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 X No

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

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	

SUPREME INDUSTRIES, INC.

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PART I. FINANCIAL INFORMATION

ITEM 1.	**FINANCIAL STATEMENTS**					

Supreme Industries, Inc. and Subsidiaries

Consolidated Balance Sheets

			June 25,			December 25,
			2005			2004
Assets			(Unaudited)			
Current assets:						
	Cash and cash equivalents	$	299,293		$	1,736,483
	Accounts receivable, net		28,354,231			28,432,715
	Inventories		45,898,125			45,441,189
	Deferred income taxes		847,012			847,012
	Other current assets		3,075,873			4,222,636

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.

Supreme Industries, Inc. and Subsidiaries

Consolidated Balance Sheets, Concluded

	June 25, 2005	December 25, 2004
Liabilities and Stockholders' Equity	(Unaudited)	
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.

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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:												

	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.												
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Supreme Industries, Inc. and Subsidiaries

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									

		long-term debt					66,065,429			68,062,923
	Repayments of revolving line of credit and									
		other long-term debt					(66,306,043)			(63,063,461)
	Payment of cash dividends						(862,788)			(784,179)
	Proceeds from exercise of stock options						1,505,588			422,612
		Net cash provided by financing activities					402,186			4,637,895
Change in cash and cash equivalents							(1,437,190)			(43,646)
Cash and cash equivalents, beginning of period							1,736,483			106,254
Cash and cash equivalents, end of period						$	299,293		$	62,608
Supplemental disclosure of noncash financing										
	activity:									
		Cash dividend declared				$	1,190,557		$	-
The accompanying notes are a part of the consolidated financial statements.										
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Supreme Industries, Inc. And Subsidiaries

Notes To Consolidated Financial Statements

NOTE 1 - BASIS OF PRESENTATION AND OPINION OF MANAGEMENT

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and therefore do not include all of the information and financial statement disclosures necessary for a fair presentation of consolidated financial position, results of operations and cash flows in conformity with 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.

<u>NOTE 2 - INVENTORIES</u>

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.

Supreme Industries, Inc. And Subsidiaries

Notes To Consolidated Financial Statements, Continued

NOTE 3 - EARNINGS PER SHARE

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

	Three Months Ended		Six Months Ended	
	June 25, 2005	June 26, 2004	June 25, 2005	Jur 2
Weighted average number of shares outstanding (used in computation of basic earnings per share)	12,391,341	12,086,558	12,288,776	12,0
Effect of dilutive stock options	317,530	418,232	363,117	4
Diluted shares outstanding (used in computation of diluted earnings per share)	12,708,871	12,504,790	12,651,893	12,4

                        &nb

                        &nb

                        &nb

NOTE 4 - STOCK-BASED COMPENSATION

                        &nb

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 Accountir Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

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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 th
value recognition provisions of SFAS No. 123.

							&nb
	Three Months Ended				Six Months Ended		
	June 25,		June 26,		June 25,		Jur
	2005		2004		2005		2
Net income, as reported	$2,900,305		$1,887,747		$5,994,649		$2,8
							&nb
Deduct: Stock-based							&nb
compensation expense							&nb
determined under fair value							&nb
based method, net of tax	(83,942)		(83,848)		(154,807)		(167
							&nb
Pro forma net income	$2,816,363		$1,803,899		$5,839,842		$2,7
							&nb
Basic earnings per share:							&nb
As reported	$.23		$.16		$.49		
Pro forma	.23		.15		.48		
Diluted earnings per share:							
As reported	.23		.15		.47		
Pro forma	.22		.14		.46		
							&nb

NOTE 5 - COMMON STOCK

                        &nb

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)
share and a three cent ($.03) per share cash dividend to all Class A and Class B common stockholders during the quarters ende
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 o

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

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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 agreeme $54,108 and increase in July of each successive year by an escalator defined in the lease agreement. All other terms and condi of the existing lease agreement remain unchanged.

ITEM 2. **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS 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 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 fro $164.2 million for the six months ended June 26, 2004. The Company completed two large fleet contracts during the first half 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 thro

2004 and continuing into 2005.

