

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 September 28, 2002

OR

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

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File No. 1-8183

SUPREME INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

(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 46528

(Address of principal executive offices)

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

<u>Common Stock (\$.10 Par Value)</u>	<u>Outstanding at November 7, 2002</u>
Class A	8,918,687
Class B	1,917,394



SUPREME INDUSTRIES, INC.

CONTENTS

	<u>Page No.</u>
<u>PART I.</u> <u>FINANCIAL INFORMATION</u>	
Item 1. Financial Statements:	
Consolidated Balance Sheets	3 & 4
Consolidated Statements of Income	5
Consolidated Statements of Cash Flows	6
Notes to Consolidated Financial Statements	7, 8 & 9
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	9, 10 & 11
Item 4. Controls and Procedures	11
 <u>PART II.</u> <u>OTHER INFORMATION</u>	
Item 6. Exhibits and Reports on Form 8-K	12
SIGNATURES	13
CERTIFICATIONS	14-17



## Part I. Financial Information

### Item 1. Financial Statements

#### **Supreme Industries, Inc. and Subsidiaries**

#### Consolidated Balance Sheets

	September 28, 2002 (Unaudited)	December 31, 2001
<b>Assets</b>		
<b>Current assets:</b>		
Cash and cash equivalents.....	\$ 1,986,236	\$ 192,662
Accounts receivable, net.....	18,689,465	20,526,224
Inventories.....	25,411,659	26,741,761
Deferred income taxes.....	1,353,315	1,353,315
Other current assets.....	3,444,746	1,946,978
<b>Total current assets.....</b>	<b>50,885,421</b>	<b>50,760,940</b>
<b>Property, plant and equipment, at cost.....</b>	67,475,993	68,514,749
Less, Accumulated depreciation and amortization..	30,122,896	29,578,346
<b>Property, plant and equipment, net.....</b>	<b>37,353,097</b>	<b>38,936,403</b>
<b>Intangible assets, net.....</b>	885,767	938,576
<b>Other assets.....</b>	949,865	973,139
<b>Total assets.....</b>	<b>\$ 90,074,150</b>	<b>\$ 91,609,058</b>

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



**Supreme Industries, Inc. and Subsidiaries**  
Consolidated Balance Sheets, Concluded

	September 28, 2002	December 31, 2001
	(Unaudited)	
<b>Liabilities and Stockholders' Equity</b>		
<b>Current liabilities:</b>		
Current maturities of long-term debt.....	\$ 5,039,978	\$ 4,303,239
Trade accounts payable.....	7,920,705	7,906,418
Accrued income taxes.....	909,615	660,607
Other accrued liabilities.....	7,413,604	8,479,341
	<hr/>	<hr/>
<b>Total current liabilities.....</b>	21,283,902	21,349,605
<b>Long-term debt.....</b>	8,101,000	13,075,971
<b>Deferred income taxes.....</b>	1,769,483	1,710,718
<b>Other long-term liabilities.....</b>	256,000	396,834
	<hr/>	<hr/>
<b>Total liabilities.....</b>	31,410,385	36,533,128
<b>Stockholders' equity.....</b>	58,663,765	55,075,930
	<hr/>	<hr/>
<b>Total liabilities and stockholders' equity.....</b>	\$ 90,074,150	\$ 91,609,058
	<hr/>	<hr/>

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





**Supreme Industries, Inc. and Subsidiaries**  
Consolidated Statements of Income (Unaudited)

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	September 28, 2002	September 30, 2001	September 28, 2002	September 30, 2001
<b>Revenues</b> .....	\$ 50,977,060	\$ 53,862,738	\$ 160,358,253	\$ 172,020,206
<b>Costs and expenses:</b>				
Cost of sales.....	44,697,538	46,916,199	137,211,203	147,582,501
Selling, general and administrative.....	5,384,100	5,145,897	16,859,731	16,596,035
Interest.....	200,745	428,501	748,336	1,799,626
	<u>50,282,383</u>	<u>52,490,597</u>	<u>154,819,270</u>	<u>165,978,162</u>
<b>Income before income taxes</b>	694,677	1,372,141	5,538,983	6,042,044
Income taxes.....	<u>270,000</u>	<u>506,000</u>	<u>2,149,000</u>	<u>2,401,000</u>
<b>Net income</b> .....	<u>\$ 424,677</u>	<u>\$ 866,141</u>	<u>\$ 3,389,983</u>	<u>\$ 3,641,044</u>
<b>Earnings per share:</b> .....				
Basic.....	\$.04	\$.08	\$.31	\$.34
Diluted.....	.04	.08	.31	.34
<b>Shares used in the computation of earnings per share:</b> .....				
Basic.....	10,830,523	10,798,384	10,813,598	10,812,758
Diluted.....	10,993,212	10,875,809	11,014,312	10,881,497

