Continued

8. INCOME TAXES, Concluded.

	<u>2008</u>	<u>2007</u>	<u>2006</u>
Income taxes at statutory rate	\$ (1,776,800)	\$ 1,859,000	\$ 2,239,500
State income taxes, net of federal tax effect	(144,500)	64,000	157,700
Manufacturer's deduction	—	(104,000)	(65,600)
Tax-exempt underwriting income of wholly-owned small captive insurance subsidiary	(427,100)	(421,800)	(369,800)
Research and development tax credits	(157,500)	(140,100)	(81,000)
Alternative fuel tax credit	(33,000)	(48,600)	—
Nondeductible goodwill impairment	249,900	—	—
Stock-based compensation	115,600	65,700	5,500
Other, net	4,715	29,800	105,700
Total	<u>\$ (2,168,685)</u>	<u>\$ 1,304,000</u>	<u>\$ 1,992,000</u>

Uncertain Tax Positions

In July 2006, the FASB issued Financial Interpretation No. 48, "Accounting for Uncertainty in Income Taxes" ("FIN 48"). This Interpretation revises the recognition test for tax positions taken in tax returns such that a tax benefit is recorded only when it is more likely than not that the tax position will be allowed upon examination by taxing authorities, which is presumed to occur. The amount of such a tax benefit to be recorded is the largest amount that is more likely than not to be allowed. The Company adopted FIN 48 as of December 31, 2006, the first day of the Company's fiscal year ending December 29, 2007. The adoption of FIN 48 did not have a material impact on the Company's consolidated financial position or results of operations.

A reconciliation of the change in the unrecognized tax benefits from December 31, 2006 to December 27, 2008 is as follows:

Unrecognized tax benefits at December 31, 2006	\$ 495,678
Gross increases - tax positions in prior periods	2,484
Gross increases - tax positions in current period	—
Settlements	—
Lapse of statute of limitations	—
Unrecognized tax benefits at December 29, 2007	\$ 498,162
Gross increases - tax positions in prior periods	266,800
Gross increases - tax positions in current period	—
Settlements	—
Lapse of statute of limitations	(89,762)
Unrecognized tax benefits at December 27, 2008	<u>\$ 675,200</u>

The entire December 27, 2008 balance of approximately \$675,200 relates to unrecognized tax positions that, if recognized, would affect the annual effective tax rate.

The Company is subject to U.S. federal income tax as well as various state taxes. The Company is no longer subject to examination by federal taxing authorities for the fiscal year ended 2004 and earlier. The Company does not expect the total amount of unrecognized tax benefits to significantly increase in the next twelve months. Interest and penalties related to income tax matters are recognized in income tax expense. Interest and penalties accrued for and recognized during the year ended December 27, 2008 were immaterial.

Supreme Industries, Inc. And Subsidiaries
Notes to Consolidated Financial Statements, Continued

9. 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 October 2009 through July 2011. Certain of the lease agreements are with related parties for which related party rent expense was \$683,472, \$669,999 and \$677,408 for the fiscal years ended 2008, 2007 and 2006, respectively.

Rent expense under all operating leases aggregated \$1,178,992, \$992,652 and \$1,005,670 for the fiscal years ended 2008, 2007 and 2006, respectively.

At December 27, 2008, future minimum rental payments under noncancelable operating leases aggregated \$1,263,317 and are payable as follows: 2009 - \$805,871; 2010 - \$435,216; 2011 - \$22,230.

In addition to the above related party transactions, the Company purchases delivery services from a company owned by a former director of the Company. Related party purchased delivery services aggregated \$2,878,190, \$2,859,763, and \$3,523,358 for the fiscal years ended 2008, 2007, and 2006, respectively. Amounts due to related parties, included in accounts payable, aggregated \$98,594 and \$241,894 as of December 27, 2008 and December 29, 2007, respectively.

Consigned Inventories

The Company obtains vehicle chassis for its specialized vehicle products directly from the chassis manufacturers 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 facilities under the conditions that the Company will store 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 time frame, the Company is required to pay a finance or storage charge on the chassis. The finance or storage charges incurred on consigned chassis inventory, included in interest expense in the consolidated statements of income, aggregated \$498,344, \$499,055 and \$889,092 for the fiscal years ended 2008, 2007 and 2006, respectively. At December 27, 2008 and December 29, 2007, chassis inventory, accounted for as consigned inventory to the Company by the manufacturers, aggregated approximately \$32.5 million and \$48.8 million, respectively. Typically, chassis are converted and delivered to customers within 90 days of the receipt of the chassis by the Company.

Supreme Industries, Inc. And Subsidiaries
Notes to Consolidated Financial Statements, Concluded

9. COMMITMENTS AND CONTINGENCIES, Concluded.

Repurchase Commitments

The Corporation was contingently liable at December 27, 2008, under repurchase agreements with certain financial institutions providing inventory financing for retailers of its products. Under these arrangements, which are customary in the industry, the Company agrees to repurchase vehicles in the event of default by the retailer at declining prices over the term of the agreement, generally 12 months. The maximum repurchase liability is the total amount that would be paid upon the default of the Company's independent dealers. The maximum potential repurchase liability, without reduction for the resale value of the repurchased units, was approximately \$4.7 million at December 27, 2008 and \$6.2 million at December 29, 2007. The risk of loss under these agreements is spread over many retailers and financial institutions. The loss, if any, under these agreements is the difference between the repurchase cost and the resale value of the units. The Corporation believes that any potential loss under the agreements in effect at December 27, 2008 will not be material. The Company has not experienced any significant repurchases.

Self-Insurance

The Company is self-insured for a portion of general liability (\$250,000 per occurrence), certain employee health benefits (\$200,000 annually per employee with no annual aggregate) and workers' compensation in certain states (\$250,000 per occurrence with no annual aggregate). 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.

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

Column A Description	Column B Balance Beginning of Period	Column C Additions Charged to Costs and Expenses	Column D Deductions(1)	Column E Balance End of Period
Year ended December 27, 2008:				
Reserves and allowances deducted from asset accounts:				
Allowance for doubtful receivables	\$ 160,000	\$ 239,000	\$ 109,000	\$ 290,000
Year ended December 29, 2007:				
Reserves and allowances deducted from asset accounts:				
Allowance for doubtful receivables	\$ 160,000	\$ 178,000	\$ 178,000	\$ 160,000
Year ended December 30, 2006:				
Reserves and allowances deducted from asset accounts:				
Allowance for doubtful receivables	\$ 252,000	\$ 224,000	\$ 316,000	\$ 160,000

(1) Uncollectible accounts written off, net of recoveries.

SUPREME INDUSTRIES, INC. AND SUBSIDIARIES
UNAUDITED SUPPLEMENTARY DATA

	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>
2008 Quarter				
Net sales	\$ 75,924,356	\$ 75,307,068	\$ 61,086,346	\$ 56,431,883
Gross profit	7,591,138	7,399,071	5,419,851	4,159,931
Net income (loss)	226,514	216,579	(630,051)	(2,874,461)
Per share:				
Basic	0.02	0.02	(0.04)	(0.20)
Diluted	0.02	0.01	(0.04)	(0.20)
	<u>First</u>	<u>Second</u>	<u>Third</u>	<u>Fourth</u>
2007 Quarter				
Net sales	\$ 83,891,983	\$ 88,161,027	\$ 67,540,998	\$ 73,678,715
Gross profit	8,971,386	11,089,216	7,339,150	7,783,677
Net income	964,445	2,043,677	273,865	881,818
Per share:				
Basic	0.07	0.14	0.02	0.06
Diluted	0.07	0.14	0.02	0.06

The 2008 fourth quarter operating results were unfavorably impacted by noncash, pre-tax impairment charges of \$1.3 million against goodwill and intangible assets.

The 2007 fourth quarter operating results were favorably impacted by a \$0.2 million income tax benefit, principally attributable to the true-up of the Company's estimated effective federal and state tax rates during the first three quarters to the actual effective tax rates for the fiscal year.

Earnings per share data above are adjusted for the 2% and 6% common stock dividends declared and paid in 2008. The sum of quarterly earnings (loss) per share for the four quarters may not equal annual earnings (loss) per share due to rounding and changes in the diluted potential common shares.

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

Not applicable.

ITEM 9A. CONTROLS AND PROCEDURES.

Management's Conclusions Regarding Effectiveness of Disclosure Controls and Procedures

As of December 27, 2008, the Company conducted an evaluation, under the supervision and participation of management including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and Rule 15d-15(e) of the Securities Exchange Act of 1934). Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures are effective as of December 27, 2008.

Management's Report on Internal Control over Financial Reporting

Management of the Company is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rule 13a-15(f) and Rule 15d-15(f) of the Securities Exchange Act of 1934. Internal control over financial reporting provides reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles.

The Company's internal control over financial reporting includes policies and procedures that: pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the Company's assets; provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that the Company's receipts and expenditures are being made only in accordance with authorizations of management and directors; and provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the Company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

Management of the Company has assessed the effectiveness of the Company's internal control over financial reporting based on criteria established in *Internal Control-Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission.

Management's assessment included an evaluation of the design of the Company's internal control over financial reporting, and testing of the operational effectiveness of the Company's internal control over financial reporting. Based on this assessment, management has concluded that the Company's internal control over financial reporting was effective as of December 27, 2008.

This annual report does not include an attestation report of the Company's registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's registered public accounting firm pursuant to temporary rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

ITEM 9A. CONTROLS AND PROCEDURES, Concluded.

Changes in Internal Control over Financial Reporting

No change in the Company's internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15 (f) and Rule 15d-15(f)) occurred during the fiscal quarter ended December 27, 2008 that materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

ITEM 9B. OTHER INFORMATION.

Not applicable.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE.

The 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 with the Securities and Exchange Commission in connection with the Company's 2009 annual stockholders' meeting.

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 with the Securities and Exchange Commission in connection with the Company's 2009 annual stockholders' meeting.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS.

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 with the Securities and Exchange Commission in connection with the Company's 2009 annual stockholders' meeting.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE.

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 with the Securities and Exchange Commission in connection with the Company's 2009 annual stockholders' meeting.

ITEM 14. PRINCIPAL ACCOUNTANT FEES AND SERVICES.

The information required by Item 14 of Form 10-K is hereby incorporated by reference from the Company's definitive proxy statement, which will be filed with the Securities and Exchange Commission in connection with the Company's 2009 annual stockholders' meeting.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES.

a. The following financial statements and financial statement schedule are included in Item 8 herein:

1. Financial Statements

Report of Crowe Horwath LLP, Independent Registered Public Accounting Firm

Consolidated Balance Sheets as of December 27, 2008 and December 29, 2007

Consolidated Statements of Operations for the years ended December 27, 2008, December 29, 2007 and December 30, 2006

Consolidated Statements of Stockholders' Equity for the years ended December 27, 2008, December 29, 2007 and December 30, 2006

Consolidated Statements of Cash Flows for the years ended December 27, 2008, December 29, 2007 and December 30, 2006

Notes to Consolidated Financial Statements

2. Financial Statement Schedule

Schedule II - Valuation and Qualifying Accounts

3. Exhibits

See Index to Exhibits

SIGNATURES

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

SUPREME INDUSTRIES, INC.

Date: March 13, 2009

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.

<u>/s/Herbert M. Gardner</u> Herbert M. Gardner	Chairman of the Board and Chief Executive Officer (Principal Executive Officer)	March 13, 2009
<u>/s/Robert W. Wilson</u> Robert W. Wilson	President, Chief Operating Officer and Director	March 13, 2009
<u>/s/William J. Barrett</u> William J. Barrett	Executive Vice President, Secretary, Assistant Treasurer and Director	March 13, 2009
<u>/s/Jeffery D. Mowery</u> Jeffery D. Mowery	Treasurer, Chief Financial Officer and Assistant Secretary (Principal Financial and Accounting Officer)	March 13, 2009
<u>/s/Robert J. Campbell</u> Robert J. Campbell	Director	March 13, 2009
<u>/s/Thomas Cantwell</u> Thomas Cantwell	Director	March 13, 2009
<u>/s/Edward L. Flynn</u> Edward L. Flynn	Director	March 13, 2009
<u>/s/Mark C. Neilson</u> Mark C. Neilson	Director	March 13, 2009
<u>/s/Wayne A. Whitener</u> Wayne A. Whitener	Director	March 13, 2009

INDEX TO EXHIBITS

Exhibit	Description
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	Amended and Restated Bylaws, filed as Exhibit 3.1 to the Company's current report on Form 8-K, filed on May 7, 2008, and incorporated herein by reference.
10.1	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.
10.2	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.
10.3	Amendment No. 2 to the Company's 1998 Stock Option Plan, filed as Exhibit 10.5 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2000, and incorporated herein by reference.
10.4	2001 Stock Option Plan, filed as Exhibit 10.6 to the Company's annual report on Form 10-K for the fiscal year ended December 31, 2001, and incorporated herein by reference.
10.5	Amendment No. 1 to the Company's 2001 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, 2001, and incorporated herein by reference.
10.6	2004 Stock Option Plan, filed as Exhibit 4.1 to the Company's Registration Statement on Form S-8 effective on August 26, 2004, and incorporated herein by reference.
10.7	Amended and Restated 2004 Stock Option Plan filed as Exhibit A to the Company's Revised Definitive Proxy Statement filed on April 5, 2006, and incorporated herein by reference.
10.8	Amendment Number One to the Company's Amended and Restated 2004 Stock Option Plan dated October 25, 2006, included in the Company's Definitive Proxy Statement filed on April 2, 2007, and incorporated herein by reference.
10.9	Amendment No. 2 to the Company's Amended and Restated 2004 Stock Option Plan dated March 25, 2008, included in the Company's Definitive Proxy Statement filed on April 3, 2008, and incorporated herein by reference.

Table of Contents

Exhibit	Description
10.10	Form of Supreme Industries, Inc. Director and Officer Indemnification Agreement, filed as Exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 6, 2008, and incorporated herein by reference.
* 10.11	Special Vehicle Manufacturer Converters Agreement with General Motors Corporation, effective February 29, 2008, between General Motors Corporation and Supreme Corporation.
* 10.12	Ford Authorized Converter Pool Agreement, effective May 1, 2008, among Ford Motor Company, Supreme Corporation and certain subsidiaries.
* 10.13	Amended and Restated Credit Agreement dated December 23, 2008, by and between Supreme Corporation and JPMorgan Chase Bank, N.A.
10.14	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.
10.15	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.
10.16	Amended and Restated Employment Contract by and among Supreme Industries, Inc. and Herbert M. Gardner dated to be effective January 1, 2005, filed as Exhibit 10.2 to the Company's Current Report on Form 8-K dated February 10, 2006, and incorporated herein by reference.
10.17	Amended and Restated Employment Contract by and among Supreme Industries, Inc. and William J. Barrett dated to be effective January 1, 2005, filed as Exhibit 10.3 to the Company's Current Report on Form 8-K dated February 10, 2006, and incorporated herein by reference.
10.18	Amended and Restated Employment Contract by and among Supreme Industries, Inc. and Robert W. Wilson dated to be effective May 1, 2008, filed as exhibit 10.1 to the Company's Current Report on Form 8-K dated May 12, 2008, and incorporated herein by reference.
* 21.1	Subsidiaries of the Registrant.
* 23.1	Consent of Crowe Horwath LLP, Independent Registered Public Accounting Firm.
* 31.1	Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
* 31.2	Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
* 32.1	Certification of Chief Executive Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
* 32.2	Certification of Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

SPECIAL VEHICLE MANUFACTURER CONVERTERS AGREEMENT

THIS AGREEMENT is executed by and between General Motors Corporation, a Delaware corporation whose business office is located in Detroit, Michigan (hereinafter "GM"), and Supreme Corporation, located at Goshen, IN (hereinafter "Manufacturer"), effective February 29, 2008.

WHEREAS, GM is engaged in the business of assembling and marketing complete and incomplete motor vehicles, including trucks, truck chassis and cars (hereinafter "Vehicles"); and

WHEREAS, Manufacturer is engaged in the business of manufacturing and marketing special bodies and equipment installed on or in Vehicles (Vehicles modified, completed or altered by Manufacturer are hereinafter "End Products"); and

WHEREAS, GM and Manufacturer are currently parties to a Special Vehicle Manufacturer Converters Agreement, which will be terminated and superseded by this Agreement.

