

SUPREME INDUSTRIES INC
Form 10-Q
August 09, 2005

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

FORM 10-Q

(Mark One)

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

 For the Quarterly Period Ended June 25, 2005

OR

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

For the transition period from _____ to _____

Commission File No. 1-8183

SUPREME INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

Delaware

75-1670945

(State or other jurisdiction of

(I.R.S. Employer Identification No.)

incorporation or organization)

2581 E. Kercher Rd., P.O. Box 237, Goshen, Indiana 46528

(Address of principal executive offices)

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

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Act). Yes No

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

| | | | | |
|--------------------------------|---------|--------|------------------------------|------------|
| Common Stock (\$.10 Par Value) | | | Outstanding at July 15, 2005 | |
| | Class A | | | 10,376,965 |
| | Class B | | | 2,109,133 |

| | | | | | | |
|--------|--------|--------|--------|--------|--------|--------|
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SUPREME INDUSTRIES, INC.

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| | | | | | | | | | | |
|--------|--------|---|--------|--------|--------|--------|-------------|--------|--------|-------------|
| | | | | | | | | | | |
| | | Total current assets | | | | | 78,474,534 | | | 80,680,035 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | Property, plant and equipment, at cost | | | | | 86,560,221 | | | 84,195,977 |
| | | Less, Accumulated depreciation and | | | | | | | | |
| | | amortization | | | | | 38,533,968 | | | 37,005,013 |
| | | | | | | | | | | |
| | | Property, plant and equipment, net | | | | | 48,026,253 | | | 47,190,964 |
| | | | | | | | | | | |
| | | | | | | | | | | |
| | | Intangible assets, net | | | | | 4,295 | | | 30,066 |
| | | Goodwill | | | | | 735,014 | | | 735,014 |
| | | Other assets | | | | | 536,723 | | | 560,540 |
| | | | | | | | | | | |
| | | Total assets | | | | \$ | 127,776,819 | | \$ | 129,196,619 |
| | | | | | | | | | | |
| | | | | | | | | | | |

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

| | | | | | | | | | | |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
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Consolidated Balance Sheets, Concluded

| | June 25, | December |
|---|-----------------------|-----------------------|
| | 2005 | 25, |
| | (Unaudited) | 2004 |
| Liabilities and Stockholders' Equity | | |
| Current liabilities: | | |
| Current maturities of long-term debt | \$ 1,683,333 | \$ 1,633,333 |
| Trade accounts payable | 10,159,053 | 18,717,757 |
| Accrued income taxes | 632,290 | 312,415 |
| Other accrued liabilities | 10,718,367 | 9,118,259 |
| Total current liabilities | 23,193,043 | 29,781,764 |
| Long-term debt | 28,476,053 | 28,766,667 |
| Deferred income taxes | 3,085,179 | 3,085,179 |
| Total liabilities | 54,754,275 | 61,633,610 |
| Stockholders' equity | 73,022,544 | 67,563,009 |
| Total liabilities and stockholders' equity | \$ 127,776,819 | \$ 129,196,619 |

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

| Supreme Industries, Inc. and Subsidiaries | | | | | | | | | | | | |
|--|--------------|--------|--------|--------|--------------------|------------|----------|--------|------------|---------|--------|----------|
| Consolidated Statements of Income (Unaudited) | | | | | | | | | | | | |
| | | | | | Three Months Ended | | | | | | | |
| | | | | | June 25, | | June 26, | | | June 2, | | |
| | | | | | 2005 | | 2004 | | | 2005 | | |
| Revenue: | | | | | | | | | | | | |
| | Net sales | | | | \$ | 95,216,407 | | \$ | 90,740,648 | | \$ | 185,538, |
| | Other income | | | | | 138,914 | | | 105,297 | | | 300, |
| | | | | | | 95,355,321 | | | 90,845,945 | | | 185,838, |
| Costs and expenses: | | | | | | | | | | | | |

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| | | | | | | | | | | | | | |
|---|-------------------------------------|-----------------------------------|--------|--------|--------|------------|--------|--------|------------|--------|--------|----------|--------|
| | Cost of sales | | | | | 82,970,295 | | | 81,125,598 | | | 161,666, | |
| | Selling, general and administrative | | | | | 7,294,334 | | | 6,461,329 | | | 13,752, | |
| | Interest | | | | | 568,387 | | | 216,271 | | | 1,057, | |
| | | | | | | 90,833,016 | | | 87,803,198 | | | 176,476, | |
| | | | | | | | | | | | | | |
| | | Income before income taxes | | | | 4,522,305 | | | 3,042,747 | | | 9,362, | |
| | | | | | | | | | | | | | |
| | Income taxes | | | | | 1,622,000 | | | 1,155,000 | | | 3,368, | |
| | | | | | | | | | | | | | |
| | | Net income | | | \$ | 2,900,305 | | \$ | 1,887,747 | | \$ | 5,994, | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| Earnings per share: | | | | | | | | | | | | | |
| | | Basic | | | | \$.23 | | | \$.16 | | | \$ | |
| | | Diluted | | | | .23 | | | .15 | | | | |
| | | | | | | | | | | | | | |
| Shares used in the computation of | | | | | | | | | | | | | |
| | earnings per share: | | | | | | | | | | | | |
| | | Basic | | | | 12,391,341 | | | 12,086,558 | | | 12,288, | |
| | | Diluted | | | | 12,708,871 | | | 12,504,790 | | | 12,651, | |
| | | | | | | | | | | | | | |
| Cash dividends per common share | | | | | | \$.035 | | | \$.035 | | | \$ | |
| | | | | | | | | | | | | | |
| The accompanying notes are a part of the consolidated financial statements. | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |
| | | | | | | | | | | | | | |

