

SUPERIOR UNIFORM GROUP INC

Form 10-K

February 28, 2014

**UNITED STATES**

**SECURITIES AND EXCHANGE COMMISSION**

**Washington, D.C. 20549**

**FORM 10-K**

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

For the fiscal year ended December 31, 2013

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

Commission File Number 001-05869

**SUPERIOR UNIFORM GROUP, INC.**

(Exact Name of Registrant as Specified in Its Charter)

**Florida**                                 **11-1385670**  
(State or Other Jurisdiction         (I.R.S. Employer  
of Incorporation or Organization) Identification No.)

**10055 Seminole Blvd.**

**Seminole, Florida 33772**

(Address of Principal Executive Offices, including Zip Code)

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Registrant's telephone number, including area code: (727) 397-9611

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

| <u>Title of Each Class</u>               | <u>Name of Each Exchange on Which Registered</u> |
|--|--|
| Common Stock, par value \$.001 per share | Listed on the NASDAQ Stock Market                |

Securities registered pursuant to Section 12(g) of the Act: N/A

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes \_\_\_\_\_ No  \_\_\_\_\_

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes \_\_\_\_\_ No  \_\_\_\_\_

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes  \_\_\_\_\_ No \_\_\_\_\_

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes  \_\_\_\_\_ No \_\_\_\_\_

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions 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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Act).

Yes  No

At June 30, 2013, the aggregate market value of the registrant’s common shares held by non-affiliates, computed by reference to the last sales price (\$10.79) as reported by the NASDAQ Stock Market, was approximately \$43 million (based on the assumption, solely for purposes of this computation, that all directors and officers of the registrant were affiliates of the registrant).

The number of shares of common stock outstanding as of February 24, 2014 was 6,584,467 shares.

Documents Incorporated by Reference:

Portions of the registrant's Definitive Proxy Statement to be filed with the Commission not later than 120 days after the conclusion of the registrant’s fiscal year ended December 31, 2013, relating to its Annual Meeting of Shareholders to be held May 2, 2014, are incorporated by reference to furnish the information required by Items 10, 11, 12, 13 and 14 of Part III. The exhibit index may be found on Page 49.

## **PART I**

Special Note Regarding Forward-Looking Statements

*References in this report to “the Company,” “Superior,” “we,” “our,” or “us” mean Superior Uniform Group, Inc. together with its subsidiaries, except where the context otherwise requires. Certain matters discussed in this Form 10-K are “forward-looking statements” intended to qualify for the safe harbors from liability established by the Private Securities Litigation Reform Act of 1995. These forward-looking statements can generally be identified as such because the context of the statement will include words such as we “believe,” “anticipate,” “expect” or words of similar import. Similarly, statements that describe our future plans, objectives, strategies, goals, and projections regarding industry and general economic trends, our expected financial position, results of operations, or market position are also forward-looking statements. Such forward-looking statements are subject to certain risks and uncertainties that may materially adversely affect the anticipated results. Such risks and uncertainties include, but are not limited to, the following: general economic conditions in the areas of the United States in which the Company’s customers are located; changes in the healthcare, resort and commercial industries where uniforms and service apparel are worn; the impact of competition; our ability to successfully integrate operations following consummation of acquisitions; the availability of manufacturing materials and those risks discussed under Item 1A of this report entitled “Risk Factors.” Shareholders, potential investors and other readers are urged to consider these factors carefully in evaluating the forward-looking statements made herein and are cautioned not to place undue reliance on such forward-looking statements. The forward-looking statements made herein are only made as of the date of this Form 10-K and we disclaim any obligation to publicly update such forward-looking statements to reflect subsequent events or circumstances.*

## **Item 1. Business**

Superior Uniform Group, Inc. was organized in 1920 and was incorporated in 1922 as a New York company under the name Superior Surgical Mfg. Co., Inc. In 1998, the Company changed its name to Superior Uniform Group, Inc. and its state of incorporation to Florida. Superior is comprised of two reportable business segments: (1) Uniforms and Related Products, and (2) Remote Staffing Solutions.