WHEREAS, independent authorized GM dealers (hereinafter "Dealers") may acquire End Products from Manufacturer; and

WHEREAS, GM and Manufacturer desire that GM sell Vehicles to Manufacturer on a restricted basis to be made into End Products by Manufacturer for resale to Dealers so as to facilitate the business operations of GM, its Dealers, and Manufacturer, including the accommodation of the parties' production schedules to the extent feasible; and

WHEREAS, implementation of this Agreement will require, among other things, the establishment and maintenance of an arrangement between Manufacturer and a financial institution to finance the purchase of and facilitate the payment for the Vehicles from GM;

NOW, THEREFORE, in reliance on and in consideration of the premises and the mutual promises contained in this Agreement, the parties hereby agree as follows:

Article 1 : Term of Agreement

1.1 The term of this agreement shall be five (5) years from the effective date specified above.

Article 2: Agreement to Sell and Purchase Vehicles

2.1 GM agrees to sell to Manufacturer, and Manufacturer agrees to purchase from GM, Vehicles subject to all of the terms and conditions of this Agreement. GM has provided Manufacturer with a copy of its current Special Vehicle Manufacturer Policy and Procedures Manual (hereinafter "Manual"), setting forth the policies and procedures Manufacturer is required to follow *in* the processing of Vehicles hereunder, including policies and procedures for ordering Vehicles, and repair of transportation damage and defective parts. GM reserves the right to change the

March 2008

Manual in writing at any time. The Manual is hereby incorporated by reference into this Agreement, and all of the provisions now or hereafter contained in the Manual shall be deemed to be part and parcel of this Agreement. Manufacturer shall follow the policies and procedures set forth in the Manual in the performance of its obligations hereunder. In case there is a conflict between provisions of the Manual and the terms and conditions of this Agreement, the terms and conditions of this Agreement shall govern.

Article 3: Vehicle Orders; Prices; Financing

- 3.1 Manufacturer shall submit orders to GM for Vehicles electronically, or in such other manner as may be specified by GM. There are numerous factors which affect the availability of Vehicles. GM reserves to itself absolute discretion in accepting orders and distributing Vehicles, and its judgment in such matters shall be final. Manufacturer's orders for Vehicles are not binding on GM until accepted by GM, and may be canceled by Manufacturer until that time. An order is accepted by GM when the Vehicle is released to production. Manufacturer shall be responsible for ordering Vehicles with emissions systems that comply with the emissions laws in the states in which the End Products will be sold.
- 3.2 Prices and other terms of sale applicable to Vehicles are those set forth in GM Pricing.com. Such prices may be changed by GM at any time. Except as otherwise provided by GM in writing, such changes will apply to Vehicles not shipped at the time the changes are effective. Vehicles ordered under this Agreement are not eligible for any price protection allowance that otherwise may have been available on orders submitted directly by a Dealer to GM.
- 3.3 Manufacturer shall establish and maintain a financing arrangement between Manufacturer and a financial institution for the purpose of financing the purchase of and facilitating the payment for the Vehicles from GM. The financial institution must be satisfactory to GM. Manufacturer shall provide to GM a copy of the Agreement between Manufacturer and its financial institution. Manufacturer shall notify GM in advance of any proposed changes in its financing arrangement for review and acceptance by GM. Manufacturer and its financial institution shall furnish GM with a statement as to the maximum number of Vehicles that will be financed by such financial institution at any particular time. This maximum number of Vehicles is referred to in this Agreement and the Manual as the "Credit Limit." Failure of Manufacturer to obtain or retain a Vehicle inventory financing arrangement in an amount satisfactory to GM and with a financial institution acceptable to GM will result in termination of this Agreement.
- 3.4 Except for the purpose of financing Manufacturer's acquisition of Vehicles hereunder, Manufacturer shall not grant, nor cause or permit to arise, any security, lien, or other interest in any part of an End Product (other than a special body or equipment installed thereon by Manufacturer) without GM's prior written approval. Manufacturer shall promptly reimburse GM for any money paid by GM to discharge any such adverse lien or interest, if it elects or is required to do so.

- 3.5 GM shall have the right, with or without advance notice, to examine Vehicles and Manufacturer's records in respect thereof at any time during regular business hours.

Article 4: Handling of Vehicles

- 4.1 Upon receipt of Vehicles, Manufacturer shall inspect each Vehicle for damage or shortage and shall accept custody of, and execute an appropriate receipt for, each Vehicle. Manufacturer agrees to resolve any damage or warranty claims in accordance with the Manual.
- 4.2 Manufacturer shall keep and maintain each Vehicle delivered to it in safe storage (including, as appropriate, in a defined area enclosed by an adequate fence and protected to the extent appropriate in that vicinity by security personnel). Manufacturer shall not store any Vehicle at any location not identified by address on Exhibit A. Manufacturer's obligation is to ensure that Vehicles do not deteriorate from a like new condition in appearance or quality during the period of Manufacturer's control.
- 4.3 Manufacturer shall have corrected all damage or shortages noted upon receipt. All repairs must be performed by an authorized GM Dealer.

Article 5: Delivery; Title and Risk of Loss; Insurance

- 5.1 GM will select the assembly and shipping locations and the modes of transportation for delivery of Vehicles to Manufacturer. Risk of loss shall pass to Manufacturer upon delivery by GM to a carrier (F.O.B. GM's assembly plant), and actual and legal title shall similarly pass to Manufacturer but with restrictions for mutual benefit as further provided in this Agreement. Delivery shall be to Manufacturer's business premises identified on Exhibit A, unless GM decides another location is appropriate. Any claims for loss or damage to a Vehicle while in the possession of a carrier must be noted on the delivery receipt and submitted to GM.
- 5.2 Manufacturer's purchase and possession of Vehicles hereunder is a restrictive purchase and possession for mutual benefit, and Manufacturer acknowledges that this Agreement is intended to result in the distribution of quality End Products only to GM's Dealer network for the particular Vehicle brand. Following an agreement by Manufacturer with a Dealer for the Dealer's purchase of an End Product, Manufacturer shall notify GM in a manner specified by GM. Upon such notice, GM will credit Manufacturer for the original cost of the Vehicle and charge the Dealer for that Vehicle. Within two days after invoicing the Dealer, GM will initiate delivery of the Manufacturer's Statement or Certificate of Origin ("MSO") for each Vehicle to Dealer. Manufacturer agrees not to perform any modifications or alterations to the Vehicle until issuance of the MSO. Manufacturer agrees that after ownership of each Vehicle has been transferred to Dealer, Manufacturer's possession of the Vehicle is a bailment for purposes of upfitting and storage only.

- 5.3 Manufacturer shall, absent written agreement to the contrary, be responsible for delivery of End Products to Dealers with certification and labeling in accordance with Section 8.1 of this Agreement, and for invoicing and collecting for its work on or in Vehicles. Manufacturer acknowledges that the date of GM's charge to a Dealer for a Vehicle has significance for purposes of pricing, promotions, inventory charges, and other purposes, and to the extent possible, Manufacturer shall modify, alter or complete the End Product and ship the appropriate End Product promptly upon a Dealer's purchase of such End Product. Manufacturer agrees to promptly negotiate a reasonable settlement in good faith with any Dealer which incurs undue delay in delivery of an End Product.
- 5.4 Manufacturer hereby indemnifies and holds GM harmless from and against any and all claim, cause of action, loss, damage, or expense, including reasonable attorneys' fees and expenses incurred from any litigation, arising from or relating to any claim for injury or property damage in connection with the manufacturing or marketing of End Products or with the use, operation or storage of any Vehicle while Manufacturer has title, custody, possession, or risk of loss under this Agreement.
- 5.5 Manufacturer shall obtain and maintain, pursuant to the terms of this Agreement, at its sole expense, the following types of insurance coverage, with minimum limits as set forth below:
1. Comprehensive General Liability coverage, including products, completed operations and contractual liability, at a limit acceptable to GM but not less than \$10,000,000 per occurrence for personal injury and property damage combined.
 2. Comprehensive Automobile Liability covering all owned, hired, and non-owned vehicles at a limit of not less than \$5,000,000 per occurrence for personal injury and property damage combined, including all statutory coverages for all states of operation.
 3. Workers Compensation in the statutory limits for all states of operation.
 4. Employers Liability in limits of not less than \$1,000,000 for all states of operation.
 5. Garage Keepers Legal Liability on a Direct Primary coverage basis including comprehensive and collision coverage at a limit equal to at least the highest value of vehicles in the Manufacturer's care, custody and control at any one time. Coverage should apply to all vehicles while in the care, custody or control of Manufacturer for any cause of physical damage on a primary basis without regard to negligence. (This coverage should be maintained separate and distinct from coverage available under the Manufacturer's finance plan.)

6. Manufacturer shall provide annually to GM a certificate of insurance and insurance policy evidencing GM as an additional insured for all above-mentioned coverages except Workers Compensation and Employers Liability for all activities connected with this Agreement, and stating that the above-listed insurance is primary to any coverage that may be available to GM. Manufacturer shall provide at least thirty days' prior written notice to GM of cancellation, modification, expiration or material change to any policy and, at that time, shall provide GM with a certificate of insurance and insurance policy for the modified, renewed or replacement policy. Such certificate(s) shall be in a form acceptable to, and underwritten by, insurance company (ies) satisfactory to GM. The purchase of appropriate insurance coverage by Manufacturer or the furnishing of certificate(s) of insurance shall not release Manufacturer from its respective obligations or liabilities under this Agreement. All coverage's shall be maintained throughout the duration of this Agreement with the exception of Comprehensive General Liability coverage referenced in Section 5.5.1 above, which shall be maintained for a period of ten years after termination of this Agreement.

Article 6. End Product Demonstrators; Show and Event End Products

- 6.1 In some cases, Manufacturer may seek to loan an End Product to Dealer(s) for demonstration purposes and/or to GM for static display at a show or event, without reaching an agreement with Dealer for the purchase for the End Product and without the Manufacturer reporting the End Product or Vehicle to GM as "Sold". GM, in its sole discretion, may approve Manufacturer's use of a limited number of such End Products for demonstrator services ("End Product Demo" or "Demo") to support the Manufacturer's marketing of End Products to Dealers and at shows and events. GM, in its sole discretion, will specify the number of Demos that Manufacturer may have in use at any one time. Manufacturer must enter the End Product Demo into the GM Demo program service, in accordance with GM's then standard requirements, as may change from time to time for a specified minimum days service (Demo Period). Additionally, if a Demo is loaned to GM for static display at a show or event, any such loan shall be in accordance with GM's then standard requirements for show and event Demos loaned to GM, as may change from time to time, including by executing a Loan of Upfit Vehicle Terms and Conditions.
- 6.2 GM will retain the MSO of Vehicles incorporated into End Products enrolled in the Demo program, pending its restricted sale to a Dealer at the end of the Demo Period.. Manufacturer shall make every effort to "pre-sell" the Demo to a GM Dealer before the end of the Demo Period.
- 6.3 Except as expressly provided in this Article 6 , all the terms and conditions of this Agreement, including but not limited to title, risk of loss, labeling, certification, indemnification and insurance, shall apply to End Product Manufacturer shall be

responsible for all costs related to the Demo End Products, including tax, title, registration, fuel, maintenance, mileage, wear Demos and tear, licensing fees, and insurance for the End Product.

Article 7: Upfitting; Standard of Workmanship

- 7.1 Manufacturer shall not alter any Vehicle, install any body or equipment thereon, or remove any Vehicle from its business premises where originally delivered prior to:
- a. Approval by GM of its financial institution for Demos or Show and Event End Products; or
 - b. For all other Vehicles, sale of such Vehicle(s) by Manufacturer to a Dealer as provided in this Agreement and notice thereof to GM.
- 7.2 To the extent possible, Manufacturer shall process Vehicles delivered under the terms of this Agreement on a first-in, first-out basis.
- 7.3 Manufacturer shall use its best skills and judgment and shall perform all work on its premises (unless an alternate location to perform the work has been approved by GM) in accordance with the highest professional standards of workmanship, and it shall exercise due care to ensure that all work it performs is free from defects in design, materials, and workmanship. Manufacturer shall further employ or retain persons with appropriate technical competence for the work being performed. GM may provide technical information on Vehicles to assist Manufacturer, but Manufacturer will control and bear full responsibility for the design and manufacture of the End Product.
- 7.4 Manufacturer acknowledges that the reputation of GM and its products may be affected by the quality, reliability, and durability of Manufacturer's products and its conduct in the marketplace. GM may provide Manufacturer with process guidelines and other information for improving End Product quality, reliability and durability, and provide to Manufacturer a periodic assessment of its processes. Manufacturer is responsible for selecting and implementing processes which meet customer expectations for quality, reliability, and durability.
- 7.5 Manufacturer agrees to maintain a viable Dealer and consumer relations activity, to offer a competitive warranty on its work to Dealers and consumers equal in duration and every other aspect to the applicable chassis model year new Vehicle and powertrain warranties, and to maintain through Dealers, and others at Manufacturer's discretion, a system of convenient Warranty corrections for consumers, and to make available to Dealers service replacement parts with number identification systems (this shall hereinafter be referred to as "Parts Number Identification") for Warranty and non-Warranty service for a reasonable period of time after End Products are sold to consumers.

Article 8: Compliance with Applicable Laws

- 8.1 Manufacturer shall comply with all federal, state, and local laws, regulations, and standards in its performance of its work. Manufacturer acknowledges its legal responsibility insofar as it is the manufacturer of an End Product and agrees to certify, label and warrant its contribution to the End Product in compliance with applicable laws, including but not limited to warranty laws and Federal Motor Vehicle Safety Standards. Further, Manufacturer agrees to cooperate with GM in achieving compliance with applicable laws and regulations, Manufacturer shall comply with and maintain a copy of the "Document for Incomplete Vehicles" supplied by GM with certain Vehicles and maintain a record of the name and address of the first retail purchaser of each End Product and shall make such information available to GM at the times and in the manner specified by GM. Manufacturer shall be responsible for ensuring that End Products are sold to first retail purchasers in compliance with federal and state emissions laws and federal fuel economy laws. Manufacturer shall refer to GM's annual letter to dealers and upfitters for guidance concerning compliance with emissions laws.
- 8.2 Manufacturer shall promptly notify GM of any real or potential defect in the End Products and be responsible for reporting under the federal Transportation Recall Enhancement Accountability and Documentation (T.R.E.A.D.) Act If Manufacturer believes that there is an emission-related defect or failure in the End Products, GM and the Manufacturer will exchange information and will consult with each other with respect to the need and advisability of either or both filing an emission report to the appropriate government agencies.
- 8.3 Manufacturer hereby indemnifies, agrees to defend against and hold harmless GM from any claims, suits, loss, damage or expense, including settlements, judgments, expert fees, and attorneys' fees, resulting from or related to any actual, potential, or threatened claim, action, complaint, or proceeding against GM for, without limitations, any unauthorized use of any trademark, patent, process, idea, method, or device by Manufacturer in connection with modifications or additions made by or for Manufacturing (including those modifications or additions made by Manufacturer with assistance provided by GM under Section 5.3 hereof).
- 8.4 Even if not required by law, Manufacturer shall affix to each End Product an Information Label for either an altered or completed vehicle according to the specifications, including location of the label, established by the National Highway Traffic Safety Administration. Manufacturer shall also comply with the requirements of the Automobile Information Disclosure (Monroney) Act and the Energy Policy and Conservation Act, as applicable. If Manufacturer's work affects the information contained on the window label placed on the Vehicle by GM, Manufacturer shall apply its own additional label with appropriate disclosure or updated information. Nothing in this Section shall relieve Manufacturer of its obligation to comply with all applicable laws as specified in Section 8.1. of this Article.

Article 9: New Vehicle Preparation; Vehicle Warranty and Campaign Corrections by Manufacturer

- 9.1 Manufacturer shall have performed, by an authorized GM Dealer, needed warranty and special policy repairs and adjustments, and campaign corrections directed by GM. Such services may be performed on Vehicles prior to upfitting so long as the

upfitting will not impact either directly or indirectly the Vehicle components or systems affected by the services. Otherwise, such services shall be performed after upfitting but before the End Products leave Manufacturer's possession. Manufacturer shall make End Products available to such Dealer in such fashion as to facilitate the performance of services.