| Consolidated Statements of Cash Flows (Unaudited) | | | | | | | | | | | |
|---|--|--|---|--------|--------|--------|------------------|-----------|--------|-------------|-----------|
| | | | | | | | Six Months Ended | | | | |
| | | | | | | | June 25, | | | June 26, | |
| | | | | | | | 2005 | | | 2004 | |
| Cash flows from operating activities: | | | | | | | | | | | |
| | Net income | | | | | | \$ | 5,994,649 | | \$ | 2,877,516 |
| | Adjustments to reconcile net income to net cash | | | | | | | | | | |
| | | provided by operating activities: | | | | | | | | | |
| | | | Depreciation and amortization | | | | 2,031,911 | | | 1,746,560 | |
| | | | Loss (gain) on disposal of equipment | | | | 8,561 | | | (10,779) | |
| | | | Changes in operating assets and liabilities | | | | (5,885,324) | | | (2,964,263) | |
| | | | | | | | | | | | |
| | | Net cash provided by operating activities | | | | | 2,149,797 | | | 1,649,034 | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| Cash flows from investing activities: | | | | | | | | | | | |
| | Additions to property, plant and equipment | | | | | | (2,878,352) | | | (6,369,223) | |
| | Proceeds from disposal of equipment | | | | | | 28,362 | | | 17,608 | |
| | Purchase of short-term investments | | | | | | (1,163,000) | | | - | |
| | Decrease in other assets | | | | | | 23,817 | | | 21,040 | |
| | | | | | | | | | | | |
| | | Net cash (used in) investing activities | | | | | (3,989,173) | | | (6,330,575) | |
| | | | | | | | | | | | |
| | | | | | | | | | | | |
| Cash flows from financing activities: | | | | | | | | | | | |
| | Proceeds from revolving line of credit and other | | | | | | | | | | |

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all of the information and financial statement disclosures necessary for a fair presentation of consolidated financial position, results of operations and cash flows in conformity with accounting principles generally accepted in the United States of America. In the opinion of management, the information furnished herein includes all adjustments necessary to reflect a fair statement of the interim periods reported. All adjustments are of a normal and recurring nature. The December 25, 2004 consolidated balance sheet data was derived from audited financial statements, but does not include all disclosures required by accounting principles generally accepted in the United States of America.

The Company has adopted a 52 or 53 week fiscal year ending the last Saturday in December. The results of operations for the three and six months ended June 25, 2005 and June 26, 2004 are for 13 and 26 week periods, respectively.

NOTE 2 - INVENTORIES

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

| | | | | | | | | | |
|--------|--------|--------|--------|--------|----------|--------|--------|--------------|--------|
| | | | | | June 25, | | | December 25, | |
|--------|--------|--------|--------|--------|----------|--------|--------|--------------|--------|

| | | | | | | | | | |
|--------|--------|--------|--------|--------|------|--------|--------|------|--------|
| | | | | | 2005 | | | 2004 | |
|--------|--------|--------|--------|--------|------|--------|--------|------|--------|

| | | | | | | | | | |
|--------|---------------|--------|----|------------|--------|----|------------|--------|--------|
| | Raw materials | | \$ | 27,014,563 | | \$ | 26,390,350 | | |
|--------|---------------|--------|----|------------|--------|----|------------|--------|--------|

| | | | | | | | | | |
|--------|------------------|--------|--------|-----------|--------|--------|-----------|--------|--------|
| | Work-in-progress | | | 7,543,292 | | | 9,795,961 | | |
|--------|------------------|--------|--------|-----------|--------|--------|-----------|--------|--------|

| | | | | | | | | | |
|--------|----------------|--------|--------|------------|--------|--------|-----------|--------|--------|
| | Finished goods | | | 11,340,270 | | | 9,254,878 | | |
|--------|----------------|--------|--------|------------|--------|--------|-----------|--------|--------|

| | | | | | | | | | |
|--------|--------|--------|----|------------|--------|----|------------|--------|--------|
| | | | \$ | 45,898,125 | | \$ | 45,441,189 | | |
|--------|--------|--------|----|------------|--------|----|------------|--------|--------|

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

NOTE 4 - STOCK-BASED COMPENSATION

The Company has adopted the disclosure-only provisions of Statement of Financial Accounting Standards ("SFAS") No. 123, "Accounting for Stock-Based Compensation," as amended by SFAS No. 148, "Accounting for Stock-Based Compensation - Transition and Disclosure," and, accordingly, accounts for its stock option plans using the intrinsic value method of Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