Superior’s Uniforms and Related Products segment, through its Signature marketing brands—Fashion Seal®, Fashion Seal Healthcare®, HPI Direct®, Martin’s®, Worklon®, UniVogue® and Blade, manufactures and sells a wide range of uniforms, career apparel and accessories for the hospital and healthcare fields; hotels; fast food and other restaurants; and public safety, industrial and commercial markets. In excess of 95% of Superior’s Uniforms and Related Products segment’s net sales are from the sale of uniforms and service apparel and directly-related products.

Superior services its Remote Staffing Solutions segment through multiple The Office Gurus entities, including its direct and indirect subsidiaries in El Salvador, Belize, and the United States, (collectively, “TOG”). TOG is a near-shore premium provider of cost effective multilingual telemarketing and total office support solutions.

## **Products**

Superior manufactures and sells a wide range of uniforms, corporate identity apparel, career apparel and accessories for the medical and health fields as well as for the industrial, commercial, leisure, and public safety markets in its Uniforms and Related Products segment. Its principal products are:

Uniforms and service apparel for personnel of:

Hospitals and health facilities;  
Hotels, commercial buildings, residential buildings, and food service facilities;  
Retail stores;  
General and special purpose industrial uses;  
Commercial enterprises (career apparel for banks, airlines, etc.);  
Public and private safety and security organizations; and  
Miscellaneous service uses.

Miscellaneous products directly related to:

Uniforms and service apparel specified above (e.g. boots and sheets); and  
Linen suppliers and industrial launderers, to whom a substantial portion of Superior's uniforms and service apparel are sold; such products being primarily industrial laundry bags.

Uniforms and service apparel and related products account for in excess of 95% of net sales; no other single class of product listed above accounts for more than 10% of net sales.

## **Services**

Through the recruitment and employment of highly qualified English-speaking agents, we provide our customers with extended office support from a versatile call and contact center environment in our Remote Staffing Solutions segment.

## **Competition**

Superior competes in its Uniforms and Related Products segment with more than three dozen firms, including divisions of larger corporations. Superior competes with national and regional manufacturers, such as Cintas Corporation, Unifirst Corporation, G&K Services and ARAMARK—a division of privately held ARAMARK Corporation. Superior also competes with local firms in most major metropolitan areas. The nature and degree of competition varies with the customer and the market. Industry statistics are not available, but we believe Superior is one of the leading suppliers of garments to hospitals and industrial clean rooms, hotels and motels, food service establishments and uniforms to linen suppliers. Superior experiences competition primarily in the areas of product development, styling and pricing. We believe that the strength of our brands and marketing, coupled with the quality of our products, allow us to compete effectively.

The market in which TOG operates is competitive and highly fragmented. TOG's competitors in the Remote Staffing Solutions segment range in size from very small firms offering specialized applications or short-term projects to very large independent firms, and include the in-house operations of many customers and potential customers. We compete directly and indirectly with various companies that provide contact center and other business process outsourcing solutions on an outsourced basis. These companies include, but are not limited to, U.S.-based providers, such as APAC Customer Services, Convergys, Sitel, Startek, Sykes, TechTeam Global, TeleTech and West. TOG also competes with local entities in other offshore geographies, such as TIVIT and the Philippine Long Distance Telephone Company; small niche providers, such as Alpine Access, Arise, VIPDesk, and Working Solutions; and large global companies that offer outsourced services within their portfolios, such as IBM, HP, CapGemini, Accenture and Fujitsu. The list of potential competitors includes both publicly traded and privately held companies.

## **Customers**

Superior has a substantial number of customers, the largest of which accounted for approximately 6.7% of its 2013 net sales.

## **Backlog**

Although Superior at all times has a substantial backlog of orders, we do not consider this significant since our backlog of orders at any time consists primarily of recurring firm orders being processed and filled.

Superior normally completes shipments of orders from stock within one week after their receipt. As of February 22, 2014, the backlog of all orders that we believe to be firm was approximately \$6.9 million, compared to approximately \$4.4 million as of February 23, 2013.

