

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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PART I. FINANCIAL INFORMATION

ITEM 1. **FINANCIAL**
STATEMENTS

Supreme Industries, Inc. and Subsidiaries

Consolidated Balance Sheets

 	 	 	 	 	
 	 	June 25,	 	December	
 	 	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

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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.

 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	

Consolidated Balance Sheets, Concluded

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 	 	 	 	 	 	 	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

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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 26,		
 	 	 	 	 	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.													
 	 	 	 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	 	 	 	

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.										
 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	

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.

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.

 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	

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

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)	(154,807)
Pro forma net income	\$2,816,363	\$1,803,899	\$5,839,842	\$2,732,421	\$1,720,051	\$5,685,035
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.

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,	June 26,				June 25,		June 26,			
		2005	2004		Change		2005		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

 	 	 	 	 	 	 	 	 	 	 	 	
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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

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, but rather 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 and 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.

Suppliers of Key Materials - We require substantial amounts of raw materials which we purchase from third party suppliers. Raw 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, interruption of 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 chassis 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 ability to deliver products to our customers. As a result, our sales and operating cash flows could be adversely affected.

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Issues and Uncertainties. Concluded

Environmental, Health, and Safety Liabilities - Our operations are subject to a variety of federal, state and local environmental, health safety statutes and regulations, including those relating to emissions to the air, discharges to water, treatment, storage, and disposal of waste and remediation of contaminated sites. In certain cases, these requirements may limit the productive capacity of our operations. Certain laws, including the Federal Comprehensive Environmental Response, Compensation and Liability Act of 1980, as amended, impose strict, and under certain circumstances, joint and several, liability for costs to remediate contaminated sites upon designated responsible parties, including site owners or operators and persons who dispose of waste at, or transport waste from, such sites. The Company is unaware of any unrecorded liabilities in the areas of environmental, health and safety risks and is not a 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 our 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 become 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 compete on a regional basis. We experience aggressive pricing practices from our national and regional competitors which can have a material adverse affect on both revenues and earnings. To date chassis manufacturers have chosen not to manufacture specialized vehicles 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 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.

 	 	 	 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	 	 	 	

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)

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.

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

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

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

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

d. **Paid Vacation.** Each calendar year (or proportion thereof), Employee may take a vacation of four (4) weeks during which time Employee shall be paid at his regular rate of pay.

e. **Automobile.** Company shall provide an automobile for Employee's use in connection with the services to be rendered by Employee. Company shall reimburse Employee for maintenance and repair expenses of the automobile upon submission of vouchers or itemized lists of such expenses in accordance with the provisions of the Company's policy. For so long as Company owns (or leases) the automobile, Company shall insure the automobile with the same insurance coverage provided for executive officers of Company. Company agrees that Employee shall be designated as an additional insured on all such insurance coverage. In the event the automobile is damaged or destroyed by reason of accident, theft, vandalism, or otherwise, Company shall reimburse Employee 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 effect or hereafter established by Company. Company shall be under no obligation to provide for his participation in, or to institute, any such plan or to make any contribution to any such plan, unless such benefits 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 connection with the performance of his duties, including expenses for entertainment, travel, and similar items. Company agrees to reimburse Employee for all such reasonable expenses incurred from time to time as required by Company, of an itemized account of such expenditures; provided, however, Employee shall not be reimbursed for any such expenses not 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 this Contract, apply for and procure as owner, and for its benefit, life insurance on the life of Employee in such amounts and in such forms as Company may select. Employee hereby acknowledges the fact that he will have no interest in such insurance. However, Employee agrees that he shall, at Company's request, submit to such medical examinations, supply such information as may be required by the insuring companies.

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 the 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 amount of his base salary for that calendar year. For this purpose, Employee's "Proportionate Share" will be a fraction the numerator of which is the number of months of the calendar year during which occurred the event triggering such Date of Termination and the denominator of which is the number of months in the calendar year.

any other remedies to which any party may be entitled hereunder, including a right of offset, whether at law or in equity.