Gross profit as a percentage of net sales increased for the three and six month periods ended June 25, 2005 when compared to three and six month periods ended June 26, 2004. The following table presents the components of cost of sales as a percentage net sales and the change from period to period:

	Three Months Ended			Six Months Ended		
	June 25, 2005	June 26, 2004	Change	June 25, 2005	June 26, 2004	Change
Materials	56.9%	57.6%	(.7)%	56.7%	57.9%	(1.2)%
Direct labor	14.1	15.2	(1.1)	14.0	15.4	(1.4)
Overhead	13.8	13.7	.1	13.9	13.7	.2
Delivery	2.3	2.9	(.6)	2.5	2.8	(.3)
Cost of sales	87.1	89.4	(2.3)	87.1	89.8	(2.7)
Gross profit	12.9%	10.6%	2.3%	12.9%	10.2%	2.7%

Material cost as a percentage of net sales improved .7% for the three months ended June 25, 2005 and 1.2% for the six months ended June 25, 2005 when compared to corresponding periods in 2004. The reduction in material percentage in both periods resulted from price increases the Company implemented in response to its escalating raw material costs. While a majority of the raw material costs have stabilized, the Company is still experiencing upward cost pressure on petroleum-based resins and gelcoats. The Company is closely monitoring its major raw material commodities to enable a quick response to changes in cost and / or market conditions.

Results of Operations, Continued

Direct labor as a percentage of net sales for the three and six months ended June 25, 2005 was 14.1% and 14.0%, respectively. Direct labor improved over the comparative prior year periods primarily due to efficiencies associated with the production of large quantities of standardized fleet units and the impact of the implementation of price increases. Direct labor as a percentage of net sales is expected to rise somewhat over the next six months as the Company returns to the production of a higher concentration of customized retail units.

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 mon
ended June 25, 2005. As a result of the higher levels of trade accounts receivable and inventories related to two large fleet con
there was extensive use of our revolving line of credit during the first quarter of 2005. These contracts were completed during
second quarter, resulting in a reduction in trade accounts receivable of $9.0 million and a reduction in inventories of $7.4 milli
from the amounts of the end of the first quarter. These cash resources, along with cash flow from operations, were utilized to r
trade accounts payable by $6.4 million and to reduce long-term debt obligations by $14.4 million during the second quarter of

Capital expenditures for the six months ended June 25, 2005 were $2.9 million. During the second quarter the Company comp
the construction of an additional manufacturing facility at its Griffin, Georgia location and expended $1.4 million on this build
project during the first six months. Our Jonestown, Pennsylvania location expended $.5 million in capital expenditures to cont
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 cr
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			
		Less than		
	Total	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, s
the Notes to Consolidated Financial Statements included in the Annual Report on Form 10-K for the year ended December 25

(b) For additional information regarding operating leases, see Note 8 of the Notes to Consolidated Financial Statements includ
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 consoli
statements, which have been prepared in accordance with accounting principles generally accepted in the United States of Am
preparation of these financial statements requires management to make estimates and judgments that affect the reported amou
liabilities, revenues and expenses and related disclosure of contingent assets and liabilities. The Company's significant accoun
are discussed in Note 1 of the Notes to Consolidated Financial Statements included in the Annual Report on Form 10-K for th
December 25, 2004. In management's opinion, the Company's critical accounting policies include allowance for doubtful acco
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
the inability of customers to make required payments. If the financial condition of customers were to deteriorate, resulting in a
impairment of their ability to make payments, additional allowances may be required which would affect future operating resu

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

Inventory Relief - For monthly and quarterly financial reporting, cost of sales is recorded and inventories are relieved by the u
standard bills of material. Because of the customized nature of the Company's products, it is difficult to place full reliance on t
bills of material for accurate relief of inventories. Although the Company continues to refine the process of creating accurate b
materials, 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 a
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 back
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 a above the retention. The Company is also self-insured for a portion of its employee medical benefits and workers' compensati 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 lia 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.

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

Suppliers of Key Materials - We require substantial amounts of raw materials which we purchase from third party suppliers. R
materials (such as steel, aluminum and wood products) may not be available to us or we may be required to pay more for raw
materials because of, among other things, new laws or regulations, our suppliers' commitments to other purchasers, interruptio
production by suppliers, or general price fluctuations.

Delivery of Truck Chassis - We mount our truck bodies on truck chassis delivered from truck chassis manufacturers. If truck c
manufacturers experience disruptions in their businesses, we may be unable to sell or deliver our products. Work stoppages or
slowdowns experienced by the large truck manufacturers that supply truck chassis could result in delays or slowdowns in our
to deliver products to our customers. As a result, our sales and operating cash flows could be adversely affected.

