

SUPREME INDUSTRIES INC  
Form 10-Q  
May 17, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**FORM 10-Q**

(Mark One)

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

For the quarterly period ended April 2, 2011

or

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

For the transition period from        to

Commission File Number: 1-8183

# SUPREME INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**75-1670945**  
(I.R.S. Employer Identification No.)

**2581 E. Kercher Rd., P.O. Box 237, Goshen, Indiana**  
(Address of principal executive offices)

**46528**  
(Zip Code)

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

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 (§232.405 of this chapter) 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 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 Exchange Act). Yes  No

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

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

**Outstanding at May 04, 2011**  
**12,683,640**  
**1,716,937**



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## Consolidated Balance Sheets

|   | April 2,<br>2011<br>(Unaudited) | December 25,<br>2010  |
|---|---------------------------------|-----------------------|
| <b>ASSETS</b>                                   |                                 |                       |
| <b>Current assets:</b>                          |                                 |                       |
| Cash and cash equivalents                       | \$ 155,998                      | \$ 1,050,047          |
| Investments                                     | 934,636                         | 1,208,831             |
| Accounts receivable, net                        | 30,790,985                      | 21,305,281            |
| Inventories                                     | 52,953,024                      | 35,676,353            |
| Other current assets                            | 10,606,698                      | 9,203,427             |
| <b>Total current assets</b>                     | <b>95,441,341</b>               | <b>68,443,939</b>     |
| <b>Property, plant and equipment, at cost</b>   | <b>79,124,171</b>               | <b>78,815,303</b>     |
| Less, Accumulated depreciation and amortization | 46,528,538                      | 45,760,412            |
| <b>Property, plant and equipment, net</b>       | <b>32,595,633</b>               | <b>33,054,891</b>     |
| <b>Other assets</b>                             | <b>36,438</b>                   | <b>38,624</b>         |
| <b>Total assets</b>                             | <b>\$ 128,073,412</b>           | <b>\$ 101,537,454</b> |

See accompanying notes to consolidated financial statements.

Table of Contents**Supreme Industries, Inc. and Subsidiaries**

Consolidated Balance Sheets, Concluded

|  | April 2,<br>2011<br>(Unaudited) | December 25,<br>2010  |
|--|---------------------------------|-----------------------|
| <b>LIABILITIES AND STOCKHOLDERS EQUITY</b>       |                                 |                       |
| <b>Current liabilities:</b>                      |                                 |                       |
| Current maturities of long-term debt             | \$ 29,316,266                   | \$ 25,874,365         |
| Trade accounts payable                           | 36,128,971                      | 11,571,902            |
| Accrued income taxes                             | 1,039,005                       | 1,040,096             |
| Other accrued liabilities                        | 10,101,707                      | 10,347,567            |
| <b>Total current liabilities</b>                 | <b>76,585,949</b>               | <b>48,833,930</b>     |
| <b>Long-term debt</b>                            | <b>754,525</b>                  | <b>770,847</b>        |
| <b>Total liabilities</b>                         | <b>77,340,474</b>               | <b>49,604,777</b>     |
| <b>Stockholders equity</b>                       | <b>50,732,938</b>               | <b>51,932,677</b>     |
| <b>Total liabilities and stockholders equity</b> | <b>\$ 128,073,412</b>           | <b>\$ 101,537,454</b> |

See accompanying notes to consolidated financial statements.

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## Consolidated Statements of Operations (Unaudited)

|   | <b>Three Months Ended</b> |                           |
|---|---------------------------|---------------------------|
|   | <b>April 2,<br/>2011</b>  | <b>March 27,<br/>2010</b> |
| Net sales   | \$ 68,399,974             | \$ 46,042,270             |
| Cost of sales   | 61,876,822                | 42,195,969                |
| <b>Gross profit</b>   | <b>6,523,152</b>          | <b>3,846,301</b>          |
| Selling, general and administrative expenses                        | 7,311,407                 | 5,560,620                 |
| Other income  | (60,753)                  | (188,363)                 |
| <b>Operating loss</b>   | <b>(727,502)</b>          | <b>(1,525,956)</b>        |
| Interest expense  | 279,858                   | 493,772                   |
| <b>Loss from continuing operations before income taxes</b>          | <b>(1,007,360)</b>        | <b>(2,019,728)</b>        |
| Income tax expense  |                           |                           |
| <b>Loss from continuing operations</b>                              | <b>(1,007,360)</b>        | <b>(2,019,728)</b>        |
| Discontinued operations   |                           |                           |
| Operating income from discontinued motorhome operations, net of tax |                           | 5,204                     |
| Operating loss of discontinued Oregon operations, net of tax        | (357,139)                 | (393,884)                 |
| <b>Net loss</b>   | <b>\$ (1,364,499)</b>     | <b>\$ (2,408,408)</b>     |
| <b>Loss Per Share:</b>  |                           |                           |
| Loss from continuing operations                                     | \$ (0.07)                 | \$ (0.14)                 |
| Loss from discontinued operations                                   | (0.03)                    | (0.03)                    |
| <b>Net loss</b>   | <b>\$ (0.10)</b>          | <b>\$ (0.17)</b>          |
| <b>Shares used in the computation of loss per share:</b>            |                           |                           |
| Basic   | 14,360,917                | 14,256,540                |
| Diluted   | 14,360,917                | 14,256,540                |

See accompanying notes to consolidated financial statements.

