

SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2002
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____ a

Commission File Number 0-13611

SPARTAN MOTORS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Michigan
(State or Other Jurisdiction of
Incorporation or Organization)

38-2078923
(I.R.S. Employer Identification No.)

1165 Reynolds Road
Charlotte, Michigan
(Address of Principal Executive Offices)

48813
(Zip Code)

Registrant's Telephone Number, Including Area Code: **(517) 543-6400**

Securities Registered Pursuant to Section 12(g) of the Securities Exchange Act:

Common Stock, \$.01 Par Value

(Title of Class)

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

Indicate by check mark whether the registrant is an accelerated filer (as defined in Rule 12b-2 of the Securities Exchange Act).

Yes No

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant, based on the last sales price of such stock on The Nasdaq Stock Market on June 30, 2002, was \$163,559,024.

Indicate the number of shares outstanding of each of the registrant's classes of common stock, as of the latest practicable date. Common Stock, \$.01 par value, outstanding as of February 18, 2003: 12,129,477 shares

Documents Incorporated by Reference

Portions of the definitive proxy statement for the Company's May 28, 2003 annual meeting of shareholders are incorporated by reference in Part III.

FORWARD-LOOKING STATEMENTS

This Form 10-K contains statements that are not historical facts. These statements are called "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements involve important known and unknown risks, uncertainties and other factors and can be identified by phrases using "estimate," "anticipate," "believe," "project," "expect," "intend," "predict," "potential," "future," "may," "should" and similar expressions or words. Our future results, performance or achievements may differ materially from the results, performance or achievements discussed in the forward-looking statements. There are numerous factors that could cause actual results to differ materially from the results discussed in forward-looking statements, including:

- Changes in existing product liability, tort or warranty laws or the introduction of new laws, regulations or policies that could affect our business practices: these laws, regulations or policies could impact our industry as a whole, or could impact only those portions in which we are currently active, for example, laws regulating the design or manufacture of emergency vehicles or regulations issued by the National Fire Protection Association; in either case, our profitability could be injured due to an industry-wide market decline or due to our inability to compete with other companies that are unaffected by these laws, regulations or policies.
- Changes in environmental regulations: these regulations could have a negative impact on our earnings; for example, laws mandating greater fuel efficiency could increase our research and development costs.
- Changes in economic conditions, including changes in interest rates, financial market performance and our industry: these types of changes can impact the economy in general, resulting in a downward trend that impacts not only our business, but all companies with which we compete; or, the changes can impact only those parts of the economy upon which we rely in a unique fashion, including, by way of example:
 - Factors that impact our attempts to expand internationally, such as the introduction of trade barriers in the United States or abroad.
- Changes in relationships with major customers: an adverse change in our relationships with major customers would have a negative impact on our earnings and financial position.
- Armed conflicts and other military actions: the considerable political and economic uncertainties resulting from these events, including a possible armed conflict with Iraq, could adversely affect our order intake and sales, particularly in the motorhome market.
- Factors that we have discussed in previous public reports and other documents filed with the Securities and Exchange Commission.

This list provides examples of factors that could affect the results described by forward-looking statements contained in this Form 10-K. However, this list is not intended to be exhaustive; many other factors could impact our business and it is impossible to predict with any accuracy which factors could result in which negative impacts. Although we believe that the forward-looking statements contained in this Form 10-K are reasonable, we cannot provide you with any guarantee that the anticipated results will be achieved. All forward-looking statements in this Form 10-K are expressly qualified in their entirety by the cautionary statements contained in this section and you are cautioned not to place undue reliance on the forward-looking statements contained in this Form 10-K. In addition to the risks listed above, other risks may arise in the future, and we disclaim any obligation to update information contained in any forward-looking statement.

PART I

Item 1. Business.

General

Spartan Motors, Inc. (the "Company") was organized as a Michigan corporation on September 18, 1975, and is headquartered in Charlotte, Michigan. The Company began development of its first product that same year and shipped its first fire truck chassis in October 1975.

The Company is known as a world leading, niche market engineer and manufacturer in the heavy duty, custom vehicles marketplace. During 2002, the Company had four wholly owned subsidiaries: Spartan Motors Chassis, Inc., located at the corporate headquarters in Charlotte, Michigan ("Spartan Motors Chassis"); Luverne Fire Apparatus Co., Ltd., located in Brandon, South Dakota ("Luverne"); Quality Manufacturing, Inc., located in Talladega, Alabama ("Quality"); and Road Rescue, Inc., located in St. Paul, Minnesota ("Road Rescue"). Effective January 1, 2003, Luverne and Quality were combined by merger into a newly named entity, Crimson Fire, Inc. ("Crimson").

Spartan Motors Chassis is a leading designer, engineer and manufacturer of custom heavy-duty chassis. The chassis consist of a frame assembly, engine, transmission, electrical system, running gear (wheels, tires, axles, suspension and brakes) and, for fire trucks and some specialty chassis applications, a cab. Chassis customers are original equipment manufacturers ("OEMs") who complete their heavy-duty vehicle product by mounting the body or apparatus on the Company's chassis. Luverne, Quality and Road Rescue engineer and manufacture emergency vehicles built on chassis platforms purchased from either Spartan Motors Chassis or outside sources.

The Company's business strategy is to further diversify product lines and develop innovative design, engineering and manufacturing expertise in order to be the best value producer of custom vehicle products in both the national and international marketplace. Spartan Motors Chassis sells its custom chassis to three principal markets: fire truck, motorhome and specialty vehicles. Spartan Motors Chassis focuses on certain custom niches within its three principal markets and believes that opportunities for growth remain strong for custom-built chassis and vehicles in each market.

The Company is an innovative team focused on building lasting relationships with its customers. This is accomplished by striving to deliver premium custom vehicles and services that inspire customer enthusiasm. The Company believes that it can best carry out its long-term business plan and obtain optimal financial flexibility by using a combination of borrowings under the Company's credit facilities, as well as internally or externally generated equity capital, as sources of expansion capital.

The Company recognizes that annual unit sales of motorhome chassis have been substantially greater than that of the Company's other two principal chassis markets. Thus, in the past few years, management has placed special emphasis on further market penetration in the fire truck

market and diversification into the specialty chassis market.

In January 1997, the Company acquired a 33 1/3% interest in Carpenter Industries, Inc. ("Carpenter"), a manufacturer of school bus bodies, headquartered in Richmond, Indiana. The Company increased its ownership twice, to 49.9% in October of 1998 and then to 57.6% in November of 1999. On September 28, 2000, the Company's Board of Directors voted to cease funding of Carpenter. The Board of Directors of Carpenter then passed a resolution on September 29, 2000 to begin the wind-down and orderly liquidation of Carpenter. As a result, beginning in the third quarter of 2000, this separate segment of the Company's business has been reported as a discontinued operation. The liquidation of Carpenter was substantially completed in the fourth quarter of 2001.

The Company's Segments

The Company is organized into two principal groups, the Chassis Group and the Emergency Vehicle Team ("EVTeam"). For certain financial information related to each group, see Note 12, *Business Segments*, of the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K, which is herein incorporated by reference.

Chassis Group

The Chassis Group consists of Spartan Motors Chassis. Sales by the Chassis Group made up 80.4%, 76.6% and 80.4% of the Company's consolidated sales for the years ended December 31, 2002, 2001 and 2000, respectively. Ninety-eight percent of the components used by the Chassis Group to manufacture its products are commercially available products purchased from outside suppliers. This strategy allows the Chassis Group, and its OEM customers and end users, to service finished products with ease, control production costs and expedite the development of new products. The Chassis Group manufactures chassis only upon receipt of confirmed purchase orders; thus, it does not have significant amounts of completed product inventory.

The Chassis Group has extensive engineering experience in creating chassis for vehicles that perform specialized tasks. The Chassis Group engineers, manufactures and markets chassis for fire trucks, motorhomes and specialty applications such as ambulances, airport sweepers, utility trucks and crash-rescue vehicles. As a specialized chassis producer, the Chassis Group believes that it holds a unique position for continued growth due to its engineering reaction time, manufacturing expertise and flexibility. This allows the Chassis Group to profitably manufacture custom chassis with a specialized design that will serve customer needs more efficiently and economically than a standard, commercially-produced chassis. The Chassis Group employs approximately 450 associates in Charlotte, Michigan.

Fire Truck Chassis

The Chassis Group custom manufactures fire truck chassis and cabs in response to exact customer specifications. These specifications vary based on such factors as application, terrain, street configuration and the nature of the community, state or country in which the fire truck will be utilized.

The Chassis Group strives to develop innovative engineering solutions to meet customer requirements, and designs new products anticipating the future needs of the marketplace. An example of this progressive approach is the mid-engine chassis. This revolutionary design provides the OEM a significant opportunity in floor plan flexibility and provides enhanced ride and handling for the driver. The Chassis Group continues to refine its Independent Front Suspension (IFS) system introduced to the motorhome market in 1997. An IFS places air bags as close to the wheel as possible, utilizing full air suspension cushions and a constant axle centerline, thus creating a superior ride, improved handling and greater stability. In addition, IFS reduces over-steer and under-steer, brake dive and wheel-to-wheel transfer of road shock to passengers and the body of the vehicle.

The Chassis Group monitors the availability of new technology and works closely with its component manufacturers to apply new technology to its products. For example, the Chassis Group helped introduce the Detroit Diesel Series 60 engine to the fire truck market, which is typically used in heavy-duty commercial applications. These engines allow fire trucks to have larger cab interiors because the pistons are configured in a straight line rather than in a V-shape. The Chassis Group also worked with Cummins Engine Co. on the introduction of the N-14 and M-11 engines. This collaboration resulted in attaining higher emission standards through charged air-cooled diesel engines. The Company also implemented the MD series and HD series Allison World Transmission, an improved wholly electronic automatic transmission design that provides better performance characteristics and improved service and maintenance capabilities.

The Chassis Group believes that the percentage of fire trucks manufactured with customized chassis will continue to increase. This is primarily due to the fact that customized chassis respond to customers' demands for increased safety features and offer more options and specific configurations when compared to standard, commercially produced fire truck chassis.

The National Fire Protection Association ("NFPA") adopts safety standards for fire trucks. NFPA standards typically add new requirements that are intended to increase the safety of fire fighters. Past NFPA standards have included the total enclosure of all crew-seating areas, establishment of maximum stepping heights on the apparatus and the provision of access hand rails. Although NFPA standards are not mandatory, past standards have

significantly impacted fire truck purchasing decisions. The Company's fire truck chassis meet current NFPA standards.

Motorhome Chassis

The Chassis Group custom manufactures chassis to the individual specifications of its motorhome chassis OEM customers. These specifications vary based on specific interior and exterior design specifications, power requirements, horsepower and electrical needs of the motorhome bodies to be attached to the Spartan chassis. The Chassis Group's motorhome chassis are separated into three major product series: (1) the "NVS" series chassis; (2) the "Mountain Master" series chassis; and (3) the "K-2" series chassis. These motorhome chassis are generally distinguished by differences in allowable vehicle weight, length, gross vehicle weight, engines, options and price. The Chassis Group designs and engineers modifications to these three basic product groups to meet customer requirements and to adapt the chassis to each OEM's specific manufacturing process. The Chassis Group continually seeks to develop innovative engineering solutions to customer requirements and strives to anticipate future market needs and trends by working closely with the OEMs and listening to the end users.

The Chassis Group recently developed a new motorhome chassis, the Me2, which is a mid-engine chassis featuring a rear-lift deck. The rear-lift deck, or traveling garage, provides extra storage space for bicycles, ATVs, canoes and other "toys" that complement the RV lifestyle. The mid-engine concept and rear-lift deck are in the patent process.

Technology that the Company plans to introduce for the 2003 model year is the newly engineered Spartan Active Ride. The Spartan Active Ride is designed to provide motorhome owners with improved cornering and handling by continually adjusting to the configuration of the road. Using a combination of hydraulics, electronic sensors and computer control, the Spartan Active Ride provides a tight, level and smooth motorhome ride, even when making high-speed turns or sudden stops. The Spartan Active Ride eliminates vehicle sway by applying the precise amount of force needed between the motorhome's chassis and the suspension system to keep it level through turns and lane changes, as well as on windy days. This force—which can be much higher than the conventional suspension permits—allows the motorhome to corner smoothly when conventional suspensions would not. The Company has exclusive license rights to this technology for three years from the date on which the Company approves the production system for commercial use.

Specialty Vehicle Chassis

The Chassis Group continues to develop specialized chassis and actively seeks additional applications of its existing products and technology in the specialty vehicle market. The Company believes that this specialty product group continues to have strong sales growth potential in the world marketplace. With its experience in manufacturing chassis for cement mixers, airport tankers and other specialty uses, the Company believes it is well positioned to continue to take advantage of opportunities in this market.

EVTeam

The Company's EVTeam consists of its three wholly owned subsidiaries, Luverne, Quality and Road Rescue. Each of these companies engineers and manufactures emergency vehicles built on chassis platforms purchased from either the Chassis Group or outside sources. As mentioned earlier, effective January 1, 2003, Luverne and Quality were combined by merger into Crimson.

Luverne Fire Apparatus Co., Ltd.

Luverne engineers, manufactures and markets its custom and commercial fire apparatus products through a network of dealers throughout North America. Luverne's product lines include pumper and aerial fire apparatus. Luverne is recognized in the industry for its innovative design, engineering expertise and bringing the strength of "Tubular Stainless Steel" design to the emergency vehicle market. Luverne employs approximately 70 associates at its headquarters in Brandon, South Dakota.

Quality Manufacturing, Inc.

Quality engineers, manufactures and markets custom and commercially produced emergency vehicles at its headquarters in Talladega, Alabama. Approximately 60 associates produce pumper and aerial fire apparatus that are marketed through a dealer network covering North America. Quality focuses its efforts on high-end fire truck customers who desire to extend the life span of their emergency vehicles by purchasing premium products.

Road Rescue, Inc.

Road Rescue engineers, manufactures and markets premium, custom advanced-care ambulances and rescue vehicles at its headquarters in St. Paul, Minnesota and its second plant located in Marion, South Carolina, which opened on May 1, 2002. Road Rescue is a market leader in the design and manufacturing of Type I, Type II and Type III advanced care ambulances. Road Rescue focuses primarily on medium-duty type vehicles, which represent one of the fastest growing segments of the emergency vehicle market. Road Rescue markets its products through a dealer network throughout the United States and Canada. Road Rescue employs approximately 160 associates.

Marketing

The Chassis Group markets its custom manufactured chassis primarily through the direct contact of its sales department with OEMs, dealers and end users. The EVTeam maintains dealer organizations that establish close working relationships through their sales departments with end users. These personal contacts focus on the quality of the group's custom products and allow the Company to keep customers updated on new and improved product lines and end users' needs.

In 2002, representatives from the Company attended trade shows, rallies and expositions throughout North America to promote its products. Trade shows provide the opportunity to display products and to meet directly with OEMs who purchase chassis, dealers who sell finished vehicles and consumers who buy the finished product. Participation in these events also allows the Company to learn what customers and end users are looking for in the future. The Company uses these events to create a competitive advantage by relaying this information back to its research and development engineering groups for future development purposes.

The Company's sales and marketing team is responsible for marketing its manufactured goods and producing product literature. The sales group

consists of 10 salespeople based in Charlotte, Michigan and 16 salespeople located throughout North America, including the independent sales forces of Luverne, Quality and Road Rescue.

Competition

The principal methods of competitive advantages utilized by the Company include shorter engineering reaction time, custom design capability, higher product quality, superior customer service and faster speed of delivery. The Company competes with companies that manufacture chassis for similar markets, including some divisions of large diversified organizations that have total sales and financial resources exceeding those of the Company. Certain competitors are vertically integrated and manufacture their own commercial chassis and/or apparatuses, although they generally do not sell their chassis to outside customers (other OEMs). The Company's direct competitors in the specialty chassis and emergency vehicle apparatus markets are principally smaller manufacturers.

Because of the lack of reliable published statistics, the Company is unable to state with certainty its position in the market compared to its competition. The emergency vehicle market and, to a lesser degree, the custom chassis market are fragmented. The Company believes that no one company has a dominant position in either market.

Manufacturing

The Chassis Group has four principal assembly facilities in Charlotte, Michigan for its custom chassis products. Due to the custom nature of its business, the Company's chassis cannot be manufactured efficiently on automated assembly lines. Generally, the Chassis Group designs, engineers and assembles its specialized heavy-duty truck chassis using commercially available components purchased from outside suppliers rather than producing

components internally. This approach facilitates prompt serviceability of finished products, reduces production costs, expedites the development of new products and reduces the potential of costly down time for the end user.

The EVTeam products are manufactured and assembled in each of the subsidiaries' respective manufacturing facilities, represented by four plants in total. The chassis for the products are purchased from the Chassis Group and from outside commercially produced chassis manufacturers. The EVTeam facilities do not use fully automated assembly lines since each vehicle is manufactured to meet specifications of an end user customized order. The chassis is rolled down the assembly line as other components are added and connected. The body is manufactured at the facility with components such as pumps, tanks, aerial ladders and electrical control units purchased from outside suppliers.

The Company believes that the assembly facilities of its subsidiaries are sufficient to meet expected production levels. Any further capacity increases can be achieved at a relatively low cost, largely by increasing the number of production associates or adding additional shifts.

Suppliers

An important strategy in the Company's product development has been its ability to purchase quality sub-assemblies and parts from some of the leading automotive parts suppliers in the country. Major component suppliers include Cummins Engine Co., Allison Division of General Motors Corporation, Tuthill Transport Technologies, Arvin-Meritor, Inc., St. Clair Technologies, Marion Body Works, Inc., Thomas Fabrication & Design, and Michelin Tire Corporation. The Company is able to better control production costs due to its high volume purchasing power with these component suppliers. The additional joint volume buying power of the Company's subsidiaries has helped to further control and reduce per piece component costs.

Research and Development

The Company's success depends on its ability to respond quickly to changing market demands and new regulatory requirements. Thus, it emphasizes research and development and commits significant resources to develop and adapt new products and production techniques. The Company devotes a portion of its facilities to research and development projects and focuses on implementing the latest technology from component manufacturers into existing products and manufacturing prototypes of new product lines. For more information concerning the Company's expenditures on research and development, see "Management's Discussion and Analysis of Financial Condition and Results of Operations," appearing in Item 7 of this Form 10-K. New products that the Company has recently introduced or plans to introduce in the near future are discussed elsewhere in this Item 1.

Product Warranties

The Company's subsidiaries all provide limited warranties against assembly/construction defects. These warranties generally provide for the replacement or repair of defective parts or workmanship for a specified period following the date of sale. The end users also may receive limited warranties from suppliers of components that are incorporated into the Company's chassis and vehicles. For more information concerning the Company's product warranties, see Note 10, *Commitments and Contingent Liabilities*, of the Notes to Consolidated Financial Statements appearing in this Form 10-K.

Patents, Trademarks, Licenses and Franchises

The Company has one United States patent which expires in 2016, subject to the payment of required maintenance fees. The Company also owns one United States copyright registration, one United States trademark registration, and two United States service mark registrations, as well as one trademark registration in each of Mexico, New Zealand, Peru and Papua New Guinea. The trademark and service mark registrations are generally renewable under applicable laws, subject to payment of required fees and the filing of affidavits of use.

The Company believes its products are identified by the Company's trademarks and that its trademarks are valuable assets. The Company is not aware of any infringing uses or any prior claims of ownership of its trademarks that could materially affect its business.

Environmental Matters

Compliance with federal, state and local environmental laws and regulations has not had, nor is it expected to have, a material effect on the Company's capital expenditures, earnings or competitive position.

Associates

The Company and its subsidiaries employed approximately 745 full-time associates as of February 20, 2003. Management presently considers its relations with associates to be positive.

Customer Base

In 2002, the Company's customer base included two major customers. Sales in 2002 to Newmar Corp. ("Newmar") were \$48.0 million and sales to Fleetwood Motor Homes of Indiana, Inc. ("Fleetwood") were \$42.2 million. These numbers compare to sales of \$36.7 million to Newmar and \$23.7 million to Fleetwood in 2001 and \$47.8 million to Newmar and \$45.9 million to Fleetwood in 2000. Sales to customers classified as major amounted to 34.8%, 26.7% and 37.3% of total revenues in 2002, 2001 and 2000, respectively. Although the loss of a major customer could have a material adverse effect on the Company and its future operating results, the Company believes that it has developed strong relationships with its customers.

Sales made to external customers outside the United States were \$1.7 million, \$2.3 million and \$3.4 million for the years ended December 31, 2002, 2001 and 2000, respectively, or 0.7%, 1.0% and 1.4%, respectively, of sales for those years. With the exception of the facility in Queretaro, Mexico, all of the Company's long-lived assets are located in the United States.

Backlog Orders

At December 31, 2002, the Company had backlog orders for the Chassis Group of approximately \$45.6 million, compared with a backlog of \$44.0 million at December 31, 2001. At December 31, 2002, the Company had backlog orders for the EVTeam of \$30.0 million compared, with a backlog of \$31.7 million at December 31, 2001. The Company expects to fill all of the backlog orders at December 31, 2002 during 2003.

Although the backlog of unfilled orders is one of many indicators of market demand, several factors, such as changes in production rates, available capacity, new product introductions and competitive pricing actions, may affect actual sales. Accordingly, a comparison of backlog from period to period is not necessarily indicative of eventual actual shipments.

Available Information

The Company's address of the Company's web site is www.spartanmotors.com. The Company is in the process of arranging to make its Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports (and amendments thereto) filed or furnished pursuant to Section 13(a) of the Securities Exchange Act available on its web site as soon as reasonably practicable after the Company electronically files or furnishes such materials with the Securities and Exchange Commission. However, the Company's web site does currently contain a link to freedgar.com, where interested persons can view such materials without charge. Also, in the meantime, paper copies of these materials are available without charge upon written request to James W. Knapp, Spartan Motors, Inc., 1165 Reynolds Road, Charlotte, Michigan 48813.

Item 2. Properties.

The following table sets forth information concerning the properties owned or leased by the Company. The Company believes that its facilities are suitable for their intended purposes and adequate to meet its requirements for the foreseeable future.

Used By	Location	Use	Owned/ Leased	Square Footage
Spartan Motors Chassis, Inc.	Plant I - 1000 Reynolds Road Charlotte, Michigan	Manufacturing and Warehousing	Owned	51,000
Spartan Motors, Inc., Spartan Motors Chassis, Inc.	Plant II - 1165 Reynolds Road Charlotte, Michigan	Headquarters, Manufacturing, Sales and Marketing	Owned	44,000
Spartan Motors, Inc., Spartan Motors Chassis, Inc.	Plant III - 1580 Mikesell Street Charlotte, Michigan	Engineering, Research & Development and Manufacturing	Owned	50,000

Spartan Motors, Inc., Spartan Motors Chassis, Inc.	Plant IV - 1549 Mikesell Street Charlotte, Michigan	Manufacturing, Accounting, Receiving, Service Parts, Purchasing, Customer Service, and Warehousing	Owned	140,000
Spartan Motors Chassis, Inc.	Plant VII - 1111 Mikesell Street Charlotte, Michigan	Warehousing and Receiving	Leased	42,000
Spartan de Mexico S.A. de C.V.	Acceso III S-N, Queretaro, Mexico	Manufacturing and Warehousing	Owned	100,000*
Luverne Fire Apparatus Co., Ltd.	1209 E. Birch Street Brandon, South Dakota	General Offices, Manufacturing, and Warehousing	Leased	35,000
Quality Manufacturing, Inc.	1420 Nimitz Avenue Talladega, Alabama	General Offices, Manufacturing and Warehousing	Owned	65,000
Road Rescue, Inc.	1133 Rankin Street Saint Paul, Minnesota	General Offices, Manufacturing and Warehousing	Leased	93,000
Road Rescue, Inc.	2914 Spartan Place Marion, South Carolina	General Offices, Manufacturing and Warehousing	Owned	106,000

*Currently idle

Item 3. Legal Proceedings.

At December 31, 2002, the Company and its subsidiaries were parties, both as plaintiff or defendant, to a number of lawsuits and claims arising out of the normal conduct of their businesses. In the opinion of management, the

Company's financial position and future operating results will not be materially affected by the final outcome of these legal proceedings.

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

During the fourth quarter of 2002, no matters were submitted to a vote of security holders, through the solicitation of proxies or otherwise.

PART II

Item 5. Market For Registrant's Common Stock and Related Shareholder Matters.

The Company's common stock is traded on The Nasdaq Stock Market under the symbol "SPAR."

The following table sets forth the high and low sale prices for the Company's common stock for the periods indicated, all as reported by The Nasdaq Stock Market:

	<u>High</u>	<u>Low</u>
Year Ended December 31, 2002:		
First Quarter	\$9.100	\$5.610
Second Quarter	15.370	7.450
Third Quarter	15.800	9.240
Fourth Quarter	11.990	8.250
Year Ended December 31, 2001:		
First Quarter	\$3.375	\$1.500
Second Quarter	4.260	2.000
Third Quarter	6.100	3.250
Fourth Quarter	7.000	3.250

The Company declared cash dividends of \$0.06 per outstanding share on October 8, 2002, \$0.10 per outstanding share on May 6, 2002 and \$0.07 per outstanding share on May 14, 2001, to shareholders of record on October 25, 2002, May 28, 2002 and May 29, 2001, respectively.

The number of shareholders of record (excluding participants in security position listings) of the Company's common stock on February 18, 2003 was 654.

See Item 12 below for information concerning the Company's equity compensation plans.

Item 6. Selected Financial Data.

The selected financial data shown below for the Company for each of the five years in the period ended December 31, 2002 has been derived from the Consolidated Financial Statements of the Company. The following data should be read in conjunction with the Consolidated Financial Statements and related Notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this Form 10-K.

Five-Year Operating and Financial Summary
(In Thousands of Dollars, Except Per Share Data)

	2002	2001	2000	1999	1998
Sales	\$ 259,527	\$ 226,263	\$ 251,406	\$ 284,638	\$ 251,638
Cost of products sold	213,530	189,478	218,114	244,268	216,296
Gross profit	45,997	36,785	33,292	40,370	35,342
Operating expenses:					
Research and development	7,152	6,210	6,341	6,590	5,404
Selling, general & administrative	21,531	19,637	19,010	22,832	18,221
Operating income	17,314	10,938	7,941	10,948	11,717
Other, net	90	(1,038)	(889)	(994)	(165)
Earnings from continuing operations before taxes on income	17,404	9,900	7,052	9,954	11,552
Taxes on income	5,969	3,885	2,142	3,061	4,236
Net earnings from continuing operations (a)	11,435	6,015	4,910	6,893	7,316
Discontinued operations:					
Loss from operations of Carpenter	-	-	(3,901)	(8,284)	(3,831)
Gain (loss) on disposal of Carpenter	269	116	(6,619)	-	-
Net earnings (loss) (a)	\$ 11,704	\$ 6,131	\$ (5,610)	\$ (1,391)	\$ 3,485
Basic earnings (loss) per share (a):					
Net earnings from continuing operations	\$ 1.00	\$ 0.57	\$ 0.43	\$ 0.55	\$ 0.59
Discontinued operations	0.02	0.01	(0.92)	(0.66)	(0.31)
Basic earnings (loss) per share	\$ 1.02	\$ 0.58	\$ (0.49)	\$ (0.11)	\$ 0.28

Diluted earnings (loss) per share (a):					
Net earnings from continuing operations	\$ 0.95	\$ 0.57	\$ 0.43	\$ 0.55	\$ 0.59
Discontinued operations	0.02	0.01	(0.92)	(0.66)	(0.31)
Diluted earnings (loss) per share	\$ 0.97	\$ 0.58	\$ (0.49)	\$ (0.11)	\$ 0.28
Cash dividends per common share	\$ 0.16	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07
Basic weighted average common shares outstanding	11,492	10,561	11,493	12,483	12,507
Diluted weighted average common shares outstanding	12,013	10,616	11,496	12,500	12,536
Balance Sheet Data:					
Net working capital	\$ 35,290	\$ 29,190	\$ 38,057	\$ 41,867	\$ 45,208
Total assets	88,312	77,612	98,305	122,698	125,916
Long-term debt, continuing operations	-	9,400	24,504	23,119	22,265
Shareholders' equity	56,434	36,912	30,653	43,178	45,133

(a) In 2002, the Company adopted Statement of Financial Accounting Standards (SFAS) No. 142, *Goodwill and Other Intangible Assets*. The nonamortization provisions of SFAS No. 142 related to goodwill would have increased net earnings from continuing operations by \$0.4 million and increased basic and diluted earnings per share by \$0.04 in 2001 and 2000, and \$0.03 in 1999 and 1998, if applied in those years.

The five-year summary above should be read in conjunction with Note 11, *Discontinued Operations*, of the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K.

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

The following section provides a narrative discussion about the Company's financial condition and results of operations. The comments that follow should be read in conjunction with the Company's Consolidated Financial Statements and related Notes thereto appearing in this Form 10-K.

Results of Operations

The following table sets forth, for the periods indicated, the components of the Company's consolidated statements of operations, on an actual basis, as a percentage of revenues:

	Year Ended December 31,		
	2002	2001	2000
Sales	100.0%	100.0%	100.0%
Cost of products sold	82.3 %	83.7%	86.8%
Gross profit	17.7%	16.3%	13.2%
Operating expenses:			
Research and development	2.8%	2.7%	2.5%
Selling, general & administrative	8.2%	8.8%	7.5%
Operating income	6.7%	4.8%	3.2%
Other, net	0.0%	(0.4%)	(0.3%)
Earnings from continuing operations before taxes on income	6.7%	4.4%	2.9%
Taxes on income	2.3%	1.8%	0.9%

Net earnings from continuing operations	4.4%	2.6%	2.0%
Discontinued operations:			
Loss from operations of Carpenter	-	-	(1.6%)
Gain (loss) on disposal of Carpenter	0.1%	0.1%	(2.6%)
Net earnings (loss)	4.5%	2.7%	(2.2%)

Year Ended December 31, 2002 compared to Year Ended December 31, 2001

Continuing Operations

For the year ended December 31, 2002, consolidated sales increased \$33.3 million (14.7%) over the amount reported for the previous year. This increase is largely due to a \$35.3 million (20.4%) increase in Chassis Group sales, offset by a \$5.8 million (8.4%) decrease in EVTeam sales. The decrease in EVTeam sales is primarily due to lower tax revenues at the state and local levels, translating into tighter budgets and, in some cases, reduced spending on capital assets. This resulted in slightly lower ambulance and fire apparatus deliveries in the latter part of 2002. Lower sales from the Chassis Group to the EVTeam caused intercompany sales to decrease \$3.7 million (23.2%) over the prior year. In the prior year, the EVTeam filled two large orders, one for the City of Atlanta and the other for the City of Chicago, all built on Chassis Group product. Intercompany sales are eliminated from the consolidated sales totals.