- 9.2 The written new Vehicle warranty provided with each Vehicle contains the only GM warranty applicable to such Vehicle, and GM neither assumes nor authorizes anyone to assume for it any other obligation or liability in connection with such Vehicle. In particular, GM does not assume, and hereby disclaims, any warranty or other liability or obligation, INCLUDING ANY IMPLIED WARRANTY OF MERCHANTABILITY OR FITNESS FOR A PARTICULAR PURPOSE AND ANY PRODUCT LIABILITIES BASED UPON NEGLIGENCE OR STRICT LIABILITY, to Manufacturer, except if Manufacturer becomes an owner of a Vehicle, and then only to the extent of the written new Vehicle warranty. Manufacturer shall ensure that General Motors' written new Vehicle warranty and other product information intended for the consumer are placed in the End Product and remain with it when it leaves the custody of the Manufacturer. Manufacturer shall also ensure that Manufacturer's written new Vehicle warranty and other product information intended for the consumer are placed in the End Product and remain with it when it leaves the custody of the Manufacturer.

Article 10: Recall Campaigns; Product Liability

- 10.1 In the event of a recall campaign by GM necessitated by a defect or nonconformity in a Vehicle for which Manufacturer is responsible, in whole or in part, Manufacturer shall reimburse GM the direct costs, expenses and any penalties which may be incurred, with the understanding that the portion of such direct costs, expenses and penalties to be borne by Manufacturer shall be proportional to the degree to which the defect or non-conformity of Manufacturer's work caused the recall. Prior to GM or Manufacturer performing any recall campaign for which GM or Manufacturer expects reimbursement, GM and Manufacturer will exchange information and will consult with each other with respect to the need and advisability thereof; provided, however, that the final decision as to whether or not to have such a recall shall in every instance rest with General Motors.
- 10.2 With respect to any actual, potential, or threatened claim, action, or proceeding (hereinafter "Claim"), regardless of whether such Claim is based on strict liability, negligence, warranty, or other theory (hereinafter "Product Liability"), relating to any aspect of Manufacturer's work, each of the parties to this Agreement shall (a) communicate and cooperate with the other and, if necessary, the appropriate insurance carrier, to the fullest extent reasonably possible in investigation of the facts and circumstances surrounding the Claim and in any litigation involving the Claim; (b) refrain from taking any position adverse to the interests of the other party to this Agreement; and (c) not, except in enforcement of the rights hereunder, institute any claim, action, or proceeding, whether by cross-complaint, third party complaint, interpleader, or otherwise, against the other party to this Agreement.

- 10.3 With respect to any Product Liability or related liability, costs, and expense under this Article, the following are applicable:
- a. Any settlement or payment to satisfy an adverse judgment in any Claim shall be apportioned to GM and Manufacturer based upon such judgment or, if there is no judgment or it is not definitive as to causation, each party's liability; and
 - b. GM and Manufacturer shall bear their respective costs and expenses incurred in connection with cooperation in investigation and litigation, including those costs incurred for the production of documents and answering of other discovery.
- 10.4 In the event a Product Liability Claim is brought against GM or Manufacturer relating to the other's work, each party shall promptly forward to the other party every summons and complaint and every other court document received by it; and if the other party is named a party in the action, in no event shall either party take any action toward settlement without prior notification to the other party of such proposed action followed by a reasonable period of time to allow the other party to respond to such notification.

Article 11: GM Trademark Usage

- 11.1 During the term of this Agreement, the Manufacturer is granted a royalty-free, non-exclusive right and license to display the GM Fleet & Commercial authorized logo as depicted in Exhibit "B" (the "Mark"). This Mark may be used only in communications with GM dealers, provided that the following disclosure language appears prominently and in close proximity to the Mark: "GM Special Vehicle Manufacturer means Manufacturer orders and receives vehicles directly from GM, agrees to maintain \$10,000,000 product liability coverage, and agrees to comply with applicable government safety regulations. Manufacturer and not GM is responsible for FMVSS certification of the Modified or Upfitted Vehicle." The Mark may not be used on or in any End Product, on any End Product labeling, or on any communications with, or materials intended for, the end user. The Manufacturer shall not have any other right to use any GM Marks.
- 11.2 The Mark may be used only to convey to GM Dealers and end users that the Manufacturer (1) can order Vehicles directly from GM, (2) can be shipped Vehicles directly from GM, (3) has a direct transmittal and billing relationship with GM, and (4) meets GM insurance requirements applicable to special vehicle Manufacturers. The Mark may not under any circumstances be used to state or imply that GM endorses, approves or authorizes in any way the End Products of Manufacturer. For example, Manufacturer shall not use phrases such as "GM Authorized", "GM Approved", or any similar terms or phrases where the use of GM's trademark, or similar statements, may cause confusion to end users or dealers about the nature of GM's limited relationship with Manufacturer.
- 11.3 Other than as set forth in Sections 11.1 and 11.2, the Manufacturer is not authorized or licensed to use any GM source identifiers in association with the promotion or offering of

their services to GM dealers or end users. GM source identifiers include trademarks, trade dress, website URLs, rights of publicity, and other intellectual property owned by GM that evoke GM, and GM's related products and services.

- 11.4 Manufacturer hereby acknowledges that the Proprietary Marks (defined as the various trademarks, service marks, names and designs used in connection with General Motors products and services) are the sole and exclusive property of GM. Manufacturer and/or its customers will not, at any time, do or suffer to be done any act or thing which will in any way impair the rights of GM with regard to the Proprietary Marks. In particular, Manufacturer will not use, cause, or permit to be used, any of the Proprietary Marks on any goods or in conjunction with any services, except as provided to it by GM under this Agreement. Moreover, Manufacturer will not use the Proprietary Marks to incur any obligations or indebtedness on behalf of GM.
- 11.5 Manufacturer will not apply to register or maintain a registration for any Proprietary Marks either alone or as part of another mark, including internet domain name without General Motors prior written approval. Manufacturer will not take any action that may adversely affect the validity of the Proprietary Marks or the goodwill associated with them.
- 11.6 Manufacturer agrees to purchase and sell goods bearing Proprietary Marks only from parties authorized or licensed by GM. The Proprietary Marks may not be used as part of the Manufacturer's name without the express written permission of GM.
- 11.7 Manufacturer agrees to change or discontinue the use of any Proprietary Marks upon GM's request. Manufacturer agrees that no company owned by or affiliated with Manufacturer or any of its owners may use any Proprietary Mark to identify a business without GM's prior written permission.
- 11.8 Compliance with the obligations set forth in this Article requires, and the Manufacturer further agrees to maintain reasonable and adequate records to allow GM to verify compliance with these obligations.

Article 12: Indemnification; Dispute Resolution

- 12.1 In the event a suit or other proceeding is commenced relating to any aspect of Manufacturer's work, including any portions of a Vehicle affected by Manufacturer's work, Manufacturer agrees to hold GM harmless and indemnify GM completely from Product Liability losses. Each party shall retain the right to conduct its own defense to such suit or proceeding.
- 12.2 In the event of any breach of any obligation contained in this Agreement, the breaching party shall indemnify the nonbreaching party for any damage, costs, and expense, including reasonable attorneys' fees, suffered by the nonbreaching party due to the breach.

- 12.3 If it cannot be determined whether, or the extent to which, a settlement of or judgment in a Claim or a recall campaign was based on an aspect of Manufacturer's work or on another part in a Vehicle that plaintiff alleged was defective, then either party may submit the matter to binding arbitration in order to determine the relative percentage allocable to each party. Such disputes shall be finally settled under the Rules of the American Arbitration Association, provided that the arbitration shall not occur until after the conclusion of the case. There shall be three (3) arbiters, one appointed by GM and one appointed by Manufacturer, with the third appointed by the other two. Costs of the arbitration shall be shared equally.

Article 13: Annual Business Review

- 13.1 In July of each calendar year, Manufacturer shall submit to GM the following:
- (a) a current certificate of insurance as provided under Section 5.5.6 above; and
 - (b) an updated and completed SVM Business Information Update Form, which shall be provided to Manufacturer by GM from time to time.
- 13.2 Manufacturer agrees to meet with a GM representative annually to complete a GM Special Vehicle Manufacturer Assessment form, which shall be provided to Manufacturer by GM from time to time.
- 13.3 If Manufacturer fails to provide (a) the information required in Section 13.1 annually during the month of July or (b) the certificate of insurance and insurance policies as required under Section 5.5.6, GM may suspend any shipment of Vehicles to Manufacturer, or terminate this Agreement as provided below.

Article 14: Distribution of Vehicles in US; Export Controls

- 14.1 Vehicles sold to Manufacturer under this Agreement are for distribution in the 50 United States, and the District of Columbia ("U.S.") or Puerto Rico. It is a material breach of this Agreement for Manufacturer to sell, cause or arrange to be sold End Products or new motor vehicles for resale or principal use outside the U.S. or Puerto Rico. Manufacturer agrees that it will not sell any Vehicles or End Products in or into the U.S. which were not originally manufactured for sale and distribution in the United States.
- 14.2 Manufacturer hereby agrees that the products, software or technical data supplied by GM under this Agreement are subject to the export control laws and regulations of the United States (U.S.). Manufacturer shall comply with such laws and regulations and agrees not to export, re-export or transfer such products, software or technical data contrary to U.S. export laws and regulations. Furthermore, Manufacturer agrees the products, software or technical data supplied hereunder will not be exported, re-exported or otherwise transferred to: (a) any country subject to U.S. sanctions; (b) any party for a prohibited military end-use or to a

prohibited military end-user; (c) any party that is engaged in missile, nuclear, biological or chemical weapons end-uses; and (d) any party on any of the U.S. Government's various lists of restricted parties.

14.3 Manufacturer's obligations under this Article shall survive the expiration or termination of this Agreement.

Article 15: Termination

- 15.1 This Agreement shall expire at the end of the Term specified above without further notice unless terminated earlier as specified below in this Article.
- 15.2 This Agreement may be terminated prior to the end of the Term by either party at any time by written notice thereof to the other party. Written notice of termination shall be delivered personally or by certified mail, return receipt requested; termination shall be effective at the end of the third business day after the day of receipt of such written notice or at such later time as may be set forth in such notice.
- 15.3 If this Agreement is terminated by GM, Manufacturer may purchase outright or have a Dealer purchase outright any or all Vehicles in Manufacturer's custody. The net purchase price for each such Vehicle shall be the Dealer invoice price at which GM would have sold such Vehicle to a Dealer on the date of GM's invoice to Manufacturer inclusive of any discounts or allowances (including model close-out allowance, if applicable) that might have been available to such Dealer. Unless otherwise agreed in writing, such purchase price shall be paid to GM by certified check or bank check delivered not later than the aforesaid third business day. In the alternative, GM shall retake possession of Vehicles in Manufacturer's custody and credit Manufacturer for Manufacturer's original purchase price from GM.
- 15.4 If this Agreement is terminated by Manufacturer, Manufacturer shall, prior to the effective date of termination, have a Dealer purchase outright, or, for demonstrator or show and event units, purchase outright all Vehicles in its custody in accordance with the terms of Section 5.2; provided, however, that GM at its option may retake possession of such Vehicles, or any of them, and (a) credit Manufacturer for Manufacturer's original purchase price from GM, and (b) charge Manufacturer the lesser of the expense incurred by GM to redistribute such Vehicles or the destination charge applicable to similar units delivered to any authorized GM Dealer near Manufacturer's business premises.
- 15.5 GM shall have a reasonable period, and in any event not less than thirty days from the date of termination, in which to remove Vehicles from Manufacturer's premises, and Manufacturer's obligation under this Agreement in connection with safekeeping vehicles in its possession shall continue during such period.
- 15.6 If GM retakes possession of any Vehicles under this Article, the terms of this Agreement shall not apply to any Vehicles upon which Manufacturer has installed

bodies or other equipment, or that are not in a new and unused condition or have missing parts or components.

- 15.7 If this Agreement is terminated, any and all funds in the Manufacturer's Merchandising Reserve account, addressed in Article 16 herein, shall revert to GM.

Article 16: Merchandising Reserve

- 16.1 To assist Manufacturer with merchandising and marketing expenses resulting from sales of eligible GM Vehicles, GM may in its sole discretion provide a merchandising reserve in an amount to be determined each model year (hereinafter the "Merchandising Reserve").
- 16.2 This Merchandising Reserve will be accumulated by GM for any eligible Vehicles released to Dealers from September 1 through August 31 of each year, until further notice. The Merchandising Reserve fund will be paid to the Manufacturer's open account twice a year (typically early Spring and early Fall) unless GM notifies the Manufacturer otherwise.
- 16.3 Until the Merchandising Reserve is actually paid to Manufacturer, it remains the sole property of GM. Also GM has the right to recoup, setoff or deduct from the Merchandising Reserve any amounts due or to become due (whether matured, contingent or liquidated) from Manufacturer to GM or its subsidiaries. If this Agreement is terminated, any and all funds in the Merchandising Reserve account shall not be paid to Manufacturer.
- 16.4 Merchandising Reserve funds are intended to assist Manufacturer with its merchandising of eligible Vehicles to GM Dealers. As a condition to receipt of these funds annually, Manufacturer must spend not less than an equal amount to the reserve on such merchandising. GM may request receipts to support such payments.

Article 17: General Terms

- 17.1 No waiver or modification of any term of this Agreement or creation of additional terms shall be valid or binding upon GM unless made in writing executed on its behalf by a Manager in General Motor's Fleet & Commercial Operations. The failure by either party to enforce any term of this Agreement at any future time shall not be considered a waiver of any right or remedy available hereunder or by law.
- 17.2 This Agreement does not constitute either party the agent or legal representative of the other for any purpose whatsoever.
- 17.3 This Agreement (i) contains the entire understanding of the Parties relating to the subjects hereto, (ii) supersedes all prior statements, representations and agreements, and (iii) cannot be amended except by a written instruments signed by all parties. The Parties represent and agree that, in entering into this agreement, they have not relied upon any oral or written agreements, representations,

statements, or promises, express or implied, not specifically set forth in this Agreement. The Parties expressly waive application of any law, statute or judicial decision allowing oral modifications, amendments or additions to this Agreement notwithstanding this express written provision requiring a writing signed by the Parties.

- 17.4 This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan as if entirely performed therein, without regard to the conflicts of law and principles thereof.
- 17.5 Any notice required or permitted to be given by either party under or in connection with this Agreement shall be in writing and shall be deemed duly given when personally delivered or sent by mail or by expedited courier service, or by cable or facsimile, as aforesaid to the addresses indicated in the SVM Business Information Update Form, unless otherwise agreed to by the parties.
- 17.6 All monies or accounts due Manufacturer from GM under this Agreement shall be considered net of any indebtedness of Manufacturer to GM, including its subsidiaries, and GM may, at its election, recoup, setoff or deduct any indebtedness of Manufacturer or Manufacturer's financial institution to GM against any monies or accounts due from GM to Manufacturer.
- 17.7 Manufacturer may not assign or delegate this Agreement or any of its obligations under this Agreement without the prior written consent of GM.
- 17.8 This Agreement is not enforceable by any third parties and is not intended to convey any rights or benefits to anyone who is not a party to this Agreement.
- 17.9 If any term of this Agreement is invalid or unenforceable under any statute, regulation, ordinance, executive order or other rule of law, such term shall be deemed reformed or deleted, but only to the extent necessary to comply with such statute, regulation, ordinance, order or rule, and the remaining provisions of this Agreement shall remain in full force and effect.

[Signature page follows]

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Agreement on the dates set forth below:

MANUFACTURER:
Supreme Corporation

GENERAL MOTORS CORPORATION
Fleet and Commercial Operations

General Motors Manufacturer Code(s):

By _____
Title: _____
Date: _____

By _____
Title _____
Date _____

EXHIBIT A TO

SPECIAL VEHICLE MANUFACTURER CONVERTERS PROGRAM AGREEMENT

Agreement applies to all models of trucks, truck chassis and cars (Vehicles) available through General Motors Fleet and Commercial Operations which are shipped under this Agreement.

Vehicles delivered to Manufacturer shall be stored at the following locations, and no others:

- | | |
|------------------------|---------------------------|
| 1. Supreme Corporation | Goshen, Indiana |
| 2. Supreme Corporation | Griffin, Georgia |
| 3. Supreme Corporation | Cleburne, Texas |
| 4. Supreme Corporation | Moreno Valley, California |
| 5. Supreme Corporation | Woodburn, Oregon |
| 6. Supreme Corporation | Jonestown, Pennsylvania |
| 7. Supreme Corporation | Nasonville, Rhode Island |
| 8. Supreme Corporation | Apopka, Florida |

MANUFACTURER:
Supreme Corporation

GENERAL MOTORS CORPORATION
Fleet and Commercial Operations

General Motors Manufacturer Code(s): see attached

By _____
Title: _____
Date: _____

By _____
Title _____
Date _____

ATTACHMENT to **EXHIBIT A**

SPECIAL VEHICLE MANUFACTURER CONVERTERS PROGRAM AGREEMENT

This agreement applies to all models of trucks and truck chassis (Vehicles) which are:

(i) distributed by General Motors, (ii) handled either by General Motors Fleet and Commercial Operations or General Motors Isuzu Commercial Truck Vehicle Supply & Distribution, and (iii) shipped under this Agreement.