## **Inventory**

Superior markets itself to its customers as a "stock house." Therefore, Superior at all times carries substantial inventories of raw materials (principally piece goods) and finished garments, which requires substantial working capital. Superior's principal raw materials are textile products. In 2013 and 2012, approximately 33% and 48%, respectively, of our products were obtained from suppliers located in Central America. Superior does not believe that it is dependent upon any of its suppliers, despite the concentration of its purchasing from a few sources, as other suppliers of the same or similar products are readily available. However, if Superior is unable to continue to obtain its products from Central America, it could significantly disrupt Superior's business.

## **Intellectual Property**

Superior owns and uses several trademarks and service marks relating to its brands that have significant value and are instrumental to its ability to market its products. Superior's most significant trademark is its mark "Fashion Seal Uniforms" (presently registered with the United States Patent and Trademark Office until August 8, 2017). The Fashion Seal Uniforms trademark is critically important to the marketing and operation of Superior's business, as more than 50% of Superior's products are sold under that name.

## **Environmental Matters**

In view of the nature of our business, compliance with federal, state, and local laws regulating the discharge of materials into the environment, or otherwise relating to the protection of the environment, has had no material effect upon our operations or earnings, and we do not expect it to have a material impact in the future.



## **Employees**

Superior employed 973 persons, of which 967 were full-time employees, as of December 31, 2013.

## **Securities Exchange Act Reports**

The Company maintains an internet website at the following address: [www.superioruniformgroup.com](http://www.superioruniformgroup.com). The information on the Company's website is not incorporated by reference in this annual report on Form 10-K.

We make available on or through our website certain reports and amendments to those reports that we file with or furnish to the Securities and Exchange Commission (the "SEC") in accordance with the Securities Exchange Act of 1934, as amended (the "Exchange Act"). These include our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and Section 16 filings. We make this information available on our website free of charge as soon as reasonably practicable after we electronically file the information with, or furnish it to, the SEC.

## **Item 1A. Risk Factors**

Our business, operations and financial condition are subject to various risks, and many of those risks are driven by factors that we cannot control or predict. The following discussion addresses those risks that management believes are the most significant, and you should take these risks into account in evaluating us or any investment decision involving us. Additional risks and uncertainties not presently known or that we currently believe to be less significant may also adversely affect us.

## **Risks Relating To Our Industry**

**We face intense competition within our industry and our revenue may decrease if we are not able to respond to this competition accordingly.**

Customers in the uniform and corporate identity apparel industry choose suppliers primarily based upon the quality, price and breadth of products offered. We encounter competition from a number of companies in the geographic areas we serve. Major competitors include publicly held companies such as Cintas Corporation, Unifirst Corporation and G&K Services, as well as ARAMARK — a division of privately-held ARAMARK Corporation. We also compete with a multitude of regional and local competitors that vary by market. If our existing or future competitors seek to gain or retain market share by reducing prices, we may be required to lower our prices, which would adversely affect our operating results. In addition, our competitors generally compete with us for acquisition candidates, which can increase the price for acquisitions and reduce the number of acquisition candidates available to us.

**Regional or national economic slowdowns, high unemployment levels, or cost increases might have an adverse effect on our operating results.**

National or regional economic slowdowns or certain industry specific slowdowns resulting in higher unemployment levels and overall weak economic conditions generally result in reductions of customers' employees in uniform that, in turn, adversely affect our revenues. If we are unable to offset this effect through the addition of new customers (through acquisition or otherwise), the penetration of existing customers with a broader mix of product and service offerings, or decreased production costs, our revenue growth rates will be negatively impacted. Events or conditions in a particular geographic area, such as adverse weather and other factors, could also hurt our operating results. While we do not believe that our exposure is greater than that of our competitors, we could be adversely affected by increases in the prices of fabric, natural gas, gasoline, wages, employee benefits, insurance costs and other components of product cost unless we can recover such increases through increases in the prices for our products and services. Competitive and general economic conditions might limit our ability and that of our competitors to increase prices to cover such increases in our product cost.