Within the Chassis Group, the motorhome chassis line had sales increase 36.9% over the 2001 fiscal year. The recreational vehicle industry had a strong year in 2002, propelled by lower interest rates, less travel abroad and by travelers opting for road versus air travel. Also contributing to the increase in sales was an increase in high-end motorhome chassis product sales, which grew 126.1% in 2002 over 2001.

The Chassis Group's other primary product line, fire truck chassis, had a decline of 7.6% in sales for the year ended December 31, 2002 over the year ended December 31, 2001. The launch of the Chassis Group's new Gladiator Evolution, which was designed to meet new engine emission standards, ramped up slowly to ensure quality standards were not compromised.

Transit bus chassis sales for 2002 decreased 100.0% over 2001, as the Company finished off its transit bus backlog in 2001. The Company decided during 2000 to transition out of the transit bus market. For the year ended December 31, 2002, sales of specialty chassis declined approximately 42.5%, compared to the year ended December 31, 2001. This is due to the Chassis Group's focus in 2002 on its two primary product lines, motorhome and fire truck chassis, due to the uncertainty of the domestic economy during the year.

Gross margin increased from 16.3% in 2001 to 17.7% in 2002. This is primarily due to improvements in productivity and a reduction in warranty costs. Higher sales volumes contributed to the greater efficiencies in production while improved product quality and reliability has translated to lower warranty expense.

Selling, general and administrative expenses decreased from 8.8% of sales for the year ended December 31, 2001 to 8.2% for the year ended December 31, 2002. In actual dollars, selling, general and administrative expenses were up 9.7% over the prior year. This increase is primarily due to increases in commercial and health insurance costs as well as higher incentive compensation expense. The increases in commercial and health insurance costs are due to unfavorable insurance markets, which are being experienced by many other companies.

The increase in the Company's income taxes is due to higher earnings before taxes in 2002 when compared to 2001. See Note 5, *Taxes on Income*, of the Notes to Consolidated Financial Statements for further information regarding income taxes.

Net earnings from continuing operations increased to \$11.4 million (\$0.95 per diluted share) in 2002 from \$6.0 million (\$0.57 per diluted share) in 2001 as a result of the factors discussed above.

Discontinued Operations

On September 28, 2000, the Company's Board of Directors passed a resolution to cease funding of the Company's majority-owned subsidiary, Carpenter. Carpenter's Board of Directors then voted on September 29, 2000 to begin the orderly liquidation of Carpenter. Because Carpenter was a separate segment of the Company's business, the disposition of Carpenter's net assets is being accounted for as a discontinued operation. The \$0.1 million gain and \$0.3 million gain on disposal of Carpenter in 2001 and 2002, respectively, are a result of the Company's revision of its estimated loss to dispose of the business, based upon substantial completion of the liquidation.

Year Ended December 31, 2001 compared to Year Ended December 31, 2000

Continuing Operations

For the year ended December 31, 2001, consolidated sales decreased \$25.1 million (10.0%) over the amount reported for the previous year. This decrease was primarily due to a \$28.8 million (14.3%) decrease in Chassis Group sales, offset by a \$9.1 million (15.2%) increase in EVTeam sales. The increase in EVTeam sales was primarily due to older demographics in the United States, creating a higher demand for emergency vehicles. In addition, emergency vehicle markets are less impacted by swings in the economy. Higher sales from the Chassis Group to the EVTeam caused intercompany sales to increase \$5.4 million (51.3%) over the prior year. The EVTeam was in the process of filling two large orders in 2001, one for the City of Atlanta and the other for the City of Chicago, all built on Chassis Group product. Intercompany sales are eliminated from the consolidated sales totals.

Within the Chassis Group, the motorhome chassis line had a sales decline of 18.7% over the 2000 fiscal year. The domestic economic recession, coupled with stock market uncertainty stemming from the terrorist attacks on September 11, 2001, contributed to the slower demand in the motorhome market in 2001.

The Chassis Group's other primary product line, fire truck chassis, had an increase of 4.6% in sales for the year ended December 31, 2001 over the year ended December 31, 2000. For the second year in a row, almost all of the fire truck chassis platforms experienced growth over the prior year due to a strong market.

Transit bus chassis sales for 2001 decreased 75.1% over 2000, as the Company wound down its transit bus backlog. The Company decided during 2000 to transition out of the transit bus market. For the year ended December 31, 2001, sales of specialty chassis declined approximately 59.7%, compared to the year ended December 31, 2000. This was due to the Chassis Group's focus in 2001 on its two primary product lines, motorhome and fire truck chassis.

Gross margin increased from 13.2% in 2000 to 16.3% in 2001. This was primarily due to changes in the levels of inventory write-offs and warranty claims. In 2000, the Company decided to exit the transit bus market, resulting in write-offs of obsolete chassis inventory related to transit buses. In 2001, the Company experienced better inventory monitoring by management and associates, resulting in lower inventory write-offs. In addition, improved product quality and reliability translated to lower warranty expense in 2001.

Selling, general and administrative expenses increased from 7.5% of sales for the year ended December 31, 2000 to 8.8% for the year ended December 31, 2001. In actual dollars, selling, general and administrative expenses were up only 3.2%. This increase was primarily due to increases in commercial and health insurance costs as well as an increase in the Company's Michigan Single Business Tax (SBT). The increases in commercial and health insurance costs were due to unfavorable insurance markets, which were being experienced by many other companies. As the tax base for determining SBT requires the Company to add back employee benefit costs, the higher health insurance costs have also translated into a higher SBT expense over the prior year.

The increase in the Company's income taxes is due to higher earnings before taxes in 2001 when compared to 2000. See Note 5, *Taxes on Income*, of the Notes to Consolidated Financial Statements for further information regarding income taxes.

Net earnings from continuing operations increased to \$6.0 million (\$0.57 per diluted share) in 2001 from \$4.9 million (\$0.43 per diluted share) in 2000 as a result of the factors discussed above.

Discontinued Operations

On September 28, 2000, the Company's Board of Directors passed a resolution to cease funding of the Company's majority-owned subsidiary, Carpenter. Carpenter's Board of Directors then voted on September 29, 2000 to begin the orderly liquidation of Carpenter. Because Carpenter was a separate segment of the Company's business, the disposition of Carpenter's net assets is being accounted for as a discontinued operation. The \$3.9 million loss from operations of Carpenter reflects losses generated from operating the business segment during 2000 through September 29, 2000. The \$0.1 million gain on disposal of Carpenter in 2001 is a result of the Company's revision of its estimated loss to dispose of the business, based upon substantial completion of the liquidation in the fourth quarter. The \$6.6 million after-tax loss on disposal of Carpenter in 2000 resulted from the decision to initiate the orderly liquidation of Carpenter and this amount included approximately \$1.8 million for anticipated operating losses during the phase-out period.

Quarterly Results

The Company's rate of sales growth has varied historically from quarter to quarter. For a description of quarterly financial data, see Note 13, *Quarterly Financial Data (Unaudited)*, of the Notes to Consolidated Financial Statements appearing in this Form 10-K.

Liquidity and Capital Resources

For the year ended December 31, 2002, cash provided by continuing operating activities was approximately \$16.0 million, which was \$6.0 million less than the \$22.0 million of cash provided by continuing operating activities for the year ended December 31, 2001. Due primarily to an increase in sales, the Company's working capital increased by \$6.1 million from \$29.2 million in 2001 to \$35.3 million in 2002. See the "Consolidated Statements of Cash Flows" contained in this Form 10-K for further information regarding the increase in cash and cash equivalents, from \$4.2 million as of December 31, 2001, to \$8.1 million as of December 31, 2002. See "Item 6--Selected Financial Data" for a five-year comparison of working capital.

Shareholders' equity increased approximately \$19.5 million to \$56.4 million as of December 31, 2002. This change is primarily the result of net earnings of \$11.7 million and net proceeds from the exercise of stock options of \$9.6 million, net of dividends of \$1.8 million. See the "Consolidated Statements of Shareholders' Equity" contained in this Form 10-K for further information regarding the changes in shareholders' equity.

The Company's primary line of credit is a \$25.0 million revolving note payable to a bank that expires on October 15, 2003. The Company expects

to extend or refinance this line of credit in 2003. Under the terms of the line of credit agreement, the Company is required to maintain certain financial ratios and other financial conditions. The agreement also prohibits the Company from incurring additional indebtedness, limits certain acquisitions, investments, advances or loans and restricts substantial asset sales. At December 31, 2002, the Company was in compliance with all debt covenants.

The Company also has a secured line of credit of \$0.2 million and an unsecured line of credit of \$1.0 million. The \$0.2 million line carries an interest rate of 2% above the bank's prime rate (prime rate at December 31, 2002 was 4.25%) and has an expiration date of June 1, 2003. This line of credit is secured by accounts receivable, inventory and equipment. The \$1.0 million line carries an interest rate of 1% above the bank's prime rate and expires only if there is a change in management. There were no borrowings on either of these lines at December 31, 2002 and 2001. The Company believes it has sufficient resources from cash flows from operating activities and, if necessary, from additional borrowings under its lines of credit to satisfy ongoing cash requirements for the next 12 months.

See Note 4, *Leases*, and Note 10, *Commitments and Contingent Liabilities*, of the Notes to Consolidated Financial Statements for information regarding the Company's future commitments under real estate leases and certain other obligations.

Critical Accounting Policies

The following discussion of accounting policies is intended to supplement Note 1, *General and Summary of Accounting Policies*, of the Notes to Consolidated Financial Statements. These policies were selected because they are broadly applicable within the Company's operating units and they involve additional management judgment due to the sensitivity of the methods, assumptions and estimates necessary in determining the related income statement, asset and/or liability amounts.

Revenue Recognition - The Company recognizes revenue in accordance with SEC Staff Accounting Bulletin (SAB) No. 101, *Revenue Recognition in Financial Statements*, as amended by SAB 101A and SAB 101B. Accordingly, revenue is recognized when title to the product and risk of ownership passes to the buyer. This occurs when the unit has been completed in accordance with purchase order specifications and has been tendered for delivery to the customer. Sales are shown net of returns, discounts and sales incentives, which historically have not been significant.

Inventory - Estimated inventory allowances for slow-moving and obsolete inventory are based upon current assessments about future demands, market conditions and related management initiatives. If market conditions are less favorable than those projected by management, additional inventory allowances may be required.

Warranties - The Company's policy is to record a provision for the estimated cost of warranty-related claims at the time of the sale, and periodically adjust the provision to reflect actual experience. The amount of warranty liability

accrued reflects management's best estimate of the expected future cost of honoring the Company's obligations under the warranty agreements. The Company's estimates are based on historical experience, the number of units involved and the extent of features and components included in product models.

Pending Accounting Policies

See "New Accounting Standards Not Yet Adopted" in Note 1, *General and Summary of Accounting Policies*, of the Notes to Consolidated Financial Statements included in this Form 10-K.

Effect of Inflation

Inflation affects the Company in two principal ways. First, the Company's debt, if any, is tied to the prime and LIBOR rates so that increases affecting interest rates may be translated into additional interest expense. Second, general inflation impacts prices paid for labor, parts and supplies. Whenever possible, the Company attempts to cover increased costs of production and capital by adjusting the prices of its products. However, the Company generally does not attempt to negotiate inflation-based price adjustment provisions into its contracts. Since order lead times can be as much as six months, the Company has limited ability to pass on cost increases to its customers on a short-term basis. In addition, the markets served by the Company are competitive in nature, and competition limits the pass through of cost increases in many cases. The Company strives to minimize the effect of inflation through cost reductions and improved productivity.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk.

The Company's primary market risk exposure is a change in interest rates in connection with its outstanding variable rate short-term and long-term debt. However, at December 31, 2002, the Company had no debt outstanding under its variable rate short-term and long-term debt agreements. The Company does not enter into market risk sensitive instruments for trading purposes.

Item 8. Financial Statements and Supplementary Data.SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2002	2001
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 8,081,639	\$ 4,192,785
Accounts receivable, less allowance for doubtful accounts of \$365,000 in 2002 and \$446,000 in 2001	28,823,185	25,774,877
Inventories	25,205,450	23,587,813
Deferred tax assets	3,463,765	3,777,269
Other current assets	1,286,564	1,619,503
Current assets of discontinued operations	307,288	1,537,915
Total current assets	67,167,891	60,490,162
Property, plant and equipment, net	15,155,436	11,288,223
Goodwill	4,543,422	4,543,422
Deferred tax assets	1,301,560	1,183,836
Other assets	144,191	106,176
TOTAL ASSETS	\$ 88,312,500	\$ 77,611,819
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 15,939,864	\$ 13,850,182
Accrued warranty	2,768,389	3,510,316
Taxes on income	1,412,210	1,241,325
Accrued compensation and related taxes	4,232,013	1,740,563
Accrued vacation	1,217,187	1,118,200
Deposits from customers	4,098,211	3,807,185
Other current liabilities and accrued expenses	2,201,473	2,231,370
Current portion of long-term debt	--	2,005,079
Current liabilities of discontinued operations	8,692	1,795,556
Total current liabilities	31,878,039	31,299,776
Long-term debt, less current portion	--	9,400,000
Shareholders' equity:		
Preferred stock, no par value; 2,000,000 shares authorized (none issued)	--	--
Common stock, \$0.01 par value; 23,900,000 shares authorized; issued 12,025,842 shares and 10,722,142 shares as of December 31, 2002 and 2001, respectively	120,258	107,221
Additional paid in capital	30,776,327	21,133,937

Retained earnings	25,537,876	15,670,885
Total shareholders' equity	56,434,461	36,912,043
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 88,312,500	\$ 77,611,819

See Notes to Consolidated Financial Statements.

**SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS**

Year Ended December 31,

	2002	2001	2000
Sales	\$ 259,527,274	\$ 226,262,753	\$ 251,405,660
Cost of products sold	213,529,881	189,478,179	218,113,677
Gross profit	45,997,393	36,784,574	33,291,983
Operating expenses:			
Research and development	7,151,688	6,210,483	6,341,169
Selling, general and administrative	21,532,148	19,635,906	19,009,446
Operating income	17,313,557	10,938,185	7,941,368
Other income (expense):			
Interest expense	(347,803)	(1,375,128)	(1,617,771)
Interest and other income	438,404	337,433	728,912
Earnings from continuing operations before taxes on income	17,404,158	9,900,490	7,052,509
Taxes on income	5,969,000	3,885,000	2,142,000
Net earnings from continuing operations	11,435,158	6,015,490	4,910,509
Discontinued operations:			
Loss from operations of Carpenter	-	-	(3,900,853)
Gain (loss) on disposal of Carpenter, including provision of \$1,775,000 in 2000 for operating losses during phase-out period (including applicable income tax benefit of \$185,000, \$802,000 and \$6,422,000 in 2002, 2001 and 2000, respectively)	269,314	115,649	(6,619,174)
Net earnings (loss)	\$ 11,704,472	\$ 6,131,139	\$ (5,609,518)
Basic net earnings (loss) per share:			
Net earnings from continuing operations	\$ 1.00	\$ 0.57	\$ 0.43
Gain (loss) from discontinued operations:			

Loss from operations of Carpenter	-	-	(0.34)
Gain (loss) on disposal of Carpenter	0.02	0.01	(0.58)
Basic net earnings (loss) per share	\$ 1.02	\$ 0.58	\$ (0.49)
Diluted net earnings (loss) per share:			
Net earnings from continuing operations	\$ 0.95	\$ 0.57	\$ 0.43
Gain (loss) from discontinued operations:			
Loss from operations of Carpenter	-	-	(0.34)
Gain (loss) on disposal of Carpenter	0.02	0.01	(0.58)
Diluted net earnings (loss) per share	\$ 0.97	\$ 0.58	\$ (0.49)
Basic weighted average common shares outstanding	11,492,000	10,561,000	11,493,000
Diluted weighted average common shares outstanding	12,013,000	10,616,000	11,496,000

See Notes to Consolidated Financial Statements.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2002, 2001 AND 2000

	Number of Shares	Common Stock	Additional Paid In Capital	Retained Earnings	Total
Balance at January 1, 2000	12,273,977	\$ 122,740	\$ 23,645,151	\$ 19,410,550	\$ 43,178,441
Purchase and constructive retirement of stock	(1,755,900)	(17,559)	(3,388,887)	(2,714,276)	(6,120,722)
Dividends paid (\$0.07 per share)				(810,745)	(810,745)
Other			15,389		15,389
Net loss				(5,609,518)	(5,609,518)
Balance at December 31, 2000	10,518,077	105,181	20,271,653	10,276,011	30,652,845
Stock options exercised and related tax benefit	204,065	2,040	862,284		864,324
Dividends paid (\$0.07 per share)				(736,265)	(736,265)
Net earnings				6,131,139	6,131,139
Balance at December 31, 2001	10,722,142	107,221	21,133,937	15,670,885	36,912,043
Stock options exercised and related tax benefit	1,303,700	13,037	9,589,390		9,602,427
Dividends paid (\$0.16 per share)				(1,837,481)	(1,837,481)
Other			53,000		53,000

Net earnings					11,704,472	11,704,472			
Balance at December 31, 2002	12,025,842	\$	120,258	\$	30,776,327	\$	25,537,876	\$	56,434,461

See Notes to Consolidated Financial Statements.

**SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS**

Year Ended December 31,

	2002	2001	2000
Cash flows from operating activities:			
Net earnings from continuing operations	\$ 11,435,158	\$ 6,015,490	\$ 4,910,509
Adjustments to reconcile net earnings from continuing operations to net cash provided by operating activities:			
Depreciation	1,884,711	1,787,811	1,799,990
Amortization	-	416,999	439,482
Loss (gain) on disposal of assets	4,022	4,535	(24,272)
Tax benefit from stock options exercised	2,413,000	-	-
Other	53,000	-	-
Decrease (increase) in operating assets:			
Accounts receivable	(3,048,308)	6,296,010	4,443,620
Inventories	(1,617,637)	6,849,979	9,195,182
Deferred tax assets	195,780	246,000	(1,719,800)
Federal taxes receivable	-	5,697,352	(4,269,407)
Other assets	294,924	(421,462)	57,376
Increase (decrease) in operating liabilities:			
Accounts payable	2,089,682	(5,332,150)	(3,224,060)
Accrued warranty	(741,927)	(463,015)	669,553
Taxes on income	170,885	1,241,325	-
Accrued compensation and related taxes	2,491,450	107,446	(58,547)
Accrued vacation	98,987	99,211	(89,675)
Deposits from customers	291,026	1,348,619	(1,194,398)
Other current liabilities and accrued expenses	(29,897)	(1,891,008)	2,106,510
Total adjustments	4,549,698	15,987,652	8,131,554
Net cash provided by continuing operating activities	15,984,856	22,003,142	13,042,063

Net cash used in discontinued operating activities	(286,923)	(1,944,571)	(6,154,146)
Net cash provided by operating activities	15,697,933	20,058,571	6,887,917
Cash flows from investing activities:			
Purchases of property, plant and equipment	(5,758,029)	(2,515,822)	(1,282,394)
Proceeds from sale of property, plant and equipment	2,083	30,915	38,374
Minority interest contributions	-	-	(1,000)
Net cash used in investing activities	(5,755,946)	(2,484,907)	(1,245,020)
Cash flows from financing activities:			
Payments on notes payable	-	(30,000)	(5,000)
Proceeds from long-term debt	-	-	2,800,000
Payments on long-term debt	(11,405,079)	(14,013,968)	(1,022,586)
Net proceeds from exercise of stock options	7,189,427	864,324	-
Purchase of treasury stock	-	-	(6,120,722)
Payment of dividends	(1,837,481)	(736,265)	(810,745)
Other	-	-	15,389
Net cash used in financing activities	(6,053,133)	(13,915,909)	(5,143,664)
Net increase in cash and cash equivalents	3,888,854	3,657,755	499,233
Cash and cash equivalents at beginning of year	4,192,785	535,030	35,797
Cash and cash equivalents at end of year	\$ 8,081,639	\$ 4,192,785	\$ 535,030

Supplemental disclosures: Cash paid for interest was \$322,000, \$1,450,000 and \$2,104,000 for 2002, 2001 and 2000, respectively.
Cash paid (refunds) for income taxes was \$2,884,000, (\$4,343,000) and \$1,655,000 for 2002, 2001 and 2000, respectively.

See Notes to Consolidated Financial Statements.

SPARTAN MOTORS, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTE 1 - GENERAL AND SUMMARY OF ACCOUNTING POLICIES

Nature of Operations. Spartan Motors, Inc. (the "Company") is an international engineer and manufacturer of custom motor vehicle chassis and bodies. The Company's principal chassis markets are fire trucks, motorhomes and specialty vehicles. The Company has additional subsidiaries included in its consolidated financial statements that are manufacturers of bodies for various markets including fire trucks and ambulances.

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and its four wholly owned subsidiaries: Spartan Motors Chassis, Inc., Quality Manufacturing, Inc., Luverne Fire Apparatus Co., Ltd. and Road Rescue, Inc. Effective January 1, 2003, Luverne Fire Apparatus Co., Ltd. and Quality Manufacturing, Inc. were combined in a tax-free merger into a newly named entity, Crimson Fire, Inc. Carpenter Industries, Inc. ("Carpenter") is a 57.6% owned subsidiary that, effective September 29, 2000, is accounted for as a discontinued operation (see Note 11). All material intercompany transactions have been eliminated.

Financial Instruments. The Company values financial instruments as required by Statement of Financial Accounting Standards (SFAS) No. 107, *Disclosures about Fair Values of Financial Instruments*. The carrying amounts of cash and cash equivalents, accounts receivable, accounts payable and long-term debt approximate fair value. The Company does not utilize derivative instruments.

Revenue Recognition. The Company recognizes revenue when title to its product passes to the customer. This occurs when production and testing of the product has been completed and the product has been tendered for delivery.

Shipping and Handling of Products. Costs incurred related to the shipment and handling of products are classified in cost of products sold. Amounts billed to customers for shipping and handling of products are included in net sales.

Use of Estimates. The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Cash and Cash Equivalents include cash on hand, cash on deposit and money market funds. The Company considers all investments purchased

with a maturity of three months or less to be cash equivalents.

Accounts Receivable. The Company performs periodic credit evaluations of its customers' financial condition and generally requires collateral. Receivables generally are due within 30 days and allowances are maintained for potential credit losses. Historically, such losses consistently have been within management's expectations.

Inventories are stated at the lower of first-in, first-out (FIFO) cost or market. During the fourth quarter of 2002, the Company changed its method of accounting for certain of its inventories that were previously valued using the last-in, first-out (LIFO) method to the FIFO method. The Company believes that the change is preferable to conform all inventories to the same inventory valuation method and to provide a better matching of expenses with revenues given relatively stable product costs over the past several years that have resulted in the value of inventories under the LIFO method to be approximately equal to their replacement cost on a FIFO basis. The effect of this change in method was not significant to all years and quarterly periods presented and disclosed in the accompanying consolidated financial statements, and therefore, previously reported amounts have not been retroactively restated.

Property, Plant and Equipment are stated at cost and are depreciated over their estimated useful lives using principally an accelerated method for both financial statement and income tax purposes. Estimated useful lives range from 20 to 31.5 years for buildings and improvements, 3 to 7 years for plant machinery and equipment, 3 to 7 years for furniture and fixtures and 3 to 5 years for vehicles.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 - GENERAL AND SUMMARY OF ACCOUNTING POLICIES (Continued)

Goodwill. As of January 1, 2002, the Company adopted the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*. SFAS No. 142 prohibits the amortization of goodwill and intangible assets with indefinite lives and requires the Company to evaluate these intangibles for impairment on an annual basis. In the first quarter of 2002, the Company completed the required initial impairment test of goodwill and, in the fourth quarter of 2002, completed the required annual impairment test as prescribed by SFAS No. 142 and determined that recorded goodwill was not impaired. The goodwill of the Company all relates to the EVTeam business segment.

If the nonamortization provisions of SFAS No. 142 had been applied in 2001 and 2000, amortization expense would have been reduced by \$0.4 million in 2001 and 2000, resulting in an increase in net earnings from continuing operations per basic and diluted share of \$0.04 in each of those years.

Taxes on Income. The Company recognizes income tax expense in accordance with SFAS No. 109, *Accounting for Income Taxes*. A deferred tax liability or asset is recognized for the estimated future tax effects attributable to temporary differences as measured by provisions of enacted tax laws, and is subject to ongoing assessment of realizability.

Earnings Per Share. Basic earnings (loss) per share represents net earnings (loss) available to common shareholders divided by the weighted average number of common shares outstanding during the period. Diluted earnings (loss) per share represents net earnings (loss) available to common shares outstanding divided by the weighted average number of common shares outstanding plus the average dilutive effect of the Company's stock options outstanding during the period calculated. The effect of dilutive stock options was 521,000, 55,000 and 3,000 shares at December 31, 2002, 2001 and 2000, respectively. For 2002, 2001 and 2000, 285,000, 1,937,000 and 2,698,000 shares related to stock option plans were not included in diluted weighted average common shares outstanding because their inclusion would be antidilutive.

Stock Options. At December 31, 2002, the Company has key employee, director and outside market advisor stock option plans, which are described in more detail in Note 9. The Company follows Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, in accounting for its stock option plans. Under APB Opinion No. 25, no compensation expense is recognized because the exercise price of the Company's stock options equals the market price of the underlying stock on the date of grant. Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, *Accounting for Stock-Based Compensation*, the Company's net earnings (loss) and net earnings (loss) per share for the years ended December 31, 2002, 2001 and 2000, would have been the *pro forma* amounts indicated below.

	Year Ended December 31,		
	2002	2001	2000
Net earnings (loss)			
As reported	\$ 11,704,472	\$ 6,131,139	\$ (5,609,518)
Deduct: Compensation expense - fair value method	(2,635,493)	(1,065,291)	(1,120,705)
<i>Pro forma</i>	9,068,979	5,065,848	(6,730,223)
Basic net earnings (loss) per share			
As reported	\$ 1.02	\$ 0.58	\$ (0.49)

<i>Pro forma</i>		0.79		0.48	(0.59)
Diluted net earnings (loss) per share					
As reported	\$	0.97	\$	0.58	\$ (0.49)
<i>Pro forma</i>		0.75		0.48	(0.59)

SPARTAN MOTORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 1 - GENERAL AND SUMMARY OF ACCOUNTING POLICIES (Continued)

Stock Options (continued). The estimated fair value of options granted was \$5.52, \$2.01 and \$2.08 per share in 2002, 2001 and 2000, respectively. The fair market value of options granted under the Company's stock option plans was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used:

	Dividend Yield	Expected Volatility	Risk Free Interest Rate	Expected Lives
2002	1%	57.7%	3.12%	5 years
2001	1%	54.0%	4.79%	5 years
2000	None	48.0%	6.23%	5 years

New Accounting Standards Not Yet Adopted. In June 2002, the Financial Accounting Standards Board ("FASB") issued SFAS No. 146, *Accounting for Costs Associated with Exit or Disposal Activities*. SFAS No. 146 requires liabilities for cost related to exit or disposal activities to be recognized when the liability is incurred. SFAS No. 146 supersedes Emerging Issues Task Force (EITF) Issue 94-3, *Liability Recognition for Employee Termination Benefits and Costs to Exit an Activity*, and is effective for exit activities initiated after December 31, 2002, with early application allowed. The Company will adopt this standard in 2003; however, management is not currently contemplating any exit or disposal activities and, therefore, does not expect SFAS No. 146 to have an impact on its consolidated financial statements.

In December 2002, the FASB issued SFAS No. 148, *Accounting for Stock-Based Compensation - Transition and Disclosure - An Amendment of FASB Statement No. 123*. SFAS No. 148 amends SFAS No. 123, *Accounting for Stock-Based Compensation*, to provide alternative methods of transition for a voluntary change to the fair-value based method of accounting for stock-based employee compensation. In addition, SFAS No. 148 amends the disclosure requirements of SFAS No. 123 to require disclosure in interim financial statements regarding the method of accounting for stock-based employee compensation and the effect of the method used on reported results. The Company does not intend to adopt a fair-value based method of accounting for stock-based employee compensation until a final standard is issued by the FASB that addresses industry concerns related to applicability of current option pricing models to non-exchange traded employee option plans.