Supreme Industries, Inc. And Subsidiaries

Notes To Consolidated Financial Statements, Continued

NOTE 4 - STOCK-BASED COMPENSATION, Continued

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The following table illustrates the effect on net income and earnings per share if compensation expense was measured using the value recognition provisions of SFAS No. 123.

| | Three Months Ended | | | Six Months Ended | | |
|---|--------------------|---------------|---------------|------------------|---------------|---------------|
| | June 25, 2005 | June 26, 2004 | June 25, 2005 | June 26, 2004 | June 25, 2005 | June 26, 2004 |
| Net income, as reported | \$2,900,305 | \$1,887,747 | \$5,994,649 | \$2,816,363 | \$1,803,899 | \$5,839,842 |
| Deduct: Stock-based compensation expense determined under fair value based method, net of tax | (83,942) | (83,848) | (154,807) | (83,942) | (83,848) | (167,650) |
| Pro forma net income | \$2,816,363 | \$1,803,899 | \$5,839,842 | \$2,732,421 | \$1,720,051 | \$5,672,192 |
| Basic earnings per share: | | | | | | |
| As reported | \$.23 | \$.16 | \$.49 | \$.23 | \$.15 | \$.48 |
| Pro forma | .23 | .15 | .48 | .22 | .14 | .46 |
| Diluted earnings per share: | | | | | | |
| As reported | .23 | .15 | .47 | .23 | .15 | .46 |
| Pro forma | .22 | .14 | .46 | .22 | .14 | .45 |

NOTE 5 - COMMON STOCK

The Company paid a three and one-half cent (\$.035) per share cash dividend to all Class A and Class B common stockholders each of the quarters ended June 25, 2005 and June 26, 2004. Additionally, the Company paid a three and one-half cent (\$.035) per share and a three cent (\$.03) per share cash dividend to all Class A and Class B common stockholders during the quarters ended March 26, 2005 and March 27, 2004, respectively.

On June 6, 2005, the Company's Board of Directors declared a nine and one-half cent (\$.095) per share cash dividend payable August 1, 2005 to all Class A and Class B common stockholders of record on July 25, 2005. Accrued cash dividend payable on

\$1,190,557 is included in other current liabilities as of June 25, 2005.

Supreme Industries, Inc. And Subsidiaries

Notes To Consolidated Financial Statements, Concluded

NOTE 6 - LEASE COMMITMENTS

On April 14, 2005, the Company entered into a third extension of an existing lease agreement with a related party. The third extension extends the lease term for certain of the Company's leased facilities in Goshen, Indiana and Griffin, Georgia for an additional five years, with a new expiration date of July 2010. Monthly rental payments under the related party lease agreement are \$54,108 and increase in July of each successive year by an escalator defined in the lease agreement. All other terms and conditions of the existing lease agreement remain unchanged.

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

Results of Operations

Net sales for the three months ended June 25, 2005 increased \$4.5 million or 5.0% to \$95.2 million from \$90.7 million for the three months ended June 26, 2004. Net sales for the six months ended June 25, 2005 increased \$21.3 million or 13.0% to \$185.5 million from \$164.2 million for the six months ended June 26, 2004. The Company completed two large fleet contracts during the first half of 2005 resulting in a majority of the increase in net sales. The higher fleet sales were a combination of a larger quantity of unit shipments along with price increases implemented in response to the significant raw material cost escalation experienced throughout 2005.

Despite the additional revenues resulting from higher fleet sales and price increases, overhead remained relatively constant as a percentage of net sales for the three and six month periods. The Company has experienced significant escalating group health insurance claim costs during 2005, particularly during the second quarter. Group health insurance expense increased \$561 thousand and \$738 thousand for the three and six month periods in 2005 compared to the 2004 comparative periods. In addition, depreciation expense has increased \$171 thousand and \$328 thousand for the 2005 three and six month periods compared to the 2004 comparative periods as a result of the \$9.7 million of capital expenditures incurred since June 26, 2004.

Delivery expenses remained relatively unchanged as a percentage of net sales despite higher fuel costs. These higher fuel costs were offset by the increased number of fleet units invoiced in the first six months of 2005. Such products are generally not delivered by the Company but are picked up by the customers.

Selling, general and administrative expenses were 7.7% and 7.4% of net sales for the three and six months ended June 25, 2005 compared to 7.1% and 7.3% of net sales for the three and six months ended June 26, 2004. Selling expenses increased as a percentage of net sales primarily due to a reduction in cooperative marketing funds the Company received from chassis manufacturers in the first six months of 2005 versus the first six months of 2004. These funds, which are used to offset marketing and promotional expenses, were reduced by the chassis manufacturers due to their improving business conditions. Additionally, the Company experienced higher sales commission expense as a result of the additional revenues recorded in the first six months of 2005 compared to the first six months of 2004. General and administrative expenses increased primarily as a result of additional compensation expense related to the Company's incentive bonus plans which are based on pretax earnings.

Interest expense for the three and six months ended June 25, 2005 was \$.6 million and \$1.1 million compared to \$.2 million and \$.4 million for the three and six months ended June 26, 2004. The increase in interest expense was attributable to higher levels of borrowings to finance working capital and capital expenditures, and the rise in short-term interest rates.

