SUPERIOR UNIFORM GROUP INC
Form 10-K
February 27, 2009
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2008

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

Commission File Number 1-5869

SUPERIOR UNIFORM GROUP, INC.

(Exact Name of Registrant as Specified in Its Charter)

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

10055 Seminole Blvd.

Seminole, Florida 33772

(Address of Principal Executive Offices, including Zip Code)

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

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

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock, par value $.001 per share	**Listed on the NASDAQ Stock Market**

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

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

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

Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No ¨

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

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

Large accelerated filer ¨ Accelerated filer ¨ Non-accelerated filer ¨ Smaller Reporting Company x

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

At June 30, 2008, the aggregate market value of the registrant s common shares held by non-affiliates, computed by reference to the last sales price ($8.71) as reported by the NASDAQ Stock Market, was approximately $39.1 million.

The number of shares outstanding as of February 23, 2009 was 6,049,815 shares.

Documents Incorporated by Reference:

Portions of the Registrant's Definitive Proxy Statement to be filed with the Commission not later than 120 days after the conclusion of the Registrant s fiscal year ended December 31, 2008, relating to its Annual Meeting of Shareholders to be held May 1, 2009, are incorporated by reference to furnish the information required by Items 10, 11, 12, 13 and 14 of Part III and portions of the information required by Item 5 of Part II.

Exhibit index may be found on Page 42.

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PART I

Special Note Regarding Forward-Looking Statements

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

Item 1. Business

Superior Uniform Group, Inc. was organized in 1920 and was incorporated in 1922 as a New York company under the name Superior Surgical Mfg. Co., Inc. In 1998, the Company changed its name to Superior Uniform Group, Inc. and its state of incorporation to Florida.

Superior, through its Signature marketing brands Fashion Seal®, Fashion Seal Healthcare , Martin's®, Worklon®, Universal®, and UniVogue manufactures and sells a wide range of uniforms, career apparel and accessories for the hospital and healthcare fields; hotels; fast food and other restaurants; and public safety, industrial, and commercial markets. There are no significant distinct segments or lines of business. In excess of 95% of Superior s business consists of the sale of uniforms and service apparel, and miscellaneous products directly related thereto.

Products

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

- Uniforms and service apparel for personnel of:
  - Hospitals and health facilities;
  - Hotels, commercial buildings, residential buildings, and food service facilities;
  - Retail stores;
  - General and special purpose industrial uses;
  - Commercial enterprises (career apparel for banks, airlines, etc.);

Public and private safety and security organizations; and

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Miscellaneous service uses.

Miscellaneous products directly related to:

Uniforms and service apparel specified above (e.g. boots and sheets); and

Linen suppliers and industrial launderers, to whom a substantial portion of Superior's uniforms and service apparel are sold; such products being primarily industrial laundry bags.

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

Competition

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

Customers

Superior has a substantial number of customers, the largest of which accounted for approximately 8% of its 2008 net sales.

Backlog

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

Superior normally completes shipments of orders from stock within one week after their receipt. As of February 20, 2009, the backlog of all orders that we believe to be firm was approximately $4.8 million, compared to approximately $6.5 million as of February 23, 2008.

Inventory

Superior markets itself to its customers as a "stock house." Therefore, Superior at all times carries substantial inventories of raw materials (principally piece goods) and finished garments which requires substantial working capital. Superior's principal raw materials are textile products. In 2008 and 2007, approximately 63% and 62%, respectively, of our products were obtained from suppliers located in Central America. Superior does not believe that it is dependent upon any of its suppliers, despite the concentration of its purchasing from a few sources, as other suppliers of the same or similar products are readily available. However, if Superior is unable to continue to obtain its products from Central America it could significantly disrupt Superior s business.

Intellectual Property

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

Environmental Matters

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

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Employees

Superior employed 534 persons, of which 525 were full-time employees, as of December 31, 2008.

Securities Exchange Act Reports

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

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

Item 1A. Risk Factors

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

Risks Relating To Our Industry

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

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

Regional or national economic slowdowns and high unemployment levels will likely have an adverse effect on our revenues and operating results.

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

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Volatility in the global economy could adversely affect results.

Global financial markets have been experiencing an extreme disruption in recent months, including, among other things, volatility in security prices, diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others. However, there can be no assurance that there will not be further change, which could lead to challenges in our business and negatively impact our financial results. The current tightening of credit in financial markets adversely affects the ability of our customers and suppliers to obtain financing for significant purchases and operations and could result in a decrease in orders and spending for our products and services. We are unable to predict the likely duration and severity of the current disruption in financial markets and adverse economic conditions and the effects they may have on our business and financial condition.

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

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

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

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

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

A portion of our operations are subject to quotas imposed by bilateral textile agreements between the countries from which we procure raw materials and the countries where our products are manufactured. These quotas limit the amount of products that may be imported from a particular country.