Vehicles delivered to Manufacturer shall be stored at the following locations, and no others:

	Location Address	CHEVROLET SVM Code	GMC SVM Code	ISUZU SVM Code (To be assigned)
1.	2572 E. Kercher Rd. Goshen, IN 46528			
2.	2051 U.S. Highway 41 Griffin, GA 30224			
3.	500 W. Commerce St. Cleburne, TX			
4.	411 Jonestown Rd. Jonestown, PA 17038			
5.	22135 Alessandro Blvd. Moreno Valley, CA 92553			
6.	2450 Progress Way Woodburn, OR 97071			
7.	135 Douglas Pike Harrisville, RI 02830			
8.	3050 Dee St. Apopka, FL 32703			
9.	2592 E. Kercher Rd. Goshen, IN 46528			
10.				

Ford Motor Company

FORD AUTHORIZED

CONVERTER POOL AGREEMENT

THIS AGREEMENT is made this first day of May, 2008(the "Effective Date") between Supreme Corporation and subsidiaries with its principal place of business at 2581 East Kercher Road, Goshen, IN 46528 ("Manufacturer") and Ford Motor Company, a Delaware corporation with its principal place of business at The American Road, Dearborn, Michigan 48126 ("Ford") (the "Agreement").

WHEREAS, Ford is engaged in the business of manufacturing and marketing completed and incomplete motor vehicles, including Ford trucks and Ford truck chassis ("Vehicles") and Ford sells such Vehicles to its authorized Ford Lincoln and Mercury dealers ("Authorized Ford Dealers"); and

WHEREAS, Manufacturer, as a final stage manufacturer, is engaged in the business of manufacturing and marketing modified completed vehicles and in the installation of special bodies and equipment on or in incomplete Vehicles, which installations include improvements, modifications, additions and changes (collectively, the "Modifications") (all of which vehicles, as modified by Manufacturer, are referred to herein as "End Products"); and

WHEREAS, certain Authorized Ford Dealers desire to purchase the End Products and as such, purchase the Vehicles from Ford and the Modifications from the Manufacturer; and

WHEREAS, the price and terms and conditions of purchase of the Modifications from the Manufacturer are governed by agreement between the Manufacturer and the Authorized Ford Dealer, and Ford has no liability, obligation or responsibility with respect to the Modifications; and

WHEREAS, the parties to this Agreement (the "Parties") desire to provide for Manufacturer to maintain Vehicles at Manufacturer's location, at no charge to Manufacturer, for no more than 90 days, so as to facilitate the business operations of Ford, its Authorized Ford Dealers and Manufacturer, and so as to accommodate the production schedules of Ford and Manufacturer to the extent feasible, and Ford is willing to deliver such Vehicles on bailment to Manufacturer and Manufacturer is willing to accept delivery of these Vehicles from Ford, subject to the terms of this Agreement; and

WHEREAS, if there is no purchaser for the End Product after 90 days from Commencement of Bailment (as defined herein), Manufacturer shall pay Storage Charges (as defined herein) to Ford as set forth herein; and

NOW, THEREFORE, in consideration of the foregoing and the mutual promises hereinafter contained, the Parties agree as follows:

1. BAILMENT

Ford and Manufacturer agree that this Agreement shall constitute a bailment of the Vehicles ordered by Manufacturer from Ford ("Bailment"). Such Vehicles shall be held by Manufacturer as bailee of the Vehicles in accordance with the terms and conditions of this Agreement.

2. FINAL STAGE MANUFACTURER

Manufacturer, as a final stage manufacturer, shall enter into a separate agreement with Authorized Ford Dealer for the price and terms and conditions of the purchase by Authorized Ford Dealer for the Modifications and Ford shall have no liability, obligation or responsibility for such Modifications or the terms and conditions thereof.

3. FORD AUTHORIZED CONVERTER PROCEDURES MANUAL

Ford shall provide Manufacturer with a copy of its Ford Authorized Converter Procedures Manual (the "Manual"), setting forth the policies and procedures to be followed in the handling of Vehicles, including Vehicle orders, inventory accounting for Vehicles, repair of transportation damage and defective parts, special use chassis, and similar matters. Manufacturer shall abide by the policies and procedures as are set forth in the Manual. Ford reserves the right to change the Manual at any time.

4. ORDERS

Manufacturer shall submit orders for Vehicles electronically or by other method specified by Ford in the Manual. Ford shall have no obligation to accept any such order or to deliver to Manufacturer on Bailment, any specific model or number of Vehicles, but may deliver to Manufacturer such number and type of Vehicles ordered by Manufacturer as Ford deems appropriate. Manufacturer shall provide to Ford, at Ford's request, forecasts of Manufacturer's requirements for Vehicles.

5. RECEIPT AND INSPECTION PROCEDURES

Manufacturer shall examine Vehicles upon delivery and, upon satisfaction that the number of Vehicles received as shown on the documents is accurate, accept delivery and sign the invoices, delivery receipts, damage reports and other documents specified by Ford ("Acceptance of Delivery"). Ford shall deliver the Vehicles to Manufacturer at the locations listed in Exhibit A or at such other locations as may be approved by Ford, in writing from time to time. Ford shall not be responsible for any delay in delivering the Vehicles to Manufacturer.

6. COMMENCEMENT OF BAILMENT

The Bailment begins upon Manufacturer's Acceptance of Delivery ("Commencement of the Bailment"). Such acceptance constitutes acknowledgement that the Vehicle was received in the condition, quantity and state described.

7. STORAGE

(a) Upon Commencement of the Bailment, Manufacturer shall maintain Vehicles at Manufacturer's location, at no charge to Manufacturer, for no more than 90 days. If there is no purchaser for the End Product after 90 days from Commencement of the Bailment, storage charges will begin to accrue on the Vehicle ("Storage Charge"). Beginning on the ninety-first (91st) day until such time that the Vehicle is re-billed to an Authorized Ford Dealer, Manufacturer shall pay daily Storage Charges to Ford as set forth below:

- 0 to 90 days: No Charge
- 91-360 days: Prime Rate plus 1 point
- 361-450 days: Prime Rate plus 5 points
- 451 + days: Prime Rate plus 10 points

Manufacturer's Storage Charges shall appear in Ford Motor Credit Company's Dealer Finance system on the first day of the month and shall be payable the same day (the 1st). On a monthly basis, Ford will provide Manufacturer with information regarding the Storage Charges for each Vehicle.

- i. Manufacturer shall pay a daily storage charge based on the Invoice Amount of each vehicle beginning on the Storage Charge Start Date for such Vehicle, in an amount equal to the Prime Rate plus (1 point, 5 points or 10 points as set forth above) as the "Storage Charge". The term "Invoice Amount" shall mean that amount reflected on the applicable Vehicle invoice that can be accessed by Ford and Manufacturer via the Lason Vision system online at www.fleet.ford.com. The term "Prime Rate" means the interest rate for "Bank prime loans" under the column entitled "Week Ending" for the Friday preceding the last Monday of a calendar month as reported in the Federal Reserve Statistical Release No. H.15 (519) issued by the Federal Reserve Board. In the event such Release is discontinued or modified to eliminate the reporting of a 30-day bank prime loans rate, then Ford will substitute, in its sole discretion, a comparable report or release of the bank prime loans rate published by a comparable source.
- ii. The Storage Charge will be calculated on the basis of 360-day year. For purposes of computing the Storage Charge on a Vehicle, the Storage Charge shall change on the first day of each month following the Storage Charge Start Date following any month in which there is a change in the Prime Rate. The Storage Charge in effect on the first day of a month shall be deemed to be in effect throughout such month.

(b) Vehicles shall be stored only at the locations approved by Ford in Exhibit A hereto or at such other locations as may be approved by Ford, in writing, from time to time. Unless otherwise agreed, all Vehicles shall be kept at the approved location, within a fenced and locked storage area, and shall be placed in an area within the storage area separate from that used by Manufacturer to store any other property. Manufacturer shall not move any Vehicles from the approved location to one not approved by Ford without first obtaining the written authorization of Ford. Ford shall have the right to enter onto Manufacturer's premises, at reasonable times and upon prior reasonable notice, to inspect the Vehicles and Manufacturer's records with respect thereto.

(c) Manufacturer, at its sole cost and expense, shall ensure that Vehicles do not deteriorate from a "like new" condition in appearance or quality during the period of storage. Vehicles in inventory over 30 days are to be inspected and maintained by Manufacturer in accordance with the vehicle inspection procedure outlined in the Manual.

(d) Upon request by Ford, any or all of the Vehicles shall be immediately returned to Ford as set forth in paragraph 9 herein.

8. LOSS

Ford shall not be responsible for any delay in delivering the Vehicles to Manufacturer. Manufacturer shall assume all risks of loss with respect to the Vehicles, including all loss or damage that occurs despite Manufacturer's exercise of reasonable care from the time that Manufacturer accepted the Vehicle and until the Bailment ends. Manufacturer is liable for any and all loss or shortage resulting from its failure to examine any shipment and for any damage and other loss resulting from its failure to comply with any shipping, loading, packaging, storage or other instructions issued by Ford.

9. END OF BAILMENT

For each Vehicle, the Bailment shall end in one of the following ways (1) at the time that the Vehicle is sold by Ford to an Authorized Ford Dealer according to the procedures set forth in the Manual; or (2) upon authorized return of the Vehicle(s) to Ford by Manufacturer. Upon the occurrence of any of the following events set forth in (a) — (e) herein, the Vehicle(s) must be returned to Ford by Manufacturer at Manufacturer's expense, to the place and in the manner requested by Ford; otherwise, if Ford requests such return of the Vehicle(s), Ford shall bear the expense: (a) Manufacturer becomes the subject of a bankruptcy petition filed in a court in any jurisdiction, whether voluntary or involuntary; (b) a receiver or trustee is appointed for all or a substantial portion of Manufacturer's assets; (c) Manufacturer makes an assignment for the benefit of its creditors; (d) Manufacturer fails to perform any material covenant or obligation in this agreement; or (e) any representation or warranty in this agreement by Manufacturer ceases to be true and correct in all material respects.

10. TITLE

Title to the Vehicles, is, and will at all times remain, the sole and exclusive property of Ford until sold by Ford to an Authorized Ford Dealer. Manufacturer has no property

rights or interest in any of the Vehicles and cannot grant any rights or interest to a third party. Manufacturer has no right to transfer any Vehicle or to use it except as directed by Ford in this Agreement. Manufacturer has no right to retain possession of any Vehicle after receipt of a written demand, at any time, by Ford for return of the Vehicle. Neither this Agreement nor the Manufacturer's obligations may be assigned either by Manufacturer's own act or by operation of law.

11. UCC FILINGS

Manufacturer authorizes Ford, at its option, to file UCC financing statement(s) evidencing this Bailment and Ford's ownership of the Vehicles. Manufacturer represents that it is organized under the laws of the state of Texas.

12. NOTICE TO MANUFACTURER'S CREDITORS

Within 10 business days after the Effective Date of this Agreement, Manufacturer will (i) send each of its secured creditors and lienholders written notification that it is holding the Vehicles for Ford at Manufacturer's facility, and (ii) provide to Ford a list of the creditors and lienholders notified, together with a copy of the written notification sent to secured creditors and lienholders. Manufacturer will certify to Ford that it has notified all known secured creditors and lienholders.

13. USE OF VEHICLES

Subject to section 14 herein, Manufacturer shall not use the Vehicles in any manner other than to make modifications to the Vehicles after such the Vehicle is sold by Ford to an Authorized Ford Dealer. Manufacturer agrees that in no case shall it make any addition or modification to any Vehicle until it has been purchased by an Authorized Ford Dealer.

14. SALE OF VEHICLE TO AUTHORIZED FORD DEALER; MODIFICATIONS

(a) Manufacturer shall notify Ford electronically or by other methods specified by Ford in the Manual when an Authorized Ford Dealer desires to purchase a Vehicle. Following such notification, Ford may sell such Vehicle to one of its Authorized Ford Dealers at such price and on such terms as Ford shall determine in its sole and exclusive discretion.

(b) Subject to section 14(e) below, Manufacturer agrees that in no case, prior to the Vehicle being purchased by an Authorized Ford Dealer from Ford, shall Manufacturer (i) make any Modification to any Vehicle; (ii) install any body or equipment thereon; or (iii) remove any Vehicle from the location approved by Ford.

(c) Manufacturer may transfer Vehicle(s) to other Manufacturers approved by Ford if Ford has given consent.

(d) The price and terms and conditions of the Modifications provided by Manufacturer to an Authorized Ford Dealer, and any improvements, modifications or changes thereto, shall be governed by a separate agreement between the Manufacturer and the Authorized Ford Dealer and Ford shall have no liability, obligation, or responsibility with respect thereto to any person, including without limitation, Manufacturer, Authorized Ford Dealer or other third Party.

(e) Ford may, from time to time, allow Manufacturer to make a Modification and/or install a body or equipment on certain Demonstrators or other such Vehicles authorized by Ford prior to such Vehicle being purchased by an Authorized Ford Dealer from Ford, provided that (i) Manufacturer obtains the prior written consent of Ford in each case; (ii) such Modifications and installations do not decrease the value of the Vehicle; (iii) such Vehicles are not driven unless authorized by Ford; and (iv) Manufacturer is entirely responsible for such Modification and installation made to the modified Vehicles. A Demonstrator Vehicle is a vehicle (i) authorized by Ford to be modified or upfit prior to being purchased by a Ford Dealer, and (ii) used for demonstration purposes only. Demonstrator vehicles must be enrolled in and meet the requirements of the Show Them The Value ("STTV") Demonstrator Program for eligible Ford Authorized Converter Pool Accounts. STTV Demonstration Program details are available at www.sttvdeinoprogram.com. The STTV Demonstrator Program is limited to eligible Pool Accounts and may be terminated by Ford at any time for any reason.

15. DEMONSTRATOR VEHICLES

In addition to the terms and conditions for all bailed Vehicles set forth in this Agreement, Manufacturer shall strictly adhere to the terms and conditions set forth in this section 15 when using Demonstrator (Demo) Vehicles:

(a) Authorized Manufacturers shall utilize Demonstrator Vehicles only according to the terms and conditions set forth in the annual Show Them The Value Demonstrator Program announcement and website at www.sttvdemo.com or according to other terms and conditions set forth by Ford from time to time. Use of Demo Vehicles according to Ford's terms and conditions shall be considered the Allowable Use. Ford and Manufacturer agree that Demo Vehicles are on bailment from Ford to the Manufacturer. Ford lends the Demos to Manufacturer to be held and used by Manufacturer, only as a bailee of the Vehicle, in accordance with this Agreement and the terms and conditions of the respective STTV program. Demos shall not be removed from Manufacturer's control without Ford's prior written approval, other than for the Allowable Use purposes. Demos shall remain the property of Ford and Manufacturer shall bear the risk of loss or damage that occurs to Demos except for loss or damage arising from the sole negligence of Ford. The Demos shall at all times be properly used and maintained by Manufacturer. Ford shall have the right to enter onto Manufacturer's premises at reasonable times to inspect or remove Demos. Manufacturer shall ensure that Demos are operated at all times in a safe, careful and lawful manner by legally qualified drivers who are employees of Manufacturer and stand in relations to the Manufacturer as employee to employer or are otherwise authorized by Manufacturer.

(b) With respect to taxes, fees, registration and other legally required permits and obligations for Demos Manufacturer shall:

- i. obtain all necessary authorizations, permits, waivers or exemptions that may be required from a government agency to operate the Demos on public highways and assume responsibility for ensuring that if necessary, the Demo has been properly registered and titled, including any required inspections or testing, in accordance with the laws of the jurisdiction where the Demo will be primarily used.
- ii. pay all occupational taxes and governmental charges imposed (and all increases therein), including any permits, special permits, licenses or taxes required by the business of Manufacturer
- iii. pay any tolls or similar usage fees resulting from operation.
- iv. be responsible for any fines levied as a result of moving, parking, toll, or similar vehicle violations.
- v. pay any taxes or fees currently in force (and all increases therein) or which hereafter may be enacted and become due and payable with respect to the Manufacturer's possession and use of the Demo.
- vi. pay emissions tests.

