

SUPREME INDUSTRIES INC  
Form DEF 14A  
April 25, 2012

UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549

**SCHEDULE 14A INFORMATION**

Proxy Statement Pursuant to Section 14(a) of  
the Securities Exchange Act of 1934 (Amendment No. )

Filed by the Registrant  X

Filed by a Party other than the Registrant  O

Check the appropriate box:

- Preliminary Proxy Statement
- Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))**
- Definitive Proxy Statement
- Definitive Additional Materials
- Soliciting Material under §240.14a-12

SUPREME INDUSTRIES, INC.  
(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- No fee required.
- Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
  - (1) Title of each class of securities to which transaction applies:
  - (2) Aggregate number of securities to which transaction applies:
  - (3) Per unit price or other underlying value of transaction computed pursuant to Exchange Act Rule 0-11 (set forth the amount on which the filing fee is calculated and state how it was determined):
  - (4) Proposed maximum aggregate value of transaction:
  - (5) Total fee paid:
- Fee paid previously with preliminary materials.
- Check box if any part of the fee is offset as provided by Exchange Act Rule 0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
  - (1) Amount Previously Paid:
  - (2) Form, Schedule or Registration Statement No.:
  - (3) Filing Party:
  - (4) Date Filed:

**SUPREME INDUSTRIES, INC.**

**2581 East Kercher Road**

**Goshen, IN 46528**

**NOTICE OF ANNUAL MEETING OF STOCKHOLDERS**

**To Be Held May 23, 2012**

To Stockholders of

SUPREME INDUSTRIES, INC.:

The annual meeting of stockholders of Supreme Industries, Inc. (the Company) will be held at the Company's main production facility located behind the corporate office at 2581 E. Kercher Road, Goshen, Indiana, on May 23, 2012, at 10:00 a.m. Eastern Time for the following purposes:

1. To elect six directors to serve until the next annual meeting of stockholders and until their respective successors shall be elected and qualified;
2. To approve the Company's 2012 Long-Term Incentive Plan;
3. To ratify the selection of Crowe Horwath LLP as the Company's Independent Registered Public Accounting Firm; and
4. To transact such other business as may properly come before the meeting and any adjournment thereof.

Information regarding matters to be acted upon at this meeting is contained in the accompanying Proxy Statement. Only stockholders of record at the close of business on April 23, 2012, are entitled to notice of and to vote at the meeting and any adjournment thereof.

All stockholders are cordially invited to attend the meeting.

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IT IS IMPORTANT THAT YOUR STOCK BE REPRESENTED AT THE MEETING, REGARDLESS OF THE NUMBER OF SHARES YOU HOLD. PLEASE COMPLETE, SIGN, AND RETURN PROMPTLY THE ENCLOSED PROXY IN THE ACCOMPANYING ENVELOPE, WHETHER OR NOT YOU INTEND TO BE PRESENT AT THE MEETING.

By Order of the Board of Directors

Goshen, Indiana  
April 27, 2012

William J. Barrett  
Secretary

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## **SOLICITATION OF PROXIES**

This Proxy Statement and accompanying Proxy are furnished to owners of the Company's common stock, par value \$.10 per share (the Common Stock), in connection with the solicitation of proxies by the Board of Directors of Supreme Industries, Inc. (the Company) for use at the Annual Meeting of Stockholders (the Annual Meeting) to be held at the Company's main production facility located behind the corporate office at 2581 E. Kercher Road, Goshen, Indiana, on May 23, 2012 at 10:00 a.m. Eastern Time, or at any adjournment thereof. For directions, please call 574.642.4888, Ext. 446. The Notice of Meeting, the form of Proxy, and this Proxy Statement are being mailed to the Company's stockholders on or about April 27, 2012.

The expense of proxy solicitation will be borne by the Company. Although solicitation is to be made primarily through the mail, the Company's officers and/or employees and those of its transfer agent may solicit proxies by telephone or personal contact, but in such event no additional compensation will be paid by the Company for such solicitation efforts, however, the Company will reimburse such persons for all accountable costs so incurred.

A copy of the 2011 Annual Report to Stockholders of the Company for its fiscal year ended December 31, 2011, is being mailed with this Proxy Statement to all such stockholders entitled to vote, but does not form any part of the information for solicitation of proxies.

### **Important Notice Regarding the Availability of Proxy Materials for the Stockholder Meeting to be held on May 23, 2012**

This Proxy Statement, the accompanying proxy card, and our 2011 Annual Report to Stockholders are available at [www.proxy.supremeind.com](http://www.proxy.supremeind.com).

## **RECORD DATE AND VOTING SECURITIES**

The Board of Directors of the Company has fixed the close of business on April 23, 2012, as the record date for determination of stockholders entitled to notice of and to vote at the Annual Meeting. As of the record date, there were 13,476,276 shares of Class A Common Stock and 1,716,937 shares of Class B Common Stock of the Company issued and outstanding. The presence, in person or by proxy, of the holders of a majority of the issued and outstanding shares of each of the Class A Common Stock and the Class B Common Stock as of the record date is necessary to constitute a quorum at the Annual Meeting with respect to matters upon which both classes of Common Stock are entitled to vote.

## **ACTION TO BE TAKEN AND VOTE REQUIRED**

Action will be taken at the meeting to elect a Board of Directors, to approve the Company's 2012 Long-Term Incentive Plan, and to ratify the selection of Crowe Horwath LLP as the Company's Independent Registered Public Accounting Firm. Each proxy will be voted in accordance with the directions specified thereon and otherwise in accordance with the judgment of the persons designated as proxies. Any proxy that is

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validly executed but on which no directions are specified will be voted for the proposals set forth in this Proxy Statement for consideration at the annual meeting. Any person executing the enclosed proxy may nevertheless revoke it at any time prior to the actual voting thereof by filing with the Secretary of the Company either a written instrument expressly revoking it or a duly executed proxy bearing a later date. Furthermore, such person may nevertheless elect to attend the meeting and vote in person, in which event the proxy will be revoked.

The Company's Certificate of Incorporation authorizes two classes of \$.10 par value Common Stock (designated Class A and Class B) as well as one class of \$1.00 par value preferred stock. No shares of the preferred stock are outstanding. In voting on all matters expected to come before the Annual Meeting, a stockholder of either Class A or Class B Common Stock will be entitled to one vote, in person or by proxy, for each share held in his or her name on the record date. The holders of the Class A Common Stock will be entitled to elect that number (rounded down) of directors equal to the total number of directors to be elected divided by three, i.e., two directors, and the holders of the Class B Common Stock will be entitled to elect the remaining directors. The Class A Directors are elected by majority vote of shares held by holders of Class A Common Stock attending in person or represented by proxy. The Class B Directors are elected by plurality vote of the holders of Class B Common Stock attending in person or represented by proxy. The approval of the Company's 2012 Long-Term Incentive Plan and the ratification of the selection of Crowe Horwath LLP as the Company's Independent Registered Public Accounting Firm for the fiscal year ending December 29, 2012, must be approved by majority vote of the combined shares of the Class A Common Stock and Class B Common Stock held by the holders of such Class A Common Stock and Class B Common Stock attending in person or represented by proxy. The Company's Certificate of Incorporation prohibits cumulative voting.

Abstentions are voted as "shares present" at the Annual Meeting for purposes of determining whether a quorum exists. In the election of the Class B Directors, votes withheld will have no effect on the outcome of the vote. In the election of the Class A Directors, the vote on approval of the Company's 2012 Long-Term Incentive Plan, and the vote on the ratification of the selection of our independent registered public accounting firm, votes withheld and abstentions will have the effect of a vote "against" the proposal. Proxies submitted by brokers that do not indicate a vote for some or all of the proposals because the brokers do not have discretionary voting authority and have not received instructions from a stockholder as to how to vote on those proposals (so-called "broker non-votes") are considered "shares present" for purposes of determining whether a quorum exists. However, broker non-votes are not considered to be shares entitled to vote and will not affect the outcome of any vote.

Prior to 2010, the election of directors was considered a routine matter for which brokers were permitted to vote stockholders' shares. Beginning in 2010, brokers are no longer permitted to vote stockholders' shares for the election of directors. Therefore, we urge all stockholders to give voting instructions to their brokers on all voting items.

## **SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT**

The following tabulation sets forth the names of those persons who are known to management to be the beneficial owners as of April 23, 2012, of more than five percent (5%) of the Company's Class A or Class B Common Stock. Such tabulation also sets forth the number of shares of the Company's Class A or Class B Common Stock beneficially owned as of April 23, 2012 by all of the Company's directors and nominees, named executive officers, and all directors and officers of the Company as a group. Persons having direct beneficial ownership of the Company's Common Stock possess the sole voting and dispositive power in regard to such stock. 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 Class B Common Stock is deemed to be beneficial ownership of Class A Common Stock under Rule 13d-3(d)(1) promulgated under the Securities Exchange Act of 1934, as amended (the "Exchange Act"). As of April 23, 2012, there were 13,476,276 shares of Class A Common Stock and 1,716,937 shares of Class B Common Stock outstanding.

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The following tabulation also includes shares of Class A Common Stock covered by options granted under the Company's 2004, 2001, and 1998 Stock Option Plans, which options are collectively referred to as Stock Options. The Stock Options have no voting or dividend rights until such time as the options are exercised.

<b>Name and Address of Beneficial Owner</b>	<b>Title Class</b>	<b>Amount and Nature of Beneficial Ownership</b>	<b>Percent of Class (1)</b>
Heartland Advisors, Inc. 789 North Water Street Milwaukee, WI 53202	Class A	1,230,000(2)	9.1%
Wilco Management Company, Inc. 2360 West Joppa Road, Suite 226 Lutherville, MD 21093	Class A	750,173(3)	5.6%
First Manhattan Co. 437 Madison Avenue New York, NY 10022	Class A	681,645(4)	5.1%
William J. Barrett 636 River Road Fair Haven, NJ 07704	Class A Class B	1,838,025(5)(6)(10) 859,862(6)	12.7% 50.1%
Herbert M. Gardner 2581 East Kercher Road Goshen, IN 46528	Class A Class B	1,128,218(5)(7)(10) 623,218(7)	7.9% 36.3%
Robert J. Campbell 15690 Treasure Cove Bullard, TX 75757	Class A Class B	154,418(5)(8)(10) 47,620	1.1% 2.8%
Robert W. Wilson 2581 East Kercher Road Goshen, IN 46528	Class A	260,775(5)	1.9%
Edward L. Flynn 7511 Myrtle Avenue Glendale, NY 11385	Class A	253,361(5)(9)	1.9%
Mark C. Neilson 7140 Calabria Court San Diego, CA 92122	Class A	110,451(5)	*
Kim Korth (11) 2581 East Kercher Road Goshen, IN 46528	Class A	41,672	*

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Name and Address of Beneficial Owner	Title Class	Amount and Nature of Beneficial Ownership	Percent of Class (1)
Wayne A. Whitener 101 E. Park Blvd., Suite 955 Plano, TX 75074	Class A	18,939(5)	*
Matthew W. Long 2581 East Kercher Road Goshen, IN 46528	Class A	15,000	*
All directors and officers as a group of 9 persons	Class A	3,867,767(5)(6)(7)(8)(9)(10)(11)	25.0%
	Class B	1,530,700(6)(7)	89.2%

\* Less than 1%

(1) The percentage calculations have been made in accordance with Rule 13d-3(d)(1) promulgated under the Exchange Act. In making these calculations, shares beneficially owned by a person as a result of the ownership of Stock Options, or ownership of Class B Common Stock, were deemed to be currently outstanding solely with respect to the holders of such options or Class B Common Stock.

(2) Heartland Advisors, Inc. ( Heartland ) filed a Schedule 13G/A on February 10, 2012, reporting that Heartland and William J. Nasgovitz, President of Heartland, own and have shared voting and dispositive power over 1,230,000 shares of Class A Common Stock. All information presented above relating to Heartland is based solely on the Schedule 13G/A.

(3) Wilen Management Company, Inc. ( Wilen ) filed a Schedule 13G/A on January 24, 2012, reporting that Wilen owns and has sole voting and dispositive power over 750,173 shares of Class A Common Stock. All information presented above relating to Wilen is based solely on the Schedule 13G/A.

(4) First Manhattan Co. ( First Manhattan ) filed a Schedule 13G/A on February 14, 2012, reporting that First Manhattan owns and has shared dispositive power over 681,645 shares of Class A Common Stock. (Shared voting power is limited to 649,359 of the 681,645 shares.) All information presented above relating to First Manhattan is based solely on the Schedule 13G/A.

(5) Includes the number of shares of Class A Common Stock set forth opposite the persons named in the following table which shares are beneficially owned as a result of the ownership of Stock Options under the Company's 2004, 2001, and 1998 Stock Option Plans.

	Stock Options
William J. Barrett	143,045
Herbert M. Gardner	137,076
Robert W. Wilson	97,638
Mark C. Neilson	11,584
Robert J. Campbell	6,487
Edward L. Flynn	6,487
Wayne A. Whitener	6,487



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All directors and officers as a group of 9 persons

445,095

(6) Includes 109,942 shares of Class A Common Stock and 16,054 shares of Class B Common Stock owned by Mr. Barrett's wife. Mr. Barrett has disclaimed beneficial ownership of these shares.

(7) Includes 10,447 shares of Class A Common Stock and 63,349 shares of Class B Common Stock owned by Mr. Gardner's wife. Mr. Gardner has disclaimed beneficial ownership of these shares.

(8) Includes 443 shares of Class A Common Stock owned beneficially by Mr. Campbell's wife as custodian for their children. Mr. Campbell has disclaimed beneficial ownership of these shares.

(9) Includes 37,624 shares of Class A Common Stock owned beneficially by Mr. Flynn's wife. Mr. Flynn has disclaimed beneficial ownership of these shares.

(10) Includes the number of shares of Class A Common Stock which are deemed to be beneficially owned as a result of ownership of shares of Class B Common Stock, which Class B shares are freely convertible on a one-for-one basis into shares of Class A Common Stock.

(11) Ms. Korth resigned from her positions with the Company on March 30, 2012.

Depositories such as The Depository Trust Company (Cede & Company) as of April 23, 2012 held, in the aggregate, more than 5% of the Company's then outstanding Class A Common Stock. The Company understands that such depositories hold such shares for the benefit of various participating brokers, banks, and other institutions which are entitled to vote such shares according to the instructions of the beneficial owners thereof. Excluding Heartland, Wilen, and First Manhattan, the Company has no reason to believe that any of such beneficial owners hold more than 5% of the Company's outstanding voting securities.

## **PROPOSAL NO. 1**

### **ELECTION OF DIRECTORS**

Six directors are to be elected at the Annual Meeting of Stockholders. Unless otherwise instructed, the proxy holders will vote the proxies received by them for the nominees shown below for the term of one year and until their successors are duly elected and have qualified. The Company's Board of Directors is currently comprised of seven members.

Of the persons named below, Messrs. Flynn and Neilson have been nominated for election by the holders of Class A Common Stock, and the remaining persons have been nominated for election by the holders of Class B Common Stock.

The nominees for election by holders of Class A Common Stock were recommended to the Board of Directors by a majority of the independent directors of the Board.

In addition to serving as directors, Messrs. Gardner and Barrett were executive officers of the Company (or its subsidiary) as of December 31, 2011. Officers are elected annually by the Board of Directors at the Annual Meeting of Directors held immediately following the Annual Meeting of Stockholders.

Although it is not contemplated that any nominee will be unable to serve as a director, in such event the proxies will be voted by the holders thereof for such other person as may be designated by the current Board of Directors. The management of the Company has no reason to believe that any of the nominees will be unable or unwilling to serve if elected to office, and to the knowledge of management, the nominees intend to serve the entire term for which election is sought.

Only six nominees for director are named, even though the Company's bylaws allow a maximum of fifteen, since the proposed size of the board is deemed adequate to meet the requirements of the Board of Directors. The proxies given by the Class A stockholders cannot be voted for more than two persons, and the proxies given by Class B stockholders cannot be voted for more than four persons. The information set forth below with respect to each of the nominees has been furnished by each respective nominee.

Name, Age, and Business Experience	Executive Officer Since	Positions With Company
<p>Herbert M. Gardner, 72</p> <p>Chairman of the Board of the Company since 1979, Chief Executive Officer of the Company from 1979 to January 2011; President of the Company from June 1992 to February 2006; Executive Vice President of Barrett-Gardner Associates, Inc., an investment banking firm, from November 2002 until June 2009, and previously Senior Vice President of Janney Montgomery Scott LLC, investment bankers; Director of Rumson-Fair Haven Bank and Trust Company, a New Jersey state independent, commercial bank and trust company; Director of TGC Industries, Inc., a company engaged in the geophysical services industry; and Director of Chase Packaging Corporation, a development stage company. Mr. Gardner was selected to serve as a director of the Company due to his depth of knowledge of the Company, including its strategies, operations and markets, his acute business judgment, his strong leadership skills, and his long-standing relationship with the Company.</p>	1979	Chairman of the Board
<p>William J. Barrett, 72</p> <p>Secretary and Assistant Treasurer of the Company and a Director since 1979 and Executive Vice President (Long Range and Strategic Planning) of the Company since 2004; President of Barrett-Gardner Associates, Inc., an investment banking firm, from November 2002 until June 2009, and since then President of W J Barrett Associates, Inc., and previously Senior Vice President of Janney Montgomery Scott LLC, investment bankers; Chairman of the Board and Director of Rumson-Fair Haven Bank and Trust Company, a New Jersey state independent, commercial bank and trust company; Director of TGC Industries, Inc., a company engaged in the geophysical services industry; Director of Chase Packaging Corporation, a development stage company; Director of MassMutual Corporate Investors, a closed-end investment company; and Director of MassMutual Participation Investors, a closed-end investment company. Mr. Barrett brings to the Board of Directors of the Company keen business and financial judgment and an extraordinary understanding of the Company's business, history, and organization, as well as extensive leadership experience.</p>	1979	Executive Vice President (Long Range and Strategic Planning), Assistant Treasurer, Secretary, and Director

Name, Age, and Business Experience	Executive Officer Since	Positions With Company
<p>Robert J. Campbell, 80</p> <p>Director of the Company since 1979; Retired Chief Executive Officer of TGC Industries, Inc., from March 1996 to December 1998, a company engaged in the geophysical services industry; Vice Chairman of the Board and Chief Executive Officer of TGC from July 1993 through March 1996; Chairman of the Board and Chief Executive Officer of TGC from July 1986 to July 1993; and prior to such time, President and Chief Executive Officer of the Company for more than five years. Mr. Campbell's qualifications to serve as a director of the Company include his extensive management experience and knowledge of its business, his business acumen and his experience as chief executive officer of another public company.</p>	n/a	Director
<p>Edward L. Flynn, 77</p> <p>Director of the Company since 2007; Owner of Flynn Meyer Company, a management company for the restaurant industry, since 1976; Director and Treasurer of Citri-Lite Co., a soft drink company, since 1994; Director of TGC Industries, Inc., a geophysical services company; Director of Chase Packaging Corporation, a development stage company; and Director of Biojet Medical, a medical device company. Mr. Flynn is an experienced leader of major organizations and brings to the Board of Directors of the Company strong executive management skills and experience serving on the boards of other public companies.</p>	n/a	Director
<p>Mark C. Neilson, 53</p> <p>Director of the Company since 2003; President/Founder of Accretive CFO Services of San Diego LLC and Accretive Services LLC (Indiana), a financial consulting services firm since December 2010; Partner, Tatum, LLC, a financial and technology consulting division of Spherion, from September 2005 to August 2010; Director of SmokerCraft, Inc. since December 2010. SmokerCraft is a manufacturer of pontoon and fishing boats; Chief Financial Officer of Towne Air Freight, Inc., an air freight trucking company, from April 2001 to February 2005; Independent business consultant from November 1998 to March 2001; Chief Financial Officer of Therm-O-Lite, Inc., a manufacturer of interior insulated windows, from January 2000 through June 2009; and Chief Financial Officer and Director of Shelter Components Corporation, a supplier to the recreational vehicle industry, from March 1986 to October 1998. Mr. Neilson was selected to serve as a director of the Company due to his extensive background in public accounting and auditing. Mr. Neilson qualifies as an audit committee financial expert under guidelines of the Securities and Exchange Commission.</p>	n/a	Director

Name, Age, and Business Experience	Executive Officer Since	Positions With Company
<p>Wayne A. Whitener, 60</p> <p>Director of the Company since 2008; Director of TGC Industries, Inc. ( TGC ), a geophysical services company, since 1984; President of TGC since 1987; Chief Executive Officer of TGC since January 1999; Chief Operating Officer of TGC from July 1986 to December 1998; President of Tidelands Geophysical Co., Inc., a wholly-owned subsidiary of TGC, since 1987; and Director of Chase Packaging Corporation, a development stage company. As the principal executive officer of another public company, Mr. Whitener provides valuable insight and guidance on the issues of corporate strategy and risk management.</p>	n/a	Director

**The Board of Directors recommends a vote FOR Proposal No. 1.**

**EXECUTIVE OFFICERS**

Name, Age, and Business Experience	Positions with Company
<p>Matthew W. Long, 50</p> <p>On March 30, 2012, Matthew W. Long assumed the position of interim Chief Executive Officer. He joined Supreme as the Chief Financial Officer, Treasurer and Assistant Secretary on April 18, 2011. From June 2003 until February 2011, he was the treasurer of CTS Corporation, a manufacturer of electronic components and sensors and supplier of electronics manufacturing services. He was assistant treasurer of CTS from December 2000 until May 2003. Previously, he held a variety of accounting positions for Emerson Electric, General Housewares/Chicago Cutlery and United Technologies.</p>	Interim Chief Executive Officer, Chief Financial Officer, Treasurer and Assistant Secretary

**SECTION 16(a) BENEFICIAL OWNERSHIP REPORTING COMPLIANCE**

Section 16(a) of the Exchange Act requires the Company's directors and executive officers, and persons who own more than ten percent (10%) of Common Stock, to file with the Securities and Exchange Commission certain reports of beneficial ownership of Common Stock. Based solely upon a review of copies of such reports furnished to the Company, the Company believes that all applicable Section 16(a) filing requirements were complied with by its directors, executive officers, and ten percent (10%) stockholders during 2011.