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

Our operations are also subject to various international trade agreements and regulations such as the North American Free Trade Agreement and the Caribbean Basin Initiative, and the activities and regulations of the World Trade Organization (WTO). Generally, these trade agreements benefit our business by reducing or eliminating the duties and/or quotas assessed on products manufactured in a particular country. However, trade agreements can also impose requirements that negatively affect our business, such as limiting the countries from which we can purchase raw materials and setting quotas on products that may be imported into the United States from a particular country. In addition, increased competition from developing countries could have a material adverse effect on our business, results of operations or financial condition.

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

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

RISKS RELATING TO OUR BUSINESS

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

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

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

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

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

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

A portion of our active and retired employees participate in defined benefit pension plans under which we are obligated to provide prescribed levels of benefits regardless of the value of the underlying assets, if any, of the applicable pension plan. If our obligations under a plan are unfunded or underfunded, we will have to use cash flow from operations and other sources to pay our obligations either as they become due or over some shorter funding period. As of December 31, 2008, we had approximately $7.1 million in unfunded or underfunded obligations related to our pension plans.

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

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

We are subject to local laws and regulations.

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

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

We utilize multiple supply sources and manufacturing facilities. However, an unexpected interruption in any of the sources or facilities could temporarily adversely affect our results of operations until alternate sources or facilities can be secured. In 2008 and 2007 approximately 63% and 62%, respectively, of our products were obtained from suppliers located in Central America. If we are unable to continue to obtain our products from Central America, it could significantly disrupt our business. Because we source products in Central America, we are affected by economic conditions in Central America, including increased duties, possible employee turnover, labor unrest and lack of developed infrastructure.

Our business may be impacted by adverse weather.

Our corporate headquarters and a substantial number of our customers are located in Florida. During fiscal 2005, four hurricanes made land-fall in Florida, with Hurricane Wilma moving directly through South Florida and causing significant infrastructure damage and disruption to the area. Sales of our products were adversely affected by these and the other Gulf Coast hurricanes during fiscal 2005. While we were not impacted by any hurricane related events during fiscal 2007 or 2008, because we are located in Florida, which is a hurricane-sensitive area, we are particularly susceptible to the risk of damage to, or total destruction of, our headquarters and surrounding transportation infrastructure caused by a hurricane. In addition, similar disruptions to the business of our customers located in areas affected by hurricanes may adversely impact sales of our products.

Certain of our existing stockholders have significant control.

At December 31, 2008, our executive officers and certain of their family members collectively beneficially owned 34.5% of our outstanding common stock. As a result, our executive officers and certain of their family members have significant influence over the election of our Board of Directors, the approval or disapproval of any other matters requiring stockholder approval, and the affairs and policies of our company.

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

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

Item 1B. Unresolved Staff Comments

None.

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Item 2. Properties

The Company has an ongoing program designed to maintain and improve its facilities. Generally, all properties are in satisfactory condition. The Company's properties are currently fully utilized (except as otherwise noted) and have aggregate productive capacity to meet the Company's present needs as well as those of the foreseeable future. The material manufacturing and distribution locales are rented for nominal amounts due to cities providing incentives for businesses to locate in their area all such properties may be purchased for nominal amounts. As a result, it is believed that the subject lease expirations and renewal terms thereof are not material. Set forth below are the locations of our facilities:

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

Eudora, Arkansas Plant of approximately 217,000 square feet, partially leased from the City of Eudora requiring payment of only a nominal rental fee; used for manufacturing, warehousing, and shipping; lease expiring in 2011.

Tampa, Florida Plant of approximately 15,000 square feet, leased from private owners; used for warehousing, shipping and customer service for customers located in the greater Tampa Bay area; lease expiring in 2010.

McGehee, Arkansas Plant of approximately 26,000 square feet, leased from the City of McGehee requiring payment of only a nominal rental fee; used for storage; lease expiring in 2009.

San Salvador, El Salvador Office space of approximately 16,000 square feet; owned by The Office Gurus, a subsidiary of Superior Office Solutions and Fashion Seal Corp., wholly-owned subsidiaries of the Company; used as office space.

Miscellaneous Atlanta, Georgia: leased warehouse and sales office of approximately 10,000 square feet lease expiring in 2010; Lexington, Mississippi: facility used for warehousing and shipping, approximately 40,000 square feet owned by the Company; Hamburg, Arkansas: approximately 18,000 square feet, used for shipping owned by the Company; Dallas, Texas: leased sales office of approximately 2,055 square feet lease expiring in 2010.

Item 3. Legal Proceedings

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

Item 4. Submission of Matters to a Vote of Security Holders

None

PART II

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

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

The following table sets forth the high and low sales prices and cash dividends declared on our common stock by quarter for 2008 and 2007 as reported in the consolidated transaction reporting system of the NASDAQ Stock Market (2008) and American Stock Exchange (2007-2008).