(c) With respect to maintenance, repairs, and use of Demos, Manufacturer shall:

- i. make all major repairs necessary to maintain the Vehicle in good working order and condition. Title to all such repairs shall vest in Ford.
- ii. repair or cause to be repaired said vehicle(s) while in use by Manufacturer. All repairs and servicing shall be done by qualified service personnel at authorized Ford, Lincoln, or Mercury dealerships.
- iii. inspect the Vehicle upon delivery and by acceptance thereof is deemed to find the Vehicle in good working order and condition.
- iv. maintain the Vehicle in good working order and condition, properly serviced and greased, and comply in every respect with the provisions of this agreement, and of the manufacturer's owner manual.
- v. reimburse Ford for any repairs caused by abuse, misuse, negligence or intentional wrongful acts of manufacturer.
- vi. provide or cause to be provided at its own expense, any repairs or service not completed at authorized Ford, Lincoln, or Mercury dealerships.
- vii. pay for all gasoline and for all washing, parking, garage, highway road service, tolls and fines required or incurred in connection with the operation of the Vehicle.
- viii. not use or operate or allow the Vehicle to be operated in violation of any federal, state, local or provincial law, rule regulation or ordinance including those pertaining to the age and licensing of drivers, the disclosure of Ford's interest in the Vehicle, or other requirements or limitations.
- ix. under no circumstances, disconnect any odometer or other mileage recording device nor use or operated the Vehicle in a manner subjecting it to depreciation above the normal depreciation associated with general commercial use.
- x. not use or operate the Vehicle for any illegal purpose or by a person under the influence of alcohol or narcotics.

- xi. not use or operate the vehicle in any manner or for any purpose that would cause any insurance specified in this Agreement to be suspended, cancelled, held inapplicable or increased in cost.
- xii. not use or operate the demo outside of the continental United States, without Ford's express written consent.
- xiii. use, operate, and test the Vehicle only in accordance with the terms and provisions of any such authorization, permit, waiver or exemption, and expressly agrees, in addition to the indemnify obligations of Manufacturer set forth in Section 19 of this Agreement, to indemnify and hold harmless Ford from and against any and all damages, suits, actions, claims, costs or expenses arising from, or connected with, any violation or noncompliance with any of the terms and provisions of any such authorization, permit, waiver or exemption by, or resulting from the action or inaction of, Manufacturer or any of its agents or employees.

16. PREDELIVERY

Manufacturer agrees to perform Pre-delivery Inspection on the Vehicle portion of each End Product prior to delivery to the Authorized Ford Dealer in strict accordance with the Body and Conversion Companies Pre-delivery Inspection Application.

17. COMPLIANCE WITH LAWS AND REGULATIONS

In the interest of protecting the reputation of the products of Manufacturer and Ford, and maintaining customer goodwill, Manufacturer agrees to:

(a) employ components and workmanship of high commercial quality in the manufacture of End Products and to assure that End Products conform in all respects to applicable Federal and State laws, rules and regulations; and,

(b) provide assistance to Ford in communicating promptly, when necessary, with the first retail purchasers of End Products. To that end, Manufacturer agrees to secure and maintain records of the names and addresses of the first retail purchasers of End Products.

18. LABELING

Manufacturer shall affix to all Vehicles such labels as Ford supplies (if not already affixed) and maintain the labels in place.

19. INDEMNIFICATION

Ford and Manufacturer recognize that the burden of defending against product liability allegations, whether or not meritless or frivolous, should be borne by the party whose alleged negligence, wrongdoing or defective product is at issue, regardless of whether it is a party to the particular litigation. The parties also recognize that, under existing law, there are circumstances where a claimant may sue only one party even though the defect, wrongdoing or negligence alleged is the principal responsibility of the other party. The parties also recognize that this results in the

named defendant bearing more than its fair share of the cost of the litigation. In order to avoid possible controversy between the parties as to which shall defend such litigation, or bear the cost of defending such litigation, including the cost of settlements or verdicts, the parties agree as follows:

(a) Indemnification by Ford. With respect to any Vehicle supplied by Ford to Manufacturer, Ford shall indemnify, hold harmless and protect Manufacturer from any loss, damage or expense, including, without limitation, settlements, judgments, expert fees and reasonable attorney's fees, resulting from or related to lawsuits, complaints or claims against Manufacturer for property damage or personal injury where Manufacturer's liability, if any, arises solely because of a defect in manufacture, assembly, materials or design for which Ford alone is responsible.

(b) Manufacturer, and/or its product liability insurance carrier, shall cooperate fully in the defense of the action as Ford, and/or its Product liability insurance carrier, may reasonably require. Ford shall have the right to assume Manufacturer's defense at any time, provided that Ford acknowledges Manufacturer's right to indemnity under this provision.

(c) Indemnification by Manufacturer. With respect to any Vehicle supplied by Ford to Manufacturer, Manufacturer or its contractors, subcontractors, vendors, agents and/or employees, shall indemnify, hold harmless and protect Ford from any loss, damage or expense, including, without limitation, settlements, judgments, expert fees, and attorney's fees, resulting from or related to lawsuits, complaints or claims against Ford for property damage or personal injury, where Ford's liability, if any, arises solely from modifications or additions made by Manufacturer or from processing of Vehicles by Manufacturer. Liability on the part of Ford which arises, if at all, because Ford knew or should have known that the processing, modification or additions made by Manufacturer were negligent, improper or defective, or that Ford expressly or impliedly approved the modifications or additions made by Manufacturer, shall be deemed to be liability which arises "solely from processing, modifications or additions made by Manufacturer" within the meaning of this paragraph. However, Manufacturer shall not be obligated to indemnify Ford if the modifications or additions were made or the processing was conducted pursuant to express written instructions provided by Ford.

(d) Manufacturer's Duty to Defend. Ford shall notify Manufacturer of any lawsuit, complaint or claim that Ford has reason to believe may be covered by this indemnity provision. If Ford's alleged liability arises solely from modifications or additions made by Manufacturer or processing conducted by Manufacturer not pursuant to express written instructions from Ford, and if Manufacturer's investigation discloses no basis for Ford's liability other than the allegations in the lawsuit, complaint, or claim, Manufacturer shall assume Ford's defense upon Ford's request. Ford and/or its product liability carrier shall cooperate fully in the defense of the action as Manufacturer, or its product liability carrier, may reasonably require. Manufacturer shall have the right to assume Ford's defense at any time, provided that Manufacturer acknowledges Ford's right to indemnity under this provision.

(e) Cross-Claims or Third Party Complaints. Neither party shall file cross-claims or third-party complaints against the other without notifying the other in advance. Where practicable, the notice should be given sufficiently in advance to allow thorough discussion of alternatives to such filing.

(f) Contributions to Settlement. In the appropriate case, the parties shall, where settlement is or may be warranted, make a reasonable effort to agree upon the amount each party shall contribute to settlement, based upon the nature of the plaintiffs allegations. For example, if the case involves an allegation that a Manufacturer's component is defective, a reasonable allocation would require the Manufacturer to contribute all or most of any settlement amount. If, however, the allegation concerns a component supplied by Ford, a reasonable allocation would require Ford to contribute all or most of any settlement amount. It is recognized that there shall be cases of multiple allegations with respect to each party and that allocation of responsibility shall be dependent on the circumstances of the case.

(g) Contributions to Adverse Judgment. If the case, for any reason, does not settle, the parties shall, in advance of trial, make a reasonable attempt to agree upon the extent to which each company shall contribute to satisfy any adverse judgment or verdict that may be returned, based upon the principles set forth in the preceding paragraph. Based on these principles, the parties shall likewise attempt to agree upon the extent to which each shall contribute to the cost of defending the litigation, including attorney's fees.

(h) Unilateral Settlement; Notifying Other Party. In cases where both parties are named defendants, neither party shall unilaterally enter into a settlement agreement without giving reasonable notice to, and consulting in advance with, the other party.

20. INSURANCE

At its sole cost and expense, Manufacturer shall procure and maintain insurance continuously throughout the term of this Agreement from such companies as are acceptable to Ford and listed in the current "Best's Insurance Guide" as possessing a minimum policy holders rating of "A-" (Excellent) and a financial category no lower than "VI" (\$25,000,000 to \$50,000,000 of adjusted policyholders surplus). The following insurance shall cover Manufacturer activities under this Agreement whether such activities are by itself or by any Subcontractor or by anyone directly or indirectly employed by any of them, or by anyone for whose acts any of them may be liable:

(a) Liability Insurance

- Workers' Compensation insurance for statutory limits or a State certificate of self insurance, and employer's liability insurance for not less than one million (\$1,000,000) per occurrence.
- Occurrence type commercial general liability insurance, including products and completed operations, but not limited to blanket contractual coverage, for bodily injury

including death, personal injury, and property damage with limits of not less than ten million (\$10,000,000) combined single limit per occurrence.

- Comprehensive Automobile liability insurance covering all owned, non-owned and hired vehicles, with limits of not less than five million (\$5,000,000) combined single limit per occurrence.

(b) With the exception of Workers' Compensation, each insurance policy listed above, and any excess or umbrella policy carried by Manufacturer with additional limits than those specified above, must name Ford Motor Company (or the appropriate Company subsidiary or affiliate) as an additional insured under the policy(s). All insurance policies of the Manufacturer shall be endorsed to state that the policy will be primary, and will not be excess to or contributory with, any self-insurance or insurance policies carried by Ford. The insurance policy shall provide that the policy may not be cancelled or materially altered without 30 days prior written notice to Ford. Manufacturer shall furnish to Ford an acceptable certificate of insurance evidencing the coverage required herein. The furnishing of acceptable evidence of required coverage should not relieve Manufacturer from any liability or obligation for which it is otherwise responsible to Ford.

(c) Manufacturer shall require that its subcontractors procure and/or maintain insurance coverage at the limits described above. Manufacturer shall indemnify and be fully responsible for any cost to Ford resulting from said subcontractor's failure to procure and/or maintain said insurance.

21. TAXES

Unless otherwise agreed by the parties, Ford shall report, bear, and pay all applicable personal property taxes on Vehicles and Manufacturer shall report, bear, and pay all applicable personal property taxes on Modifications. In the event a tax jurisdiction issues a forced assessment against one party for the full value of End Products, each party agrees to indemnify the other for the assessment amount attributable to their respective property.

22. WARRANTIES

(a) No warranty obligation of Ford for any Vehicle shall be more extensive than Ford's warranty obligation for such Vehicle under Ford's warranty to retail purchasers and shall be expressly IN LIEU OF ANY AND ALL OTHER EXPRESS OR IMPLIED WARRANTIES, GUARANTEES, CONDITIONS OR REPRESENTATIONS, INCLUDING THE IMPLIED WARRANTIES OF MERCHANTABILITY AND FITNESS FOR A PARTICULAR PURPOSE, WITH THE REMEDY SET FORTH THEREIN AS THE SOLE AND EXCLUSIVE REMEDY THEREUNDER.

(b) With each Vehicle delivered by Manufacturer to Authorized Ford Dealers, or retail customers on an Authorized Ford Dealers' behalf, Manufacturer shall deliver copies of any applicable Ford warranty and an Owner's Guide, owner registration card and such other consumer and operating material as Ford generally provides with that model of Vehicle.

(c) The warranty obligations of Ford (and any governmental certification made by Ford) shall cover only the Vehicles as manufactured by Ford and provided to Manufacturer, and shall not extend to any addition, modification or change of or to the Vehicle by Manufacturer as a Final Stage Manufacturer. Ford's warranty does not cover any failures of a Ford component usually covered by the Ford warranty if such failure is caused by any addition, modification, or change to the Vehicle once the Vehicle has left Ford's possession. In such event, the cost of repair and any related charges shall be paid for by Manufacturer and shall in no event be covered by Ford's warranty.

23. TERMINATION

(a) This Agreement may be terminated by either party, at any time, for any reason, with or without cause, by written notice to the other party.

(b) Either party may terminate this Agreement for cause, upon the occurrence of any of the following events: (i) the other Party becomes the subject of a bankruptcy petition filed in a court in any jurisdiction, whether voluntary or involuntary; (ii) a receiver or trustee is appointed for all or a substantial portion of the other Party's assets; (iii) the other Party makes an assignment for the benefit of its creditors; (iv) the other Party fails to perform any material covenant or obligation in the Agreement; or (v) any representation or warranty in the Agreement made by the other party ceases to be true and correct in all material respects.

(c) Written Notice of termination shall be delivered personally or by certified mail, return receipt requested to the person and at the address provided herein for Notice. Termination shall be effective at the end of the thirtieth (30) calendar day after the day of receipt of such written Notice or at such later time as may be agreed to in writing by the Parties.

(d) Upon termination of the Agreement by either party, Manufacturer shall fully cooperate with Ford in returning to Ford all Vehicles in its possession. Upon termination of this Agreement by Ford for the reasons set forth in subsection (b) of this paragraph, all Vehicles in the possession of Manufacturer must be returned to Ford by Manufacturer at Manufacturer's expense, to the place and in the manner requested by Ford, and Ford shall have the right to cancel any and all shipments scheduled for Manufacturer after Ford gives such Notice.

(e) Ford shall have no other obligations to Manufacturer upon termination of this Agreement except those set forth in this Section 23.

24. FINANCIAL INFORMATION

On a quarterly basis, or as otherwise requested by Ford, Manufacturer will provide the most current Financial Reports: (a) for the Manufacturer; and, (b) for any Related Company of Manufacturer involved in the converter business or in financing the Manufacturer. Financial Reports include income statements, balance sheets, cash flow statements and supporting data. Ford may use Financial Reports provided only to assess Manufacturer's ongoing ability to perform its obligations under this Agreement and for no other purpose, unless Manufacturer

agrees otherwise in writing. Ford agrees that it shall protect the disclosed Financial Reports by using the same degree of care, but no less than a reasonable degree of care, to prevent the dissemination to third parties or publication of the Financial Reports as Ford uses to protect its own confidential information of a like nature. Ford is permitted to disseminate the Financial Reports to its employees and those employees of any of its subsidiaries, its parent company and any of its parent company's subsidiaries, provided such employees are made fully aware of the obligation of confidentiality contained within this Agreement. Manufacturer certifies that any information contained in the Financial Reports shall be true, correct and complete and that the financial information therein fairly presents the financial condition of Manufacturer in accordance with generally accepted accounting principles. Manufacturer acknowledges and intends that Ford shall rely, and shall have the right to rely, on such information. For the purpose of this Agreement, a Related Company is any parent company of Manufacturer and any subsidiary or affiliate in which any of them owns or controls at least 25% of the voting stock, partnership interest or other ownership interest. If requested by Ford, Manufacturer will provide to Ford Letters of Credit and/or Personal Guarantees and/or Corporate Guarantees. Such letters of Credit, Personal Guarantees, Corporate Guarantees and Financial Statements will be collected from Manufacturer by Ford Motor Credit Company on behalf of Ford.

25. GENERAL TERMS

(a) This agreement shall bind Ford when signed by a duly authorized representative of Manufacturer and when it bears the signature of Ford's Commercial Truck Director. No waiver or modification of any term of this Agreement, or creation of additional terms, shall be valid or binding upon Ford unless made in writing as set forth above. The failure by either party to enforce any term of this Agreement at any future time shall not be considered a waiver of any right or remedy available hereunder or by law.

(b) This Agreement does not constitute either party the agent or legal representative of the other party for any purpose whatsoever.

(c) This Agreement shall be effective as of the Effective Date set forth herein and shall terminate and supersede any other agreements concerning Vehicles between the parties and constitutes the entire and complete agreement between the parties with respect to the subject matter hereof and there are no other agreements between them, either oral or written, respecting the subject matter hereof.

(d) This Agreement and all transactions hereunder, including shall be governed by and construed in accordance with the laws of the State of Michigan as if entirely performed therein.

(e) All notices and other communications hereunder shall be in writing and shall be deemed given when delivered personally or when telecopied (with confirmation of the transmission received by the sender), one business day after being delivered to a nationally recognized overnight courier with next day delivery specified or three business days after mailing by certified or registered U.S. Mail, return receipt requested, with first class postage prepaid, unless otherwise set forth in this Agreement, to the Parties at the following addresses (or at such other address for a Party as shall be specified by like notice) ("Notice"):

(i) if to Ford, to:

Ford Motor Company
One American Road
Dearborn, Michigan 48126
Attention: Secretary's Office
Facsimile No.: (313) 248-7613

with a copy to:

Ford Motor Company
Director Commercial Truck
6N233
16800 Executive Plaza Drive
Dearborn, Michigan 48126

(ii) if to Manufacturer, to:

Supreme Corporation
2581 East Kercher Road
Goshen, IN 46528

(f) Manufacturer may not assign this Agreement or delegate performance of its obligations hereunder without the prior written consent of Ford.