**Volatility in the global economy could adversely affect results.**

In the past, global financial markets have experienced an extreme disruption, including, among other things, volatility in security prices, diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. There can be no assurance that there will not be further change, which could lead to challenges in our business and negatively impact our financial results. The tightening of credit in financial markets adversely affects the ability of our customers and suppliers to obtain financing for significant purchases and operations and could result

in a decrease in orders and spending for our products and services. We are unable to predict the likely duration and severity of any disruption in financial markets and adverse economic conditions and the effects they may have on our business and financial condition.

**The uniform and corporate identity apparel industry is subject to pricing pressures that may cause us to lower the prices we charge for our products and adversely affect our financial performance.**

Many of our competitors source their product requirements from developing countries to achieve a lower cost operating environment, possibly in environments with lower costs than our offshore facilities, and those manufacturers may use these cost savings to reduce prices. To remain competitive, we must adjust our prices from time to time in response to these industry-wide pricing pressures. Moreover, increased customer demands for allowances, incentives and other forms of economic support could reduce our gross margins and affect our profitability. Our financial performance may be negatively affected by these pricing pressures if we are forced to reduce our prices and we cannot reduce our product costs or if our product costs increase and we cannot increase our prices.

**Increases in the price of raw materials used to manufacture our products could materially increase our costs and decrease our profitability.**

The principal fabrics used in our business are made from cotton, wool, silk, synthetic and cotton-synthetic blends. The prices we pay for these fabrics are dependent on the market price for the raw materials used to produce them, primarily cotton and chemical components of synthetic fabrics. These raw materials are subject to price volatility caused by weather, supply conditions, government regulations, economic climate, currency exchange rates, and other unpredictable factors. Fluctuations in petroleum prices also may influence the prices of related items such as chemicals, dyestuffs and polyester yarn. Any raw material price increase could increase our cost of sales and decrease our profitability unless we are able to pass higher prices on to our customers. In addition, if one or more of our competitors is able to reduce their production costs by taking advantage of any reductions in raw material prices or favorable sourcing agreements, we may face pricing pressures from those competitors and may be forced to reduce our prices or face a decline in net sales, either of which could have a material adverse effect on our business, results of operations and financial condition.

**Changing international trade regulation on imports of textiles and apparel may increase competition in our industry. Future quotas, duties or tariffs may increase our costs or limit the amount of products that we can import.**

Our operations are subject to various international trade agreements and regulations, such as the North American Free Trade Agreement, as supplemented (NAFTA), Dominican Republic–Central America Free Trade Agreement (CAFTA-DR), Haitian Hemispheric Opportunity through Partnership Encouragement Act, as amended (HOPE), and African Growth and Opportunity Act (AGOA), and the activities and regulations of the World Trade Organization (WTO). Generally, these trade agreements benefit our business by reducing or eliminating the duties and/or quotas assessed on products manufactured in a particular country. However, trade agreements can also impose requirements that negatively affect our business, such as limiting the countries from which we can purchase raw materials and setting quotas on products that may be imported into the United States from a particular country. In addition, increased competition from developing countries could have a material adverse effect on our business, results of operations or financial condition.

The countries in which our products are manufactured or into which they are imported may from time to time impose new quotas, duties, tariffs and requirements as to where raw materials must be purchased, additional workplace regulations, or other restrictions on our imports or adversely modify existing restrictions. Adverse changes in these costs and restrictions could harm our business. We cannot assure you that future trade agreements will not provide our competitors an advantage over us, or increase our costs, either of which could have a material adverse effect on our business, results of operations or financial condition.

**The corporate identity apparel and uniform industry is subject to changing fashion trends and if we misjudge consumer preferences, the image of one or more of our brands may suffer and the demand for our products may decrease.**

The apparel industry, including uniforms and corporate identity apparel is subject to shifting customer demands and evolving fashion trends and our success is also dependent upon our ability to anticipate and promptly respond to these changes. Failure to anticipate, identify or promptly react to changing trends or styles may result in decreased demand for our products, as well as excess inventories and markdowns, which could have a material adverse effect on our business, results of operations, and financial condition. In addition, if we misjudge consumer preferences, our brand image may be impaired. We believe our products are, however, in general, less subject to fashion trends compared to many other apparel manufacturers because we manufacture and sell uniforms, corporate identity apparel and other accessories.