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Consolidated Statements of Cash Flows (Unaudited)

|   | <b>Three Months Ended</b> |                           |
|---|---------------------------|---------------------------|
|   | <b>April 2,<br/>2011</b>  | <b>March 27,<br/>2010</b> |
| <b>Cash flows from operating activities:</b>  |                           |                           |
| Net loss  | \$ (1,364,499)            | \$ (2,408,408)            |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities: |                           |                           |
| Depreciation and amortization   | 768,126                   | 987,683                   |
| Provision for losses on doubtful receivables  | 46,065                    | 50,339                    |
| Stock-based compensation expense  | 153,786                   | 139,144                   |
| Losses on sale of property, plant and equipment, net                                      |                           | 10,784                    |
| Changes in operating assets and liabilities   | (3,901,593)               | 7,433,215                 |
| <b>Net cash provided by (used in) operating activities</b>                                | <b>(4,298,115)</b>        | <b>6,212,757</b>          |
| <b>Cash flows from investing activities:</b>  |                           |                           |
| Additions to property, plant and equipment  | (308,868)                 | (348,623)                 |
| Proceeds from sale of property, plant and equipment                                       |                           | 604,749                   |
| Purchases of investments  |                           | (940,438)                 |
| Proceeds from sales of investments  | 277,643                   |                           |
| Decrease in other assets  | 2,186                     | 2,186                     |
| <b>Net cash used in investing activities</b>  | <b>(29,039)</b>           | <b>(682,126)</b>          |
| <b>Cash flows from financing activities:</b>  |                           |                           |
| Proceeds from revolving line of credit and long-term debt                                 | 22,482,981                | 13,248,877                |
| Repayments of revolving line of credit and long-term debt                                 | (19,057,402)              | (19,901,865)              |
| Proceeds from exercise of stock options   | 7,526                     |                           |
| <b>Net cash provided by (used in) financing activities</b>                                | <b>3,433,105</b>          | <b>(6,652,988)</b>        |
| <b>Change in cash and cash equivalents</b>  | <b>(894,049)</b>          | <b>(1,122,357)</b>        |
| <b>Cash and cash equivalents, beginning of period</b>                                     | <b>1,050,047</b>          | <b>1,222,411</b>          |
| <b>Cash and cash equivalents, end of period</b>   | <b>\$ 155,998</b>         | <b>\$ 100,054</b>         |

See accompanying notes to consolidated financial statements.



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NOTE 1 - BASIS OF PRESENTATION AND OPINION OF MANAGEMENT

The accompanying unaudited consolidated condensed financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all of the information and financial statement disclosures necessary for a fair presentation of consolidated financial position, results of operations, and cash flows in conformity with accounting principles generally accepted in the United States of America. In the opinion of management, the information furnished herein includes all adjustments necessary to reflect a fair statement of the interim periods reported. All adjustments are of a normal and recurring nature. The December 25, 2010 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America. References to we, us, our, its, Supreme, or the Company refer to Supreme Industries, Inc. and its subsidiaries.

The Company has adopted a 52- or 53-week fiscal year ending the last Saturday in December. The results of operations for the three months ended April 2, 2011 and March 27, 2010 are for 14- and 13-week periods, respectively.

NOTE 2 DISCONTINUED OPERATIONS

Effective December 25, 2010, the Company decided to cease operations at its Woodburn, Oregon manufacturing facility. The Oregon operations were discontinued due to the Company's decision to exit this unprofitable geographic region. In light of a persistently difficult market and challenging cost structure, the Company is working with customers to meet existing commitments. The amount of Oregon business expected to be retained is insignificant. The Oregon facility and equipment are classified as held for sale as of April 2, 2011 and December 25, 2010.

The 2011 operating results for the Woodburn, Oregon location are classified as discontinued operations, and prior years' operating results have been reclassified to discontinued operations as follows:

|                             | <b>Three Months Ended</b> |                       |
|-----------------------------|---------------------------|-----------------------|
|                             | <b>April 2, 2011</b>      | <b>March 27, 2010</b> |
| Net sales                   | \$ 2,820,655              | \$ 2,454,547          |
| Pretax loss from operations | \$ (357,139)              | \$ (393,884)          |
| Net loss                    | \$ (357,139)              | \$ (393,884)          |

In the fourth quarter of 2009, the Company terminated its Silver Crown luxury motorhome product line. This decision was triggered by a significant reduction of new motorhome sales orders and the cancellation of sales orders due to the extremely tight credit markets caused by the economic recession. The Company decided to exit the motorhome product line as part of a plan to focus on core truck, bus and armored products and to reduce overall fixed costs.

The Silver Crown facility in White Pigeon, Michigan is classified as held for sale as of April 2, 2011 and December 25, 2010. Any losses incurred in 2011 related to the wind-down of the operations are expected to be insignificant and will be reflected as continuing operations in the

2011 Statement of Operations.

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The 2010 operating results for the Silver Crown division are classified as discontinued operations as follows:

|                               | <b>March 27, 2010</b> |           |
|-------------------------------|-----------------------|-----------|
| Net sales                     | \$                    | 1,567,977 |
| Pretax income from operations | \$                    | 16,391    |
| Net income                    | \$                    | 5,204     |

NOTE 3 OTHER COMPREHENSIVE INCOME

Other comprehensive income includes unrealized gains (losses) on hedge activity, net of tax, and unrealized gains (losses) on available-for-sale securities, net of tax. Total comprehensive loss combines net loss and other comprehensive income.

For the three-month periods ended April 2, 2011 and March 27, 2010, total comprehensive loss and other comprehensive income are as follows:

|                            | <b>Three Months Ended</b> |                           |
|----------------------------|---------------------------|---------------------------|
|                            | <b>April 2,<br/>2011</b>  | <b>March 27,<br/>2010</b> |
| Net loss                   | \$ (1,364,499)            | \$ (2,408,408)            |
| Other comprehensive income | 3,448                     | 105,780                   |
| Total comprehensive loss   | \$ (1,361,051)            | \$ (2,302,628)            |

NOTE 4 INVENTORIES

Inventories, which are stated at the lower of cost or market with cost determined using the first-in, first-out method, consist of the following:

|                  | <b>April 2,<br/>2011</b> | <b>December 25,<br/>2010</b> |
|------------------|--------------------------|------------------------------|
| Raw materials    | \$ 30,422,443            | \$ 18,954,303                |
| Work-in-progress | 7,635,285                | 6,512,602                    |
| Finished goods   | 14,895,296               | 10,209,448                   |
|                  | \$ 52,953,024            | \$ 35,676,353                |

NOTE 5 FAIR VALUE MEASUREMENT

Generally accepted accounting principles ( GAAP ) define 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. GAAP 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:

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Level 1: Quoted prices (unadjusted) for 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 used the following methods and significant assumptions to estimate the fair value of items:

Investments: The fair values of investments available-for-sale are determined by obtaining quoted prices on nationally recognized securities exchanges (Level 1 inputs).