(g) Notwithstanding anything in this Agreement to the contrary, Ford shall have the right to amend, modify or change this Agreement in case of legislation, government regulation or changes in circumstances beyond the control of Ford that might affect materially the relationship between Ford and Manufacturer. Further, Ford may, by notice to Manufacturer, amend this Agreement as to matters that in Ford's reasonable judgment, do not adversely affect Manufacturer.

IN WITNESS WHEREOF, the parties have caused their duly authorized representatives to execute this Agreement on the execution date set forth below. The Effective Date of this Agreement shall be as defined herein above.

The parties have reviewed this document with legal counsel of their choice.

Manufacturer:

Ford:

By:

By:

Title:

Title:

Execution Date:

Execution Date:

Exhibit A

Ford Converter Pool Authorized Delivery Locations

Supreme
2581 East Kercher Road
Goshen, IN 46528

Supreme
2450 Progress Way
Woodburn, OR 97071

Supreme
531 Hwy. 41 Bypass
Griffin, GA 30224

Supreme
500 West Commerce Street
Cleburne, TX 76031

Supreme
3050 Dee Street
Apopka, FL 32703

Supreme
5350 North Colorado Blvd.
Commerce City, CO 80022

Supreme
22135 Alessandro Blvd.
Moreno Valley, CA 92553

Supreme
411 Jonestown Road
Jonestown, PA 17038

Supreme (Bus)
2581 East Kercher Road
Goshen, IN 46528



Credit Agreement

This agreement dated as of December 23, 2008 is between JPMorgan Chase Bank, N.A. (together with its successors and assigns, the “Bank”), whose address is 121 W. Franklin St., Elkhart, IN 46516, and Supreme Corporation (individually, the “Borrower” and if more than one, collectively, the “Borrowers”), whose address is 2581 Kercher Road, Goshen, IN 46528.

1. Credit Facilities.

1.1 Scope. This agreement governs Facility A, and, unless otherwise agreed to in writing by the Bank and the Borrower or prohibited by any Legal Requirement (as hereafter defined), governs the Credit Facilities as defined below. This agreement amends and restates that certain Credit Agreement dated as of January 5, 2004. Advances under any Credit Facilities shall be subject to the procedures established from time to time by the Bank. Any procedures agreed to by the Bank with respect to obtaining advances, including automatic loan sweeps, shall not vary the terms or conditions of this agreement or the other Related Documents regarding the Credit Facilities.

1.2 Facility A (Line of Credit). The Bank has approved a credit facility to the Borrower in the principal sum not to exceed \$33,000,000.00 in the aggregate at any one time outstanding and subject to being reduced as set forth in a Line of Credit Note executed concurrently with this agreement (“Facility A”). Credit under Facility A shall be repayable as set forth in a Line of Credit Note executed concurrently with this agreement, and any renewals, modifications, extensions, rearrangements, restatements thereof and replacements or substitutions therefor.

Non Usage Fee. The Borrower shall pay to the Bank a non-usage fee (the “Non-usage Fee”) on the average daily unused portion of Facility A at a rate per annum set forth below opposite the applicable Funded Debt to EBITDA Ratio, payable in arrears within fifteen (15) days of the end of each fiscal quarter for which the fee is owing. Funded Debt to EBITDA Ratio is defined as Supreme Industries, Inc. and its subsidiaries’ ratio of (a) total liabilities excluding (i) accounts arising from the purchase of goods and services in the ordinary course of business, (ii) accrued expenses or losses, (iii) deferred revenues or gains, and (iv) controlled disbursements, to (b) net income, plus amortization expense, depreciation expense, interest expense and income tax expense.

<u>Funded Debt to EBITDA Ratio</u>	<u>Non Usage Fee</u>
Greater than 4.00 to 1.00	0.40%
Greater than or equal to 3.51 to 1.00 but less than or equal to 4.00 to 1.00	0.35%
Greater than or equal to 3.01 to 1.00 but less than or equal to 3.50 to 1.00	0.30%
Greater than or equal to 2.51 to 1.00 but less than or equal to 3.00 to 1.00	0.25%
Less than or equal to 2.50 to 1.00	0.20%

1.3 Borrowing Base. The aggregate principal amount of advances outstanding at any one time under the Line of Credit Note (and any and all renewals, modifications, extensions, rearrangements, restatements thereof and replacements or substitutions therefor) evidencing Facility A (the “Aggregate Outstanding Amount”) shall not exceed the Borrowing Base or the maximum principal amount then available under Facility A, whichever is less (the “Maximum Available Amount”). If at any time the Aggregate Outstanding Amount exceeds the Maximum Available Amount, the Borrower shall immediately pay the Bank an amount equal to such excess. “Borrowing Base” means the aggregate of:

- A. 80% of the book value of all Eligible Accounts; plus
- B. 50% of the lower of cost (determined using the first-in, first-out method of inventory accounting) or wholesale market value, as determined by the Bank, of all Eligible Inventory.

For purposes of determining the Borrowing Base, the assets of Supreme Corporation and each of its Subsidiaries shall be deemed to be assets of the Borrower.

2. Definitions and Interpretations.

2.1 Definitions. As used in this agreement, the following terms have the following respective meanings:

- A.** “**Account**” means a trade account, account receivable, other receivable, or other right to payment for goods sold or leased or services rendered.
- B.** “**Account Debtor**” means the Person obligated on an Account.
- C.** “**Affiliate**” means any Person which, directly or indirectly Controls or is Controlled by or under common Control with, another Person, and any director or officer thereof. The Bank is under no circumstances to be deemed an Affiliate of the Borrower or any of its Subsidiaries.
- D.** “**Authorizing Documents**” means certificates of authority to transact business, certificates of good standing, borrowing resolutions, appointments, officer’s certificates, certificates of incumbency, and other documents which empower and authorize or evidence the power and authority of all Persons (other than the Bank) executing any Related Document or their representatives to execute and deliver the Related Documents and perform the Person’s obligations thereunder.
- E.** “**Capital Expenditures**” means any expenditure or the incurrence of any obligation or liability for any asset which is classified as a capital asset under GAAP.
- F.** “**Collateral**” means all Property, now or in the future subject to any Lien in favor of the Bank, securing or intending to secure, any of the Liabilities.
- G.** “**Control**” as used with respect to any Person, means the power to direct or cause the direction of, the management and policies of that Person, directly or indirectly, whether through the ownership of Equity Interests, by contract, or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.
- H.** “**Credit Facilities**” means all extensions of credit from the Bank to the Borrower, whether now existing or hereafter arising, including but not limited to those described in Section 1, if any, and those extended contemporaneously with this agreement.
- I.** “**Distributions**” means all dividends and other distributions made to any Equity Owners, other than salary, bonuses, and other compensation for services expended in the current accounting period.
- J.** “**Eligible Accounts**” means, at any time, all of the Borrower’s Accounts in which the Bank has a first priority continuing perfected Lien and which are earned and invoiced within thirty (30) days of being earned and which contain selling terms and conditions satisfactory to the Bank, are payable on ordinary trade terms, and are not evidenced by a promissory note, other instrument or chattel paper. The net amount of any Eligible Account against which the Borrower may borrow shall exclude all returns, discounts, credits, and offsets of any nature. Unless otherwise agreed to by the Bank in writing, Eligible Accounts do not include Accounts: (1) which are not owned by the Borrower free and clear of all Liens, constructive trust, statutory priorities not in favor of the Bank, and claims of Persons other than the Bank; (2) with respect to which the Account Debtor is an Affiliate of the Borrower or otherwise affiliated with or related to the Borrower, including without limitation, any employee, officer, director, Equity Owner or agent of the Borrower; (3) with respect to which goods are placed on consignment, guaranteed sale, bill-and-hold, sale-and-return, sale on approval, cash-on-delivery or other terms by reason of which the payment by the Account Debtor may be conditional; (4) with respect to which the Account Debtor is not a resident of the United States, except to the extent such Accounts are otherwise Eligible Accounts and are supported by insurance, bonds or other assurances satisfactory to the Bank; (5) subject to the U.S. Office of Foreign Asset Control Special Designated Nationals and Blocked Person’s List, or with respect to which the Account Debtor is otherwise a Person with whom the Borrower or the Bank is prohibited from doing business by any applicable Legal Requirement; (6) which are not payable in U.S. Dollars; (7) with respect to which the Borrower is or may become liable to the Account Debtor for goods sold or services rendered by the Account Debtor to the Borrower; (8) which are subject to dispute, counterclaim, deduction, withholding, defense, or setoff; (9) with respect to which the goods have not been shipped or delivered, or the services have not been rendered, to the Account Debtor, or which otherwise constitute pre-billed Accounts; (10) which constitute retainage, or are bonded Accounts; (11) with respect to which the Bank determines the creditworthiness, financial or business condition of the Account Debtor to be unsatisfactory; (12) of any Account Debtor who is the subject of any state or federal bankruptcy, insolvency, or debtor-in-relief acts, or who has had appointed a trustee, custodian, or receiver for the assets of such Account Debtor, or who has made an assignment for the benefit of creditors or has become insolvent or fails generally to pay its debts (including its payrolls) as such debts become due; (13) with respect to which the Account Debtor is the United States government or any department or agency of the United States; (14) otherwise determined to be ineligible by the Bank and (15) which have not been paid in full within ninety (90) days from the invoice date. In no

event will the balance of any Account of any single Account Debtor be eligible whenever the portion of the Accounts of such Account Debtor which have not been paid within ninety (90) days from the invoice date is in excess of 25% of the total amount outstanding on all Accounts of such Account Debtor.

K. “Eligible Inventory” means, at any time, all of the Borrower’s Inventory in which the Bank has a first priority continuing perfected Lien except Inventory which is: (1) not owned by it free and clear of all Liens except in favor of the Bank, and claims of Persons other than the Bank, (2) slow moving, obsolete, unsalable, damaged, defective, perishable, or unfit for further processing; (3) work in process; (4) subject to consignment or otherwise in the possession of another Person, unless otherwise agreed to by the Bank in writing; (5) in transit or located outside of the United States; (6) identified to be purchased under a contract under which it has received, or is entitled to receive, an advance payment; (7) determined by the Bank to be ineligible due to licensing, intellectual property, or any Legal Requirements that would make it difficult to sell, lease or use such Inventory; (8) comprised of samples, returns, rejected items, re-work items, non-standard items, odd-lots, or repossessed goods; (9) produced, in violation of applicable Legal Requirements, including the Fair Labor Standards Act and the regulations and orders of the Department of Labor; or (10) otherwise determined ineligible by the Bank; provided, however, that transportation and storage charges shall be excluded from amounts otherwise included in Eligible Inventory.

L. “Equity Interests” means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

M. “Equity Owner” means a shareholder, partner, member, holder of a beneficial interest in a trust or other owner of any Equity Interests.

N. “GAAP” means generally accepted accounting principles in effect from time to time in the United States of America, consistently applied.

O. “Inventory” means raw materials, work in process, finished goods, merchandise, parts and supplies, of every kind and goods held for sale or lease or furnished under contracts of service and all documents of title, warehouse receipts, bills of lading, and all other documents of every type covering all or any part of the foregoing,

P. “Intangible Assets” means the aggregate amount of: (1) all assets classified as intangible assets under GAAP, including, without limitation, goodwill, trademarks, patents, copyrights, organization expenses, franchises, licenses, trade names, brand names, mailing lists, catalogs, excess of cost over book value of assets acquired, and bond discount and underwriting expenses; and (2) loans or advances to, investments in, or receivables from (i) any Affiliate, officer, director, employee, Equity Owner or agent of the Borrower or (ii) any Person if such loan, advance, investment or receivable is outside the Borrower’s ordinary course of business.

Q. “Legal Requirement” means any law, ordinance, decree, requirement, order, judgment, rule, regulation (or interpretation of any of the foregoing) of any foreign governmental authority, the United States of America, any state thereof, any political subdivision of any of the foregoing or any agency, department, commission, board, bureau, court or other tribunal having jurisdiction over the Bank, any Pledgor or any Obligor or any of its Subsidiaries or their respective Properties or any agreement by which any of them is bound.

R. “Liabilities” means all indebtedness, liabilities and obligations of every kind and character of the Borrower to the Bank, whether the obligations, indebtedness and liabilities are individual, joint and several, contingent or otherwise, now or hereafter existing, including, without limitation, all liabilities, interest, costs and fees, arising under or from any note, open account, overdraft, credit card, lease, Rate Management Transaction, letter of credit application, endorsement, surety agreement, guaranty, acceptance, foreign exchange contract or depository service contract, whether payable to the Bank or to a third party and subsequently acquired by the Bank, any monetary obligations (including interest) incurred or accrued during the pendency of any bankruptcy, insolvency, receivership or other similar proceedings, regardless of whether allowed or allowable in such proceeding, and all renewals, extensions, modifications, consolidations, rearrangements, restatements, replacements or substitutions of any of the foregoing.

S. “Lien” means any mortgage, deed of trust, pledge, charge, encumbrance, security interest, collateral assignment or other lien or restriction of any kind.

T. “Notes” means all promissory notes, instruments and/or contracts now or hereafter evidencing the Credit Facilities.

U. **“Obligor”** means any Borrower, guarantor, surety, co-signer, endorser, general partner or other Person who may now or in the future be obligated to pay any of the Liabilities.

V. **“Organizational Documents”** means, with respect to any Person, certificates of existence or formation, documents establishing or governing the Person or evidencing or certifying that the Person is duly organized and validly existing in accordance with all applicable Legal Requirements, including all amendments, restatements, supplements or modifications to such certificates and documents as of the date of the Related Document referring to the Organizational Document and any and all future modifications thereto approved by the Bank.

W. **“Permitted Investments”** means (1) readily marketable direct obligations of the United States of America or any agency thereof with maturities of one year or less from the date of acquisition; (2) fully insured (if issued by a bank other than the Bank) certificates of deposit with maturities of one year or less from the date of acquisition issued by any commercial bank operating in the United States of America having capital and surplus in excess of \$500,000,000.00; and (3) commercial paper of a domestic issuer if at the time of purchase such paper is rated in one of the two highest rating categories of Standard and Poor’s Corporation or Moody’s Investors Service.

X. **“Person”** means any individual, corporation, partnership, limited liability company, joint venture, joint stock association, association, bank, business trust, trust, unincorporated organization, any foreign governmental authority, the United States of America, any state of the United States and any political subdivision of any of the foregoing or any other form of entity.

Y. **“Pledgor”** means any Person providing Collateral.

Z. **“Property”** means any interest in any kind of property or asset, whether real, personal or mixed, tangible or intangible.

AA. **“Rate Management Transaction”** means any transaction (including an agreement with respect thereto) that is a rate swap, basis swap, forward rate transaction, commodity swap, commodity option, equity or equity index swap, equity or equity index option, bond option, interest rate option, foreign exchange transaction, cap transaction, floor transaction, collar transaction, forward transaction, currency swap transaction, cross-currency rate swap transaction, currency option, derivative transaction or any other similar transaction (including any option with respect to any of these transactions) or any combination thereof, whether linked to one or more interest rates, foreign currencies, commodity prices, equity prices or other financial measures.

BB. **“Related Documents”** means this agreement, the Notes, applications for letters of credit, all loan agreements, credit agreements, reimbursement agreements, security agreements, mortgages, deeds of trust, pledge agreements, assignments, guaranties, and any other instrument or document executed in connection with this agreement or with any of the Liabilities. The related documents include without limitation, the limited guaranty’d and continuing security agreements, of previously executed and delivered by the Borrower’s Subsidiaries to the Bank, all of which continue in full force and effect.

CC. **“Subsidiary”** means, as to any particular Person (the “parent”), a Person the accounts of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with GAAP as of the date of determination, as well as any other Person of which fifty percent (50%) or more of the Equity Interests is at the time of determination directly or indirectly owned, Controlled or held, by the parent or by any Person or Persons Controlled by the parent, either alone or together with the parent.

DD. **“Tangible Net Worth”** means total assets less the sum of Intangible Assets and total liabilities.

