SUPREME INDUSTRIES INC
Form 10-K
February 27, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM 10-K

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

For the fiscal year ended: December 27, 2014

OR

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

COMMISSION FILE NUMBER: 1-8183

SUPREME INDUSTRIES, INC.

(Exact name of Registrant as specified in its charter)

Delaware	**75-1670945**
(State or other jurisdiction of incorporation)	(I.R.S. Employer Identification Number)
2581 E. Kercher Road	
	46528

Goshen, Indiana	
(Address of principal executive office)	(Zip Code)

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

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

Title of each class:	**Name of each exchange on which registered:**
Class A Common Stock ($.10 Par Value)	NYSE MKT

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

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

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

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 x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o

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

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

Large accelerated filer o	Accelerated filer x
Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

The aggregate market value of the voting and non-voting common stock held by non-affiliates of the registrant as of the last business day of the registrant s most recently completed second fiscal quarter, based on the last closing sale price of $6.40 per share for the common stock on the NYSE MKT on such date, was approximately $81,190,699.

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

Class	**Outstanding at February 25, 2015**
Class A Common Stock ($.10 Par Value)	14,814,951 shares
Class B Common Stock ($.10 Par Value)	1,771,949 shares

Documents incorporated by reference

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

Portions of the Proxy Statement for the 2015 Annual Meeting of Stockholders Part III

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PART I

ITEM 1. BUSINESS.

History

Supreme Industries, Inc., a Delaware corporation (the Company, Supreme or we), is one of the nation s leading manufacturers of specialized commercial vehicles including truck bodies, trolleys, and specialty vehicles. The Company was originally incorporated in 1979.

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

During 2012, several legal entity restructuring transactions occurred as a result of which Supreme Corporation, a Texas corporation, became the Company s principal subsidiary. As part of these restructuring transactions, several operating and real estate entities became wholly-owned subsidiaries of Supreme Corporation. This corporate restructuring was undertaken to provide the Company a more effective structure for purposes of efficient management and measurement of business operations.

Accelerated Filer Status

Pursuant to regulations of the Securities and Exchange Commission, as of December 27, 2014, the Company s status changed to accelerated filer from smaller reporting company because its aggregate worldwide market value of the voting and non-voting common equity held by its non-affiliates was $75 million or more as of the last business day of the Company s most recently completed second fiscal quarter. However, as permitted by the Securities and Exchange Commission, this Annual Report on Form 10-K for the year ended December 27, 2014 complies with the scaled disclosure requirements for a smaller reporting company. Beginning with the Quarterly Report on Form 10-Q for the quarter ending March 28, 2015, the Company will comply with the disclosure requirements for an accelerated filer.

General Description of the Company s Business

The Company has two operating segments specialized commercial vehicles and fiberglass products. The fiberglass products segment does not meet the quantitative thresholds for separate disclosure. See segment information in Note 1 - Nature of Operations and Accounting Policies of the Notes to Consolidated Financial Statements (Item 8).

Supreme manufactures specialized commercial vehicles that are attached to a truck chassis. The truck chassis, which consists of an engine, drivetrain, a frame with wheels, and in some cases a cab, is manufactured by third parties who are major automotive or truck companies. Such companies typically do not build specialized commercial vehicles. Some examples of specialized commercial vehicles that are not manufactured by Supreme are dump bodies, utility bodies, and garbage packers.

Supreme offers a wide range of specialized commercial vehicles including truck bodies, trolleys, and specialty vehicles ranging in price from $4,000 to more than $100,000. Supreme s truck bodies are offered in aluminum, FiberPanel PW, FiberPanel HC, or SignaturePlate making Supreme the only truck body company to offer four sidewall options. Most of our products are attached to light-duty truck chassis and medium-duty truck chassis. Supreme integrates a wide range of options into its truck bodies including liftgates, cargo-handling equipment, customized doors, special bumpers, ladder racks, and refrigeration equipment. Supreme is primarily a build-to-order operation with very limited production occurring in anticipation of pending orders.

The following is a brief summary of Supreme s products:

Signature van bodies. Supreme s Signature van bodies range from 10 to 28 feet in length with exterior walls assembled from one of several material options including pre-painted aluminum, FiberPanel PW, FiberPanel HC, or SignaturePlate. Additional features include molded composite front and side corners, LED marker lights, sealed wiring harnesses, hardwood or pine flooring, and various door configurations to accommodate end-user loading and unloading requirements. This product is adaptable for a diverse range of uses in dry-freight transportation.

Iner-City® cutaway van bodies. An ideal route truck for a variety of commercial applications, the Iner-City bodies are manufactured on cutaway chassis which allow access from the cab to the cargo area. Borrowing many design elements from Supreme s larger van body, the Iner-City is shorter in length (10 to 18 feet) than a typical van body.

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

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

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

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

Armored SUVs. Supreme s armored SUV products offer the same outside appearance and interior as a stock model SUV, but with armored protection against hostile fire. These protective vehicles are used both abroad by governmental agencies and for various domestic applications.

Armored trucks and specialty vehicles. Supreme s armored trucks and specialty vehicles include cash-in-transit vehicles as well as SWAT rapid deployment vehicles, prisoner transport vehicles, and a variety of other security vehicles.

Trolleys. Supreme s trolley line is similar in size to a mid-size bus but resembles a San Francisco trolley car. Supreme is a leading manufacturer of this product which is marketed to resort areas, theme parks, and cities desiring unique transportation vehicles.