11. **Notices.** All notices allowed or required to be given hereunder must be in writing and dispatched by United States certified mail to the party entitled to such notice shown at the end of this Contract. Either party hereto may change the address to which any such notices are to be sent by writing to the other party of such change. Any time limitation provided for in this Contract shall commence with the date that such notice is sent by writing or the date or postmark of any return receipt indicating the date of delivery of such notice to the addressee shall be conclusive evidence of delivery. hereto, copies of all notices should be sent to:

Mr. Herbert M. Gardner
Chairman of the Board and Chief Executive Officer
Supreme Corporation

c/o Barrett-Gardner Associates, Inc.
4 Darley Road
Great Neck, NY 11201

Haynes and Boone, LLP
201 Main Street, Suite 201
Fort Worth, Texas 76102

Attn: Rice M. Tilley, Jr., Esq.

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

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

14. **Binding Effect.** This Contract shall be binding upon the parties hereto and their heirs, successors, executors, administrators and assigns in paragraph 12, assigns.

15. **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 9 and 10, shall survive the termination or amendment of this Contract.

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 busi 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

confidential information to others or by departing and taking with him the aforesaid unique information compiled over a period of time against Company or disclosing such information to Company's competitors, now existing or hereafter formed.

Accordingly, in consideration of TEN DOLLARS (\$10.00) paid to Employee by Company, the receipt and sufficiency of which is hereby acknowledged, and in consideration of the agreement to employ him, Employee agrees as follows (which will constitute an agreement ancillary to Employee's Employment Contract):

1. Confidential information, including information referred to as, known as, or considered to be, trade secrets, is proprietary to Company, and in strictest confidence, and not to make use thereof except in performance of duties under the Employment Contract. Company, Employee may not disclose to others (excepting Company officers or employees having a need to know who have been advised themselves not to use or disclose it) any confidential information originated, known to, or acquired by Employee while employed by Company, such period not to remove from the premises any of Company's records or other written or tangible materials, including without limitation (whether prepared by Employee or others) containing any confidential information, except as required for Employee to properly perform his duties for Company. Exceptions to these restrictions may be made only by means of Company's permission given in writing signed by the CEO of Company's parent, Supreme Industries, Inc., pursuant to an affirmative approval by a majority of Supreme Industries, Inc.'s Board of Directors.

2. During a period of two (2) years following the cessation of Employee's employment with Company, Employee covenants that he will, in any capacity, including without limitation, as an agent, consultant, officer, shareholder, or employee of any business enterprises or organizations in which Employee may have a direct or indirect interest, shall not, directly or indirectly for himself or on behalf of any other person, venture or other undertaking which is directly or indirectly competitive with the business or operations of Company (and/or any of its subsidiaries) prior to, the cessation of Employee's employment with Company. Without limiting the generality of the foregoing, Employee shall not, during the term hereof, (i) be employed by, (ii) be employed by, (iii) be an affiliate (as defined by Securities and Exchange Commission Rule 405 under the Securities Act of 1933), (iv) be a director, officer, partner, member, or shareholder, for, or (v) have an equity or ownership interest in, any person, firm, partnership, joint venture, or corporation that so competes with or is in direct or indirect competition with Company or its subsidiaries. Further, Employee will not solicit for employment or advise or recommend to any other person that such person employ or hire any employee of the Company or any of its subsidiaries who was an employee at, or prior to, the cessation of Employee's employment with Company.

with Company. The foregoing covenant not to compete shall be limited to a territory consisting of those states in which the Company was doing business at the time of cessation of Employee's employment with Company. If for any reason any court of competent jurisdiction finds these covenants to be overbroad in scope, the prohibitions herein contained shall be restricted to such time and geographic areas as such court determines to be reasonable. The restrictions stated above will not apply if Company liquidates or if Employee becomes employed by a company (or its affiliate) that acquires all or substantially all of the stock or business assets of Company.