## **Risks Relating To Our Business**

**Our success depends upon the continued protection of our trademarks and other intellectual property rights and we may be forced to incur substantial costs to maintain, defend, protect and enforce our intellectual property rights.**

Our intellectual property, as well as certain of our licensed intellectual property, have significant value and are instrumental to our ability to market our products. While we own and use several trademarks, our mark “Fashion Seal Uniforms” (presently registered until August 8, 2017) is important to our business, as more than 50% of our products are sold under that name. We cannot assure you that third parties will not assert claims against any such intellectual property or that we will be able to successfully resolve all such claims. In addition, although we seek international protection of our intellectual property, the laws of some foreign countries may not allow us to protect, defend or enforce our intellectual property rights to the same extent as the laws of the United States. We could also incur substantial costs to defend legal actions relating to use of our intellectual property, which could have a material adverse effect on our business, results of operations or financial condition. In addition, some of our license agreements with third parties will expire by their terms over the next several years. There can be no assurance that we will be able to negotiate and conclude extensions of such agreements on similar economic terms or at all.

**Our customers may cancel or decrease the quantity of their orders, which could negatively impact our operating results.**

Although we have long-standing customer relationships, we do not have long-term contracts with many of our customers. Sales to many of our customers are on an order-by-order basis. If we cannot fill customers’ orders on time, orders may be cancelled and relationships with customers may suffer, which could have an adverse effect on us, especially if the relationship is with a major customer. Furthermore, if any of our customers experience a significant downturn in their business, or fail to remain committed to our programs or brands, the customer may reduce or discontinue purchases from us. The reduction in the amount of our products purchased by several of our major customers could have a material adverse effect on our business, results of operations or financial condition.

In addition, some of our customers have experienced significant changes and difficulties, including consolidation of ownership, increased centralization of buying decisions, restructurings, bankruptcies and liquidations. A significant adverse change in a customer relationship or in a customer’s financial position could cause us to limit or discontinue business with that customer, require us to assume more credit risk relating to that customer’s receivables or limit our ability to collect amounts related to previous purchases by that customer, all of which could have a material adverse effect on our business, results of operations or financial condition.

**We have significant pension obligations with respect to our employees and our available cash flow may be adversely affected in the event that payments become due under any pension plans that are unfunded or underfunded.**

A portion of our active and retired employees participate in defined benefit pension plans under which we are obligated to provide prescribed levels of benefits regardless of the value of the underlying assets, if any, of the applicable pension plan. If our obligations under a plan are unfunded or underfunded, we will have to use cash flow from operations and other sources to pay our obligations either as they become due or over some shorter funding period. As of December 31, 2013, we had approximately \$3.6 million in unfunded or underfunded obligations related to our pension plans.

**We may undertake acquisitions to expand our business, which may pose risks to our business.**

We selectively pursue acquisitions from time to time as part of our growth strategy. We compete with others within our industry for suitable acquisition candidates. This competition may increase the price for acquisitions and reduce the number of acquisition candidates available to us. As a result, acquisition candidates may not be available to us in the future on favorable terms. Even if we are able to acquire businesses on favorable terms, managing growth through acquisition is a difficult process that includes integration and training of personnel, combining plant and operating procedures, and additional matters related to the integration of acquired businesses within our existing organization. Unanticipated issues related to integration may result in additional expense or in disruption to our operations, either of which could negatively impact our ability to achieve anticipated benefits. While we believe we will be able to fully integrate acquired businesses, we can give no assurance that we will be successful in this regard.

**We are subject to federal, state and local laws and regulations.**

We are subject to federal, state and local laws and regulations affecting our business, including those promulgated under the Occupational Safety and Health Act, the Consumer Product Safety Act, the Flammable Fabrics Act, the Textile Fiber Product Identification Act, the rules and regulations of the Consumer Products Safety Commission and various labor, workplace and related laws, as well as environmental laws and regulations. Failure to comply with such laws may expose us to potential liability and have an adverse effect on our results of operations.