The carrying amounts of cash and cash equivalents, accounts receivable, and trade accounts payable approximated fair value as of April 2, 2011 and December 25, 2010, 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 April 2, 2011 and December 25, 2010, 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.

NOTE 6 REVOLVING LINE OF CREDIT

On October 18, 2010 Supreme Industries, Inc. entered into an Amended and Restated Credit Agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A. (the "Lender"), which agreement was effective as of September 30, 2010.

On March 24, 2011, the Company entered into a First Amendment to Amended and Restated Credit Agreement (the "First Amendment"). Under the First Amendment, the revolving commitment amount under the Credit Agreement was lowered to \$25,000,000, and such revolving commitment amount continues to reduce on a monthly basis beginning April 15, 2011. By August 31, 2011, the revolving commitment amount will be reduced to \$11,560,000, unless the Company's workers compensation letter of credit is returned to the Lender, in which case the revolving commitment amount will only be reduced to \$13,560,000. The revolving commitment decreases further to \$13,230,000, or \$11,230,000 (if the workers compensation letter of credit is returned to the Lender) by November 30, 2011 and is due and payable December 31, 2011. These reductions are intended to be consistent with the Company's seasonal working capital needs.

Also pursuant to the First Amendment, on March 24, 2011, the Lender agreed to make certain term loans in the aggregate principal amount of \$4,000,000, due December 31, 2011, which term loans were funded on March 31, 2011. The First Amendment also contemplates the funding, in

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the sole discretion of the Lender, of additional term loans in the aggregate principal amount of \$3,000,000, to mature December 31, 2011, with funding occurring no earlier than the second quarter. In connection with the First Amendment, certain mortgages and deeds of trust were executed on additional real property to secure the revolving line of credit and term loans.

Under the First Amendment, the minimum tangible net worth requirements and the minimum EBITDA requirements were revised, and the Company was in compliance at April 2, 2011 and expects to remain in compliance with such covenant requirements.

As of April 2, 2011, the Company had unused credit capacity of approximately \$7.7 million under its Credit Agreement. Interest on outstanding borrowings under the revolving line of credit and the term loan was based on the bank's prime rate or LIBOR depending on the pricing option selected and the Company's leverage ratio, as defined in the Credit Agreement resulting in an effective rate of 5.75% and 5.09% at April 2, 2011 and December 25, 2010, respectively.

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Additional events of default were added by the First Amendment. These additional events of default included: (i) the Company's failure to receive a \$3,000,000 payment from a required sale-leaseback transaction involving the Company's California manufacturing facility, sale of real estate, or the issuance of subordinated debt or equity capital by May 2, 2011; (ii) the suspension, withdrawal, termination, or reduction of the Company's OEM chassis bailment pool; or (iii) the settlements of any claims or causes of action for amounts in excess of any amounts covered by insurance if such excess amounts are in excess of the reserves for such claims or causes of action on March 24, 2011 or the aggregate amount of all settlement payments is in excess of \$250,000. None of such additional events of default occurred pursuant to the terms of the Second Amendment (as such term is defined in Item 5 of Part II below).

NOTE 7 - LOSS PER SHARE

The assumed exercise or issuance of 251,725 and 230,055 shares for the three-month periods ending April 2, 2011 and March 27, 2010, respectively, relating to stock plans were not included in the computation of diluted loss per share as inclusion of these shares in the respective periods would have been antidilutive.

NOTE 8 - STOCK-BASED COMPENSATION

The following table summarizes the activity for the unvested restricted stock units and restricted stock for the three months ended April 2, 2011:

|                             | Number of<br>Shares | Weighted -<br>Average<br>Grant Date<br>Fair Value |
|-----------------------------|---------------------|---|
| Unvested, December 25, 2010 | 24,584              | \$ 3.32   |
| Granted                     |                     | n/a   |
| Vested                      | (13,042)            | 4.16  |
| Unvested, April 2, 2011     | 11,542              | \$ 2.36   |

The total fair value of the shares vested during the three months ended April 2, 2011 was \$54,305.

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A summary of the status of the Company's outstanding stock options as of April 2, 2011, and changes during the three months ended April 2, 2011, are as follows:

|                                | Number of<br>Shares |    | Weighted -<br>Average<br>Exercise<br>Price |
|--------------------------------|---------------------|----|--|
| Outstanding, December 25, 2010 | 1,204,715           | \$ | 3.83                                       |
| Granted                        |                     |    | n/a  |
| Exercised                      | (5,300)             |    | 1.42                                       |
| Expired                        |                     |    | n/a  |
| Forfeited                      | (2,650)             |    | 1.42                                       |
| Outstanding, April 2, 2011     | 1,196,765           | \$ | 3.85                                       |

As of April 2, 2011, outstanding options had an intrinsic value of \$142,603 and a weighted-average remaining contractual life of 4.31 years.

Total unrecognized compensation expense related to all share-based awards outstanding at April 2, 2011, was approximately \$447,077 and is to be recorded over a weighted average contractual life of 2.05 years.

**ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS.**

**Company Overview**

Established in 1974 as a truck body manufacturer, Supreme Industries, Inc., through its wholly-owned subsidiary, Supreme Indiana Operations, Inc., is one of the nation's leading manufacturers of specialized commercial vehicles. The Company engages principally in the production and sale of customized truck bodies, buses, and other specialty vehicles. Building on its expertise in providing both cargo and passenger transportation solutions, the Company's specialty vehicle offerings include products such as customized armored vehicles and homeland response vehicles.

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

The Company and its product offerings are affected by various factors which include, but are not limited to, economic conditions, interest rate fluctuations, volatility in the supply chain of vehicle chassis, and the availability of credit and financing to the Company, our vendors, dealers, or end users. The Company's business is also affected by the availability and costs of certain raw materials that serve as significant components of its product offerings. The Company's risk factors are disclosed in Item 1A "Risk Factors" in the Company's Annual Report on Form 10-K for the



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year ended December 25, 2010 (see Item 1A which follows).