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



**Supreme Industries, Inc. and Subsidiaries**  
Consolidated Statements of Cash Flows (Unaudited)

	Nine Months Ended	
	September 28, 2002	September 30, 2001
<b>Cash flows from operating activities:</b>		
Net income.....	\$ 3,389,983	\$ 3,641,044
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization.....	3,166,158	3,392,916
Loss (gain) on disposal of equipment...	19,505	(10,367)
Changes in operating assets and liabilities.....	1,866,651	5,900,289
<b>Net cash provided by operating activities</b>	<u>8,442,297</u>	<u>12,923,882</u>
<b>Cash flows from investing activities:</b>		
Additions to property, plant and equipment.....	(1,561,949)	(1,303,522)
Deposit.....	(1,000,000)	---
Proceeds from disposal of equipment.....	12,400	27,196
(Increase) decrease in other assets.....	23,274	(43,546)
<b>Net cash used in investing activities.....</b>	<u>(2,526,275)</u>	<u>(1,319,872)</u>
<b>Cash flows from financing activities:</b>		
Proceeds from revolving line of credit and other long-term debt.....	14,258,925	46,724,607
Repayments of revolving line of credit and other long-term debt.....	(18,497,157)	(57,902,408)
Proceeds from exercise of stock options.....	123,939	---
Acquisition of treasury stock.....	(8,155)	(406,994)
<b>Net cash used in financing activities.....</b>	<u>(4,122,448)</u>	<u>(11,584,795)</u>
<b>Increase in cash and cash equivalents.....</b>	1,793,574	19,215
<b>Cash and cash equivalents, beginning of period...</b>	<u>192,662</u>	<u>184,004</u>
<b>Cash and cash equivalents, end of period.....</b>	<u>\$ 1,986,236</u>	<u>\$ 203,219</u>

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



**SUPREME INDUSTRIES, INC. AND SUBSIDIARIES**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

NOTE A - BASIS OF PRESENTATION AND OPINION OF MANAGEMENT

The accompanying unaudited consolidated 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 generally accepted accounting principles. 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 31, 2001 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by generally accepted accounting principles.

The Company has adopted a 52 or 53 week fiscal year ending the last Saturday in December. The results of operations for the three and nine months ended September 28, 2002 and September 30, 2001 are for 13 and 39 week periods, respectively.

NOTE B - 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:

	September 28, 2002	December 31, 2001
Raw materials.....	\$ 13,698,997	\$ 15,974,583
Work-in-progress.....	5,091,429	3,501,635
Finished goods.....	6,621,233	7,265,543
	<u>\$ 25,411,659</u>	<u>\$ 26,741,761</u>

The valuation of raw materials, work-in-progress and finished goods inventories at interim dates is based upon a gross profit percentage method and bills of materials. The Company has historically had favorable and unfavorable quarterly adjustments resulting from periodic physical inventories. The Company is continuing to refine its costing procedures for valuation of interim inventories in an effort to minimize book to physical inventory adjustments.

NOTE C - INTANGIBLE ASSETS

Intangible assets at September 28, 2002 subject to amortization consist of favorable lease commitments aggregating \$1,048,167 less accumulated amortization of \$897,414. Amortization expense for the three and nine months ended September 28, 2002 was \$17,603 and \$52,809, respectively. Annual amortization expense is estimated to be \$70,412 for 2002, \$51,542 for each of the years 2003 and 2004 and \$30,066 for 2005.



Intangible assets at September 28, 2002 not subject to amortization because they have indefinite lives consist of goodwill aggregating \$2,330,864 less accumulated amortization of \$1,595,850.

