

SUPREME INDUSTRIES INC  
Form 10-Q  
May 09, 2005

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

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

FORM 10-Q

(Mark One) &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

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

&nbsp;

&nbsp; For the Quarterly Period Ended March 26, 2005

OR &nbsp;

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

&nbsp;

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

&nbsp;

Commission File No. 1-8183

&nbsp;

SUPREME INDUSTRIES, INC.

(Exact name of registrant as specified in its charter)

&nbsp;

Delaware

&nbsp;

75-1670945

(State or other jurisdiction of

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

incorporation or organization)

&nbsp;

&nbsp;

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

(Address of principal executive offices)

&nbsp;

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

&nbsp;

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

&nbsp;

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

&nbsp;

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

&nbsp;

Common Stock (\$.10 Par Value)		&nbsp;	Outstanding at May 2, 2005	
&nbsp;	Class A	&nbsp;	&nbsp;	10,383,424
&nbsp;	Class B	&nbsp;	&nbsp;	2,109,133

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SUPREME INDUSTRIES, INC.

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&nbsp;

PART I. FINANCIAL INFORMATION

&nbsp;

Item 1. Financial Statements:





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&nbsp;	Other current assets	&nbsp;	3,777,274	&nbsp;	&nbsp;	&nbsp;	4,222,636	&nbsp;	&nbsp;
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	<b>Total current assets</b>	&nbsp;	96,754,148	&nbsp;	&nbsp;	&nbsp;	80,680,035	&nbsp;	&nbsp;
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	<b>Property, plant and equipment, at cost</b>	&nbsp;	85,549,797	&nbsp;	&nbsp;	&nbsp;	84,195,977	&nbsp;	&nbsp;
&nbsp;	Less, Accumulated depreciation and	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	&nbsp;	amortization	37,720,341	&nbsp;	&nbsp;	&nbsp;	37,005,013	&nbsp;	&nbsp;
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	<b>Property, plant and equipment, net</b>	&nbsp;	47,829,456	&nbsp;	&nbsp;	&nbsp;	47,190,964	&nbsp;	&nbsp;
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	<b>Intangible assets, net</b>	&nbsp;	17,181	&nbsp;	&nbsp;	&nbsp;	30,066	&nbsp;	&nbsp;
&nbsp;	<b>Goodwill</b>	&nbsp;	735,014	&nbsp;	&nbsp;	&nbsp;	735,014	&nbsp;	&nbsp;
&nbsp;	<b>Other assets</b>	&nbsp;	547,243	&nbsp;	&nbsp;	&nbsp;	560,540	&nbsp;	&nbsp;
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	<b>Total assets</b>	&nbsp;	\$ 145,883,042	&nbsp;	&nbsp;	&nbsp;	\$ 129,196,619	&nbsp;	&nbsp;

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

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<b>Costs and expenses:</b>							&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	Cost of sales						&nbsp;	78,696,536	&nbsp;	&nbsp;	66,330,489
&nbsp;	Selling, general and administrative						&nbsp;	6,458,082	&nbsp;	&nbsp;	5,439,294
&nbsp;	Interest						&nbsp;	488,646	&nbsp;	&nbsp;	191,915
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	85,643,264	&nbsp;	&nbsp;	71,961,698	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
&nbsp;	&nbsp;	<b>Income before income taxes</b>					&nbsp;	4,840,344	&nbsp;	&nbsp;	1,602,769
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
&nbsp;	Income taxes					&nbsp;	1,746,000	&nbsp;	&nbsp;	613,000	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
&nbsp;	&nbsp;	<b>Net income</b>					\$	3,094,344	&nbsp;	\$	989,769
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
<b>Earnings per share:</b>							&nbsp;	&nbsp;	&nbsp;	&nbsp;	
&nbsp;	&nbsp;	Basic					&nbsp;	\$.25	&nbsp;	&nbsp;	\$.08
&nbsp;	&nbsp;	Diluted					&nbsp;	.25	&nbsp;	&nbsp;	.08
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
<b>Shares used in the computation of</b>							&nbsp;	&nbsp;	&nbsp;	&nbsp;	
&nbsp;	<b>earnings per share:</b>						&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	&nbsp;	Basic					&nbsp;	12,184,495	&nbsp;	&nbsp;	12,030,316
&nbsp;	&nbsp;	Diluted					&nbsp;	12,535,450	&nbsp;	&nbsp;	12,485,701
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
<b>Cash dividend per common share</b>						&nbsp;	\$.035	&nbsp;	&nbsp;	\$.03	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
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)