Kold King®, Iner-City®, and Spartan are trade names used by Supreme in its marketing of truck bodies. Kold King®, Iner-City®, FiberPanel® and SignaturePlate are trademarks registered in the U.S. Patent and Trademark Office.

Manufacturing

Supreme s manufacturing facilities are located in Goshen and Ligonier, Indiana; Griffin, Georgia; Cleburne, Texas; Moreno Valley, California; Jonestown, Pennsylvania; and Harrisville, Rhode Island.

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

The Company manufactures component parts including fiberglass reinforced plywood, located in Ligonier, Indiana and has extensive metal bending capabilities at all of its locations.

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

We purchase raw materials and component parts from a variety of sources. Although we generally do not enter into long-term supply contracts, management believes that we have good relationships with our primary suppliers. In past years prices have fluctuated significantly, but we have experienced no material adverse problems in obtaining adequate supplies of raw materials and component parts to meet the requirements of our production schedules. Management believes that the materials used in the production of our products are available at competitive prices from an adequate number of alternative suppliers. Accordingly, management does not believe that the loss of a single supplier would have a material adverse effect on our business.

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Marketing

Supreme sells its products to commercial dealers/distributors, fleet leasing companies, or directly to end-users. Products purchased by a dealer from Supreme are sold by the dealer/distributor to its own customers.

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

Approximately 70 employees are engaged in direct sales. Supreme engages in direct marketing to target markets and participates in industry and vocational trade shows.

Trademarks

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

Working Capital

The Company had working capital of $44.4 million and $37.6 million at December 27, 2014, and December 28, 2013, respectively. The Company believes that its days sales outstanding, its days inventories on hand and its days payable outstanding are within normal industry levels.

Major Customers

During the year-ended December 27, 2014, one large national fleet customer accounted for approximately 16% of the Company s consolidated net sales. The Company s export sales are minimal.

Competitive Conditions

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

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

Governmental Regulation

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

Cyclicality and Seasonality of Business

The Company s business can be cyclical due to the normal replacement cycle particularly of its truck products (historically approximately seven years) being subject to customers delaying purchases due to adverse changes in economic conditions and other long range factors that can affect the transportation industry. Seasonality arises due to the Company typically participating in bids for large fleet contracts. If successful, the fleet orders generally require shipment of the truck bodies in the first and second quarters. Additionally, our business depends on various factors that are particularly sensitive to general economic conditions and business cycles including: corporate profitability; interest rates; fuel costs; changes in government regulations (i.e. fuel standards); customer preferences; industrial, commercial, and consumer spending patterns; and availability of truck chassis.

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Employees

As of December 27, 2014 and December 28, 2013, the Company employed approximately 1,300 and 1,500 employees, respectively, none of whom are represented by a collective bargaining unit. The Company considers its relations with its employees to be favorable.

Backlog

The Company s backlog of firm orders was $79.9 million at December 27, 2014 compared to $70.8 million at December 28, 2013, all of which was reasonably expected to be filled within the applicable year.

ITEM 1A. RISK FACTORS

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

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

The Company s liquidity and financial condition could be materially and adversely affected if, under its current bank credit agreement, the Company s ability to borrow money from its existing lender to finance its operations is reduced or eliminated. Similar adverse effects may also result if the Company realizes lessened credit availability from trade creditors. Additionally, many of our customers require the availability of financing to facilitate the purchase of our products. As a result, a continuing period of reduced credit availability in the marketplace could have adverse effects on the Company s business.

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

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

Volatility in the supply of vehicle chassis and other vehicle components could adversely affect our business.

With the exception of some trolley and specialty vehicle products, the Company generally does not purchase vehicle chassis for its inventory. The Company accepts shipments of vehicle chassis owned by dealers or end-users for the purpose of installing and/or manufacturing its specialized truck bodies and trolleys on such chassis. Historically, General Motors Corp. (GM) and Ford Motor Company (Ford) have been the primary suppliers of chassis. In the event of a disruption in supply from one major supplier, the Company would attempt to use another major supplier, but there can be no assurance that this attempt would be successful. Nevertheless, in the event of chassis supply disruptions, there could be unforeseen consequences that may have a significant adverse effect on the Company s business operations.

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

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

The competitive nature of the specialized vehicle industry creates a number of challenges for the Company. Important factors include product pricing, quality of product, lead times, geographic proximity to customers, and the ability to manufacture a product customized to customer specifications. Specialized vehicles are produced by a number of smaller, regional companies which create product pricing pressures that could adversely impact the Company s profits. Chassis manufacturers have not generally shown an interest in manufacturing specialized vehicles, including truck bodies, because such manufacturers highly-automated assembly line operations do not lend themselves to the efficient production of a wide variety of highly-specialized vehicles with various options and equipment.

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

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

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

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

A product defect claim in excess of our insurance coverage, or for which we have no insurance, or an inability to acquire or maintain insurance at commercially reasonable rates, could have a materially adverse effect upon our business.

We face an inherent risk of exposure to product liability, product recall, and other product defect related claims, if the use of our current or formerly manufactured products result, or are alleged to result, in personal injury and/or property damage, or if a significant number of our products must be recalled, or if a product defect results in the Company having to refund the purchase price of a substantial number of vehicles. If we manufacture a defective product, we may experience material losses and we may incur significant costs to defend product defect claims. We could also incur damages and significant costs in correcting any defects, experience lost sales, and suffer damage to our reputation. We may not have insurance coverage for certain types of claims or our insurance coverage may not be adequate for liabilities we could incur and may not continue to be available on terms acceptable to us.