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**Management Changes**

As previously announced, the Company introduced a new President, the third in its history, and the following senior management changes:

- Robert W. Wilson, President and Chief Operating Officer of the Company and President and Chief Executive Officer of the Company's wholly-owned operating subsidiary, Supreme Indiana Operations, Inc. ( Supreme Indiana ), announced his retirement. He will remain a member of the Board of Directors, and he will work with the Company to support a successful transition in leadership as an advisor to the Board on Special Projects.
- Herbert M. Gardner, the Chairman of the Board and Chief Executive Officer of the Company and the Chairman of the Board of Supreme Indiana, will continue as Chairman of the Board of both entities, but he has relinquished the role of Chief Executive Officer of the Company. He will be actively involved in supporting the transition of management.
- Kim Korth, President and owner of IRN Inc., a leading consulting firm in the vehicle and transportation industry, has been appointed President and Chief Executive Officer of the Company and Supreme Indiana. Ms. Korth brings over 25 years of industry experience, and her firm has been working with the Company for the last year. Ms. Korth has been added to the Company's Board of Directors.
- Matthew W. Long has been appointed Chief Financial Officer and Treasurer of the Company effective April 18, 2011. He succeeds Jeffery D. Mowery as Chief Financial Officer and Treasurer, but Mr. Mowery remains Vice President Finance of the Company. Mr. Long recently served as Treasurer of CTS Corporation ( CTS ) since 2003, a publicly traded company located in Elkhart, Indiana. Prior to being at CTS, he served in a variety of accounting positions for Emerson Electric, General Housewares/Chicago Cutlery, and United Technologies. He is a member of the American Institute of Certified Public Accountants and received both his Bachelor of Science and his Masters of Business Administration from Indiana University.

**Results of Operations**

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

*Overview*

For the quarter ended April 2, 2011, Supreme continued to experience increased demand for its products as evidenced by an increase in sales of approximately 49% quarter over quarter. Major fleet customers have returned to the market, and Supreme was awarded a significant share of their business. Our sales backlog continued to grow during the first quarter of 2011 and totaled a record \$133 million at quarter end compared

with \$68 million a year ago.

Gross profit improved by approximately 71% during the quarter ended April 2, 2011 as compared with the corresponding period in 2010. Despite the improved sales and gross profit, the Company experienced a loss from continuing operations of \$1.0 million. Following the Company's historic pattern, significant additional costs were incurred in the first quarter of 2011 to support the Company's large fleet runs. Additionally, the Company experienced considerably higher than historical levels of general and administrative expenses. The charges, totaling \$0.6 million, consisted of legal defense costs, bank refinancing expenses, and certain consulting fees and other costs related to our profit improvement initiatives.

As previously described, we have restructured our senior management team, identified areas of additional improvements, implemented new processes, and will continue to focus on increasing our gross margins and reducing our operating costs. Significant strategic decisions included:

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- Closed the Oregon manufacturing facility thereby consolidating our bus production into Indiana;
- Eliminated low margin and low volume product lines;
- Promoted a general manager to run our underperforming Pennsylvania facility;
- Reduced headcount in selected areas of the business; and
- Reduced the selling prices of assets held for sale of certain idled facilities to reflect the current depressed market conditions which will further facilitate the sales of these properties to improve cash flow.

Having taken the above-described actions, we believe that we are better positioned to restore profitability in the near term. We also continue to look for opportunities to make our operations leaner and more profitable. In our efforts to rebound from the severe recession and maintain our position as one of the strongest companies in our industry, we continue to implement our strategies of cost containment, production efficiencies, revenue enhancement, market expansion, and product diversification.

*Net Sales*

Net sales for the three months ended April 2, 2011 increased \$22.4 million, or 48.7%, to \$68.4 million as compared with \$46.0 million for the three months ended March 27, 2010. The following table presents the components of net sales and the changes from period to period:

| (\$000 s omitted)     | Three Months Ended |                   | Change    |        |
|-----------------------|--------------------|-------------------|-----------|--------|
|                       | April 2,<br>2011   | March 27,<br>2010 |           |        |
| Specialized vehicles: |                    |                   |           |        |
| Trucks                | \$ 45,961          | \$ 21,826         | \$ 24,135 | 110.6% |
| Buses                 | 16,093             | 18,254            | (2,161)   | -11.8% |
| Armored vehicles      | 5,763              | 5,009             | 754       | 14.9%  |
|                       | 67,817             | 45,089            | 22,728    | 50.4%  |
| Composites            | 583                | 953               | (370)     | -38.9% |
|                       | \$ 68,400          | \$ 46,042         | \$ 22,358 | 48.6%  |

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The truck division sales increase of \$24.1 million, or 111%, for the quarter was primarily attributable to increased fleet shipments and, to a lesser extent, an improved retail truck market. We continued to experience improved backlog for trucks and believe that we are well-positioned to benefit from favorable industry forecasts.

Our StarTrans bus division experienced lower demand, resulting in a decrease in sales of \$2.2 million, or 44%, for the quarter. The decrease was due in part to the reduced availability of funding available from the 2009 federal economic stimulus plan which had enabled state and local transit authorities to purchase new units. We anticipate 2011 sales to remain comparable to 2010, or decrease slightly, due to contracts expiring and the uncertainty of the availability of federal funds for transit vehicles.

The armored vehicles division continued to experience good demand with a revenue increase of \$0.8 million, or 15%, as compared to the first quarter of 2010. The increase was primarily the result of our contract with the U.S. Department of State (DOS) to produce armored Suburbans for embassies abroad. We believe that the DOS business will remain steady during 2011, and we are encouraged by the positive response we are receiving from other governmental agencies regarding our armored product offerings and quality. The cash-in-transit and other armored vehicles are well positioned to enable us to increase revenues as we continue into 2011.

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The composites division revenues represent sales of fiberglass reinforced plywood and other fiberglass products. The decrease for the quarter of \$0.4 million was due to less demand for our fiberglass reinforced plywood product.