The Company's effective income tax rate was 36.0% for the first six months of 2005 compared to 38.1% for the first six months of 2004. The decrease in the Company's effective tax rate is attributable to additional tax deductions allowed manufacturers by the 2004 American Jobs Creation Act and certain tax benefits resulting from the formation of a captive insurance company. The manufacturer's deduction will lower the Company's effective tax rate by approximately one percent. In late 2004, after a review of insurance risk management alternatives, the Company restructured certain of its legal entities and formed a wholly owned captive insurance company which resulted in a further reduction in the Company's effective tax rate.

Results of Operations, Concluded

Net income for the three and six months ended June 25, 2005 was \$2.9 million and \$6.0 million compared to \$1.9 million and \$2.9 million for the three and six months ended June 26, 2004. Basic earnings per share were \$.23 and \$.49 for the three and six months ended June 25, 2005 compared to \$.16 and \$.24 per share for the three and six

months ended June 26, 2004. Diluted earnings per share were \$.23 and \$.47 for the three and six months ended June 25, 2005 compared to \$.15 and \$.23 per share for the three and six months ended June 26, 2004

| | | | | | | | | | | | | |
|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | | | | | | | | | | | | |
| | | | | | | | | | | | | |

Liquidity and Capital Resources

The Company's revolving line of credit, net income and depreciation were the major sources of cash flows during the six months ended June 25, 2005. As a result of the higher levels of trade accounts receivable and inventories related to two large fleet contracts there was extensive use of our revolving line of credit during the first quarter of 2005. These contracts were completed during the second quarter, resulting in a reduction in trade accounts receivable of \$9.0 million and a reduction in inventories of \$7.4 million from the amounts of the end of the first quarter. These cash resources, along with cash flow from operations, were utilized to reduce trade accounts payable by \$6.4 million and to reduce long-term debt obligations by \$14.4 million during the second quarter of 2005.

Capital expenditures for the six months ended June 25, 2005 were \$2.9 million. During the second quarter the Company completed the construction of an additional manufacturing facility at its Griffin, Georgia location and expended \$1.4 million on this building project during the first six months. Our Jonestown, Pennsylvania location expended \$.5 million in capital expenditures to continue improving operations at its recently acquired manufacturing plant adjacent to our other facilities. We expect our 2005 capital expenditures to approximate our 2005 depreciation expense of \$4.0 million.

The Company believes that cash flow generated from operations and funds available under the Company's revolving line of credit will be sufficient to meet the Company's cash needs during the next twelve months.

Contractual Obligations

Our fixed, noncancelable obligations as of June 25, 2005 were as follows:

Payments due by period

| | | | | | | | | |
|--|-------|--|---------------------|--|-----------|--|-----------|--|
| | Total | | Less than 1 Year | | 1-3 Years | | 3-5 Years | |
|--|-------|--|---------------------|--|-----------|--|-----------|--|

| | | | | | | | | |
|----------|--------------|--|-------------|--|--------------|--|------------|--|
| Debt (a) | \$30,159,386 | | \$1,683,333 | | \$26,309,386 | | \$ 950,000 | |
|----------|--------------|--|-------------|--|--------------|--|------------|--|

| | | | | | | | | |
|-------------------------|-----------|--|---------|--|-----------|--|-----------|--|
| Operating leases (b) | 3,478,574 | | 797,910 | | 1,327,964 | | 1,298,592 | |
|-------------------------|-----------|--|---------|--|-----------|--|-----------|--|

| | | | | | | | | | | | | | |
|--------|--------------|--------|-------------|--------|--------------|--------|-------------|--------|--------|--------|--------|--------|--------|
| | | | | | | | | | | | | | |
| Total | \$33,637,960 | | \$2,481,243 | | \$27,637,350 | | \$2,248,592 | | | | | | |
| | | | | | | | | | | | | | |

(a) Amounts are included on the Consolidated Balance Sheets. For additional information regarding debt and related matters, see the Notes to Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 25, 2004.

(b) For additional information regarding operating leases, see Note 8 of the Notes to Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 25, 2004 and Note 6 of this Quarterly Report on Form 10-Q.

Critical Accounting Policies and Estimates

Management's discussion and analysis of its financial position and results of operations are based upon the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States of America. The preparation of these financial statements requires management to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Company's significant accounting policies are discussed in Note 1 of the Notes to Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 25, 2004. In management's opinion, the Company's critical accounting policies include allowance for doubtful accounts, and obsolete inventories, inventory relief, accrued insurance and accrued warranty.

Allowance for Doubtful Accounts - The Company maintains an allowance for doubtful accounts for estimated losses resulting from the inability of customers to make required payments. If the financial condition of customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required which would affect future operating results.

Excess and Obsolete Inventories - The Company must make estimates regarding the future use of products and provides a provision for obsolete or slow-moving inventories. If actual product life-cycles, product demand or market conditions are less favorable than those projected by management, additional inventory write-downs may be required which would affect future operating results.