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	QUARTER ENDED							
	2008				2007			
	Mar. 31	June 30	Sept. 30	Dec. 31	Mar. 31	June 30	Sept. 30	Dec. 31
Common Shares:								
High	$ 10.64	$ 10.16	$ 10.82	$ 10.60	$ 13.54	$ 13.46	$ 13.30	$ 13.60
Low	$ 8.13	$ 8.21	$ 8.46	$ 6.80	$ 12.35	$ 12.35	$ 10.41	$ 9.38
Dividends (total for 2008-$0.54; 2007-$0.54)	$ 0.135	$ 0.135	$ 0.135	$ 0.135	$ 0.135	$ 0.135	$ 0.135	$ 0.135

We declared cash dividends of $0.135 per share in each of the quarters for the fiscal years ending December 31, 2007 and 2008. We intend to pay regular quarterly distributions to our common stockholders, the amount of which may change from time to time. Future distributions will be declared and paid at the discretion of our Board of Directors, and will depend upon cash generated by operating activities, our financial condition, capital requirements, and such other factors as our Board of Directors deem relevant.

On February 23, 2009, we had 179 shareholders of record and the closing price for our common shares on the NASDAQ Stock Market was $6.90 per share.

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

Issuer Purchases of Equity Securities

The table below sets forth the information with respect to purchases made by or on behalf of Superior Uniform Group, Inc. or any affiliated purchaser (as defined in Rule 10b-18(a)(3) under the Exchange Act), of our common shares during the three months ended December 31, 2008.

Period	(a) Total Number of Shares Purchased	(b) Average Price Paid per Share	(c) Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	(d) Maximum Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
Month #1 (October 1, 2008 to October 31, 2008)	341,712	$ 9.24	341,712	
Month #2 (November 1, 2008 to November 30, 2008)	8,122	$ 9.50	8,122	
Month #3 (December 1, 2008 to December 31, 2008)	11,110	$ 8.24	11,110	
TOTAL	360,944	$ 9.22	360,944	588,615

(1) In May 2006, the Board of Directors reset the common stock repurchase program authorization so that the Company could make future repurchases of up to 750,000 of its common shares. Through July 31, 2008, the Company repurchased 625,881 shares of its common stock under such repurchase program. On August 1, 2008, the Company s Board of Directors reset the common stock repurchase program authorization to allow for the repurchase of 1,000,000 additional shares of the Company s outstanding shares of common stock. There is no expiration date or other restriction governing the period over which we can make our share repurchases under the program. All such purchases were open market transactions.

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Item 6. Selected Financial Data

The following selected data is derived from our consolidated financial statements. This data should be read in conjunction with the consolidated financial statements and notes thereto incorporated into Item 8, and with Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations.

Superior Uniform Group, Inc. and Subsidiaries

Consolidated Statements of Earnings

Years Ended December 31,

	2008	2007	2006	2005	2004
Net sales	$ 123,745,201	$ 120,457,891	$ 123,714,773	$ 128,068,824	$ 135,844,749
Costs and expenses:					
Cost of goods sold	83,402,581	80,837,592	84,385,588	89,674,453	91,025,370
Selling and administrative expenses	34,263,750	33,784,794	33,983,449	35,920,705	35,531,559
Goodwill impairment loss	1,617,411				
Interest expense	321,126	329,674	451,026	610,781	624,199
Gain on sale of facility				(651,944)	
	119,604,868	114,952,060	118,820,063	125,553,995	127,181,128
Earnings from continuing operations before taxes on income	4,140,333	5,505,831	4,894,710	2,514,829	8,663,621
Taxes on income	1,850,000	1,810,000	1,830,000	600,000	2,940,000
Earnings from continuing operations	2,290,333	3,695,831	3,064,710	1,914,829	5,723,621
Loss from discontinued operations, net of taxes	(156,560)	(1,146,503)	(867,443)	(670,644)	(344,934)
Net earnings	$ 2,133,773	$ 2,549,328	$ 2,197,267	$ 1,244,185	$ 5,378,687
Per Share Data:					
Basic					
Earnings from continuing operations	$ 0.35	$ 0.56	$ 0.45	$ 0.26	$ 0.77
Loss from discontinued operations, net of taxes	(0.02)	(0.18)	(0.13)	(0.09)	(0.05)
Net earnings	$ 0.33	$ 0.38	$ 0.32	$ 0.17	$ 0.72
Diluted					
Earnings from continuing operations	$ 0.35	$ 0.55	$ 0.45	$ 0.26	$ 0.76
Loss from discontinued operations, net of taxes	(0.02)	(0.17)	(0.13)	(0.09)	(0.05)
Net earnings	$ 0.33	$ 0.38	$ 0.32	$ 0.17	$ 0.71
Cash dividends per common share	$ 0.54	$ 0.54	$ 0.54	$ 0.54	$ 0.54
At year end:					
Total assets	$ 79,591,277	$ 87,903,512	$ 85,158,774	$ 97,261,057	$ 107,954,243
Long-term debt	$ 3,379,000	$ 2,445,604	$ 2,201,806	$ 3,979,540	$ 5,662,569

Working capital	$ 55,801,578	$ 59,251,139	$ 56,411,002	$ 58,922,055	$ 61,255,572
Shareholders equity	$ 60,694,873	$ 72,445,430	$ 72,102,191	$ 81,524,754	$ 87,068,494

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Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

OVERVIEW: In 2008, net sales increased by 2.7% in comparison to 2007 and in 2007, net sales decreased by 2.6% in comparison to 2006. The increase in net sales in 2008 was primarily attributed to several large new customer uniform programs that were distributed in 2008. The positive impact of these new programs was offset by softer demand from existing customers due to the current economic downturn occurring in the United States. Our customers are reducing employee counts as a result of the current environment and this is expected to continue to negatively impact sales results in 2009.