Issues and Uncertainties, Concluded

Environmental, Health, and Safety Liabilities - Our operations are subject to a variety of federal, state and local environmenta
health safety statutes and regulations, including those relating to emissions to the air, discharges to water, treatment, storage, a
disposal of waste and remediation of contaminated sites. In certain cases, these requirements may limit the productive capacit
operations. Certain laws, including the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1
as amended, impose strict, and under certain circumstances, joint and several, liability for costs to remediate contaminated site
upon designated responsible parties, including site owners or operators and persons who dispose of waste at, or transport wast
such sites. The Company is unaware of any unrecorded liabilities in the areas of environmental, health and safety risks and is
party to any remediation of contaminated sites.

Loss of Key Management - Our ability to compete successfully and implement our business strategy depends on the efforts of
senior management personnel. The loss of the services of any of these individuals could have a material adverse affect on our
business. If we were unable to attract qualified personnel to our management, our existing management resources may becom
strained, which would harm our business and our ability to implement our strategies.

Competition - Our products are produced by many companies including several with a national presence but most of which co
on a regional basis. We experience aggressive pricing practices from our national and regional competitors which can have an
adverse affect on both revenues and earnings. To date chassis manufacturers have chosen not to manufacture specialized vehic
because of the wide variety of options and equipment which are not efficiently produced on highly automated assembly line
operations. Though there is no indication to date, there is no assurance that this policy will not be modified.

ITEM 3. **QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET**

    RISK

    There has been no material change from the information provided in the Company's Annual Report on Form
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 fina officer, after carrying out an evaluation of the effectiveness of the Company's disclosure controls and proced (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 relatin the Company and its consolidated subsidiaries that is required to be in this quarterly report would be made k 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 ot factors that could significantly affect the Company's disclosure controls and procedures during the Company fiscal quarter, nor any significant deficiencies or material weaknesses in such disclosure controls and proced 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 upo that meeting.

  a) The following individuals were elected Directors by the holders of the Company's Class A Common Stock f 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 b 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 t Company's Class A and Class B Common Stock by a vote of 6,593,250 for, 543,793 against, 19,470 abstent and 3,063,613 unvoted.

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

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ITEM 6. EXHIBITS

    Exhibits:

      Exhibit 10.3 Employment Contract between Robert W. Wilson and

            Supreme Corporation

      Exhibit 10.4 Employment Contract between Omer G. Kropf and

            Supreme Corporation

      Exhibit 31.1 Certification of Chief Executive Officer Pursuant to

            Section 302 of the Sarbanes-Oxley Act of 2002

      Exhibit 31.2 Certification of Chief Financial Officer Pursuant to

            Section 302 of the Sarbanes-Oxley Act of 2002

      Exhibit 32.1 Certification of Chief Executive Officer Pursuant to

            Section 906 of the Sarbanes-Oxley Act of 2002

      Exhibit 32.2 Certification of Chief Financial Officer Pursuant to

            Section 906 of the Sarbanes-Oxley Act of 2002

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on behalf by the undersigned thereunto duly authorized.

                SUPREME INDUSTRIES, INC.

                By: /s/ Jeffery D. Mowery

DATE: August 9, 2005   Jeffery D. Mowery

                Vice President of Finance and Chief Financial Officer

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

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Exhibit 10.3

Employment Contract

Supreme Corporation

(Robert W. Wilson)

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

Company is engaged in the business of manufacturing and selling specialized truck bodies. Company desires to retain the serv
Employee is willing and able to perform in that capacity.

By instrument dated July 1, 2003, Company and Employee entered into an Employment Contract providing for a term of three semi-retirement of Mr. Omer G. Kropf, the office of President of Company is now vacant, and the Board of Directors of Comp executive leadership Mr. Wilson has shown, Employee should be, and has been, named as the President of Company. This Co completely replaced the earlier Employment Contract dated July 1, 2003.

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

1. ***Employment***. Company hereby continues the employment of Employee, and Employee hereby accepts such employment fr contained.

2. ***Term of Employment***. Subject to the provisions for termination hereafter provided, the term of this Contract shall be for a te and ending on **April 30, 2008**.