2.2 **Interpretations.** Whenever possible, each provision of the Related Documents shall be interpreted in such manner as to be effective and valid under applicable Legal Requirements. If any provision of this agreement cannot be enforced, the remaining portions of this agreement shall continue in effect. In the event of any conflict or inconsistency between this agreement and the provisions of any other Related Documents, the provisions of this agreement shall control. Use of the term “including” does not imply any limitation on (but may expand) the antecedent reference. Any reference to a particular document includes all modifications, supplements, replacements, renewals or extensions of that document, but this rule of construction does not authorize amendment of any document without the Bank’s consent. Section headings are for convenience of reference only and do not affect the interpretation of this agreement. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP. Whenever the Bank’s determination, consent, approval or satisfaction is required under this agreement or the other Related Documents or whenever the Bank may at its option take or refrain from taking any action under this agreement or the other Related Documents, the

decision as to whether or not the Bank makes the determination, consents, approves, is satisfied or takes or refrains from taking any action, shall be in the sole and exclusive discretion of the Bank, and the Bank's decision shall be final and conclusive.

3. **Conditions Precedent to Extensions of Credit.**

3.1 Conditions Precedent to Initial Extension of Credit under each of the Credit Facilities. Before the first extension of credit governed by this agreement and any initial advance under any of the Credit Facilities, whether by disbursement of a loan, issuance of a letter of credit, or otherwise, the Borrower shall deliver to the Bank, in form and substance satisfactory to the Bank:

A. Loan Documents. The Notes, and as applicable, the letter of credit applications, reimbursement agreements, the security agreements, the pledge agreements, financing statements, mortgages or deeds of trust, the guaranties, the subordination agreements, and any other documents which the Bank may reasonably require to give effect to the transactions described in this agreement or the other Related Documents;

B. Organizational and Authorizing Documents. The Organizational Documents and Authorizing Documents of the Borrower and any other Persons (other than the Bank) executing the Related Documents in form and substance satisfactory to the Bank that at a minimum: (i) document the due organization, valid existence and good standing of the Borrower and every other Person (other than the Bank) that is a party to this agreement or any other Related Document; (ii) evidence that each Person (other than the Bank) which is a party to this agreement or any other Related Document has the power and authority to enter into the transactions described therein; and (iii) evidence that the Person signing on behalf of each Person that is a party to the Related Documents (other than the Bank) is duly authorized to do so; and

C. Liens. The termination, assignment or subordination, as determined by the Bank, of all Liens on the Collateral in favor of any secured party (other than the Bank).

3.2 Conditions Precedent to Each Extension of Credit. Before any extension of credit governed by this agreement, whether by disbursement of a loan, issuance of a letter of credit or otherwise, the following conditions must be satisfied:

A. Representations. The representations of the Borrower and any other parties, other than the Bank, in the Related Documents are true on and as of the date of the request for and funding of the extension of credit;

B. No Event of Default. No default, event of default or event that would constitute a default or event of default but for the giving of notice, the lapse of time or both, has occurred in any provision of this agreement, the Notes or any other Related Documents and is continuing or would result from the extension of credit;

C. Additional Approvals, Opinions, and Documents. The Bank has received any other approvals, opinions and documents as it may reasonably request; and

D. No Prohibition or Onerous Conditions. The making of the extension of credit is not prohibited by and does not subject the Bank, any Obligor, or any Subsidiary of the Borrower to any penalty or onerous condition under, any Legal Requirement.

4. Affirmative Covenants. The Borrower agrees to do, and cause each of its Subsidiaries to do, each of the following:

4.1 Insurance. Maintain insurance with financially sound and reputable insurers, with such insurance and insurers to be satisfactory to the Bank, covering its Property and business against those casualties and contingencies and in the types and amounts as are in accordance with sound business and industry practices, and furnish to the Bank, upon request of the Bank, reports on each existing insurance policy showing such information as the Bank may reasonably request.

4.2 Existence. Maintain its existence and business operations as presently in effect in accordance with all applicable Legal Requirements, pay its debts and obligations when due under normal terms, and pay on or before their due date, all taxes, assessments, fees and other governmental monetary obligations, except as they may be contested in good faith if they have been properly reflected on its books and, at the Bank's request, adequate funds or security has been pledged or reserved to insure payment.

- 4.3 Financial Records.** Maintain proper books and records of account, in accordance with GAAP, and consistent with financial statements previously submitted to the Bank.
- 4.4 Inspection.** Permit the Bank, its agents and designees to; (a) inspect and photograph its Property, to examine and copy files, books and records, and to discuss its business, operations, prospects, assets, affairs and financial condition with the Borrower's or its Subsidiaries' officers and accountants, at times and intervals as the Bank reasonably determines; (b) perform audits or other inspections of the Collateral, including the records and documents related to the Collateral; and (c) confirm with any Person any obligations and liabilities of the Person to the Borrower or its Subsidiaries. The Borrower will, and will cause its Subsidiaries to cooperate with any inspection or audit. The Borrower will pay the Bank the reasonable costs and expenses of any audit or inspection of the Collateral (including fees and expenses charged internally by the Bank for asset reviews) promptly after receiving the invoice.
- 4.5 Financial Reports.** Furnish to the Bank whatever information, statements, books and records the Bank may from time to time reasonably request, including at a minimum:
- A.** Within forty-five (45) days after each monthly period, the consolidated financial statements of the Borrower and its Subsidiaries prepared and presented in accordance with GAAP, including a balance sheet as of the end of that period, and income statement for that period, and, if requested at any time by the Bank, statements of cash flow and retained earnings for that period, all certified as correct by one of its authorized agents.
 - B.** Within ninety (90) days after and as of the end of each of its fiscal years, the consolidated financial statements of the Borrower and its Subsidiaries prepared and presented in accordance with GAAP, including a balance sheet and statements of income, cash flow and retained earnings, such financial statements to be audited by an independent certified public accountant of recognized standing satisfactory to the Bank.
 - C.** Within thirty (30) days after and as of the end of each calendar month, a summary total page of Accounts, aged from date of invoice and certified as correct by one of its authorized agents.
 - D.** Within thirty (30) days after and as of the end of each calendar month, a borrowing base certificate, in form and detail satisfactory to the Bank, along with such supporting documentation as the Bank may request.
 - E.** Via either the EDGAR System or its Home Page, within ninety (90) days after the filing of its Annual Report on Form 10-K for the fiscal year then ended with the Securities and Exchange Commission, but no event later than ninety (90) days after the end of such fiscal year, the financial statements for such fiscal year as contained in such Annual Report on Form 10-K and, as soon as it shall become available, the annual report to its shareholders for the fiscal year then ended.
 - F.** Via either the EDGAR System or its Home Page, within forty-five (45) days after the filing of its Quarterly Report on Form 10-Q for the fiscal quarter then ended with the Securities and Exchange Commission, but no event later than forty-five (45) days after the end of such fiscal quarter, copies of the financial statements for such fiscal quarter as contained in such Quarterly Report on Form 10-Q, and, as soon as it shall become available, a quarterly report to its shareholders for the fiscal quarter then ended.
 - G.** Via either the EDGAR System or its Home Page, promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by it with the Securities and Exchange Commission or any governmental authority succeeding to any or all of the functions of said Commission.

If for any reason either the EDGAR System or its Home Page is not available to it as is required for making available the financial statements or reports referred to above, it shall then furnish a copy of such financial statements or reports to the Bank.

For the purposes of this section, “**EDGAR System**” means the Electronic Data Gathering Analysis and Retrieval System owned and operated by the United States Securities and Exchange Commission or any replacement system, and “**Home Page**” means its corporate home page on the World Wide Web accessible through the Internet via the universal resource locator (URL) identified as “ _____ ” or such other universal resource locator that it shall designate in writing to the Bank as its corporate home page on the World Wide Web.

- 4.6 Notices of Claims, Litigation, Defaults, etc.** Promptly inform the Bank in writing of: (1) all existing and all threatened litigation, claims, investigations, administrative proceedings and similar actions or changes in Legal Requirements affecting it which could materially affect its business, assets, affairs, prospects or financial condition;

(2) the occurrence of any event which gives rise to the Bank's option to terminate the Credit Facilities; (3) the institution of steps by it to withdraw from, or the institution of any steps to terminate, any employee benefit plan as to which it may have liability; (4) any reportable event or any prohibited transaction in connection with any employee benefit plan; (5) any additions to or changes in the locations of its businesses; and (6) any alleged breach by the Bank of any provision of this agreement or of any other Related Document.

- 4.7 Other Agreements.** Comply with all terms and conditions of all other agreements, whether now or hereafter existing, between it and any other Person.
- 4.8 Title to Assets and Property.** Maintain good and marketable title to all of its Properties, and defend them against all claims and demands of all Persons at any time claiming any interest in them,
- 4.9 Additional Assurances.** Promptly make, execute and deliver any and all agreements, documents, instruments and other records that the Bank may request to evidence any of the Credit Facilities, cure any defect in the execution and delivery of any of the Related Documents, perfect any Lien, comply with any Legal Requirement applicable to the Bank or the Credit Facilities or describe more fully particular aspects of the agreements set forth or intended to be set forth in any of the Related Documents.
- 4.10 Employee Benefit Plans.** Maintain each employee benefit plan as to which it may have any liability, in compliance with all Legal Requirements.
- 4.11 Banking Relationship.** Establish and maintain its primary banking depository and disbursement relationship with the Bank.
- 4.12 Additional Documentation.** Borrower shall promptly execute and deliver, and cause Supreme Industries, Inc. and its subsidiaries to promptly execute and deliver such guarantys, security agreements and other loan documents as the Bank may reasonably from time to time request.

5. Negative Covenants.

- 5.1** Unless otherwise noted, the financial requirements set forth in this section will be computed in accordance with GAAP applied on a basis consistent with financial statements previously submitted by the Borrower to the Bank.
- 5.2** Without the written consent of the Bank, the Borrower will not and no Subsidiary of the Borrower will:
- A. Distributions.** Redeem, retire, purchase or otherwise acquire, directly or indirectly, any of its Equity Interests, return any contribution to an Equity Owner or, other than stock dividends and dividends paid to the Borrower, declare or pay any Distributions; provided, however, that if there is no existing default under this agreement or any other Related Document and to do so will not cause a default under any of such agreements the Borrower may pay Distributions to its Equity Owners sufficient in amount to pay their income tax obligations attributable to the Borrower's taxable income if the Borrower is a sub S corporation, limited liability company or partnership.
- B. Sale of Equity Interests.** Issue, sell or otherwise dispose of its Equity Interests.
- C. Debt.** Incur, contract for, assume, or permit to remain outstanding, indebtedness for borrowed money, installment obligations, or obligations under capital leases or operating leases, other than (1) unsecured trade debt incurred in the ordinary course of business, (2) indebtedness owing to the Bank, (3) indebtedness reflected in its latest financial statement furnished to the Bank prior to execution of this agreement and that is not to be paid with proceeds of borrowings under the Credit Facilities, (4) indebtedness outstanding as of the date hereof that has been disclosed to the Bank in writing and that is not to be paid with proceeds of borrowings under the Credit Facilities, and (5) indebtedness owed from time to time by any Subsidiary of the Borrower.
- D. Guaranties.** Guarantee or otherwise become or remain secondarily liable on the undertaking of another, except for endorsement of drafts for deposit and collection in the ordinary course of business.
- E. Liens.** Create or permit to exist any Lien on any of its Property except: existing Liens known to and approved by the Bank; Liens to the Bank; Liens incurred in the ordinary course of business securing current non-delinquent liabilities for taxes, worker's compensation, unemployment insurance, social security and pension liabilities, and liens securing indebtedness incurred by Section 5.2 C (5) above.

F. Use of Proceeds. Use, or permit any proceeds of the Credit Facilities to be used, directly or indirectly, for the purpose of “purchasing or carrying any margin stock” within the meaning of Federal Reserve Board Regulation U. At the Bank’s request, it Will furnish a completed Federal Reserve Board Form U-1.

G. Continuity of Operations. (1) Engage in any business activities substantially different from those in which it is presently engaged; (2) cease operations, liquidate, merge, transfer, acquire or consolidate with any other Person, change its name, dissolve, or sell any assets out of the ordinary course of business; or (3) enter into any arrangement with any Person providing for the leasing by it of Property which has been sold or transferred by it to such Person.

H. Limitation on Negative Pledge Clauses. Enter into any agreement with any Person other than the Rank which prohibits or limits its ability to create or permit to exist any Lien on any of its Property, whether now owned or hereafter acquired.

I. Conflicting Agreements. Enter into any agreement containing any provision which would be violated or breached by the performance of its obligations under this agreement or any of the other Related Documents.

J. Transfer of Ownership. Permit any pledge of any Equity Interest in it or any sale or other transfer of any Equity Interest in it.

K. Limitation on Loans, Advances to and Investments in Others and Receivables from Others. Purchase, hold or acquire any Equity Interest or evidence of indebtedness of, make or permit to exist any loans or advances to, permit to exist any receivable from, or make or permit to exist any investment or acquire any interest whatsoever in, any Person, except: (1) extensions of trade credit to customers in the ordinary course of business on ordinary terms; (2) Permitted Investments; and (3) loans, advances, investments and receivables existing as of the date of this agreement that have been disclosed to and approved by the Bank in writing and that are not to be paid with proceeds of borrowings under the Credit Facilities.

L. Organizational Documents. Alter, amend or modify any of its Organizational Documents.

M. Tangible Net Worth. Permit at any time, its Tangible Net Worth to be less than \$68,000,000.00.

N. Capital Expenditures. Acquire, whether by purchase or capital lease, fixed assets, if the aggregate purchase price of such assets to the Borrower, and all Subsidiaries if any, shall exceed \$2,000,000.00 in the aggregate in any one fiscal year.

O. Adjusted EBITDA. Permit its net income plus interest expense, plus depreciation expense, plus amortization expense, plus income tax expense, plus non-cash non-recurring expense, minus non-cash non-recurring income, and minus extraordinary gains, collectively, “Adjusted EBITDA”, all computed for the Test Period, to be less than eighty-five percent (85%) of Borrower’s projected Adjusted EBITDA, based on Borrower’s projections delivered to the Bank in which are summarized on Schedule One. As used in this subsection, the term “**Test Period**” means each period of two consecutive months.

P. Government Regulation. (1) Be or become subject at any time to any Legal Requirement or list of any government agency (including, without limitation, the U.S. Office of Foreign Asset Control list) that prohibits or limits the Bank from making any advance or extension of credit to it or from otherwise conducting business with it, or (2) fail to provide documentary and other evidence of its identity as may be requested by the Bank at any time to enable the Bank to verify its identity or to comply with any applicable Legal Requirement, including, without limitation, Section 326 of the USA Patriot Act of 2001, 31 U.S.C. Section 5318.

Q. Subsidiaries. Form, create or acquire any Subsidiary.

5.3 Financial Statement Calculations. The financial covenant(s) set forth in the Section entitled “Negative Covenants” or in any subsection thereof shall, except as may be otherwise expressly provided with respect to any particular financial covenant, be calculated on the basis of the Borrower’s financial statements prepared on a consolidated basis with its Subsidiaries in accordance with GAAP. Except as may be otherwise expressly provided with respect to any particular financial covenant, if any financial covenant states that it is to be tested with respect to any particular period of time (which may be referred to therein as a “Test Period”) ending on any test date (e.g., a fiscal month end, fiscal quarter end, or fiscal year end), then compliance with that covenant shall be required commencing with the

period of time ending on the first test date that occurs after the date of this agreement (or, if applicable, of the amendment to this agreement which added or amended such financial covenant).