Inventory Relief - For monthly and quarterly financial reporting, cost of sales is recorded and inventories are relieved by the use of standard bills of material. Because of the customized nature of the Company's products, it is difficult to place full reliance on the use of bills of material for accurate relief of inventories. Although the Company continues to refine the process of creating accurate bills of material, manual adjustments, which are based on estimates, are necessary to assure correct relief of inventories for products. The estimate calculations consider the customized nature of products, historical inventory relief percentages, scrap variances and other factors which could impact inventory relief. The accuracy of the inventory relief is not known until the annual physical inventories are completed and it is not practical to consider more frequent physical inventories because of the sales order backlog and the costs associated with ceasing production for the purpose of conducting physical inventories. If the annual physical inventories result in significant favorable or unfavorable adjustments, such adjustments will affect future operating results.

Accrued Insurance - The Company has a self-insured retention against product liability claims with insurance coverage over and above the retention. The Company is also self-insured for a portion of its employee medical benefits and workers' compensation. Product liability claims are routinely reviewed by the Company's insurance carrier and management routinely reviews other self-insurance risks for purposes of establishing ultimate loss estimates. In addition, management must determine estimated liabilities for claims incurred but not reported. Such estimates and any subsequent changes in estimates may result in adjustments to the Company's operating results in the future.

Critical Accounting Policies and Estimates, Concluded

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

Forward-Looking Statements

This report contains forward-looking statements (within the meaning of the Private Securities Litigation Reform Act of 1995), which are not historical facts, which reflect the view of the Company's management with respect to future events. When used in this report, words such as "believe," "expect," "anticipate," "estimate," "intend," and similar expressions, as they relate to the Company or its plans or operations, identify forward-looking statements. Such forward-looking statements are based on assumptions made by management based on information currently available to the Company's management. Although management believes that the expectations reflected in such forward-looking statements are reasonable, it can give no assurance that such expectations are reasonable, and it can give no assurance that such expectations will prove to have been correct. Important factors that could cause actual results to differ materially from such expectations include, without limitation, limitations on the availability of chassis on which the Company's product is dependent, availability of raw materials, raw material cost increases, and severe interest rate increases. Furthermore, the Company can provide no assurance that such raw material cost increases can be passed on to its customers through implementation of price increases for the Company's products. The forward-looking statements contained herein reflect the current views of the Company's management with respect to future events and are subject to those factors and other risks, uncertainties and assumptions relating to the operations, results of operations, cash flows and financial position of the Company. The Company assumes no obligation to update the forward-looking statements or to update the reasons actual results could differ from those contemplated by such forward-looking statements.

Issues and Uncertainties

Business and Economic Cycles - The broad spectrum of industries that create demand for our products makes our business particularly sensitive to general economic conditions, including corporate profitability, interest rates, fuel costs, and consumer preference and spending patterns. Because of the replacement-nature of our products, an economic downturn could cause our customers to delay purchase of our products and adversely affect our ability to remain profitable.

There has been no material change from the information provided in the Company's Annual Report on Form 10-K for the year ended December 25, 2004.

ITEM 4. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures - The Company's chief executive officer and its chief financial officer, after carrying out an evaluation of the effectiveness of the Company's disclosure controls and procedures (as defined in Securities Exchange Act Rules 13a-15(e) and 15(e)) as of the date of this quarterly report (the "Evaluation Date") have concluded that as of the Evaluation Date, the Company's disclosure controls and procedures were adequate and effective to provide reasonable assurance that the material information relating to the Company and its consolidated subsidiaries that is required to be in this quarterly report would be made known to them on a timely basis.

Controls and Procedures, Concluded.

Changes in Internal Controls - There were no significant changes in the Company's internal controls or in other factors that could significantly affect the Company's disclosure controls and procedures during the Company's fiscal quarter, nor any significant deficiencies or material weaknesses in such disclosure controls and procedures requiring corrective actions. As a result, no corrective actions were taken.

PART II. OTHER INFORMATION

ITEM 4. SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

Supreme Industries, Inc.'s annual meeting of stockholders was held on June 2, 2005. Below is a summary of matters voted upon at that meeting.

a) The following individuals were elected Directors by the holders of the Company's Class A Common Stock for a one year term.

| | | | | | | | | | | | | | |
|--------|--------|--------|--------------------|--------|--------|--------|--------|-----------|--------|--------|--------|-----------|--------|
| | | | | | | | | | | | | | |
| | | | | | | | | For | | | | Against | |
| | | | Arthur M. Borden | | | | | 6,285,214 | | | | 1,825,781 | |
| | | | Mark C. Neilson | | | | | 7,700,473 | | | | 410,522 | |
| | | | H. Douglas Schrock | | | | | 7,753,453 | | | | 357,542 | |

 The following individuals were elected Directors by the holders of the Company's Class B Common Stock by a vote of 2,109,133 for, 0 against, 0 abstentions and 0 unvoted.