In November 2002, the FASB issued Interpretation No. 45, *Guarantor's Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others*. Interpretation No. 45 changes current practice in accounting for, and disclosure of, guarantees and will require certain guarantees to be recorded as liabilities at fair value on the balance sheet. Current practice requires that liabilities related to guarantees be recorded only when a loss is probable and reasonably estimable, as those terms are defined in Statement No. 5, *Accounting for Contingencies*. Interpretation No. 45 also requires a guarantor to make significant new disclosures, even when the likelihood of making any payments under the guarantee is remote. The disclosure requirements of Interpretation No. 45 are effective immediately and are included in Note 10. The initial recognition and measurement provisions are applicable on a prospective basis to guarantees issued or modified after December 31, 2002. The Company has not yet determined what effect, if any, the new recognition and measurement provisions will have on the Company's future financial results.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 2 - INVENTORIES

Inventories are summarized as follows:

December 31,

	2002	2001
Finished goods	\$ 5,329,518	\$ 6,466,152
Work in process	7,650,006	7,399,713
Raw materials and purchased components	14,138,499	11,234,222
Obsolescence reserve	(1,912,573)	(1,512,274)
TOTAL	\$ 25,205,450	\$ 23,587,813

NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment is summarized by major classifications as follows:

December 31,

	2002	2001
Land and improvements	\$ 1,176,595	\$ 1,080,842
Buildings and improvements	15,697,797	12,044,364
Plant machinery and equipment	5,415,200	4,095,919
Furniture and fixtures	7,623,284	6,984,991
Vehicles	1,159,854	1,061,218
Construction in process	183,833	577,503
TOTAL	31,256,563	25,844,837
Less accumulated depreciation	(16,101,127)	(14,556,614)
NET PROPERTY, PLANT AND EQUIPMENT	\$ 15,155,436	\$ 11,288,223

NOTE 4 - LEASES

The Company leases office equipment and manufacturing and warehouse space under operating lease agreements. Leases generally provide that the Company shall pay the cost of utilities, insurance, taxes and maintenance. Rent expense for the years ended December 31, 2002, 2001 and 2000 was \$1,087,000, \$1,156,000 and \$1,157,000, respectively. Future minimum lease commitments under non-cancelable leases are as follows: \$742,000 in 2003; \$284,000 in 2004; \$219,000 in 2005; \$193,000 in 2006; \$139,000 in 2007; and \$191,000 thereafter.

NOTE 5 - TAXES ON INCOME

Income tax expense (credit) attributable to continuing operations is summarized as follows:

	Year Ended December 31,		
	2002	2001	2000
Current:			
Federal	\$ 5,867,570	\$ 2,559,000	\$ 3,402,800
State	(94,350)	1,080,000	459,000
Total current	5,773,220	3,639,000	3,861,800
Deferred:			
Federal	183,430	233,000	(1,589,800)
State	12,350	13,000	(130,000)
Total deferred	195,780	246,000	(1,719,800)
TOTAL PROVISION FOR INCOME TAXES	\$ 5,969,000	\$ 3,885,000	\$ 2,142,000

In 2002, current taxes on income are further reduced by tax benefits associated with the exercise of stock options under the plans described in Note 9. This reduction totaled \$2.4 million in 2002 and was recognized as an adjustment of additional paid in capital.

Differences between the expected income tax expense attributable to continuing operations, derived from applying the federal statutory income tax rate to earnings before taxes on income from continuing operations and the actual tax expense, are as follows:

	Year Ended December 31,					
	2002		2001		2000	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Federal income taxes at the statutory rate	\$ 5,917,000	34.00%	\$ 3,366,000	34.00%	\$ 2,398,000	34.00%
Increase (decrease) in income taxes resulting from:						
Foreign sales exclusion	(11,000)	(0.06)	(103,000)	(1.04)	(40,000)	(0.57)
Nondeductible expenses	53,000	0.30	144,000	1.45	94,000	1.33
State tax expense	(54,000)	(0.31)	721,000	7.28	217,000	3.08
Reversal of prior year tax accruals	-	0.00	-	0.00	(520,000)	(7.37)
Other	64,000	0.37	(243,000)	(2.45)	(7,000)	(0.10)
TOTAL	\$ 5,969,000	34.30%	\$ 3,885,000	39.24%	\$ 2,142,000	30.37%

SPARTAN MOTORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

Temporary differences which give rise to deferred tax assets (liabilities) are as follows:

	December 31,	
	2002	2001
Current asset (liability):		
Additional capitalized inventory costs	\$ 131,000	\$ 129,000
Vacation accrual	448,000	418,000
Warranty reserve	1,027,000	1,351,000
Inventory allowance	701,000	598,000
Allowance for doubtful accounts	104,000	135,000
Charitable contribution carryover	1,086,500	1,185,000
Other	(33,735)	(38,731)
	\$ 3,463,765	\$ 3,777,269
TOTAL		
Noncurrent asset:		
Charitable contribution carryover	\$ 1,086,500	\$ 941,000
Capital loss on investment in Carpenter	10,097,000	10,097,000
Valuation allowance for capital loss carryforward	(10,097,000)	(10,097,000)
Other	215,060	242,836
	\$ 1,301,560	\$ 1,183,836
TOTAL		

In 2000, the Company's loss on its investment in the stock of its 57.6% owned subsidiary, Carpenter, generated a capital loss of \$29.7 million. Since the Company currently has no capital gains to offset against the capital loss, the Company has recorded a valuation allowance that reserves in full the deferred tax asset related to this loss carryover. These capital losses can be carried forward through 2005 and during that time future capital gains, up to \$29.7 million, would be offset by them.

NOTE 6 - DEBT

Long-term debt consists of the following:

	December 31,	
	2002	2001
Revolving note payable to bank, with interest payable daily at the Eurodollar rate plus an applicable margin ranging from 1.0% to 2.5%, depending on the level of leverage maintained by the Company, secured by the Company's assets	\$ --	\$ 8,300,000
Term note payable to bank, with interest payable monthly at the 30 day LIBOR rate, secured by the Company's assets	--	3,100,000
Other	--	5,079
	--	11,405,079
Less current portion of long-term debt	--	(2,005,079)
	\$ --	\$ 9,400,000
TOTAL		

The Company's primary line of credit is a \$25.0 million revolving note payable to a bank that expires on October 15, 2003. The Company expects to extend or refinance this line of credit in 2003. Under the terms of the credit agreement for the line of credit, the Company is required to maintain certain financial ratios and other financial conditions. The agreement also prohibits the Company from incurring additional indebtedness, limits

certain acquisitions, investments, advances or loans and restricts substantial asset sales. At December 31, 2002, the Company was in compliance with all debt covenants.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 6 - DEBT (Continued)

The Company also has an unsecured line of credit of \$1.0 million and a secured line of credit of \$0.2 million. The \$0.2 million line carries an interest rate of 2% above the bank's prime rate (4.25% at December 31, 2002) and has an expiration date of June 1, 2003. This line of credit is secured by accounts receivable, inventory and equipment. The \$1.0 million line carries an interest rate of 1% above the bank's prime rate and expires only if there is a change in management. There were no borrowings on either of these lines at December 31, 2002 and 2001. The Company believes it has sufficient resources from cash flows from operating activities and, if necessary, from additional borrowings under its lines of credit to satisfy ongoing cash requirements for the next 12 months.

NOTE 7 - TRANSACTIONS WITH MAJOR CUSTOMERS

The Company had two customers classified as major customers in 2002, 2001 and 2000, as follows:

Customer	2002		2001		2000	
	Sales	Accounts Receivable	Sales	Accounts Receivable	Sales	Accounts Receivable
A	\$47,973,000	\$ 2,506,000	\$36,665,000	\$ 528,000	\$47,756,000	\$ 2,429,000
B	\$42,234,000	\$ 4,057,000	\$23,690,000	\$ 2,306,000	\$45,898,000	\$ 4,402,000

NOTE 8 - PROFIT-SHARING PLAN

The Spartan Motors, Inc. Profit-Sharing Plan and Trust covers all Chassis business segment employees whom meet length of service and minimum age requirements. Contributions to the plan are determined annually by the Board of Directors and were \$390,000, \$352,000 and \$350,000 in 2002, 2001 and 2000, respectively. The Company's policy is to fund plan costs accrued.

NOTE 9 - STOCK OPTIONS

The Company has stock option plans covering certain employees. Shares reserved for options under these plans total 4,400,000. The options granted are exercisable for a period of 10 years from the grant date. The exercise price for all options is equal to the market price at the date of grant.

The Company has a stock option and a restricted stock plan for outside market advisors. Shares reserved for options under this plan total 200,000 (included in the 4,400,000 above) and the options are exercisable for a period of 10 years from the grant date. The exercise price for these options is equal to the market price at the grant date. Compensation expense is recognized for all options granted under this plan and was not significant in all years presented.

The Company has a non-qualified stock option plan for certain employees and directors. Shares reserved for options under this plan total 800,000 (included in the 4,400,000 above) and the options are exercisable for a period of 10 years from the grant date. The exercise price for these options is equal to the market price at the date of grant.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 9 - STOCK OPTIONS (Continued)

Activity for the years ended December 31, 2002, 2001 and 2000 is as follows for all plans:

	Price Range	Weighted-Average Exercise Price	Option Shares
Balance at January 1, 2000	\$1.73 - \$14.58	\$8.16	2,534,250
Options granted	\$2.50 - \$4.19	\$4.14	542,410
Options exercised	-	-	-
Options expired	\$1.73 - \$14.58	\$7.62	(379,610)
Balance at December 31, 2000	\$2.50 - \$14.50	\$7.43	2,697,050
Options granted	\$1.69 - \$6.40	\$3.88	548,865
Options exercised	\$1.69 - \$6.19	\$4.23	(204,065)
Options expired	\$3.95 - \$14.50	\$8.98	(236,440)
Balance at December 31, 2001	\$1.69 - \$14.50	\$6.82	2,805,410
Options granted	\$5.91 - \$15.32	\$11.42	498,980
Options exercised	\$1.69 - \$14.50	\$5.52	(1,303,700)
Options expired	\$3.95 - \$14.50	\$11.51	(99,760)
Balance at December 31, 2002	\$1.69 - \$15.32	\$8.57	1,900,930

The following table summarizes information regarding stock options outstanding at December 31, 2002 under the plans:

Exercise Price Range	Options Outstanding			Options Exercisable	
	Number Outstanding at 12/31/02	Weighted-Average Remaining Contractual Life	Weighted- Average Exercise Price	Number Exercisable at 12/31/02	Weighted- Average Exercise Price
\$1.69 - \$2.50	26,000	8.0	\$1.96	26,000	\$1.96
\$2.66 - \$3.95	149,075	8.4	\$3.88	149,075	\$3.88
\$4.19 - \$6.19	466,805	6.4	\$5.48	466,805	\$5.48
\$6.40 - \$8.80	499,600	3.8	\$7.64	499,600	\$7.64
\$10.31 - \$15.32	759,450	7.0	\$12.28	759,450	\$12.28
	1,900,930	6.1	\$8.57	1,900,930	\$8.57

NOTE 10 - COMMITMENTS AND CONTINGENT LIABILITIES

Under the terms of its credit agreement with its bank, the Company has the ability to issue letters of credit totaling \$2.5 million. At December 31, 2002 and 2001, the Company had outstanding letters of credit totaling \$0.2 million.

At December 31, 2002, the Company and its subsidiaries were parties, both as plaintiff and defendant, to a number of lawsuits and claims arising out of the normal course of their businesses. In the opinion of management, the financial position or future operating results of the Company will not be materially affected by the final outcome of these legal proceedings.

At December 31, 2002, the Company had an outstanding commitment to purchase \$10.4 million of engines from a supplier under a contract expiring on March 1, 2003.

The Company has repurchase agreements with third-party lending institutions, which have provided floor plan financing to customers. These agreements provide for the repurchase of products from the lending institution in the event of the customer's default. The total contingent liability on December 31, 2002 was approximately \$1.2 million. Historically, losses under these agreements have not been significant and it is management's opinion that any future losses will not have a material effect on the Company's financial position or future operating results. In accordance with Interpretation No. 45, no liabilities for pre-January 1, 2003 guarantees have been recorded. For all such guarantees issued after January 1, 2003, the Company will record the fair value of the guarantee as a liability and a reduction of the initial revenue recognized on the sale of the units.

The Company's products generally carry limited warranties, based on terms that are generally accepted in the marketplace. Selected components included in the Company's end products (such as engines, transmissions, tires, etc.) may include manufacturers' warranties. These manufacturers' warranties are generally passed on to the end customer of the Company's products.

The Company's policy is to record a provision for the estimated cost of warranty-related claims at the time of the sale, and periodically adjust the provision to reflect actual experience. The amount of warranty liability accrued reflects management's best estimate of the expected future cost of honoring Company obligations under the warranty agreements. Historically, the cost of fulfilling the Company's warranty obligations has principally involved replacement parts, labor and sometimes travel for any field retrofit campaigns. The Company's estimates are based on historical experience, the number of units involved and the extent of features and components included in product models.

Certain warranty and other related claims involve matters of dispute that ultimately are resolved by negotiation, arbitration or litigation. Infrequently, a material warranty issue can arise which is beyond the scope of the Company's historical experience. The Company provides for any such warranty issues as they become known and are estimable. It is reasonably possible that additional warranty and other related claims could arise from disputes or other matters beyond the scope of the Company's historical experience.

Changes in the Company's warranty liability during the year ended December 31, 2002 were as follows:

Balance of accrued warranty at January 1, 2002	\$ 3,510,316
Warranties issued during the period	1,685,032
Cash settlements made during the period	(3,409,111)
Changes in liability for pre-existing warranties during the period, including expirations	982,152
	<hr/>
Balance of accrued warranty at December 31, 2002	\$ 2,768,389
	<hr/>

SPARTAN MOTORS, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 11 - DISCONTINUED OPERATIONS

On September 28, 2000, the Company's Board of Directors passed a resolution to cease funding of Carpenter. Carpenter's Board of Directors then voted on September 29, 2000 to begin the orderly liquidation of Carpenter. Because Carpenter was a separate segment of the Company's business, the operating results and the disposition of Carpenter's net assets were accounted for as a discontinued operation. Accordingly, previously reported financial results for all periods presented were restated to reflect this business as a discontinued operation.

The assets or liabilities of the discontinued operations have been segregated in the consolidated balance sheets. Details of such amounts are as follows:

December 31,

	2002	2001
Cash and cash equivalents	\$ 93,271	\$ 1,453,198
Accounts receivable	130,000	-
Other current assets	84,017	84,717
Total current assets of discontinued operations	\$ 307,288	\$ 1,537,915
Notes payable		\$ 1,135,556
Other current liabilities	\$ 8,692	660,000
Total current liabilities of discontinued operations	\$ 8,692	\$ 1,795,556

NOTE 12 - BUSINESS SEGMENTS

The Company segregates its operations into two reportable business segments: Chassis and EVTeam. The Chassis segment is an international engineer and manufacturer of custom motor vehicle chassis. The segment's principal markets are fire truck, motorhome and specialty vehicle chassis. The Company's EVTeam consists of three subsidiaries that are manufacturers of emergency vehicle bodies. Sales in the column labeled "other" represent sales from the Chassis segment to the EVTeam segment, which are eliminated from the consolidated sales totals.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. Sales and other financial information by business segment is as follows (amounts in thousands):

Year Ended December 31, 2002

	Business Segments				Consolidated
	Chassis	EVTeam	Intangibles	Other	
Sales	\$ 208,585	\$ 63,305		\$ (12,363)	\$ 259,527
Interest expense	148	513		(313)	348
Depreciation and amortization expense	781	640		464	1,885
Taxes on income	6,086	201		(318)	5,969
Segment net earnings (loss) from continuing operations	11,523	523		(611)	11,435
Discontinued operations				269	269
Segment net earnings (loss)	11,523	523		(342)	11,704
Segment assets	40,309	29,029	\$ 4,543	14,432	88,313

SPARTAN MOTORS, INC. AND SUBSIDIARIES NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 12 - BUSINESS SEGMENTS (Continued)

Year Ended December 31, 2001

	Business Segments				Consolidated
	Chassis	EVTeam	Intangibles	Other	
Sales	\$ 173,236	\$ 69,129		\$ (16,102)	\$ 226,263

Interest expense	313	848		214	1,375
Depreciation and amortization expense	931	380	\$ 417	477	2,205
Taxes on income	3,486	812		(413)	3,885
Segment net earnings (loss) from continuing operations	6,106	1,376	(417)	(1,050)	6,015
Discontinued operations				116	116
Segment net earnings (loss)	6,106	1,376	(417)	(934)	6,131
Segment assets	38,034	27,131	4,543	7,904	77,612

Year Ended December 31, 2000

Business Segments

	Chassis		EVTeam		Intangibles	Other	Consolidated
Sales	\$ 202,056	\$ 59,990				\$ (10,640)	\$ 251,406
Interest expense	410	918				290	1,618
Depreciation and amortization expense	950	393	\$ 440			456	2,239
Taxes on income	2,768	(100)				(526)	2,142
Segment net earnings (loss) from continuing operations	5,224	595	(440)			(469)	4,910
Discontinued operations						(10,519)	(10,519)
Segment net earnings (loss)	5,224	595	(440)			(10,988)	(5,609)
Segment assets	43,023	28,441	4,960			21,881	98,305

Substantially all long-lived assets are located in the United States. Foreign sales are not significant.

NOTE 13 - QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for the year ended December 31, 2002 is as follows:

	Quarter Ended			
	March 31	June 30	September 30	December 31
Sales	\$ 66,718,546	\$ 65,315,118	\$ 64,065,349	\$ 63,428,261
Gross profit	12,225,050	11,636,768	11,407,595	10,727,980
Net earnings from continuing operations	\$ 3,239,252	\$ 2,730,316	\$ 3,244,865	\$ 2,220,725
Gain (loss) from discontinued operations	75,442	301,998	(108,126)	-
Net earnings	\$ 3,314,694	\$ 3,032,314	\$ 3,136,739	\$ 2,220,725
Basic net earnings per share:				
Net earnings from continuing operations	\$ 0.30	\$ 0.24	\$ 0.27	\$ 0.19
Gain (loss) from discontinued operations	0.01	0.03	(0.01)	-
Basic net earnings per share	\$ 0.31	\$ 0.27	\$ 0.26	\$ 0.19
Diluted net earnings per share:				
Net earnings from continuing operations	\$ 0.29	\$ 0.23	\$ 0.26	\$ 0.18
Gain (loss) from discontinued operations	0.01	0.02	(0.01)	-
Diluted net earnings per share	\$ 0.30	\$ 0.25	\$ 0.25	\$ 0.18

SPARTAN MOTORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

NOTE 13 - QUARTERLY FINANCIAL DATA (UNAUDITED) (Continued)

Summarized quarterly financial data for the year ended December 31, 2001 is as follows:

	Quarter Ended			
	March 31	June 30	September 30	December 31
Sales	\$ 58,657,558	\$ 58,520,417	\$ 55,803,468	\$ 53,281,310
Gross profit	9,128,765	9,017,844	9,361,236	9,276,729
Net earnings from continuing operations	\$ 1,468,052	\$ 1,297,995	\$ 1,554,755	\$ 1,694,688
Gain from discontinued operations	-	-	-	115,649
Net earnings	\$ 1,468,052	\$ 1,297,995	\$ 1,554,755	\$ 1,810,337
Basic and diluted net earnings per share:				
Net earnings from continuing operations	\$ 0.14	\$ 0.12	\$ 0.15	\$ 0.16
Gain from discontinued operations	-	-	-	0.01
Basic and diluted net earnings per share	\$ 0.14	\$ 0.12	\$ 0.15	\$ 0.17

Basic and diluted net earnings per share is computed separately for each quarter and, therefore, the sum of the quarterly per share amounts may differ from the total for the year as a result of rounding and of the averaging throughout the year of basic and diluted weighted average common shares outstanding.

Report of Independent Auditors

Board of Directors and Shareholders
Spartan Motors, Inc.

We have audited the accompanying consolidated balance sheets of Spartan Motors, Inc. and subsidiaries as of December 31, 2002 and 2001, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2002. Our audits also included the financial statement schedule listed in the Index at Item 15(a). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Spartan Motors, Inc. and subsidiaries at December 31, 2002 and 2001, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2002, in conformity with accounting principles generally accepted in the United States. Also, in our opinion, the related financial statement schedule, when considered in relation to the consolidated financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Note 1 to the consolidated financial statements, the Company changed its method of accounting for goodwill in 2002.

/s/ Ernst & Young LLP

Grand Rapids, Michigan
January 31, 2003

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.

No disclosure required.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information required by this item is contained under the captions "Spartan Motors' Board of Directors and Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive proxy statement for its annual meeting of shareholders to be held on May 28, 2003, and is herein incorporated by reference.

Item 11. Executive Compensation.

The information required by this item is contained under the captions "Compensation of Directors," "Executive Compensation" and "Compensation Committee Report on Executive Compensation" in the Company's definitive proxy statement for its annual meeting of shareholders to be held on May 28, 2003, and is herein incorporated by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management.

The information required by this item (other than that set forth below) is contained under the caption "Ownership of Spartan Motors Stock" in the definitive proxy statement for the Company's annual meeting of shareholders to be held on May 28, 2003, and is herein incorporated by reference.

The following table provides information about the Company's equity compensation plans regarding the number of securities to be issued under these plans, the weighted-average exercise prices of options outstanding under these plans and the number of securities available for future issuance as of December 31, 2002.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance
	(a)	(b)	(c)
Equity compensation plans approved by security holders(1)	1,900,930	\$8.57	211,785 (4)

Equity compensation plans not approved by security holders(2)	--	N/A	25,000
Total (3)	1,900,930	\$8.57	236,785 (4)

(1) Consists of the Spartan Motors, Inc. Stock Option and Restricted Stock Plan of 1998 (the "1998 Plan"), the Spartan Motors, Inc. 1996 Stock Option and Restricted Stock Plan for Outside Market Advisors (the "1996 Plan"), the Spartan Motors, Inc. 1994 Incentive Stock Option Plan (the "1994 Plan") and the Spartan Motors Inc. 1988 Non-Qualified Stock Option Plan (the "1988 Plan").

(2) Consists of the Spartan Motors, Inc. Directors' Stock Purchase Plan. This plan provides that non-employee directors of the Company may elect to receive at least 25% and up to 100% of their "director's fees" in the form of the Company's common stock. The term "director's fees" means the amount of income payable to a non-employee director for his or her service as a director of the Company, including payments for attendance at meetings of the Company's Board of Directors or meetings of committees of the board, and any retainer fee paid to such persons as

members of the board. A non-employee director who elects to receive Company common stock in lieu of some or all of his or her director's fees will, on or shortly after each "applicable date" receive a number of shares of common stock (rounded down to the nearest whole share) determined by dividing (1) the dollar amount of the director's fees payable to him or her on the applicable date that he or she has elected to receive in common stock by (2) the market value of common stock on the applicable date. The term "applicable date" means any date on which a director's fee is payable to the participant. To date, no shares have been issued under this plan.

(3) Each of the plans reflected in the above chart contains customary anti-dilution provisions that are applicable in the event of a stock split or certain other changes in the Company's capitalization. Furthermore, each of the 1998 Plan, the 1996 Plan, the 1994 Plan and the 1988 Plan provides that if a stock option is canceled, surrendered, modified, expires or is terminated during the term of the plan but before the exercise of the option, the shares subject to the option will be available for other awards under the plan.

(4) Of this amount, 48,630 shares could be issued as restricted stock awards under the 1998 Plan and 89,500 shares could be issued as restricted stock awards under the 1996 Plan.

Item 13. Certain Relationships and Related Transactions.

The information required by this item, if any, is contained under the caption "Spartan Motors' Board of Directors and Executive Officers" in the definitive proxy statement for the Company's annual meeting of shareholders to be held on May 28, 2003, and is herein incorporated by reference.

PART IV

Item 14. Controls and Procedures.

As of December 31, 2002, an evaluation was performed under the supervision and with the participation of the Company's management, including the CEO and CFO, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-14(c) under the Securities Exchange Act of 1934). Based on that evaluation, the Company's management, including the CEO and CFO, concluded that the Company's disclosure controls and procedures were effective as of December 31, 2002 in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic filings with the Securities and Exchange Commission. There have been no significant changes in the Company's internal controls or in other factors that could significantly affect internal controls subsequent to December 31, 2002.

Item 15. Exhibits, Financial Statement Schedules and Reports on Form 8-K.

Item 15(a)(1). List of Financial Statements.

The following consolidated financial statements of the Company and its subsidiaries are filed as a part of this Report:

Consolidated Balance Sheets as of December 31, 2002 and December 31, 2001

Consolidated Statements of Operations for the Fiscal Years Ended December 31, 2002, December 31, 2001 and December 31, 2000

Consolidated Statements of Shareholders' Equity for the Fiscal Years Ended December 31, 2002, December 31, 2001 and December 31, 2000

Consolidated Statements of Cash Flows for the Fiscal Years Ended December 31, 2002, December 31, 2001 and December 31, 2000

Notes to Consolidated Financial Statements as of December 31, 2002

Report of Independent Auditors

Item 15(a)(2). Financial Statement Schedules. Attached as Appendix A.

The following consolidated financial statement schedule of the Company and its subsidiaries are filed as part of this report:

Schedule II-Valuation and Qualifying Accounts

All other schedules (I, III, IV and V) for which provision is made in the applicable accounting regulations of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

Item 15(a)(3). List of Exhibits. The following exhibits are filed as a part of this report:

<u>Exhibit Number</u>	<u>Document</u>
3.1	Spartan Motors, Inc. Restated Articles of Incorporation, as amended to date. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2000, and incorporated herein by reference.
3.2	Spartan Motors, Inc. Bylaws, as amended to date. Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2001, and incorporated herein by reference.
4.1	Spartan Motors, Inc. Restated Articles of Incorporation. See Exhibit 3.1 above.
4.2	Spartan Motors, Inc. Bylaws. See Exhibit 3.2 above.
4.3	Form of Stock Certificate. Previously filed as an exhibit to the Registration Statement on Form S-18 (Registration No. 2-90021-C) filed on March 19, 1984, and incorporated herein by reference.
4.4	Rights Agreement dated June 4, 1997, between Spartan Motors, Inc. and American Stock Transfer and Trust Company.
10.1	Restated Spartan Motors, Inc. 1988 Non-Qualified Stock Option Plan, as amended to date.*
10.2	Restated Spartan Motors, Inc. 1994 Incentive Stock Option Plan, as amended to date.*
10.3	Spartan Motors, Inc. 1996 Stock Option and Restricted Stock Plan for Outside Market Advisors, as amended to date. Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2000, and incorporated herein by reference.
10.4	Spartan Motors, Inc. Stock Option and Restricted Stock Plan of 1998, as amended to date.*
10.5	Spartan Motors, Inc. Directors' Stock Purchase Plan. Previously filed as an exhibit to the Company's Form S-8 Registration Statement (Registration No. 333-98083) filed on August 14, 2002, and incorporated herein by reference.*
18	Preferability Letter for Change in Accounting Method.
21	Subsidiaries of Registrant.
23	Consent of Independent Auditors.
24	Limited Powers of Attorney.

*Management contract or compensatory plan or arrangement.

The Company will furnish a copy of any exhibit listed above to any shareholder of the Company without charge upon written request to James W. Knapp, Spartan Motors, Inc., 1165 Reynolds Road, Charlotte, Michigan 48813.

Item 15(b). Reports on Form 8-K.

The Company filed the following Current Reports on Form 8-K during the fourth quarter of 2002:

<u>Date of Report</u>	<u>Filing Date</u>	<u>Item(s) Reported</u>
October 9, 2002	October 9, 2002	Under Item 9, this Form 8-K reported that the Company plans to post a series of periodic "Messages From the CEO" and similar items on its corporate website.
October 24, 2002	October 24, 2002	Under Item 9, this Form 8-K included a press release that announced the Company's financial results for the third quarter and first nine months of 2002 and included condensed income statements for the three-month and nine-month periods ended September 30, 2002 and 2001.

November 18, 2002	November 18, 2002	Under Item 9, this Form 8-K included a press release that announced a plan to consolidate the Company's Luverne Fire Apparatus and Quality Manufacturing subsidiaries into a company named Crimson Fire.
November 18, 2002	November 18, 2002	Under Item 9, this Form 8-K included a press release that announced earnings guidance for the year ending December 31, 2002 and initial guidance for the year ending December 31, 2003.

These Forms 8-K were furnished pursuant to Regulation FD and are considered to have been "furnished" but not "filed" with the Securities and Exchange Commission.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

SPARTAN MOTORS, INC.

March 14, 2003

By /s/ James W. Knapp

James W. Knapp
Chief Financial Officer,
Secretary and Treasurer

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

March 14, 2003

By /s/ John E. Szykiel

John E. Szykiel, Director, President and Chief
Executive Officer
(Principal Executive Officer)

March 14, 2003

By /s/ Richard J. Schalter*

Richard J. Schalter, Director

March 14, 2003

By /s/ William F. Foster*

William F. Foster, Director

March 14, 2003

By /s/ George Tesseris*

George Tesseris, Director

March 14, 2003

By /s/ David R. Wilson*

David R. Wilson, Director

March 14, 2003

By /s/ Charles E. Nihart*

Charles E. Nihart, Director

March 14, 2003

By /s/ Kenneth Kaczmarek

Kenneth Kaczmarek, Director

*By /s/ James W. Knapp

James W. Knapp
Attorney-in-Fact

CERTIFICATIONS

I, John E. Szykiel, certify that:

1. I have reviewed this annual report on Form 10-K of Spartan Motors, Inc.;
2. Based on my knowledge, this annual 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 annual report;
3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:
 - a) designed such disclosure controls and procedures 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 annual report is being prepared;
 - b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and
 - c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 14, 2003

/s/ John E. Szykiel

John E. Szykiel
President and Chief Executive Officer

I, James W. Knapp, certify that:

1. I have reviewed this annual report on Form 10-K of Spartan Motors, Inc.;

2. Based on my knowledge, this annual 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 annual report;

3. Based on my knowledge, the financial statements, and other financial information included in this annual 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 annual report;

4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-14 and 15d-14) for the registrant and have:

a) designed such disclosure controls and procedures 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 annual report is being prepared;

b) evaluated the effectiveness of the registrant's disclosure controls and procedures as of a date within 90 days prior to the filing date of this annual report (the "Evaluation Date"); and

c) presented in this annual report our conclusions about the effectiveness of the disclosure controls and procedures based on our evaluation as of the Evaluation Date;

5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies in the design or operation of internal controls which could adversely affect the registrant's ability to record, process, summarize and report financial data and have identified for the registrant's auditors any material weaknesses in internal controls; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal controls; and

6. The registrant's other certifying officers and I have indicated in this annual report whether there were significant changes in internal controls or in other factors that could significantly affect internal controls subsequent to the date of our most recent evaluation, including any corrective actions with regard to significant deficiencies and material weaknesses.

Date: March 14, 2003

/s/ James W. Knapp

James W. Knapp
President and Chief Executive Officer

EXHIBIT INDEX

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*Management contract or compensatory plan or arrangement.