## BOARD OF DIRECTORS

### Board Leadership Structure

As a holding company, Supreme Industries, Inc. (NYSE Amex: STS), is uniquely structured in that it has very few officers and is designed to have our business operations conducted on a day-to-day basis by management of Supreme Indiana Operations, Inc. (Supreme Indiana), our wholly-owned and principal operating subsidiary, which is the source of virtually all of our revenues and business expenses. The primary role of the holding company is to facilitate capital markets financing transactions, mergers and acquisitions, and other long-range strategies.

We have concluded that four independent directors, representing a majority of our nominees for director, is appropriate given the size of our business, but enables the Company to obtain the benefits of diverse expertise, skill sets, and backgrounds for proper governance of the Company. In addition, to be cost effective, the Company has only three committees, the Executive Committee, the Audit Committee, and the Compensation Committee. The Audit Committee and the Compensation Committee are comprised solely of independent directors. Our Audit Committee Charter and our Compensation Committee Charter are available at our website [www.supremeind.com](http://www.supremeind.com). Matters relating to other governance issues including, but not limited to, nominating directors, are managed by the Board. This structure enables effective communication among the directors by utilizing their participation in all of the critical areas of governance, including risk oversight and interaction with management. The Board of Directors adopted a policy which provides for our independent directors to rotate the chairing of the periodic meetings of independent directors so that each of the directors will have an opportunity to set the agenda and chair the meeting. This results in there being no need to designate a lead director at present, but the Board retains the ability to modify this structure if circumstances warrant.

Our Board of Directors and principal executive officers have significant ownership of the equity securities of the Company. As a result, the Board of Directors believes that management focuses on both the short- and long-term objectives of the Company with neither being disadvantaged by the other. Management bonuses each year are tied to the profitability of Supreme Indiana and also to the future values of the Company's equity securities through options and common share ownership. As a result, the Board of Directors has concluded that the incentive promoting structure of the Company does not promote risks that are inappropriate for the operation of the business.

The Board of Directors has assessed the composition of the Board and has concluded that the Board has the appropriate mix of business experience and skills to address effectively the Company's business needs and challenges. In view of the small size of the Board of Directors, there are no membership requirements based on race or gender. However, we believe that our Board of Directors does have a wide range of diversity with regard to professional experience, skills, education, and other attributes that contribute to the Board's ability to operate in the long-range best interests of the Company's stockholders.

### Independence

The Board of Directors has determined that the following four directors have no material relationship with the Company that would interfere with the exercise of independent judgment and are independent within the meaning of the NYSE Amex director independence standards: Robert J. Campbell, Edward L. Flynn, Mark C. Neilson, and Wayne A. Whitener.





## Committees

The Executive Committee was comprised of Messrs. Gardner and Barrett, and Ms. Korth until Ms. Korth resigned from the Company on March 30, 2012. The Executive Committee is charged by the Company's bylaws with the responsibility for exercising such authority of the Board of Directors as is specifically delegated to it by the Board, subject to certain limitations contained in the bylaws. The Executive Committee, which was terminated in January of 2011 and reconstituted on September 22, 2011, did not meet during 2011.

The Audit Committee is comprised of Messrs. Neilson, Campbell, and Flynn. The Audit Committee met five times during 2011. The purpose and functions of the Audit Committee are to: appoint or terminate the independent auditors; evaluate and determine compensation of the independent auditors; review the scope of the audit proposed by the independent auditors; review quarterly condensed consolidated financial statements and the annual audited consolidated financial statements prior to issuance; consult with the independent auditors on matters relating to internal financial controls and procedures; and make appropriate reports and recommendations to the Board of Directors.

The Compensation Committee is comprised of Messrs. Neilson, Campbell, and Flynn. The Compensation Committee was formed on February 14, 2012. The purpose and functions of the Compensation Committee are to: (i) assist the Board in the discharge of its fiduciary responsibilities relating to the determination and execution of the Company's compensation philosophy as it pertains to the fair and competitive compensation of the Company's executive officers; (ii) provide overall guidance with respect to the establishment, maintenance, and administration of the Company's compensation programs, including stock and benefit plans; and (iii) oversee and advise the Board on the adoption of policies that govern the Company's compensation programs. The Compensation Committee will periodically review the levels of compensation, perquisites, and other personal benefits provided by the Company to insure that compensation levels are reasonable, fair, and competitive.

In 2011, the Board retained the services of Hay Group, a global management consulting firm, for assistance in setting Ms. Korth's compensation package and the compensation packages of those persons reporting to her, including Mr. Long. The Hay Group examined the applicable positions and provided pay comparisons for similarly situated chief executive officers and chief financial officers, including items such as base salary, incentive pay, and customary perquisites. Those recommendations were provided directly to the Board which used them as a guideline in setting the amount of total compensation for Ms. Korth and Mr. Long and determining how total potential compensation should be allocated across the different elements of compensation. The Board does not follow a definitive policy when determining the mix of, and structure for, total compensation. Rather, it considers factors such as achievement of corporate and individual goals, level of experience, responsibilities, demonstrated performance, time with the Company, retention considerations, and any other consideration the Board deems relevant. The Board does, however, endeavor to ensure that an appropriate amount of compensation is paid in the form of equity so as to ensure that the interests of executives align with shareholders.

The Company does not have a standing Nominating Committee, and nominations for directors are made by the Company's independent directors. The Board of Directors believes that, considering the size of the Company and the Board of Directors, nominating decisions can be made effectively on a case-by-case basis, and there is no need for the added formality of a Nominating Committee. In carrying out the functions of a Nominating Committee, the independent directors do not rely on a Nominating Committee Charter. The independent directors of the Company utilize the following criteria as guidelines in considering nominations to the Company's Board of Directors. The criteria include:

- personal characteristics, including such matters as integrity, age, education, diversity of skills, opinions, perspectives, professional experiences, education and backgrounds, and absence of potential conflicts of interest with the Company or its operations;
- the availability and willingness to devote sufficient time to the duties of a director of the Company;
- experience in corporate management, such as serving as an officer or former officer of a publicly held company;
- experience in the Company's industry and with relevant social policy concerns;
- experience as a board member of another publicly held company;
- academic expertise in an area of the Company's operations; and
- practical and mature business judgment.

The criteria are not exhaustive, and the independent directors may consider other qualifications and attributes which they believe are appropriate in evaluating the ability of an individual to serve as a member of the Board of Directors. The independent directors' goal is to assemble a Board of Directors that brings to the Company a variety of perspectives and skills derived from high quality business and professional experience. In order to ensure that the Board consists of members with a variety of perspectives and skills, the independent directors have not set any minimum qualifications and also consider candidates with appropriate non-business backgrounds. Other than ensuring that at least one member of the Board is a financial expert and that the overall composition of the Board meets all applicable independence requirements, the independent directors do not have any specific skills that they believe are necessary for any individual director to possess. Instead, the independent directors evaluate potential nominees based on the contribution such nominee's background and skills could have upon the overall functioning of the Board.

Acting in the capacity of a Nominating Committee, the independent directors have not adopted any policy with regard to the consideration of director candidates recommended by security holders for the reason that such a policy is deemed unnecessary since at no time in the history of the Company has any such recommendation ever been received from any of the Company's security holders.

**Meetings**

During the year ended December 31, 2011, the Board of Directors held eight special meetings in addition to its regular meeting. All of the directors listed herein attended 75% or more of the total meetings of the Board and of the committees on which they serve.

The Company encourages all directors to attend its Annual Meeting of Stockholders. All of the directors attended the Annual Meeting of Stockholders held in May of 2011.

### **Code of Ethics**

The Company has adopted a Code of Ethics that applies to the Company's officers and directors, including the Company's principal executive officer and principal financial and accounting officer. The code has been posted in the Shareholder Information section of the Company's website, [www.supremeind.com](http://www.supremeind.com).

### **Stockholder Communications**

The Company has established a process for stockholders to send their communications to the Board of Directors. Any stockholder who desires to contact an individual director, the entire Board of Directors, or a committee of the Board of Directors may mail a written communication to the Chief Executive Officer of the Company c/o Chief Executive Officer, Supreme Industries, Inc., 2581 East Kercher Road, P.O. Box 237, Goshen, Indiana 46528. The Chief Executive Officer will submit all stockholder communications to the appropriate directors, unless the communication is frivolous or includes advertising, solicitation for business, requests for employment, requests for contribution, or a communication of a similar nature. A stockholder communication relating to the Company's accounting, internal accounting controls, or auditing will be referred to the members of the Audit Committee.

The Chief Executive Officer will send a written acknowledgment to a stockholder upon receipt of his or her communication submitted in accordance with the provisions set forth in this proxy statement unless such stockholder communication is frivolous or includes advertising, solicitation for business, requests for employment, requests for contribution, or a communication of a similar nature. A stockholder wishing to contact the directors may do so anonymously; however, stockholders are encouraged to provide the name in which the Company's shares of stock are held and the number of such shares held.

The following communications to the directors will not be considered a stockholder communication: (i) communication from a Company officer or director; (ii) communication from a Company employee or agent, unless submitted solely in such employee's or agent's capacity as a stockholder; and (iii) any stockholder proposal submitted pursuant to Rule 14a-8 promulgated under the Exchange Act.

### **AUDIT COMMITTEE AND AUDIT COMMITTEE REPORT**

The responsibilities of the Audit Committee, which are set forth in the Audit Committee Charter adopted by the Board of Directors, include providing oversight to the Company's financial reporting process through periodic meetings with the Company's independent registered public accounting firm ( independent auditors ) and management to review accounting, auditing, internal controls, and financial reporting matters. The Audit Committee Charter is available on the Company's website, [www.supremeind.com](http://www.supremeind.com).



The members of the Audit Committee are independent as defined in Sections 803.A. and 803.B. of the listing standards of the NYSE Amex and Rule 10A-3(b)(1) under the Exchange Act. All members of the Audit Committee are financially literate and are able to read and understand fundamental financial statements, including a balance sheet, income statement, and cash flow statement. The Board of Directors has determined that Mr. Neilson qualifies as an Audit Committee Financial Expert as defined in the regulations promulgated under the Exchange Act, and his experience and background are described in his biographical data under Proposal No. 1. The management of the Company is responsible for the preparation and integrity of the financial reporting information and related systems of internal controls. The Audit Committee, in carrying out its role, relies on the Company's senior management, including senior financial management, and its independent auditors. The Audit Committee has the authority and available funding to engage any independent legal counsel and any accounting or other expert advisors as necessary to carry out its duties.

We have reviewed and discussed with senior management the Company's audited financial statements included in the 2011 Annual Report to Stockholders. Management has confirmed to us that such financial statements: (i) have been prepared with integrity and objectivity and are the responsibility of management and; (ii) have been prepared in conformity with accounting principles generally accepted in the United States of America.

We have discussed with Crowe Horwath LLP, the Company's Independent Registered Public Accounting Firm, the matters required to be discussed by Statement of Auditing Standards ( SAS ) No. 61, Communications with Audit Committees, as amended and as adopted by the Public Company Accounting Oversight Board ( PCAOB ). SAS No. 61 requires the Company's independent auditors to provide us with additional information regarding the scope and results of their audit of the Company's financial statements, including with respect to: (i) their responsibility under auditing standards of the PCAOB (United States); (ii) significant accounting policies; (iii) management's judgments and estimates; (iv) any significant audit adjustments; (v) any disagreements with management; and (vi) any difficulties encountered in performing the audit.

We have received from Crowe Horwath LLP a letter providing the disclosures required by Independence Standards Board Standard No. 1, Independence Discussions with Audit Committees, with respect to any relationships between Crowe Horwath LLP and the Company which, in their professional judgment, may reasonably be thought to bear on their independence. Crowe Horwath LLP has discussed its independence with us and has confirmed in such letter that, in its professional judgment, it is independent of the Company within the meaning of the federal securities laws.

Based on the review and discussions described above with respect to the Company's audited financial statements included in the Company's 2011 Annual Report to Stockholders, we have recommended to the Board of Directors that such financial statements be included in the Company's Annual Report on Form 10-K for filing with the Securities and Exchange Commission.

As specified in the Audit Committee Charter, it is not the duty of the Audit Committee to plan or conduct audits or to determine that the Company's financial statements are complete and accurate and in accordance with accounting principles generally accepted in the United States of America. That is the responsibility of management and the Company's independent auditors. In giving our recommendation to the Board of Directors, we have relied on: (i) management's representation that such financial statements have been prepared with integrity and objectivity and in conformity with generally accepted accounting principles; and (ii) the report of the Company's independent auditors with respect to such financial statements.

**The Audit Committee:**

Mark C. Neilson (Chair)  
Robert J. Campbell  
Edward L. Flynn

**PRINCIPAL ACCOUNTING FEES AND SERVICES**

The accounting firm of Crowe Horwath LLP ( Crowe Horwath ) served as the Company s Independent Registered Public Accounting Firm for the fiscal year ended December 31, 2011. Crowe Horwath has served as auditors for the Company since October 9, 2001.

*Audit Fees.* The aggregate fees billed for professional services rendered by Crowe Horwath for the audit of our annual financial statements and preissuance reviews of the financial statements included in our quarterly reports on Form 10-Q were \$158,430 for fiscal 2011 and \$197,750 for fiscal 2010.

*Audit-Related Fees.* The aggregate fees billed for professional services by Crowe Horwath for assurance and related services reasonably related to the audit and review services described under Audit Fees above were \$11,200 for fiscal 2011 and \$10,350 for fiscal 2010. The amounts shown consist of fees for benefit plan audits and other various assurance services.

*Tax Fees.* The aggregate fees billed for professional services by Crowe Horwath for tax compliance, tax advice, and tax planning services were \$202,455 for fiscal 2011 and \$188,322 for fiscal 2010.

*All Other Fees.* The aggregate fees billed for professional services by Crowe Horwath for services other than those described above were \$0 for fiscal 2011 and 2010.

The Audit Committee has the sole authority to authorize all audit and non-audit services to be provided by the independent audit firm engaged to conduct the annual audit of the Company s consolidated financial statements. In addition, the Audit Committee has adopted pre-approval policies and procedures that are detailed as to each particular service to be provided by the independent auditors, and such policies and procedures do not permit the Audit Committee to delegate its responsibilities under the Exchange Act, as amended, to management. The Audit Committee pre-approved fees for all audit and non-audit services provided by the independent audit firm during the fiscal year ended December 31, 2011, as required by the Sarbanes-Oxley Act of 2002.

The Audit Committee has considered whether the providing of non-audit services has been compatible with maintaining the independent auditor s independence and has advised the Company that, in its opinion, the activities performed by Crowe Horwath on the Company s behalf were compatible with maintaining the independence of such auditors.



## EXECUTIVE COMPENSATION

The table below summarizes the total compensation earned by the Company's Chief Executive Officer and the three other most highly compensated executive officers of the Company (the "Named Executive Officers") during the last completed fiscal year. As discussed below in the section titled "Employment Contracts," the Company entered into employment contracts with Ms. Korth and Messrs. Long, Wilson, Gardner, and Barrett.

Summary Compensation Table

(a) Name and Principal Position	(b) Year	(c) Salary	(d) Bonus	(e) Stock Awards (5)	(f) Option Awards (5)	(g) Non-Equity Incentive Plan Compensation	(h) Nonqualified Deferred Compensation Earnings	(i) All Other Compensation (6)	(j) Total
Kim Korth (1) President and Chief Executive Officer	2011	\$ 494,225	\$ 50,000(2)	\$ 120,000	\$	\$	\$	\$ 32,135	\$ 696,360
Matthew W. Long Chief Financial Officer	2011	\$ 153,077	\$ 60,000(3)	\$ 32,550	\$	\$	\$	\$ 8,433	\$ 254,060
Robert W. Wilson (4) President and Chief Operating Officer	2011	\$ 146,721	\$	\$	\$	\$	\$	\$ 84,560	\$ 231,281
	2010	\$ 162,500	\$	\$	\$ 34,522	\$	\$	\$ 76,382	\$ 273,404
Herbert M. Gardner Chairman of the Board	2011	\$ 100,991	\$	\$	\$	\$	\$	\$ 66,765	\$ 167,756
	2010	\$ 95,850	\$	\$	\$ 34,522	\$	\$	\$ 61,897	\$ 192,269
William J. Barrett Executive Vice President and Secretary	2011	\$ 99,900	\$	\$	\$	\$	\$	\$ 54,463	\$ 154,363
	2010	\$ 95,850	\$	\$	\$ 33,048	\$	\$	\$ 56,860	\$ 185,758

(1) Ms. Korth served as interim CEO from February 1, 2011 to September 23, 2011, where upon she became its permanent CEO. Ms. Korth resigned from her positions with the Company on March 30, 2012.

(2) Ms. Korth received a signing bonus of \$50,000 in February of 2011 under her Employment Agreement dated to be effective February 1, 2011.

(3) Mr. Long's performance bonus was earned in 2011 but paid in 2012.

(4) Mr. Wilson retired as President and Chief Operating Officer of the Company on January 31, 2011 (refer to the Company's Current Report on Form 8-K filed with the Securities and Exchange Commission on February 4, 2011).

(5) The amounts in columns (e) and (f) reflect the aggregate grant date fair values computed in accordance with FASB ASC Topic 718 of awards pursuant to the Company's 2004, 2001, and 1998 Stock Option Plans. Assumptions used in the calculation of these amounts are included in Note 1 of the Company's consolidated financial statements for the fiscal year ended December 31, 2011, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 28, 2012.

(6) Includes car allowance and payment of premiums for disability and life insurance. Also includes a living allowance for Ms. Korth. Significant amounts are itemized in the following table:

Name and Principal Position	Year	Auto Allowance	Life Insur. Reimb.	Income Tax on Life Insur.	Other	Total, All Other Compensation
Kim Korth President and Chief Executive Officer	2011	\$ 10,067	\$	\$	\$ 22,068(1)	\$ 32,135
Matthew W. Long Chief Financial Officer	2011	\$ 8,433	\$	\$	\$	\$ 8,433
Robert W. Wilson President and Chief Operating Officer	2011	\$ 15,003	\$ 40,000	\$ 28,201	\$ 1,356	\$ 84,560
	2010	\$ 5,875	\$ 40,000	\$ 28,201	\$ 2,306	\$ 76,382
Herbert M. Gardner Chairman of the Board	2011	\$ 11,800	\$ 30,000	\$ 24,965	\$	\$ 66,765
	2010	\$ 8,600	\$ 30,000	\$ 23,050	\$ 247	\$ 61,897
William J. Barrett Executive Vice President and Secretary	2011	\$ 3,225	\$ 30,000	\$ 21,238	\$	\$ 54,463
	2010	\$ 5,375	\$ 30,000	\$ 21,238	\$ 247	\$ 56,860

(1) Consists of medical insurance reimbursement (\$9,131), a one-time living allowance (\$5,444) earned in 2011, and mileage reimbursement to and from Michigan home (\$7,493)

#### Outstanding Equity Awards At Fiscal Year End

The following table provides information concerning the holdings of stock options by the Named Executive Officers at December 31, 2011.