Our manufacturer s warranties expose us to potentially significant claims.

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

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

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

Our relatively low trading volumes may limit our stockholders abilities to buy or sell their shares.

Our Class A Common Stock has experienced, and may continue to experience, price volatility and low trading volumes. Overall market conditions, and other risk factors described herein, may cause the market price of our Class A Common Stock to fall. Our high and low sales prices for the twelve month period ended December 27, 2014 were $9.00 and $5.26, respectively. Our Class A Common Stock is listed on the NYSE MKT exchange under the symbol STS. However, daily trading volumes for our Class A Common Stock are, and may continue to be, relatively small compared to many other publicly-traded securities. For example, during the twelve month period ended December 27, 2014, our daily trading volume has been as low as 2,300 shares. It may be difficult for you to buy or sell shares in the public market at any given time at prevailing prices, and the price of our Class A Common Stock may, therefore, be volatile.

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

As of February 25, 2015, our officers and directors as a group beneficially owned 24.1% of our Class A Common Stock and 92.4% of our Class B Common Stock. As a result, they will continue to be able to exercise significant influence, and in most cases, control, over matters requiring stockholder approval, including the election of directors, changes to our charter documents, and significant corporate transactions. This concentration of ownership makes it unlikely that any other holder or group of holders of our Class A Common Stock will be able to affect the way we are managed or the direction of our business.

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

Our outstanding common stock is split into two classes. The Class A Common Stock is listed on the NYSE MKT exchange, and the holders thereof are entitled to elect three members of the Company s Board of Directors. The majority (92.4%) of the Class B Common Stock is owned or controlled by the Company s officers and directors and is entitled to elect the remaining seven members of the Company s Board of Directors. The continuing ability of the holders of our Class B Common Stock to elect a majority of the members of the Company s Board of Directors will make it difficult for another company to acquire us and for Class A stockholders to receive any related take-over premium (unless the controlling group approves the sale).

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

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

Ability to sell idle facilities.

We currently own facilities which have been idle for a period of time and are currently being marketed for sale (see Item 2. *Properties*). Although management has exercised its best judgment to reflect accurate current market values of these properties in the Company s financial statements, there cannot be, due to current adverse market conditions, any assurance that these properties can be sold for these values anytime in the near future.

(See other risk factors listed in Item 7 under the caption: Forward-Looking Statements).

ITEM 1B. UNRESOLVED STAFF COMMENTS.

Not applicable.

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ITEM 2. PROPERTIES.

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

	Square Footage	Owned or Leased	Operating Segment
Manufacturing of Products			
Goshen, Indiana	532,096	Owned	Specialized Vehicles
Jonestown, Pennsylvania	424,416	Owned	Specialized Vehicles
Griffin, Georgia	191,779	Owned	Specialized Vehicles
Cleburne, Texas	179,035	Owned	Specialized Vehicles
Moreno Valley, California	103,200	Owned	Specialized Vehicles
Harrisville, Rhode Island	20,000	Owned	Specialized Vehicles
Moreno Valley, California	13,758	Leased	Specialized Vehicles
	1,464,284		
Manufacturing of Component Parts			
Ligonier, Indiana	52,142	Owned	Fiberglass Products
	52,142		
Properties for Sale			
Wilson, North Carolina	113,694	Owned	Not Applicable
Goshen, Indiana	8,480	Owned	Not Applicable
St. Louis, Missouri	4,800	Owned	Not Applicable
	126,974		
Corporate Office Building			
Goshen, Indiana	26,000	Owned	Not Applicable
	26,000		
Total square footage	1,669,400		

The Company leases approximately 18 acres of land at its Pennsylvania and California locations. The land is used for chassis storage and is leased from unrelated parties.

In an effort to manage its capacity utilization and control its assets, the Company had previously ceased operations at a number of facilities during and prior to 2011. The North Carolina and Missouri properties are being marketed for sale and were classified as property, plant, and equipment as of December 27, 2014. The Indiana property was classified as assets held for sale as of December 27, 2014 and is also being marketed for sale. The facilities owned or leased by the Company are well maintained, in good condition, and adequate for their intended purposes.

ITEM 3. LEGAL PROCEEDINGS.

The Company is subject to various investigations, claims, and legal proceedings covering a wide range of matters that arise in the ordinary course of its business activities. Each of these matters is subject to various uncertainties, and it is possible that some of these matters may be resolved unfavorably to the Company. The Company establishes accruals for matters that are probable and reasonably estimable.

ITEM 4. MINE SAFETY DISCLOSURES.

Not applicable.

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PART II

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

The Company s Class A Common Stock is traded on the NYSE MKT exchange (ticker symbol STS). The number of record holders of the Class A Common Stock as of February 25, 2015 was approximately 219. Due to the number of shares held in nominee or street name, it is likely that there are substantially more than 219 beneficial owners of the Company s Class A Common Stock.