*Cost of sales and gross profit*

Gross profit increased by \$2.7 million, or 71.1%, to \$6.5 million for the three months ended April 2, 2011, as compared with \$3.8 million for the three months ended March 27, 2010. The following table presents the components of cost of sales as a percentage of net sales and the changes from period to period:

|               | April 2,<br>2011 | Three Months Ended<br>March 27,<br>2010 | Percent<br>Change |
|---------------|------------------|---|-------------------|
| Material      | 60.2%            | 55.9%                                   | 4.3%              |
| Direct Labor  | 13.9             | 14.7                                    | (0.8)             |
| Overhead      | 14.3             | 18.2                                    | (3.9)             |
| Delivery      | 2.1              | 2.8                                     | (0.7)             |
| Cost of sales | 90.5             | 91.6                                    | (1.1)             |
| Gross profit  | 9.5%             | 8.4%                                    | 1.1%              |

**Material** Material cost as a percentage of net sales increased by 4.3% for the three months ended April 2, 2011 as compared with the corresponding period in 2010. The increase in the material percentage was due in part to a higher mix of fleet units shipped by our truck division. Fleet units historically have a higher material cost as a percentage of net sales but require less direct labor than customized retail trucks. Additionally, the retail truck and bus markets continued to experience a competitive pricing environment.

As the general economic environment begins to show signs of improvement, the potential for future raw material cost increases remains a major concern for certain commodities (including but not limited to aluminum, steel, and wood). We closely monitor all major commodities and periodically review the financial stability of our primary vendors. The Company will continue to address certain raw material cost escalations by also increasing the price of our products as necessary and as our markets will accept them.

**Direct Labor** Direct labor as a percentage of net sales decreased by 0.8% for the three months ended April 2, 2011 as compared with the corresponding period in 2010. The decrease in the direct labor percentage was due to efficiencies gained by producing increased quantities of similar fleet units. Fleet units typically are less customized than special-purpose retail trucks and require fewer direct labor hours to produce.

**Overhead** Manufacturing overhead as a percentage of net sales decreased by 3.9% for the three months ended April 2, 2011 as compared with the corresponding period in 2010. The overall overhead percentage declined due to the fixed nature of certain overhead expenses that do not fluctuate with sales volume changes.

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**Delivery** Delivery as a percentage of net sales decreased by 0.7% for the three months ended April 2, 2011, as compared with the corresponding period in 2010. The Company continues to explore more cost-effective delivery methods to mitigate the adverse impact of ongoing high fuel costs.

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

Selling, general and administrative ( G&A ) expenses increased by \$1.7 million, or 30.4%, to \$7.3 million for the three months ended April 2, 2011, as compared with \$5.6 million for the three months ended March 27, 2010. The following table presents selling and G&A expenses as a percentage of net sales and the changes from period to period:

| (\$000 s omitted) | Three Months Ended |       |                   |       |          |       |
|-------------------|--------------------|-------|-------------------|-------|----------|-------|
|                   | April 2,<br>2011   |       | March 27,<br>2010 |       | Change   |       |
| Selling expenses  | \$ 2,438           | 3.6%  | \$ 1,921          | 4.2%  | \$ 517   | -0.6% |
| G&A expenses      | 4,874              | 7.1   | 3,639             | 7.9   | 1,235    | -0.8  |
| Total             | \$ 7,312           | 10.7% | \$ 5,560          | 12.1% | \$ 1,752 | -1.4% |

**Selling expenses** Selling expenses as a percentage of net sales decreased 0.6% for the three months ended April 2, 2011, as compared with the corresponding periods in 2010. This reflects the steps taken over the course of the year that increased the productivity and effectiveness of our sales and marketing resources, including rigorous analysis and refinement of our market targeting and positioning. The overall increase in dollars for the period was primarily attributable to higher payroll related expenses resulting from the improvement in the sales volume.

**G&A expenses** G&A expenses as a percentage of sales decreased 0.8% for the three months ended April 2, 2011 as compared with the corresponding period in 2010. The increased expense of \$1.2 million was primarily attributable to a variety of restructuring, refinancing, and profit improvement initiatives including the costs to engage several consulting firms. The Company also incurred increased legal fees resulting from a lawsuit the Company is vigorously contesting. Additionally, as a result of changes in senior management, payroll and related benefits increased quarter over quarter.

***Other income***

For the three months ended April 2, 2011, other income was \$0.1 million as compared with \$0.2 million for the three months ended March 27, 2010. Other income consisted of rental income, gain or loss on sale of assets, and other miscellaneous income received by the Company.

***Interest expense***

Interest expense was \$0.3 million for the three months ended April 2, 2011 compared with \$0.5 million for the three months ended March 27, 2010. A reduction in chassis interest expense was partially attributable to measures implemented to improve bailment chassis inventory management. The Company continuously monitors the age of consigned chassis with the objective of minimizing chassis interest expense. The bank interest expense reflected lower debt levels. This was somewhat offset by higher (performance-based) pricing provisions under our bank credit facility as recent operating losses triggered an increase in interest rates.



*Income taxes*

For the quarters ended April 2, 2011 and March 27, 2010 the Company recorded deferred tax assets for the net operating losses generated. The Company fully utilized its federal net operating loss carryback benefits during its 2009 tax year, for which refunds have subsequently been received. The ultimate realization of these deferred tax assets is dependent upon future taxable income. Given the accumulated net operating losses in the prior three years, it is currently more likely than not that these deferred tax assets will not be realized. Accordingly, after consideration of these factors, the Company provided a valuation allowance for the deferred tax assets net of the deferred tax liabilities expected. The valuation allowance does not impact the Company's ability to utilize its net operating loss carryforwards to offset taxable earnings in the future.

Table of Contents***Net loss from continuing operations***

Net loss from continuing operations decreased by \$1.0 million to \$1.0 million (-1.5% of net sales) for the three months ended April 2, 2011 from a net loss of \$2.0 million (-4.3% of net sales) for the three months ended March 27, 2010.

***Discontinued Operations***

The Company decided to discontinue its Oregon operations in December of 2010 and its Silver Crown luxury motorhome business during the fourth quarter of 2009. The Company has reclassified prior period results accordingly as discontinued operations for the two operations. The Oregon operations were ceased in the first quarter of 2011 due to the Company's decision to exit this unprofitable geographic region. The after tax loss from the discontinued operations related to our Oregon operations was \$0.4 million for both periods ended April 2, 2011 and March 27, 2010. The Silver Crown operations were terminated as a result of the unprecedented tight credit markets caused by the severe economic recession which led to a significant reduction of new motorhome orders and the cancellation of existing orders. The after tax income from discontinued operations related to our Silver Crown recreational vehicle division was \$5 thousand for the period ended March 27, 2010.