(a) Name	Stock Option Awards			
	(b) Number of Securities Underlying Unexercised Options Exercisable	(c) Number of Securities Underlying Unexercised Options Unexercisable	(d) Option Exercise Price	(e) Option Expiration Date
Robert W. Wilson	32,436		\$ 6.52	5/4/2013
	24,214		\$ 5.78	4/29/2014
	20,988		\$ 4.72	5/6/2015
	10,000	5,000	\$ 1.55	6/26/2016
	10,000	20,000	\$ 2.23	9/30/2017
	97,638	25,000		
Herbert M. Gardner	32,436		\$ 6.52	5/4/2013
	29,058		\$ 5.78	4/29/2014
	30,582		\$ 4.86	5/7/2015
	15,000		\$ 1.55	6/26/2016
	30,000		\$ 2.23	9/30/2017
	137,076			
William J. Barrett	32,436		\$ 7.17	5/4/2013
	31,968		\$ 6.36	4/29/2014
	33,641		\$ 5.34	5/7/2015
	15,000		\$ 1.71	6/26/2016
	30,000		\$ 2.45	9/30/2017

143,045

## POTENTIAL PAYMENTS UPON TERMINATION OR CHANGE IN CONTROL

The following summaries describe potential payments payable to our Executive Officers upon termination of employment or a change in control. The actual payments to Named Executive Officers are contingent upon many factors as of the time benefits would be paid, including elections by the executive and tax rates as well as the discretion of the Board of Directors or a committee designated by the Board of Directors.

### **The Amended and Restated 2004 Stock Option Plan**

The Company's Amended and Restated 2004 Stock Option Plan provides that upon the effective date of a change in control (as defined in the Amended and Restated 2004 Stock Option Plan), all options will become immediately exercisable. In addition, upon the Named Executive Officer's death or disability, any options that would have become exercisable had the Named Executive Officer remained employed through the vesting date immediately following the date of his death or disability will become immediately exercisable. The Amended and Restated 2004 Stock Option Plan also provides that if vesting is based upon the attainment of one or more performance goals (as defined in the Amended and Restated 2004 Stock Option Plan), the pro-rata portion of the Named Executive Officer's options that would have become exercisable had he remained employed through the vesting date immediately following the date of his death or disability (or such other date as may be determined by the Compensation Committee in its sole discretion) will become immediately exercisable.

### **The 1998 Stock Option Plan and the 2001 Stock Option Plan**

The terms of the 1998 Stock Option Plan and the 2001 Stock Option Plan are substantially similar. Although these plans do not provide for acceleration of vesting upon termination of a Named Executive Officer, the plans provide for varying time periods for the exercise of options, which time periods are based on the manner in which the Named Executive Officer has been terminated. Under these plans, if a Named Executive Officer voluntarily terminates his employment or is terminated for cause (as defined in the 1998 Stock Option Plan and the 2001 Stock Option Plan), then the portion of an option that remains unexercised, including that portion that is not yet exercisable, at the time of the Named Executive Officer's termination of employment, will terminate and cease to be exercisable immediately upon such termination. If the Named Executive Officer is terminated without cause, then he or she will have the right for 30 days following such termination to exercise any options that are exercisable as of the date of such termination, and thereafter any remaining options will terminate and cease to be exercisable. If the Named Executive Officer ceases to be employed due to disability, then he or she will have the right for 90 days after the date of termination to exercise any options that are exercisable on the date of his or her termination of employment, and thereafter any remaining options will terminate and cease to be exercisable. If the Named Executive Officer's employment is terminated due to death, then his or her legal representatives will have six months following the date of the Named Executive Officer's death to exercise any options that are exercisable on the date of his or her death, and thereafter any remaining options will terminate and cease to be exercisable.

### Ownership Transaction Incentive Plan

The Company's Ownership Transaction Incentive Plan (the "OTIP") provides that, upon a change of control (as defined in the OTIP), certain employees of the Company are entitled to receive a percentage of the difference between the per share value of the total cash proceeds or the per share fair market value of any other consideration received by the Company or the Company's stockholders in connection with a change of control minus \$2.50 (such amount being the "Value") as described below with such amount then being multiplied by the number of outstanding shares of common stock of the Company immediately prior to the change of control. The aggregate amount of payments to be made under the OTIP is equal to the number of outstanding shares of common stock immediately prior to the change of control multiplied by the sum of (i) 7% multiplied by the Value until the value reaches \$5.00, plus (ii) 8% multiplied by the amount of any Value above \$5.00 and up to \$7.00, plus (iii) 9% multiplied by the amount of any Value above \$7.00. For example, if a change of control occurs in which the Company's common stock is sold for \$9.00 per share, then the aggregate amount of payments to be made is equal to the number of outstanding shares of common stock immediately prior to the change of control multiplied by \$0.52 (which is the sum of (i) 7% multiplied by \$2.50 (the Value up to \$5.00); (ii) 8% multiplied by \$2.00 (the Value between \$5.00 and \$7.00) and (iii) 9% multiplied by \$2.00 (the Value over \$7.00)). Certain employees are eligible to participate in the OTIP upon a change of control. The current participants who are Named Executive Officers and their percentages of the aggregate amount are as follows: Kim Korth 24%; and Matt Long 17%. If prior to a change of control, any of the current participants in the OTIP resign from the Company or are terminated for cause (as defined in the OTIP), such participant shall immediately forfeit any rights to receive payment under the OTIP. If prior to a change of control, any of the current participants in the OTIP are terminated without cause, such participant's right to receive a percentage of the aggregate amount described above upon a change of control shall be forfeited six months (12 months for Ms. Korth) after the termination without cause.

### Kim Korth's Employment Agreement

On September 23, 2011, the Company and its wholly-owned subsidiary, Supreme Indiana Operations, Inc. (collectively with Supreme, the "Companies") entered into an employment agreement (the "Employment Agreement") with their President and Chief Executive Officer, Kim Korth. The term of the Employment Agreement was effective from September 1, 2011 through December 31, 2014. Under the Employment Agreement, Ms. Korth would receive: (1) a monthly base salary of \$31,666.66; (2) an annual cash bonus of up to fifty percent (50%) of her annual base salary, provided that for each year after 2011 any such bonus would be subject to the achievement of applicable performance goals; and (3) beginning in 2012 an equity award of either restricted stock or a stock option (as defined in the Employment Agreement) having a value equal to approximately fifty percent (50%) of her annual base salary. If Ms. Korth was terminated by the Companies other than for cause as defined in the Employment Agreement or Ms. Korth terminated her employment for good reason as defined in the Employment Agreement, she would receive: (i) base salary and equity awards earned but unpaid through the date of termination, plus (ii) (1) if the termination of employment occurred in 2011 or 2012 (and either prior to a Change in Control or more than one year following a Change in Control), severance pay equal to nine (9) months base salary; (2) if the termination of employment occurred in 2013 or 2014 (and either prior to a Change in Control or more than one year following a Change in Control), severance pay equal to six (6) months base salary, or (3) if the termination of employment occurred on or within one year of a Change in Control, severance pay equal to one (1) year base salary, each in accordance with Supreme's regular payroll practices beginning on the first payroll date occurring on or after the sixtieth (60th) day following her separation from service, plus (iii) a pro-rated annual bonus for the year of termination, payable at the same time as bonuses are otherwise paid to other similarly-situated executives of the Company, subject to achievement of applicable performance goals of the Company for the performance period (and of Ms. Korth, based upon pro-rated individual goals for the period prior to

termination). Under the Employment Agreement, Supreme agrees to use commercially reasonable efforts to adopt an ownership transaction incentive plan that will provide certain executives, including Ms. Korth, with a bonus in the event of a sale of Supreme (or other liquidity event) based upon the excess of the value of the shares received by Supreme's shareholders over the fair market value of Supreme's stock on the date such plan was adopted.

The Employment Agreement contains a covenant not to compete which provides that, during a period of one year following the cessation of Ms. Korth's employment, Ms. Korth shall not, directly or indirectly for herself or on behalf of any other person or business entity, engage in any business venture or other undertaking for a competing business. This covenant not to compete is limited to a territory consisting of all fifty states of the United States.

On September 23, 2011, Supreme entered into an indemnification agreement with its President and Chief Executive Officer, Kim Korth, who is also a director of Supreme (the Indemnification Agreement). Under the Indemnification Agreement, in exchange for Ms. Korth's service to Supreme and its affiliates, subject to certain exceptions, Supreme has agreed to indemnify Ms. Korth if she is involved, or threatened to be involved, in any threatened, pending, or completed investigation, claim, action, suit, or proceeding whether civil, criminal, administrative, or investigative as a result of her service as Supreme's director and/or President and Chief Executive Officer, against all expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by her in connection with the action.

On March 30, 2012, Ms. Korth resigned her positions as director, President, and Chief Executive Officer of Supreme and the parties are presently in the process of finalizing a severance package for Ms. Korth.

#### **Matthew W. Long's Employment Contract**

On December 29, 2011, the Company entered into an employment agreement (the Employment Agreement) with its Chief Financial Officer, Treasurer, and Assistant Secretary, Matthew W. Long. On March 30, 2012, Mr. Long assumed the position of interim Chief Executive Officer, although the terms of the Employment Agreement have not been modified as a result. Under the Employment Agreement, Mr. Long will receive: (1) a base annual salary of \$225,000, less applicable taxes and other legal withholdings; (2) a potential annual cash bonus of up to \$85,000 for 2011, less applicable taxes and other legal withholdings; (3) a sign-on bonus of 15,000 shares of the Company's Class A Common Stock of which 10,000 shares were issued fully vested on December 29, 2011 and the remaining 5,000 shares were issued fully vested on January 31, 2012; and (4) an equity award of restricted stock up to \$85,000 provided Supreme's stockholders approve a new stock incentive plan in 2012 (such equity award subject to the achievement of applicable performance goals for 2012). Mr. Long's employment is on an at-will basis. However, he must provide Supreme with 60 days' advance notice of his resignation. In the event that (i) there is a change of control of the Company as defined in the Employment Agreement, or change in Supreme's President, prior to April 17, 2013 that directly results in the involuntary termination of Mr. Long's employment, or Mr. Long is terminated by Supreme other than for cause as defined in the Employment Agreement, or Mr. Long terminates his employment for good reason as defined in the Employment Agreement, he will receive an amount equal to one year's base salary as of the time of termination, less applicable taxes and other legal withholdings (Severance). To receive the Severance, Mr. Long must sign a Termination, Severance and Release Agreement (Severance Agreement) substantially in the form attached as Exhibit A to Mr. Long's Employment Agreement and return such Severance Agreement to Supreme within 50 days of Supreme's provision of the Severance Agreement to him.

The Employment Contract contains a covenant not to compete which provides that, during a period of one year following the cessation of Mr. Long's employment with Supreme, Mr. Long shall not, directly or indirectly for himself or on behalf of any other person or business entity, engage in any capacity with a competing business. This covenant not to compete is limited to a territory consisting of those counties (or similar political subdivisions) in which Mr. Long performed services during his employment with Supreme, in which he received Supreme's confidential information, in which an office of Supreme is located for which Mr. Long had supervisory or managerial responsibilities, or in which any Supreme office is located that was Mr. Long's primary office or an office from which he regularly worked during his employment with Supreme.

On December 29, 2011, Supreme entered into an indemnification agreement with Mr. Long (the Indemnification Agreement). Under the Indemnification Agreement, in exchange for Mr. Long's service to Supreme and its affiliates, subject to certain exceptions, Supreme has agreed to indemnify Mr. Long if he is involved, or threatened to be involved, in any threatened, pending, or completed investigation, claim, action, suit, or proceeding whether civil, criminal, administrative, or investigative as a result of his service as Supreme's Chief Financial Officer, Treasurer, and Assistant Secretary, against all expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with the action.

#### **Robert W. Wilson's Employment Contract**

Supreme Indiana entered into an Employment Contract with Mr. Robert W. Wilson effective May 1, 2011. Under the terms of the Employment Contract: (1) Mr. Wilson is to serve as Director of Special Projects for Supreme Indiana; (2) the term of the Contract is for two years beginning on May 1, 2011; (3) Mr. Wilson is to receive during the term of the Contract a salary of \$100,000 per year; and (4) Mr. Wilson is provided with certain fringe benefits.

The Employment Contract further provides that Supreme Indiana may, at any time, terminate the Contract by giving written notice of termination to Mr. Wilson. If Supreme Indiana terminates the Contract for cause, Supreme Indiana will have no obligation to pay to Mr. Wilson any compensation or fringe benefits following the effective date of termination. If the termination by Supreme Indiana is for any reason other than for cause, Supreme Indiana will be obligated to continue regular payments of Mr. Wilson's salary and to provide the medical benefits portion of his fringe benefits during the remainder of the term of the Contract. If the termination of employment is caused by Mr. Wilson for any reason, Supreme Indiana will have no obligation to pay to Mr. Wilson any compensation or fringe benefits following the effective date of termination.

The Employment Contract contains a covenant not to compete which provides that, during a period of two years following the cessation of Mr. Wilson's employment with Supreme Indiana, Mr. Wilson shall not, directly or indirectly for himself or on behalf of any other person or business entity, engage in any business venture or other undertaking which is directly or indirectly competitive with the business or operations of Supreme Indiana. This covenant not to compete is limited to a territory consisting of those states in which Supreme Indiana had manufacturing facilities as of the date of cessation of Mr. Wilson's employment with Supreme Indiana.

On September 30, 2008, Supreme Industries, Inc. and Robert W. Wilson entered into an indemnification agreement (the Indemnification Agreement). Under the Indemnification Agreement, in exchange for Mr. Wilson's service to Supreme Industries, Inc., and/or any of its affiliated entities, Supreme Industries, Inc. has agreed to indemnify Mr. Wilson if he is involved, or threatened to be involved, in any threatened, pending, or completed investigation, claim, action, suit, or proceeding whether civil, criminal, administrative, or investigative as a result of his service as a director and/or officer of Supreme Industries, Inc., and/or any of its affiliated entities, against all expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement accurately and reasonably incurred by him in connection with the action.

#### **Herbert M. Gardner's Employment Contract**

The Board approved an Amended and Restated Employment Contract between the Company and Mr. Herbert M. Gardner effective January 1, 2005. Mr. Gardner's Employment Contract is automatically extended for one additional day so that a constant three-year term is always in effect. In consideration of services to be provided to the Company, the Employment Contract provides for Mr. Gardner to receive (in addition to certain fringe benefits): (1) annual base compensation of \$108,000 (which monthly payments are to be offset by all other fees paid to Mr. Gardner for serving as a member of the Board of Directors and any committee of the Company and its subsidiaries); and (2) if the pre-tax earnings of the Company exceed \$2,000,000, an incentive bonus of \$36,000, plus an amount equal to 0.6% of the amount by which such pre-tax earnings exceed \$2,000,000.

Under Mr. Gardner's Employment Contract, if he dies, suffers a disability, is terminated by the Company without cause, or terminates his Employment Contract for good reason (as such terms are defined in his Employment Contract), then Mr. Gardner or his dependents will be paid his base salary for the remainder of the term of his Employment Contract and the proportionate share of his targeted bonus. The Employment Contract defines Mr. Gardner's proportionate share as a fraction the numerator of which is the number of days in such calendar year ending with the end of the term of his Employment Contract and the denominator of which is the total number of days in such calendar year. If Mr. Gardner is terminated (other than for cause), he will also be entitled to maintain his fringe benefits, including his medical benefits, dental benefits, and insurance benefits. In addition to his base salary, proportionate share of his bonus, and fringe benefits discussed above, if Mr. Gardner is terminated (other than for cause), then the Company will either sell or lease to him the automobile that the Company is providing to him. In such case, the Company will, not later than March 15 following the end of the calendar year in which his employment terminates, either sell him the automobile for \$10 along with any insurance coverage (if assignable) or assign to him all of the Company's interest in and to any lease. Upon termination of such lease, the Company will purchase the leased automobile and convey ownership to him. If the Company terminates Mr. Gardner for gross misconduct materially injurious to the Company, then he will not receive any termination payments or benefits.

Under Mr. Gardner's Employment Contract, the definition of good reason includes a change in control (as defined in Exhibit A to his Employment Contract). Notwithstanding the foregoing, in the event payments are being made to Mr. Gardner on account of a change in control based upon a hostile takeover of the Company, the pre-tax incentive bonus discussed above will be determined based upon the highest pre-tax earnings of the Company in the three calendar years immediately preceding the calendar year in which termination occurs.



On September 30, 2008, Supreme Industries, Inc. and Herbert M. Gardner entered into an indemnification agreement (the Indemnification Agreement). Under the Indemnification Agreement, in exchange for Mr. Gardner's service to Supreme Industries, Inc., and/or any of its affiliated entities, Supreme Industries, Inc. has agreed to indemnify Mr. Gardner if he is involved, or threatened to be involved, in any threatened, pending, or completed investigation, claim, action, suit, or proceeding whether civil, criminal, administrative, or investigative as a result of his service as a director and/or officer of Supreme Industries, Inc., and/or any of its affiliated entities, against all expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement accurately and reasonably incurred by him in connection with the action.

#### **William J. Barrett's Employment Contract**

The Board approved an Amended and Restated Employment Contract between the Company and Mr. William J. Barrett, Executive Vice President (Long Range and Strategic Planning), Assistant Treasurer, and Secretary of the Company, effective January 1, 2005. Mr. Barrett's Employment Contract is automatically extended for one additional day so that a constant three-year term is always in effect. In consideration of services to be provided to the Company, the Employment Contract provides for Mr. Barrett to receive (in addition to certain fringe benefits): (1) annual base compensation of \$108,000 (which monthly payments are to be offset by all other fees paid to Mr. Barrett for serving as a member of the Board of Directors and any committee of the Company and its subsidiaries); and (2) if the pre-tax earnings of the Company exceed \$2,000,000, an incentive bonus of \$36,000, plus an amount equal to 0.6% of the amount by which such pre-tax earnings exceed \$2,000,000.

The terms of Mr. Barrett's Employment Contract are substantially similar to Mr. Gardner's Employment Contract. Under Mr. Barrett's Employment Contract, if he dies, suffers a disability, is terminated by the Company without cause, or terminates his Employment Contract for good reason (as such terms are defined in his Employment Contract), then Mr. Barrett or his dependents will be paid his base salary for the remainder of the term of his Employment Contract and the proportionate share of his targeted bonus. The Employment Contract defines Mr. Barrett's proportionate share as a fraction the numerator of which is the number of days in such calendar year ending with the end of the term of his Employment Contract and the denominator of which is the total number of days in such calendar year. If Mr. Barrett is terminated (other than for cause), Mr. Barrett will also be entitled to maintain his fringe benefits, including his medical benefits, dental benefits, and insurance benefits. In addition to his base salary, proportionate share of his bonus, and fringe benefits discussed above, if Mr. Barrett is terminated (other than for cause), then the Company will either sell or lease to him the automobile that the Company is providing to him. In such case, the Company will, not later than March 15 following the end of the calendar year in which his employment terminates, either sell him the automobile for \$10 along with any insurance coverage (if assignable) or assign to him all of the Company's interest in and to any lease. Upon termination of such lease, the Company will purchase the leased automobile and convey ownership to him. If the Company terminates Mr. Barrett for the willful engagement of gross misconduct materially injurious to the Company, then he will not receive any termination payments or benefits.

Under Mr. Barrett's Employment Contract, the definition of good reason includes a change in control (as defined in Exhibit A to his Employment Contract). Notwithstanding the foregoing, in the event payments are being made to Mr. Barrett on account of a change in control based upon a hostile takeover of the Company, the pre-tax incentive bonus discussed above will be determined based upon the highest pre-tax earnings of the Company in the three calendar years immediately preceding the calendar year in which termination occurs.

On September 30, 2008, Supreme Industries, Inc. and William J. Barrett entered into an indemnification agreement (the Indemnification Agreement). Under the Indemnification Agreement, in exchange for Mr. Barrett's service to Supreme Industries, Inc., and/or any of its affiliated entities, Supreme Industries, Inc. has agreed to indemnify Mr. Barrett if he is involved, or threatened to be involved, in any threatened, pending, or completed investigation, claim, action, suit, or proceeding whether civil, criminal, administrative, or investigative as a result of his service as a director and/or officer of Supreme Industries, Inc., and/or any of its affiliated entities, against all expenses (including attorneys' fees), judgments, fines, and amounts paid in settlement accurately and reasonably incurred by him in connection with the action.

#### DIRECTOR COMPENSATION

Outside directors are paid for each Board, Audit, and Compensation Committee meeting attended based on the length of time of each meeting, as follows: \$500 for less than 30 minutes; \$1,000 for 30 - 59 minutes; and \$1,500 for anything over 59 minutes. Members of the Board are paid an additional \$6,000 annually. The Chairman of the Audit Committee is paid an additional \$10,000 annually. The Chairman of the Compensation Committee is paid \$200 per hour for time required outside of the Committee meetings. Each director is reimbursed for out-of-pocket expenses incurred in attending board or committee meetings. On May 6, 2010, the Board approved an annual stock award equal to \$10,000 divided by the closing price of such stock on the business day immediately preceding the grant date (with the grant date to be the date of the Annual Meeting of Stockholders) to each outside director.