The Company s Class A Common Stock closed at a price of $8.43 per share on the NYSE MKT exchange on February 25, 2015 on which date there were 14,814,951 shares of Class A Common Stock outstanding. High and low sales prices of the Class A Common Stock for the two-year periods ended December 27, 2014 and December 28, 2013 were:

	2014		2013	
	High	**Low**	**High**	**Low**
1st Quarter	$ 7.71	$ 5.89	$ 4.86	$ 3.10
2nd Quarter	9.00	5.26	5.26	4.25
3rd Quarter	8.36	6.01	6.59	4.76
4th Quarter	8.21	6.55	7.12	5.47

All of the 1,771,949 outstanding shares of the Company s Class B Common Stock were held by a total of 12 persons as of February 25, 2015. There is no established trading market for the Class B Common Stock. The Class B Common Stock is freely convertible on a one-for-one basis into an equal number of shares of Class A Common Stock, and ownership of the Class B Common Stock is deemed to be beneficial ownership of the Class A Common Stock under Rule 13d-3(d) (1) promulgated under the Securities Exchange Act of 1934.

The Board of Directors approved the following cash dividends on the Company s outstanding Class A and Class B Common Stock during the year ended December 27, 2014:

Declaration Date	**Record Date**	**Paid Date**	**Cash Dividend Per Share**
September 2, 2014	September 16, 2014	September 23, 2014	$ 0.025
November 11, 2014	December 12, 2014	January 2, 2015	$ 0.025

On May 8, 2013, the Company s Board of Directors declared a five percent (5%) stock dividend on the Company s outstanding Class A and Class B Common Stock. Stockholders of record on May 20, 2013 received a stock dividend for each share owned on that date, paid on June 3, 2013. The Company did not declare or pay any cash dividends during the year ended December 28, 2013.

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

Issuer Purchases of Equity Securities

Period	(a) Total number of shares (or units) purchased (1)	(b) Average price paid per share (or unit)	(c) Total number of shares (or units) purchased as a part of publicly announced plans or programs	(d) Maximum number (or approximate dollar value) of shares (or units) that may yet be purchased under the plans or programs
December 29, 2013 to December 27, 2014	19,241	$ 8.73	N/A	N/A
Total	19,241	$ 8.73		

(1) Shares acquired by the Company in connection with the exercise of a stock option.

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ITEM 6. SELECTED FINANCIAL DATA

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

All per share data has been adjusted to reflect the five percent (5%) common stock dividend declared and paid during 2013.

Consolidated Statement of Continuing Operations Data:

(in millions, except per share amounts)

	2014	2013	2012	2011	2010
Net sales	$ 236.3	$ 246.8	$ 239.1	$ 250.1	$ 162.1
Income (loss) from continuing operations	8.5	11.2	12.4	3.2	(10.1)
Income (loss) from continuing operations per share:					
Basic earnings (loss) per share	0.52	0.69	0.78	0.21	(0.67)
Diluted earnings (loss) per share	0.50	0.68	0.77	0.20	(0.67)
Cash dividends per common share	.025				

Consolidated Balance Sheet Data:

(in millions)

Working capital (a)	$ 44.4	$ 37.6	$ 38.6	$ 35.4	$ 19.1
Total assets	110.9	113.5	105.1	104.7	101.1
Total debt	9.0	9.7	14.1	15.9	26.6
Stockholders equity	81.0	74.1	67.2	54.9	51.5

(a) During the third quarter of 2011, the Company reclassified its revolving line of credit from current to long-term ($11.7 million at December 31, 2011).

ITEM 7. 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 Corporation, is a nationwide manufacturer of truck bodies, trolleys and specialty vehicles produced to the specifications of its customers. The Company s transportation equipment products are used by a wide variety of industrial, commercial and law enforcement customers.

The Company utilizes a nationwide direct sales and distribution network consisting of approximately 1,000 commercial truck dealers and a limited number of truck equipment distributors. The Company s manufacturing and service facilities are located in six states across the continental United States allowing it to meet the needs of customers across all of North America. Additionally, the Company s favorable customer relations, strong brand-name recognition, extensive product offerings, bailment pool chassis arrangements, and product innovation competitively position Supreme with a strategic footprint in the markets it serves.

The Company and its product offerings are affected by various risk factors which include, but are not limited to, economic conditions, interest rate fluctuations, volatility in the supply chain of 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 of this document.

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Results of Operations

The following discussion should be read in conjunction with the consolidated financial statements and related notes thereto (see Note 1 Nature of Operations and Accounting Policies) located in Item 8 of this document, and pertain to continuing operations unless otherwise noted.

Overview

Consolidated net sales for the year period ended December 27, 2014 decreased 4.3%, to $236.3 million, from $246.8 million last year, due to soft retail truck demand as well as a chassis shortage and severe weather that hampered first-quarter sales. The truck body sales decrease was partially offset by higher trolley and specialty vehicle sales during the year ended December 27, 2014.

Sales order backlog at the end of 2014 was up 13% to $79.9 million, compared with $70.8 million at the end of the prior year and the backlog has continued to grow since the beginning of 2015, due to the receipt of additional fleet orders.

For the twelve months ended December 27, 2014, gross profit was $43.8 million, or 18.6% of net sales, compared with $48.4 million, or 19.6% of net sales in the prior year. The gross profit decline was primarily due to the fixed nature of certain overhead expenses that do not fluctuate with sales volume changes, a chassis shortage and severe weather which impacted the first quarter of 2014.

Selling, general and administrative expenses decreased by $0.4 million, or 1.3%, to $31.3 million for the year ended December 27, 2014 as compared with $31.7 million for the year ended December 28, 2013. The decrease was due to lower sales commissions resulting from a change in product mix which included lower commissionable products and the Company receiving more marketing program incentives from chassis suppliers in 2014. The decrease was partially offset by higher wages as the Company improved its market presence by adding and upgrading sales personnel in key regions and select headcount additions for key positions.