OPERATIONS: In 2008, net sales increased 2.7% in comparison to 2007. The increase in net sales is primarily attributed to several large new customer uniform programs that were distributed in 2008 offset by softer demand from existing customers. In 2007, net sales decreased 2.6% in comparison to 2006. The decrease in net sales was primarily attributed to the elimination of the uniform program at one of our major customers in the fourth quarter of 2006. This resulted in a decrease of approximately $2,917,000 in net sales for 2007. During 2007, we were awarded additional business from this customer that began shipping late in the second quarter. This resulted in net sales of approximately $1,422,000 in 2007. Additionally, demand from existing customers was lower than expected and more than offset the new business generated in 2007. The remainder of the decrease was attributed to customers lost as a result of the 2005 implementation of our new warehouse management system that resulted in disruptions to our service levels with customers during the first half of 2005. Certain of these lost customers were still winding down purchases from the Company during the first half of 2006.

As a percentage of sales, cost of goods sold was 67.4% in 2008, and 67.1% in 2007. The percentage increase in 2008 as compared to 2007 is primarily attributed to an increase in direct product costs as a percentage of sales (0.9%) offset by the impact of more efficient operations in our value added services area and spreading our overhead over higher net sales (-0.6%). The Company s gross margins may not be comparable with other entities, since some entities include all of the costs related to their distribution network in cost of goods sold. As disclosed in Note 1 to the consolidated financial statements, the Company includes a portion of the costs associated with its distribution network in selling and administrative expenses. The amounts included in selling and administrative expenses for each of the years ended December 31, 2008 and 2007, respectively, were $7,353,914, and $7,323,836.

As a percentage of sales, selling and administrative expenses were 27.7% in 2008 and 28.0% in 2007. The decrease in percentage in 2008 as compared to 2007 is attributed to increased sales volume (-0.7%) offset by miscellaneous increases in other selling and administrative expenses in excess of the percentage increase in net sales.

In connection with the preparation of the Company s audited financial statements for its fiscal year ending December 31, 2008, the Company completed its annual evaluation of goodwill in accordance with FAS No. 142. As a result, the Company recognized a goodwill impairment loss of $1,617,411 in the fourth quarter of 2008. The decline in fair value that resulted in the impairment was primarily attributed to the significant economic downturn currently being experienced in the United States. After recognition of this impairment loss, there is no goodwill remaining on the Company s consolidated balance sheet as of December 31, 2008.

Interest expense as a percentage of sales was 0.3% in 2008 and 2007.

The effective income tax rate in 2008 was 44.7% and in 2007 was 32.9%. The increase in 2008 is primarily due to the non-deductible portion of the goodwill impairment loss (6.1%) and the impact of the change in unrecognized tax benefits (6.8%). The 2007 tax provision included the results of an audit of our federal tax returns for 2004 and 2005 as well as the expiration of the statute of limitations on various other uncertain tax positions. There were no significant amounts of this nature included in the 2008 tax provision.

The Company reported losses from discontinued operations of 0.1% and 1.0% of sales for the years 2008 and 2007, respectively. As discussed above, during the fourth quarter of 2007, we made a decision to divest Sope Creek. At the beginning of February 2008, we sold the operations of Sope Creek. As a result, we classified the assets of Sope Creek as held for sale at December 31, 2007 and marked them down to their estimated fair value less selling costs. Additionally, we reclassified the results of operations of Sope Creek to loss from discontinued operations in the consolidated statements of earnings. We do not expect any further losses from the discontinued operations of Sope Creek.

LIQUIDITY AND CAPITAL RESOURCES: The Company uses a number of standards for its own purposes in measuring its liquidity, such as: working capital, profitability ratios, long-term debt as a percentage of long-term debt and equity, and activity ratios.

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Accounts receivable decreased 6.5% from $18,670,466 on December 31, 2007 to $17,464,279 as of December 31, 2008. The decrease is primarily attributed to improvement in the aging of customer accounts as well as a decline in net sales during the fourth quarter of 2008.

Inventories decreased 6.6% from $46,463,662 on December 31, 2007 to $43,410,146 as of December 31, 2008. The decrease is primarily attributed to increases in inventory levels in 2007 in preparation for implementing several large new customer programs during the first part of 2008.

Prepaid expenses and other current assets decreased 26.5% from $3,525,114 on December 31, 2007 to $2,590,350 as of December 31, 2008. $505,000 of this decrease is attributed to a decrease in deposits for inventory paid for in advance of receipt and $280,000 is due to a decrease in refundable income taxes in the current year. The remainder of the fluctuation is attributed to a decrease in prepaid general expenses.