The following table summarizes compensation paid to directors during fiscal year 2011:

(a) Name	(b) Fees Earned or Paid in Cash	(c) Stock Awards(1)	(d) All Other Compensation	(e) Total
Mark C. Neilson	\$ 35,000	\$ 10,000	\$	\$ 45,000
Robert J. Campbell	\$ 26,850	\$ 10,000	\$	\$ 36,850
Edward L. Flynn	\$ 25,500	\$ 10,000	\$	\$ 35,500
Wayne A. Whitener	\$ 19,000	\$ 10,000	\$	\$ 29,000

(1) The amounts in column (c) reflect the aggregate grant date fair value of the stock awards computed in accordance with FASB Topic 718. These stock awards were valued on the basis of the market value of \$2.60 of the Company's Class A Common Stock on the business day immediately preceding the date awarded.

**EQUITY COMPENSATION PLANS**

The following table summarizes the securities authorized for issuance under the 2004, 2001, and 1998 Stock Option Plans which have been approved by the Board of Directors and ratified by the Company's stockholders. There are no equity compensation plans which have not been approved by the Company's stockholders.

Plan category	(a) Number of securities to be issued upon exercise of outstanding options, warrants, and rights	(b) Weighted-average exercise price of outstanding options, warrants, and rights	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a))
Equity compensation plans approved by security holders	1,156,621	\$ 3.90	23,238

**Long-Term Equity-Based Incentives**

The Company believes that the best way to align the interests of the named executive officers and its stockholders is for such officers to own a meaningful amount of the Company's Common Stock. In order to reach this objective and to retain its executives, the Company grants equity-based awards to the Named Executive Officers under its 2004, 2001, and 1998 Stock Option Plans.

**CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS**

As part of its original acquisition on January 19, 1984, of the specialized vehicle manufacturing business now being operated by it, Supreme Indiana acquired an option to purchase certain real estate and improvements at its Goshen, Indiana, and Griffin, Georgia, facilities, leased to it by lessors controlled by the sellers of such business. The option agreement provided that the option would expire on January 8, 1989, and that, prior to that time, it could be assigned to either or both of William J. Barrett and Herbert M. Gardner, members of the Company's Board of Directors.

On July 25, 1988, Supreme Indiana assigned the option (with the consent of the grantors of the option) to a limited partnership (the Partnership). The general partner of the Partnership is Supreme Indiana, owning a one percent interest, and the limited partnership interests therein are owned (directly or indirectly) by individuals including Mr. Barrett, Mr. Gardner, and Mr. Campbell, all of whom are members of the Company's Board of Directors, and each of whom owns a 12.375% limited partnership interest in the Partnership.

In a transaction consummated on July 25, 1988, the Partnership exercised the option and purchased all of the subject real estate and improvements. Also on July 25, 1988, the Partnership and Supreme Indiana entered into new leases covering Supreme facilities in Goshen, Indiana, and Griffin, Georgia at initial rental rates equivalent to those paid pursuant to the lease agreements with the prior lessors. The actual amount paid to the Partnership in 2011 was \$683,016. The leases contain options to purchase the properties for an aggregate initial price of \$2,765,000 (subject to increases after the first year based upon increases in the Consumer Price Index). Both of the above leases were

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extended for additional five-year terms ending on July 25, 2015 under lease extension agreements which were dated to be effective July 25, 2010. The total rental payments for the first year of the five-year extended terms amounted to \$683,016 with the rent for each year thereafter to be adjusted upward or downward by the amount of the increase or decrease in the Consumer Price Index using July 2010, as the base period and

June of each succeeding year thereafter as the comparative period. In the event Supreme Indiana had exercised its options to purchase these two leased properties during 2011, the total purchase price (calculated in accordance with the formulas contained in the underlying lease agreements) would have been \$5,488,451 (based upon appraisals obtained from independent third parties selected by a Special Committee of the Board of Directors directed to determine fair purchase prices and fair lease rental payments).

On March 24, 2011, Supreme Indiana entered into an Option Agreement (the "Option Agreement") pursuant to which Supreme Indiana granted Barrett Gardner Associates, Inc. ("Barrett Gardner"), an entity which is owned by Messrs. William J. Barrett and Herbert M. Gardner, each a director of the Company, the right to purchase the Company's California manufacturing facility (the "California Real Estate"). This transaction was required by the Company's former bank as a condition of the former Credit Agreement. On May 12, 2011, Barrett Gardner assigned the Option Agreement to BFG2011 Limited Liability Company ("a related party") ("Purchaser"). Then, Purchaser exercised its rights under the Option Agreement and purchased the California Real Estate following which it leased such California Real Estate back to Supreme Indiana. As part of the purchase price of the sale segment of the sale/leaseback transaction, Supreme Indiana received a 35.48% ownership interest (4,950 Common Units) in Purchaser, and Messrs. William J. Barrett, Herbert M. Gardner, and Edward L. Flynn (together) contributed \$900,000 in cash for a (combined) 64.52% ownership interest in Purchaser (9,000 Preferred Units).

In accordance with the Option Agreement, Supreme Indiana and Purchaser entered into a Standard Offer, Agreement and Escrow Instructions for Purchase of Real Estate dated May 3, 2011 (as amended by that certain Amendment to Escrow Instructions dated as of the closing date, the "Purchase Agreement") in which Purchaser agreed to purchase the California Real Estate for \$4,100,000 comprised of the following amounts: (a) a \$100,000 deposit made pursuant to the Option Agreement, (b) \$3,000,000 paid in cash at the closing, (c) a grant to Supreme Indiana of the 34% equity interest in Purchaser described above valued at \$495,000 (included in other assets on the October 1, 2011 balance sheet), and (d) a credit in the amount of \$505,000 based on the lack of brokerage commissions and the nature of the transaction. Supreme Indiana paid the closing costs associated with the transaction, including the escrow fees, transfer taxes, title policies and other transaction costs. Supreme Indiana has provided Purchaser with an agreement to indemnify Purchaser from losses, damages and claims arising from the condition of the California Real Estate at closing and a breach by Supreme Indiana of its representations and warranties. Supreme Indiana's indemnity obligations survive the closing of the sale.

Concurrently with the closing of the sale of the California Real Estate to Purchaser, Supreme Indiana leased from Purchaser the California Real Estate (the "Sale Leaseback Transaction") for a term of twenty years pursuant to that certain AIR Commercial Real Estate Association Standard Industrial/Commercial Single-Tenant Lease dated as of the closing date (the "Lease"). The base rent for the first five years of the term is \$24,000 per month. Base rent will be adjusted after the fifth year of the term to ensure that the base rent equates to fair market value and based on any increases in Purchaser's financing costs. The Lease is a triple net lease, and Supreme Indiana is responsible for payment of all costs relating to the leased premises, including state income taxes on rental income received. Supreme Indiana was granted a purchase option and right of first refusal with respect to the California Real Estate through April 30, 2016. In addition, Supreme Indiana was granted a one-time right of first offer with respect to the California Real Estate that continues until the expiration of the term of the Lease. In connection with the Sale Leaseback Transaction, the Company received a fairness opinion issued by a third party valuation consultant stating that the proposed transactions were fair from a financial point of view to the shareholders of the Company.

Kim Korth, former director, President and Chief Executive Officer, is President of IRN, Inc. ( IRN ), a consulting firm that provides integrated market data, intelligence, and insight regarding suppliers in transportation equipment markets. The Company has employed the services of IRN since 2010. The Company utilized the services of IRN during 2011 at a cost of approximately \$389,000, including \$288,000 after Ms. Korth was hired by the Company in February 2011. Additional services at a cost of approximately \$34,000 were utilized through February 3, 2012, at which time the services of IRN were terminated.

**PROPOSAL 2: APPROVAL OF THE  
SUPREME INDUSTRIES, INC. LONG-TERM INCENTIVE PLAN**

On March 21, 2012, the Board of Directors of the Company adopted, subject to stockholder approval, the Supreme Industries, Inc. 2012 Long-Term Incentive Plan (the Incentive Plan ). The Incentive Plan is intended to enable the Company to remain competitive and innovative in its ability to attract, motivate, reward, and retain the services of key employees, certain key contractors, and non-employee directors. The Incentive Plan provides for the granting of incentive stock options, nonqualified stock options, stock appreciation rights, restricted stock, restricted stock units, performance awards, dividend equivalent rights, and other awards which may be granted singly, in combination, or in tandem, and which may be paid in cash or shares of Common Stock (for purposes of this proposal, a reference to Common Stock shall mean Class A Common Stock ). The Incentive Plan is expected to provide flexibility to the Company's compensation methods in order to adapt the compensation of employees, contractors, and non-employee directors to a changing business environment, after giving due consideration to competitive conditions and the impact of federal tax laws.

**Description of the Incentive Plan**

The following is a brief description of the Incentive Plan. A copy of the Incentive Plan is attached as Appendix A to this Proxy Statement, and the following description is qualified in its entirety by reference to the Incentive Plan.

*Effective Date and Expiration.* The Incentive Plan will become effective on the date that it is approved by the Company's stockholders and will terminate 10 years later. No awards may be made under the Incentive Plan after its expiration date, but awards made prior thereto may extend beyond that date.

*Share Authorization.* Subject to certain adjustments, the number of shares that may be issued pursuant to awards under the Incentive Plan is 1,000,000 shares of Common Stock, of which 100% may be delivered pursuant to incentive stock options. Subject to certain adjustments, with respect to any participant who is an officer of the Company subject to Section 16 of the Exchange Act, or a covered employee as defined in Section 162(m)(3) of the Internal Revenue Code of 1986, as amended (the Code ), a maximum of 100,000 shares may be granted in any one year in the form of any award to such participant.

Shares to be issued may be made available from authorized but unissued shares of Common Stock, shares held by the Company in its treasury, or shares purchased by the Company on the open market or otherwise. During the term of the Incentive Plan, the Company will at all times reserve and keep enough shares available to satisfy the requirements of the Incentive Plan. If an award under the Incentive Plan is cancelled, forfeited, or expires, in whole or in part, the shares subject to such forfeited, expired, or cancelled award may again be awarded under the Incentive Plan. In the event that previously acquired shares are delivered to the Company in full or partial payment of the option price for the exercise of a stock option granted under the Incentive Plan, the number of shares available for future awards under the Incentive Plan shall be reduced only by the net number of shares issued upon the exercise of the stock option or settlement of an award. Awards that may be satisfied either by the issuance of Common Stock or by cash or other consideration shall be counted against the maximum number of shares that may be issued under the Incentive Plan only during the period that the award is outstanding or to the extent the award is ultimately satisfied by the issuance of shares. Awards will not reduce the number of shares that may be issued, however, if the settlement of the award will not require the issuance of shares. Only shares forfeited back to the Company, shares cancelled on account of termination, expiration or lapse of an award, shares surrendered in payment of the option price of an option or shares withheld for payment of applicable employment taxes and/or withholding obligations resulting from the exercise of a stock option shall again be available for grant of incentive stock options under the Incentive Plan, but shall not increase the maximum number of shares described above as the maximum number of shares that may be delivered pursuant to incentive stock options.

*Administration.* The Incentive Plan will be administered by the Board of Directors or a committee of the Board of Directors (the *Committee*) consisting of two or more members. At any time there is no Committee to administer the Incentive Plan, any reference to the Committee is a reference to the Board of Directors. The Committee will determine the persons to whom awards are to be made, determine the type, size, and terms of awards, interpret the Incentive Plan, establish and revise rules and regulations relating to the Incentive Plan, and make any other determinations that it believes necessary for the administration of the Incentive Plan. The Committee may delegate certain duties to one or more officers of the Company as provided in the Incentive Plan.

*Eligibility.* Employees (including any employee who is also a director or an officer), contractors, and non-employee directors of the Company or its subsidiaries whose judgment, initiative and efforts contributed to or may be expected to contribute to the successful performance of the Company are eligible to participate in the Incentive Plan. As of March 21, 2012, the Company had 35 employees and four non-employee directors who would be eligible for awards under the Incentive Plan.

*Stock Options.* The Committee may grant either incentive stock options (*ISOs*) qualifying under Section 422 of the Code or nonqualified stock options, provided that only employees of the Company and its subsidiaries (excluding subsidiaries that are not corporations) are eligible to receive ISOs. Stock options may not be granted with an option price less than 100% of the fair market value of a share of Common Stock on the date the stock option is granted. If an ISO is granted to an employee who owns or is deemed to own more than 10% of the combined voting power of all classes of stock of the Company (or any parent or subsidiary), the option price shall be at least 110% of the fair market value of a share of Common Stock on the date of grant. The Committee will determine the terms of each stock option at the time of grant, including without limitation, the methods by or forms in which shares will be delivered to participants. The maximum term of each option, the times at which each option will be exercisable, and provisions requiring forfeiture of unexercised options at or following termination of employment or service generally are fixed by the Committee, except that the Committee may not grant stock options with a term exceeding 10 years. In the event that the expiration date of a stock option expires during a *blackout period* (during which period of time there is a prohibition against purchases or

sales of the Company's securities, thereby preventing the holder of the stock option from exercising such option using a cashless exercise method), the termination date of the stock option will be automatically extended 20 days following the end of such blackout period, provided that such extension does not cause the stock option to be subject Section 409A of the Code.

Recipients of stock options may pay the option price: (i) in cash, check, bank draft or money order payable to the order of the Company; (ii) by delivering to the Company shares of Common Stock already owned by the participant having a fair market value equal to the aggregate option price and that the participant has not acquired from the Company within six months prior to the exercise date; (iii) by delivering to the Company or its designated agent an executed irrevocable option exercise form together with irrevocable instructions from the participant to a broker or dealer, reasonably acceptable to the Company, to sell certain of the shares purchased upon the exercise of the option or to pledge such shares to the broker as collateral for a loan from the broker and to deliver to the Company the amount of sale or loan proceeds necessary to pay the purchase price; and (iv) by any other form of valid consideration that is acceptable to the Committee in its sole discretion.

*Stock Appreciation Rights.* The Committee is authorized to grant stock appreciation rights (SARs) as a stand alone award, or freestanding SARs, or in conjunction with options granted under the Incentive Plan, or tandem SARs. SARs entitle a participant to receive an amount equal to the excess of the fair market value of a share of Common Stock on the date of exercise over the fair market value of a share of Common Stock on the date of grant. The grant price of a SAR cannot be less than 100% of the fair market value of a share on the date of grant. The Committee will determine the terms of each SAR at the time of the grant, including without limitation, the methods by or forms in which shares will be delivered to participants. The maximum term of each SAR, the times at which each SAR will be exercisable, and provisions requiring forfeiture of unexercised SARs at or following termination of employment or service generally are fixed by the Committee, except that no freestanding SAR may have a term exceeding 10 years and no tandem SAR may have a term exceeding the term of the option granted in conjunction with the tandem SAR.

*Restricted Stock and Restricted Stock Units.* The Committee is authorized to grant restricted stock and restricted stock units. Restricted stock consists of shares of Common Stock that may not be sold, transferred, pledged, hypothecated, encumbered, or otherwise disposed of, and that may be forfeited in the event of certain terminations of employment or service, prior to the end of a restricted period as specified by the Committee. Restricted stock units are the right to receive shares of Common Stock at a future date in accordance with the terms of such grant upon the attainment of certain conditions specified by the Committee, which include a substantial risk of forfeiture and restrictions on their sale or other transfer by the participant. The Committee determines the eligible participants to whom, and the time or times at which, grants of restricted stock or restricted stock units will be made, the number of shares or units to be granted, the price to be paid, if any, the time or times within which the shares covered by such grants will be subject to forfeiture, the time or times at which the restrictions will terminate, and all other terms and conditions of the grants. Restrictions or conditions could include, but are not limited to, the attainment of performance goals (as described below), continuous service with the Company, the passage of time, or other restrictions or conditions. The value of the restricted stock units may be paid in shares, cash, or a combination of both, as determined by the Committee.



*Dividend Equivalent Rights.* The Committee is authorized to grant a dividend equivalent right to any participant either as a component of another award or as a separate award, conferring on participants the right to receive cash or shares of Common Stock equal in value to dividends paid on a specific number of shares or other periodic payments. The terms and conditions of the dividend equivalent right shall be specified by the grant. If a dividend equivalent right is granted as a component of another award, the dividend equivalent right may contain terms and conditions that are different from such other award; provided, however, in no event may a dividend equivalent right be settled prior to the date of vesting of such other award. Dividend equivalents credited to the holder of a dividend equivalent right may be paid currently or may be deemed to be reinvested in additional shares. Any such reinvestment shall be at the fair market value at the time thereof. A dividend equivalent right may be settled in cash, shares, or a combination thereof.

*Performance Awards.* The Committee may grant performance awards payable in cash, shares of Common Stock, a combination thereof, or other consideration at the end of a specified performance period. Payment will be contingent upon achieving pre-established performance goals (as discussed below) by the end of the performance period. The Committee will determine the length of the performance period, the maximum payment value of an award, and the minimum performance goals required before payment will be made, so long as such provisions are not inconsistent with the terms of the Incentive Plan, and to the extent an award is subject to Section 409A of the Code, are in compliance with the applicable requirements of Section 409A of the Code and any applicable regulations or guidance. To the extent the Company determines that Section 162(m) of the Code shall apply to a performance award granted under the Incentive Plan, it is the intent of the Company that performance awards constitute performance-based compensation within the meaning of Section 162(m) of the Code and the regulations thereunder. Further, if complying with Section 162(m) of the Code, no participant may receive performance awards in any calendar year which have an aggregate value of more than \$300,000, and if such awards involve the issuance of Common Stock, the aggregate value shall be based on the fair market value of such shares on the time of grant of such awards. In certain circumstances, the Committee may, in its discretion, determine that the amount payable with respect to certain performance awards will be reduced from the amount of any potential awards. However, the Committee may not, in any event, increase the amount of compensation payable to an individual upon the attainment of a performance goal intended to satisfy the requirements of Section 162(m) of the Code. With respect to a performance award that is not intended to satisfy the requirements of Section 162(m) of the Code, if the Committee determines in its sole discretion that the established performance measures or objectives are no longer suitable because of a change in the Company's business, operations, corporate structure, or for other reasons that the Committee deems satisfactory, the Committee may modify the performance measures or objectives and/or the performance period.

*Performance Goals.* Awards of restricted stock, restricted stock units, and performance awards under the Incentive Plan may be made subject to the attainment of performance goals relating to one or more business criteria which, where applicable, shall be within the meaning of Section 162(m) of the Code and consist of one or more or any combination of the following criteria ( Performance Criteria ): cash flow; cost; revenues; sales; ratio of debt to debt plus equity; net borrowing, credit quality or debt ratings; profit before tax; economic profit; earnings before interest and taxes; earnings before interest, taxes, depreciation, and amortization; gross margin; earnings per share (whether on a pre-tax, after-tax, operational, or other basis); operating earnings; capital expenditures; expenses or expense levels; economic value added; ratio of operating earnings to capital spending or any other operating ratios; free cash flow; net profit; net sales; net asset value per share; the accomplishment of mergers, acquisitions, dispositions, public offerings, or similar extraordinary business transactions; sales growth; price of the shares; return on assets, equity or stockholders' equity; market share; inventory levels, inventory turn or shrinkage; or total return to stockholders. Any Performance Criteria may be used to measure the

performance of the Company as a whole or any business unit of the Company and may be measured relative to a peer group or index. Any Performance Criteria may include or exclude: (i) extraordinary, unusual, and/or non-recurring items of gain or loss; (ii) gains or losses on the disposition of a business; (iii) changes in tax or accounting regulations or laws; (iv) the effect of a merger or acquisition, as identified in the Company's quarterly, periodic and annual earnings releases; or (v) other similar occurrences. In all other respects, Performance Criteria shall be calculated in accordance with the Company's financial statements, under generally accepted accounting principles, or under a methodology established by the Committee prior to the issuance of an award. However, to the extent Section 162(m) of the Code is applicable, the Committee may not in any event increase the amount of compensation payable to an individual upon the attainment of a Performance Goal.

*Other Awards.* The Committee may grant other forms of awards payable in cash or shares if the Committee determines that such other form of award is consistent with the purpose and restrictions of the Incentive Plan. The terms and conditions of such other form of award shall be specified by the grant. Such other awards may be granted for no cash consideration, for such minimum consideration as may be required by applicable law, or for such other consideration as may be specified by the grant.

*Vesting, Forfeiture, Assignment.* The Committee, in its sole discretion, may determine that an award will be immediately vested in whole or in part, or that all or any portion may not be vested until a date, or dates, subsequent to its date of grant, or until the occurrence of one or more specified events, subject in any case to the terms of the Incentive Plan. If the Committee imposes conditions upon vesting, then, except as otherwise provided below, subsequent to the date of grant the Committee may, in its sole discretion, accelerate the date on which all or any portion of the award may be vested. Full Value Awards (i.e., restricted stock or restricted stock units) that constitute Performance Awards must vest no earlier than one year after the date of grant, and Full Value Awards that are payable upon the completion of future services must vest no earlier than over the three year period commencing on the date of grant. Notwithstanding the foregoing, the Committee may, in its sole discretion, accelerate the vesting or waive any applicable restriction period for such Full Value Awards, provided that the shares of Common Stock subject to such awards shall be Exempt Shares (as defined in the Incentive Plan), unless such acceleration or waiver occurs by reason of the participant's death, disability, retirement, or occurrence of a change in control. The number of Exempt Shares is limited to 10% of the number of shares available for issuance under the Incentive Plan.