APPENDIX A
SCHEDULE II
VALUATION AND QUALIFYING ACCOUNTS
SPARTAN MOTORS, INC. AND SUBSIDIARIES

Column A	Column B	Column C	Column D	Column E	
Description	Balance at Beginning of Period	Additions Charged to Costs and Expenses	Additions Charged to Other Accounts (Acquisitions)	Deductions	Balance at End of Period
Year ended December 31, 2002:					
Allowance for doubtful accounts	\$ 446,000	\$ 176,000	\$ -	\$ 257,000	\$ 365,000

Year ended December 31, 2001:

Allowance for doubtful accounts	\$ 599,000	\$ 518,000	\$ -	\$ 671,000	\$ 446,000
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Year ended December 31, 2000:

Allowance for doubtful accounts	\$ 567,000	\$ 772,000	\$ -	\$ 740,000	\$ 599,000
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Exhibit 4.4

SPARTAN MOTORS, INC.

and

AMERICAN STOCK TRANSFER & TRUST CO.

Rights Agent

Rights Agreement

Dated as of June 4, 1997

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RIGHTS AGREEMENT

Agreement, dated as of June 4, 1997, between SPARTAN MOTORS, INC., a Michigan corporation (the "Company"), and AMERICAN STOCK TRANSFER & TRUST CO., a New York corporation (the "Rights Agent").

P R E A M B L E

The Board of Directors of the Company has authorized and declared a dividend of one Series A Preferred Stock Purchase Right (the "Rights") on each share of common stock, \$.01 par value, of the Company (the "Common Stock") outstanding on July 7, 1997 (the "Record Date"), and has authorized the issuance of one Right with respect to each share of Common Stock that shall become outstanding between July 7, 1997, and the earlier of the Distribution Date or the Expiration Date (as such terms are defined in Sections 3 and 7 hereof), each Right representing the right to purchase one one-hundredth of a share of Series A Preferred Stock, having the rights, powers and preferences set forth in the form of Certificate of Designation, Preferences and Rights of Series A Preferred Stock (the "Preferred Stock"), attached hereto as Exhibit A, upon the terms and subject to the conditions hereinafter set forth.

ACCORDINGLY, in consideration of the premises and the mutual agreements herein set forth, THE PARTIES HEREBY AGREE AS FOLLOWS:

Section 1. Certain Definitions. For purposes of this Agreement, the following terms have the meanings indicated:

(a) "Acquiring Person" shall mean any Person (as such term is hereinafter defined) who or which, together with all Affiliates and Associates (as such terms are hereinafter defined) of such Person, shall be the Beneficial Owner (as such term is hereinafter defined) of 15% or more of the shares of Common Stock then outstanding, but shall not include the Company, any wholly owned subsidiary of the Company or any employee benefit plan of the Company or any subsidiary of the Company or an entity holding Common Stock for or pursuant to the terms of any such employee benefit plan, nor shall the term Acquiring Person include any Person that is the Beneficial Owner of 5% or more of the shares of Common Stock outstanding as of the date of this Agreement, or any Affiliates or Associates of such Person.

(b) "Affiliate" and "Associate" shall have the respective meanings ascribed to such terms in Rule 12b-2 of the General Rules and Regulations under the Securities Exchange Act of 1934, as amended (the "Exchange Act"), as in effect on June 20, 1997.

(c) A Person shall be deemed the "Beneficial Owner" of and shall be deemed to "beneficially own" any securities:

(i) Which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to acquire (whether such right is exercisable immediately or only after the passage of time) pursuant to any agreement, arrangement or understanding (whether or not in writing) or upon the exercise of conversion rights, exchange rights, rights (other than the Rights that are subject to this Agreement), warrants or options, or otherwise; provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own", securities tendered pursuant to a tender or exchange offer made by such Person or any of such Person's Affiliates or Associates until such tendered securities are accepted for purchase or exchange;

(ii) Which such Person or any of such Person's Affiliates or Associates, directly or indirectly, has the right to vote or dispose of or "beneficial ownership" (as determined pursuant to Rule 13d-3 of the General Rules and Regulations under the Exchange Act) of (including pursuant to any agreement, arrangement or understanding, whether or not in writing); provided, however, that a Person shall not be deemed the "Beneficial Owner" of, or to "beneficially own", any security under this subparagraph (ii) as a result of an agreement, arrangement or understanding to vote such security if such agreement, arrangement or understanding (A) arises solely from a revocable proxy given in response to a proxy or consent solicitation made pursuant to, and in accordance with, the applicable provisions of the General Rules and Regulations under the Exchange Act (the "Rules"), or (B) is made in connection with, or is to otherwise participate in, a proxy or consent solicitation made, or to be made, pursuant to, and in accordance with, the applicable provisions of the Rules, in either case described in clause (A) or (B) above, whether or not such agreement, arrangement or understanding is also then reportable by such Person on Schedule 13D under the Exchange Act (or any comparable or successor report); or

(iii) Which are beneficially owned, directly or indirectly, by any other Person (or any Affiliate or Associate thereof)

with which such Person (or any of such Person's Affiliates or Associates) has any agreement, arrangement or understanding (whether or not in writing), for the purpose of acquiring, holding, voting (except as set forth in clauses (A) or (B) as described in the proviso to subparagraph (ii) of this paragraph (c)) or disposing of any voting securities of the Company.

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Notwithstanding the foregoing, an agreement, arrangement or understanding (whether or not in writing), or any communications or discussions, among two or more Persons with respect to any matter relating to the management, operation or conduct of the business of the Company, and including discussing or agreeing on, or communicating with respect to, a position with respect to any such matter and communicating such discussion, communication, agreement or position to other Persons including shareholders of the Company or to the Company shall not constitute an "agreement, arrangement or understanding" for purpose of this Section 1(c).

(d) "Business Day" shall mean any day other than a Saturday, Sunday, or a day on which banking institutions in the state of the principal office of the Rights Agent are authorized or obligated by law or executive order to close.

(e) "Close of business" on any given date shall mean 5:00 p.m., local time in the city of the principal office of the Rights Agent, on such date; provided, however, that if such date is not a Business Day, it shall mean 5:00 p.m., local time in such city, on the next succeeding Business Day.

(f) "Common Stock" when used with reference to the Company shall mean the Common Stock, \$.01 par value, of the Company. "Common Stock" when used with reference to any Person other than the Company shall mean the capital stock (or equity interest) with the greatest voting power of such other Person or, if such other Person is a subsidiary of another Person, the Person or Persons which ultimately control such first-mentioned Person.

(g) "Disinterested Director" shall mean (i) any member of the Board of Directors of the Company, while such Person is a member of the Board, who is not an Acquiring Person, or an Affiliate or Associate of an Acquiring Person, or a representative of an Acquiring Person or of any Affiliate or Associate thereof, and was a member of the Board prior to the date of this Agreement, or (ii) any Person who subsequently becomes a member of the Board, while such Person is a member of the Board, who is not an Acquiring Person, or an Affiliate or Associate of an Acquiring Person, or a representative of an Acquiring Person or of any Affiliate or Associate thereof, if such Person's nomination for election or election to the Board is recommended or approved by a majority of the Disinterested Directors.

(h) "Person" shall mean any individual, firm, corporation, association, partnership, joint-venture, trust or other entity, and shall include any successor (by merger or otherwise) of such entity.

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(i) "Principal office" when referring to the office of the Rights Agent shall mean the office of the Rights Agent at which such Rights Agent conducts its corporate trust business.

(j) "Stock Acquisition Date" shall mean the first date of public announcement by the Company or an Acquiring Person that an Acquiring Person has become such (including, without limitation, the first date on which any filing with any governmental authority disclosing that an Acquiring Person has become such is made available to the public).

Section 2. Appointment of Rights Agent. The Company hereby appoints the Rights Agent to act as agent for the Company in accordance with the terms and conditions hereof, and the Rights Agent hereby accepts such appointment. The Company may from time to time appoint such Co-Rights Agents as it may deem necessary or desirable.

Section 3. Issue of Rights Certificates.

(a) Until the earlier of (i) the tenth day after the Stock Acquisition Date or (ii) the tenth day after the date of the commencement of, or first public announcement of the intent of any Person (other than the Company, any wholly owned subsidiary of the Company or any employee benefit plan of the Company or of any subsidiary of the Company or any entity holding Common Stock for or pursuant to the terms of any such employee benefit plan) to commence, a tender or exchange offer the consummation of which would result in beneficial ownership by a Person of 30% or more of the shares of Common Stock then outstanding (including any such date which is after the date of this Agreement and prior to the issuance of the Rights; the earlier of such dates being herein referred to as the "Distribution Date"), (x) the Rights will be evidenced (subject to the provisions of paragraph (b) of this Section 3) by the certificates for Common Stock registered in the names of the holders thereof (which certificates for Common Stock shall also be deemed to be Rights Certificates) and not by separate Rights Certificates, and (y) the right to receive Rights Certificates will be transferable only in connection with the transfer of the underlying shares of Common Stock. As soon as practicable after the Distribution Date, the Rights Agent will send, by first-class, insured, postage prepaid mail, to each record holder of the Common Stock as of the close of business on the Distribution Date, at the address of such holder shown on the records of the Company, a Rights Certificate, in substantially the form of Exhibit B hereto (the "Rights Certificate"), evidencing one Right for each share of Common Stock so held, subject to adjustment as provided herein. As of the Distribution Date, the Rights will be evidenced solely by such Rights Certificates.

(b) On July 10, 1997, or as soon as practicable thereafter, the Company will send a copy of a Summary of Rights to Purchase Series A Preferred Stock, in substantially the form attached hereto as Exhibit C (the "Summary of Rights"), by first-class, postage prepaid mail, to each record holder of the Common Stock as of the close of business on July 7, 1997, at the address of such holder shown on the records of the Company. With respect to certificates for the Common Stock outstanding as of July 7, 1997, until the Distribution Date, the Rights will be evidenced by such certificates for Common Stock registered in the names of the holders thereof. Until the Distribution Date (or, if earlier, the Expiration Date), the surrender for transfer of any certificates representing shares of Common Stock outstanding on July 7, 1997, shall also constitute the transfer of the Rights associated with the shares of Common Stock represented thereby.

(c) Certificates for Common Stock issued after July 7, 1997, but prior to the earlier of the Distribution Date or the Expiration Date (as such terms are defined in this Section 3 and Section 7 hereof) shall have impressed on, printed on, written on or otherwise affixed to them the following legend:

This certificate also evidences and entitles the holder hereof to certain Rights as set forth in a Rights Agreement between Spartan Motors, Inc. (the "Company") and American Stock Transfer & Trust Co. (the "Rights Agent") dated as of June 4, 1997 (the "Rights Agreement"), the terms of which are hereby incorporated herein by reference and a copy of which is on file at the principal executive offices of the Company. Under certain circumstances, as set forth in the Rights Agreement, such Rights will be evidenced by separate certificates and will no longer be evidenced by this certificate. The Company will mail to the holder of this certificate a copy of the Rights Agreement after receipt of a written request therefor. Under certain circumstances, Rights issued to, or held by, any Person who is, was or becomes an Acquiring Person (as such terms are defined in the Rights Agreement) whether currently held by or on behalf of such Person or by any subsequent holder, may become null and void.

With respect to such certificates containing the foregoing legend, until the Distribution Date, the Rights associated with the Common Stock represented by such certificates shall be evidenced by such certificates alone, and the surrender for transfer of any such certificate shall also constitute the transfer of the Rights associated with the shares of Common Stock represented thereby.

Section 4. Form of Rights Certificates.

(a) The Rights Certificates (and the forms of election to purchase and of assignment to be printed on the reverse thereof) shall each be substantially in the form set forth in Exhibit B hereto and may have such marks of identification or designation and such legends, summaries or endorsements printed thereon as the Company may deem appropriate and as are not inconsistent with the provisions of this Agreement, or as may be required to comply with any applicable law or with any rule or regulation made pursuant thereto or with any rule or regulation of any stock exchange on which the Rights may from time to time be listed, or to conform to usage. Subject to the provisions of Section 11 and Section 22 hereof, the Rights Certificates, whenever distributed, shall be dated as of the Record Date and on their face shall entitle the holders thereof to purchase such number of one one-hundredths of a share of Preferred Stock as shall be set forth therein at the price set forth therein (the "Purchase Price"), but the number and type of securities purchasable upon the exercise of each Right and the Purchase Price thereof shall be subject to adjustment as provided herein.

(b) Any Rights Certificate issued pursuant to Section 3(a) or Section 22 hereof that represents Rights beneficially owned by: (i) an Acquiring Person or any Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such, or (iii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom the Acquiring Person has any continuing agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer which the Board of Directors of the Company has determined is part of a plan, arrangement or understanding which has as a primary purpose or effect avoidance of Section 7(e) hereof, and any Rights Certificate issued pursuant to Section 6 or Section 11 hereof upon transfer, exchange, replacement or adjustment of any other Rights Certificate referred to in this sentence, shall contain (to the extent feasible) the following legend:

The Rights represented by this Rights Certificate are or were beneficially owned by a Person who was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person (as such terms are defined in the Rights Agreement). Accordingly, this Rights Certificate and the Rights represented hereby may become null and void in the circumstances specified in Section 7(e) of such Agreement.

Section 5. Countersignature and Registration. The Rights Certificates shall be executed on behalf of the Company by its Chairman of the

Board, President or any Vice President, either manually or by facsimile signature, and have affixed thereto the Company's seal or a facsimile thereof which shall be attested by the Secretary or an Assistant Secretary of the Company, either manually or by facsimile signature. The Rights Certificates shall be manually countersigned by the Rights Agent and shall not be valid for any purpose unless so countersigned. In case any officer of the Company who shall have signed any of the Rights Certificates shall cease to be such officer of the Company before countersignature by the Rights Agent and issuance and delivery by the Company, such Rights Certificates, nevertheless, may be countersigned by the Rights Agent, and issued and delivered by the Company with the same force and effect as though the person who signed such Rights Certificates had not ceased to be such officer of the Company; and any Rights Certificate may be signed on behalf of the Company by any person who, at the actual date of the execution of such Rights Certificate, shall be a proper officer of the Company to sign such Rights Certificate, although at the date of the execution of this Rights Agreement any such person was not such an officer.

Following the Distribution Date, the Rights Agent will keep or cause to be kept, at its principal office or offices designated as the appropriate place for surrender of Rights Certificates upon exercise or transfer, books for registration and transfer of the Rights Certificates issued hereunder. Such books shall show the names and addresses of the respective holders of the Rights Certificates, each Rights Certificate's number, the number of Rights evidenced on its face by each of the Rights Certificates and the date of each of the Rights Certificates.

Section 6. Transfer, Split Up, Combination and Exchange of Rights Certificates; Mutilated, Destroyed, Lost or Stolen Rights Certificates.

(a) Subject to the provisions of Section 4(b), Section 7(e) and Section 14 hereof, at any time after the close of business on the Distribution Date, and at or prior to the close of business on the earlier of the Expiration Date or the Final Expiration Date (as defined in Section 7(a) hereof), any Rights Certificate or Certificates may be transferred, split up, combined or exchanged for another Rights Certificate or Rights Certificates, entitling the registered holder to purchase a like number of one one-hundredths of a share of Preferred Stock (or, following an event described in Section 11(a)(ii) or Section 13(a) hereof, Common Stock, other securities, cash or other assets, as the case may be) as the Rights Certificate or Rights Certificates surrendered then entitled to such holder to purchase. Any registered holder desiring to transfer, split up, combine or exchange any Rights Certificate or Rights Certificates shall make such request in writing delivered to the Rights Agent, and shall surrender the Rights Certificate or Rights Certificates to be transferred, split up, combined or exchanged at the principal office of the Rights Agent. Neither the Rights Agent nor the Company

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shall be obligated to take any action whatsoever with respect to the transfer of any such surrendered Rights Certificate until the registered holder shall have completed and signed the certificate contained in the form of assignment on the reverse side of such Rights Certificate and shall have provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request. Thereupon the Rights Agent shall, subject to Section 4(b) and Section 7(e) hereof, countersign and deliver to the person entitled thereto a Rights Certificate or Rights Certificates, as the case may be, as so requested. The Company may require payment of a sum sufficient to cover any tax or governmental charge that may be imposed in connection with any transfer, split up, combination or exchange of Rights Certificates.

(b) Upon receipt by the Company and the Rights Agent of evidence reasonably satisfactory to them of the loss, theft, destruction or mutilation of a Rights Certificate, and, in case of loss, theft or destruction, of indemnity or security (which may include a surety bond) reasonably satisfactory to them, and, at the Company's request, reimbursement to the Company and the Rights Agent of all reasonable expenses incidental thereto, and upon surrender to the Rights Agent and cancellation of the Rights Certificate if mutilated, the Company will make and deliver a new Rights Certificate of like tenor to the Rights Agent for delivery to the registered owner in lieu of the Rights Certificate so lost, stolen, destroyed, or mutilated.

Section 7. Exercise of Rights; Purchase Price; Expiration Date of Rights.

(a) Subject to Section 7(e) hereof, the registered holder of any Rights Certificate may exercise the Rights evidenced thereby (except as otherwise provided herein, including, without limitation, the restrictions on exercisability set forth in Section 11(a)(iii) and Section 23(a) hereof) in whole or in part at any time after the Distribution Date upon surrender of the Rights Certificate, with the form of election to purchase and the certificate on the reverse side thereof duly executed, to the Rights Agent at the principal office of the Rights Agent designated for such purpose, together with payment of the aggregate Purchase Price with respect to the total number of one one-hundredths of a share of Preferred Stock (or other securities or property, as the case may be) as to which the Rights are exercised, at or prior to the earlier of (i) the close of business on June 19, 2007 (the "Final Expiration Date"), or (ii) the time at which the Rights are redeemed as provided in Section 23 hereof (the earlier of (i) and (ii) being herein referred to as the "Expiration Date").

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(b) The Purchase Price for each one one-hundredth of a share of Preferred Stock purchasable upon the exercise of a Right shall initially be \$50, shall be subject to adjustment from time to time as provided in Section 11 and Section 13 hereof and shall be payable in lawful money of the United States of America in accordance with paragraph (c) below.

(c) Upon receipt of a Rights Certificate representing exercisable Rights, with the form of election to purchase and the certificate duly executed, accompanied by payment of the Purchase Price for each one one-hundredth of a share of Preferred Stock (or other securities or property, as the case may be) to be purchased and an amount equal to any applicable transfer tax in cash, or by certified check or bank draft payable to the order of the Company, the Rights Agent shall thereupon promptly (i) requisition from any transfer agent of the shares of Preferred Stock (or make available, if the Rights Agent is the transfer agent) certificates for the

number of one one-hundredths of a share of Preferred Stock to be purchased and the Company hereby irrevocably authorizes its transfer agent to comply with all such requests, (ii) when appropriate, requisition from the Company the amount of cash to be paid in lieu of issuance of fractional shares in accordance with Section 14, (iii) promptly after receipt of such certificates, cause the same to be delivered to or upon the order of the registered holder of such Rights Certificate, registered in such name or names as may be designated by such holder, and (iv) when appropriate, after receipt promptly deliver such cash to or upon the order of the registered holder of such Rights Certificate.

(d) In case the registered holder of any Rights Certificate shall exercise less than all the Rights evidenced thereby, a new Rights Certificate evidencing Rights equivalent to the Rights remaining unexercised shall be issued by the Rights Agent and delivered to the registered holder of such Rights Certificate or to his duly authorized assigns, subject to the provisions of Section 14 hereof.

(e) Notwithstanding anything in this Agreement to the contrary, from and after the first occurrence of an event described in Section 11(a)(ii), any Rights beneficially owned by (i) an Acquiring Person or an Associate or Affiliate of an Acquiring Person, (ii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee after the Acquiring Person becomes such, or (iii) a transferee of an Acquiring Person (or of any such Associate or Affiliate) who becomes a transferee prior to or concurrently with the Acquiring Person becoming such and receives such Rights pursuant to either (A) a transfer (whether or not for consideration) from the Acquiring Person to holders of equity interests in such Acquiring Person or to any Person with whom the Acquiring Person has any continuing agreement, arrangement or understanding regarding the transferred Rights or (B) a transfer which the Board of Directors of the Company has determined is part of a plan, arrangement or

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understanding which has as a primary purpose or effect the avoidance of this Section 7(e), shall become null and void without any further action and any holder of such Rights shall thereupon have no rights whatsoever with respect to such Rights, whether under any provision of this Agreement or otherwise. The Company shall use all reasonable efforts to insure that the provisions of this Section 7(e) and Section 4(b) hereof are complied with, but shall have no liability to any holder of Rights Certificates or any other Person as a result of its failure to make any determinations with respect to an Acquiring Person or its Affiliates, Associates or transferees hereunder.

(f) Notwithstanding anything in this Agreement to the contrary, neither the Rights Agent nor the Company shall be obligated to undertake any action with respect to a registered holder upon the occurrence of any purported exercise as set forth in this Section 7 unless such registered holder shall have (i) completed and signed the certificate contained in the form of election to purchase set forth on the reverse side of the Rights Certificate surrendered for such exercise, and (ii) provided such additional evidence of the identity of the Beneficial Owner (or former Beneficial Owner) or Affiliates or Associates thereof as the Company shall reasonably request.

Section 8. Cancellation and Destruction of Rights Certificates. All Rights Certificates surrendered for the purpose of exercise, transfer, split up, combination or exchange shall, if surrendered to the Company or to any of its agents, be delivered to the Rights Agent for cancellation or in canceled form, or, if surrendered to the Rights Agent, shall be canceled by it, and no Rights Certificates shall be issued in lieu thereof except as expressly permitted by any of the provisions of this Rights Agreement. The Company shall deliver to the Rights Agent for cancellation and retirement, and the Rights Agent shall so cancel and retire, any other Rights Certificate purchased or acquired by the Company other than upon the exercise thereof. The Rights Agent shall deliver all canceled Rights Certificates to the Company, or shall, at the written request of the Company, destroy such canceled Rights Certificates, and in such case shall deliver a certificate of destruction thereof to the Company.

Section 9. Reservation and Availability of Capital Stock.

(a) The Company covenants and agrees that it will cause to be reserved and kept available out of its authorized and unissued shares of Preferred Stock (and, following the occurrence of an event described in Section 11(a)(ii) or Section 13(a) hereof, out of its authorized and unissued shares of Common Stock or other securities or out of its authorized and issued shares of Common Stock or other securities held in its treasury), the number of shares of Preferred Stock (and, following the occurrence of an event described in Section 11(a)(ii) or

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Section 13(a) hereof, Common Stock or other securities) that will be sufficient to permit the exercise in full of all outstanding Rights.

(b) If the shares of Preferred Stock (and, following the occurrence of an event described in Section 11(a)(ii) or Section 13(a) hereof, Common Stock or other securities) issuable upon the exercise of Rights may be listed on any national securities exchange, the Company shall use its best efforts to cause, from and after such time as the Rights become exercisable, all shares reserved for such issuance to be listed on such exchange upon official notice of issuance upon such exercise.

(c) The Company covenants and agrees that it will take all such action as may be necessary to ensure that all one one-hundredths of a share of Preferred Stock (and, following the occurrence of an event described in Section 11(a)(ii) or Section 13(a) hereof, Common Stock or other securities) delivered upon exercise of Rights shall, at the time of delivery of the certificates for such

shares (subject to payment of the Purchase Price), be duly and validly authorized and issued and fully paid and nonassessable shares.

(d) The Company further covenants and agrees that it will pay when due and payable any and all federal and state transfer taxes and charges which may be payable in respect of the issuance or delivery of the Rights Certificates or of any shares of Preferred Stock (or Common Stock or other securities, as the case may be) upon the exercise of Rights. The Company shall not, however, be required to pay any transfer tax which may be payable in respect of any transfer or delivery of Rights Certificates to a person other than, or the issuance or delivery of a number of one one-hundredths of a share of Preferred Stock (or Common Stock or other securities, as the case may be) in a name other than that of, the registered holder of the Rights Certificate evidencing Rights surrendered for exercise or to issue or deliver any certificates for a number of one one-hundredths of a share of Preferred Stock (or Common Stock or other securities, as the case may be) upon the exercise of any Rights until any such tax shall have been paid (any such tax being payable by the holder of such Rights Certificate at the time of surrender) or until it has been established to the Company's satisfaction that no such tax is due.

Section 10. Preferred Stock Record Date. Each person in whose name any certificate for a number of one one-hundredths of a share of Preferred Stock (or Common Stock or other securities, as the case may be) is issued upon the exercise of Rights shall for all purposes be deemed to have become the holder of record of such fractional shares of Preferred Stock (or Common Stock or other securities, as the case may be) represented thereby on, and such certificate shall be dated, the date upon which the Rights Certificate evidencing such Rights was

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duly surrendered and payment of the Purchase Price (and any applicable transfer taxes) was made; provided, however, that if the date of such surrender and payment is a date upon which the Preferred Stock (or Common Stock or other securities, as the case may be) transfer books of the Company are closed, such person shall be deemed to have become the record holder of such shares (fractional or otherwise) on, and such certificate shall be dated, the next succeeding business day on which the Preferred Stock (or Common Stock or other securities, as the case may be) transfer books of the Company are open. Prior to the exercise of the Rights evidenced thereby, the holder of a Rights Certificate shall not be entitled to any rights of a shareholder of the Company with respect to shares for which the Rights shall be exercisable, including, without limitation, the right to vote, to receive dividends or other distributions or to exercise any preemptive rights, and shall not be entitled to receive any notice of any proceedings of the Company, except as provided herein.

Section 11. Adjustment of Purchase Price, Number and Kind of Shares or Number of Rights. The Purchase Price, the number and kind of shares covered by each Right and the number of Rights outstanding are subject to adjustment from time to time as provided in this Section 11.

(a) (i) In the event the Company shall at any time after the date of this Agreement (A) declare a dividend on the Preferred Stock payable in shares of Preferred Stock, (B) subdivide the outstanding Preferred Stock, (C) combine the outstanding Preferred Stock into a smaller number of shares or (D) issue any shares of its capital stock in a reclassification of the Preferred Stock (including any such reclassification in connection with a consolidation or merger in which the Company is the continuing or surviving corporation), except as otherwise provided in this Section 11(a) and Section 7(e) hereof, the Purchase Price in effect at the time of the record date for such dividend or on the effective date of such subdivision, combination or reclassification, and the number and kind of shares of Preferred Stock or capital stock, as the case may be, issuable on such date, shall be proportionately adjusted so that the holder of any Right exercised after such time shall be entitled to receive the aggregate number and kind of shares of Preferred Stock or capital stock, as the case may be, which, if such Right had been exercised immediately prior to such date and at a time when the Preferred Stock transfer books of the Company were open, he would have owned upon such exercise and been entitled to receive by virtue of such dividend, subdivision, combination or reclassification. If an event occurs which would require an adjustment under both Section 11(a)(i) and Section 11(a)(ii) hereof, the adjustment provided for in this Section 11(a)(i) shall be in addition to, and shall be made prior to, any adjustment required pursuant to Section 11(a)(ii).

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(ii) In the event

(A) Any Acquiring Person or any Associate or Affiliate of any Acquiring Person, at any time after the date of this Agreement, directly or indirectly, (1) shall merge into the Company or otherwise combine with the Company and the Company shall be the continuing or surviving corporation of such merger or combination and the Common Stock of the Company shall remain outstanding and not changed into or exchanged for stock or other securities of any other Person or the Company or cash or any other property, (2) shall, in one or more transactions, other than in connection with the exercise of Rights or in connection with the exercise or conversion of securities exchangeable or convertible into capital stock of the Company or any of its subsidiaries, transfer any assets to the Company or any of its subsidiaries in exchange (in whole or in part) for shares of any class of capital stock of the Company or any of its subsidiaries or for securities exercisable for or convertible into shares of any class of capital stock of the Company or any of its subsidiaries or otherwise obtain from the Company or any of its subsidiaries, with or without consideration, any additional shares of any class of capital stock of the Company or any of its subsidiaries or securities exercisable for or convertible into shares of any class of capital stock of the Company or any of its subsidiaries (other than as part of a pro rata distribution to all holders of such shares of capital stock of the Company or any of its subsidiaries), (3) shall sell, purchase, lease, exchange, mortgage, pledge, transfer or otherwise dispose (in one or more transactions), to, from or with, as the case may be, the Company or any of its subsidiaries, assets, including

securities, on terms and conditions less favorable to the Company than the Company would be able to obtain in arm's-length negotiation with an unaffiliated third party, (4) shall receive any compensation from the Company or any of the Company's subsidiaries other than compensation for full-time employment as a regular employee at rates in accordance with the Company's (or its subsidiaries') past practices, or (5) shall receive the benefit, directly or indirectly (except proportionately as a shareholder), of any loans, advances, guarantees, pledges or other financial assistance or any tax credits or other tax advantage provided by the Company or any of its subsidiaries, or

(B) During such time as there is an Acquiring Person, there shall be any reclassification of securities (including any reverse stock split), or recapitalization of the Company, or any

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merger or consolidation of the Company with any of its subsidiaries or any other transaction or series of transactions involving the Company or any subsidiaries of the Company (whether or not with or into or otherwise involving an Acquiring Person) which has the effect, directly or indirectly, of increasing by more than 1% of the proportionate share of the outstanding shares of any class of equity securities or of securities exercisable for or convertible into equity securities of the Company or any of its subsidiaries which is directly or indirectly owned by any Acquiring Person or any Associate or Affiliate of any Acquiring Person, or

(C) Any Acquiring Person, alone or together with its Affiliates and Associates, shall, at any time after the date of this Agreement, become the Beneficial Owner of 30% or more of the Common Stock then outstanding, unless the event causing the 30% threshold to be crossed is a transaction set forth in Section 13(a) hereof, or is an acquisition of Common Stock pursuant to a tender offer or exchange offer made pursuant to Schedule 14D-1 (or any successor form) filed with the Securities and Exchange Commission for all outstanding shares of Common Stock (other than shares of Common Stock held by the Person making the offer, or any Affiliate or Associate of such Person) at a price and on terms determined in good faith by at least a majority of the Disinterested Directors who are not officers of the Company to be (a) at a price which is fair to shareholders (taking into account all factors which such members of the Board deem relevant including, without limitation, prices which could reasonably be achieved if the Company or its assets were sold on an orderly basis designed to realize maximum value) and (b) otherwise in the best interests of the Company and its shareholders,

then, and in each such case, proper provision shall be made so that each holder of a Rights Certificate (except as provided below and in Section 7(e) hereof), shall thereafter have a right to receive, upon exercise thereof at the then-current Purchase Price in accordance with the terms of this Agreement, in lieu of shares of Preferred Stock, such number of shares of Common Stock of the Company as shall equal the result obtained by (x) multiplying the then-current Purchase Price by the number of one one-hundredths of a share of Preferred Stock for which a Rights Certificate is then exercisable and dividing that product by (y) 50% of the current per share market price of the Common Stock (determined pursuant to Section 11(d)) on the fifth day (or if such day is not a business day, the first business day after the fifth day) after the earlier of the date of the occurrence or the date of the first public announcement of any one of the events listed above in this subparagraph (ii) (such number of shares being referred to as the

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"Adjustment Shares"), provided, however, that if the adjustment is also subject to the provisions of Section 13 hereof, then only the provisions of Section 13 hereof shall apply and no adjustment shall be made pursuant to this Section 11(a)(ii). Notwithstanding the foregoing, upon the occurrence of any of the events listed above in this paragraph (ii), any Rights that are or were on or after the earlier of the Distribution Date or Stock Acquisition Date beneficially owned by the Acquiring Person or any Associate or Affiliate of the Acquiring Person shall become void and any holder of such Rights shall thereafter have no right to exercise such Rights under any provision of this Agreement. The Company shall not enter into any transaction of the kind listed in this subparagraph (ii) if at the time of such transaction there are any rights, warrants, instruments or securities outstanding or any agreements in effect which, as a result of the consummation of such transaction, would eliminate or substantially diminish the benefits intended to be afforded by the Rights. Any Rights Certificate issued pursuant to Section 3 hereof that represents Rights beneficially owned by an Acquiring Person or any Associate or Affiliate thereof and any Rights Certificate issued at any time upon the transfer of any Rights to an Acquiring Person or any Associate or Affiliate thereof or to any nominee of such Acquiring Person, Associate or Affiliate, and any Rights Certificate issued pursuant to Section 6 or this Section 11 upon transfer, exchange, replacement or adjustment of any other Rights Certificate referred to in this sentence, shall contain the legend set forth in Section 4(b) hereof.