For the year ended December 27, 2014, other income decreased by $0.4 million compared with last year. During the first quarter of 2013, the Company realized a gain of $0.4 million on the sale of real estate. Income tax expense for the year ended December 27, 2014 was $4.0 million, or an effective tax rate of 32.1%, compared with $5.9 million, or an effective tax rate of 34.6%, for the year ended December 28, 2013. The rates differ from the federal statutory rate primarily because of varying state income tax rates and permanent federal income tax differences.

Income from continuing operations for the year ended December 27, 2014 was $8.5 million, or $0.50 per diluted share, compared with income from continuing operations of $11.2 million, or $0.68 per diluted share for the year ended December 28, 2013.

On December 31, 2013, the Company announced its intention to divest its shuttle bus business. The progressively competitive environment in the bus industry led to intensified price cutting, making it more difficult to sustain profitability. Shuttle bus products represented less than 13%

of the Company s consolidated 2013 sales, but had a material adverse effect on financial results. On February 28, 2014, the Company entered into an agreement for the sale of certain assets of the Company s shuttle bus operations. Accordingly, the Company classified the results as discontinued operations. For the year ended December 27, 2014 and December 28, 2013, the after-tax loss from discontinued operations was $1.6 million and $4.8 million, respectively. The decision to divest the shuttle bus business was made to help improve stockholder value by reallocating resources where they are expected to earn a higher return.

Reported net income for the year ended December 27, 2014 was $6.9 million, or $0.41 per diluted share, compared with net income of $6.4 million, or $0.39 per diluted share in 2013.

Working capital was $44.4 million at December 27, 2014, compared to $37.6 million at December 28, 2013. Cash and cash equivalents increased to $11.6 million, up from $3.9 million at December 28, 2013 prompting the Company to reinstate a quarterly cash dividend beginning in the third quarter. During 2014, Supreme invested $4.7 million in facilities and equipment to enhance manufacturing efficiencies. Stockholders equity increased 9.3% to $81.0 million at December 27, 2014, compared with $74.1 million at December 28, 2013. Book value per-share grew to $4.94 at year end versus $4.59 at the end of 2013. Net cash provided by operating activities in 2014 was $9.5 million, compared with $13.5 million in 2013.

We have actively addressed under-performing business units, invested capital to target growth and efficiency, and elevated our customer-centric focus across the organization. These initiatives have improved our financial performance prompting the Company to resume paying a quarterly cash dividend for the first time since 2008. The growth in our sales order backlog also provides encouraging evidence that our strategic growth initiatives are gaining traction. These efforts, combined with the current steady market demand, give us optimism as we enter 2015.

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Comparison of 2014 with 2013

Net sales

Net sales for the year ended December 27, 2014 decreased $10.5 million, or 4.3%, to $236.3 million as compared with $246.8 million for the year ended December 28, 2013.

Truck sales decreased $13.8 million, or 6.1%, for the 2014 year primarily due to soft retail demand, timing of fleet runs as well as a chassis shortage and severe weather that hampered first quarter sales. As we move into 2015, we are encouraged by the higher sales order backlog, improved market indicators for truck body purchases and new product offerings including our proprietary FiberPanel HC product and the redesign of our refrigerated product line.

Trolley sales increased $1.5 million, or 21.5%, for the year ended December 27, 2014 when compared with the year ended December 28, 2013. With the divesture of the shuttle bus business in the first quarter of 2014, this facility is focused on developing new products and new channels to sell into the market place.

Specialty vehicle sales for 2014 increased $1.8 million, or 15.6%, compared with 2013. Using existing products and capabilities as a foundation, we continue to look for opportunities to expand product offerings and our customer base for these specialty products.

The Fiberglass facility supplies fiberglass reinforced plywood to Supreme for use in the production of certain truck bodies and also sells to third parties. The sales to third parties were relatively flat for the years ended December 27, 2014 and December 28, 2013.

Cost of sales and gross profit

Gross profit decreased by $4.6 million, or 9.4%, to $43.8 million for the year ended December 27, 2014 as compared with $48.4 million for the year ended December 28, 2013.

Material cost as a percentage of net sales remained relatively consistent decreasing by 0.2% for the year ended December 27, 2014 as compared with 2013. The slight improvement in the material cost percentage was due in part to a change in product mix with a lower proportion of fleet shipments compared with the prior year. Increased demand for certain commodities can result in fluctuating costs of raw materials and other items we utilize in our production processes. Therefore, the Company closely monitors major commodities to identify raw material cost escalations and attempts to pass through cost increases as markets will allow by having material adjustment clauses in most key customer contracts.

Direct labor as a percentage of net sales increased slightly by 0.3% for the year ended December 27, 2014 as compared with 2013. The increase in the direct labor percentage was primarily due to product mix, inefficiencies due to a chassis shortage and extreme weather conditions which adversely impacted the first quarter of 2014.

Manufacturing overhead as a percentage of net sales increased by 0.9% for the year ended December 27, 2014 as compared with 2013 due to the fixed nature of certain overhead expenses that do not fluctuate due to decreasing sales volumes. Additionally, utilities and group health insurance costs were elevated in 2014 when compared with 2013. The Company continues to implement changes to its group health insurance plan with the goal of improving the overall health consciousness of its workforce. Production inefficiencies resulting from chassis supply shortages as well as the extreme weather conditions also impacted the first quarter of 2014.

Delivery expense as a percentage of net sales remained flat at 2.2% for the year ended December 27, 2014 and December 28, 2013.