6. Representations.

- 6.1 Representations and Warranties by the Borrower.** To induce the Bank to enter into this agreement and to extend credit or other financial accommodations under the Credit Facilities, the Borrower represents and warrants as of the date of this agreement and as of the date of each request for credit under the Credit Facilities that each of the following statements is and shall remain true and correct throughout the term of this agreement and until all Credit Facilities and all Liabilities under the Notes and other Related Documents are paid in full: (a) the execution and delivery of this agreement and the other Related Documents to which it is a party, and the performance of the obligations they impose, do not violate any Legal Requirement, conflict with any agreement by which it is bound, or require the consent or approval of any other Person, (b) this agreement and the other Related Documents have been duly authorized, executed and delivered by all parties thereto (other than the Bank) and are valid and binding agreements of those Persons, enforceable according to their terms, except as may be limited by bankruptcy, insolvency or other laws affecting the enforcement of creditors' rights generally and by general principles of equity, (c) all balance sheets, profit and loss statements, and other financial statements and other information furnished to the Bank in connection with the Liabilities are accurate and fairly reflect the financial condition of the Persons to which they apply on their effective dates, including contingent liabilities of every type, which financial condition has not changed materially and adversely since those dates, (d) no litigation, claim, investigation, administrative proceeding or similar action (including those for unpaid taxes) is pending or threatened against it, and no other event has occurred which may in any one case or in the aggregate materially adversely affect it or any of its Subsidiaries' financial condition, properties, business, affairs, or operations other than litigation, claims, or other events, if any, that have been disclosed to and acknowledged by the Bank in writing, (e) all of its tax returns and reports that are or were required to be filed, have been filed, and all taxes, assessments and other governmental charges have been paid in full, except those presently being contested by it in good faith and for which adequate reserves have been provided, (f) it is not an "investment company" or a company "controlled" by an "investment company", within the meaning of the investment Company Act of 1940, as amended, (g) it is not a "holding company", or a "subsidiary company" of a "holding company" or an "affiliate" of a "holding company" or of a "subsidiary company" of a "holding company" within the meaning of the Public Utility Holding Company Act of 1935, as amended, (h) there are no defenses or counterclaims, offsets or adverse claims, demands or actions of any kind, personal or otherwise, that it could assert with respect to this agreement or the Credit Facilities, (i) it owns, or is licensed to use, all trademarks, trade names, copyrights, technology, know-how and processes necessary for the conduct of its business as currently conducted, and (j) no part of the proceeds of the Credit Facilities will be used for "purchasing" or "carrying" any "margin stock" within the respective meanings of each of the quoted terms under Regulation U of the Board of Governors of the Federal Reserve System of the United States (the "**Board**") as now and from time to time hereafter in effect or for any purpose which violates the provisions of any regulations of the Board or any other Legal Requirement. The Borrower, other than a natural Person, further represents that: (a) it is duly organized and validly existing under the laws of the state where it is organized and is in good standing in its state of organization and each state where it is doing business, and (b) the execution and delivery of this agreement and the other Related Documents to which it is a party and the performance of the obligations they impose (i) are within its powers, (ii) have been duly authorized by all necessary action of its governing body, and (iii) do not contravene the terms of its Organizational Documents or other agreement or document governing its affairs.
- 6.2 Representations and Warranties Regarding Assets.** To induce the Bank to enter into this agreement and to extend credit or other financial accommodations under the Credit Facilities, the Borrower represents and warrants as of the date of this agreement and as of the date of each request for credit under the Credit Facilities that each of the following statements is and shall remain true and correct throughout the term of this agreement and until all Credit Facilities and all Liabilities owing under the Notes and other Related Documents are paid in full. With respect to any asset utilized in the calculation of the Borrowing Base the Borrower represents and warrants to the Bank that: (1) each asset represented by the Borrower to be eligible for Borrowing Base purposes conforms to the eligibility requirements set forth in this agreement; (2) all asset values delivered to the Bank will be true and correct, subject to immaterial variance, and be determined on a consistent accounting basis; (3) except as agreed to the contrary by the Bank in writing, each asset is now and at all times hereafter will be in the Borrower's physical possession and shall not be held by others on consignment, sale or approval, or sale or return; (4) except as reflected in schedules delivered to the Bank, each asset is now and at all times hereafter will be of good and merchantable quality, free from defects; (5) each asset is not now and will not at any time hereafter be stored with a bailee, warehouseman, or similar Person without the Bank's prior written consent, and in such event, the Borrower will concurrently at the time of bailment cause any such bailee, warehouseman, or similar Person to issue and deliver to the Bank, warehouseman receipts in the Bank's name evidencing the storage of the assets; and (6) the Bank, its assigns, or agents shall have the right at any time and at the Borrower's expense to inspect, examine and audit the Borrower's

records, and if Accounts are included in the calculation of Borrowing Base, confirm with Account Debtors the accuracy of such Accounts, and inspect and examine the assets and to check and test the same as to quality, quantity, value, and condition.

7. **Default/Remedies.** If any of the Credit Facilities is not paid at maturity, whether by acceleration or otherwise, or if a default by anyone occurs under the terms of this agreement, the Notes or any other Related Documents, then the Bank shall have all of the rights and remedies provided by any law, equity or agreement.
8. **Miscellaneous.**
- 8.1 **Notice.** Any notices and demands under or related to this agreement shall be in writing and delivered to the intended party at its address stated in this agreement, and if to the Bank, at its main office if no other address of the Bank is specified in this agreement, by one of the following means: (a) by hand; (b) by a nationally recognized overnight courier service; or (c) by certified mail, postage prepaid, with return receipt requested. Notice shall be deemed given: (a) upon receipt if delivered by hand (b) on the Delivery Day after the day of deposit with a nationally recognized courier service; or (c) on the third Delivery Day after the notice is deposited in the mail. **“Delivery Day”** means a day other than a Saturday, a Sunday or any other day on which national banking associations are authorized to be closed. Any party may change its address for purposes of the receipt of notices and demands by giving notice of the change in the manner provided in this provision.
- 8.2 **No Waiver.** No delay on the part of the Bank in the exercise of any right or remedy waives that right or remedy. No single or partial exercise by the Bank of any right or remedy precludes any other future exercise of it or the exercise of any other right or remedy. The making of an advance during the existence of any default or subsequent to the occurrence of a default or when all conditions precedent have not been met shall not constitute a waiver of the default or condition precedent. No waiver or indulgence by the Bank of any default is effective unless it is in writing and signed by the Bank, nor shall a waiver on one occasion bar or waive that right on any future occasion.
- 8.3 **Integration.** This agreement, the Notes, and the other Related Documents embody the entire agreement and understanding between the Borrower and the Bank and supersede all prior agreements and understandings relating to their subject matter. If any one or more of the obligations of the Borrower under this agreement or the Notes is invalid, illegal or unenforceable in any jurisdiction, the validity, legality and enforceability of the remaining obligations of the Borrower shall not in any way be affected or impaired, and the invalidity, illegality or unenforceability in one jurisdiction shall not affect the validity, legality or enforceability of the obligations of the Borrower under this agreement, the Notes and the other Related Documents in any other jurisdiction.
- 8.4 **Joint and Several Liability.** Each party executing this agreement as the Borrower is individually, jointly and severally liable under this agreement.
- 8.5 **Governing Law and Venue.** This agreement shall be governed by and construed in accordance with the laws of the State of Indiana (without giving effect to its laws of conflicts). The Borrower agrees that any legal action or proceeding with respect to any of its obligations under this agreement may be brought by the Bank in any state or federal court located in the State of Indiana, as the Bank in its sole discretion may elect. By the execution and delivery of this agreement, the Borrower submits to and accepts, for itself and in respect of its property, generally and unconditionally, the non-exclusive jurisdiction of those courts. The Borrower waives any claim that the State of Indiana is not a convenient forum or the proper venue for any such Suit, action or proceeding.
- 8.6 **Survival of Representations and Warranties.** The Borrower understands and agrees that in extending the Credit Facilities, the Bank is relying on all representations, warranties, and covenants made by the Borrower in this agreement or in any certificate or other instrument delivered by the Borrower to the Bank under this agreement or in any of the other Related Documents. The Borrower further agrees that regardless of any investigation made by the Bank, all such representations, warranties and covenants will survive the making of the Credit Facilities and delivery to the Bank of this agreement, shall be continuing in nature, and shall remain in full force and effect until such time as the Liabilities shall be paid in full.

- 8.7 Non-Liability of the Bank.** The relationship between the Borrower and the Bank created by this agreement is strictly a debtor and creditor relationship and not fiduciary in nature, nor is the relationship to be construed as creating any partnership or joint venture between the Bank and the Borrower. The Borrower is exercising its own judgment with respect to its business. All information supplied to the Bank is for the Bank's protection only and no other party is entitled to rely on such information. There is no duty for Bank to review, inspect, supervise or inform the Borrower of any matter with respect to the Borrower's business. The Bank and the Borrower intend that the Bank may reasonably rely on all information supplied by the Borrower to the Bank, together with all representations and warranties given by the Borrower to the Bank, without investigation or confirmation by the Bank and that any investigation or failure to investigate will not diminish the Bank's right to so rely.
- 8.8 Indemnification of the Bank.** The Borrower agrees to indemnify, defend and hold the Bank, its parent companies, Subsidiaries, Affiliates, their respective successors and assigns and each of their respective shareholders, directors, officers, employees and agents (collectively, the "**Indemnified Persons**") harmless from any and against any and all loss, liability, obligation, damage, penalty, judgment, claim, deficiency, expense, interest, penalties, attorneys' fees (including the fees and expenses of any attorneys engaged by the Indemnified Person) and amounts paid in settlement ("**Claims**") to which any Indemnified Person may become subject arising out of or relating to the Credit Facilities, the Liabilities under this agreement or any other Related Documents or the Collateral, except to the limited extent that the Claims are proximately caused by the Indemnified Person's gross negligence or willful misconduct. The indemnification provided for in this paragraph shall survive the termination of this agreement and shall not be affected by the presence, absence or amount of or the payment or nonpayment of any claim under, any insurance.
- 8.9 Counterparts.** This agreement may be executed in multiple counterparts, each of which, when so executed, shall be deemed an original, but all such counterparts, taken together, shall constitute one and the same agreement.
- 8.10 Advice of Counsel.** The Borrower acknowledges that it has been advised by counsel, or had the opportunity to be advised by counsel, in the negotiation, execution and delivery of this agreement and any other Related Documents.
- 8.11 Recovery of Additional Costs.** If the imposition of or any change in any Legal Requirement, or the interpretation or application of any thereof by any court or administrative or governmental authority (including any request or policy not having the force of law) shall impose, modify, or make applicable any taxes (except federal, state, or local income or franchise taxes imposed on the Bank), reserve requirements, capital adequacy requirements, Federal Deposit Insurance Corporation (FDIC) deposit insurance premiums or assessments, or other obligations which would (A) increase the cost to the Bank for extending, maintaining or funding the Credit Facilities, (B) reduce the amounts payable to the Bank under the Credit Facilities, or (C) reduce the rate of return on the Bank's capital as a consequence of the Bank's obligations with respect to the Credit Facilities, then the Borrower agrees to pay the Bank such additional amounts as will compensate the Bank hereof, within five (5) days after the Bank's written demand for such payment. The Bank's demand shall be accompanied by an explanation of such imposition or charge and a calculation in reasonable detail of the additional amounts payable by the Borrower, which explanation and calculations shall be conclusive in the absence of manifest error.
- 8.12 Expenses.** The Borrower agrees to pay or reimburse the Bank for all its out-of-pocket costs and expenses and reasonable attorneys' fees (including the fees of in-house counsel) incurred in connection with the development, preparation and execution of, and in connection with the enforcement or preservation of any rights under, this agreement, any amendment, supplement, or modification thereto, and any other Related Documents. These costs and expenses include without limitation any costs or expenses incurred by the Bank in any bankruptcy, reorganization, insolvency or other similar proceeding.

- 9. USA PATRIOT ACT NOTIFICATION.** The following notification is provided to the Borrower pursuant to Section 326 of the USA Patriot Act of 2001, 31 U.S.C. Section 5318:

IMPORTANT INFORMATION ABOUT PROCEDURES FOR OPENING A NEW ACCOUNT. To help the government fight the funding of terrorism and money laundering activities, Federal law requires all financial institutions to obtain, verify, and record information that identifies each Person that opens an account, including any deposit account, treasury management account, loan, other extension of credit, or other financial services product. What this means for the Borrower:

When the Borrower opens an account, if it is an individual the Bank will ask for its name, taxpayer identification number, residential address, date of birth, and other information that will allow the Bank to identify it, and, if it is not an individual the Bank will ask for its name, taxpayer identification number, business address, and other information that will allow the Bank to identify it. The Bank may also ask, if the Borrower is an individual, to see its driver's license or other identifying documents, and if it is not an individual, to see its Organizational Documents or other identifying documents.

- 10. WAIVER OF SPECIAL DAMAGES.** THE BORROWER WAIVES, TO THE MAXIMUM EXTENT NOT PROHIBITED BY LAW, ANY RIGHT THE UNDERSIGNED MAY HAVE TO CLAIM OR RECOVER FROM THE BANK IN ANY LEGAL ACTION OR PROCEEDING ANY SPECIAL, EXEMPLARY, PUNITIVE OR CONSEQUENTIAL DAMAGES.
- 11. JURY WAIVER.** THE BORROWER AND THE BANK HEREBY VOLUNTARILY, KNOWINGLY, IRREVOCABLY AND UNCONDITIONALLY WAIVE ANY RIGHT TO HAVE A JURY PARTICIPATE IN RESOLVING ANY DISPUTE (WHETHER BASED ON CONTRACT, TORT, OR OTHERWISE) BETWEEN THE BORROWER AND THE BANK ARISING OUT OF OR IN ANY WAY RELATED TO THIS AGREEMENT. THIS PROVISION IS A MATERIAL INDUCEMENT TO THE BANK TO PROVIDE THE FINANCING DESCRIBED HEREIN.

Address(es) for Notices:

2581 Kercher Road
Goshen, IN 46528
Attn: _____

Borrower:

Supreme Corporation

By: _____
Robert W. Wilson President
Printed Name Title

Date Signed: 12-23-2008

Address for Notices:

121 W. FranklinSt.
Elkhart, IN 46516
Attn: _____

Bank:

JPMorgan Chase Bank, N.A.

By: _____
Printed Name Title

Date Signed: 12-23-2008

Subsidiaries of the Registrant (a)

Supreme Corporation, a Texas corporation
Supreme Indiana Operations, Inc., a Delaware corporation
Supreme Indiana Management, Inc., a Delaware corporation
Supreme Corporation of Texas, a Texas corporation
Supreme Truck Bodies of California, Inc., a California corporation
Supreme STB, LLC, a California limited liability company
Supreme Mid-Atlantic Corporation, a Texas corporation
Supreme Northwest, L.L.C., a Texas limited liability company
Silver Crown, LLC, a Delaware limited liability company
SC Tower Structural Laminating, Inc., a Texas corporation
Supreme Insurance Company, Inc., a Nevada corporation
Supreme Properties North, Inc., a Delaware corporation
Supreme Properties South, Inc., a Delaware corporation
Supreme Properties East, Inc., a Delaware corporation
Supreme Properties West, Inc., a Delaware corporation
Supreme/Murphy Truck Bodies, Inc., a North Carolina corporation

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

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

We consent to the incorporation by reference in Registration Statement Nos. 333-157017, 333-143369, 333-118584, 333-104386 and 333-89867 pertaining to the Supreme Industries, Inc. Amended and Restated 2004 Stock Option Plan, 2001 Stock Option Plan and 1998 Stock Option Plan of our report dated February 12, 2009, on the consolidated financial statements and financial statement schedule of Supreme Industries, Inc. and its subsidiaries, which report is included in Form 10-K for Supreme Industries, Inc. for the year ended December 27, 2008.

/s/ Crowe Horwath LLP

South Bend, Indiana
March 12, 2009

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Herbert M. Gardner, certify that:

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

- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2009

/s/ Herbert M. Gardner
Chief Executive Officer

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Jeffery D. Mowery, certify that:

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

- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 13, 2009

/s/ Jeffery D. Mowery
Chief Financial Officer

**Certification of Chief Executive Officer of
Supreme Industries, Inc. Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

This certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and accompanies the Annual Report on Form 10-K (the "Form 10-K") for the year ended December 27, 2008 of Supreme Industries, Inc. (the "Company"). I, Herbert M. Gardner, the Chief Executive Officer of the Company, certify that, based on my knowledge:

- (1) The Form 10-K fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in this report.

Dated: March 13, 2009

/s/ Herbert M. Gardner
Chief Executive Officer

**Certification of Chief Financial Officer of
Supreme Industries, Inc. Pursuant to
Section 906 of the Sarbanes-Oxley Act of 2002**

This certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and accompanies the Annual Report on Form 10-K (the "Form 10-K") for the year ended December 27, 2008 of Supreme Industries, Inc. (the "Company"). I, Jeffery D. Mowery, the Chief Financial Officer of the Company, certify that, based on my knowledge:

- (1) The Form 10-K fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and
- (2) The information contained in the Form 10-K fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in this report.

Dated: March 13, 2009

/s/ Jeffery D. Mowery
Chief Financial Officer