***Basic and diluted loss per share***

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

|                                       | April 2,<br>2011 | Three Months Ended<br>March 27,<br>2010 | Change  |
|---------------------------------------|------------------|---|---------|
| Basic and diluted net loss per share: |                  |   |         |
| Loss from continuing operations       | \$ (0.07)        | \$ (0.14)                               | \$ 0.07 |
| Loss from discontinued operations     | (0.03)           | (0.03)                                  |         |
| Net loss                              | \$ (0.10)        | \$ (0.17)                               | \$ 0.07 |

**Liquidity and Capital Resources****Cash Flows**

The Company's primary sources of liquidity have been cash flows from operating activities and borrowings under a credit facility entered into by Supreme Indiana Operations, Inc., the Company's wholly-owned subsidiary, and certain of its affiliates. Principal uses of cash have been to fund recent operating losses, support working capital needs, meet debt service requirements, and fund capital expenditure needs.

*Operating activities*

Cash flows from operations represent the net loss sustained, in the reported periods adjusted for non-cash charges and changes in operating assets and liabilities. Operating activities used \$4.3 million of cash for the three months ended April 2, 2011 as compared with cash provided of \$6.2 million for the three months ended March 27, 2010. During the 2011 first quarter, our net loss, adjusted for depreciation and amortization, unfavorably impacted cash flows by \$0.6 million. Cash used by operating activities was unfavorably impacted by a \$17.3 million increase in inventories due to higher production levels to support the increased backlog and the increased sales volume and an increase in accounts receivable totaling \$9.5 million due to the improved sales volume. This was offset by a \$24.6 million increase in trade accounts payable. The Company's asset management continued to improve as our cash flow cycle was reduced by approximately 19 days, or 29%, when compared with the prior year quarter.

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***Investing activities***

Cash used by investing activities was \$29,000 for the three months ended April 2, 2011 as compared with cash used of \$0.7 million for the three months ended March 27, 2010. During the first three months of 2011, the Company received \$0.3 million of insurance claim reimbursements from its wholly-owned captive insurance subsidiary and had capital expenditures totaling \$0.3 million, which consisted primarily of replacement equipment.

***Financing activities***

Financing activities provided \$3.4 million of cash for the three months ended April 2, 2011 as compared with cash used of \$6.7 million for the three months ended March 27, 2010. Pursuant to the First Amendment, on March 24, 2011, the Lender agreed to make certain term loans in the aggregate principal amount of \$4,000,000, due December 31, 2011 which was funded on March 31, 2011. Because of our focus on restoring profitability and reducing debt, the Company's Board of Directors suspended paying cash dividends effective as of February 16, 2009. Future dividends will be subject to business conditions, the Company's financial position, and requirements for working capital, property, plant, and equipment expenditures, and other corporate purposes.

**Capital Resources**

On October 18, 2010 Supreme Industries, Inc. entered into an Amended and Restated Credit Agreement (the "Credit Agreement") with JPMorgan Chase Bank, N.A. (the "Lender") which agreement was effective as of September 30, 2010.

On March 24, 2011, the Company entered into a First Amendment to Amended and Restated Credit Agreement (the "First Amendment"). Under the First Amendment, the revolving commitment amount under the Credit Agreement was lowered to \$25,000,000, and such revolving commitment amount continues to reduce on a monthly basis beginning April 15, 2011. By August 31, 2011, the revolving commitment amount will be reduced to \$11,560,000, unless the Company's workers compensation letter of credit is returned to the Lender, in which case the revolving commitment amount will only be reduced to \$13,560,000. The revolving commitment decreases further to \$13,230,000, or \$11,230,000 (if the workers compensation letter of credit is returned to the Lender) by November 30, 2011 and is due and payable December 31, 2011. These reductions are intended to be consistent with the Company's seasonal working capital needs.

Also pursuant to the First Amendment, on March 24, 2011, the Lender agreed to make certain term loans in the aggregate principal amount of \$4,000,000, due December 31, 2011, which term loans were funded on March 31, 2011. The First Amendment also contemplates the funding, in the sole discretion of the Lender, of additional term loans in the aggregate principal amount of \$3,000,000, to mature December 31, 2011, with funding occurring no earlier than the second quarter. In connection with the First Amendment, certain mortgages and deeds of trust were executed on additional real property to secure the revolving line of credit and term loans.

Under the First Amendment, the minimum tangible net worth requirements and the minimum EBITDA requirements were revised, and the Company was in compliance at April 2, 2011 and expects to remain in compliance with such covenant requirements.

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As of April 2, 2011, the Company had unused credit capacity of approximately \$7.7 million under its Credit Agreement. Interest on outstanding borrowings under the revolving line of credit and the term loan was based on the bank's prime rate or LIBOR depending on the pricing option selected and the Company's leverage ratio, as defined in the Credit Agreement resulting in an effective rate of 5.75% and 5.09% at April 2, 2011 and December 25, 2010, respectively.

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Additional events of default were added by the First Amendment. These additional events of default included: (i) the Company's failure to receive a \$3,000,000 payment from a required sale-leaseback transaction involving the Company's California manufacturing facility, sale of real estate, or the issuance of subordinated debt or equity capital by May 2, 2011; (ii) the suspension, withdrawal, termination, or reduction of the Company's OEM chassis bailment pool; or (iii) the settlements of any claims or causes of action for amounts in excess of any amounts covered by insurance if such excess amounts are in excess of the reserves for such claims or causes of action on March 24, 2011 or the aggregate amount of all settlement payments is in excess of \$250,000. None of such additional events of default occurred pursuant to the terms of the Second Amendment (as such term is defined in Item 5 of Part II below).