(iii) In lieu of issuing shares of Common Stock in accordance with Section 11(a)(ii) hereof, the Company may, if two-thirds of the Disinterested Directors determine that such action is necessary or appropriate and not contrary to the interest of holders of Rights (and, in the event that the number of shares of Common Stock which are authorized by the Company's Restated Articles of Incorporation but not outstanding or reserved for issuance for purposes other than upon exercise of the Rights are not sufficient to permit the exercise in full of the Rights in accordance with the foregoing subparagraph (ii) of this Section 11(a), the Company shall): (A) determine the excess of (1) the value of the Adjustment Shares issuable upon the exercise of a Right (the "Current Value"), over (2) the Purchase Price (such excess, the "Spread") and (B) with respect to each Right, make adequate provision to substitute for the Adjustment Shares, upon payment of the applicable Purchase Price, (1) cash, (2) a reduction in the Purchase Price, (3) Common Stock or other equity securities of the Company (including, without limitation, shares, or units of shares, of preferred stock which the Board of Directors of the Company has deemed to have the same value as shares of Common Stock (such shares of preferred stock, "common stock equivalents")), (4) debt securities of the Company, (5) other assets, or (6) any combination of the foregoing having an aggregate value equal to the

Current Value, where such aggregate value has been determined by the Board of Directors of the Company based upon the advice of a recognized expert selected by the Board of Directors of the Company; provided, however, if the Company shall not have made adequate provision to deliver value pursuant to clause (B) above within thirty (30) days following the later of the first occurrence of an event described in Section 11(a)(ii) hereof or the first date that the right to redeem the Rights pursuant to Section 23 hereof, as such date may be amended pursuant to Section 26 hereof, shall expire, then the Company shall be obligated to deliver, upon the surrender of exercise of a Rights Certificate and without requiring payment of the Purchase Price, shares of Common Stock (to the extent available) and then, if necessary, cash, securities and/or assets that in the aggregate are equal to the Spread. If the Board of Directors of the Company shall determine in good faith that it is likely that sufficient additional shares of Common Stock could be authorized for issuance upon exercise in full of the Rights, the thirty (30) day period set forth above may be extended to the extent necessary, but not more than ninety (90) days following the first occurrence of an event described in Section 11(a)(ii) hereof, in order that the Company may seek shareholder approval for the authorization of such additional shares (such period as it may be extended, the "Substitution Period"). To the extent that the Company determines that some action is to be taken pursuant to the first and/or second sentences of this Section 11(a)(iii), the Company (x) shall provide, subject to Section 7(e) hereof, that such action shall apply uniformly to all outstanding Rights, and (y) may suspend the exercisability of the Rights until the expiration of the Substitution Period in order to seek any authorization of additional shares and/or to decide the appropriate form of distribution to be made pursuant to such first sentence and to determine the value thereof. In the event of any such suspension, the Company shall issue a public announcement stating that the exercisability of the Rights has been temporarily suspended, as well as a public announcement at such time as the suspension is no longer in effect. For purposes of this Section 11(a)(iii), the value of the Common Stock shall be the current per share market price of Common Stock (as determined pursuant to Section 11(d) hereof) on the later of the date of the first occurrence of an event described in Section 11(a)(ii) hereof and the first date that the right to redeem the Rights pursuant to Section 23 hereof, as such date may be amended pursuant to Section 26 hereof, shall expire and the value of any "common stock equivalents" shall be deemed to have the same value as the Common Stock on such date.

(b) In the event the Company shall fix a record date for the issuance of rights or warrants to all holders of Preferred Stock entitling them (for a period expiring within forty-five (45) calendar days after such record date) to subscribe

for or purchase shares of Preferred Stock (or shares having the same rights, privileges and preferences as shares of Preferred Stock ("equivalent preferred stock")), or securities convertible into Preferred Stock or equivalent preferred stock at a price per share of Preferred Stock or equivalent preferred stock (or having a conversion price per share, if a security convertible into Preferred Stock or equivalent preferred stock), less than the current per share market price of the Preferred Stock (as defined in Section 11(d)) on such record date, the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the number of shares of Preferred Stock outstanding on such record date plus the number of shares of Preferred Stock which the aggregate offering price of the total number of shares of Preferred Stock and/or equivalent preferred stock so to be offered (and/or the aggregate initial conversion price of the convertible securities so to be offered) would purchase at such current market price and the denominator of which shall be the number of shares of Preferred Stock outstanding on such record date plus the number of additional shares of Preferred Stock and/or equivalent preferred stock to be offered for subscription or purchase (or into which the convertible securities so to be offered are initially convertible). In case such subscription price may be paid in a consideration part or all of which shall be in a form other than cash, the value of such consideration shall be as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent. Shares of Preferred Stock owned by or held for the account of the Company shall not be deemed outstanding for the purpose of any such computation. Such adjustment shall be made successively whenever such a record date is fixed; and in the event that such rights or warrants are not so issued, the Purchase Price shall be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(c) In the event the Company shall fix a record date for the making of a distribution to all holders of the Preferred Stock (including any such distribution made in connection with a consolidation or merger in which the Company is the continuing or surviving corporation) of evidences of indebtedness or assets (other than a regular periodic cash dividend at a rate not in excess of 125% of the rate of the last regular periodic cash dividend theretofore paid or a dividend payable in Preferred Stock) or subscription rights or warrants (excluding those referred to in Section 11(b) hereof), the Purchase Price to be in effect after such record date shall be determined by multiplying the Purchase Price in effect immediately prior to such record date by a fraction, the numerator of which shall be the current per share market price of the Preferred Stock (as defined in Section 11(d)) on such record date, less the fair market value (as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent) of the portion of the assets or evidences of indebtedness so to be distributed or of such subscription rights or warrants

applicable to one share of Preferred Stock and the denominator of which shall be such current per share market price of the Preferred Stock (as defined in Section 11(d)). Such adjustments shall be made successively whenever such a record date is fixed;

and in the event that such distribution is not so made, the Purchase Price shall again be adjusted to be the Purchase Price which would then be in effect if such record date had not been fixed.

(d) (i) For the purpose of any computation hereunder, other than computations made pursuant to Section 11(a)(iii) hereof, the "current per share market price" of Common Stock on any date shall be deemed to be the average of the daily closing prices per share of Common Stock for the thirty (30) consecutive Trading Days (as such term is hereinafter defined) immediately prior to such date, and for purposes of computations made pursuant to Section 11(a)(iii) hereof, the "current per share market price" of Common Stock on any date shall be deemed to be the average of the daily closing prices per share of such Common Stock for ten (10) consecutive Trading Days (as such term is hereinafter defined) immediately following such date; provided, however, that in the event that the current per share market price of Common Stock is determined during a period following the announcement by the issuer of such Common Stock of (A) a dividend or distribution on such Common Stock payable in shares of such Common Stock or securities convertible into shares of such Common Stock (other than the Rights which are the subject of this Agreement) or (B) any subdivision, combination or reclassification of such Common Stock, and prior to the expiration of thirty (30) Trading Days or ten (10) Trading Days, as set forth above, after the ex-dividend date for such dividend or distribution, or the record date for such subdivision, combination or reclassification, then, and in each such case, the "current per share market price" shall be appropriately adjusted to take into account ex-dividend trading. The closing price for each day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading or, if the shares of Common Stock are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by the National Association of Securities Dealers, Inc. Automated Quotation System ("NASDAQ") or such other system then in use, or, if on any such date the shares of Common Stock are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Common Stock selected by the Board of Directors of the

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Company. If on any such date no market maker is making a market in the Common Stock, the fair value of such shares on such date as determined in good faith by the Board of Directors of the Company shall be used. The term "Trading Day" shall mean a day on which the principal national securities exchange on which the shares of Common Stock are listed or admitted to trading is open for the transaction of business or, if the Common Stock are not listed or admitted to trading on any national securities exchange, a Monday, Tuesday, Wednesday, Thursday or Friday on which banking institutions in the State of Michigan are not authorized or obligated by law or executive order to close. If the Common Stock is not publicly held or not so listed or traded, "current per share market price" shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent.

(ii) For the purpose of any computation hereunder, the "current per share market price" of Preferred Stock shall be determined in the same manner as set forth above for the Common Stock in clause (i) of this Section 11(d) (other than the last sentence thereof). If the current market price per share of Preferred Stock cannot be determined in the manner provided above or if the Preferred Stock is not publicly held or listed or traded in a manner described in clause (i) of this Section 11(d), the "current per share market price" of Preferred Stock shall be conclusively deemed to be an amount equal to 100 (as such number may be appropriately adjusted for such events as stock splits, stock dividends and recapitalizations with respect to the Common Stock occurring after the date of this Agreement) multiplied by the current per share market price of the Common Stock. If neither the Common Stock nor the Preferred Stock is publicly held or so listed or traded, "current per share market price" of the Preferred Stock shall mean the fair value per share as determined in good faith by the Board of Directors of the Company, whose determination shall be described in a statement filed with the Rights Agent and shall be conclusive for all purposes. For all purposes of this Agreement, the "current market price" of one one-hundredth of a share of Preferred Stock shall be equal to the "current per share market price" of Preferred Stock divided by 100.

(e) Anything herein to the contrary notwithstanding, no adjustment in the Purchase Price shall be required unless such adjustment would require an increase or decrease of at least 1% in such Purchase Price; provided, however, that any adjustments which by reason of this Section 11(e) are not required to be made shall be carried forward and taken into account in any subsequent adjustment. All calculations under this Section 11 shall be made to the nearest cent

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or to the nearest ten-thousandth of a share of Common Stock or the nearest one-millionth of a share of Preferred Stock, as the case may be. Notwithstanding the first sentence of this Section 11(e), any adjustment required by this Section 11 shall be made no later than the earlier of (i) three years from the date of the transaction which requires such adjustment or (ii) the Expiration Date.

(f) If as a result of an adjustment made pursuant to Section 11(a)(ii) or Section 13(a), the holder of any Right thereafter exercised shall become entitled to receive any shares of capital stock of the Company other than Preferred Stock, thereafter the number of such other shares so receivable upon exercise of any Right shall be subject to adjustment from time to time in a manner and on terms as nearly equivalent as practicable to the provisions with respect to the Preferred Stock contained in Section 11(a), (b), (c), (g), (h), (i), (j), (k), and (m), and the provisions of Sections 7, 9, 10, 13 and 14 hereof with respect to the Preferred Stock shall apply on like terms to any such other shares.

(g) All Rights originally issued by the Company subsequent to any adjustment made to the Purchase Price hereunder

shall evidence the right to purchase, at the adjusted Purchase Price, the number of one one-hundredths of a share of Preferred Stock purchasable from time to time hereunder upon exercise of the Rights, all subject to further adjustment as provided herein.

(h) Unless the Company shall have exercised its election as provided in Section 11(i), upon each adjustment of the Purchase Price as a result of the calculations made in Section 11(b) and (c), each Right outstanding immediately prior to the making of such adjustment shall thereafter evidence the right to purchase, at the adjusted Purchase Price, that number of one one-hundredths of a share of Preferred Stock (calculated to the nearest one-millionth) obtained by (i) multiplying (x) the number of one one-hundredths of a share covered by a Right immediately prior to this adjustment by (y) the Purchase Price in effect immediately prior to such adjustment of the Purchase Price and (ii) dividing the product so obtained by the Purchase Price in effect immediately after such adjustment of the Purchase Price.

(i) The Company may elect on or after the date of any adjustment of the Purchase Price to adjust the number of Rights, in substitution for any adjustment in the number of one one-hundredths of a share of Preferred Stock purchasable upon the exercise of a Right. Each of the Rights outstanding after such adjustment of the number of Rights shall be exercisable for the number of one one-hundredths of a share of Preferred Stock for which a Right was exercisable immediately prior to such adjustment. Each Right held of record prior to such adjustment of the number of Rights shall become that number of Rights (calculated to the nearest one ten-thousandth) obtained by dividing the Purchase Price in effect immediately prior to adjustment of the Purchase Price by

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the Purchase Price in effect immediately after adjustment of the Purchase Price. The Company shall make a public announcement of its election to adjust the number of Rights, indicating the record date for the adjustment, and, if known at the time, the amount of the adjustment to be made. This record date may be the date on which the Purchase Price is adjusted or any day thereafter, but, if the Rights Certificates have been issued, shall be at least ten (10) days later than the date of the public announcement. If Rights Certificates have been issued, upon each adjustment of the number of Rights pursuant to this Section 11(i), the Company shall, as promptly as practicable, cause to be distributed to holders of record of Rights Certificates on such record date Rights Certificates evidencing, subject to Section 14 hereof, the additional Rights to which such holders shall be entitled as a result of such adjustment, or, at the option of the Company, shall cause to be distributed to such holders of record in substitution and replacement for the Rights Certificates held by such holders prior to the date of adjustment, and upon surrender thereof, if required by the Company, new Rights Certificates evidencing all the Rights to which such holders shall be entitled after such adjustment. Rights Certificates so to be distributed shall be issued, executed and countersigned in the manner provided for herein (and may bear, at the option of the Company, the adjusted Purchase Price) and shall be registered in the names of the holders of record of Rights Certificates on the record date specified in the public announcement.

(j) Irrespective of any adjustment or change in the Purchase Price or the number of one one-hundredths of a share of Preferred Stock issuable upon the exercise of the Rights, the Rights Certificates theretofore and thereafter issued may continue to express the Purchase Price per one one-hundredth of a share and the number of one one-hundredth of a share which were expressed in the initial Rights Certificates issued hereunder.

(k) Before taking any action that would cause an adjustment reducing the Purchase Price below the then par value, if any, of the number of one one-hundredths of a share of Preferred Stock issuable upon exercise of the Rights, the Company shall take any corporate action which may, in the opinion of its counsel, be necessary in order that the Company may validly and legally issue fully paid and nonassessable such number of one one-hundredths of a share of Preferred Stock at such adjusted Purchase Price.

(l) In any case in which this Section 11 shall require that an adjustment in the Purchase Price be made effective as of a record date for a specified event, the Company may elect to defer until the occurrence of such event the issuing to the holder of any Right exercised after such record date the number of one one-hundredths of a share of Preferred Stock and other

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capital stock or securities of the Company, if any, issuable upon such exercise over and above the number of one one-hundredths of a share of Preferred Stock and other capital stock or securities of the Company, if any, issuable upon such exercise on the basis of the Purchase Price in effect prior to such adjustment; provided, however, that the Company shall deliver to such holder a due bill or other appropriate instrument evidencing such holder's right to receive such additional shares (fractional or otherwise) or securities upon the occurrence of the event requiring such adjustment.

(m) Anything in this Section 11 to the contrary notwithstanding, the Company shall be entitled to make such reductions in the Purchase Price, in addition to those adjustments expressly required by this Section 11, as and to the extent that in their good faith judgment the Board of Directors of the Company shall determine to be advisable, which shall include, not by way of limitation, such reductions in the Purchase Price in order that any (i) consolidation or subdivision of the Preferred Stock, (ii) issuance wholly for cash of any shares of Preferred Stock at less than the current per share market price, (iii) issuance wholly for cash of any shares of Preferred Stock or securities which by their terms are convertible into or exchangeable for shares of Preferred Stock, (iv) stock dividends, or (v) issuance of rights, options or warrants referred to hereinabove in this Section 11, hereafter made by the Company to holders of its Preferred Stock shall not be taxable to such shareholders.

Section 12. Certificate of Adjusted Purchase Price or Number of Shares. Whenever an adjustment is made as provided in Sections 11 and 13 hereof, the Company shall (a) promptly prepare a certificate setting forth such adjustment and a brief statement of the facts accounting for such

adjustment, (b) promptly file with the Rights Agent and with each transfer agent for the Preferred Stock and the Common Stock a copy of such certificate, and (c) mail a brief summary thereof to each holder of a Rights Certificate (or, if prior to the Distribution Date, to each holder of a certificate representing shares of Common Stock) in accordance with Section 25 hereof.

Section 13. Consolidation, Merger or Sale or Transfer of Assets or Earning Power.

(a) In the event that, following the Stock Acquisition Date, directly or indirectly, (x) the Company shall consolidate with, or merge with and into, any other Person and the Company shall not be the continuing or surviving corporation of such consolidation or merger, (y) any Person shall consolidate with, or merge with or into, the Company, and the Company shall be the continuing or surviving corporation of such consolidation or merger, and, in connection with such consolidation or merger all or part of the outstanding shares of Common Stock shall be changed into or exchanged for stock or other securities of any other Person or cash or any other property, or (z) the Company shall sell or otherwise transfer (or one or more of its subsidiaries shall sell or otherwise transfer), in one transaction or a series of related transactions, assets or earning

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power aggregating more than 50% of the assets or earning power of the Company and its subsidiaries (taken as a whole) to any Person or Persons, then, and in each such case, proper provision shall be made so that: (i) each holder of a Rights Certificate, except as provided in Section 7(e) hereof, shall thereafter have the right to receive, upon the exercise thereof at the then current Purchase Price in accordance with the terms of this Agreement, such number of validly authorized and issued, fully paid, nonassessable and freely tradeable shares of Common Stock of the Principal Party (as such term is hereinafter defined), not subject to any liens, encumbrances, rights of first refusal or other adverse claims, as shall be equal to the result obtained by (1) multiplying the then current Purchase Price by the number of one one-hundredths of a share of Preferred Stock for which a Right is exercisable immediately prior to the first occurrence of an event described in clauses (x), (y) or (z) of this Section 13(a) (a "Section 13 Event") (or, if an event described in Section 11(a)(ii) has occurred prior to the Section 13 Event, multiplying the number of such one one-hundredths of a share of Preferred Stock for which a Right was exercisable immediately prior to the first occurrence of such an event described in Section 11(a)(ii) by the Purchase Price in effect immediately prior to such first occurrence), and dividing that product (which, following the Section 13 Event, shall be referred to as the "Purchase Price" for each Right and for all purposes of this Agreement) by (2) 50% of the current per share market price (determined pursuant to Section 11(d)(i) hereof) of the Common Stock of such Principal Party on the date of consummation of such Section 13 Event; (ii) such Principal Party shall thereafter be liable for, and shall assume, by virtue of such Section 13 Event, all the obligations and duties of the Company pursuant to this Agreement; (iii) the term "Company" shall thereafter be deemed to refer to such Principal Party, it being specifically intended that the provisions of Section 11 hereof shall apply only to such Principal Party following the first occurrence of a Section 13 Event; (iv) such Principal Party shall take such steps (including, but not limited to, the reservation of a sufficient number of shares of its Common Stock) in connection with the consummation of any such transaction as may be necessary to assure that the provisions hereof shall thereafter be applicable, as nearly as reasonably may be, in relation to its shares of Common Stock thereafter deliverable upon the exercise of the Rights; and (v) the provisions of Section 11(a)(ii) hereof shall be of no effect following the first occurrence of any Section 13 Event.

(b) "Principal Party" shall mean

(i) in the case of any transaction described in clause (x) or (y) of the first sentence of Section 13(a), the Person that is the issuer of any securities into which Common Stock of the Company are converted in such merger or consolidation, and if no securities are so issued, the Person that is the other party to such merger or consolidation; and

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(ii) in the case of any transaction described in clause (z) of the first sentence of Section 13(a), the Person that is the party receiving the greatest portion of the assets or earning power transferred pursuant to such transaction or transactions;

provided, however, that in any such case, (1) if the Common Stock of such Person is not at such time and has not been continuously over the preceding twelve (12) month period registered under Section 12 of the Exchange Act, and such Person is a direct or indirect subsidiary of another Person the Common Stock of which is and has been so registered, "Principal Party" shall refer to such other Person; and (2) in case such Person is a subsidiary, directly or indirectly, of more than one Person, the Common Stock of two or more of which are and have been so registered, "Principal Party" shall refer to whichever of such Persons is the issuer of the Common Stock having the greatest aggregate market value.

(c) After the Stock Acquisition Date, the Company shall not consummate any such consolidation, merger, sale or transfer unless the Principal Party shall have a sufficient number of authorized shares of its Common Stock which have not been issued or reserved for issuance to permit the exercise in full of the Rights in accordance with this Section 13 and unless prior thereto the Company and such Principal Party shall have executed and delivered to the Rights Agent a supplemental agreement providing for the terms set forth in paragraphs (a) and (b) of this Section 13 and further providing that, as soon as practicable after the date of any consolidation, merger or sale of assets mentioned in paragraph (a) of this Section 13, the Principal Party will

(i) prepare and file a registration statement under the Exchange Act, with respect to the Rights and the securities purchasable upon exercise of the Rights on an appropriate form, and will use its best efforts to cause such registration statement to (A) become effective as soon as practicable after such filing and (B) remain effective (with a prospectus at all times meeting the requirements of the Act) until the Expiration Date; and

(ii) will deliver to holders of the Rights historical financial statements for the Principal Party and each of its Affiliates which comply in all respects with the requirements for registration on Form 10 under the Exchange Act.

The provisions of this Section 13 shall similarly apply to successive mergers or consolidations or sales or other transfers. In the event that a Section 13 Event shall occur at any time after the occurrence of an event described in Section 11(a)(ii) hereof, the Rights which have not theretofore been exercised shall thereafter become exercisable in the manner described in Section 13(a).

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Section 14. Fractional Rights and Fractional Shares.

(a) The Company shall not be required to issue fractions of Rights or to distribute Rights Certificates which evidence fractional Rights. In lieu of such fractional Rights, there shall be paid to the registered holders of the Rights Certificates with regard to which such fractional Rights that would otherwise be issuable, an amount in cash equal to the same fraction of the current market value of a whole Right. For the purpose of this Section 14(a), the current market value of a whole Right shall be the closing price of the Rights for the Trading Day immediately prior to the date on which such fractional Rights would have been otherwise issuable. The closing price for any day shall be the last sale price, regular way, or, in case no such sale takes place on such day, the average of the closing bid and asked prices, regular way, in either case as reported in the principal consolidated transaction reporting system with respect to securities listed on the principal national securities exchange on which the Rights are listed or admitted to trading or, if the Rights are not listed or admitted to trading on any national securities exchange, the last quoted price or, if not so quoted, the average of the high bid and low asked prices in the over-the-counter market, as reported by NASDAQ or such other system then in use or, if on any such date the Rights are not quoted by any such organization, the average of the closing bid and asked prices as furnished by a professional market maker making a market in the Rights selected by the Board of Directors of the Company. If on any such date no such market maker is making a market in the Rights, the fair value of the Rights on such date as determined in good faith by the Board of Directors of the Company shall be used.

(b) The Company shall not be required to issue fractions of shares of Preferred Stock (other than fractions in integral multiples of one one-hundredth of a share of Preferred Stock) upon exercise of the Rights or to distribute certificates which evidence fractional shares of Preferred Stock (other than fractions in integral multiples of one one-hundredth of a share of Preferred Stock). In lieu of fractional shares of Preferred Stock that are not integral multiples of one one-hundredth of a share of Preferred Stock, the Company may pay to the registered holders of Rights Certificates at the time such Rights are exercised as herein provided an amount in cash equal to the same fraction of the current market value of one one-hundredth of a share of Preferred Stock. For purposes of this Section 14(b), the current market value of one one-hundredth of a share of Preferred Stock shall be the closing price of a share of Preferred Stock (as determined pursuant to Section 11(d)(ii) hereof) for the Trading Day immediately prior to the date of such exercise.

(c) The holder of a Right by the acceptance of the Rights expressly waives his right to receive any fractional Rights or any fractional shares (other

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than fractions in integral multiples of one one-hundredth of a share of Preferred Stock) upon exercise of a Right, except as permitted by this Section 14.

Section 15. Rights of Action. All rights of action in respect of this Agreement are vested in the respective registered holders of the Rights Certificates (and, prior to the Distribution Date, the registered holders of the Common Stock); and any registered holder of any Rights Certificate (or, prior to the Distribution Date, of the Common Stock), without the consent of the Rights Agent or of the holder of any other Rights Certificate (or, prior to the Distribution Date, of the Common Stock), may, in his own behalf and for his own benefit, enforce, and may institute and maintain any suit, action or proceeding against the Company to enforce, or otherwise act in respect of, his right to exercise the Rights evidenced by such Rights Certificate in the manner provided in such Rights Certificate and in this Agreement. Without limiting the foregoing of any remedies available to the holders of Rights, it is specifically acknowledged that the holders of Rights would not have an adequate remedy at law for any breach of this Agreement and will be entitled to specific performance of the obligations hereunder and will be entitled to injunctive relief against actual or threatened violations of the obligations of any Person subject to this Agreement.

Section 16. Agreement of Right Holders. Every holder of Rights by accepting the same consents and agrees with the Company and the Rights Agent and with every other holder of Rights that:

(a) prior to the Distribution Date, the Rights will be transferable only in connection with the transfer of shares of Common Stock;

(b) after the Distribution Date, the Rights Certificates are transferable only on the registry books of the Rights Agent if surrendered at the principal office of the Rights Agent, duly endorsed or accomplished by a proper instrument of transfer and with the appropriate forms and certificates fully executed;

(c) the Company and the Rights Agent may deem and treat the person in whose name the Rights Certificate (or, prior to the Distribution Date, the associated Common Stock certificate) is registered as the absolute owner thereof and of the Rights

evidenced thereby (notwithstanding any notations of ownership or writing on the Rights Certificates or the associated Common Stock certificate made by anyone other than the Company or the Rights Agent) for all purposes whatsoever, and neither the Company nor the Rights Agent shall be affected by any notice to the contrary; and

(d) notwithstanding anything in this Agreement to the contrary, neither the Company nor the Rights Agent shall have any liability to any holder of a Right or other Person as a result of its inability to perform any of its obligations

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under this Agreement by reason of any preliminary or permanent injunction or other order, decree or ruling issued by a court of competent jurisdiction or by a governmental, regulatory or administrative agency or commission, or any statute, rule, regulation or executive order promulgated or enacted by any governmental authority prohibiting or otherwise restraining performance of such obligation; provided, however, the Company must, subject to the good faith determination of its Board of Directors, use its best efforts to have any such order, decree or ruling lifted or otherwise overturned.

Section 17. Rights Certificate Holder Not Deemed a Shareholder. No holder, as such, of any Rights Certificate shall be entitled to vote, receive dividends or be deemed for any purpose the holder of the number of one one-hundredths of a share of Preferred Stock or any other securities of the Company which may at any time be issuable on the exercise of the Rights represented thereby, nor shall anything contained herein or in any Rights Certificate be construed to confer upon the holder of any Rights Certificate, as such, any of the rights of a shareholder of the company or any right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in Section 24 hereof), or to receive dividends or subscription rights, or otherwise, until the Right or Rights evidenced by such Rights Certificate shall have been exercised in accordance with the provisions hereof.

Section 18. Concerning the Rights Agent.

(a) The Company agrees to pay to the Rights Agent reasonable compensation for all services rendered by it hereunder and, from time to time on demand of the Rights Agent, its reasonable expenses and counsel fees and other disbursements incurred in the administration and execution of this Agreement and the exercise and performance of its duties hereunder. The Company also agrees to indemnify the Rights Agent for, and to hold it harmless against, any loss, liability, or expense, incurred without negligence, bad faith or willful misconduct on the part of the Rights Agent, for anything done or omitted by the Rights Agent in connection with the acceptance and administration of this Agreement, including the costs and expenses of defending against any claim of liability in the premises.

(b) The Rights Agent shall be protected and shall incur no liability for or in respect of any action taken, suffered or omitted by it in connection with its administration of this Agreement in reliance upon any Rights Certificate or certificate for Common Stock or for other securities of the Company, instrument of assignment or transfer, power of attorney, endorsement, affidavit, letter, notice, direction, consent, certificate, statement, or other paper or document

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believed by it to be genuine and to be signed, executed and, where necessary, verified or acknowledged by the proper person or persons.