Other assets decreased 88.2% from $2,204,434 on December 31, 2007 to $260,039 as of December 31, 2008. This decrease is primarily attributed to the decrease in the amount of pension assets recognized in other assets of $1,937,000.

Accounts payable decreased 30.3% from $6,635,412 on December 31, 2007 to $4,626,789 on December 31, 2008 primarily due to lower inventory purchases in the current year.

Other current liabilities decreased 1.2% from $2,549,680 on December 31, 2007 to $2,518,956 on December 31, 2008.

Long-term pension liability increased 664.3% from $923,184 on December 31, 2007 to $7,056,055 on December 31, 2008 as a result of the significant decline in the fair value of the pension plan assets in the current year. The Company plans to contribute $1,000,000 to its defined benefit pension plans in 2009.

Cash flows related to discontinued operations are not segregated in the statements of cash flows. Cash flows from operating activities related to discontinued operations were insignificant in 2008 and were approximately $155,000 in 2007. Cash flows used in investing and financing activities for discontinued operations were insignificant in 2008 and 2007.

The working capital of the Company at December 31, 2008 was approximately $55,802,000 and the working capital ratio was 8.2:1. At December 31, 2007 the working capital of the Company was approximately $59,251,000 and the working capital ratio was 6.5:1. The Company has operated without hindrance or restraint with its present working capital, believing that income generated from operations and outside sources of credit, both trade and institutional, are more than adequate to fund the Company s operations.

In 2008, the Company's percentage of total debt to total debt and equity was 6.2%. In 2007 the Company's percentage of total debt to total debt and equity was 5.2%.

The Company has an on-going capital expenditure program designed to maintain and improve its facilities. Capital expenditures were approximately $2,271,000 and $1,163,000, in the years 2008 and 2007, respectively.

During the years ended December 31, 2008 and 2007, the Company paid cash dividends of approximately $3,494,000 and $3,591,000, respectively, resulting from a quarterly dividend of $.135 per share. In May 2006, the Board of Directors reset the common stock repurchase program authorization so that the Company could make future repurchases of up to 750,000 of its common shares. Through July 31, 2008, the Company repurchased 625,881 shares of its common stock under such repurchase program. On August 1, 2008, the Company s Board of Directors reset the common stock repurchase program authorization to allow for the repurchase of 1,000,000 additional shares of the Company s outstanding shares of common stock. The Company reacquired and retired 617,096 shares and 0 shares of its common stock in the years ended December 31, 2008 and 2007, respectively, with approximate costs of $5,712,000, and $0, respectively. At December 31, 2008, the Company had 588,615 shares remaining on its common stock repurchase authorization. Shares purchased under our share repurchase program are constructively retired and returned to unissued status. We consider several factors in determining when to make share repurchases, including among other things, our cost of equity, our after-tax cost of borrowing, our debt to total capitalization targets and our expected future cash needs. There is no expiration date or other restriction governing the period over which we can make our share repurchases under the program. The Company anticipates that it will continue to pay dividends and that it will repurchase additional shares of its common stock in the future as financial conditions permit.

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In 2008, cash and cash equivalents decreased by approximately $637,000. This decrease is attributed to approximately $10,426,000 in cash provided from operations, offset by approximately $1,919,000 utilized in investing activities, as well as approximately $9,144,000 utilized in financing activities. Investing activities consisted primarily of capital expenditures, including approximately $1,268,000 spent to purchase an office building in El Salvador. Financing activities consisted primarily of dividends paid and the repurchase of approximately $5,712,000 of Company stock, as discussed above, which were offset by debt proceeds of approximately $33,000.

In 2007, cash and cash equivalents decreased by approximately $3,151,000. This decrease was attributed to approximately $839,000 in cash provided from operations, offset by approximately $1,004,000 utilized in investing activities, as well as approximately $2,986,000 utilized in financing activities. Investing activities consisted primarily of capital expenditures. Financing activities consisted primarily of dividends paid, as discussed above, which were offset by debt proceeds of approximately $17,000 and approximately $562,000 in proceeds from the exercise of employee stock options.