**Summary of Liquidity and Capital Resources**

The Company's primary capital requirements are to support working capital demands, meet its debt service obligations, and finance capital expenditure requirements. The Company has a substantial asset collateral base and a strong equity position which management believes adequately supports the outstanding revolving line of credit arrangement or would support an alternative facility. Management is pursuing an alternative facility. The Company maintains a substantial working capital surplus during the first half of each year due to elevated inventories and trade accounts receivable related to large fleet runs. The Company expects to reduce the working capital surplus during the second half of the year as customer collections related to the fleet runs provide cash flow necessary to reduce the obligations under the Credit Agreement. Additionally, the Company is executing on plans to sell certain idled assets, which if completed, will provide additional liquidity. The funds collected would be used to pay down the Company's obligations on the Credit Agreement.

Management believes based on its operating projections and sale of idle assets that it should have available funds necessary to allow the Company to meet the payment requirements related to its existing Credit Agreement and to continue to operate. 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.

**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 condensed 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 included in the Annual Report on Form 10-K for the year ended December 25, 2010. In management's opinion, the Company's critical accounting policies include revenue recognition, allowance for doubtful accounts, excess and obsolete inventories, inventory relief, accrued insurance, and accrued warranty.

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

***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.

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**Excess and Obsolete Inventories** The Company must make estimates regarding the future use of raw materials, chassis, 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 to assure correct relief of inventories for products sold. The calculations to estimate costs not captured in the bill of materials take into account the customized nature of products, historical inventory relief percentages, scrap variances, and other factors which could impact inventory relief.

The accuracy of the inventory relief is not fully known until physical inventories are conducted at each of the Company's locations. We conduct semi-annual physical inventories at a majority of our 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 small captive insurance subsidiary is not taxable.

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

**Forward-Looking Statements**

This report contains forward-looking statements, other than historical facts, which reflect the view of management with respect to future events. When used in this report, words such as believe, expect, anticipate, estimate, intend, and similar expressions, as they relate to the Company's plans or operations, identify forward-looking statements. Such forward-looking statements are based on assumptions made by, and information currently available to, management. Although management believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that the expectations reflected in such forward-looking statements are reasonable, and it can give no assurance that such expectations will prove to be correct. Important factors that could cause actual results to differ materially from such expectations include, without limitation, an economic slowdown in the specialized vehicle industry, limitations on the availability of chassis on



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which the Company's products are 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.

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**ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK.**

There has been no material change from the information provided in the Company's Annual Report on Form 10-K, Item 7A: Quantitative and Qualitative Disclosures About Market Risk, for the year ended December 25, 2010.

**ITEM 4. CONTROLS AND PROCEDURES.**

a. Evaluation of Disclosure Controls and Procedures.

In connection with the preparation of this Form 10-Q, an evaluation was performed under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended). 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 April 2, 2011.

b. Changes in Internal Control over Financial Reporting.

There has been no change in the Company's internal control over financial reporting during our last fiscal quarter that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

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 the Company's Chief Executive Officer and Chief Financial Officer, cannot guarantee that the internal controls and disclosure controls will prevent all possible errors or fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of a control system have been 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 will be 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 any cost-effective control system, misstatements due to error or fraud may occur and not be detected.



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**PART II. OTHER INFORMATION**

**ITEM 1. 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 amounts provided by insurance coverage will not have a material adverse effect on the consolidated financial position or results of operations of the Company.

On January 21, 2009, The Armored Group ( TAG ) filed a complaint against the Company in the Superior Court of the State of Arizona in and for the County of Maricopa alleging breach of oral contract, unjust enrichment, and other claims which complaint was removed to the United States District Court for the District of Arizona. Among other claims, TAG alleges that, under either an oral agreement between it and the Company or the claim of unjust enrichment, the Company has an obligation to pay to TAG a 10% commission on all sales of armored vehicles to the United States Department of State under a contract with the United States Department of State providing for up to \$98,000,000 in sales. As of April 2, 2011, sales of armored vehicles to the United States Department of State under this contract were approximately \$34,000,000. The Company filed a Motion for Summary Judgment which was denied by the trial court on October 6, 2010. A jury trial has been set for July 5, 2011. The Company has instructed its attorneys to vigorously contest TAG s claims through trial if necessary. However, due to the inherent nature of litigation, the ultimate outcome of this case (whether by jury trial or otherwise) is uncertain and unpredictable.

**ITEM 1A. RISK FACTORS.**

For a discussion of those Risk Factors affecting the Company, you should carefully consider the Risk Factors discussed in Part I, under Item 1A: Risk Factors contained in our Annual Report on Form 10-K for the year ended December 25, 2010, which is herein incorporated by reference.

**ITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS.**

Not applicable.

**ITEM 3. DEFAULTS UPON SENIOR SECURITIES.**

Not applicable.

**ITEM 4.**      **RESERVED.**

**ITEM 5.**      **OTHER INFORMATION.**

On May 12, 2011, the Company and its subsidiaries entered into a Second Amendment to Amended and Restated Credit Agreement and Amendment to Security Agreements (the Second Amendment ) with JPMorgan Chase Bank, N.A. (the Lender ).

Pursuant to the Second Amendment, Lender consented to the sale and concurrent leaseback by Supreme Indiana Operations, Inc. ( Supreme Indiana ) of its California manufacturing facility (the California Real Estate ) to BFG2011 Limited Liability Company ( Purchaser ) (the Sale Leaseback Transaction ).

In connection with the Sale Leaseback Transaction, Lender agreed to execute and deliver releases of its mortgage liens on the California Real Estate. Lender also agreed to (i) lower the amount of net proceeds required to be obtained from the Sale Leaseback Transaction from \$3,000,000 to \$2,800,000 and (ii) extend the date required to enter into the Sale Leaseback Transaction from May 2, 2011 to May 12, 2011.

On March 24, 2011, Supreme Indiana entered into an Option Agreement (the Option Agreement ) pursuant to which Supreme Indiana granted Barrett Gardner Associates, Inc. ( Barrett Gardner ), an entity which is owned by

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Messrs. William J. Barrett and Herbert M. Gardner, each a director of the Company, the right to purchase the California Real Estate. On May 12, 2011, Barrett Gardner assigned the Option Agreement to Purchaser. Purchaser is owned by Supreme Indiana, which received an equity interest in Purchaser as a portion of the purchase price, and Messrs. William J. Barrett, Herbert M. Gardner and Edward L. Flynn, each a director of the Company. In connection with the Sale Leaseback Transaction, the Company received a fairness opinion issued by a third party consultant stating that the proposed transactions were fair from a financial point of view to the shareholders of the Company.