Selling, general and administrative expenses

Selling, general and administrative expenses decreased by $0.4 million, or 1.1%, to $31.3 million for the year ended December 27, 2014 as compared with $31.7 million for the year ended December 28, 2013.

Selling expenses for 2014 decreased $1.1 million as compared with 2013. As a percentage of net sales, selling expenses decreased 0.3% for the year ended December 27, 2014 as compared with 2013. The decrease was due to lower sales commissions resulting from a change in product mix which included lower commissionable products and the Company receiving more marketing program incentives from chassis suppliers during the year. The decrease was partially offset by higher sales wages and related costs as the Company improved its market presence by adding and upgrading sales personnel in key regions.

General and administrative expenses for 2014 increased $0.8 million as compared with 2013. As a percentage of net sales, general and administrative expenses increased 0.8% for the year ended December 27, 2014 as compared with 2013. The increase was the result of higher salary costs resulting from strategic additions for key positions and annual merit increases, partially offset by lower legal fees and profit-based incentive compensation plans.

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Other income

For the year ended December 27, 2014, other income was $0.5 million, or 0.2% of net sales, as compared with other income of $0.9 million, or 0.4% of net sales, for the year ended December 28, 2013. Other income consisted of rental income, gain on the sale of assets, and other miscellaneous income received by the Company. During the first quarter of 2013, the Company realized a gain of $0.4 million on the sale of real estate.

Interest expense

Interest expense was relatively flat at $0.5 million for the year ended December 27, 2014 and December 28, 2013. Interest expense includes bank debt and chassis interest on bailment pool chassis offset by interest support received from the chassis manufacturers. The effective interest rate on bank borrowings was 2.5% at 2014 year-end, and the Company was in compliance with all provisions of its Credit Agreement.

Income taxes

For the year ended December 27, 2014, the Company recorded income tax expense of $4.0 million at an effective tax rate of 32.1% compared with $5.9 million at an effective tax rate of 34.6% for the year ended December 28, 2013. The rates differ from the federal statutory rate primarily because of varying state income tax rates and permanent federal income tax differences. The year-over-year reduction in effective tax rate was primarily due to the increased benefit from its captive insurance company and the domestic production deduction.

Income from continuing operations

Income from continuing operations for year ended December 27, 2014 was $8.5 million, or $0.50 per diluted share, compared with income from continuing operations of $11.2 million, or $0.68 per diluted share for the year ended December 28, 2013.

Discontinued operations

The Company decided to discontinue its shuttle bus operations on December 31, 2013. On February 28, 2014, the Company entered into an agreement for the sale of certain assets of the Company s shuttle bus operations. Accordingly, the Company classified the results as discontinued operations. For the year ended December 27, 2014 and December 28, 2013, the after-tax loss from discontinued operations was $1.6 million and $4.8 million, respectively.

Net Income

Reported net income for the year ended December 27, 2014 was $6.9 million, or $0.41 per diluted share, compared with net income of $6.4 million, or $0.39 per diluted share in 2013.

Basic and diluted income (loss) per share

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

	2014	2013	Change
Basic income (loss) per share:			
Income from continuing operations	$ 0.52	$ 0.69	$ (0.17)
Loss from discontinued operations	(0.10)	(0.29)	0.19
Net income per basic share	$ 0.42	$ 0.40	$ 0.02
Diluted income (loss) per share:			
Income from continuing operations	$ 0.50	$ 0.68	$ (0.18)
Loss from discontinued operations	(0.09)	(0.29)	0.20
Net income per diluted share	$ 0.41	$ 0.39	$ 0.02

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Comparison of 2013 with 2012

Net Sales

Net sales for the year ended December 28, 2013 increased $7.7 million, or 3.2%, to $246.8 million as compared with $239.1 million for the year ended December 29, 2012.

Truck sales increased $13.8 million, or 6.5%, for the 2013 year primarily due to improved retail demand and additional fleet orders in certain product categories.

Trolley sales decreased $1.1 million, or 13.4%, when compared with 2012 resulting from lower market demand in the year.

Specialty vehicle sales for 2013 decreased $4.2 million, or 26.3%, compared with 2012. The decrease was the result of minimal sales of specialty vehicles and continued weakness in U.S. Department of State business.

The Fiberglass division sells fiberglass reinforced plywood to Supreme for use in the production of certain truck bodies and to third parties. The decrease of $0.8 million, or 26.8%, was due to lower sales to third parties in 2013.

Cost of sales and gross profit

Gross profit increased by $7.1 million, or 17.2%, to $48.4 million for the year ended December 28, 2013 as compared with $41.3 million for the year ended December 29, 2012.

Material cost as a percentage of net sales decreased by 2.1% for the year ended December 28, 2013 as compared with 2012. The decrease in the material percentage was due in part to favorable product mix, strategic purchasing of certain materials, and our focus on pricing disciplines in our sales efforts.

Direct labor as a percentage of net sales decreased by 0.8% for the year ended December 28, 2013 as compared with 2012 due to improved efficiencies achieved at certain locations resulting from the use of real time metrics on labor utilization and manufacturing redesign initiatives for a more efficient production flow.

Manufacturing overhead as a percentage of net sales increased by 0.6% for the year ended December 28, 2013 as compared with 2012 partially due to the fixed nature of certain overhead expenses that do not fluctuate with sales volume changes. Additionally, for the year ended December 28, 2013, the dollars spent on overhead increased when compared with 2012 with increases in costs associated with improvements to the physical inventory process and accuracy of our inventory accounting systems and increased group health costs.