NOTE D - EARNINGS PER SHARE

The number of shares used in the computation of basic and diluted earnings per share are as follows (in thousands):

	Three Months Ended		Nine Months Ended	
	September 28, 2002	September 30, 2001	September 28, 2002	September 30, 2001
Weighted average number of shares outstanding (used in computation of basic earnings per share)	10,831	10,798	10,814	10,813
Effect of dilutive stock options	162	78	200	68
Diluted shares outstanding (used in computation of diluted earnings per share)	<u>10,993</u>	<u>10,876</u>	<u>11,014</u>	<u>10,881</u>

NOTE E - NEW ACCOUNTING PRONOUNCEMENTS

The Company adopted SFAS No. 142, "Goodwill and Other Intangible Assets," effective January 1, 2002. SFAS No. 142 primarily addresses the accounting for goodwill and other intangible assets subsequent to their acquisition. The most significant changes made by SFAS 142 are: (1) goodwill and indefinite lived intangible assets will no longer be amortized, (2) goodwill will be tested for impairment at least annually at the reporting unit level, (3) other intangible assets deemed to have an indefinite life will be tested for impairment at least annually, and (4) the amortization period of intangible assets with finite lives will no longer be limited to 40 years. The effect of adopting SFAS No. 142 was to increase net income for the three and nine months ended September 28, 2002 by \$25,942 and \$77,826, respectively. Adjusted net income for the three and nine months ended September 30, 2001, as if the provisions of SFAS No. 142 had been applied retroactively to the beginning of those periods, would have been \$892,083 or \$.08 per basic and diluted share, and \$3,718,870 or \$.34 per basic and diluted share, respectively.

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

#### NOTE F - RECLASSIFICATIONS

Certain items in the accompanying September 30, 2001 consolidated financial statements have been reclassified to conform to the 2002 presentation. The reclassifications had no impact on stockholders' equity, net income or cash flows as previously presented.

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

#### Results of Operations

Revenues for the quarter ended September 28, 2002 decreased \$2.9 million to \$51.0 million from \$53.9 million for the quarter ended September 30, 2001. Revenues for the nine months ended September 28, 2002 decreased \$11.7 million to \$160.3 million from \$172.0 million for the nine months ended September 30, 2001. For the three and nine months ended September 28, 2002, the Company's truck division, which comprises approximately 80% of total revenues, experienced decreased revenues of 2.4% and 2.3%, respectively, as compared to the prior year comparable periods. The remaining 20% of total revenues is generated by the Company's bus division which experienced decreased revenues of 30.5% and 22.7%, respectively, for the comparable periods. The decline in bus division revenues is attributable to industry-wide weakness in demand as a result of decreased activity in travel-related industries.

Gross profit as a percentage of revenues decreased to 12.3% for the quarter ended September 28, 2002 compared to 12.9% for the quarter ended September 30, 2001. Gross profit as a percentage of revenues increased to 14.4% for the nine months ended September 28, 2002 compared to 14.2% for the nine months ended September 30, 2001. The decline in gross profit for the third quarter of 2002 is primarily the result of the rising cost of group health and business insurance.

Selling, general and administrative expenses as a percentage of revenues increased to 10.6% for the quarter ended September 28, 2002 compared to 9.6% for the quarter ended September 30, 2001. Selling, general and administrative expenses as a percentage of revenues increased to 10.5% for the nine months ended September 28, 2002 compared to 9.6% for the nine months ended September 30, 2001. For the three and nine months ended September 28, 2002, selling expenses remained relatively unchanged as a percentage of revenues while general and administrative expenses increased as a percentage of revenues. The increase in general and administrative expenses was a result of an investment in personnel to improve engineering and bill of material accuracy coupled with the fixed nature of certain general and administrative expenses.



Interest expense for the quarter ended September 28, 2002 decreased \$227,756 to \$200,745 from \$428,501 for the quarter ended September 30, 2001. Interest expense for the nine months ended September 28, 2002 decreased \$1,051,290 to \$748,336 from \$1,799,626 for the nine months ended September 30, 2001. The Company achieved the significant interest expense decline by reducing debt 34% during the twelve months ended September 28, 2002.