On March 26, 1999, the Company entered into a 3-year credit agreement with Wachovia Bank that made available to the Company up to $15,000,000 on a revolving credit basis. Interest is payable at LIBOR plus 0.60% based upon the one-month LIBOR rate for U.S. dollar based borrowings (4.4% at December 31, 2008). The Company pays an annual commitment fee of 0.15% on the average unused portion of the commitment. The available balance under the credit agreement is reduced by outstanding letters of credit. As of December 31, 2008, $3,379,000 was outstanding on the revolver and approximately $85,000 was outstanding under letters of credit. On March 27, 2001, on April 27, 2004, and again on June 25, 2007, the Company entered into agreements with Wachovia Bank to extend the maturity of the revolving credit agreement. The revolving credit agreement matures on June 30, 2010. At the option of the Company, any outstanding balance on the agreement at that date will convert to a one-year term loan. The remaining terms of the original revolving credit agreement remain unchanged. The Company also entered into a $12,000,000 10-year term loan on March 26, 1999 with the same bank. The term loan is an amortizing loan, with monthly payments of principal and interest, maturing on April 1, 2009. The term loan carries a variable interest rate of LIBOR plus 0.80% based upon the one-month LIBOR rate for U.S. dollar based borrowings. Concurrent with the execution of the term loan agreement, the Company entered into an interest rate swap with the bank under which the Company receives a variable rate of interest on a notional amount equal to the outstanding balance of the term loan from the bank and the Company pays a fixed rate of 6.75% on a notional amount equal to the outstanding balance of the term loan to the bank.

The credit agreement and the term loan with Wachovia contain restrictive provisions concerning liabilities to tangible net worth ratio (.75:1), other borrowings, capital expenditures, working capital ratio (2.5:1), and fixed charges coverage ratio (2.5:1). The Company is in full compliance with all terms, conditions and covenants of the various credit agreements.

With funds from the credit agreement, anticipated cash flows generated from operations and other credit sources readily available, the Company believes that its liquidity is satisfactory, its working capital adequate and its capital resources sufficient for funding its ongoing capital expenditure program and its operations, including planned expansion for 2009.

OFF-BALANCE SHEET ARRANGEMENTS:

The Company does not engage in any off-balance sheet financing arrangements. In particular, we do not have any interest in variable interest entities, which include special purpose entities and structured finance entities.

CRITICAL ACCOUNTING POLICIES:

Our significant accounting policies are described in Note 1 to the consolidated financial statements included in this Annual Report on Form 10-K. Our discussion and analysis of financial condition and results of operations are based upon our consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of the financial statements requires us to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues, expenses, and related disclosure of contingent assets and liabilities. On an on-going basis, we evaluate the estimates that we have made. These estimates are based upon our historical experience and on various other assumptions that we believe to be reasonable under the circumstances. Our actual results may differ from these estimates under different assumptions or conditions.

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Our critical accounting estimates are those that we believe require our most significant judgments about the effect of matters that are inherently uncertain. A discussion of our critical accounting estimates, the underlying judgments and uncertainties used to make them and the likelihood that materially different estimates would be reported under different conditions or using different assumptions is as follows:

Allowance for Losses on Accounts Receivable

These allowances are based on both recent trends of certain customers estimated to be a greater credit risk as well as general trends of the entire customer pool. If the financial condition of the Company s customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. An additional impairment in value of one percent of net accounts receivable would require an increase in the allowance for doubtful accounts and would result in additional expense of approximately $175,000. The Company s concentration of risk is also monitored and at year-end 2008, the largest outstanding customer account balance was $2,357,000 and the five largest account balances totaled $5,857,000.

Inventories

Inventories are stated at the lower of cost or market value. Judgments and estimates are used in determining the likelihood that new goods on hand can be sold to customers. Historical inventory usage and current revenue trends are considered in estimating both excess and obsolete inventories. If actual product demand and market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Goodwill Impairment

The Company had $1,617,000 of goodwill on its consolidated balance sheet at December 31, 2008, prior to the completion of our year-end impairment testing. The review of fair value involves judgment and estimates of discount rates, transaction multiples and future cash flows for the reporting unit that may be impacted by future sales and operating results for the reporting unit, market conditions and economic conditions. The Company analyzed various discount rates, transaction multiples and cash flows for the reporting unit. As a result of these calculations, we determined that the remaining goodwill was fully impaired and the Company took a charge as a goodwill impairment loss in the amount of $1,617,000. There is no goodwill remaining on the consolidated balance sheet at December 31, 2008.

Insurance

The Company self-insures for certain obligations related to health insurance programs. The Company also purchases stop-loss insurance policies to protect it from catastrophic losses. Judgments and estimates are used in determining the potential value associated with reported claims and for losses that have occurred, but have not been reported. The Company's estimates consider historical claim experience and other factors. The Company's liabilities are based on estimates, and, while the Company believes that the accrual for loss is adequate, the ultimate liability may be in excess of or less than the amounts recorded. Changes in claim experience, the Company's ability to settle claims or other estimates and judgments used by management could have a material impact on the amount and timing of expense for any period.

Pensions

The Company s pension obligations are determined using estimates including those related to discount rates, asset values and changes in compensation. The discount rates used for the Company s pension plans of 5.99% to 6.13%, were determined based on the Citigroup Pension Yield Curve. This rate was selected as the best estimate of the rate at which the benefit obligations could be effectively settled on the measurement date taking into account the nature and duration of the benefit obligations of the plan using high-quality fixed-income investments currently available (rated AA or better) and expected to be available during the period to maturity of the benefits. The 8% expected return on plan assets was determined based on historical long-term investment returns as well as future expectations given target investment asset allocations and current economic conditions. The 4.5% rate of compensation increase represents the long-term assumption for expected increases in salaries among continuing active participants accruing benefits under the plans. In 2008, a reduction in the expected return on plan assets of 0.25% would have resulted in additional expense of approximately $45,000, while a reduction in the discount rate of 0.25% would have resulted in additional expense of approximately $90,000 and would have reduced the funded status by $730,000 for the Company s defined benefit pension plans. Interest rates and pension plan valuations may vary significantly based on worldwide economic conditions and asset investment decisions.