3. Employee understands and agrees that his violation of any of the provisions of this Agreement will constitute irreparable injury to Company, and he shall be enjoined to enjoin Employee or the business enterprise with which he may have become associated from further violations, in addition to any other remedies that he may have under law and equity, including recovery of damages from Employee and a right of offset.

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 shall be binding upon the parties hereto and their heirs, successors, executors, administrators, personal representatives, and all covenants, obligations and duties hereunder. All provisions of this Agreement shall survive the termination or amendment of I

6. If any provision of this Agreement is held by a court of law to be illegal or unenforceable, the remaining provisions of the A lieu of such illegal or unenforceable provision, there shall be added automatically as a part of this Agreement a provision as si 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 b Indiana, without reference to its laws governing conflicts of law. Each party hereby irrevocably agrees that any legal action or be brought in the courts of the State of Indiana, or in any United States District Court of Indiana, and, by its execution and del irrevocably submits to each such jurisdiction and hereby irrevocably waives any and all objections which it may have as to ve consents and agrees that any process or notice of motion or other application to either of said Courts or any judge thereof, or a hereunder, may be served inside or outside the State of Indiana by registered or certified mail, return receipt requested, postag 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 August, 2005, to be effective May 1, 200

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 /s/Robert W. Wilson

 Robert W. Wilson

 518 Carter Road

 Goshen, Indiana 46526

ACCEPTED:

 SUPREME CORPORATION

 By: /s/Herbert M. Gardner

 Herbert M. Gardner

 Chairman of the Board

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 property

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:

1. **Employment.** Company hereby continues the employment of Employee, and Employee hereby accepts such employment from the date of the execution of this Contract as contained herein, and the terms of such employment are contained in the Contract as amended and as set forth herein.

2. **Term of Employment.** Subject to the provisions for termination hereafter provided, the term of this Contract shall be for a term of three (3) years, beginning on the date of the execution of this Contract and ending on the date of the expiration of the term of this Contract.

3. **Duties of Employee.** Employee is employed as Vice Chairman and Managing Director of Special Projects for Company. Employee shall be responsible for the management of Company on such projects as may be assigned to him by the Chief Executive Officer or Chief Operating Officer, provided that Employee shall work a minimum of 160 hours per month (unless otherwise agreed to by Employee and the Chief Executive Officer or Chief Operating Officer).

4. **Compensation.** To the extent Employee continues to comply with all of the provisions of this Contract (including the coverages contained in Exhibits "A" and "B" attached hereto), Company shall pay to Employee during the first year of the term of this Contract a base salary of \$120,000.00 per year payable in twenty-six (26) equal payments of \$4,615.38 (or in accordance with such other sequence of payments as determined by Company's then existing payroll policies), from the date of the execution of this Contract through the date of the expiration of the term of this Contract.

which federal withholding and social security taxes shall be deducted. During each of the second and third years of the term of this Contract, Company shall pay to Employee a minimum base salary of \$120,000.00 per year payable in twenty-six (26) equal payments of \$4,615.38 (or in accordance with such other sequence of payments as determined by Company's then existing payroll policies), from which federal withholding and social security taxes shall be deducted.

5. **Fringe Benefits.** During the period that Employee continues to comply with all of the provisions of this Contract, Employee shall be eligible to participate in the Company's then existing benefit plans.

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

b. **Dental Expenses.** Company shall pay or reimburse Employee for all dental expenses of Employee and any dependent family members up to a maximum of \$5,000 per year;

c. **Automobile.** At the present time, Employee has the use of a Company-owned automobile. During his term of employment, Employee shall have the use of a Company-owned automobile. Company shall pay or reimburse Employee for maintenance and repair expenses of the automobile upon submission of a written report prepared in compliance with Company's policy. For so long as Company owns the automobile, Company shall insure the automobile with the same type and amount of company coverage that is provided for executive officers of Company. Company agrees that Employee shall be designated as an insured person under the policy providing liability insurance coverage. In the event the automobile is damaged or destroyed by reason of accident, theft, or other cause, Company shall not have any liability to Company for any such loss or damage (including out-of-pocket deductibles);

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 of execution and delivery hereof and any investigation of the parties with respect thereto. The provisions of paragraphs 8 and 9, 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 of this Contract 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, 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 this Contract.