| | | | | | | | | | | | | | |
|--------|--------|--------|--------------------|--------|--------|--------|--------|--------|--------|--------|--------|--------|--------|
| | | | | | | | | | | | | | |
| | | | William J. Barrett | | | | | | | | | | |
| | | | Robert J. Campbell | | | | | | | | | | |
| | | | Thomas Cantwell | | | | | | | | | | |
| | | | Herbert M. Gardner | | | | | | | | | | |
| | | | Omer G. Kropf | | | | | | | | | | |
| | | | Robert W. Wilson | | | | | | | | | | |

 b) Amendments to the Company's 2004, 2001, and 1998 Stock Option Plans were approved by the holders of the Company's Class A and Class B Common Stock by a vote of 6,593,250 for, 543,793 against, 19,470 abstentions and 3,063,613 unvoted.

 c) Crowe Chizek and Company LLC was ratified as the Company's independent registered public accounting firm by the holders of the Company's Class A and Class B Common Stock by a vote of 10,200,349 for, 10,640 against, 9,137 abstentions and 0 unvoted.

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ITEM 6. EXHIBITS

 Exhibits:

8. **Termination of Employment.**

a. **By Company.**

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(1) **Date of Termination.** Company may at any time terminate this Contract, in which event Employee shall leave the premises specified by Company in the notice of termination (which date can be as early as the date of such notice).

(2) **For Cause.** If such termination is "for cause," Company will have no obligation to pay to Employee any compensation or benefits. For purposes of the preceding sentence, the phrase "for cause" will be deemed to mean:

(a) absence from Company's offices, physical or mental illness, or any other reason, for any successive period of forty-five (45) days in any one of Company's fiscal years (except that any vacation periods, travel on Company business, or leaves of absence specifically permitted shall not be considered as periods of absence from employment);

(b) Employee's commission of an act of gross negligence in the performance of his duties or obligations hereunder;

(c) Employee's commission of any act of fraud, malfeasance, disloyalty, or breach of trust against the Company, or Employee's commission of any act prohibited by paragraph 9 below or contained in **Exhibits "A" or "B"** hereto;

(d) Employee's refusal, or substantial inability, to perform the duties assigned in good faith to him pursuant to paragraph 3 hereof;

(e) Employee dies or gives affirmative indication, in the opinion of a majority of Company's Board of Directors, that he no longer wishes to be employed by Company;

(f) Employee is guilty of acts of moral turpitude or dishonesty in Company's affairs, gross insubordination or the equivalent, or any other act prohibited by the provisions of this Contract.

(3) **Not For Cause.** If such termination is based on any reason other than "for cause," Company shall be obligated to pay to Employee the amount of his base salary for the term of this Contract (on a monthly basis at the same rate as payable immediately before the Date of Termination). In addition, for each calendar year during which occurred the event triggering such Date of Termination, Company shall pay to Employee his Proportionate Share of the unvested portion of the Company's profit sharing plan for the calendar year above. For this purpose, Employee's "Proportionate Share" will be a fraction the numerator of which is the number of months Employee was employed by Company during the calendar year above and the denominator of which is the number of months Employee was employed by Company during the calendar year above.

Exhibit "A"

to

Employment Contract

**Confidentiality Agreement and
Covenant Not To Compete**

Robert W. Wilson (hereafter called "*Employee*") has entered into an Employment Contract with **Supreme Corporation**, a T which is in the business of manufacturing and selling specialized truck bodies.

By signing this Agreement, Employee acknowledges his understanding of the following:

A. All companies have information, generally not known outside the company, called "*confidential information*." All compan employees, and consequently many employees must have access to confidential information. At times the employee himself m his job;

B. The phrase "*confidential information*" as used in this Agreement includes information known as, referred to, or considered limitation, any technical, economic, financial marketing, computer program, computer software, computer data (regardless of source and object programs or codes, job operating control language procedures, data entry utility programs, sorts, and miscel data entry input forms, operations and installation instructions, report samples, data files, printouts, or other information about knowledge among competitors or other companies who might like to possess such confidential information or might find it us include customer lists, price lists, items in research or development, methods of manufacture, scientific studies or analyses, de for old products, refining technology, merchandising and selling techniques, contracts, and licenses, purchasing, accounting, l computer programs and operating manuals, computer source codes, and any other information affecting or relating to the busin plans or processes. This list is merely illustrative and the confidential information covered by this Agreement is not limited to

C. Company's confidential information, including information referred to as, known as, or considered to be, trade secrets, repr aspect of Company's business, and it would be seriously damaged if Employee breached the position of confidential trust in w

Exhibit "B"

to

Employment Contract

Disclosure and Invention Agreement

Robert W. Wilson (hereafter called "*Employee*") has entered into an Employment Contract with **Supreme Corporation**, a T which is in the business of manufacturing and selling specialized truck bodies.