Income Taxes

The Company is required to estimate and record income taxes payable for federal and state jurisdictions in which the Company operates. This process involves estimating actual current tax expense and assessing temporary differences resulting from differing accounting treatment between tax and book that result in deferred tax assets and liabilities. In addition, accruals are also estimated for federal and state tax matters for which deductibility is subject to interpretation. Taxes payable and the related deferred tax differences may be impacted by changes to tax laws, changes in tax rates and changes in taxable profits and losses. Reserves are also estimated for uncertain tax positions

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that are currently unresolved. The Company routinely monitors the potential impact of such situations and believes that it is properly reserved. For the year ending December 31, 2008, we recognized a net increase in total unrecognized tax benefits of approximately $62,000, primarily as a result of tax positions related to 2008. As of December 31, 2008, we had an accrued liability of $665,000 for unrecognized tax benefits. We accrue interest and penalties related to unrecognized tax benefits in income tax expense, and the related liability is included in the total liability for unrecognized tax benefits under FIN 48.

Share-based Compensation

We adopted Statement of Financial Accounting Standards No. 123 (revised 2004) (FAS No. 123R) on January 1, 2006. FAS 123R requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. This statement revises FAS 123, and supersedes Accounting Principles Board (APB) Opinion 25. Share-based compensation expense that was recorded in 2008 and 2007 includes the compensation expense for the share-based payments granted in those years. In our share-based compensation strategy we utilize a combination of stock options and stock appreciation rights (SARS) that fully vest on the date of grant. Therefore, the fair value of the options and SARS granted is recognized as expense on the date of grant. We used the Black-Scholes-Merton valuation model to value any share-based compensation under FAS 123R. Option valuation methods, including Black-Scholes-Merton, require the input of assumptions including the risk free interest rate, dividend rate, expected term and volatility rate. The Company determines the assumptions to be used based upon current economic conditions. The impact of changing any of the individual assumptions by 10% would not have a material impact on the recorded expense.

Recent Accounting Pronouncements

In September 2006, the FASB issued FAS No. 157, Fair Value Measurements (FAS No. 157). FAS No. 157 defines fair value, establishes a framework for measuring fair value and enhances disclosures about fair value measurements required under other accounting pronouncements, but does not change existing guidance as to whether or not an instrument is carried at fair value. We have adopted FASB Staff Position 157-2, *Effective Date of FASB Statement No. 157* (FSP No. 157-2), issued February 2008, and as a result we applied the provisions of FAS No. 157 that are applicable as of January 1, 2008, which had no material effect on our consolidated financial statements. FSP No. 157-2 delays the effective date of SFAS 157 for certain non-financial assets and non-financial liabilities until January 1, 2009.

In February 2007, the FASB issued FAS No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities (* FAS No. 159) which permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. FAS No. 159 was effective for the Company on January 1, 2008. The adoption of FAS No. 159 has not had a material effect on our consolidated financial statements.

In December 2007, the FASB issued FAS No. 141 (revised 2007) (FAS No. 141(R)), *Business Combinations*, which is a revision of FAS No. 141, *Business Combinations*. The primary requirements of FAS No. 141(R) are as follows: (I.) Upon initially obtaining control, the acquiring entity in a business combination must recognize 100% of the fair values of the acquired assets, including goodwill, and assumed liabilities, with only limited exceptions even if the acquirer has not acquired 100% of its target. As a consequence, the current step acquisition model will be eliminated. (II.) Contingent consideration arrangements will be fair valued at the acquisition date and included on that basis in the purchase price consideration. The concept of recognizing contingent consideration at a later date when the amount of that consideration is determinable beyond a reasonable doubt, will no longer be applicable. (III.) All transaction costs will be expensed as incurred. FAS No. 141 (R) is effective as of the beginning of an entity s first fiscal year beginning after December 15, 2008. Adoption is prospective and early adoption is not permitted. The Company does not believe the adoption of this standard will have an impact on its consolidated financial statements.

A variety of proposed or otherwise potential accounting standards are currently under study by standard-setting organizations and various regulatory agencies. Because of the tentative and preliminary nature of these proposed standards, management has not determined whether implementation of such proposed standards would be material to the Company s consolidated financial statements.

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Item 7a. Quantitative and Qualitative Disclosures About Market Risk
Not applicable.