&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	Three Months Ended				
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	March 26,	&nbsp;	&nbsp;	March 27,	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	2005	&nbsp;	&nbsp;	2004	
<b>Cash flows from operating activities:</b>							&nbsp;	&nbsp;	&nbsp;	&nbsp;	
&nbsp;	Net income					&nbsp;	\$	3,094,344	&nbsp;	\$	989,769
&nbsp;	Adjustments to reconcile net income to net cash					&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
&nbsp;	&nbsp;	provided by (used in) operating activities:				&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
&nbsp;	&nbsp;	&nbsp;	Depreciation and amortization			&nbsp;	1,006,693	&nbsp;	&nbsp;	872,938	
&nbsp;	&nbsp;	&nbsp;	Gain on disposal of equipment			&nbsp;	(2,310)	&nbsp;	&nbsp;	(15,369)	
&nbsp;	&nbsp;	&nbsp;	Changes in operating assets and liabilities			&nbsp;	(17,005,486)	&nbsp;	&nbsp;	(10,657,723)	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
&nbsp;	&nbsp;	<b>Net cash (used in) operating activities</b>				&nbsp;	(12,906,759)	&nbsp;	&nbsp;	(8,810,385)	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	

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<b>Cash flows from investing activities:</b>						&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	Additions to property, plant and equipment					&nbsp;	(1,632,300)	&nbsp;	&nbsp;	(1,113,092)
&nbsp;	Proceeds from disposal of equipment					&nbsp;	2,310	&nbsp;	&nbsp;	17,608
&nbsp;	Decrease in other assets					&nbsp;	13,297	&nbsp;	&nbsp;	10,519
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	&nbsp;	<b>Net cash (used in) investing activities</b>				&nbsp;	(1,616,693)	&nbsp;	&nbsp;	(1,084,965)
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
<b>Cash flows from financing activities:</b>						&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	Proceeds from revolving line of credit and other					&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	&nbsp;	long-term debt				&nbsp;	34,397,341	&nbsp;	&nbsp;	35,731,005
&nbsp;	Repayments of revolving line of credit and					&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	&nbsp;	other long-term debt				&nbsp;	(20,200,000)	&nbsp;	&nbsp;	(25,822,563)
&nbsp;	Payment of cash dividends					&nbsp;	(426,679)	&nbsp;	&nbsp;	(361,052)
&nbsp;	Proceeds from exercise of stock options					&nbsp;	526,373	&nbsp;	&nbsp;	304,797
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	&nbsp;	<b>Net cash provided by financing activities</b>				&nbsp;	14,297,035	&nbsp;	&nbsp;	9,852,187
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
<b>Change in cash and cash equivalents</b>						&nbsp;	(226,417)	&nbsp;	&nbsp;	(43,163)
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
<b>Cash and cash equivalents, beginning of period</b>						&nbsp;	1,736,483	&nbsp;	&nbsp;	106,254
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
<b>Cash and cash equivalents, end of period</b>						\$	1,510,066	&nbsp;	\$	63,091
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
The accompanying notes are a part of the consolidated financial statements.										
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;

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**Supreme Industries, Inc. And Subsidiaries**

**Notes to Consolidated Financial Statements**

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

NOTE 1 - BASIS OF PRESENTATION AND OPINION OF MANAGEMENT

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

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.

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

The Company has adopted a 52 or 53 week fiscal year ending the last Saturday in December. The results of operations for the three months ended March 26, 2005 and March 27, 2004 are for 13 week periods.