Section 19. Merger or Consolidation or Change of Name of Rights Agent.

(a) Any corporation into which the Rights Agent or any successor Rights Agent may be merged or with which it may be consolidated, or any corporation resulting from any merger or consolidation which the Rights Agent or any successor Rights Agent shall be a party, or any corporation succeeding to the corporate trust or stock transfer business of the Rights Agent or any successor Rights Agent, shall be the successor to the Rights Agent under this Agreement without the execution or filing of any paper or any further act on the part of any of the parties hereto, provided that such corporation would be eligible for appointment as a successor Rights Agent under the provisions of Section 21 hereof. In case at the time such successor Rights Agent shall succeed to the agency created by this Agreement, any of the Rights Certificates shall have been countersigned but not delivered, any such successor Rights Agent may adopt the countersignature of the predecessor Rights Agent and deliver such Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, any successor Rights Agent may countersign such Rights Certificates either in the name of the predecessor Rights Agent or in the name of the successor Rights Agent; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

(b) In case at any time the name of the Rights Agent shall be changed and at such time any of the Rights Certificates shall have been countersigned but not delivered, the Rights Agent may adopt the countersignature under its prior name and deliver Rights Certificates so countersigned; and in case at that time any of the Rights Certificates shall not have been countersigned, the Rights Agent may countersign such Rights Certificates either in its proper name or in its changed name; and in all such cases such Rights Certificates shall have the full force provided in the Rights Certificates and in this Agreement.

Section 20. Duties of Rights Agent. The Rights Agent undertakes the duties and obligations expressly set forth in this Agreement, and no implied duties or obligations shall be read into this Agreement against the Rights Agent. The Rights Agent shall perform its duties and obligations upon the following terms and conditions, by all of which the Company and the holders of Rights Certificates, by their acceptance thereof, shall be bound:

(a) The Rights Agent may consult with legal counsel (who may be legal counsel for the Company), and the opinion of such counsel shall be full and

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complete authorization and protection to the Rights Agent as to any action taken or omitted by it in good faith and in accordance with such opinion.

(b) Whenever in the performance of its duties under this Agreement the Rights Agent shall deem it necessary or desirable that any fact or matter be proved or established by the Company prior to taking or suffering any action hereunder, such fact or matter (unless other evidence in respect thereof be herein specifically prescribed) may be deemed to be conclusively proved and established by a certificate signed by any one of the Chairman of the Board, the President, a Vice President, the Treasurer or the Secretary of the Company and delivered to the Rights Agent; and such certificate shall be full authorization to the Rights Agent for any action taken or suffered in good faith by it under the provisions of this Agreement in reliance upon such certificate.

(c) The Rights Agent shall be liable hereunder only for its own negligence, bad faith or willful misconduct.

(d) The Rights Agent shall not be liable for or by reason of any of the statements of fact or recitals contained in this Agreement or in the Rights Certificates (except as to its countersignature thereof) or be required to verify the same, but all such statements and recitals are and shall be deemed to have been made by the Company only.

(e) The Rights Agent shall not be under any responsibility in respect of the validity of this Agreement or the execution and delivery hereof (except the due execution hereof by the Rights Agent) or in respect of the validity or execution of any Rights Certificate (except its countersignature thereof); nor shall it be responsible for any breach by the Company of any covenant or condition contained in this Agreement or in any Rights Certificate; nor shall it be responsible for any adjustment required under the provisions of Sections 11 or 13 hereof or responsible for the manner, method or amount of any such adjustment or the ascertaining of the existence of facts that would require any such adjustment (except with respect to the exercise of Rights evidenced by Rights Certificates after actual notice of any such adjustment); nor shall it by any act hereunder be deemed to make any representation or warranty as to the authorization or reservation of any shares of Common Stock or Preferred Stock to be issued pursuant to this Agreement or any Rights Certificate or as to whether any shares of Common Stock or Preferred Stock will, when so issued, be validly authorized and issued, fully paid and nonassessable.

(f) The Company agrees that it will perform, execute, acknowledge and deliver or cause to be performed, executed, acknowledged and delivered all such further and other acts, instruments and assurances as may reasonably be

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required by the Rights Agent for the carrying out or performing by the Rights Agent of the provisions of this Agreement.

(g) The Rights Agent is hereby authorized and directed to accept instructions with respect to the performance of its duties hereunder from any one of the Chairman of the Board, the President, a Vice President, the Secretary or the Treasurer of the Company, and to apply to such officers for advice or instructions in connection with its duties, and it shall not be liable for any action taken or suffered to be taken by it in good faith in accordance with the instructions of any such officer. Any application by the Rights Agent for written instructions from the Company may, at the option of the Rights Agent, set forth in writing any action proposed to be taken or omitted by the Rights Agent under this Rights Agreement and the date on or after which such action shall be taken or such omission shall be effective. The Rights Agent shall not be liable for any action by or omission of, the Rights Agent in accordance with a proposal included in any such application on or after the date specified therein (which date shall not be less than five Business Days after the date any such officer actually receives such application, unless any such officer shall have consent in writing to an earlier date) unless, prior to taking any such action (or the effective date in the case of an omission), the Rights Agent shall have received written instructions in response to such application specifying the action to be taken or omitted.

(h) No provision of this Agreement shall require the Rights Agent to extend or risk its own funds or otherwise incur any financial liability in the performance of any of its duties hereunder or in the exercise of its rights if there shall be reasonable grounds for believing that repayment of such funds or adequate indemnification against such risk or liability is not reasonably assured to it.

(i) The Rights Agent and any shareholder, director, officer or employee of the Rights Agent may buy, sell or deal in any of the Rights or other securities of the Company or become pecuniarily interested in any transaction in which the Company may be interested, or contract with or lend money to the Company or otherwise act as fully and freely as though it were not Rights Agent under this Agreement. Nothing herein shall preclude the Rights Agent from acting in any other capacity for the Company or for any other legal entity.

(j) The Rights Agent may execute and exercise any of the rights or powers hereby vested in it or perform any duty hereunder either itself or by or through its attorneys or agents, and the Rights Agent shall not be answerable or accountable for any act, default, neglect or misconduct of any such attorneys or agents or for any loss to the Company resulting from any such act,

default, neglect or misconduct, provided reasonable care was exercised in the selection and continued employment thereof.

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(k) If, with respect to any Rights Certificate surrendered to the Rights Agent for exercise or transfer, the certificate attached to the form of assignment or form of election to purchase, as the case may be, has either not been completed or indicates an affirmative response to clause 1 and/or 2 thereof, the Rights Agent shall not take any further action with respect to such requested exercise or transfer without first consulting the Company.

Section 21. Change of Rights Agent. The Rights Agent or any successor Rights Agent may resign and be discharged from its duties under this Agreement upon thirty (30) days' notice in writing mailed to the Company and to each transfer agent of the shares of Common Stock and Preferred Stock by registered or certified mail, and to the holders of the Rights Certificates by first-class mail. The Company may remove the Rights Agent or any successor Rights Agent upon thirty (30) days' notice in writing, mailed to the Rights Agent or successor Rights Agent, as the case may be, and to each transfer agent of the shares of Common Stock and Preferred Stock by registered or certified mail, and to the holders of the Rights Certificates by first-class mail. If the Rights Agent shall resign or be removed or shall otherwise become incapable of acting, the Company shall appoint a successor to the Rights Agent. If the Company shall fail to make such appointment within a period of thirty (30) days after giving notice of such removal or after it has been notified in writing of such resignation or incapacity by the resigning or incapacitated Rights Agent or by the holder of a Rights Certificate (who shall, with such notice, submit his Rights Certificate for inspection by the Company), then the registered holder of any Rights Certificate may apply to any court of competent jurisdiction for the appointment of a new Rights Agent. Any successor Rights Agent, whether appointed by the Company or by such a court, shall be a corporation organized and doing business under the laws of the United States or of any state thereof in good standing, which is authorized under such laws to exercise corporate trust or stock transfer powers and is subject to supervision or examination by federal or state authority and which has at the time of its appointment as Rights Agent a combined capital and surplus of at least \$50 million. After appointment, the successor Rights Agent shall be vested with the same powers, rights, duties and responsibilities as if it had been originally named as Rights Agent without further act or deed; but the predecessor Rights Agent shall deliver and transfer to the successor Rights Agent any property at the time held by it hereunder, and execute and deliver any further assurance, conveyance, act or deed necessary for the purpose. Not later than the effective date of any such appointment the Company shall file notice thereof in writing with the predecessor Rights Agent and each transfer agent of the shares of Common Stock and Preferred Stock, and mail a notice thereof in writing to the registered holders of the Rights Certificates. Failure to give any notice provided for in this Section 21, however, or any defect therein, shall not affect the legality or validity of the resignation or removal of the Rights Agent or the appointment of the successor Rights Agent, as the case may be.

Section 22. Issuance of New Rights Certificates. Notwithstanding any of the provisions of this Agreement or of the Rights Certificate to the contrary, the Company may, at its option,

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issue new Rights Certificates evidencing Rights in such form as may be approved by its Board of Directors to reflect any adjustment or change in the Purchase Price per share and the number or kind or class of shares or other securities or property purchasable under the Rights Certificates made in accordance with the provisions of this Agreement. In addition, the company may, if deemed necessary or appropriate by the Board of Directors of the Company, issue Rights Certificates representing the appropriate number of Rights in connection with the issuance or sale of shares of Common Stock following the Distribution Date.

Section 23. Redemption.

(a) The Board of Directors of the Company may, at its option, at any time prior to (i) the close of business on the earlier of the thirtieth day following the Stock Acquisition Date, or (ii) the Final Expiration Date, redeem all but not less than all the then outstanding Rights at a redemption price of \$.01 per Right, appropriately adjusted to reflect any stock split, stock dividend or similar transaction occurring after the date hereof (such redemption price being hereinafter referred to as the "Redemption Price"); provided, however, if the Board of Directors of the Company authorizes redemption of the Rights in either of the circumstances set forth in clauses (i) and (ii) below, then there must be Disinterested Directors then in office and such authorization shall require the concurrence of two-thirds of such Disinterested Directors: (i) such authorization occurs on or after the time a Person becomes an Acquiring Person; or (ii) such authorization occurs on or after the date of a change (resulting from a proxy or consent solicitation) in a majority of the directors in office at the commencement of such solicitation if any Person who is a participant in such solicitation has stated (or, if upon the commencement of such solicitation, a majority of the Board of Directors of the Company has determined in good faith) that such Person (or any of such Person's Affiliates or Associates) intends to take, or may consider taking, any action which would result in such Person becoming an Acquiring Person or which would cause the occurrence of an event described in Section 11(a)(ii) or Section 13(a) hereof unless, concurrent with such solicitation, such Person (or one or more of such Person's Affiliates or Associates) is making a cash tender offer pursuant to a Schedule 14D-1 (or any successor form) filed with the Securities and Exchange Commission for all outstanding Common Stock not beneficially owned by such Person (or by such Person's Affiliates or Associates); provided further, however, that if, following the occurrence of a Stock Acquisition Date and following the expiration of the right of redemption hereunder but prior to any event described in Section 11(a)(ii) or Section 13(a) hereof, (i) a Person who is an Acquiring Person shall have transferred or otherwise disposed of a number of shares of Common Stock in one transaction or a series of transactions not directly or indirectly involving the Company or any of its subsidiaries, which did not result in the occurrence of an event described in Section 11(a)(ii) or Section 13(a) hereof such that such Person is thereafter a

Beneficial Owner of 10% or less of the outstanding shares of Common Stock, and (ii) there are no other Persons, immediately following the occurrence of the event described in clause (i) who are Acquiring Persons, then the right of redemption shall be reinstated and thereafter be subject to the provisions of this Section 23. Notwithstanding anything contained in this Agreement to the contrary, the Rights shall not be exercisable following an adjustment made pursuant to Section 11(a)(ii) prior to the expiration of the Company's right of redemption hereunder. Neither the Board of Directors, the Disinterested Directors nor the Company shall have any liability to any Person as a result of the redemption of Rights pursuant to the terms hereof, other than the obligation of the Company to pay \$.01 per Right upon redemption.

(b) Immediately upon the action of the Board of Directors of the Company ordering the redemption of the Rights, and without any further action and without any notice, the right to exercise the Rights will terminate and the only right thereafter of the holders of Rights shall be to receive the Redemption Price. Within 10 days after the action of the Board of Directors ordering the redemption of the Rights, the Company shall give notice of such redemption to the holders of the then outstanding Rights by mailing such notice to all such holders at their last addresses as they appear upon the registry books of the Rights Agent or, prior to the Distribution Date, on the registry books of the Transfer Agent for the shares of Common Stock. Any notice which is mailed in the manner herein provided shall be deemed given, whether or not the holder receives the notice. Each such notice of redemption will state the method by which the payment of the Redemption Price will be made.

Section 24. Notice of Certain Events.

(a) In case the Company shall propose (i) to pay any dividend payable in stock of any class to the holders of Preferred Stock or to make any other distribution to the holders of Preferred Stock (other than a regular periodic cash dividend at a rate not in excess of 125% of the rate of the last regular periodic cash dividend theretofore paid), or (ii) to offer to the holders of Preferred Stock rights or warrants to subscribe for or to purchase any additional Preferred Stock or shares of stock of any class or any other securities, rights or options, or (iii) to effect any reclassification of its Preferred Stock (other than a reclassification involving only the subdivision of outstanding shares of Preferred Stock), or (iv) to effect any consolidation or merger into or with, or to effect any sale or other transfer (or to permit one or more of its subsidiaries to effect any sale or other transfer), in one or more transactions, of more than 50% of the assets or earning power of the Company and its subsidiaries (taken as a whole) to, any other Person, or (v) to effect the liquidation, dissolution or winding up of the Company, then, in each such case, the Company shall give to each holder of a Rights Certificate, in accordance with Section 25 hereof, a notice of such

proposed action, which shall specify the record date for the purposes of such stock dividend, distribution of rights or warrants, or the date on which such reclassification, consolidation, merger, sale, transfer, liquidation, dissolution, or winding up is to take place and the date of participation therein by the holders of the shares of Preferred Stock, if any such date is to be fixed, and such notice shall be so given in the case of any action covered by clause (i) or (ii) above at least twenty (20) days prior to the record date for determining holders of the Common Stock for purposes of such action, and in the case of any such other action, at least twenty (20) days prior to the date of the taking of such proposed action or the date of participation therein by the holders of the Preferred Stock whichever shall be the earlier.

(b) In case any of the events set forth in Section 11(a)(ii) of this Agreement shall occur, then, in any such case, (i) the Company shall as soon as practicable thereafter give to each holder of a Rights Certificate, in accordance with Section 25 hereof, a notice of the occurrence of such event, which shall specify the event and the consequences of the event to holders of Rights under Section 11(a)(ii) hereof, and (ii) all references in the preceding paragraph to Preferred Stock shall be deemed thereafter to refer to Common Stock and/or, if appropriate, other securities.

(c) Notwithstanding anything in this Agreement to the contrary, prior to the Distribution Date a filing by the Company with the Securities and Exchange Commission shall constitute sufficient notice to the holders of securities of the Company, including the Rights, for purposes of this Agreement and no other notice need be given.

Section 25. Notices. Notices or demands authorized by this Agreement to be given or made by the Rights Agent or by the holder of any Rights Certificate to or on the Company shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Rights Agent) as follows:

Spartan Motors, Inc.
1000 Reynolds Road
Charlotte, Michigan 48813
Attention: Secretary

Subject to the provisions of Section 21 hereof, any notice or demand authorized by this Agreement to be given or made by the Company or by the holder of any Rights Certificate to or on the Rights Agent shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed (until another address is filed in writing with the Company) as follows:

American Stock Transfer & Trust Co.
40 Wall Street, 46th Floor
New York, New York 10005

Attention: Trust Administration

Notices or demands authorized by this Agreement to be given or made by the Company or the Rights Agent to the holder of any Rights Certificate shall be sufficiently given or made if sent by first-class mail, postage prepaid, addressed to such holder at the address of such holder as shown on the registry books of the Company.

Section 26. Supplements and Amendments. Prior to the Distribution Date and subject to the penultimate sentence of this Section 26, the Company may, and the Rights Agent shall, if the Company so directs, supplement or amend any provision of this Agreement without the approval of any holders of certificates representing shares of Common Stock. From and after the Distribution Date and subject to the penultimate sentence of this Section 26, the Company may, and the Rights Agent shall, if the Company so directs, supplement or amend this Agreement without the approval of any holders of Rights Certificates in order (i) to cure any ambiguity, (ii) to correct or supplement any provision contained herein which may be defective or inconsistent with any other provisions herein, (iii) to shorten or lengthen any time period hereunder (which shortening or lengthening shall be effective only if there are Disinterested Directors and shall require the concurrence of two-thirds of such Disinterested Directors if (A) such supplement or amendment occurs on or after the time a Person becomes an Acquiring Person, or (B) such supplement or amendment occurs on or after the date of a change (resulting from a proxy or consent solicitation) in a majority of the directors in office at the commencement of such solicitation if any Person who is a participant in such solicitation has stated (or, if upon the commencement of such solicitation, a majority of the Board of Directors of the Company and determined in good faith) that such Person (or any of its Affiliates or Associates) intends to take, or may consider taking, any action which would result in such Person becoming an Acquiring Person or which would cause the occurrence of an event described in Section 11(a)(ii) or Section 13(a) hereof unless, concurrent with such solicitation, such Person (or one or more of its Affiliates or Associates) is making a cash tender offer pursuant to a Schedule 14D-1 (or any successor form) filed with the Securities and Exchange Commission for all outstanding shares of Common Stock not beneficially owned by such Person (or by its Affiliates or Associates)), or (iv) to change or supplement the provisions hereunder in any manner which the Company may deem necessary or desirable and which shall not adversely affect the interests of the holders of Rights Certificates (other than an Acquiring Person or an Affiliate or Associate of an Acquiring Person); provided, however, that this Agreement may not be supplemented or amended to lengthen, pursuant to clause (iii) of this sentence, (A) a time period relating to when the Rights may be redeemed at such time as the Rights are not then redeemable, or (B) any other time period unless such lengthening is for the purpose of protecting, enhancing or clarifying the rights of, and/or the benefits to, the holders of Rights. Upon the delivery of a certificate from an appropriate officer of the Company which states that

the proposed supplement or amendment is in compliance with the terms of this Section 26, the Rights Agent shall execute such supplement or amendment unless such supplement or amendment affects the duties or immunities of the Rights Agent, in which case it may but shall not be required to execute such supplement or amendment. Notwithstanding anything contained in this Agreement to the contrary, no supplement or amendment shall be made which changes the Redemption Price, the Final Expiration Date, the Purchase Price or the number of one one-hundredths of a share of Preferred Stock for which a Right is exercisable. Prior to the Distribution Date, the interests of the holders of Rights shall be deemed coincident with the interests of the holders of shares of Common Stock.

Section 27. Successors. All the covenants and provisions of this Agreement by or for the benefit of the Company or the Rights Agent shall bind and inure to the benefit of their respective successors and assigns hereunder.

Section 28. Determinations and Actions by the Board of Directors, etc. For all purposes of this Agreement, any calculation of the number of shares of Common Stock outstanding at any particular time, including for purposes of determining the particular percentage of such outstanding shares of Common Stock of which any Person is the Beneficial Owner, shall be made in accordance with the last sentence of Rule 13d-3(d)(1)(i) of the General Rules and Regulations under the Exchange Act as in effect as of the date hereof. The Board of Directors of the Company (and, where specifically provided for herein, the Disinterested Directors) shall have the exclusive power and authority to administer this Agreement and to exercise all rights and powers specifically granted to the Board, or the Company (or, where specifically provided for herein, the Disinterested Directors), or as may be necessary or advisable in the administration of this Agreement, including, without limitation, the right and power to (i) interpret the provisions of this Agreement, and (ii) make all determinations deemed necessary or advisable for the administration of this Agreement (including a determination to redeem or not redeem the Rights or to amend the Agreement). All such actions, calculations, interpretations and determinations (including, for purposes of clause (y) below, all omissions with respect to the foregoing) which are done or made by the Board (or, where specifically provided for herein, by the Disinterested Directors) in good faith (provided that the decision to redeem the rights shall be in the sole discretion of the Board or where specifically provided for herein, by the Disinterested Directors), shall (x) be final, conclusive and binding on the Company, the Rights Agent, the holders of the Rights Certificates and all other parties, and (y) not subject the Board or the Disinterested Directors to any liability to the holders of the Rights Certificates.

Section 29. Benefits of this Agreement. Nothing in this Agreement shall be construed to give to any person or corporation other than the

Company, the Rights Agent and the registered holders of the Rights Certificates (and, prior to the Distribution Date, the Common Stock) any legal or equitable right, remedy or claim under this Agreement; but this Agreement

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shall be for the sole and exclusive benefit of the Company, the Rights Agent and the registered holders of the Rights Certificates (and, prior to the Distribution Date, the Common Stock).

Section 30. Severability. If any term, provision, covenant or restriction of this Agreement is held by a court of competent jurisdiction or other authority to be invalid, void or unenforceable, the remainder of the terms, provisions, covenants and restrictions of this Agreement shall remain in full force and effect and shall in no way be affected, impaired or invalidated.

Section 31. Governing Law. This Agreement and each Rights Certificate issued hereunder shall be deemed to be a contract made under the laws of the State of Michigan and for all purposes shall be governed by and construed in accordance with the laws of such State applicable to contracts to be made and performed entirely within such State.

Section 32. Counterparts. This Agreement may be executed in any number of counterparts and each of such counterparts shall for all purposes be deemed to be an original, and all such counterparts shall together constitute but one and the same instrument.

Section 33. Descriptive Headings. Descriptive headings of the several Sections of this Agreement are inserted for convenience only and shall not control or affect the meaning or construction of any of the provisions hereof.

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IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed and their respective corporate seals to be hereunto affixed and attested, all as of the day and year first above written.

Attest:

SPARTAN MOTORS, INC.

By /s/ Richard J. Schalter

By /s/ George W. Szykiel

Richard J. Schalter
Secretary

George W. Szykiel
Chief Executive Officer

Attest:

AMERICAN STOCK TRANSFER
& TRUST CO.

By /s/ Susan Silber

By /s/ Herbert J. Lemmer

SUSAN SILBER
Assistant Secretary

Herbert J. Lemmer
Title Vice President

FORM OF
CERTIFICATE OF DESIGNATION OF RIGHTS AND PREFERENCES
OF PREFERRED STOCK

of
SPARTAN MOTORS, INC.

Pursuant to Section 302 of the Michigan Business Corporation Act

I, Richard J. Schalter, Secretary of Spartan Motors, Inc., a corporation organized and existing under the laws of the State of Michigan (the "Corporation"), in accordance with the provisions of Section 302 thereof, DO HEREBY CERTIFY:

That pursuant to the authority conferred upon the Board of Directors by the Restated Articles of Incorporation, the Board of Directors on February 27, 1997, adopted the following resolution:

RESOLVED, that pursuant to the authority granted to and vested in the Board of Directors of this Corporation in accordance with the provisions of its Restated Articles of Incorporation, the Board of Directors hereby creates a series of preferred stock, no par value, of the Corporation and hereby states the designation and number of shares, and voting power, preferences and relative, participating, optional and other special rights, and the qualifications, limitations and restrictions thereof as follows:

Section 1. Designation and Amount. The shares of such series shall be designated as "Series A Preferred Stock" (the "Preferred Stock") and the number of shares constituting such series shall be One Hundred Thirty Thousand (130,000). Such number of shares may be increased or decreased by resolution of the Board of Directors.

Section 2. Dividends and Distributions.

(A) The holders of shares of Preferred Stock shall be entitled to receive, when, as and if declared by the Board of Directors out of funds legally available for such purpose, cumulative preferential dividends in cash on the 15th day of March, June, September and December in each year (each such date being referred to herein as a "Quarterly Dividend Payment Date") commencing on the first Quarterly Dividend Payment Date after the first issuance of a share or fraction of a share of Preferred Stock, in an amount per share (rounded to the nearest cent) equal to the greater of (a) \$5.00 or (b) subject to the provision for adjustment hereinafter set forth, 100 times the aggregate per share amount of all cash dividends, and 100 times the aggregate per share amount (payable in kind) of all noncash dividends or other distributions, other than a dividend payable in

shares of Common Stock or a subdivision of the outstanding shares of Common Stock (by reclassification or otherwise), declared on the Common Stock, \$.01 par value, of the Corporation (the "Common Stock") since the immediately preceding Quarterly Dividend Payment Date or, with respect to the first Quarterly Dividend Payment Date, since the first issuance of any share or fraction of a share of Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on the Common Stock payable in shares of Common Stock, or effect a subdivision or combination of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, as the case may be, then in each such case the amount to which holders of shares of Preferred Stock were entitled immediately prior to such event under clause (b) of the preceding sentence shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

(B) The Corporation shall declare a dividend or distribution on the Preferred Stock as provided in paragraph (A) of this Section immediately after it declares a dividend or distribution on the Common Stock (other than a dividend payable in shares of Common Stock); provided that, in the event no dividend or distribution shall have been declared on the Common Stock during the period between any Quarterly Dividend Payment Date and the next subsequent Quarterly Dividend Payment Date, a dividend of \$5.00 per share on the Preferred Stock shall nevertheless be payable on such subsequent Quarterly Dividend Payment Date.

(C) Dividends shall begin to accrue and be cumulative on outstanding shares of Preferred Stock from the Quarterly Dividend Payment Date next preceding the date of issue of such shares of Preferred Stock, unless the date of issue of such shares is prior to the record date for the first Quarterly Dividend Payment Date, in which case dividends on such shares shall begin to accrue from the date of issue of such shares, or unless the date of issue is a Quarterly Dividend Payment Date or is a date after the record date for the determination of holders of shares of Preferred Stock entitled to receive a quarterly dividend and before such Quarterly Dividend Payment Date, in either of which events such dividends shall begin to accrue and be cumulative from such Quarterly Dividend Payment Date. Accrued but unpaid dividends shall not bear interest. Dividends paid on the shares of Preferred Stock in an amount less than the total amount of such dividends at the time accrued and payable on such shares shall be allocated pro rata on a share-by-share basis among all such shares at the time outstanding. The Board of Directors may fix a record date for the determination of holders of shares of Preferred Stock entitled to receive payment of a dividend or distribution

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declared thereon, which record date shall be no more than 60 days prior to the date fixed for the payment thereof.

Section 3. Liquidation Rights. In the event of any voluntary or involuntary liquidation, dissolution or winding up of the Corporation, then, subject to the provisions of the Restated Articles of Incorporation of the Corporation, the holders of shares of Preferred Stock shall be entitled to receive, from the assets of the Corporation available for distribution to shareholders, an amount equal to accrued and unpaid dividends and distributions thereon, whether or not declared, to the date of such payment plus an amount equal to the greater of (a) \$75 per share or (b) an aggregate amount per share, subject to the provision for adjustment hereinafter set forth, equal to 100 times the aggregate amount to be distributed per share to holders of shares of Common Stock. All such preferential amounts shall be paid or set apart for payment before the payment or setting apart for payment of any amount for, or the distribution of any assets of the Corporation to, the holders of shares of any class of stock ranking junior to the Preferred Stock as to assets, or the holders of shares of any series of preferred stock ranking junior as to assets to shares of Preferred Stock. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case the aggregate amount to which holders of shares of Preferred Stock were entitled immediately prior to such event under clause (b) of the next preceding sentence of this Section shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 4. Redemption. The shares of Preferred Stock shall not be redeemable.

Section 5. Voting Rights. The holders of shares of Preferred Stock shall have the following voting rights:

(A) Subject to the provision for adjustment hereinafter set forth, each share of Preferred Stock shall entitle the holder thereof to 100 votes on all matters submitted to a vote of the shareholders of the Corporation. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case the number of votes per share to which holders of shares of Preferred Stock were entitled immediately prior to such event shall be adjusted by multiplying such number by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

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(B) Except as otherwise provided herein or by law, the holders of shares of Preferred Stock and the holders of shares of Common Stock shall vote together as one class on all matters submitted to a vote of shareholders of the Corporation.

(C) (i) If at any time dividends on any Preferred Stock shall be in arrears in an amount equal to six quarterly dividends thereon, the occurrence of such contingency shall mark the beginning of a period (herein called a "default period") which shall extend until such time when all accrued and unpaid dividends for all previous quarterly dividend periods and for the current quarterly dividend period on all shares of Preferred Stock then outstanding shall have been declared and paid or set apart for payment. During each default period, the holders of Preferred Stock, voting as a class, shall have the right to elect two (2) Directors.

(ii) During any default period, such voting right of the holders of Preferred Stock may be exercised initially at a special meeting called pursuant to subparagraph (iii) of this Section 5(C) or at any annual meeting of shareholders, and thereafter at annual meetings of shareholders, provided that neither such voting right nor the right of the holders of Preferred Stock as hereinafter provided to increase in certain cases the authorized number of Directors shall be exercised unless the holders of 25% in number of shares of Preferred Stock outstanding shall be present in person or by proxy. The absence of a quorum of the holders of Common Stock shall not affect the exercise by the holders of Preferred Stock of such voting right. At any meeting at which the holders of Preferred Stock shall exercise such voting right initially during an existing default period, they shall have the right, voting as a class, to elect Directors to fill such vacancies, if any, in the Board of Directors as may then exist up to two (2) Directors or, if such right is exercised at an annual meeting, to elect two (2) Directors. If the number which may be so elected at any special meeting does not amount to the required number, the holders of the Preferred Stock shall have the right to make such increase in the number of Directors as shall be necessary to permit the election by them of the required number. After the holders of the Preferred Stock shall have exercised their right to elect Directors in any default period and during the continuance of such period, the number of Directors shall not be increased or decreased except by vote of the holders of Preferred Stock as herein provided.