3. ***Duties of Employee***. Employee is employed as President and Chief Operating Officer of Company. It is understood and agr control of Company's Board of Directors, as required by the Texas Business Corporation Act, and as a result Employee shall, during the term of this Contract, serve in any other executive capacity considering his experience and performance record to d substantially all of his time, attention, best efforts, and energy to the business of Company, and may not, during the term of thi business activities which interfere with his ability to carry out his obligations hereunder. However, such restriction shall not be investments in (non-competitive) business enterprises so long as Employee will not be required to render personal services to normal business hours with Company.

4. ***Compensation***. To the extent Employee continues to comply with all of the provisions of this Contract (including the cover contained in **Exhibits "A" and "B"** attached hereto):

a. ***Base Salary***. Company shall pay to Employee a minimum base salary of **$200,000** per year payable in twenty-six (26) equa such other sequence of payments as determined by Company's then existing payroll policies), from which federal withholding

b. ***Pre-Tax Bonus***. It is anticipated that at the end of each calendar year, approval of the Board of Directors will be requested distributions from Company's Bonus Payment Plan, the amount of which will be dependent upon the operating results of Com approval by the Chairman of the Board of the portion of the bonus recommended to be distributed to Employee), Employee sh salary referred to above, a pre tax bonus in the amount so approved by the Board of Directors; and

c. ***Increases***. The Board of Directors of Company may, at any time, elect to increase Employee's base salary above the amoun

5. ***Fringe Benefits***. During the period that Employee continues to comply with all of the provisions of this Contract, Employe

a. ***Medical Benefits***. Employee and his dependent family members shall be covered under the same group hospitalization, acc shall provide from time to time for other officers; provided, however, that (i) Employee shall pay the same portion of the cost officers generally, and (ii) Employee shall apply for and elect to participate in Medicare parts A and B, at his own expense, as

b. ***Insurance.*** As reimbursement for insurance owned by Employee (and/or his wife), Company shall pay to Employee, each y premiums paid on insurance of any kind covering Employee or "last to die" insurance covering the lives of Employee and his

In addition to the Reimbursement Amount, Company shall also pay to Employee, each year, such amount which, after taking i "deemed income" (such "deemed income" in no event to exceed $30,000) to Employee (for the Reimbursement Amount and t such additional taxes (the "Gross-Up Amount"). In making the determination of the Gross-Up Amount, the following formula Employee's marginal tax bracket + .014 [Medicare] + Employee's marginal tax bracket for state income taxes, if any, + city ta example, assuming that: (i) the annual premium is $30,000.00 (Reimbursement Amount = $30,000); (ii) Employee is in the 35 Amount is not subject to social security taxes; (iv) Employee is in the 10% state income tax bracket; and (v) the Reimburseme Gross-Up Amount would be: $30,000/1 (.35 + .014 + .1) minus $30,000 = $25,970.15;

c. ***Dental Benefits***. Company shall pay or reimburse Employee for all family dental expenses up to a maximum of $5,000 per

d. ***Paid Vacation***. Each calendar year (or proportion thereof), Employee may take a vacation of four (4) weeks during which ti

e. ***Automobile***. Company shall provide an automobile for Employee's use in connection with the services to be rendered by Em reimburse Employee for maintenance and repair expenses of the automobile upon submission of vouchers or itemized lists of Company's policy. For so long as Company owns (or leases) the automobile, Company shall insure the automobile with the sa provided for executive officers of Company. Company agrees that Employee shall be designated as an additional insured on a insurance coverage. In the event the automobile is damaged or destroyed by reason of accident, theft, vandalism, or otherwise for any such loss or damage (including out-of-pocket deductibles); and

f. ***Other Benefits***. No provision of this Contract shall preclude Employee from participating in any fringe benefit plan now in Company shall be under no obligation to provide for his participation in, or to institute, any such plan or to make any contribu are provided to all Company employees as a group, or to all of Company's senior officers as a group.

6. ***Business Expenses***. Employee may incur reasonable expenses, as determined by Company's Chairman of the Board, in con including expenses for entertainment, travel, and similar items. Company agrees to reimburse Employee for all such reasonab from time to time as required by Company, of an itemized account of such expenditures; provided, however, Employee shall n permitted by the Internal Revenue Code of 1986, as amended, without prior written approval from the Chairman of the Board

7. ***Key-Man Insurance***. Company may, at any time during the term of t