**Shortages of supply of sourced goods from suppliers or interruptions in our manufacturing could adversely affect our results of operations.**

We utilize multiple supply sources and manufacturing facilities. However, an unexpected interruption in any of the sources or facilities could temporarily adversely affect our results of operations until alternate sources or facilities can be secured. In 2013 and 2012 approximately 33% and 48%, respectively, of our products were obtained from suppliers located in Central America. If we are unable to continue to obtain our products from Central America, it could significantly disrupt our business. Because we source products in Central America, we are affected by economic conditions in Central America, including increased duties, possible employee turnover, labor unrest and lack of developed infrastructure.

**Our business may be impacted by adverse weather.**

Our corporate headquarters and a substantial number of our customers are located in Florida. During fiscal 2005, four hurricanes made land-fall in Florida, with Hurricane Wilma moving directly through South Florida and causing significant infrastructure damage and disruption to the area. Sales of our products were adversely affected by these and the other Gulf Coast hurricanes during fiscal 2005. While we were not impacted by any hurricane related events during fiscal 2012 or 2013, because we are located in Florida, which is a hurricane-sensitive area, we are particularly susceptible to the risk of damage to, or total destruction of, our headquarters and surrounding transportation infrastructure caused by a hurricane. In addition, similar disruptions to the business of our customers located in areas affected by hurricanes may adversely impact sales of our products.

**Our Remote Staffing Solutions business may not develop in ways that we currently anticipate due to negative public reaction to outsourcing and recently proposed legislation.**

We have based our growth strategy on certain assumptions regarding our industry, services and future demand in the market for our services. However, the trend to outsource business processes may not continue and could reverse. Outsourcing is a politically sensitive topic in the United States and elsewhere due to a perceived association between outsourcing providers and the loss of jobs in the United States. A variety of U.S. federal and state legislation has been proposed that, if enacted, could restrict or discourage U.S. companies from outsourcing services outside the United States. For example, public figures have supported legislation that they contend will generate new jobs in the United States, including limiting income tax benefits for companies that offshore American jobs. Because all of our current customers are U.S. companies, any expansion of existing laws or the enactment of new legislation restricting offshore outsourcing could harm our business, results of operations and financial condition. It is possible that legislation could be adopted that would restrict U.S. private sector companies that have federal or state government contracts from outsourcing their services to off-shore service providers. This would also negatively affect our ability to attract or retain customers that have these contracts.

**Certain of our existing shareholders have significant control.**

At December 31, 2013, our executive officers and certain of their family members collectively beneficially owned 33.3% of our outstanding common stock. As a result, our executive officers and certain of their family members have significant influence over the election of our Board of Directors, the approval or disapproval of any other matters requiring shareholder approval, and the affairs and policies of our company.

**The success of our business depends on our ability to attract and retain qualified employees.**

We need talented and experienced personnel in a number of areas including our core business activities. An inability to retain and attract qualified personnel, especially our key executives, could harm our business.

**Item 1B. Unresolved Staff Comments**

None.



## **Item 2. Properties**

The Company has an ongoing program designed to maintain and improve its facilities. Generally, all properties are in satisfactory condition. The Company's properties are currently fully utilized (none noted as not fully utilized) and have aggregate productive capacity to meet the Company's present needs as well as those of the foreseeable future. The material manufacturing and distribution locales are rented for nominal amounts due to cities providing incentives for businesses to locate in their area - all such properties may be purchased for nominal amounts. As a result, it is believed that the subject lease expirations and renewal terms thereof are not material. Set forth below are the locations of our facilities:

Seminole, Florida – Plant of approximately 60,000 square feet owned by the Company; used as principal administrative office and for warehousing and shipping, as well as the corporate design center.

Eudora, Arkansas – Plant of approximately 217,000 square feet, partially leased from the City of Eudora requiring payment of only a nominal rental fee; used for manufacturing, warehousing, and shipping; lease expiring November 30, 2016.