Item 8. Financial Statements and Supplementary Data
Superior Uniform Group, Inc. and Subsidiaries

Consolidated Statements of Earnings

Years Ended December 31,

	2008	2007
Net sales	$ 123,745,201	$ 120,457,891
Costs and expenses:		
Cost of goods sold	83,402,581	80,837,592
Selling and administrative expenses	34,263,750	33,784,794
Goodwill impairment loss	1,617,411	
Interest expense	321,126	329,674
	119,604,868	114,952,060
Earnings from continuing operations before taxes on income	4,140,333	5,505,831
Taxes on income	1,850,000	1,810,000
Earnings from continuing operations	2,290,333	3,695,831
Loss from discontinued operations, net of tax benefits of $90,000 and $680,000, respectively	(156,560)	(1,146,503)
Net earnings	$ 2,133,773	$ 2,549,328
Per Share Data:		
Basic		
Earnings from continuing operations	$ 0.35	$ 0.56
Loss from discontinued operations, net of tax benefits	(0.02)	(0.18)
Net earnings	$ 0.33	$ 0.38
Diluted		
Earnings from continuing operations	$ 0.35	$ 0.55
Loss from discontinued operations, net of tax benefits	(0.02)	(0.17)
Net earnings	$ 0.33	$ 0.38
Cash dividends per common share	$ 0.54	$ 0.54

See Notes to Consolidated Financial Statements.

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Superior Uniform Group, Inc. and Subsidiaries

Consolidated Balance Sheets

December 31,

	2008	2007
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	**$ 133,152**	$ 769,715
Accounts receivable, less allowance for doubtful accounts of $575,000 and $490,000, respectively	**17,464,279**	18,670,466
Inventories	**43,410,146**	46,463,662
Prepaid expenses and other current assets	**2,590,350**	3,525,114
Assets held for sale		558,476
TOTAL CURRENT ASSETS	**63,597,927**	69,987,433
PROPERTY, PLANT AND EQUIPMENT, NET	**12,587,454**	13,320,218
GOODWILL		1,617,411
OTHER INTANGIBLE ASSETS	**535,857**	774,016
DEFERRED INCOME TAXES	**2,610,000**	
OTHER ASSETS	**260,039**	2,204,434
	$ 79,591,277	$ 87,903,512
LIABILITIES AND SHAREHOLDERS EQUITY		
CURRENT LIABILITIES		
Accounts payable	**$ 4,626,789**	$ 6,635,412
Accrued expenses	**2,518,956**	2,549,680
Current portion of long-term debt	**650,604**	1,551,202
TOTAL CURRENT LIABILITIES	**7,796,349**	10,736,294
LONG-TERM DEBT	**3,379,000**	2,445,604
LONG-TERM PENSION LIABILITY	**7,056,055**	923,184
OTHER LONG-TERM LIABILITIES	**665,000**	603,000
DEFERRED INCOME TAXES		750,000
COMMITMENTS AND CONTINGENCIES (Notes 10 and 11)		
SHAREHOLDERS EQUITY:		
Preferred stock, $1 par value authorized 300,000 shares (none issued)		
Common stock, $.001 par value authorized 50,000,000 shares, issued and outstanding 6,056,754 and 6,670,650, respectively.	**6,056**	6,670
Additional paid-in capital	**15,486,181**	16,763,987
Retained earnings	**50,641,401**	56,178,511
Accumulated other comprehensive loss, net of tax:		
Cash flow hedges	**(5,000)**	(30,000)
Pensions	**(5,433,765)**	(473,738)
TOTAL SHAREHOLDERS EQUITY	**60,694,873**	72,445,430
	$ 79,591,277	$ 87,903,512

See Notes to Consolidated Financial Statements.

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Superior Uniform Group, Inc. and Subsidiaries

Consolidated Statements of Shareholders Equity

Years Ended December 31,

	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive (Loss) Income, net of tax	Total Shareholders Equity
Balance, January 1, 2007	6,604,844	$ 6,605	$ 15,235,448	$ 57,753,587	$ (893,449)	$ 72,102,191
Common shares issued upon exercise of options	101,850	101	1,046,102			1,046,203
Share-based compensation expense			539,915			539,915
Tax benefit from exercise of stock options			27,000			27,000
Common shares received for exercise of stock options	(36,044)	(36)	(84,478)	(400,103)		(484,617)
Cash dividends declared ($.54 per share)				(3,591,301)		(3,591,301)
Comprehensive Income:						
Net earnings				2,549,328		2,549,328
Net change during the period related to:						
Cash flow hedges					6,000	6,000
Pensions, net of taxes of $236,000					383,711	383,711
Comprehensive Income						2,939,039
Adjustment to initially apply FIN 48				(133,000)		(133,000)
Balance, December 31, 2007	6,670,650	$ 6,670	$ 16,763,987	$ 56,178,511	$ (503,738)	$ 72,445,430
Common shares issued upon exercise of options	3,200	3	29,165			29,168
Share-based compensation expense			263,146			263,146
Purchase and retirement of common shares	(617,096)	(617)	(1,570,117)	(4,141,639)		(5,712,373)
Cash dividends declared ($.54 per share)				(3,493,707)		(3,493,707)
Comprehensive Income (Loss):						
Net earnings						