The Committee may impose on any award, at the time of grant or thereafter, such additional terms and conditions as the Committee determines, including terms requiring forfeiture of awards in the event of a participant's termination of service. The Committee will specify the circumstances under which performance awards may be forfeited in the event of a termination of service by a participant prior to the end of a performance period or settlement of awards. Except as otherwise determined by the Committee, restricted stock will be forfeited upon a participant's termination of service during the applicable restriction period.

Awards granted under the Incentive Plan generally are not assignable or transferable except by will or by the laws of descent and distribution, except that the Committee may, in its discretion and pursuant to the terms of an award agreement, permit certain transfers of nonqualified stock options or SARs to: (i) the spouse (or former spouse), children or grandchildren of the participant ( Immediate Family Members ); (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members; (iii) a partnership in which the only partners are (1) such Immediate Family Members and/or (2) entities which are controlled by Immediate Family Members; (iv) an entity exempt from federal income tax pursuant to Section 501(c)(3) of the Code or any successor provision; or (v) a split interest trust or pooled income fund described in Section 2522(c)(2) of the Code or any successor provision, provided that (x) there shall be no consideration for any such transfer, (y) the applicable award agreement pursuant to which such

award is granted must be approved by the Committee and must expressly provide for such transferability and (z) subsequent transfers of transferred awards shall be prohibited except those by will or the laws of descent and distribution.

*Adjustments Upon Changes in Capitalization.* In the event that any dividend or other distribution, recapitalization, stock split, reverse stock split, rights offering, reorganization, merger, consolidation, split-up, spin-off, split-off, combination, subdivision, repurchase, or exchange of shares of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase shares of Common Stock or other securities of the Company, or other similar corporate transaction or event affects the fair value of an award, then the Committee shall adjust any or all of the following so that the fair value of the award immediately after the transaction or event is equal to the fair value of the award immediately prior to the transaction or event: (i) the number of shares and type of Common Stock (or the securities or property) which thereafter may be made the subject of awards, (ii) the number of shares and type of Common Stock (or other securities or property) subject to outstanding awards, (iii) the number of shares and type of Common Stock (or other securities or property) specified as the annual per-participant limitation under the Incentive Plan, (iv) the option price of each outstanding award, (v) the amount, if any, the Company pays for forfeited shares in accordance with the terms of the Incentive Plan, and (vi) the number of shares subject to or the exercise price of then outstanding SARs, to the end that the same proportion of the Company's issued and outstanding shares of Common Stock in each instance shall remain subject to exercise (if applicable) at the same aggregate exercise price; provided however, that the number of shares of Common Stock (or other securities or property) subject to any award shall always be a whole number. Notwithstanding the foregoing, no adjustment shall be made or authorized to the extent that such adjustment would cause the Incentive Plan or any stock option to violate Section 422 of the Code or Section 409A of the Code. All such adjustments must be made in accordance with the rules of any securities exchange, stock market, or stock quotation system to which the Company is subject.

*Amendment or Discontinuance of the Incentive Plan.* The Board of Directors may, at any time and from time to time, without the consent of the participants, alter, amend, revise, suspend or discontinue the Incentive Plan in whole or in part; provided, however, that: (i) no amendment that requires stockholder approval in order for the Incentive Plan and any awards under the Incentive Plan to continue to comply with Sections 162(m), 421, and 422 of the Code (including any successors to such sections, or other applicable law) or any applicable requirements of any securities exchange or inter-dealer quotation system on which the Company's stock is listed or traded, shall be effective unless such amendment is approved by the requisite vote of the Company's stockholders entitled to vote on the amendment; and (ii) unless required by law, no action by the Board of Directors regarding amendment or discontinuance of the Incentive Plan may adversely affect any rights of any participants or obligations of the Company to any participants with respect to any outstanding award under the Incentive Plan without the consent of the affected participant.

### **Federal Income Tax Consequences**

The following is a brief summary of certain federal income tax consequences relating to the transactions described under the Incentive Plan as set forth below. This summary does not purport to address all aspects of federal income taxation and does not describe state, local or foreign tax consequences. This discussion is based upon provisions of the Code and the treasury regulations issued thereunder, and judicial and administrative interpretations under the Code and treasury regulations, all as in effect as of the date hereof and all of which are subject to change (possibly on a retroactive basis) or different interpretation.

*Law Affecting Deferred Compensation.* In 2004, Section 409A was added to the Code to regulate all types of deferred compensation. If the requirements of Section 409A of the Code are not satisfied, deferred compensation and earnings thereon will be subject to tax as it vests, plus an interest charge at the underpayment rate plus 1% and a 20% penalty tax. Certain performance awards, stock options, stock appreciation rights, restricted stock units, and certain types of restricted stock are subject to Section 409A of the Code.

*Incentive Stock Options.* A participant will not recognize income at the time an ISO is granted. When a participant exercises an ISO, a participant also generally will not be required to recognize income (either as ordinary income or capital gain). However, to the extent that the fair market value (determined as of the date of grant) of the shares with respect to which the participant's ISOs are exercisable for the first time during any year exceeds \$100,000, the ISOs for the shares over \$100,000 will be treated as nonqualified stock options, and not ISOs, for federal tax purposes, and the participant will recognize income as if the ISOs were nonqualified stock options. In addition to the foregoing, if the fair market value of the shares received upon exercise of an ISO exceeds the exercise price, then the excess may be deemed a tax preference adjustment for purposes of the federal alternative minimum tax calculation. The federal alternative minimum tax may produce significant tax repercussions depending upon the participant's particular tax status.

The tax treatment of any shares acquired by exercise of an ISO will depend upon whether the participant disposes of his or her shares prior to two years after the date the ISO was granted or one year after the shares were transferred to the participant (referred to as the Holding Period). If a participant disposes of shares acquired by exercise of an ISO after the expiration of the Holding Period, any amount received in excess of the participant's tax basis for such shares will be treated as short-term or long-term capital gain, depending upon how long the participant has held the shares. If the amount received is less than the participant's tax basis for such shares, the loss will be treated as short-term or long-term capital loss, depending upon how long the participant has held the shares.

If the participant disposes of shares acquired by exercise of an ISO prior to the expiration of the Holding Period, the disposition will be considered a disqualifying disposition. If the amount received for the shares is greater than the fair market value of the shares on the exercise date, then the difference between the ISO's exercise price and the fair market value of the shares at the time of exercise will be treated as ordinary income for the tax year in which the disqualifying disposition occurs. The participant's basis in the shares will be increased by an amount equal to the amount treated as ordinary income due to such disqualifying disposition. In addition, the amount received in such disqualifying disposition over the participant's increased basis in the shares will be treated as capital gain. However, if the price received for shares acquired by exercise of an ISO is less than the fair market value of the shares on the exercise date and the disposition is a transaction in which the participant sustains a loss which otherwise would be recognizable under the Code, then the amount of ordinary income that the participant will recognize is the excess, if any, of the amount realized on the disqualifying disposition over the basis of the shares.

*Nonqualified Stock Options.* A participant generally will not recognize income at the time a nonqualified stock option is granted. When a participant exercises a nonqualified stock option, the difference between the option price and any higher market value of the shares of Common Stock on the date of exercise will be treated as compensation taxable as ordinary income to the participant. The participant's tax basis for the shares acquired under a nonqualified stock option will be equal to the option price paid for such shares, plus any amounts included in the participant's income as compensation. When a participant disposes of shares acquired by exercise of a nonqualified stock option, any amount received in excess of the participant's tax basis for such shares will be treated as short-term or long-term capital gain, depending upon how long the participant has held the shares. If the amount received is less than the participant's tax basis for such shares, the loss will be treated as short-term or long-term capital loss, depending upon how long the participant has held the shares.

*Special Rule if Option Price is Paid for in Shares.* If a participant pays the option price of a nonqualified stock option with previously-owned shares of Common Stock and the transaction is not a disqualifying disposition of shares previously acquired under an ISO, the shares received equal to the number of shares surrendered are treated as having been received in a tax-free exchange. The participant's tax basis and holding period for these shares received will be equal to the participant's tax basis and holding period for the shares surrendered. The shares received in excess of the number of shares surrendered will be treated as compensation taxable as ordinary income to the participant to the extent of their fair market value. The participant's tax basis in these shares will be equal to their fair market value on the date of exercise, and the participant's holding period for such shares will begin on the date of exercise.

If the use of previously acquired shares to pay the exercise price of a nonqualified stock option constitutes a disqualifying disposition of shares previously acquired under an ISO, the participant will have ordinary income as a result of the disqualifying disposition in an amount equal to the excess of the fair market value of the shares surrendered, determined at the time such shares were originally acquired on exercise of the ISO, over the aggregate option price paid for such shares. As discussed above, a disqualifying disposition of shares previously acquired under an ISO occurs when the participant disposes of such shares before the end of the Holding Period. The other tax results from paying the exercise price with previously-owned shares are as described above, except that the participant's tax basis in the shares that are treated as having been received in a tax-free exchange will be increased by the amount of ordinary income recognized by the participant as a result of the disqualifying disposition.

*Restricted Stock.* A participant who receives restricted stock generally will recognize as ordinary income the excess, if any, of the fair market value of the shares granted as restricted stock at such time as the shares are no longer subject to forfeiture or restrictions, over the amount paid, if any, by the participant for such shares. However, a participant who receives restricted stock may make an election under Section 83(b) of the Code within 30 days of the date of transfer of the shares to recognize ordinary income on the date of transfer of the shares equal to the excess of the fair market value of such shares (determined without regard to the restrictions on such shares) over the purchase price, if any, of such shares. If a participant does not make an election under Section 83(b) of the Code, then the participant will recognize as ordinary income any dividends received with respect to such shares. At the time of sale of such shares, any gain or loss realized by the participant will be treated as either short-term or long-term capital gain (or loss) depending on the holding period. For purposes of determining any gain or loss realized, the participant's tax basis will be the amount previously taxable as ordinary income, plus the purchase price paid by the participant, if any, for such shares.

*Stock Appreciation Rights.* Generally, a participant who receives a stand-alone SAR will not recognize taxable income at the time the stand-alone SAR is granted, provided that the SAR is exempt from or complies with Section 409A of the Code. If a participant receives the appreciation inherent in the SARs in cash, the cash will be taxed as ordinary income to the recipient at the time it is received. If a participant receives the appreciation inherent in the SARs in stock, the spread between the then current market value and the grant price, if any, will be taxed as ordinary income to the employee at the time it is received. In general, there will be no federal income tax deduction allowed to the Company upon the grant or termination of SARs. However, upon the exercise of a SAR, the Company will be entitled to a deduction equal to the amount of ordinary income the recipient is required to recognize as a result of the exercise.

*Other Awards.* In the case of an award of restricted stock units, performance awards, dividend equivalent rights, or other stock or cash awards, the recipient will generally recognize ordinary income in an amount equal to any cash received and the fair market value of any shares received on the date of payment or delivery, provided that the award is exempt from or complies with Section 409A of the Code. In that taxable year, the Company will receive a federal income tax deduction in an amount equal to the ordinary income which the participant has recognized.

*Federal Tax Withholding.* Any ordinary income realized by a participant upon the exercise of an award under the Incentive Plan is subject to withholding of federal, state, and local income tax and to withholding of the participant's share of tax under the Federal Insurance Contribution Act and the Federal Unemployment Tax Act. To satisfy federal income tax withholding requirements, the Company will have the right to require that, as a condition to delivery of any certificate for shares of Common Stock or the registration of the shares in the participant's name, the participant remit to the Company an amount sufficient to satisfy the withholding requirements. Alternatively, the Company may withhold a portion of the shares (valued at fair market value) that otherwise would be issued to the participant to satisfy all or part of the withholding tax obligations or may, if the Company consents, accept delivery of shares with an aggregate fair market value that equals or exceeds the required tax withholding payment. Withholding does not represent an increase in the participant's total income tax obligation, since it is fully credited toward his or her tax liability for the year. Additionally, withholding does not affect the participant's tax basis in the shares. Compensation income realized and tax withheld will be reflected on Forms W-2 supplied by the Company to employees by January 31 of the succeeding year. Deferred compensation that is subject to Section 409A of the Code will be subject to certain federal income tax withholding and reporting requirements.

*Tax Consequences to the Company.* To the extent that a participant recognizes ordinary income in the circumstances described above, the Company will be entitled to a corresponding deduction provided that, among other things, the income meets the test of reasonableness, is an ordinary and necessary business expense, is not an excess parachute payment within the meaning of Section 280G of the Code, and is not disallowed by the \$1,000,000 limitation on certain executive compensation under Section 162(m) of the Code.

*Million Dollar Deduction Limit and Other Tax Matters.* The Company may not deduct compensation of more than \$1,000,000 that is paid to an individual who, on the last day of the taxable year, is either the Company's principal executive officer or an individual who is among the three highest compensated officers for the taxable year (other than the principal executive officer or the principal financial officer). This limitation on deductions does not apply to certain types of compensation, including qualified performance-based compensation, and only applies to compensation paid by a publicly-traded corporation (and not compensation paid by non-corporate entities). To the extent that the Company determines that Section 162(m) of the Code will apply to any awards granted pursuant to the

Incentive Plan, the Company intends that such awards will be constructed so as to constitute qualified performance-based compensation and, as such, will be exempt from the \$1,000,000 limitation on deductible compensation.

If an individual's rights under the Incentive Plan are accelerated as a result of a change in control and the individual is a disqualified individual under Section 280G of the Code, the value of any such accelerated rights received by such individual may be included in determining whether or not such individual has received an excess parachute payment under Section 280G of the Code, which could result in (i) the imposition of a 20% federal excise tax (in addition to federal income tax) payable by the individual on the value of such accelerated rights, and (ii) the loss by the Company of a compensation deduction.

#### **New Plan Benefits**

The Company cannot currently determine the benefits or number of shares subject to awards that may be granted in the future to eligible participants under the Incentive Plan because the grant of awards and terms of such awards are to be determined in the sole discretion of the Committee.

The fair market value of the Common Stock is \$3.12 per share based on the closing price of the Common Stock on March 21, 2012.

#### **Vote Required**

The affirmative vote of the holders of a majority of the shares of the Company's voting securities represented in person or by proxy at the Annual Meeting entitled to vote on such proposal that vote for or against or abstain with respect to such proposal is required for approval of the Incentive Plan.

**THE BOARD OF DIRECTORS RECOMMENDS THAT THE STOCKHOLDERS VOTE FOR THE APPROVAL OF THE SUPREME INDUSTRIES, INC. 2012 LONG-TERM INCENTIVE PLAN**

#### **PROPOSAL NO. 3**

#### **INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

The Audit Committee has appointed Crowe Horwath LLP to continue as the Company's Independent Registered Public Accounting Firm for the fiscal year ending December 29, 2012. In the event that ratification of this appointment of auditors is not approved by the affirmative vote of a majority of the votes cast for and against, or abstentions with respect to, the matter by stockholders present or represented by proxy at the Annual Meeting and entitled to vote on the matter, then the Audit Committee will reconsider its appointment of independent auditors. In this

case, the Audit Committee may, in its discretion, continue the Company's relationship with Crowe Horwath LLP. In addition, the Audit Committee may, in its discretion, direct the appointment of different independent auditors at any time during the year if the Audit Committee believes that such an appointment would be in the best interests of the Company's stockholders.



Representatives of Crowe Horwath LLP will be present at the Annual Meeting of Stockholders, will have the opportunity to make a statement if they desire to do so, and also will be available to respond to appropriate questions at the meeting. Proposal No. 3 is for the ratification of the selection of Crowe Horwath LLP as the Company's independent registered public accounting firm for the fiscal year ending December 29, 2012.

**The Board of Directors recommends a vote FOR Proposal No. 3.**

#### **OTHER MATTERS**

The Company's management knows of no other matters that may properly be, or which are likely to be, brought before the meeting. However, if any other matters are properly brought before the meeting, the persons named in the enclosed proxy, or their substitutes, will vote in accordance with their best judgment on such matters.

#### **STOCKHOLDER PROPOSALS**

A stockholder proposal intended to be presented at the Company's Annual Meeting of Stockholders in 2013 must be received by the Company at its principal executive offices in Goshen, Indiana, on or before December 28, 2012, in order to be included in the Company's proxy statement and form of proxy relating to that meeting.

In order for a stockholder proposal made outside of Rule 14a-8 to be considered timely within the meaning of Rule 14a-4(c), such proposal must be received by the Company at its principal executive offices in Goshen, Indiana, no later than March 13, 2013.

#### **FINANCIAL STATEMENTS**

The Company's Annual Report to Stockholders for the fiscal year ended December 31, 2011, accompanies this proxy statement.

**APPENDIX A**

**SUPREME INDUSTRIES, INC.**

**2012 LONG-TERM INCENTIVE PLAN**

The Supreme Industries, Inc. 2012 Long-Term Incentive Plan (the *Plan*) was adopted by the Board of Directors of Supreme Industries, Inc., a Delaware corporation (the *Company*), effective as of March 21, 2012, subject to approval by the Company's stockholders.

**ARTICLE 1**

**PURPOSE**

The purpose of the Plan is to attract and retain the services of key Employees, key Contractors, and Outside Directors of the Company and its Subsidiaries and to provide such persons with a proprietary interest in the Company through the granting of Incentive Stock Options, Nonqualified Stock Options, Stock Appreciation Rights, Restricted Stock, Restricted Stock Units, Performance Awards, Dividend Equivalent Rights, and Other Awards, whether granted singly, or in combination, or in tandem, that will:

- (a) increase the interest of such persons in the Company's welfare;
- (b) furnish an incentive to such persons to continue their services for the Company or its Subsidiaries; and
- (c) provide a means through which the Company may attract able persons as Employees, Contractors, and Outside Directors.

With respect to Reporting Participants, the Plan and all transactions under the Plan are intended to comply with all applicable conditions of Rule 16b-3 promulgated under the Exchange Act. To the extent any provision of the Plan or action by the Committee fails to so comply, such provision or action shall be deemed null and void *ab initio*, to the extent permitted by law and deemed advisable by the Committee.

**ARTICLE 2**

**DEFINITIONS**

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For the purpose of the Plan, unless the context requires otherwise, the following terms shall have the meanings indicated:

2.1 **Applicable Law** means all legal requirements relating to the administration of equity incentive plans and the issuance and distribution of shares of Common Stock, if any, under applicable corporate laws, applicable securities laws, the rules of any exchange or inter-dealer quotation system upon which the Company's securities are listed or quoted, and any other applicable law, rule or restriction.

2.2 **Award** means the grant of any Incentive Stock Option, Nonqualified Stock Option, Restricted Stock, SAR, Restricted Stock Units, Performance Award, Dividend Equivalent Right or Other Award, whether granted singly or in combination or in tandem (each individually referred to herein as an **Incentive** ).

2.3 **Award Agreement** means a written agreement between a Participant and the Company which sets out the terms of the grant of an Award.

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2.4 **Award Period** means the period set forth in the Award Agreement during which one or more Incentives granted under an Award may be exercised.

2.5 **Board** means the board of directors of the Company.

2.6 **Change in Control** means any of the following, except as otherwise provided herein: (i) any consolidation, merger or share exchange of the Company in which the Company is not the continuing or surviving corporation or pursuant to which shares of the Company's Common Stock would be converted into cash, securities or other property, other than a consolidation, merger or share exchange of the Company in which the holders of the Company's Common Stock immediately prior to such transaction have the same proportionate ownership of Common Stock of the surviving corporation immediately after such transaction; (ii) any sale, lease, exchange or other transfer (excluding transfer by way of pledge or hypothecation) in one transaction or a series of related transactions, of all or substantially all of the assets of the Company; (iii) the stockholders of the Company approve any plan or proposal for the liquidation or dissolution of the Company; (iv) the cessation of control (by virtue of their not constituting a majority of directors) of the Board by the individuals (the **Continuing Directors**) who (x) at the date of this Plan were directors or (y) become directors after the date of this Plan and whose election or nomination for election by the Company's stockholders was approved by a vote of at least two-thirds (2/3rds) of the directors then in office who were directors at the date of this Plan or whose election or nomination for election was previously so approved; (v) the acquisition of beneficial ownership (within the meaning of Rule 13d-3 under the Exchange Act) of an aggregate of fifty percent (50%) or more of the voting power of the Company's outstanding voting securities by any person or group (as such term is used in Rule 13d-5 under the Exchange Act) who beneficially owned less than fifty percent (50%) of the voting power of the Company's outstanding voting securities on the date of this Plan; provided, however, that notwithstanding the foregoing, an acquisition shall not constitute a Change in Control hereunder if the acquirer is (x) a trustee or other fiduciary holding securities under an employee benefit plan of the Company and acting in such capacity, (y) a Subsidiary of the Company or a corporation owned, directly or indirectly, by the stockholders of the Company in substantially the same proportions as their ownership of voting securities of the Company or (z) any other person whose acquisition of shares of voting securities is approved in advance by a majority of the Continuing Directors; or (vi) in a Title 11 bankruptcy proceeding, the appointment of a trustee or the conversion of a case involving the Company to a case under Chapter 7.