In accordance with the Option Agreement, Supreme Indiana and Purchaser entered into a Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate dated May 3, 2011 (as amended by that certain Amendment to Escrow Instructions dated as of the closing date, the Purchase Agreement ) in which Purchaser agreed to purchase the California Real Estate for \$4,100,000 comprised of the following amounts: (a) a \$100,000 deposit made pursuant to the Option Agreement, (b) \$3,000,000 paid in cash at the closing, (c) a grant to Supreme Indiana of the equity interest in Purchaser described above valued at \$495,000, and (d) a credit in the amount of \$505,000 based on the lack of brokerage commissions and the nature of the transaction. Supreme Indiana paid the closing costs associated with the transaction, including the escrow fees, transfer taxes, title policies and other transaction costs. Supreme Indiana has provided Purchaser with an agreement to indemnify Purchaser from losses, damages and claims arising from the condition of the California Real Estate at closing and a breach by Supreme Indiana of its representations and warranties; Supreme Indiana's indemnity obligations survive the closing of the sale.

Concurrently with the closing of the sale of the California Real Estate to Purchaser, Supreme Indiana leased from Purchaser the California Real Estate for a term of twenty years pursuant to that certain Air Commercial Real Estate Association Standard Industrial/Commercial Single-Tenant Lease dated as of the closing date (the Lease ). The base rent for the first five years of the term is \$24,000 per month. Base rent will be adjusted after the fifth year of the term to bring the base rent to fair market value and based on any increases in Purchaser's financing costs. The Lease is a triple net lease, and Supreme Indiana is responsible for all costs relating to the leased premises. Supreme Indiana was granted a purchase option and right of first refusal with respect to the California Real Estate through April 30, 2016. In addition, Supreme Indiana was granted a one time right of first offer with respect to the California Real Estate that continues until the expiration of the lease term.

Due to the Company's continuing involvement in the California Real Estate, the Sale Leaseback Transaction was not recognized as a sale of the property. It is instead being accounted for as a financing transaction, and the Company has recorded the receipt of cash and the related obligation.

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**ITEM 6.**      **EXHIBITS.**

Exhibits:

|               |  |
|---------------|--|
| Exhibit 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.   |
| Exhibit 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. |
| Exhibit 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.  |
| Exhibit 3.4   | Amended and Restated Bylaws of the Company dated May 7, 2008, filed as Exhibit 3.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on May 7, 2008, and incorporated herein by reference.   |
| Exhibit 10.1* | First Amendment to Amended and Restated Credit Agreement dated March 24, 2011, by and between the Company and its subsidiaries and JPMorgan Chase Bank, N.A.   |
| Exhibit 10.2* | Inventory Loan and Security Agreement by and between Supreme Indiana Operations, Inc. and Ally Bank dated March 4, 2011.   |
| Exhibit 10.3* | Inventory Loan and Security Agreement by and between Supreme Indiana Operations, Inc. and Ally Financial, Inc. dated March 4, 2011.  |
| Exhibit 10.4* | Guaranty Agreement by and between Supreme Indiana Operations, Inc. and Ally Bank dated March 4, 2011.  |
| Exhibit 10.5* | Guaranty Agreement by and between Supreme Indiana Operations, Inc. and Ally Financial, Inc. dated March 4, 2011.   |
| Exhibit 10.6* | Credit Balance Agreement by and between Supreme Indiana Operations, Inc. and Ally Financial, Inc. dated March 21, 2011.  |
| Exhibit 10.7* | Option Agreement by and between Supreme Indiana Operations, Inc. and Barrett Gardner Associates, Inc. dated March 24, 2011.  |
| Exhibit 31.1* | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |
| Exhibit 31.2* | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |
| Exhibit 32.1* | Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |
| Exhibit 32.2* | Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |

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\*Filed herewith.

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SIGNATURES

Pursuant to the requirements 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: May 17, 2011

By: */s/ Kim Korth*  
Kim Korth  
President and Chief Executive Officer

DATE: May 17, 2011

By: */s/ Matthew W. Long*  
Matthew W. Long  
Chief Financial Officer



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INDEX TO EXHIBITS

| <b>Exhibit<br/>Number</b> | <b>Description of Document</b>   |
|---------------------------|--|
| Exhibit 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.   |
| Exhibit 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. |
| Exhibit 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.  |
| Exhibit 3.4               | Amended and Restated Bylaws of the Company dated May 7, 2008, filed as Exhibit 3.1 to the Company's Form 8-K filed with the Securities and Exchange Commission on May 7, 2008, and incorporated herein by reference.   |
| Exhibit 10.1*             | First Amendment to Amended and Restated Credit Agreement dated March 24, 2011, by and between the Company and its subsidiaries and JPMorgan Chase Bank, N.A.   |
| Exhibit 10.2*             | Inventory Loan and Security Agreement by and between Supreme Indiana Operations, Inc. and Ally Bank dated March 4, 2011.   |
| Exhibit 10.3*             | Inventory Loan and Security Agreement by and between Supreme Indiana Operations, Inc. and Ally Financial, Inc. dated March 4, 2011.  |
| Exhibit 10.4*             | Guaranty Agreement by and between Supreme Indiana Operations, Inc. and Ally Bank dated March 4, 2011.  |
| Exhibit 10.5*             | Guaranty Agreement by and between Supreme Indiana Operations, Inc. and Ally Financial, Inc. dated March 4, 2011.   |
| Exhibit 10.6*             | Credit Balance Agreement by and between Supreme Indiana Operations, Inc. and Ally Financial, Inc. dated March 21, 2011.  |
| Exhibit 10.7*             | Option Agreement by and between Supreme Indiana Operations, Inc. and Barrett Gardner Associates, Inc. dated March 24, 2011.  |
| Exhibit 31.1*             | Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |
| Exhibit 31.2*             | Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.  |
| Exhibit 32.1*             | Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |
| Exhibit 32.2*             | Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.  |

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\*Filed herewith.