In consideration of TEN DOLLARS (\$10.00) paid to Employee by Company, the receipt and sufficiency of which are hereby employ him pursuant to an Employment Contract (to which this **Exhibit "B"** is attached) between Company and Employee th by reference for all purposes, Employee agrees as follows:

1. Employee shall communicate to Company promptly and fully all ideas and the expressions thereof, conceptions, improvem adaptations, creations, and inventions (whether patentable or copyrightable or not) conceived or made by Employee (whether ("*Ideas*") from the time of entering Company's employment until one year after Employee's employment is terminated for any reason, (a) which involve or pertain to, directly or indirectly, the business, assets, activities, computers or computer programs, to the cessation of Employee's employment by Company, or (b) which result from or are suggested by any work which Emplo perform for or on behalf of Company, in whole or in part, as existed at or prior to the cessation of Employee's employment by

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2. Employee shall assist Company during and subsequent to Employee's employment in every proper way (solely at Company its own benefit in any or all countries of the world, and to sign all proper papers, patent applications, assignments, and other d understood that such Ideas will remain the sole and exclusive property of Company, and shall not be disclosed to any person, permitted herein.

3. Written records of Employee's Ideas in the form of notebook records, sketches, drawings or reports, will remain the propert

Exhibit 10.4

Employment Contract

Supreme Corporation

(Omer G. Kropf)

This Contract is entered into between **Supreme Corporation**, a Texas corporation (hereafter called "*Company*"), and **Omer C**

Company is engaged in the business of manufacturing and selling specialized truck bodies and buses. Company desires to obt executives, and Employee is willing and able to perform in that capacity.

By instrument dated May 1, 2002, Company and Employee entered into an Employment Contract employing Employee as a n providing for a term of 3 years ending on April 30, 2005. With such earlier Employment Contract having come to an end, Emp flexible relationship with Company. For that reason, Company's Board of Directors has approved an arrangement whereby En Director of Special Projects for Company.

Accordingly, in consideration of the mutual covenants herein contained, the parties to this Contract agree as follows:

Suite 2200

Fort Worth, Texas 76102

Rice M. Tilley, Jr., Esq.

11. **Assignment.** Neither Employee nor anyone claiming under him may commute, encumber, or dispose of the right to receive hereunder is expressly declared to be non-assignable and non transferable by Employee, and in the event of any attempted assignment hereunder; provided, however, the foregoing shall not apply to assignments by operation of law, such as to a guardian

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12. **Waiver.** The waiver by Company of Employee's breach of any provision hereof shall not operate or be construed as a waiver

13. **Binding Effect.** This Contract shall be binding upon the parties hereto and their heirs, successors, executors, administrators in paragraph 11, assigns.

14. **Survival of Provisions.** All provisions of this Contract, including all representations, warranties, covenants, and agreements, shall survive the execution and delivery hereof and any investigation of the parties with respect thereto. The provisions of paragraphs 8 and 9, shall survive the termination or amendment of this Contract.

15. **Validity.** If any provision of this Contract is held by a court of law to be illegal or unenforceable, the remaining provisions shall survive. In lieu of such illegal or unenforceable provision, there shall be added automatically as a part of this Contract a provision as similar to the provision as may be possible and be legal and enforceable.

16. **Amendments.** This Contract may be amended at any time and from time to time in whole or in part by an instrument in writing, which amendment and duly executed by Company and the Employee.

17. **Duplicate Originals.** This Contract has been executed in duplicate originals, each of which for all purposes is to be deemed collectively, one agreement; but in making proof of this Contract, it will not be necessary to produce or account for more than one

18. **Captions.** The captions or section headings of this Contract are provided for convenience and shall not limit or affect the interpretation of the

19. **Waiver of ADEA Claims.** Employee acknowledges that this employment agreement providing a limited and flexible arrangement was discussed with Employee with a view toward facilitating his transition to retirement, which will become effective on April 30, 2014. Employee has consulted with an attorney of his own choosing before signing it, and to thoroughly discuss all aspects of this Agreement with such attorney. Employee has entered into this Agreement freely and voluntarily. Employee further understands and agrees that:

| | | | | | | | | | | | | | | |
|--------|--------|--------|------------------|--------|--------|--------|--------|--------|--------|--------|-----------------------------|--------|--------|--------|
| | | | Robert W. Wilson | | | | | | | | Omer G. Kropf | | | |
| | | | President | | | | | | | | 1077 East North Shore Drive | | | |
| | | | | | | | | | | | Syracuse, Indiana 46567 | | | |
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Exhibit "A"

to

Employment Contract

**Confidentiality Agreement and
Covenant Not To Compete**

Omer G. Kropf (hereafter called "*Employee*") has entered into an Employment Contract with Supreme Corporation, a Texas corporation in the business of manufacturing and selling specialized truck bodies.

By signing this Agreement, Employee acknowledges his understanding of the following:

A. All companies have information, generally not known outside the company, called "*confidential information*." All companies, employees, and consequently many employees must have access to confidential information. At times the employee himself must have access to this information in the course of his job;

B. The phrase "*confidential information*" as used in this Agreement includes information known as, referred to, or considered confidential information, any technical, economic, financial marketing, computer program, computer software, computer data (regardless of whether the information is stored in a computer system or otherwise);

4. Each party shall be entitled to receive from the other party reimbursement of attorney's fees and related legal costs to the extent necessary for the enforcement or defense, as the case may be, of the terms and conditions hereof.