Delivery expense as a percentage of net sales remained flat at 2.2% for the year ended December 28, 2013 as compared with 2012.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by $2.5 million, or 8.5%, to $31.7 million for the year ended December 28, 2013 as compared with $29.2 million for the year ended December 29, 2012.

Selling expenses for 2013 increased $1.4 million as compared with 2012. As a percentage of net sales, selling expenses increased 0.5% for the year ended December 28, 2013 as compared with 2012. The increase was the result of an increase in sales commissions on more profitable sales and lower marketing program incentives received in 2013 from chassis suppliers.

General and administrative expenses for 2013 increased $1.1 million as compared with 2012. As a percentage of net sales, general and administrative expenses increased 0.1% for the year ended December 28, 2013 as compared with 2012. The increase was the result of higher costs associated with the implementation of a new inventory management system and strategic headcount additions.

Other income

For the year ended December 28, 2013, other income was $0.9 million, or 0.4% of net sales, as compared with other income of $1.2 million, or 0.5% of net sales, for the year ended December 29, 2012. Other income consisted of rental income, gain on the sale of assets, and other miscellaneous income received by the Company. During the first quarters of 2013 and 2012, the Company realized a gain of $0.4 million and $0.3 million, respectively, on the sale of real estate.

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Interest expense

Interest expense was $0.5 million, or 0.2% of net sales, for the year ended December 28, 2013, compared with $0.8 million, or 0.3% of net sales, for the year ended December 29, 2012. The decline in interest expense resulted from a combination of lower average bank borrowings and the termination of a capital lease obligation through the exercise of a purchase option eliminating the interest expense associated with the lease payments. The effective interest rate on bank borrowings was 2.47% at 2013 year end, and the Company was in compliance with all provisions of its Credit Agreement.

Income taxes

For the year ended December 28, 2013, the Company recorded income tax expense of $5.9 million at an effective tax rate of 34.6% which differed from the federal statutory rate primarily because of state income tax and federal permanent income tax differences. For the year ended December 29, 2012, the Company recorded an income tax expense of $0.1 million for an effective tax rate of 1.0% resulting primarily from the reversal of a deferred tax valuation allowance due to the Company s improved profitability. During 2012, the Company generated taxable income sufficient to realize the benefit of all its federal net operating loss carryforwards and a portion of its state net operating loss carryforwards.

Income from continuing operations

Income from continuing operations for year ended December 28, 2013 was $11.2 million, or $0.68 per diluted share, compared with income from continuing operations of $12.4 million, or $0.77 per diluted share for the year ended December 29, 2012.

Discontinued operations

The Company decided to discontinue its shuttle bus operations on December 31, 2013. On February 28, 2014, the Company entered into an asset purchase agreement for the sale of certain assets of the Company s shuttle bus operations. Accordingly, the Company classified the results as discontinued operations. For the year ended December 28, 2013 and December 29, 2012, the after-tax loss from discontinued operations was $4.8 million and $0.6 million, respectively.

Net Income

Reported net income for the year ended December 28, 2013 was $6.4 million, or $0.39 per diluted share, compared with net income of $11.8 million, or $0.73 per diluted share in 2012.

Basic and diluted income (loss) per share

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

		2013		2012		Change
Basic income (loss) per share:						
Income from continuing operations	$	0.69	$	0.78	$	(0.09)
Loss from discontinued operations		(0.29)		(0.04)		(0.25)
Net income per basic share	$	0.40	$	0.74	$	(0.34)
Diluted income (loss) per share:						
Income from continuing operations	$	0.68	$	0.77	$	(0.09)
Loss from discontinued operations		(0.29)		(0.04)		(0.25)
Net income per diluted share	$	0.39	$	0.73	$	(0.34)

Liquidity and Capital Resources

Cash Flows

The Company s primary sources of liquidity have been cash flows from operating activities and borrowings under its credit agreements. Principal uses of cash have been to support working capital needs, meet debt service requirements, and fund capital expenditures.

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Operating activities

Cash flows from operations represent the net income earned in the reported periods adjusted for non-cash charges and changes in operating assets and liabilities. Net cash from operating activities totaled $9.5 million for the year ended December 27, 2014 as compared with $13.5 million for the year ended December 28, 2013. Changes in operating assets and liabilities were impacted by a $6.9 million decrease in trade accounts payable as a result of the Company s acceleration of payments to vendors to take advantage of discount payment terms. This decrease in trade accounts payable was offset by a $5.7 million decrease in inventories due to decreased business activity and improved inventory management, and a $3.7 million decrease in accounts receivable caused by decreased sales in December of 2014 as compared to December of 2013. Additionally, during the fourth quarter of 2014, the Company elected to replace its workers compensation insurance letters of credit with cash deposits with its insurance carriers totaling $3.3 million, thereby utilizing idle cash to avoid letters of credit fees and earn interest on the cash deposits.

Net cash from operating activities totaled $13.5 million for the year ended December 28, 2013 as compared with $12.4 million for the year ended December 29, 2012. Changes in operating assets and liabilities were favorably impacted by a $4.0 million increase in trade accounts payable. This was partially offset by a $2.9 million increase in accounts receivable caused by increased sales in December of 2013 as compared to December of 2012. Additionally, net cash from operating activities was adversely impacted by a net cash payment of $4.2 million for a legal settlement.