(iii) Unless the holders of Preferred Stock shall, during an existing default period, have previously exercised their right to elect Directors, the Board of Directors may order, or any shareholder or shareholders owning in the aggregate not less than 10% of the total number of shares of Preferred Stock outstanding may request, the calling of a special meeting of the holders of Preferred Stock, which meeting shall thereupon be called by the President, a Vice

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President or the Secretary of the Corporation. Notice of such meeting and of any annual meeting at which holders of Preferred Stock are entitled to vote pursuant to this paragraph (C)(iii) shall be given to each holder of record of Preferred Stock by mailing a copy of such notice to him at his last address as the same appears on the books of the Corporation. Such meeting shall be called for a time not earlier than 20 days and not later than 60 days after such order or request; or in default of the calling of such meeting within 60 days after such order or request, such meeting may be called on similar notice by any shareholder or shareholders owning in the aggregate not less than 10% of the total number of shares of Preferred Stock outstanding. Notwithstanding the provisions of this paragraph (C)(iii), no such special meeting shall be called during the period within 60 days immediately preceding the date fixed for the next annual meeting of the shareholders.

(iv) In any default period the holders of Common Stock, and other classes of stock of the Corporation if applicable, shall continue to be entitled to elect the whole number of Directors until the holders of Preferred Stock shall have exercised their right to elect two (2) Directors voting as a class, after the exercise of which right (x) the Directors so elected by the holders of Preferred Stock shall continue in office until their successors shall have been elected by such holders or until the expiration of the default period, and (y) any vacancy in the Board of Directors may (except as provided in paragraph (C)(ii) of this Section 5) be filled by vote of a majority of the remaining Directors theretofore elected by the holders of the class of stock which elected the Director whose office shall have become vacant. References in this paragraph (C) to Directors elected by the holders of a particular class of stock shall include Directors elected by such Directors to fill vacancies as provided in clause (y) of the foregoing sentence.

(v) Immediately upon the expiration of a default period, (x) the right of the holders of Preferred Stock as a class to elect Directors shall cease, (y) the term of any Directors elected by the holders of Preferred Stock as a class shall terminate, and (z) the number of Directors shall be such number as may be provided for in the Restated Articles of Incorporation or bylaws irrespective of any increase made pursuant to the provisions of paragraph (C)(ii) of this Section 5 (such number being subject, however, to change thereafter in any manner provided by law or in the Restated Articles of Incorporation or bylaws). Any vacancies in the Board of Directors effected by the provisions of clauses (y) and (z) in the preceding sentence may be filled by a majority of the remaining Directors.

(D) Except as set forth herein, holders of Preferred Stock shall have no special voting rights and their consent shall not be required (except to the ex-

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tent they are entitled to vote with holders of Common Stock as set forth herein) for taking any corporate action.

Section 6. Certain Restrictions.

(A) Whenever quarterly dividends or other dividends or distributions payable on the Preferred Stock as provided in Section 2 are in arrears, thereafter and until all accrued and unpaid dividends and distributions, whether or not declared, on shares of Preferred Stock outstanding shall have been paid in full, the Corporation shall not:

(i) declare or pay dividends on, make any other distributions on, or redeem or purchase or otherwise acquire for consideration any shares of stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Preferred Stock;

(ii) declare or pay dividends on or make any other distributions on any shares of stock ranking on a parity (either as to dividends or upon liquidation, dissolution or winding up) with the Preferred Stock, except dividends paid ratably on the Preferred Stock and all such parity stock on which dividends are payable or in arrears in proportion to the total amounts to which the holders of all such shares are then entitled;

(iii) redeem or purchase or otherwise acquire for consideration shares of any stock ranking junior (either as to dividends or upon liquidation, dissolution or winding up) to the Preferred Stock; provided that the Corporation may at any time redeem, purchase or otherwise acquire shares of any such junior stock in exchange for shares of any stock of the Corporation ranking junior (either as to dividends or upon dissolution, liquidation or winding up) to the Preferred Stock; or

(iv) purchase or otherwise acquire for consideration any shares of Preferred Stock, or any shares of stock ranking on a parity with the Preferred Stock, except in accordance with a purchase offer made in writing or by publication (as determined by the Board of Directors) to all holders of such shares upon such terms as the Board of Directors, after consideration of the respective annual dividend rates and other relative rights and preferences of the respective series and classes, shall determine in good faith will result in fair and equitable treatment among the respective series or classes.

(B) The Corporation shall not permit any subsidiary of the Corporation to purchase or otherwise acquire for consideration any shares of stock of the

Corporation unless the Corporation could, under paragraph (A) of this Section 6, purchase or otherwise acquire such shares at such time and in such manner.

Section 7. Reacquired Shares. Any shares of Preferred Stock purchased or otherwise acquired by the Corporation in any manner whatsoever shall be retired and canceled promptly after the acquisition thereof. All such shares shall upon their cancellation become authorized but unissued shares of Preferred Stock and may be reissued as part of a new series of Preferred Stock to be created by resolution or resolutions of the Board of Directors, subject to the conditions and restrictions on issuance set forth herein.

Section 8. Consolidation, Merger, Etc. In case the Corporation shall enter into any consolidation, merger, combination or other transaction in which the shares of Common Stock are exchanged for or changed into other stock or securities, cash and/or any other property, then in any such case the shares of Preferred Stock shall at the same time be similarly exchanged or changed in an amount per share (subject to the provision for adjustment hereinafter set forth) equal to 100 times the aggregate amount of stock, securities, cash and/or any other property (payable in kind), as the case may be, into which or for which each share of Common Stock is changed or exchanged. In the event the Corporation shall at any time declare or pay any dividend on Common Stock payable in shares of Common Stock, or effect a subdivision or combination of the outstanding shares of Common Stock (by reclassification or otherwise) into a greater or lesser number of shares of Common Stock, then in each such case the amount set forth in the preceding sentence with respect to the exchange or change of shares of Preferred Stock shall be adjusted by multiplying such amount by a fraction the numerator of which is the number of shares of Common Stock outstanding immediately after such event and the denominator of which is the number of shares of Common Stock that were outstanding immediately prior to such event.

Section 9. Amendment. The Restated Articles of Incorporation of the Corporation shall not be amended in any manner which would materially alter or change the powers, preferences or special rights of the Preferred Stock so as to affect them adversely without the affirmative vote of the holders of two-thirds or more of the outstanding shares of Preferred Stock, voting together as a single class; provided, however, that at any time that there are no outstanding shares of Preferred Stock and no outstanding rights, warrants or options to acquire shares of Preferred Stock, the Board of Directors may amend the powers, preferences and rights of Preferred Stock or convert such shares of Preferred Stock into authorized but unissued shares of preferred stock which may be reissued as part of a new series of preferred stock in accordance with the provisions of the Restated Articles of Incorporation.

Section 10. Fractional Shares. The Preferred Stock may be issued in fractions of a share which shall entitle the holder, in proportion to such holder's fractional shares, to exercise voting rights, receive dividends, participate in distributions and have the benefit of all other rights of holders of the Preferred Stock.

IN WITNESS WHEREOF, I have executed and subscribed this Certificate and do affirm the foregoing as true under the penalties of perjury.

Dated: _____, 1997

(Corporate Seal)

Richard J. Schalter
Secretary and Chief Financial Officer

[Form of Rights Certificate]

Certificate No. R-

_____ Rights

NOT EXERCISABLE AFTER JULY 6, 2007, OR EARLIER IF REDEEMED BY THE COMPANY. THE RIGHTS ARE SUBJECT TO REDEMPTION, AT THE OPTION OF THE COMPANY, AT \$.01 PER RIGHT ON THE TERMS SET FORTH IN THE RIGHTS AGREEMENT. UNDER CERTAIN CIRCUMSTANCES, RIGHTS BENEFICIALLY OWNED BY AN ACQUIRING PERSON (AS SUCH TERM IS DEFINED IN THE RIGHTS AGREEMENT) AND ANY SUBSEQUENT HOLDER OF SUCH RIGHTS MAY BECOME NULL AND VOID. [THE RIGHTS REPRESENTED BY THIS RIGHTS CERTIFICATE ARE OR WERE BENEFICIALLY OWNED BY A PERSON WHO WAS OR BECAME AN ACQUIRING PERSON OR AN AFFILIATE OR ASSOCIATE OF AN ACQUIRING PERSON (AS SUCH TERMS ARE DEFINED IN THE RIGHTS AGREEMENT). ACCORDINGLY, THIS RIGHTS CERTIFICATE AND THE RIGHTS REPRESENTED HEREBY MAY BECOME NULL AND VOID IN THE CIRCUMSTANCES SPECIFIED IN SECTION 7(e) OF SUCH AGREEMENT.]*

RIGHTS CERTIFICATE
SPARTAN MOTORS, INC.

This certifies that _____, or registered assigns, is the registered owner of the number of Rights set forth above, each of which entitles the owner thereof, subject to the terms, provisions and conditions of the Rights Agreement dated as of June 4, 1997 (the "Rights Agreement") between SPARTAN MOTORS, INC., a Michigan corporation (the "Company"), and AMERICAN STOCK TRANSFER & TRUST CO., a New York corporation (the "Rights Agent"), to purchase from the Company at any time after the Distribution Date (as such term is defined in the Rights Agreement) and prior to 5:00 P.M., local time in the city of office of the Rights Agent designated for such purpose, on July 6, 2007, at such office of the Rights Agent designated for such purpose, or such office of any successor Rights Agent, one one-hundredth of a fully paid, nonassessable share of Series A Preferred

* The portion of the legend in brackets shall be inserted only if applicable.

Stock (the "Preferred Stock") of the Company, at a purchase price of \$50 per one one-hundredth of a share (the "Purchase Price"), upon presentation and surrender of this Rights Certificate with the Form of Election to Purchase duly executed. The number of Rights evidenced by this Rights Certificate (and the number of one one-hundredths of a share of Preferred Stock which may be purchased upon exercise thereof) set forth above, and the Purchase Price per one one-hundredth of a share set forth above, are the number and Purchase Price as of July 7, 1997, based on the Preferred Stock as constituted at such date.

As provided in the Rights Agreement, the Purchase Price and the number and kind of shares of Preferred Stock or other securities which may be purchased upon the exercise of the Rights evidenced by this Rights Certificate are subject to modification and adjustment upon the happening of certain events.

This Rights Certificate is subject to all of the terms, provisions and conditions of the Rights Agreement, which terms, provisions and conditions are hereby incorporated herein by reference and made a part hereof and to which Rights Agreement reference is hereby made for a full description of the Rights, limitations of Rights, and the obligations, duties and immunities hereunder of the Rights Agent, the Company and the holders of the Rights Certificates. Copies of the Rights Agreement are on file at the office of the Rights Agent.

This Rights Certificate, with or without other Rights Certificates, upon surrender at the office of the Rights Agent designated for such purpose, may be exchanged for another Rights Certificate or Rights Certificates of like tenor and date evidencing Rights entitling the holder to purchase a like aggregate number of one one-hundredths of a share of Preferred Stock as the Rights evidenced by the Rights Certificate or Rights Certificates surrendered shall have entitled such holder to purchase. If this Rights Certificate shall be exercised in part, the holder shall be entitled to receive upon surrender hereof another Rights Certificate or Rights Certificates for the number of whole Rights not exercised.

Subject to the provisions of the Rights Agreement, the Rights evidenced by this Certificate may be redeemed by the Company at its option at the redemption price of \$.01 per Right. Under certain circumstances set forth in the Rights Agreement, the decision to redeem shall require the concurrence of two-thirds of the Disinterested Directors. After the redemption period has expired, the Company's right of redemption may be reinstated if an Acquiring Person (as such term is defined in the Rights Agreement) reduces his beneficial ownership to 10% or less of the outstanding shares of Common Stock in a transaction or series of transactions not involving the Company.

No fractional shares of Preferred Stock will be issued upon the exercise of any Rights evidenced hereby (other than fractions which are integral multiples of one one-hundredth of a share of Preferred Stock), but in lieu thereof a cash payment will be made, as provided in the Rights Agreement.

No holder of this Rights Certificate shall be entitled to vote or receive dividends or be deemed for any purpose the holder of shares of Preferred Stock or of any other securities of the Company which may at any time be issuable on the exercise hereof, nor shall anything contained in the Rights Agreement or herein be construed to confer upon the holder hereof, as such, any of the rights of a shareholder of the Company, including the right to vote for the election of directors or upon any matter submitted to shareholders at any meeting thereof, or to give or withhold consent to any corporate action, or to receive notice of meetings or other actions affecting shareholders (except as provided in the Rights Agreement), or to receive dividends or subscription rights, or otherwise, until the Rights evidenced by this Rights Certificate shall have been exercised as provided in the Rights Agreement.

This Rights Certificate shall not be valid or obligatory for any purpose until it shall have been countersigned by the Rights Agent.

WITNESS the facsimile signature of the proper officer of the Company and its corporate seal. Dated as of _____, 1997.

Attest:

SPARTAN MOTORS, INC.

By

By

Richard J. Schalter
Secretary

George W. Szykiel
Chief Executive Officer

Countersigned:

Attest:

AMERICAN STOCK TRANSFER
& TRUST CO.

By

By

Title

[Form of Reverse Side of Rights Certificate]

FORM OF ASSIGNMENT

(To be executed by the registered holder if such holder desires to transfer the Rights Certificate.)

FOR VALUE RECEIVED, _____ hereby sells, assigns and transfers unto _____

(Please print name and address of transferee)

this Rights Certificate, together with all right, title and interest therein, and does hereby irrevocably constitute and appoint _____
____Attorney, to transfer the Rights Certificate on the books of the Company, with full power of substitution.

Dated: _____

Signature

Signature Guaranteed:

CERTIFICATE

The undersigned hereby certifies by checking the appropriate boxes that:

(1) this Rights Certificate ___ is ___ is not being sold, assigned or transferred by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined in the Rights Agreement);

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(2) after due inquiry and to the best knowledge of the undersigned, it ___ did ___ did not acquire the Rights evidenced by this Rights Certificate from any Person who is, was or subsequently became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated: _____, _____

Signature

Signature Guaranteed:

NOTICE

The signature to the foregoing Assignment and Certificate must correspond to the name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.

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FORM OF ELECTION TO PURCHASE

(To be executed by the registered holder if such holder desires to exercise the Rights Certificate.)

To Spartan Motors, Inc.:

The undersigned hereby irrevocably elects to exercise _____ Rights represented by this Rights Certificate to purchase Preferred Stock (or such other securities of the Company or of any other person that may be issuable upon the exercise of the Rights) issuable

upon the exercise of such Rights and requests that certificates for such shares be issued in the name of:

Please insert social security
or other tax identifying number:

(Please print name and address)

If such number of Rights shall not be all the Rights evidenced by this Rights Certificate, a new Rights Certificate for the balance of remaining Rights shall be registered in the name of and delivered to:

Please insert social security
or other tax identifying number:

(Please print name and address)

Dated: _____, _____

Signature

Signature Guaranteed:

CERTIFICATE

The undersigned hereby certifies by checking the appropriate boxes that:

(1) the Rights evidenced by this Rights Certificate ___ are ___ are not being exercised by or on behalf of a Person who is or was an Acquiring Person or an Affiliate or Associate of any such Acquiring Person (as such terms are defined in the Rights Agreement);

(2) after due inquiry and to the best knowledge of the undersigned, it ___ did ___ did not acquire the Rights evidenced by this Rights Certificate from any Person who is, was or became an Acquiring Person or an Affiliate or Associate of an Acquiring Person.

Dated: _____, _____

Signature

Signature Guaranteed:

NOTICE

The signature to the foregoing Election to Purchase and Certificate must correspond to the name as written upon the face of this Rights Certificate in every particular, without alteration or enlargement or any change whatsoever.

SUMMARY OF RIGHTS TO PURCHASE
SERIES A PREFERRED STOCK

The Board of Directors of Spartan Motors, Inc. (the "Company") has approved a Series A Preferred Stock Purchase Rights Plan. Under the plan, one Series A Preferred Stock Purchase Right will attach to each share of common stock, \$.01 par value (the "Common Stock"), of the Company outstanding on July 7, 1997. Each Right entitles the registered holder to purchase from the Company one one-hundredth of a share of Series A Preferred Stock, no par value (the "Preferred Stock"), at a price of \$50 per share (the "Purchase Price"), subject to adjustment. The description and terms of the Rights are set forth in a Rights Agreement (the "Rights Agreement") between the Company and American Stock Transfer & Trust Co., as Rights Agent (the "Rights Agent").

Until the earlier to occur of (i) 10 days following a public announcement that a person or group of affiliated or associated persons, other than a person who beneficially owns 5% or more of the outstanding shares of Common Stock on July 7, 1997, or any affiliates or associates of such person, acquired, or obtained the right to acquire, beneficial ownership of 15% or more of the outstanding shares of Common Stock (such person being referred to as an "Acquiring Person" and the date upon which such person becomes an Acquiring Person being referred to as the "Stock Acquisition Date"), or (ii) 10 days following the commencement or announcement of an intention to commence a tender or exchange offer, the consummation of which would result in beneficial ownership by a person of 30% or more of the outstanding shares of Common Stock (the earlier of such dates being called the "Distribution Date"), the Rights will be evidenced with respect to any of the Common Stock certificates outstanding as of July 7, 1997, by such Common Stock certificates. The Rights Agreement provides that, until the Distribution Date, the Rights shall be transferred with and only with such Common Stock certificates. New Common Stock certificates issued after July 7, 1997, but prior to the Distribution Date (or if earlier, the redemption or expiration of the Rights), will contain a notation incorporating the Rights Agreement by reference. Until the Distribution Date (or, if earlier, the redemption or expiration of the Rights), the surrender for transfer of any certificates for Common Stock shall also constitute the transfer of the Rights associated with the Common Stock represented by such certificates. As soon as practicable following the Distribution Date, separate certificates evidencing the Rights (the "Rights Certificates") will be mailed to holders of record of the Common Stock as of the close of business on the Distribution Date and such separate Rights Certificates alone will evidence the Rights. Except as otherwise determined by the Board of Directors, only shares of Common Stock issued prior to the Distribution Date will be issued with Rights.

The Rights are not exercisable until the Distribution Date. The Rights will expire on July 6, 2007, unless earlier redeemed by the Company as described below.

The Purchase Price payable, and the number of one one-hundredths of a share of Preferred Stock or other securities or property issuable, upon exercise of the Rights is subject to adjustment from time to time to prevent dilution (i) in the event of a stock dividend on, or a

subdivision, combination or reclassification of, the Preferred Stock, (ii) upon the grant to holders of the Preferred Stock of certain rights or warrants to subscribe for Preferred Stock or convertible securities at less than the current market price of the Preferred Stock, or (iii) upon the distribution to holders of the Preferred Stock of evidences of indebtedness or assets (excluding regular periodic cash dividends out of earnings or retained earnings at a rate not in excess of 125% of the rate of the last cash dividend theretofore paid or dividends payable in Preferred Stock) or of subscription rights or warrants (other than those referred to above).

With certain exceptions, no adjustment in the Purchase Price will be required until cumulative adjustments require an adjustment of at least 1% in such Purchase Price. No fractional shares of Preferred Stock (other than fractions which are integral multiples of one one-hundredth of a share of Preferred Stock) will be issued and in lieu thereof, an adjustment in cash will be made based on the market price of the Preferred Stock on the last trading date prior to the date of exercise.

In the event that, any time following the Stock Acquisition Date, the Company were acquired in a merger or other business combination transaction or in the event 50% or more of its assets or earning power were sold, proper provision shall be made so that each holder of a Right shall thereafter have the right to receive, upon the exercise thereof at the then current exercise price of the Right, that number of shares of common stock of the acquiring company which at the time of such transaction would have a market value of two times the exercise price of the Right. Alternatively, in the event that, any time following the Distribution Date, the Company were the surviving corporation in a merger with an Acquiring Person and its Common Stock was not changed or exchanged, or in the event that an Acquiring Person engages in one of a number of self-dealing transactions specified in the Rights Agreement, or in the event that an Acquiring Person becomes the beneficial owner of more than 30% of the then outstanding shares of Common Stock (except pursuant to an offer for all outstanding shares of Common Stock), proper provision shall be made so that each holder of a Right, other than the Acquiring Person (whose Rights will thereafter be void), will thereafter have the right to receive upon exercise of a Right that number of shares of Common Stock having a market value of two times the exercise price of such Right.

At any time prior to the close of business on the thirtieth day after the Stock Acquisition Date, the Company may redeem the Rights in whole, but not in part, at a price of \$.01 per Right (the "Redemption Price"). Under certain circumstances set forth in the Rights Agreement, the decision to redeem shall require the concurrence of a majority of the Disinterested Directors, which is defined to mean any member of the Board of Directors who was a member of the Board prior to the date of the Rights Agreement, and any person who is subsequently elected to the Board if such person is recommended or approved by a majority of the Disinterested Directors. Disinterested Directors do not include an Acquiring Person, or an affiliate or associate of an Acquiring Person, or any representative of the foregoing entities. After the redemption period has expired, the right

to redeem may be reinstated if an Acquiring Person reduces his ownership of Common Stock to 10% or less of the then outstanding shares of Common Stock in

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one or more transactions not involving the Company. Immediately upon the action of the Board of Directors of the Company electing to redeem the Rights, the Company shall make announcement thereof, and upon such election, the right to exercise the Rights will terminate and the only right of the holders of Rights will be to receive the Redemption Price.

Until a Right is exercised, the holder thereof, as such, will have no rights as a shareholder of the Company, including, without limitation, the right to vote or to receive dividends. While the distribution of the Rights will not be taxable to shareholders or to the Company, shareholders will recognize taxable income if the Rights are redeemed and may, depending on the circumstances, recognize taxable income when the Rights become exercisable or are exercised.

Other than those provisions relating to the principal economic terms of the Rights, any of the provisions of the Rights Agreement may be amended by the Board of Directors of the Company prior to the Distribution Date. After the Distribution Date, the provisions of the Rights Agreement may be amended by the Board (in certain circumstances, with the concurrence of the Disinterested Directors) in order to cure any ambiguity, to make changes which do not adversely affect the interests of holders of Rights, or to shorten or lengthen any time period under the Rights Agreement, so long as no amendment to adjust the time period governing redemption shall be made at a time when the Rights are not redeemable.

A copy of the Rights Agreement has been filed with the Securities and Exchange Commission as an Exhibit to a Registration Statement on Form 8-A. A copy of the Rights Agreement is available from the Company. This summary description of the Rights does not purport to be complete and is qualified in its entirety by reference to the Rights Agreement, which is hereby incorporated herein by reference.

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EXHIBIT 10.1

SPARTAN MOTORS, INC.

1988 NONQUALIFIED STOCK OPTION PLAN

1. Purpose. The 1988 Nonqualified Stock Option Plan (the "Plan") is intended to advance the interest of Spartan Motors, Inc. (the "Company"), its shareholders, and its subsidiaries by encouraging and enabling selected officers, directors and other key employees upon whose judgment, initiative and effort the Company is largely dependent for the successful conduct of its business, to acquire and retain a proprietary interest in the Company by ownership of its stock. Options granted under the Plan are intended to be options which do not meet the requirements of Section 422A of the Internal Revenue Code of 1986, as amended (the "Code").

2. Definitions.

- (a) "Board" means the Board of Directors of the Company.
- (b) "Committee" means the body administering the Plan.
- (c) "Common Stock" means the company's Common Stock, \$.01 par value.
- (d) "Date of Grant" means the date on which an option is granted under the Plan.
- (e) "Option" means an option granted under the Plan.
- (f) "Optionee" means a person to whom an option, which has not expired, has been granted under the Plan.
- (g) "Subsidiary" or "Subsidiaries" means a subsidiary corporation or corporations of the Company as defined in Section 425 of the Code.
- (h) "Successor" means the legal representative of the estate of a deceased optionee or the person or persons who acquire the right to exercise an option by bequest or inheritance or by reason of the death of any optionee.
- (i) "Tax Benefit Right" means any right granted to a Participant under Paragraph 8 of the Plan;

3. Administration of the Plan. The Plan shall be administered by a committee appointed by the Board (the "Committee"). The Committee shall report all action taken by it to the Board. Options to directors who are not employees of the Company may be granted only pursuant to subparagraph (a) of paragraph 6 of the Plan. The Committee shall have full and final authority in its discretion, subject to the provisions of the Plan and in particular to the provisions of subparagraph (a) of paragraph 6, to determine the employees to whom and the time or times at which options shall be granted and the number of shares and purchase price of Common Stock covered by each option; to construe and interpret the Plan; to determine the terms and provisions of the respective option agreements, which need not be identical, including, but without limitation, terms covering the payment of the option price; and to make all other determinations and take all other actions deemed necessary or advisable for the proper administration of the Plan. All such actions and determinations shall be conclusively binding for all purposes and upon all persons.

4. Common Stock Subject to Options. The aggregate number of shares of the Company's Common Stock which may be issued upon the exercise of options granted under the Plan shall not exceed 400,000 (900,000 as adjusted through June 5, 1996), subject to adjustment under the provisions of paragraph 7. The shares of Common Stock to be issued upon the exercise of options may be authorized but unissued shares, shares issued and reacquired by the Company, or shares bought on the market for the purposes of the Plan. In the event any option shall, for any reason, terminate or expire or be surrendered without having been exercised in full, the shares subject to such option but not purchased thereunder shall again be available for options to be granted under the Plan. Subject to adjustments under paragraph 7, options for no more than 16,000 shares (36,000 as adjusted through June 5, 1996), may be granted under this or any other Plan of the Company to any one person in any calendar year.

5. Participants. Options and tax benefit rights may be granted under the Plan to: (a) any person who is an officer or employee (including officers and employees who are directors) of the Company or any of its subsidiaries; and (b) directors of the Company who are not employees of the Company only as provided in subparagraph (a) of paragraph 6 of the Plan.

6. Terms and Conditions of Options. Any option granted under the Plan shall be evidenced by an agreement executed by the Company and the applicable director, officer, or employee and shall contain such terms and be in such form as the Committee may from time to time approve, consistent with the terms of the Plan and specifically subject to the following limitations and conditions.

- (a) Non-Employee Director Options. Subject to adjustment as provided in paragraph 7, an option to purchase 3,500 shares of Common stock shall be granted automatically on June 30 and December 31, of each year, to each director of the Company who is not an employee of the Company or any of its subsidiaries. Stock options awarded under this paragraph shall be subject to such terms and conditions, consistent with the other provisions of the Plan, as may be determined by the Committee in its sole discretion. The per share price of each option awarded pursuant to this paragraph shall be 100 percent of: (i) if Common Stock is not then listed and traded on a recognized securities exchange, the mean of the bid and asked quotations for Common Stock on the Date of Grant (as reported by a recognized stock quotation service) or, if there is no bid or asked quotation on the Date of Grant, the mean of the bid and asked quotations on the date nearest preceding the Date of Grant; or (ii) if Common Stock is then listed and traded on a recognized securities exchange, the mean of the highest and lowest sales prices at which shares of Common Stock were traded on that exchange on the Date of Grant or, if Common Stock was not traded on the Date of Grant, the mean of such prices on the date nearest preceding the Date of Grant. The exercise price for each share purchased pursuant to an option granted under the Plan shall be payable in cash or in shares of Common Stock (including Common Stock to be received upon a simultaneous exercise) or other consideration substantially equivalent to cash.

When appropriate arrangements are made with a broker or other institution, payment may be made by a properly executed exercise notice directing delivery of shares to a broker, together with irrevocable instructions to the broker to deliver promptly to the Company the amount of sale or loan proceeds to pay the exercise price. Except as provided in this subparagraph, no director who is not an employee of the Company or any other person shall have any claim to be granted any option under the Plan. Nothing in the Plan shall prevent the Company from adopting or continuing in effect other or additional compensation arrangements. The grant of an option under the Plan shall not be considered to give a director the right to be retained as a director of the Company or to continue as a director of the Company.

(b) Option Price. Other than for awards to directors who are not employees of the Company or any of its subsidiaries, the per share price of each option awarded pursuant to the Plan shall be determined by the Committee but shall not be less than 85 percent of the fair market value of a share of Common Stock on the Date of Grant. For purposes of this subparagraph, fair market value shall be as determined by the Committee and that determination shall be binding on the Company and the Optionee. The Committee may base that determination on: (i) if Common Stock is not then listed and traded on a recognized securities exchange, the mean of the bid and asked quotations for Common Stock on the Date of Grant (as reported by a recognized stock quotation service) or, if there is no bid or asked quotation on the Date of Grant, the mean of the bid and asked quotations on the date nearest preceding the Date of Grant; (ii) if Common Stock is then listed and traded on a recognized securities exchange, the mean of the highest and lowest sales prices at which shares of Common Stock were traded on that exchange on the Date of Grant or, if Common Stock was not traded on the Date of Grant, the mean of such prices on the date nearest preceding the Date of Grant, and (iii) any other factors that the Committee deems appropriate.

(c) Option Period. The expiration date of each option shall be fixed by the Committee, but, notwithstanding any provision of the Plan to the contrary, such expiration date shall be more than ten (10) years from the Date of Grant.

(d) Vesting of Shareholder Rights. Neither an Optionee nor his successor shall have any of the rights of a shareholder of the Company until the certificates evidencing the shares purchased are properly delivered to such Optionee or his successor.

(e) Exercise of Option. Each option shall be exercisable from time to time over a period beginning on the Date of Grant and ending upon the expiration or termination of the option; provided that the Committee may, by the provisions of any option agreement, limit the number of shares that may be purchased pursuant to an option in any period or periods of time during which the option is exercisable. An option shall not be exercisable in whole or in part prior to the date of shareholder approval of the Plan.

(f) Nontransferability of Option. No option shall be transferable or assignable by an Optionee, other than by will or the laws of descent and distribution, and each option shall be exercisable during the Optionee's lifetime only by him. No option shall be pledged or hypothecated in any way and no option shall be subject to execution, attachment, or similar process except with the express consent of the Committee.

(g) Termination of Employment or Directorship. Unless the Committee otherwise consents, upon termination of an Optionee's employment or association with the Company or with any of its subsidiaries, his option privileges shall be limited to the shares which were immediately purchasable by him at the date of such termination and such option privileges shall expire unless exercised by him within 90 days after the date of such termination. The award of an option to any participant shall not alter in any way the Company's or the relevant subsidiary's rights to terminate the Optionee's employment or directorship at any time for any reason, nor shall it confer upon an Optionee any rights or privileges except as specifically provided in the Plan.