5. The waiver by Company of Employee's breach of any provision hereof shall not operate or be construed as a waiver of any other provision hereof. This shall be binding upon the parties hereto and their heirs, successors, executors, administrators, personal representatives, and assigns. All covenants, obligations and duties hereunder. All provisions of this Agreement shall survive the termination or amendment of this Agreement.

6. If any provision of this Agreement is held by a court of law to be illegal or unenforceable, the remaining provisions of the Agreement shall remain in full force and effect. In lieu of such illegal or unenforceable provision, there shall be added automatically as a part of this Agreement a provision as similar as possible to the original provision as may be possible and be legal and enforceable.

7. This Agreement has been made in, and its validity, interpretation, construction, and performance shall be governed by and construed under the laws of the State of Indiana, without reference to its laws governing conflicts of law. Each party hereby irrevocably agrees that any legal action or proceeding may be brought in the courts of the State of Indiana, or in any United States District Court of Indiana, and, by its execution and delivery of this Agreement, irrevocably submits to each such jurisdiction and hereby irrevocably waives any and all objections which it may have as to venue, and consents and agrees that any process or notice of motion or other application to either of said Courts or any judge thereof, or any other court hereunder, may be served inside or outside the State of Indiana by registered or certified mail, return receipt requested, postage and handling charges prepaid, or in such other manner as may be permissible under the rules of said Courts.

IN WITNESS WHEREOF, the parties have executed this Agreement this 4th day of June, 2005, to be effective May 1, 2005.

/s/Omer G. Kropf

Omer G. Kropf

1077 East North Shore Drive

Syracuse, Indiana 46567

ACCEPTED:

SUPREME CORPORATION

By: /s/Robert W. Wilson

4. Employee represents that Employee has no agreements with or obligations to others in conflict with the foregoing.

5. Employee understands that this Agreement may not be modified or released except in writing signed by all members of the

6. Employee understands and agrees that his violation of any of the provisions of this Agreement will constitute irreparable injury and shall

7. This Agreement shall be binding upon the parties hereto and their respective heirs, successors, executors, administrators, personal representatives, and assigns. Employee shall not assign his covenants, duties, or obligations hereunder to any other person. The waiver by Company of Employee's breach shall be construed as a waiver of any subsequent breach by Employee.

8. If any provision of this Agreement is held by a court of law to be illegal or unenforceable, the remaining provisions of the Agreement shall survive. In lieu of such illegal or unenforceable provision, there shall be added automatically as a part of this Agreement a provision as similar as possible and be legal and enforceable.

9. This Agreement has been made in, and its validity, interpretation, construction, and performance shall be governed by and construed in accordance with the laws of the State of Indiana, without reference to its laws governing conflicts of law. Each party hereby irrevocably agrees that any legal action or proceeding may be brought in the courts of the State of Indiana, or in any United States District Court of Indiana, and, by its execution and delivery of this Agreement, irrevocably waives any and all objections which it may have as to venue in any of the above courts. Each party further consents to the jurisdiction of the courts of the State of Indiana and to any other application to either of said Courts or any judge thereof or any notice in connection with any proceedings hereunder, and to service of process by registered or certified mail, return receipt requested, postage prepaid, and be effective as of the receipt thereof, or in such other manner as may be ordered by said Courts.

IN WITNESS WHEREOF, the parties have executed this Agreement this 4th day of June, 2005, to be effective May 1, 2005.

/s/Omer G. Kropf

Omer G. Kropf

1077 East North Street
Syracuse, Indiana

ACCEPTED:

 By: /s/Robert W. Wilson
 Robert W. Wilson
 President

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Exhibit 31.1

CERTIFICATION OF CHIEF EXECUTIVE OFFICER

I, Herbert M. Gardner, Chief Executive Officer of Supreme Industries, Inc. ("registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

 a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

 b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarter report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the covered by this quarterly report based on such evaluation; and

 c) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting.

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent function):

 a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize, or report financial information; and

 b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

DATE: August 9, 2005

/s/ Herbert M. Gardner

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

I, Jeffery D. Mowery, Chief Financial Officer of Supreme Industries, Inc. ("registrant"), certify that:

1. I have reviewed this quarterly report on Form 10-Q of the registrant;

2. Based on my knowledge, this quarterly report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this quarterly report;

3. Based on my knowledge, the financial statements, and other financial information included in this quarterly report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and the periods presented in this quarterly report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) for the registrant and we have:

 a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this quarterly report is being prepared;

 b) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this quarterly report our conclusions about the effectiveness of the disclosure controls and procedures as of the end of the period covered by this quarterly report based on such evaluation; and

Exhibit 32.1

Certification of

Chief Executive Officer

of Supreme Industries, Inc. Pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002

This certification is furnished solely pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (18 U.S.C. 1350) and accompanies the quarterly report on Form 10-Q (the "Form 10-Q") for the quarter ended June 25, 2005 of Supreme Industries, Inc. (the "Company"). I, Herbert M. Gardner, the Chief Executive Officer of the Company, certify that, based on my knowledge:

(1) The Form 10-Q fully complies with the requirements of Section 13(a) or Section 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Company as of and for the periods covered in this report.

DATE: August 9, 2005

/s/ Herbert M. Gardner

Chief Executive Officer