McGehee, Arkansas – Plant of approximately 26,000 square feet, leased from the City of McGehee requiring payment of only a nominal rental fee; used for storage; lease expiring in 2014.

Alpharetta, Georgia – Plant of approximately 75,000 square feet owned by the Company; used for manufacturing, warehousing and office space.

Alpharetta, Georgia – Facility used for warehousing and office space, leased by the Company, approximately 31,000 square feet.

San Salvador, El Salvador – Office space of approximately 23,200 square feet; owned by The Office Gurus, LTDA De C.V., a subsidiary of SUG Holding, and Fashion Seal Corporation, wholly-owned subsidiaries of the Company; used as office space for our Remote Staffing Solutions business.

Belize – Office space of approximately 9,300 square feet, owned by The Office Gurus, Ltd.

Costa Rica – Office space of approximately 495 square feet; leased by Power Three Web, LTDA, a wholly-owned subsidiary of SUG Holding, Inc.; lease expiring in January 2015.

Miscellaneous – Lexington, Mississippi: facility used for warehousing and shipping, approximately 40,000 square feet – owned by the Company; Dallas, Texas: leased sales office of approximately 2,055 square feet – lease expiring in 2017.

## **Item 3. Legal Proceedings**

We are a party to certain lawsuits in the ordinary course of business. We do not believe that these proceedings, individually or in the aggregate, will have a material adverse effect on our financial position, results of operations or cash flows.

**Item 4. Mine Safety Disclosures**

Not applicable.

**PART II****Item 5. Market For Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The principal market on which Superior's common shares are traded is the NASDAQ Stock Market under the symbol "SGC"; said shares have also been admitted to unlisted trading on the Chicago Stock Exchange.

The following table sets forth the high and low sales prices and cash dividends declared on our common stock by quarter for 2013 and 2012 as reported in the consolidated transaction reporting system of the NASDAQ Stock Market.

|  | QUARTER ENDED |         |          |         |         |         |          |         |
|--|---------------|---------|----------|---------|---------|---------|----------|---------|
|  | 2013          |         |          |         | 2012    |         |          |         |
|  | Mar.31        | June 30 | Sept. 30 | Dec. 31 | Mar. 31 | June 30 | Sept. 30 | Dec. 31 |
| Common Shares:                                       |               |         |          |         |         |         |          |         |
| High   | \$11.99       | \$12.00 | \$12.91  | \$16.97 | \$13.50 | \$12.48 | \$12.65  | \$12.25 |
| Low  | \$10.92       | \$10.63 | \$10.08  | \$12.71 | \$10.95 | \$10.70 | \$11.15  | \$10.37 |
| Dividends (total for 2013 - \$0.135;<br>2012-\$1.08) | -             | -       | -        | \$0.135 | \$0.135 | \$0.135 | \$0.135  | \$0.675 |

We declared cash dividends of \$0.135 per share in each of the quarters during the fiscal year ended December 2012. Additionally, we declared and paid a special dividend of \$0.54 per share in the fourth quarter of 2012. On December

31, 2012, the Company paid a special dividend of \$0.54 per share representing an early payment of the Company's regular dividend for 2013 in order to take advantage of a tax efficient method to return capital to our shareholders prior to anticipated increases in tax rates associated with dividends. We intend to pay regular quarterly distributions to our shareholders, the amount of which may change from time to time. Future distributions will be declared and paid at the discretion of our Board of Directors, and will depend upon cash generated by operating activities, our financial condition, capital requirements, and such other factors as our Board of Directors deem relevant.

Under our credit agreement with Fifth Third Bank, if an event of default exists, we may not make distributions to our shareholders. The Company is in full compliance with all terms, conditions and covenants of its credit agreement.

On February 24, 2014, we had 154 shareholders of record and the closing price for our common shares on the NASDAQ Stock Market was \$15.97 per share.

Information regarding the Company's equity compensation plans is incorporated by reference to the information set forth in Item 12 of Part III of this report under the section entitled "Equity Compensation Plan Information.&#8221