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

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NOTE 2 - INVENTORIES

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

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:

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

&nbsp;	Raw materials	&nbsp;	\$	32,063,862	&nbsp;	\$	26,390,350	&nbsp;
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&nbsp;	Work-in-progress	&nbsp;	&nbsp;	9,568,751	&nbsp;	&nbsp;	9,795,961	&nbsp;
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Effect of dilutive stock options							&nbsp;	&nbsp;	350,955	&nbsp;	455,385
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
Diluted shares outstanding (used in computation of							&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	diluted earnings per share)						&nbsp;	&nbsp;	12,535,450	&nbsp;	12,485,701
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
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**NOTE 4 - STOCK-BASED COMPENSATION**

&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
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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."

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

&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
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**NOTE 4 - STOCK-BASED COMPENSATION, Continued**

&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	Three Months Ended			
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	March 26,	&nbsp;	March 27,	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	2005	&nbsp;	2004	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
Net income, as reported								&nbsp;	&nbsp;	\$	&nbsp;	\$ 989,769
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	3,094,344	&nbsp;	&nbsp;	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
Deduct, Stock-based compensation expense determined								&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	under fair value based method, net of tax							&nbsp;	&nbsp;	(70,865)	&nbsp;	(83,848)
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
Pro forma net income								&nbsp;	&nbsp;	\$	&nbsp;	\$ 905,921
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	3,023,479	&nbsp;	&nbsp;	
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
Basic earnings per share, as reported								&nbsp;	&nbsp;	\$ .25	&nbsp;	\$ .08
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
Pro forma basic earnings per share								&nbsp;	&nbsp;	.25	&nbsp;	.08
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
Diluted earnings per share, as reported								&nbsp;	&nbsp;	.25	&nbsp;	.08
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	
Pro forma diluted earnings per share								&nbsp;	&nbsp;	.24	&nbsp;	.07
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	

&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
<u>NOTE 5 - COMMON STOCK</u>											
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
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.											

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NOTE 6 - SUBSEQUENT EVENT

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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 a ratio defined in the lease agreement. All other terms and conditions of the existing lease agreement remain unchanged.

&nbsp;

On May 2, 2005, the Company's Board of Directors declared a three and one-half cent (\$.035) per share cash dividend payable on May 23, 2005 to all Class A and B common stockholders of record on May 16, 2005.

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

&nbsp;

Results of Operations

&nbsp;

Net sales for the quarter ended March 26, 2005 increased \$16.8 million to \$90.3 million from \$73.5 million for the quarter ended March 27, 2004. A majority of the increase in net sales was attributable to higher levels of fleet revenues. The elevated fleet revenues are expected to continue throughout the second quarter of 2005 as the Company looks to complete two large fleet contracts during the quarter. Non-fleet sales increased approximately 9.3% for the first quarter of 2005 versus the first quarter of 2004 with a majority of the increase attributable to the price increases implemented during 2004. These price increases were instituted as a





Despite the additional revenues, overhead remained relatively constant as a percentage of net sales. The Company continued to implement perpetual inventory systems at its supply facilities which resulted in more accurate overhead absorption based upon the improved financial data.

&nbsp;

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

&nbsp;

Selling, general and administrative expenses increased by \$1.0 million but declined to 7.2% of net sales for the quarter ended March 26, 2005 compared to 7.4% for the quarter ended March 27, 2004. Selling expenses increased primarily due to a reduction in cooperative marketing funds the Company received from chassis manufacturers in the first quarter of 2005 versus the first quarter of 2004. These funds, 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 quarter of 2005 compared to the first quarter of 2004. General and administrative expenses increased primarily as a result of additional compensation expense related to the Company's incentive bonus plan which is based on pretax earnings.

Interest expense for the quarter ended March 26, 2005 was \$.5 million compared to \$.2 million for the quarter ended March 27, 2004. The increase in interest expense was attributable to higher levels of borrowings and the rise in interest rates. The increased borrowings resulted from carrying higher levels of inventories and accounts receivable as well as borrowings to fund 2004 capital expenditures of \$11.8 million. The increase in inventories resulted from the elevated costs of our major commodities, as discussed throughout our 2004 reports, and also from the increased inventory quantities necessary to support the Company's sales backlog. The higher accounts receivable level reflected the increase in net sales.