Net income for the quarter ended September 28, 2002 was \$424,677 compared to \$866,141 for the quarter ended September 30, 2001. Net income for the nine months ended September 28, 2002 was \$3,389,983 compared to \$3,641,044 for the nine months ended September 30, 2001. Basic and diluted earnings per share for the three and nine months ended September 28, 2002 were \$.04 and \$.31, respectively, compared to \$.08 and \$.34, respectively, for the three and nine months ended September 30, 2001.

### Liquidity and Capital Resources

Cash flows from operating activities were the major sources of funds for operations, capital expenditures and to service debt during the first nine months of 2002. The largest components of cash provided by operations were net income of \$3.4 million and depreciation and amortization of \$3.2 million.

The Company invested \$1.6 million in property, plant and equipment during the first nine months of 2002 compared to \$1.3 million during the first nine months of 2001. In addition, the Company elected to make an interest-bearing cash deposit of \$1.0 million during the third quarter of 2002 to secure the payment of premium and other amounts due under certain policies of insurance. The cash deposit replaces a previously issued letter of credit.

The significant financing activity which used cash was a \$4.2 million reduction in long-term debt.

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



## Forward-Looking Statements

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

## ITEM 4. CONTROLS AND PROCEDURES

- a) Evaluation of disclosure controls and procedures.

The Company's chief executive officer and its chief financial officer, after evaluating the effectiveness of the Company's disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-14(c) and 15-d-14(c)) as of a date within 90 days of the filing date of this quarterly report (the "Evaluation Date") have concluded that as of the Evaluation Date, the Company's disclosure controls and procedures were adequate and effective to ensure that material information relating to the Company and its consolidated subsidiaries would be made known to them by others within those entities, particularly during the period in which this quarterly report was being prepared.

- b) Changes in internal controls.

There were no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's disclosure controls and procedures subsequent to the Evaluation Date, nor any significant deficiencies or material weaknesses in such disclosure controls and procedures requiring corrective actions. As a result, no corrective actions were taken.



## **PART II. OTHER INFORMATION**

### **ITEM 6. EXHIBITS AND REPORTS ON FORM 8-K**

a) Exhibits:

Exhibit 99.1 - Certification of Chief Executive Officer

Exhibit 99.2 - Certification of Chief Financial Officer

b) Reports on Form 8-K: None



## 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: November 7, 2002

BY: /s/ ROBERT W. WILSON

Robert W. Wilson

Executive Vice President, Treasurer, Chief Financial Officer and  
Director (Principal Financial and Accounting Officer)

(Signing on behalf of the Registrant and as Principal Financial  
Officer)





## CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Herbert M. Gardner, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Supreme Industries, Inc.;
2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and
  - b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 7, 2002

/s/ Herbert M. Gardner  
Chief Executive Officer

Page 15 of 19  
CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Robert W. Wilson, certify that:

- 1 I have reviewed this quarterly report on Form 10-Q of Supreme Industries, Inc.;
- 2 Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;
- 3 Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;
- 4 The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and we have:
  - a) Designed such disclosure controls and procedures to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;
  - b) Evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this quarterly report (the "Evaluation Date"); and
  - c) Presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
- 5 The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):
  - a) All significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

- b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

Page 16 of 19

- 6 The registrant's other certifying officers and I have indicated in this quarterly report whether or not there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: November 7, 2002

/s/ Robert W. Wilson  
Chief Financial Officer

Exhibit 99.1

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

This certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and accompanies the quarterly report on Form 10-Q (the "Form 10-Q") for the quarter ended September 28, 2002 of Supreme Industries, Inc. (the "Company"). I, Herbert M. Gardner, the Chief Executive Officer of the Company, certify that, to the best of my knowledge:

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

Dated: November 7, 2002

/s/ Herbert M. Gardner  
Chief Executive Officer



Exhibit 99.2

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

This certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and accompanies the quarterly report on Form 10-Q (the "Form 10-Q") for the quarter ended September 28, 2002 of Supreme Industries, Inc. (the "Company"). I, Robert W. Wilson, the Chief Financial Officer of the Company, certify that, to the best of my knowledge:

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

Dated: November 7, 2002

/s/ Robert W. Wilson  
Chief Financial Officer