Investing activities

Cash used by investing activities was $1.1 million for the year ended December 27, 2014 as compared with $5.0 million for the year ended December 28, 2013. During 2014, the Company s capital expenditures totaled $4.7 million and included facilities and equipment to enhance manufacturing efficiencies. Investing activities in 2014 provided cash of $3.9 million from the sale of the Company s shuttle bus operations and $0.8 million of net proceeds from the sale of a facility in Michigan which was previously included in assets held for sale. Additionally, the Company increased its captive insurance company investments by $1.1 million during 2014.

Cash used by investing activities was $5.0 million for the year ended December 28, 2013 as compared with $10.9 million for the year ended December 29, 2012. During 2013, the Company s capital expenditures totaled $6.2 million and included facilities and equipment to enhance manufacturing efficiencies. Investing activities provided cash of $1.3 million in 2013 as a result of net proceeds from the sale of a facility in Goshen, Indiana which was previously included in assets held for sale.

Financing activities

Financing activities used $0.7 million of cash for the year ended December 27, 2014 as compared with cash used of $4.7 million for the year ended December 28, 2013. During 2014, the Company used $0.4 million to pay a cash dividend to its shareholders, used $0.7 million to make scheduled quarterly principle payments on its outstanding term loan, and received $0.4 million from the exercise of stock options.

Financing activities used $4.7 million of cash for the year ended December 28, 2013 as compared with cash used of $1.6 million for the year ended December 29, 2012. During 2013, long-term debt activities consisted of net payments against the Company s revolving line of credit of $4.4 million.

Capital Resources

On December 19, 2012, the Company entered into an Amended and Restated Credit Agreement (the Credit Agreement) with Wells Fargo Bank, National Association (Wells Fargo). Under the terms of the Credit Agreement, Wells Fargo agreed to provide to the Company a credit facility of up to $45.0 million consisting of a revolving credit facility, a term loan facility, and a letter of credit facility. The Credit Agreement is for a period of five years ending on December 19, 2017. The Company had unused credit capacity of $35.0 million at December 27, 2014. Interest on outstanding borrowings under the Credit Agreement is based on Wells Fargo 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 interest rate of 2.50% at December 27, 2014. Pursuant to the Credit Agreement, the financial covenants include a consolidated total leverage ratio, a consolidated fixed charge coverage ratio, and a limitation on annual capital expenditures. As of December 27, 2014 and December 28, 2013, the Company was in compliance with all three financial covenants. On August 27, 2014, the Company entered into an amendment of the Credit Agreement. The amendment changed the cash dividend limit from a percentage of consolidated net income for the immediately preceding fiscal quarter to a flat per fiscal quarter limit of $0.03 per share of capital stock then issued and outstanding.

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Revolving Credit Facility

The revolving credit facility provides for borrowings of up to $35.0 million. The revolving credit facility bears interest at (i) LIBOR plus a margin which varies from 1.50% to 2.50% based upon a leverage ratio of total indebtedness to trailing four quarter EBITDA or (ii) the higher of (a) the prime rate and (b) the federal funds rate plus 0.50% plus a margin which varies from 0.50% to 1.50% based upon the debt to EBITDA leverage ratio. The revolving credit facility also requires a quarterly commitment fee ranging from 0.20% to 0.50% per annum depending on the Company s financial ratios and based upon the average daily unused portion. As of December 27, 2014, and December 28, 2013, there were no borrowings against the revolving credit facility.

Term Loan Facility

The term loan facility provides for borrowings of up to $10.0 million. Effective April 29, 2013, the Company and Wells Fargo entered into a $10.0 million term loan by converting $10.0 million of revolving credit facility borrowings to term debt. The term loan is secured by real estate and improvements, payable in quarterly installments of $166,667 commencing on June 28, 2013, plus interest at prime rate or LIBOR, with the remaining balance due upon maturity on December 19, 2017. As of December 27, 2014, the outstanding balance under the term loan facility was $9.0 million.

On August 9, 2013, the Company entered into an interest rate swap agreement for a portion of the term loan with a notional amount of $5.0 million. The interest rate swap agreement provides for a 3.1% fixed interest rate and matures on December 19, 2017. The Company designated this swap agreement as a cash flow hedge on its variable rate debt and records the fair value of the swap agreement as an asset or liability on the balance sheet with changes in fair value recognized in other comprehensive income (loss).

Letter of Credit Facility

Outstanding letters of credit, related to the Company s workers compensation insurance policies, reduce available borrowings under the 2012 Credit Agreement and aggregated $3.7 million at December 28, 2013. During 2014, the Company replaced all outstanding letters of credit with cash deposits with its insurance carriers totaling $3.3 million, thereby utilizing idle cash to avoid letters of credit fees and earn interest on the cash deposits.

Summary of Liquidity and Capital Resources

The Company s primary capital needs are for working capital demands, to meet its debt service obligations, and to finance capital expenditure requirements. Cash generated from operations, and borrowings available under our 2012 Credit Agreement, are expected to be sufficient to finance the known and/or foreseeable liquidity and capital needs of the Company for at least the next 12 months based on our current cash flow budgets and forecasts of our liquidity needs.

Contractual Obligations

The Company s fixed, noncancelable obligations as of December 27, 2014 were as follows:

		Payments due by period			
	Total	Less than 1 Year	1-3 Years	3-5 Years	More than 5 Years
Debt (a)	$ 8,999,998	$ 666,668	$ 8,333,330	$	$
Interest payments on debt (b)	884,457	242,975	641,482		
Operating leases (c)					