Notwithstanding the foregoing provisions of this Section 2.6, in the event an Award issued under the Plan is subject to Section 409A of the Code, then, in lieu of the foregoing definition and to the extent necessary to comply with the requirements of Section 409A of the Code, the definition of **Change in Control** for purposes of such Award shall be the definition provided for under Section 409A of the Code and the treasury regulations or other guidance issued thereunder.

2.7 **Code** means the United States Internal Revenue Code of 1986, as amended.

2.8 **Committee** means the committee appointed or designated by the Board to administer the Plan in accordance with Article 3 of this Plan.

2.9 **Common Stock** means the Class A Common Stock, par value \$0.10 per share, which the Company is currently authorized to issue or may in the future be authorized to issue, or any securities into which or for which the common stock of the Company may be converted or exchanged, as the case may be, pursuant to the terms of this Plan.

2.10 **Company** means Supreme Industries, Inc., a Delaware corporation, and any successor entity.



2.11 **Contractor** means any natural person, who is not an Employee, rendering *bona fide* services to the Company or a Subsidiary, with compensation, pursuant to a written independent contractor agreement between such person (or any entity employing such person) and the Company or a Subsidiary, provided that such services are not rendered in connection with the offer or sale of securities in a capital raising transaction and do not directly or indirectly promote or maintain a market for the Company's securities.

2.12 **Corporation** means any entity that (i) is defined as a corporation under Section 7701 of the Code and (ii) is the Company or is in an unbroken chain of corporations (other than the Company) beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing a majority of the total combined voting power of all classes of stock in one of the other corporations in the chain. For purposes of clause (ii) hereof, an entity shall be treated as a corporation if it satisfies the definition of a corporation under Section 7701 of the Code.

2.13 **Date of Grant** means the effective date on which an Award is made to a Participant as set forth in the applicable Award Agreement; provided, however, that solely for purposes of Section 16 of the Exchange Act and the rules and regulations promulgated thereunder, the Date of Grant of an Award shall be the date of stockholder approval of the Plan if such date is later than the effective date of such Award as set forth in the Award Agreement.

2.14 **Dividend Equivalent Right** means the right of the holder thereof to receive credits based on the cash dividends that would have been paid on the shares of Common Stock specified in the Award if such shares were held by the Participant to whom the Award is made.

2.15 **Employee** means common law employee (as defined in accordance with the Regulations and Revenue Rulings then applicable under Section 3401(c) of the Code) of the Company or any Subsidiary of the Company.

2.16 **Exchange Act** means the United States Securities Exchange Act of 1934, as amended.

2.17 **Executive Officer** means an officer of the Company or a Subsidiary subject to Section 16 of the Exchange Act or a covered employee as defined in Section 162(m)(3) of the Code.

2.18 **Fair Market Value** means, as of a particular date, (a) if the shares of Common Stock are listed on any established national securities exchange, the closing sales price per share of Common Stock on the consolidated transaction reporting system for the principal securities exchange for the Common Stock on that date, or, if there shall have been no such sale so reported on that date, on the last preceding date on which such a sale was so reported; (b) if the shares of Common Stock are not so listed, but are quoted on an automated quotation system, the closing sales price per share of Common Stock reported on the automated quotation system on that date, or, if there shall have been no such sale so reported on that date, on the last preceding date on which such a sale was so reported; (c) if the Common Stock is not so listed or quoted, the mean between the closing bid and asked price on that date, or, if there are no quotations available for such date, on the last preceding date on which such quotations shall be available, as reported by the National Association of Securities Dealers, Inc.'s OTC Bulletin Board or Pink OTC Markets, Inc. (previously known as National Quotation Bureau, Inc.); or (d) if none of the above is applicable, such amount as may be determined by the Board (acting on the advice of an Independent Third Party, should the Board elect in its sole discretion to utilize an Independent Third Party for this purpose), in good faith, to be the fair market value per share of Common Stock. The determination of Fair Market Value shall, where applicable, be in compliance with Section 409A of the Code.



- 2.19 **Incentive** is defined in Section 2.2 hereof.
- 2.20 **Incentive Stock Option** means an incentive stock option within the meaning of Section 422 of the Code, granted pursuant to this Plan.
- 2.21 **Independent Third Party** means an individual or entity independent of the Company having experience in providing investment banking or similar appraisal or valuation services and with expertise generally in the valuation of securities or other property for purposes of this Plan. The Board may utilize one or more Independent Third Parties.
- 2.22 **Nonqualified Stock Option** means a nonqualified stock option, granted pursuant to this Plan, which is not an Incentive Stock Option.
- 2.23 **Option Price** means the price which must be paid by a Participant upon exercise of a Stock Option to purchase a share of Common Stock.
- 2.24 **Other Award** means an Award issued pursuant to Section 6.9 hereof.
- 2.25 **Outside Director** means a director of the Company who is not an Employee or a Contractor.
- 2.26 **Participant** means an Employee, Contractor or Outside Director of the Company or a Subsidiary to whom an Award is granted under this Plan.
- 2.27 **Performance Award** means an Award hereunder of cash, shares of Common Stock, units or rights based upon, payable in, or otherwise related to, Common Stock pursuant to Section 6.7 hereof.
- 2.28 **Performance Goal** means any of the goals set forth in Section 6.10 hereof.
- 2.29 **Plan** means this Supreme Industries, Inc. 2012 Long-Term Incentive Plan, as amended from time to time.
- 2.30 **Reporting Participant** means a Participant who is subject to the reporting requirements of Section 16 of the Exchange Act.



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2.31 **Restricted Stock** means shares of Common Stock issued or transferred to a Participant pursuant to Section 6.4 of this Plan which are subject to restrictions or limitations set forth in this Plan and in the related Award Agreement.

2.32 **Restricted Stock Units** means units awarded to Participants pursuant to Section 6.6 hereof, which are convertible into Common Stock at such time as such units are no longer subject to restrictions as established by the Committee.

2.33 **Retirement** means any Termination of Service solely due to retirement upon or after attainment of age sixty-five (65), or permitted early retirement as determined by the Committee.

2.34 **SAR** or **Stock Appreciation Right** means the right to receive an amount, in cash and/or Common Stock, equal to the excess of the Fair Market Value of a specified number of shares of Common Stock as of the date the SAR is exercised (or, as provided in the Award Agreement, converted) over the SAR Price for such shares.

2.35 **SAR Price** means the exercise price or conversion price of each share of Common Stock covered by a SAR, determined on the Date of Grant of the SAR.

2.36 **Stock Option** means a Nonqualified Stock Option or an Incentive Stock Option.

2.37 **Subsidiary** means (i) any corporation in an unbroken chain of corporations beginning with the Company, if each of the corporations other than the last corporation in the unbroken chain owns stock possessing a majority of the total combined voting power of all classes of stock in one of the other corporations in the chain, (ii) any limited partnership, if the Company or any corporation described in item (i) above owns a majority of the general partnership interest and a majority of the limited partnership interests entitled to vote on the removal and replacement of the general partner, and (iii) any partnership or limited liability company, if the partners or members thereof are composed only of the Company, any corporation listed in item (i) above or any limited partnership listed in item (ii) above. **Subsidiaries** means more than one of any such corporations, limited partnerships, partnerships or limited liability companies.

2.38 **Termination of Service** occurs when a Participant who is (i) an Employee of the Company or any Subsidiary ceases to serve as an Employee of the Company and its Subsidiaries, for any reason; (ii) an Outside Director of the Company or a Subsidiary ceases to serve as a director of the Company and its Subsidiaries for any reason; or (iii) a Contractor of the Company or a Subsidiary ceases to serve as a Contractor of the Company and its Subsidiaries for any reason. Except as may be necessary or desirable to comply with applicable federal or state law, a Termination of Service shall not be deemed to have occurred when a Participant who is an Employee becomes an Outside Director or Contractor or vice versa. If, however, a Participant who is an Employee and who has an Incentive Stock Option ceases to be an Employee but does not suffer a Termination of Service, and if that Participant does not exercise the Incentive Stock Option within the time required under Section 422 of the Code upon ceasing to be an Employee, the Incentive Stock Option shall thereafter become a Nonqualified Stock Option. Notwithstanding the foregoing provisions of this [Section 2.38](#), in the event an Award issued under the Plan is subject to Section 409A of the Code, then, in lieu of the foregoing definition and to the extent necessary to comply with the requirements of Section 409A of the Code, the definition of Termination of Service for purposes of such Award shall be the definition of separation from service provided for under Section 409A of the Code and the regulations or other guidance issued thereunder.

2.39 **Total and Permanent Disability** means a Participant is qualified for long-term disability benefits under the Company's or Subsidiary's disability plan or insurance policy; or, if no such plan or policy is then in existence or if the Participant is not eligible to participate in such plan or policy, that the Participant, because of a physical or mental condition resulting from bodily injury, disease, or mental disorder, is unable to perform his or her duties of employment for a period of six (6) continuous months, as determined in good faith by the Committee, based upon medical reports or other evidence satisfactory to the Committee; provided that, with respect to any Incentive Stock Option, Total and Permanent Disability shall have the meaning given it under the rules governing Incentive Stock Options under the Code. Notwithstanding the foregoing provisions of this [Section 2.39](#), in the event an Award issued under the Plan is subject to Section 409A of the Code, then, in lieu of the foregoing definition and to the extent necessary to comply with the requirements of Section 409A of the Code, the definition of Total and Permanent Disability for purposes of such Award shall be the definition of disability provided for under Section 409A of the Code and the regulations or other guidance issued thereunder.

## ARTICLE 3

### ADMINISTRATION

3.1 **General Administration; Establishment of Committee.** Subject to the terms of this Article 3, the Plan shall be administered by the Board or such committee of the Board as is designated by the Board to administer the Plan (the *Committee*). The Committee shall consist of not fewer than two persons. Any member of the Committee may be removed at any time, with or without cause, by resolution of the Board. Any vacancy occurring in the membership of the Committee may be filled by appointment by the Board. At any time there is no Committee to administer the Plan, any references in this Plan to the Committee shall be deemed to refer to the Board.

Membership on the Committee shall be limited to those members of the Board who are outside directors under Section 162(m) of the Code and non-employee directors as defined in Rule 16b-3 promulgated under the Exchange Act. The Committee shall select one of its members to act as its Chairman. A majority of the Committee shall constitute a quorum, and the act of a majority of the members of the Committee present at a meeting at which a quorum is present shall be the act of the Committee.

### 3.2 Designation of Participants and Awards.

(a) The Committee or the Board shall determine and designate from time to time the eligible persons to whom Awards will be granted and shall set forth in each related Award Agreement, where applicable, the Award Period, the Date of Grant, and such other terms, provisions, limitations, and performance requirements, as are approved by the Committee, but not inconsistent with the Plan. The Committee shall determine whether an Award shall include one type of Incentive or two or more Incentives granted in combination or two or more Incentives granted in tandem (that is, a joint grant where exercise of one Incentive results in cancellation of all or a portion of the other Incentive). Although the members of the Committee shall be eligible to receive Awards, all decisions with respect to any Award, and the terms and conditions thereof, to be granted under the Plan to any member of the Committee shall be made solely and exclusively by the other members of the Committee, or if such member is the only member of the Committee, by the Board.

(b) Notwithstanding Section 3.2(a), to the extent permitted by Applicable Law, the Board may, in its discretion and by a resolution adopted by the Board, authorize one or more officers of the Company (an *Authorized Officer*) to (i) designate one or more Employees as eligible persons to whom Awards will be granted under the Plan, and (ii) determine the number of shares of Common Stock that will be subject to such Awards; provided, however, that the resolution of the Board granting such authority shall (x) specify the total number of shares of Common Stock that may be made subject to the Awards, (y) set forth the price or prices (or a formula by which such price or prices may be determined) to be paid for the purchase of the Common Stock subject to such Awards, and (z) not authorize an officer to designate himself as a recipient of any Award.

3.3 **Authority of the Committee.** The Committee, in its discretion, shall (i) interpret the Plan and Award Agreements, (ii) prescribe, amend, and rescind any rules and regulations, as necessary or appropriate for the administration of the Plan, (iii) establish performance goals for an Award and certify the extent of their achievement, and (iv) make such other determinations or certifications and take such other action as it deems necessary or advisable in the administration of the Plan. Any interpretation, determination, or other action made or taken by the Committee shall be final, binding, and conclusive on all interested parties. The Committee's discretion set forth herein shall not be limited by any provision of



the Plan, including any provision which by its terms is applicable notwithstanding any other provision of the Plan to the contrary.

The Committee may delegate to officers of the Company, pursuant to a written delegation, the authority to perform specified functions under the Plan. Any actions taken by any officers of the Company pursuant to such written delegation of authority shall be deemed to have been taken by the Committee.

With respect to restrictions in the Plan that are based on the requirements of Rule 16b-3 promulgated under the Exchange Act, Section 422 of the Code, Section 162(m) of the Code, the rules of any exchange or inter-dealer quotation system upon which the Company's securities are listed or quoted, or any other Applicable Law, to the extent that any such restrictions are no longer required by Applicable Law, the Committee shall have the sole discretion and authority to grant Awards that are not subject to such mandated restrictions and/or to waive any such mandated restrictions with respect to outstanding Awards.

#### ARTICLE 4

##### ELIGIBILITY

Any Employee (including an Employee who is also a director or an officer), Contractor or Outside Director of the Company whose judgment, initiative, and efforts contributed or may be expected to contribute to the successful performance of the Company is eligible to participate in the Plan; provided that only Employees of a Corporation shall be eligible to receive Incentive Stock Options. The Committee, upon its own action, may grant, but shall not be required to grant, an Award to any Employee, Contractor or Outside Director of the Company or any Subsidiary. Awards may be granted by the Committee at any time and from time to time to new Participants, or to then Participants, or to a greater or lesser number of Participants, and may include or exclude previous Participants, as the Committee shall determine. Except as required by this Plan, Awards granted at different times need not contain similar provisions. The Committee's determinations under the Plan (including without limitation determinations of which Employees, Contractors or Outside Directors, if any, are to receive Awards, the form, amount and timing of such Awards, the terms and provisions of such Awards and the agreements evidencing same) need not be uniform and may be made by it selectively among Participants who receive, or are eligible to receive, Awards under the Plan.

#### ARTICLE 5

##### SHARES SUBJECT TO PLAN

5.1 **Number Available for Awards.** Subject to adjustment as provided in Articles 11 and 12, the maximum number of shares of Common Stock that may be delivered pursuant to Awards granted under the Plan is one million (1,000,000) shares, of which one hundred percent (100%) may be delivered pursuant to Incentive Stock Options. Subject to adjustment pursuant to Articles 11 and 12, the maximum number of shares of Common Stock with respect to which Stock Options or SARs may be granted to an Executive Officer during any calendar year is one hundred thousand (100,000) shares of Common Stock. Shares to be issued may be made available from authorized but unissued Common Stock, Common Stock held by the Company in its treasury, or Common Stock purchased by the Company on the open market or otherwise. During the term of this Plan, the Company will at all times reserve and keep available the number of shares of Common Stock that shall be sufficient to satisfy the requirements of this Plan.



5.2 **Reuse of Shares.** To the extent that any Award under this Plan shall be forfeited, shall expire or be canceled, in whole or in part, then the number of shares of Common Stock covered by the Award or stock option so forfeited, expired or canceled may again be awarded pursuant to the provisions of this Plan. In the event that previously acquired shares of Common Stock are delivered to the Company in full or partial payment of the exercise price for the exercise of a Stock Option granted under this Plan, the number of shares of Common Stock available for future Awards under this Plan shall be reduced only by the net number of shares of Common Stock issued upon the exercise of the Stock Option. Awards that may be satisfied either by the issuance of shares of Common Stock or by cash or other consideration shall be counted against the maximum number of shares of Common Stock that may be issued under this Plan only during the period that the Award is outstanding or to the extent the Award is ultimately satisfied by the issuance of shares of Common Stock. Awards will not reduce the number of shares of Common Stock that may be issued pursuant to this Plan if the settlement of the Award will not require the issuance of shares of Common Stock, as, for example, a SAR that can be satisfied only by the payment of cash. Notwithstanding any provisions of the Plan to the contrary, only shares forfeited back to the Company, shares canceled on account of termination, expiration or lapse of an Award, shares surrendered in payment of the exercise price of an option or shares withheld for payment of applicable employment taxes and/or withholding obligations resulting from the exercise of an option shall again be available for grant of Incentive Stock Options under the Plan, but shall not increase the maximum number of shares described in Section 5.1 above as the maximum number of shares of Common Stock that may be delivered pursuant to Incentive Stock Options.

## ARTICLE 6

### GRANT OF AWARDS

#### 6.1 In General.

(a) The grant of an Award shall be authorized by the Committee and shall be evidenced by an Award Agreement setting forth the Incentive or Incentives being granted, the total number of shares of Common Stock subject to the Incentive(s), the Option Price (if applicable), the Award Period, the Date of Grant, and such other terms, provisions, limitations, and performance objectives, as are approved by the Committee, but (i) not inconsistent with the Plan, (ii) to the extent an Award issued under the Plan is subject to Section 409A of the Code, in compliance with the applicable requirements of Section 409A of the Code and the regulations or other guidance issued thereunder, and (iii) to the extent the Committee determines that an Award shall comply with the requirements of Section 162(m) of the Code, in compliance with the applicable requirements of Section 162(m) of the Code and the regulations and other guidance issued thereunder. The Company shall execute an Award Agreement with a Participant after the Committee approves the issuance of an Award. Any Award granted pursuant to this Plan must be granted within ten (10) years of the date of adoption of this Plan. The Plan shall be submitted to the Company's stockholders for approval; however, the Committee may grant Awards under the Plan prior to the time of stockholder approval. Any such Award granted prior to such stockholder approval shall be made subject to such stockholder approval. The grant of an Award to a Participant shall not be deemed either to entitle the Participant to, or to disqualify the Participant from, receipt of any other Award under the Plan.

(b) If the Committee establishes a purchase price for an Award, the Participant must accept such Award within a period of thirty (30) days (or such shorter period as the Committee may specify) after the Date of Grant by executing the applicable Award Agreement and paying such purchase price.

(c) Any Award under this Plan that is settled in whole or in part in cash on a deferred basis may provide for interest equivalents to be credited with respect to such cash payment. Interest equivalents may be compounded and shall be paid upon such terms and conditions as may be specified by the grant.

6.2 **Option Price.** The Option Price for any share of Common Stock which may be purchased under a Nonqualified Stock Option for any share of Common Stock may be equal to or greater than the Fair Market Value of the share on the Date of Grant. The Option Price for any share of Common Stock which may be purchased under an Incentive Stock Option must be at least equal to the Fair Market Value of the share on the Date of Grant; if an Incentive Stock Option is granted to an Employee who owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than ten percent (10%) of the combined voting power of all classes of stock of the Company (or any parent or Subsidiary), the Option Price shall be at least one hundred ten percent (110%) of the Fair Market Value of the Common Stock on the Date of Grant.

6.3 **Maximum ISO Grants.** The Committee may not grant Incentive Stock Options under the Plan to any Employee which would permit the aggregate Fair Market Value (determined on the Date of Grant) of the Common Stock with respect to which Incentive Stock Options (under this and any other plan of the Company and its Subsidiaries) are exercisable for the first time by such Employee during any calendar year to exceed \$100,000. To the extent any Stock Option granted under this Plan which is designated as an Incentive Stock Option exceeds this limit or otherwise fails to qualify as an Incentive Stock Option, such Stock Option (or any such portion thereof) shall be a Nonqualified Stock Option. In such case, the Committee shall designate which stock will be treated as Incentive Stock Option stock by causing the issuance of a separate stock certificate and identifying such stock as Incentive Stock Option stock on the Company's stock transfer records.

6.4 **Restricted Stock.** If Restricted Stock is granted to or received by a Participant under an Award (including a Stock Option), the Committee shall set forth in the related Award Agreement: (i) the number of shares of Common Stock awarded, (ii) the price, if any, to be paid by the Participant for such Restricted Stock and the method of payment of the price, (iii) the time or times within which such Award may be subject to forfeiture, (iv) specified Performance Goals of the Company, a Subsidiary, any division thereof or any group of Employees of the Company, or other criteria, which the Committee determines must be met in order to remove any restrictions (including vesting) on such Award, and (v) all other terms, limitations, restrictions, and conditions of the Restricted Stock, which shall be consistent with this Plan, to the extent applicable and in the event the Committee determines that an Award shall comply with the requirements of Section 162(m) of the Code, in compliance with the requirements of Section 162(m) of the Code and the regulations and other guidance issued thereunder and, to the extent Restricted Stock granted under the Plan is subject to Section 409A of the Code, in compliance with the applicable requirements of Section 409A of the Code and the regulations or other guidance issued thereunder. The provisions of Restricted Stock need not be the same with respect to each Participant.