&nbsp;

The Company's effective income tax rate was 36.0% for the first quarter of 2005 compared to 38.2% experienced in the first quarter of 2004. The decrease in the Company's effective tax rate is attributable to additional tax deductions allowed manufacturers resulting from the 2004 American Jobs Creation Act and certain tax benefits resulting from the formation of a captive insurance company. The manufacturers' 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.

&nbsp;

Net income for the quarter ended March 26, 2005 was \$3.1 million compared to \$1.0 million for the quarter ended March 27, 2004. Basic and diluted earnings per share were \$.25 for the quarter ended March 26, 2005 compared to \$.08 per share for the quarter ended March 27, 2004.

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Total	\$48,060,253	&nbsp;	\$2,307,629	&nbsp;	\$41,770,933	&nbsp;	\$2,248,592	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;
&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;	&nbsp;

(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.

&nbsp;

(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

&nbsp;

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, allowance for bad debts and obsolete inventories, inventory relief, accrued insurance and accrued warranty.

&nbsp;

**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.

&nbsp;

**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.

&nbsp;

**Inventory Relief** - For monthly and quarterly financial reporting, cost of sales is recorded and inventories are relieved by the unit standard bills of material. Because of the customized nature of the Company's products, it is difficult to place full reliance on the unit standard 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 completion of the annual physical inventories 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 indicate significant favorable or unfavorable adjustments, such adjustments will affect future operating results.

&nbsp;

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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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.

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Forward-Looking Statements

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This report contains forward-looking statements, other than historical facts, which reflect the view of the Company's management with respect to future events. When used in this report, words such as "believe," "expect," "anticipate," "estimate," "intend," and similar expressions, as they relate to the Company or its plans or operations, identify forward-looking statements. Such forward-looking statements are based on assumptions made by 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, limitation 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 contained herein to update the reasons actual results could differ from those contemplated by such forward-looking statements.

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Control Risks

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While the Company believes its control systems are effective, there are inherent limitations in all control systems, and misstatements due to error or fraud may occur and not be detected. The Company continues to take action to assure compliance with the internal controls, disclosure controls, and other requirements of the Sarbanes-Oxley Act of 2002. Our management, including our Chief Executive Officer and Chief Financial Officer, cannot guarantee that our internal controls and disclosure controls will prevent all possible errors or all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints, and the benefit of controls must be relative to their costs. Because of the inherent limitations







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Exhibit 31.1

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**CERTIFICATION OF CHIEF EXECUTIVE OFFICER**

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

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

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

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

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;

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

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;

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

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:

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

&nbsp; 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;

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

&nbsp; 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

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

&nbsp; 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.



the registrant's internal control over financial reporting.

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

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):

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

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Page 17 of 22

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

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

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.

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DATE: May 9, 2005

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/s/ Herbert M. Gardner

Chief Executive Officer

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**CERTIFICATION OF CHIEF FINANCIAL OFFICER**

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

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

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

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

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;

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

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;

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

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:

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

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;

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

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

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

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.

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

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):

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;  
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Page 19 of 22

&nbsp; 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

&nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp; &nbsp;

&nbsp; 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.

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DATE: May 9, 2005

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/s/ Jeffery D. Mowery

Chief Financial Officer

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of Supreme Industries, Inc. Pursuant to

Section 906 of the Sarbanes-Oxley Act of 2002

&nbsp;

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 March 26, 2005 of Supreme Industries, Inc. (the "Company"). I, Herbert M. Gardner, the Chief Executive Officer of the Company, certify that, based on my knowledge:

&nbsp;

(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

&nbsp;

(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.

&nbsp;

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&nbsp;

DATE: May 9, 2005

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&nbsp;

/s/ Herbert M. Gardner

Chief Executive Officer

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