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, 2010. 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:

a. He hereby expressly gives up any and all rights or claims arising under the Age Discrimination in Employment Act of 1967, have against any the Company up to the date he signs this Agreement;

b. He gives up his rights under the ADEA, in exchange for valuable consideration which he has received or will receive from entitled;

c. He acknowledges that he has had at least twenty-one (21) calendar days to consider the terms of this Agreement; and

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d. He will have seven (7) calendar days from the date he signs this Agreement to revoke it (the "Revocation Period") by giving hereof; and,

e. The waiver of his claims under the ADEA shall not become effective or enforceable until the Revocation Period has expired. Revocation Period Employee will not be entitled to receive the compensation and benefits provided for above.

20. **Governing Law.** This Agreement has been made in, and its validity, interpretation, construction, and performance shall be of the State of Indiana, without reference to its laws governing conflicts of law. Each party hereby irrevocably agrees that any Agreement may be brought in the courts of the State of Indiana, or in any United States District Court of Indiana, and, by its e party hereby irrevocably submits to each such jurisdiction and hereby irrevocably waives any and all objections which it may party further consents and agrees that any process or notice of motion or other application to either of said Courts or any judge proceedings hereunder, may be served inside or outside the State of Indiana by registered or certified mail, return receipt requ receipt thereof, or in such other manner as may be permissible under the rules of said Courts.

21. **Complete Understanding.** This Contract constitutes the complete understanding between the parties hereto, except as othe respect to the employment of Employee. This Contract supersedes all prior agreements and understandings between the partie

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

COMPANY: **EMPLOYEE:**

 SUPREME CORPORATION

 By: /s/Robert W. Wilson /s/Omer G. Kropf

 	 	 	Robert W. Wilson	 	 	 	 	 	 	 	Omer G. Kropf	 	 	
 	 	 	President	 	 	 	 	 	 	 	1077 East North Shore Drive	 	 	
 	 	 	 	 	 	 	 	 	 	 	Syracuse, Indiana 46567	 	 	
 	 	 	 	 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	 	 	 	 	
 	 	 	 	 	 	 	 	 	 	 	 	 	 	

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Exhibit "A"

to

Employment Contract

 	 	 	 	 	 	 	 	 	 	 	 	 	 	
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**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.

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

 	 	 	 	 	 	 	 	 	 	 	 	 	 	
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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 confidential information in the course of his job;

 	 	 	 	 	 	 	 	 	 	 	 	 	 	
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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 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 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

Robert W. Wilson
President

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Exhibit "B"

to

Employment Contract

Disclosure and Invention Agreement

Omer G. Kropf (hereafter called "*Employee*") has entered into an Employment Contract with **Supreme Corporation**, a Texas corporation, 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 acknowledged, Company hereby employ him pursuant to an Employment Contract (to which this **Exhibit "B"** is attached) between Company and Employee the terms and conditions of which are hereby incorporated 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, improvements, adaptations, creations, and inventions (whether patentable or copyrightable or not) conceived or made by Employee (whether or not reduced to writing) ("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, or other confidential information of Company, to the cessation of Employee's employment by Company, or (b) which result from or are suggested by any work which Employee performs for or on behalf of Company, in whole or in part, as existed at or prior to the cessation of Employee's employment by Company.

2. Employee shall assist Company during and subsequent to Employee's employment in every proper way (solely at Company's expense) to obtain, prosecute, defend, and enforce patents, trademarks, and other intellectual property rights in and to any invention, design, or process which Employee understands or is understood that such Ideas will remain the sole and exclusive property of Company, and shall not be disclosed to any person, in whole or in part, except as permitted herein.

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

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 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

 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, and 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 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 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

 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, and 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/ Jeffery D. Mowery

Chief Financial Officer

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

(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/ Jeffery D. Mowery

Chief Financial Officer