(a) **Legend on Shares.** Each Participant who is awarded or receives Restricted Stock shall be issued a stock certificate or certificates in respect of such shares of Common Stock. Such certificate(s) shall be registered in the name of the Participant, and shall bear an appropriate legend referring to the terms, conditions, and restrictions applicable to such Restricted Stock, substantially as provided in Section 15.10 of the Plan.

(b) **Restrictions and Conditions.** Shares of Restricted Stock shall be subject to the following restrictions and conditions:



(i) Subject to the other provisions of this Plan and the terms of the particular Award Agreements, during such period as may be determined by the Committee commencing on the Date of Grant or the date of exercise of an Award (the **Restriction Period**), the Participant shall not be permitted to sell, transfer, pledge or assign shares of Restricted Stock. Except for these limitations, the Committee may in its sole discretion, remove any or all of the restrictions on such Restricted Stock whenever it may determine that, by reason of changes in Applicable Laws or other changes in circumstances arising after the date of the Award, such action is appropriate.

(ii) Except as provided in sub-paragraph (i) above or in the applicable Award Agreement, the Participant shall have, with respect to his or her Restricted Stock, all of the rights of a stockholder of the Company, including the right to vote the shares, and the right to receive any dividends thereon. Certificates for shares of Common Stock free of restriction under this Plan shall be delivered to the Participant promptly after, and only after, the Restriction Period shall expire without forfeiture in respect of such shares of Common Stock or after any other restrictions imposed on such shares of Common Stock by the applicable Award Agreement or other agreement have expired. Certificates for the shares of Common Stock forfeited under the provisions of the Plan and the applicable Award Agreement shall be promptly returned to the Company by the forfeiting Participant. Each Award Agreement shall require that each Participant, in connection with the issuance of a certificate for Restricted Stock, shall endorse such certificate in blank or execute a stock power in form satisfactory to the Company in blank and deliver such certificate and executed stock power to the Company.

(iii) The Restriction Period of Restricted Stock shall commence on the Date of Grant or the date of exercise of an Award, as specified in the Award Agreement, and, subject to Article 12 of the Plan, unless otherwise established by the Committee in the Award Agreement setting forth the terms of the Restricted Stock, shall expire upon satisfaction of the conditions set forth in the Award Agreement; such conditions may provide for vesting based on such Performance Goals, as may be determined by the Committee in its sole discretion.

(iv) Except as otherwise provided in the particular Award Agreement, upon Termination of Service for any reason during the Restriction Period, the nonvested shares of Restricted Stock shall be forfeited by the Participant. In the event a Participant has paid any consideration to the Company for such forfeited Restricted Stock, the Committee shall specify in the Award Agreement that either (i) the Company shall be obligated to, or (ii) the Company may, in its sole discretion, elect to, pay to the Participant, as soon as practicable after the event causing forfeiture, in cash, an amount equal to the lesser of the total consideration paid by the Participant for such forfeited shares or the Fair Market Value of such forfeited shares as of the date of Termination of Service, as the Committee, in its sole discretion shall select. Upon any forfeiture, all rights of a Participant with respect to the forfeited shares of the Restricted Stock shall cease and terminate, without any further obligation on the part of the Company.

6.5 **SARs.** The Committee may grant SARs to any Participant, either as a separate Award or in connection with a Stock Option. SARs shall be subject to such terms and conditions as the Committee shall impose, provided that such terms and conditions are (i) not inconsistent with the Plan, (ii) to the extent a SAR issued under the Plan is subject to Section 409A of the Code, in compliance with the applicable requirements of Section 409A of the Code and the regulations or other guidance issued thereunder, and (iii) to the extent the Committee determines that a SAR shall comply with the

requirements of Section 162(m) of the Code, in compliance with the applicable requirements of Section 162(m) and the regulations and other guidance issued thereunder. The grant of the SAR may provide that the holder may be paid for the value of the SAR either in cash or in shares of Common Stock, or a combination thereof. In the event of the exercise of a SAR payable in shares of Common Stock, the holder of the SAR shall receive that number of whole shares of Common Stock having an aggregate Fair Market Value on the date of exercise equal to the value obtained by multiplying (i) the difference between the Fair Market Value of a share of Common Stock on the date of exercise over the SAR Price as set forth in such SAR (or other value specified in the agreement granting the SAR), by (ii) the number of shares of Common Stock as to which the SAR is exercised, with a cash settlement to be made for any fractional shares of Common Stock. The SAR Price for any share of Common Stock subject to a SAR may be equal to or greater than the Fair Market Value of the share on the Date of Grant. The Committee, in its sole discretion, may place a ceiling on the amount payable upon exercise of a SAR, but any such limitation shall be specified at the time that the SAR is granted.

**6.6 Restricted Stock Units.** Restricted Stock Units may be awarded or sold to any Participant under such terms and conditions as shall be established by the Committee, provided, however, that such terms and conditions are (i) not inconsistent with the Plan, (ii) to the extent a Restricted Stock Unit issued under the Plan is subject to Section 409A of the Code, in compliance with the applicable requirements of Section 409A of the Code and the regulations or other guidance issued thereunder, and (iii) to the extent the Committee determines that a Restricted Stock Unit award shall comply with the requirements of Section 162(m) of the Code, in compliance with the applicable requirements of Section 162(m) and the regulations and other guidance issued thereunder. Restricted Stock Units shall be subject to such restrictions as the Committee determines, including, without limitation, (a) a prohibition against sale, assignment, transfer, pledge, hypothecation or other encumbrance for a specified period; or (b) a requirement that the holder forfeit (or in the case of shares of Common Stock or units sold to the Participant, resell to the Company at cost) such shares or units in the event of Termination of Service during the period of restriction.

**6.7 Performance Awards.**

(a) The Committee may grant Performance Awards to one or more Participants. The terms and conditions of Performance Awards shall be specified at the time of the grant and may include provisions establishing the performance period, the Performance Goals to be achieved during a performance period, and the maximum or minimum settlement values, provided that such terms and conditions are (i) not inconsistent with the Plan and (ii) to the extent a Performance Award issued under the Plan is subject to Section 409A of the Code, in compliance with the applicable requirements of Section 409A of the Code and the regulations or other guidance issued thereunder. If the Performance Award is to be in shares of Common Stock, the Performance Awards may provide for the issuance of the shares of Common Stock at the time of the grant of the Performance Award or at the time of the certification by the Committee that the Performance Goals for the performance period have been met; provided, however, if shares of Common Stock are issued at the time of the grant of the Performance Award and if, at the end of the performance period, the Performance Goals are not certified by the Committee to have been fully satisfied, then, notwithstanding any other provisions of this Plan to the contrary, the Common Stock shall be forfeited in accordance with the terms of the grant to the extent the Committee determines that the Performance Goals were not met. The forfeiture of shares of Common Stock issued at the time of the grant of the Performance Award due to failure to achieve the established Performance Goals shall be separate from and in addition to any other restrictions provided for in this Plan that may be applicable to such shares of Common Stock. Each Performance Award granted to one or more Participants shall have its own terms and conditions.

To the extent the Committee determines that a Performance Award shall comply with the requirements of Section 162(m) of the Code and the regulations and other guidance issued thereunder, and if it is determined to be necessary in order to satisfy Section 162(m) of the Code, at the time of the grant of a Performance Award (other than a Stock Option) and to the extent permitted under Section 162(m) of the Code and the regulations issued thereunder, the Committee shall provide for the manner in which the Performance Goals shall be reduced to take into account the negative effect on the achievement of specified levels of the Performance Goals which may result from enumerated corporate transactions, extraordinary events, accounting changes and other similar occurrences which were unanticipated at the time the Performance Goal was initially established. In no event, however, may the Committee increase the amount earned under such a Performance Award, unless the reduction in the Performance Goals would reduce or eliminate the amount to be earned under the Performance Award and the Committee determines not to make such reduction or elimination.

With respect to a Performance Award that is not intended to satisfy the requirements of Code Section 162(m), if the Committee determines, in its sole discretion, that the established performance measures or objectives are no longer suitable because of a change in the Company's business, operations, corporate structure, or for other reasons that the Committee deemed satisfactory, the Committee may modify the performance measures or objectives and/or the performance period.

(b) Performance Awards may be valued by reference to the Fair Market Value of a share of Common Stock or according to any formula or method deemed appropriate by the Committee, in its sole discretion, including, but not limited to, achievement of Performance Goals or other specific financial, production, sales or cost performance objectives that the Committee believes to be relevant to the Company's business and/or remaining in the employ of the Company for a specified period of time. Performance Awards may be paid in cash, shares of Common Stock, or other consideration, or any combination thereof. If payable in shares of Common Stock, the consideration for the issuance of such shares may be the achievement of the performance objective established at the time of the grant of the Performance Award. Performance Awards may be payable in a single payment or in installments and may be payable at a specified date or dates or upon attaining the performance objective. The extent to which any applicable performance objective has been achieved shall be conclusively determined by the Committee.

(c) Notwithstanding the foregoing, in order to comply with the requirements of Section 162(m) of the Code, if applicable, no Participant may receive in any calendar year Performance Awards intended to comply with the requirements of Section 162(m) of the Code which have an aggregate value of more than \$300,000, and if such Performance Awards involve the issuance of shares of Common Stock, said aggregate value shall be based on the Fair Market Value of such shares on the time of the grant of the Performance Award. In no event, however, shall any Performance Awards not intended to comply with the requirements of Section 162(m) of the Code be issued contingent upon the failure to attain the Performance Goals applicable to any Performance Awards granted hereunder that the Committee intends to comply with the requirements of Section 162(m) of the Code.

6.8 **Dividend Equivalent Rights.** The Committee may grant a Dividend Equivalent Right to any Participant, either as a component of another Award or as a separate Award. The terms and conditions of the Dividend Equivalent Right shall be specified by the grant, provided that the terms and conditions shall comply with Section 409A of the Code, if applicable. Dividend equivalents credited to the holder of a Dividend Equivalent Right may be paid currently or may be deemed to be reinvested in

additional shares of Common Stock (which may thereafter accrue additional dividend equivalents). Any such reinvestment shall be at the Fair Market Value at the time thereof. Dividend Equivalent Rights may be settled in cash or shares of Common Stock, or a combination thereof, in a single payment or in installments. A Dividend Equivalent Right granted as a component of another Award may provide that such Dividend Equivalent Right shall be settled upon exercise, settlement, or payment of, or lapse of restrictions on, such other Award, and that such Dividend Equivalent Right granted as a component of another Award may also contain terms and conditions different from such other Award, provided, however, that in no event may a Dividend Equivalent Right be settled prior to the date that such other Award is vested.

6.9 **Other Awards.** The Committee may grant to any Participant other forms of Awards, based upon, payable in, or otherwise related to, in whole or in part, shares of Common Stock, if the Committee determines that such other form of Award is consistent with the purpose and restrictions of this Plan. The terms and conditions of such other form of Award shall be specified by the grant. Such Other Awards may be granted for no cash consideration, for such minimum consideration as may be required by Applicable Law, or for such other consideration as may be specified by the grant.

6.10 **Performance Goals.** Awards of Restricted Stock, Restricted Stock Units, Performance Award and Other Awards (whether relating to cash or shares of Common Stock) under the Plan may be made subject to the attainment of Performance Goals relating to one or more business criteria which, where applicable, shall be within the meaning of Section 162(m) of the Code and consist of one or more or any combination of the following criteria: cash flow; cost; revenues; sales; ratio of debt to debt plus equity; net borrowing, credit quality or debt ratings; profit before tax; economic profit; earnings before interest and taxes; earnings before interest, taxes, depreciation and amortization; gross margin; earnings per share (whether on a pre-tax, after-tax, operational or other basis); operating earnings; capital expenditures; expenses or expense levels; economic value added; ratio of operating earnings to capital spending or any other operating ratios; free cash flow; net profit; net sales; net asset value per share; the accomplishment of mergers, acquisitions, dispositions, public offerings or similar extraordinary business transactions; sales growth; price of the Company's Common Stock; return on assets, equity or stockholders' equity; market share; inventory levels, inventory turn or shrinkage; or total return to stockholders ( *Performance Criteria* ). Any Performance Criteria may be used to measure the performance of the Company as a whole or any business unit of the Company and may be measured relative to a peer group or index. Any Performance Criteria may include or exclude (i) extraordinary, unusual and/or non-recurring items of gain or loss, (ii) gains or losses on the disposition of a business, (iii) changes in tax or accounting regulations or laws, (iv) the effect of a merger or acquisition, as identified in the Company's quarterly and annual earnings releases, or (v) other similar occurrences. In all other respects, Performance Criteria shall be calculated in accordance with the Company's financial statements, under generally accepted accounting principles, or under a methodology established by the Committee prior to the issuance of an Award which is consistently applied and identified in the audited financial statements, including footnotes, or the Compensation Discussion and Analysis section of the Company's annual report. However, to the extent Section 162(m) of the Code is applicable, the Committee may not in any event increase the amount of compensation payable to an individual upon the attainment of a Performance Goal.

6.11 **Tandem Awards.** The Committee may grant two or more Incentives in one Award in the form of a tandem Award, so that the right of the Participant to exercise one Incentive shall be canceled if, and to the extent, the other Incentive is exercised. For example, if a Stock Option and a SAR are issued in a tandem Award, and the Participant exercises the SAR with respect to one hundred (100) shares of Common Stock, the right of the Participant to exercise the related Stock Option shall be canceled to the extent of one hundred (100) shares of Common Stock.

## ARTICLE 7

### AWARD PERIOD; VESTING

7.1 **Award Period.** Subject to the other provisions of this Plan, the Committee may, in its discretion, provide that an Incentive may not be exercised in whole or in part for any period or periods of time or beyond any date specified in the Award Agreement. Except as provided in the Award Agreement, an Incentive may be exercised in whole or in part at any time during its term. The Award Period for an Incentive shall be reduced or terminated upon Termination of Service. No Incentive granted under the Plan may be exercised at any time after the end of its Award Period. No portion of any Incentive may be exercised after the expiration of ten (10) years from its Date of Grant. However, if an Employee owns or is deemed to own (by reason of the attribution rules of Section 424(d) of the Code) more than ten percent (10%) of the combined voting power of all classes of stock of the Company (or any parent or Subsidiary) and an Incentive Stock Option is granted to such Employee, the term of such Incentive Stock Option (to the extent required by the Code at the time of grant) shall be no more than five (5) years from the Date of Grant.

7.2 **Vesting.** The Committee, in its sole discretion, may determine that an Incentive will be immediately vested in whole or in part, or that all or any portion may not be vested until a date, or dates, subsequent to its Date of Grant, or until the occurrence of one or more specified events, subject in any case to the terms of the Plan. If the Committee imposes conditions upon vesting, then, subsequent to the Date of Grant, the Committee may, in its sole discretion, accelerate the date on which all or any portion of the Incentive may be vested.

## ARTICLE 8

### EXERCISE OR CONVERSION OF INCENTIVE

8.1 **In General.** A vested Incentive may be exercised or converted, during its Award Period, subject to limitations and restrictions set forth in the Award Agreement.

8.2 **Securities Law and Exchange Restrictions.** In no event may an Incentive be exercised or shares of Common Stock be issued pursuant to an Award if a necessary listing or quotation of the shares of Common Stock on a stock exchange or inter-dealer quotation system or any registration under state or federal securities laws required under the circumstances has not been accomplished.

8.3 **Exercise of Stock Option.**

(a) **In General.** If a Stock Option is exercisable prior to the time it is vested, the Common Stock obtained on the exercise of the Stock Option shall be Restricted Stock which is subject to the applicable provisions of the Plan and the Award Agreement. If the Committee imposes conditions upon exercise, then subsequent to the Date of Grant, the Committee may, in its sole discretion, accelerate the date on which all or any portion of the Stock Option may be exercised. No Stock Option may be exercised for a fractional share of Common Stock. The granting of a Stock Option shall impose no obligation upon the Participant to exercise that Stock Option. In the event that the expiration date of a Stock Option expires during a blackout period (during which period of time there is an SEC prohibition against purchases or sales of Company's securities, thereby preventing the holder of a Stock Option from exercising such Stock Option using the cashless exercise method), the termination date of such Stock Option shall be automatically extended to a date which is twenty (20) days following the end of such blackout

period, provided, however, that no such extension shall occur in the event such extension would

cause the option to be subject to the requirements of Section 409A of the Code and the regulations and other guidance issued thereunder.

(b) **Notice and Payment.** Subject to such administrative regulations as the Committee may from time to time adopt, a Stock Option may be exercised by the delivery of written notice to the Committee setting forth the number of shares of Common Stock with respect to which the Stock Option is to be exercised and the date of exercise thereof (the *Exercise Date*) which shall be at least three (3) days after giving such notice unless an earlier time shall have been mutually agreed upon. On the Exercise Date, the Participant shall deliver to the Company consideration with a value equal to the total Option Price of the shares to be purchased, payable as provided in the Award Agreement, which may provide for payment in any one or more of the following ways: (a) cash or check, bank draft, or money order payable to the order of the Company, (b) Common Stock (including Restricted Stock) owned by the Participant on the Exercise Date, valued at its Fair Market Value on the Exercise Date, and which the Participant has not acquired from the Company within six (6) months prior to the Exercise Date, (c) by delivery (including by FAX) to the Company or its designated agent of an executed irrevocable option exercise form together with irrevocable instructions from the Participant to a broker or dealer, reasonably acceptable to the Company, to sell certain of the shares of Common Stock purchased upon exercise of the Stock Option or to pledge such shares as collateral for a loan and promptly deliver to the Company the amount of sale or loan proceeds necessary to pay such purchase price, and/or (d) in any other form of valid consideration that is acceptable to the Committee in its sole discretion. In the event that shares of Restricted Stock are tendered as consideration for the exercise of a Stock Option, a number of shares of Common Stock issued upon the exercise of the Stock Option equal to the number of shares of Restricted Stock used as consideration therefor shall be subject to the same restrictions and provisions as the Restricted Stock so tendered.

(c) **Issuance of Certificate.** Except as otherwise provided in Section 6.4 hereof (with respect to shares of Restricted Stock) or in the applicable Award Agreement, upon payment of all amounts due from the Participant, the Company shall cause certificates for the Common Stock then being purchased to be delivered as directed by the Participant (or the person exercising the Participant's Stock Option in the event of his death) at its principal business office promptly after the Exercise Date; provided that if the Participant has exercised an Incentive Stock Option, the Company may at its option retain physical possession of the certificate evidencing the shares acquired upon exercise until the expiration of the holding periods described in Section 422(a)(1) of the Code. The obligation of the Company to deliver shares of Common Stock shall, however, be subject to the condition that, if at any time the Committee shall determine in its discretion that the listing, registration, or qualification of the Stock Option or the Common Stock upon any securities exchange or inter-dealer quotation system or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary as a condition of, or in connection with, the Stock Option or the issuance or purchase of shares of Common Stock thereunder, the Stock Option may not be exercised in whole or in part unless such listing, registration, qualification, consent, or approval shall have been effected or obtained free of any conditions not reasonably acceptable to the Committee.

(d) **Failure to Pay.** Except as may otherwise be provided in an Award Agreement, if the Participant fails to pay for any of the Common Stock specified in such notice or fails to accept delivery thereof, that portion of the Participant's Stock Option and right to purchase such Common Stock may be forfeited by the Participant.

8.4 **SARs.** Subject to the conditions of this Section 8.4 and such administrative regulations as the Committee may from time to time adopt, a SAR may be exercised by the delivery (including by FAX) of written notice to the Committee setting forth the number of shares of Common Stock with respect to which the SAR is to be exercised and the date of exercise thereof (the *Exercise Date* ) which shall be at least three (3) days after giving such notice unless an earlier time shall have been mutually agreed upon. Subject to the terms of the Award Agreement and only if permissible under Section 409A of the Code and the regulations or other guidance issued thereunder (or, if not so permissible, at such time as permitted by Section 409A of the Code and the regulations or other guidance issued thereunder), the Participant shall receive from the Company in exchange therefor in the discretion of the Committee, and subject to the terms of the Award Agreement:

(a) cash in an amount equal to the excess (if any) of the Fair Market Value (as of the date of the exercise, or if provided in the Award Agreement, conversion, of the SAR) per share of Common Stock over the SAR Price per share specified in such SAR, multiplied by the total number of shares of Common Stock of the SAR being surrendered;

(b) that number of shares of Common Stock having an aggregate Fair Market Value (as of the date of the exercise, or if provided in the Award Agreement, conversion, of the SAR) equal to the amount of cash otherwise payable to the Participant, with a cash settlement to be made for any fractional share interests; or

(c) the Company may settle such obligation in part with shares of Common Stock and in part with cash.

The distribution of any cash or Common Stock pursuant to the foregoing sentence shall be made at such time as set forth in the Award Agreement.

8.5 **Disqualifying Disposition of Incentive Stock Option.** If shares of Common Stock acquired upon exercise of an Incentive Stock Option are disposed of by a Participant prior to the expiration of either two (2) years from the Date of Grant of such Stock Option or one (1) year from the transfer of shares of Common Stock to the Participant pursuant to the exercise of such Stock Option, or in any other disqualifying disposition within the meaning of Section 422 of the Code, such Participant shall notify the Company in writing of the date and terms of such disposition. A disqualifying disposition by a Participant shall not affect the status of any other Stock Option granted under the Plan as an Incentive Stock Option within the meaning of Section 422 of the Code.

## ARTICLE 9

### AMENDMENT OR DISCONTINUANCE

Subject to the limitations set forth in this Article 9, the Board may at any time and from time to time, without the consent of the Participants, alter, amend, revise, suspend, or discontinue the Plan in whole or in part; provided, however, that no amendment for which stockholder approval is required either (i) by any securities exchange or inter-dealer quotation system on which the Common Stock is listed or traded or (ii) in order for the Plan and Incentives awarded under the Plan to continue to comply with Sections 162(m), 421, and 422 of the Code, including any successors to such Sections, or other Applicable Law, shall be effective unless such amendment shall be approved by the requisite vote of the stockholders of the Company entitled to vote thereon. Any such amendment shall, to the extent deemed necessary or advisable by the Committee, be applicable to any outstanding Incentives theretofore granted under the Plan, notwithstanding any contrary provisions contained in any Award Agreement. In the event of any such amendment to the Plan, the holder of any Incentive outstanding under the Plan shall, upon





request of the Committee and as a condition to the exercisability thereof, execute a conforming amendment in the form prescribed by the Committee to any Award Agreement relating thereto. Notwithstanding anything contained in this Plan to the contrary, unless required by law, no action contemplated or permitted by this Article 9 shall adversely affect any rights of Participants or obligations of the Company to Participants with respect to any Incentive theretofore granted under the Plan without the consent of the affected Participant.

## ARTICLE 10

### TERM

The Plan shall be effective from the date that this Plan is approved by the Board. Unless sooner terminated by action of the Board, the Plan will terminate on March 20, 2022, but Incentives granted before that date will continue to be effective in accordance with their terms and conditions.

## ARTICLE 11

### CAPITAL ADJUSTMENTS

In the event that any dividend or other distribution (whether in the form of cash, Common Stock, other securities, or other property), recapitalization, stock split, reverse stock split, rights offering, reorganization, merger, consolidation, split-up, spin-off, split-off, combination, subdivision, repurchase, or exchange of Common Stock or other securities of the Company, issuance of warrants or other rights to purchase Common Stock or other securities of the Company, or other similar corporate transaction or event affects the fair value of an Award, then the Committee shall adjust any or all of the following so that the fair value of the Award immediately after the transaction or event is equal to the fair value of the Award immediately prior to the transaction or event (i) the number of shares and type of Common Stock (or the securities or property) which thereafter may be made the subject of Awards, (ii) the number of shares and type of Common Stock (or other securities or property) subject to outstanding Awards, (iii) the number of shares and type of Common Stock (or other securities or property) specified as the annual per-participant limitation under Section 5.1 of the Plan, (iv) the Option Price of each outstanding Award, (v) the amount, if any, the Company pays for forfeited shares of Common Stock in accordance with Section 6.4, and (vi) the number of or SAR Price of shares of Common Stock then subject to outstanding SARs previously granted and unexercised under the Plan to the end that the same proportion of the Company's issued and outstanding shares of Common Stock in each instance shall remain subject to exercise at the same aggregate SAR Price; provided however, that the number of shares of Common Stock (or other securities or property) subject to any Award shall always be a whole number. Notwithstanding the foregoing, no such adjustment shall be made or authorized to the extent that such adjustment would cause the Plan or any Stock Option to violate Section 422 of the Code or Section 409A of the Code. Such adjustments shall be made in accordance with the rules of any securities exchange, stock market, or stock quotation system to which the Company is subject.

Upon the occurrence of any such adjustment, the Company shall provide notice to each affected Participant of its computation of such adjustment which shall be conclusive and shall be binding upon each such Participant.

## ARTICLE 12

### RECAPITALIZATION, MERGER AND CONSOLIDATION

12.1 **No Effect on Company's Authority.** The existence of this Plan and Incentives granted hereunder shall not affect in any way the right or power of the Company or its stockholders to make or authorize any or all adjustments, recapitalizations, reorganizations, or other changes in the Company's capital structure and its business, or any Change in Control, or any merger or consolidation of the Company, or any issuance of bonds, debentures, preferred or preference stocks ranking prior to or otherwise affecting the Common Stock or the rights thereof (or any rights, options, or warrants to purchase same), or the dissolution or liquidation of the Company, or any sale or transfer of all or any part of its assets or business, or any other corporate act or proceeding, whether of a similar character or otherwise.

12.2 **Conversion of Incentives Where Company Survives.** Subject to any required action by the stockholders and except as otherwise provided by Section 12.4 hereof or as may be required to comply with Section 409A of the Code and the regulations or other guidance issued thereunder, if the Company shall be the surviving or resulting corporation in any merger, consolidation or share exchange, any Incentive granted hereunder shall pertain to and apply to the securities or rights (including cash, property, or assets) to which a holder of the number of shares of Common Stock subject to the Incentive would have been entitled.

12.3 **Exchange or Cancellation of Incentives Where Company Does Not Survive.** Except as otherwise provided by Section 12.4 hereof or as may be required to comply with Section 409A of the Code and the regulations or other guidance issued thereunder, in the event of any merger, consolidation or share exchange pursuant to which the Company is not the surviving or resulting corporation, there shall be substituted for each share of Common Stock subject to the unexercised portions of outstanding Incentives, that number of shares of each class of stock or other securities or that amount of cash, property, or assets of the surviving, resulting or consolidated company which were distributed or distributable to the stockholders of the Company in respect to each share of Common Stock held by them, such outstanding Incentives to be thereafter exercisable for such stock, securities, cash, or property in accordance with their terms.

12.4 **Cancellation of Incentives.** Notwithstanding the provisions of Sections 12.2 and 12.3 hereof, and except as may be required to comply with Section 409A of the Code and the regulations or other guidance issued thereunder, all Incentives granted hereunder may be canceled by the Company, in its sole discretion, as of the effective date of any Change in Control, merger, consolidation or share exchange, or any issuance of bonds, debentures, preferred or preference stocks ranking prior to or otherwise affecting the Common Stock or the rights thereof (or any rights, options, or warrants to purchase same), or of any proposed sale of all or substantially all of the assets of the Company, or of any dissolution or liquidation of the Company, by either:

(a) giving notice to each holder thereof or his personal representative of its intention to cancel those Incentives for which the issuance of shares of Common Stock involved payment by the Participant for such shares, and permitting the purchase during the thirty (30) day period next preceding such effective date of any or all of the shares of Common Stock subject to such outstanding Incentives, including in the Board's discretion some or all of the shares as to which such Incentives would not otherwise be vested and exercisable; or

(b) in the case of Incentives that are either (i) settled only in shares of Common Stock, or (ii) at the election of the Participant, settled in shares of Common Stock, paying the holder thereof an amount equal to a reasonable estimate of the difference between the net amount



per share payable in such transaction or as a result of such transaction, and the price per share of such Incentive to be paid by the Participant (hereinafter the *Spread* ), multiplied by the number of shares subject to the Incentive. In cases where the shares constitute, or would after exercise, constitute Restricted Stock, the Company, in its discretion, may include some or all of those shares in the calculation of the amount payable hereunder. In estimating the Spread, appropriate adjustments to give effect to the existence of the Incentives shall be made, such as deeming the Incentives to have been exercised, with the Company receiving the exercise price payable thereunder, and treating the shares receivable upon exercise of the Incentives as being outstanding in determining the net amount per share. In cases where the proposed transaction consists of the acquisition of assets of the Company, the net amount per share shall be calculated on the basis of the net amount receivable with respect to shares of Common Stock upon a distribution and liquidation by the Company after giving effect to expenses and charges, including but not limited to taxes, payable by the Company before such liquidation could be completed.

(c) An Award that by its terms would be fully vested or exercisable upon a Change in Control will be considered vested or exercisable for purposes of Section 12.4(a) hereof.

### ARTICLE 13

#### LIQUIDATION OR DISSOLUTION

Subject to Section 12.4 hereof, in case the Company shall, at any time while any Incentive under this Plan shall be in force and remain unexpired, (i) sell all or substantially all of its property, or (ii) dissolve, liquidate, or wind up its affairs, then each Participant shall be entitled to receive, in lieu of each share of Common Stock of the Company which such Participant would have been entitled to receive under the Incentive, the same kind and amount of any securities or assets as may be issuable, distributable, or payable upon any such sale, dissolution, liquidation, or winding up with respect to each share of Common Stock of the Company. If the Company shall, at any time prior to the expiration of any Incentive, make any partial distribution of its assets, in the nature of a partial liquidation, whether payable in cash or in kind (but excluding the distribution of a cash dividend payable out of earned surplus and designated as such) and an adjustment is determined by the Committee to be appropriate to prevent the dilution of the benefits or potential benefits intended to be made available under the Plan, then the Committee shall, in such manner as it may deem equitable, make such adjustment in accordance with the provisions of Article 11 hereof.

### ARTICLE 14

#### INCENTIVES IN SUBSTITUTION FOR

#### INCENTIVES GRANTED BY OTHER ENTITIES

Incentives may be granted under the Plan from time to time in substitution for similar instruments held by employees, independent contractors or directors of a corporation, partnership, or limited liability company who become or are about to become Employees, Contractors or Outside Directors of the Company or any Subsidiary as a result of a merger or consolidation of the employing corporation with the Company, the acquisition by the Company of equity of the employing entity, or any other similar transaction pursuant to which the Company becomes the successor employer. The terms and conditions of the substitute Incentives so granted may vary from the terms and conditions set forth in this Plan to such extent as the Committee at the time of grant may deem appropriate to conform, in whole or in part, to the provisions of the Incentives in substitution for which they are granted.

**ARTICLE 15**

**MISCELLANEOUS PROVISIONS**

15.1 **Investment Intent.** The Company may require that there be presented to and filed with it by any Participant under the Plan, such evidence as it may deem necessary to establish that the Incentives granted or the shares of Common Stock to be purchased or transferred are being acquired for investment and not with a view to their distribution.

15.2 **No Right to Continued Employment.** Neither the Plan nor any Incentive granted under the Plan shall confer upon any Participant any right with respect to continuance of employment by the Company or any Subsidiary.

15.3 **Indemnification of Board and Committee.** No member of the Board or the Committee, nor any officer or Employee of the Company acting on behalf of the Board or the Committee, shall be personally liable for any action, determination, or interpretation taken or made in good faith with respect to the Plan, and all members of the Board and the Committee, each officer of the Company, and each Employee of the Company acting on behalf of the Board or the Committee shall, to the extent permitted by law, be fully indemnified and protected by the Company in respect of any such action, determination, or interpretation.

15.4 **Effect of the Plan.** Neither the adoption of this Plan nor any action of the Board or the Committee shall be deemed to give any person any right to be granted an Award or any other rights except as may be evidenced by an Award Agreement, or any amendment thereto, duly authorized by the Committee and executed on behalf of the Company, and then only to the extent and upon the terms and conditions expressly set forth therein.

15.5 **Compliance With Other Laws and Regulations.** Notwithstanding anything contained herein to the contrary, the Company shall not be required to sell or issue shares of Common Stock under any Incentive if the issuance thereof would constitute a violation by the Participant or the Company of any provisions of any law or regulation of any governmental authority or any national securities exchange or inter-dealer quotation system or other forum in which shares of Common Stock are quoted or traded (including without limitation Section 16 of the Exchange Act and Section 162(m) of the Code); and, as a condition of any sale or issuance of shares of Common Stock under an Incentive, the Committee may require such agreements or undertakings, if any, as the Committee may deem necessary or advisable to assure compliance with any such law or regulation. The Plan, the grant and exercise of Incentives hereunder, and the obligation of the Company to sell and deliver shares of Common Stock, shall be subject to all applicable federal and state laws, rules and regulations and to such approvals by any government or regulatory agency as may be required.

15.6 **Foreign Participation.** To assure the viability of Awards granted to Participants employed in foreign countries, the Committee may provide for such special terms as it may consider necessary or appropriate to accommodate differences in local law, tax policy or custom. Moreover, the Committee may approve such supplements to, or amendments, restatements or alternative versions of, this Plan as it determines is necessary or appropriate for such purposes. Any such amendment, restatement or alternative versions that the Committee approves for purposes of using this Plan in a foreign country will not affect the terms of this Plan for any other country.

15.7 **Tax Requirements.** The Company or, if applicable, any Subsidiary (for purposes of this Section 15.7, the term *Company* shall be deemed to include any applicable Subsidiary), shall have the right to deduct from all amounts paid in cash or other form in connection with the Plan, any Federal, state, local, or other taxes required by law to be withheld in connection with an Award granted under this Plan.



The Company may, in its sole discretion, also require the Participant receiving shares of Common Stock issued under the Plan to pay the Company the amount of any taxes that the Company is required to withhold in connection with the Participant's income arising with respect to the Award. Such payments shall be required to be made when requested by Company and may be required to be made prior to the delivery of any certificate representing shares of Common Stock. Such payment may be made (i) by the delivery of cash to the Company in an amount that equals or exceeds (to avoid the issuance of fractional shares under (iii) below) the required tax withholding obligations of the Company; (ii) if the Company, in its sole discretion, so consents in writing, the actual delivery by the exercising Participant to the Company of shares of Common Stock that the Participant has not acquired from the Company within six (6) months prior to the date of exercise, which shares so delivered have an aggregate Fair Market Value that equals or exceeds (to avoid the issuance of fractional shares under (iii) below) the required tax withholding payment; (iii) if the Company, in its sole discretion, so consents in writing, the Company's withholding of a number of shares to be delivered upon the exercise of the Stock Option, which shares so withheld have an aggregate fair market value that equals (but does not exceed) the required tax withholding payment; or (iv) any combination of (i), (ii), or (iii). The Company may, in its sole discretion, withhold any such taxes from any other cash remuneration otherwise paid by the Company to the Participant. The Committee may in the Award Agreement impose any additional tax requirements or provisions that the Committee deems necessary or desirable.

15.8 **Assignability.** Incentive Stock Options may not be transferred, assigned, pledged, hypothecated or otherwise conveyed or encumbered other than by will or the laws of descent and distribution and may be exercised during the lifetime of the Participant only by the Participant or the Participant's legally authorized representative, and each Award Agreement in respect of an Incentive Stock Option shall so provide. The designation by a Participant of a beneficiary will not constitute a transfer of the Stock Option. The Committee may waive or modify any limitation contained in the preceding sentences of this Section 15.8 that is not required for compliance with Section 422 of the Code.

Except as otherwise provided herein, Nonqualified Stock Options and SARs may not be transferred, assigned, pledged, hypothecated or otherwise conveyed or encumbered other than by will or the laws of descent and distribution. The Committee may, in its discretion, authorize all or a portion of a Nonqualified Stock Option or SAR to be granted to a Participant on terms which permit transfer by such Participant to (i) the spouse (or former spouse), children or grandchildren of the Participant ( **Immediate Family Members** ), (ii) a trust or trusts for the exclusive benefit of such Immediate Family Members, (iii) a partnership in which the only partners are (1) such Immediate Family Members and/or (2) entities which are controlled by Immediate Family Members, (iv) an entity exempt from federal income tax pursuant to Section 501(c)(3) of the Code or any successor provision, or (v) a split interest trust or pooled income fund described in Section 2522(c)(2) of the Code or any successor provision, provided that (x) there shall be no consideration for any such transfer, (y) the Award Agreement pursuant to which such Nonqualified Stock Option or SAR is granted must be approved by the Committee and must expressly provide for transferability in a manner consistent with this Section, and (z) subsequent transfers of transferred Nonqualified Stock Options or SARs shall be prohibited except those by will or the laws of descent and distribution.

Following any transfer, any such Nonqualified Stock Option and SAR shall continue to be subject to the same terms and conditions as were applicable immediately prior to transfer, provided that for purposes of Articles 8, 9, 11, 13 and 15 hereof the term **Participant** shall be deemed to include the transferee. The events of Termination of Service shall continue to be applied with respect to the original Participant, following which the Nonqualified Stock Options and SARs shall be exercisable or convertible by the transferee only to the extent and for the periods specified in the Award Agreement. The Committee and the Company shall have no obligation to inform any transferee of a Nonqualified Stock Option or SAR of any expiration, termination, lapse or acceleration of such Stock Option or SAR.



The Company shall have no obligation to register with any federal or state securities commission or agency any Common Stock issuable or issued under a Nonqualified Stock Option or SAR that has been transferred by a Participant under this Section 15.8.

15.9 **Use of Proceeds.** Proceeds from the sale of shares of Common Stock pursuant to Incentives granted under this Plan shall constitute general funds of the Company.

15.10 **Legend.** Each certificate representing shares of Restricted Stock issued to a Participant shall bear the following legend, or a similar legend deemed by the Company to constitute an appropriate notice of the provisions hereof (any such certificate not having such legend shall be surrendered upon demand by the Company and so endorsed):

On the face of the certificate:

Transfer of this stock is restricted in accordance with conditions printed on the reverse of this certificate.

On the reverse:

The shares of stock evidenced by this certificate are subject to and transferable only in accordance with that certain Supreme Industries, Inc. 2012 Long-Term Incentive Plan, a copy of which is on file at the principal office of the Company in Goshen, Indiana, and that certain Restricted Stock Award Agreement dated as of \_\_\_\_\_, 20\_\_\_\_, by and between the Company and \_\_\_\_\_. No transfer or pledge of the shares evidenced hereby may be made except in accordance with and subject to the provisions of said Plan and Award Agreement. By acceptance of this certificate, any holder, transferee or pledgee hereof agrees to be bound by all of the provisions of said Plan and Award Agreement.

The following legend shall be inserted on a certificate evidencing Common Stock issued under the Plan if the shares were not issued in a transaction registered under the applicable federal and state securities laws:

Shares of stock represented by this certificate have been acquired by the holder for investment and not for resale, transfer or distribution, have been issued pursuant to exemptions from the registration requirements of applicable state and federal securities laws, and may not be offered for sale, sold or transferred other than pursuant to effective registration under such laws, or in transactions otherwise in compliance with such laws, and upon evidence satisfactory to the Company of compliance with such laws, as to which the Company may rely upon an opinion of counsel satisfactory to the Company.

**ARTICLE 16**

**ACCELERATION OF AWARD VESTING**

16.1 **Application.** The provisions of this Article 16 shall apply notwithstanding any provisions of this Plan to the contrary.

16.2 **Definitions.**

(a) **Exempt Shares** means shares of Common Stock designated as Exempt Shares pursuant to Section 16.3.

(b) **Full Value Award** means any Award with a net benefit to the Participant, without regard to any restrictions such as those described in Section 6.4(b), equal to the aggregate Fair Market Value of the total shares of Common Stock subject to the Award. Full Value Awards include Restricted Stock and Restricted Stock Units, but do not include Stock Options and SARs.

(c) **Tenure Award** means an Award hereunder of cash, shares of Common Stock, units or rights based upon, payable in, or otherwise related to, Common Stock that vests over time based upon the Participant's continued employment with or service to the Company or its Subsidiaries.

16.3 **Number of Shares Available for Awards.** No more than ten percent (10%) of the shares of Common Stock that may be delivered pursuant to Awards under Section 5.1 may be shares designated as Exempt Shares.

16.4 **Full Value Award Vesting.** Except as otherwise provided herein, the Committee must grant all Full Value Awards in accordance with the following provisions:

(a) All Full Value Awards granted by the Committee that constitute Performance Awards must vest no earlier than one (1) year after the Date of Grant.

(b) All Full Value Awards granted by the Committee that constitute Tenure Awards must vest no earlier than over the three (3) year period commencing on the Date of Grant on a pro rata basis.

(c) The Committee may not accelerate the date on which all or any portion of a Full Value Award may be vested or waive the Restriction Period on a Full Value Award except upon the Participant's death, Total and Permanent Disability or Retirement or the occurrence of a Change in Control.

Notwithstanding the foregoing, the Committee may, in its sole discretion, grant Full Value Awards with more favorable vesting provisions than set forth in this Section 16.4 or accelerate the vesting or waive the Restriction Period for Full Value Awards at any time, provided that the shares of Common Stock subject to such Awards shall be Exempt Shares.

A copy of this Plan shall be kept on file in the principal office of the Company in Goshen, Indiana.

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IN WITNESS WHEREOF, the Company has caused this instrument to be executed as of March 21, 2012, by its Chairman of the Board and Secretary pursuant to prior action taken by the Board.

**Supreme Industries, Inc.**

By: /s/ Herbert M. Gardner  
Name: Herbert M. Gardner  
Title: Chairman of the Board

Attest:

By: /s/ William J. Barrett  
Name: William J. Barrett  
Title: Secretary