(h) Death of Optionee. If an Optionee dies while in the employ of the Company or any of its subsidiaries or while serving as a director of the Company, the Optionee's successor in interest may purchase only those for

which options were exercisable at the date of death and such options shall expire unless exercised by the successor within one year of the date of death.

7. Adjustments.

(a) In the event that the outstanding shares of Common Stock of the Company are hereafter increased or decreased or changed into or exchanged for a different number or kind of shares or other securities of the Company or of another corporation, by reason of a recapitalization, reclassification, stock split-up, combination of shares, or dividend or other distribution payable in capital stock, appropriate adjustment shall be made by the Committee in the number and kind of shares for the purchase of which options may be granted under the Plan. In addition, the Committee shall make appropriate adjustment in the number and kind of shares as to which outstanding options, or portions thereof then unexercised, shall be exercisable, to the end that the proportionate interest of the holder of the option shall, to the extent practicable, be maintained as before the occurrence of such event. Such adjustment in outstanding options shall be made without change in the total price applicable to the unexercised portion of the option but with a corresponding adjustment in the option price per share.

(b) In the event of the dissolution or liquidation of the Company, any option granted under the Plan shall terminate as of a date to be fixed by the Committee, provided that not less than 30 days' written notice of the date so fixed shall be given to each optionee and each such optionee shall have the right during such period to exercise his option as to all or any part of the shares covered thereby including shares as to which such option would not otherwise be exercisable by reason of an insufficient lapse of time.

(c) In the event of a Reorganization (as hereinafter defined) in which the company is not the surviving or acquiring company, or in which the Company is or becomes a wholly-owned subsidiary of another company after the effective date of the Reorganization, then the committee shall adjust the shares under such outstanding and unexercised stock options (and shall adjust the shares remaining under the

Plan which are then available to the Option under the Plan) in a manner not inconsistent with the provisions of the Reorganization Agreement for the adjustment, change, conversion, or exchange of such stock and such options.

The term "Reorganization" as used in this subparagraph (c) of this paragraph 7 shall mean any statutory merger, statutory consolidation, sale of all or substantially all of the assets of the Company, or sale, pursuant to an agreement with the Company, or securities of the Company pursuant to which the Company is or becomes a wholly-owned subsidiary of another company after the effective date of the Reorganization.

(d) Adjustments and determinations under this paragraph 7 shall be made by the Committee, whose decisions as to what adjustments or determinations shall be made, and the extent thereof, shall be final, binding, and conclusive.

8. Tax Benefit Rights. A Participant may be granted Tax Benefit Rights under the Plan to encourage a Participant to exercise Options and provide certain tax benefits to the Company.

(a) Grant. A Tax Benefit Right entitles a Participant to receive from the Company or a Subsidiary a cash payment not to exceed the amount calculated by multiplying the ordinary income, if any, realized by the

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Participant for federal tax purposes as a result of the exercise of a nonqualified stock option by the maximum federal income tax rate (including any surtax or similar charge or assessment) for corporations, plus the applicable state and local tax imposed on the exercise of the Option.

(b) Restrictions. A Tax Benefit Right may be granted only with respect to a stock option issued and outstanding or to be issued under the Plan or any other plan of the Company or its Subsidiaries that has been approved by the shareholders as of the date of the Plan and may be granted concurrently with or after the grant of the stock option. Such rights with respect to outstanding incentive stock options under Section 422 of the Code shall be issued only with the consent of the Participant if the effect would change the date of grant or the exercise price, or otherwise impair the Participant's existing stock options. A stock option to which a Tax Benefit Right has been attached shall not be exercisable by an officer or employee subject to Section 16 of the Securities Exchange Act of 1934 for a period of six months from the date of the grant of the option.

(c) Terms and Conditions. The Committee shall determine the terms and conditions of any Tax Benefit Rights granted and the Participants to whom such rights will be granted with respect to stock options under the Plan or any other plan of the Company. The Committee may amend, cancel, limit the term of, or limit the amount payable under a Tax Benefit Right at any time prior to the exercise of the related stock option, unless otherwise provided under the terms of the Tax Benefit Right. The net amount of a Tax Benefit Right, subject to withholding, may be used to pay a portion of the stock option price, unless otherwise provided by the Committee. The provisions of Section 9 with respect to stock-based tax withholding shall also apply to any tax benefit rights granted under the Plan.

9. Restrictions on Issuing Shares.

(a) Withholding. The Company or a subsidiary shall be entitled to (a) withhold and deduct from future wages of a Participant (or from other amounts that may be due and owing to a Participant from the Company or the subsidiary), or make other arrangements for the collection of, all legally required amounts necessary to satisfy any and all federal, state and local withholding and employment-related tax requirements attributable to an Option including, without limitation, the grant, exercise or vesting of, or payment of dividends with respect to, an Option; or (b) require a Participant promptly to remit the amount of such withholding to the Company before taking any action with respect to an Option. Unless the Committee determines otherwise, withholding may be satisfied by withholding Common Stock to be received upon exercise or by delivery to the Company of previously owned Common Stock. The Company may establish such rules and procedures concerning timing of any withholding election as it deems appropriate to comply with Rule 16b-3 under the Act.

(b) Compliance With Laws; Listing and Registration of Shares. All Options granted under the Plan (and all issuances of Common Stock or other securities under the Plan) shall be subject to applicable laws, rules and regulations, and to the requirement that if at any time the Committee determines, in its sole discretion, that the listing, registration or qualification of the shares covered thereby upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Option or the issue or purchase of shares thereunder, such Option may not be exercised in whole or in part, or the restrictions on such Option shall not

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lapse, unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

10. Use of Proceeds. The proceeds received by the Company from the sale of Common Stock pursuant to the exercise of options granted under the Plan shall be added to the Company's general funds and used for general corporate purposes.

11. Amendment, Suspension and Termination of Plan. The Board may at any time suspend or terminate the Plan. The Board may amend the Plan from time to time in such respects as the Board may deem advisable for the options granted under the Plan to conform to any changes in law or any other respect which the Board may deem to be in the best interests of the Company; provided, that: (a) the provisions of subparagraph (a) of paragraph 6 may not be amended more than once every six months, other than to conform to changes in the Internal Revenue Code of 1986, as amended, the Employee Retirement Income Security Act of 1974, as amended, or the rules issued under either of such statutes; and (b) without approval of the shareholders of the Company representing a majority of the voting power, no such amendment shall (i) except as specified in paragraph 7, increase the maximum number of shares for which options may be granted under the Plan, (ii) change the provisions of

subparagraph (b) of paragraph 6 relating to the establishment of the option price, (iii) change the provisions of subparagraph (c) of paragraph 6 relating to the expiration date of each option, or (iv) change the provisions of the third sentence of this paragraph 11 relating to the term of the Plan. Unless the Plan is terminated earlier by the Board or as provided in paragraph 12, the Plan shall terminate ten years after the effective date of the Plan. No option may be granted during any suspension or after the termination of the Plan. Except as provided in paragraph 12, no amendment, suspension, or termination of the Plan shall, without an Optionee's consent, alter or impair any of the rights or obligations under any option previously granted to that Optionee under the Plan.

12. Effective Date of Plan and Shareholder Approval. The effective date of the Plan is March 28, 1988, the date of its approval by the Board; provided, however, if the Plan is not approved by such shareholders before December 31, 1988, the Plan shall terminate and any options granted thereunder shall be void and have no force or effect.

EXHIBIT 10.2

SPARTAN MOTORS, INC.
1994 INCENTIVE STOCK OPTION PLAN

1. Purpose.

The purpose of the Spartan Motors, Inc. 1994 Incentive Stock Option Plan (the "Plan") is to give officers and key employees (collectively referred to herein as "Key Employees") of Spartan Motors, Inc., a Michigan corporation (the "Company"), an opportunity to acquire shares of the common stock of the Company, \$.01 par value ("Common Stock"), to provide an incentive for Key Employees to continue to promote the best interests of the Company and enhance its long-term performance, and to provide an incentive for Key Employees to join or remain with the Company.

2. Administration.

(a) **Compensation Committee.** The Plan shall be administered by the Compensation Committee ("Committee") appointed by the Board of Directors (the "Board") and composed of not less than three members of the Board. No member of the Board may exercise discretion with respect to, or participate in, the administration of the Plan if, at any time within one year prior to such exercise or participation, he or she has received stock, stock options, stock appreciation rights or any other derivative security pursuant to the Plan or any other plan of the Company or any affiliate thereof, as which any discretion is exercised.

(b) **Powers.** Within the limits of the express provisions of the Plan, the Committee shall determine:

- (i) the Key Employees to whom awards hereunder shall be granted;
- (ii) the time or times at which such awards shall be granted;
- (iii) the form and amount of the awards; and
- (iv) the limitations, restrictions and conditions applicable to any such award.

In making such determinations, the Committee may take into account the nature of the services rendered by such employees, or classes of employees, their present and potential contributions to the Company's success and such other factors as the Committee in its discretion shall deem relevant.

(c) **Interpretations.** Subject to the express provisions of the Plan, the Committee may interpret the Plan, prescribe, amend and rescind rules and regulations relating to it, determine the terms and provisions of the respective awards and make all other determinations it deems necessary or advisable for the administration of the Plan.

(d) **Determinations.** The determinations of the Committee on all matters regarding the Plan shall be conclusive. A member of the Committee shall only be liable for any action taken or determination made in bad faith.

(e) **Nonuniform Determinations.** The Committee's determinations under the Plan, including without limitation, determinations as to the persons to receive awards, the terms and provisions of such awards and the agreements evidencing the same, need not be uniform and may be made by it selectively among persons who receive or are eligible to receive awards under the Plan, whether or not such persons are similarly situated.

3. Awards Under The Plan.

(a) **Form.** Awards under the Plan shall be in the form of Incentive Stock Options.

(b) **Maximum Limitations.** The aggregate number of shares of Common Stock available for grant under the Plan is 2,000,000, subject to adjustment pursuant to Section 7. Shares of Common Stock issued pursuant to the Plan shall be authorized but unissued shares of the Company. In the event that, prior to the end of the period during which Incentive Stock Options may be granted under the Plan, any Incentive Stock Option under the Plan expires unexercised or is terminated, surrendered or canceled, without being exercised, in whole or in part, for any reason, the number of shares theretofore subject to such Incentive Stock Option, or the unexercised, terminated, forfeited or unearned portion thereof, shall be added to the remaining number of shares of Common Stock available for grant as an Incentive Stock Option under the Plan, including a grant to a former holder of such Incentive Stock Option, upon such terms and conditions as the Committee shall determine, which terms may be more or less favorable than those applicable to such former Incentive Stock Option.

(c) **Ten Percent Shareholder.** Notwithstanding any other provision herein contained, no Key Employee may receive an Incentive Stock Option under the Plan if such employee, at the time the award is granted, owns (as defined in Section 424(d) of the Internal Revenue Code of 1986, as amended (the "Code")) stock possessing more than 10% of the total combined voting power of all classes of stock of the Company, unless the option price for such Incentive Stock Option is at least 110% of the fair market value of the Common Stock subject to such Incentive Stock Option on the date of grant and such Option is not exercisable after the date five years from the date such Option is granted.

4. Incentive Stock Options.

It is intended that Incentive Stock Options granted under the Plan shall constitute Incentive Stock Options within the meaning of Section 422 of the Code. Incentive Stock Options may be granted under the Plan for the purchase of shares of Common Stock. Incentive Stock Options shall be in such form and upon such conditions as the Committee shall from time to time determine, subject to the following:

(a) **Option Prices.** The option price of each Incentive Stock Option shall be at least 100% of the fair market value of the Common Stock subject to such Incentive Stock Option on the date of grant.

(b) **Terms of Options.** No Incentive Stock Option shall be exercisable after the date ten years from the date such Incentive Stock Option is granted.

(c) **Limitation on Amounts.** The aggregate fair market value (determined with respect to each Incentive Stock Option as of the time such Incentive Stock Option is granted) of the capital stock with respect to which Incentive Stock Options are exercisable for the first time by a Key Employee during any calendar year (under this Plan or any other plan of the Company) shall not exceed \$100,000.

5. Provisions Applicable To Incentive Stock Options.

(a) **Exercise.** Incentive Stock Options shall be subject to such terms and conditions, shall be exercisable at such time or times, and shall be evidenced by such form of written option agreement between the optionee and the Company, as the Committee shall determine; *provided*, that such determinations are not inconsistent with the other provisions of the Plan, and with Section 422 of the Code or regulations thereunder.

(b) **Manner of Exercise of Options and Payment for Common Stock.** Incentive Stock Options may be exercised by an optionee by giving written notice to the Secretary of the Company stating the number of shares of Common Stock with respect to which the Incentive Stock Option is being exercised and tendering payment therefor. At the time that an Incentive Stock Option granted under the Plan, or any part thereof, is exercised, payment for the Common Stock issuable thereupon shall be made in full in cash or by certified check or, if the Committee in its discretion agrees to accept, in shares of Common Stock of the Company (the number of such shares paid for each share subject to the Incentive Stock Option, or part thereof, being exercised shall be determined by dividing the option price by the fair market value per share of the Common Stock on the date of exercise). As soon as reasonably possible following such exercise, a certificate representing shares of Common Stock purchased, registered in the name of the optionee shall be delivered to the optionee.

6. Transferability.

No Incentive Stock Option may be transferred, assigned, pledged or hypothecated (whether by operation of law or otherwise), except as provided by will or the applicable laws of descent or distribution, and no Incentive Stock Option shall be subject to execution, attachment or similar process. Any attempted assignment, transfer, pledge, hypothecation or other disposition of an Incentive Stock Option or levy of attachment or similar process upon the Incentive Stock Option not specifically permitted herein shall be null and void and without effect. An Incentive Stock Option may be exercised only by a Key Employee during his or her lifetime, or pursuant to Section 10(c), by his or her estate or the person who acquires the right to exercise such Incentive Stock Option upon his or her death by bequest or inheritance.

7. Adjustment Provisions.

The aggregate number of shares of Common Stock with respect to which Incentive Stock Options may be granted, the aggregate number of shares of Common Stock subject to each outstanding Incentive Stock Option and the option price per share of each such Incentive Stock Option, may all be appropriately adjusted as the Committee may determine for any increase or decrease in the number of shares of issued Common Stock resulting from a subdivision or consolidation of shares, whether through reorganization, recapitalization, stock split-up, stock distribution or combination of shares, or the payment of a share dividend or other increase or decrease in the number of such shares outstanding effected without receipt of consideration by the Company. Adjustments under this Section 7 shall be made according to the sole discretion of the Committee, and its decisions shall be binding and conclusive.

8. Dissolution, Merger And Consolidation.

Upon the dissolution or liquidation of the Company, or upon a merger or consolidation of the Company in which the Company is not the surviving corporation, each Incentive Stock Option granted hereunder shall expire as of the effective date of such transaction; *provided, however*, that the Committee shall give at least 30 days' prior written notice of such event to each optionee during which time he or she shall have a right to exercise his or her wholly or partially unexercised Incentive Stock Option and, subject to prior expiration pursuant to Section 10(b) or (c), each Incentive Stock Option shall be exercisable after receipt of such written notice and prior to the effective date of such transaction.

9. Effective Date And Conditions Subsequent To Effective Date.

The Plan shall become effective on the date of the approval of the Plan by the shareholders of the Company; *provided, however*, that the adoption of the Plan is subject to such shareholder approval within twelve (12) months before or after the date of adoption of the Plan by the Board. The Plan shall be null and void and of no effect if the foregoing condition is not fulfilled, and in such event each Incentive Stock Option granted hereunder shall, notwithstanding any of the preceding provisions of the Plan, be null and void and of no effect.

No grant or award shall be made under the Plan more than ten years from the earlier of the date of adoption of the Plan by the Board and shareholder approval hereof; *provided, however*, that the Plan and all Incentive Stock Options granted under the Plan prior to such date shall remain in effect and subject to adjustment and amendment as herein provided until they have been satisfied or terminated in accordance with the terms of the respective grants or awards and the related agreements.

10. Termination Of Employment.

(a) Each Incentive Stock Option shall, unless sooner expired pursuant to Section 10(b) or (c) below, expire on the first to occur of the tenth anniversary of the date of grant thereof and the expiration date set forth in the applicable option agreement.

(b) An Incentive Stock Option shall expire on the first to occur of the applicable date set forth in paragraph (a) next above and the date that the employment of the Key Employee with the Company terminates for any reason other than death or disability. Notwithstanding the preceding provisions of this paragraph, the Committee, in its sole discretion, may, by written notice given to an ex-employee, permit the ex-employee to exercise Incentive Stock Options during a period following his or her termination of employment, which period shall not exceed three months. In no event, however, may the Committee permit an ex-employee to exercise an Incentive Stock Option after the expiration date contained in the agreement evidencing such Incentive Stock Option.

(c) If the employment of a Key Employee with the Company terminates by reason of disability (as defined in Section 422(c)(6) of the Code and as determined by the Committee) or by reason of death, his or her Incentive Stock Options shall expire on the first to occur of the date set forth in paragraph (a) of this Section 10 and the first anniversary of such termination of employment.

11. Miscellaneous.

(a) **Legal and Other Requirements.** The obligation of the Company to sell and deliver Common Stock under the Plan shall be subject to all applicable laws, regulations, rules and approvals, including, but not by way of limitation, the effectiveness of a registration statement under the Securities Act of 1993 if deemed necessary or appropriate by the Company. Certificates for shares of Common Stock issued hereunder may be legended as the Committee shall deem appropriate.

(b) **No Obligation to Exercise Options.** The granting of an Incentive Stock Option shall impose no obligation upon an optionee to exercise such Incentive Stock Option.

(c) **Termination and Amendment of Plan.** The Board, without further action on the part of the shareholders of the Company, may from time to time alter, amend or suspend the Plan or any Incentive Stock Option granted hereunder or may at any time terminate the Plan, except that it may not, without the approval of the shareholders of the Company (except to the extent provided in Section 7 hereof):

- (i) Materially increase the total number of shares of Common Stock available for grant under the Plan except as provided in Section 7.
- (ii) Materially modify the class of eligible employees under the Plan;
- (iii) Materially increase benefits to any Key Employee who is subject to the restrictions of Section 16 of the Securities Exchange Act of 1934; or
- (iv) Effect a change relating to Incentive Stock Options granted hereunder which is inconsistent with Section 422 of the Code or regulations issued thereunder.

No action taken by the Board under this Section, either with or without the approval of the shareholders of the Company, may materially and adversely affect any outstanding Incentive Stock Option without the consent of the holder thereof.

(d) **Application of Funds.** The proceeds received by the Company from the sale of Common Stock pursuant to Incentive Stock Options will be used for general corporate purposes.

(e) **Withholding Taxes.** In the event that the optionee disposes of any Common Stock acquired by the exercise of an Incentive Stock Option within the two-year period following grant, or within the one-year period following exercise, of the Incentive Stock Option, the Company shall have the right to require the optionee to remit to the Company an amount sufficient to satisfy all federal, state and local withholding tax requirements as a condition to the registration of such Common Stock on its books. Whenever under the Plan payments are to be made by the Company in cash or by check, such payments shall be net of any amounts sufficient to satisfy all federal, state and local withholding tax requirements.

(f) **Right to Terminate Employment.** Nothing in the Plan or any agreement entered into pursuant to the Plan shall confer upon any Key Employee or other optionee the right to continue in the employment of the Company or affect any right which the Company may have to terminate the employment of such Key Employee or other optionee.

(g) **Rights as a Shareholder.** No optionee shall have any rights as a shareholder unless and until certificates for shares of Common Stock are issued to him or her.

(h) **Notices.** Every direction, revocation or notice authorized or required by the Plan shall be deemed delivered to the Company (1) on the date it is personally delivered to the Secretary of the Company at its principal executive offices or (2) three business days after it is sent by registered or certified mail, postage prepaid, addressed to the Secretary at such offices, and shall be deemed delivered to an optionee (1) on the date it is personally delivered to him or her or (2) three business days after it is sent by registered or certified mail, postage prepaid, addressed to him or her at the last address shown for him or her on the records of the Company.

(i) **Applicable Law.** All questions pertaining to the validity, construction and administration of the Plan and Incentive Stock Options granted hereunder shall be determined in conformity with the laws of the state of Michigan, to the extent not inconsistent with Section 422 of the Code and regulations thereunder.

EXHIBIT 10.4

SPARTAN MOTORS, INC.

STOCK OPTION AND RESTRICTED STOCK PLAN OF 1998

SECTION 1

Establishment of Plan; Purpose of Plan

1.1 Establishment of Plan. The Company hereby establishes the Stock Option and Restricted Stock Plan of 1998 (the "**Plan**") for its directors, corporate and Subsidiary officers and other key employees. The Plan permits the grant or award of Options, Restricted Stock and Tax Benefit Rights.

1.2 Purpose of Plan. The purpose of the Plan is to provide directors, officers and key employees of the Company and its Subsidiaries with an increased incentive to make significant contributions to the long-term performance and growth of the Company and its Subsidiaries, to join the interests of directors, officers and key employees with the interests of the Company's shareholders through the opportunity for increased stock ownership and to attract and retain directors, officers and key employees. The Plan is further intended to provide flexibility to the Company in structuring long-term incentive compensation to best promote the foregoing objectives. Within that context, the Plan is intended to provide performance-based compensation under Section 162(m) of the Code and shall be interpreted, administered and amended if necessary to achieve that purpose.

SECTION 2

Definitions

The following words have the following meanings unless a different meaning is plainly required by the context:

2.1 "Act" means the Securities Exchange Act of 1934, as amended.

2.2 "Board" means the Board of Directors of the Company.

2.3 Unless otherwise defined in the grant or agreement applicable to an Incentive Award, "Change in Control" means (a) the failure of the Continuing Directors at any time to constitute at least a majority of the members of the Board; (b) the acquisition by any Person other than an Excluded Holder of beneficial ownership (within the meaning of Rule 13d-3 issued under the Act) of 20% or more of the outstanding Common Stock or the combined voting power of the Company's outstanding securities entitled to vote generally in the election of directors; (c) the approval by the shareholders of the Company of a reorganization, merger or consolidation, unless with or into a Permitted Successor; or (d) the approval by the shareholders of the Company of a complete liquidation or dissolution of the Company or the sale or disposition of all or substantially all of the assets of the Company other than to a Permitted Successor.

2.4 "Code" means the Internal Revenue Code of 1986, as amended.

2.5 "Committee" means the Compensation Committee of the Board or such other committee as the Board shall designate to administer the Plan. The Committee shall consist of at least two members of the Board who shall be "Non-Employee Directors" as defined below and "outside directors" as defined in the regulations issued under Section 162(m) of the Code.

2.6 "Common Stock" means the Common Stock of the Company, \$.01 par value.

2.7 "Company" means Spartan Motors, Inc., a Michigan corporation, and its successors and assigns.

2.8 "Competition" means participation, directly or indirectly, in the ownership, management, financing or control of any business that is the same as or similar to the present or future businesses of the Company or any Subsidiary. Such participation may be by way of employment, consulting services, directorship or officership. Ownership of less than 3% of the shares of any corporation whose shares are traded publicly on any national or regional stock exchange or over the counter shall not be deemed Competition.

2.9 "Consensual Severance" means the voluntary termination of all employment by the Participant with the Company or any of its Subsidiaries that the Committee determines to be in the best interests of the Company.

2.10 "Continuing Directors" mean the individuals constituting the Board as of the date this Plan was adopted and any subsequent directors whose election or nomination for election by the Company's shareholders was approved by a vote of 3/4 of the individuals who are then Continuing Directors, but specifically excluding any individual whose initial assumption of office occurs as a result of either an actual or threatened election contest (as the term is used in Rule 14a-11 of Regulation 14A issued under the Act) or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

2.11 "Early Retirement" means the voluntary termination of all employment by a Participant with the written consent of the Committee after the Participant has attained 55 years of age and completed 10 years of service with the Company or any of its Subsidiaries.

2.12 "Employee Benefit Plan" means any plan or program established by the Company or a Subsidiary for the compensation or benefit of employees of the Company or any of its Subsidiaries.

2.13 "Excluded Holder" means (a) any Person who at the time this Plan was adopted was the beneficial owner of 10% or more of the outstanding Common Stock; or (b) the Company, a Subsidiary or any Employee Benefit Plan of the Company or a Subsidiary or any trust holding Common Stock or other securities pursuant to the terms of an Employee Benefit Plan.

2.14 "Incentive Award" means the award or grant of a Option, Restricted Stock or Tax Benefit Right to a Participant pursuant to the Plan.

2.15 "Market Value" shall equal the last reported sales price of shares of Common Stock on The Nasdaq Stock Market (or any successor exchange that is the primary stock exchange for trading of Common Stock) on the date of grant, or if The Nasdaq Stock Market (or any such successor) is closed on that date, the last preceding date on which The Nasdaq Stock Market (or any such successor) was open for trading and on which shares of Common Stock were traded.

2.16 "Non-Employee Director" shall have the meaning set forth in Rule 16b-3 under the Act as in effect from time to time.

2.17 "Normal Retirement" means the voluntary termination of all employment by a Participant after the Participant has attained 62 years of age, or such other age as shall be determined by the Committee in its sole discretion or as otherwise may be set forth in the Incentive Award agreement or other grant document with respect to a Participant and a particular Incentive Award.

2.18 "Option" means the right to purchase Common Stock at a stated price for a specified period of time. For purposes of the Plan, an Option may be either an incentive stock option within the meaning of Section 422(b) of the Code or a nonqualified stock option.

2.19 "Participant" means a director, corporate officer or any key employee of the Company or its Subsidiaries who is granted an Incentive Award under the Plan.

2.20 "Permitted Successor" means a company which, immediately following the consummation of a transaction specified in clauses (c) and (d) of the definition of "Change in Control" above, satisfies each of the following criteria: (a) 50% or more of the outstanding common stock of the company and the combined voting power of the outstanding securities of the company entitled to vote generally in the election of directors (in each case determined immediately following the consummation of the applicable transaction) is beneficially owned, directly or indirectly, by all or substantially all of the Persons who were the beneficial owners of the Company's outstanding Common Stock and outstanding securities entitled to vote generally in the election of directors (respectively) immediately before the applicable transaction; (b) no Person other than an Excluded Holder beneficially owns, directly or indirectly, 20% or more of the outstanding common stock of the company or the combined voting power of the outstanding securities of the company entitled to vote generally in the election of directors (for these purposes the term Excluded Holder shall include the company, any subsidiary of the company and any employee benefit plan of the company or any such subsidiary or any trust holding common stock or other securities of the company pursuant to the terms of any such employee benefit plan); and (c) at least a majority of the board of directors is comprised of Continuing Directors.

2.21 "Person" has the same meaning as set forth in Sections 13(d) and 14(d)(2) of the Act.

2.22 "Restricted Period" means the period of time during which Restricted Stock awarded under the Plan is subject to restrictions. The Restricted Period may differ among Participants and may have different expiration dates with respect to shares of Common Stock covered by the same Incentive Award.

2.23 "Restricted Stock" means Common Stock awarded to a Participant pursuant to Section 6 of the Plan.

2.24 "Subsidiary" means any company or other entity of which 50% or more of the outstanding voting stock or voting ownership interest is directly or indirectly owned or controlled by the Company or by one or more Subsidiaries of the Company.

2.25 "Tax Benefit Right" means any right granted to a Participant pursuant to Section 7 of the Plan.

2.26 "Total Disability" means that the Participant, for physical or mental reasons, is unable to perform the essential functions of his or her duties for the Company for 120 consecutive days, or 180 days during any 12-month period.

SECTION 3

Administration

3.1 Power and Authority. The Committee shall administer the Plan. Except as limited in this Plan, the Committee shall have full power and authority to interpret the provisions of the Plan and Incentive Awards granted under the Plan, to supervise the administration of the Plan and the Incentive Awards granted under the Plan and to make all other determinations considered necessary or advisable under the Plan. All determinations, interpretations and selections made by the Committee regarding the Plan shall be final and conclusive. The Committee shall hold its meetings at such times and places as it deems advisable. Action may be taken by a written instrument signed by all of the members of the Committee, and any action so taken shall be fully as effective as if it had been taken at a meeting duly called and held. The Committee may delegate recordkeeping, calculation, payment and other ministerial administrative functions to individuals designated by the Committee, who may be employees of the Company or its Subsidiaries.

3.2 Grants or Awards to Participants. In accordance with and subject to the provisions of the Plan, the Committee shall have the authority to determine all provisions of Incentive Awards as the Committee may deem necessary or desirable and as are consistent with the terms of the Plan, including, without limitation, the authority to: (a) determine whether and when Incentive Awards will be granted, the persons to be granted Incentive Awards, the amount of Incentive Awards to be granted to each person and the terms of the Incentive Awards to be granted; (b) determine and amend vesting schedules, if any; (c) permit delivery or withholding of stock in payment of the exercise price

or to satisfy tax withholding obligations; and (d) waive any restrictions or conditions applicable to any Incentive Award. Incentive Awards shall be granted or awarded by the Committee, and Incentive Awards may be amended by the Committee consistent with the Plan, provided that no such amendment may become effective without the consent of the Participant, except to the extent that the amendment operates solely to the benefit of the Participant.

3.3 Indemnification of Committee Members. Neither any member or former member of the Committee nor any individual to whom authority is or has been delegated shall be personally responsible or liable for any act or omission in connection with the performance of powers or duties or the exercise of discretion or judgment in the administration and implementation of the Plan. Each person who is or shall have been a member of the Committee shall be indemnified and held harmless by the Company from and against any cost, liability or expense imposed or incurred in connection with such person's or the Committee's taking or failing to take any action under the Plan. Each such person shall be justified in relying on information furnished in connection with the Plan's administration by any appropriate person or persons.

SECTION 4

Shares Subject to the Plan

4.1 Number of Shares. Subject to adjustment as provided in Section 4.3 of the Plan, a maximum of 1,000,000 shares of Common Stock shall be available for Incentive Awards under the Plan. Such shares may be authorized but unissued shares, shares issued and reacquired by the Company or shares bought on the market for the purpose of the Plan.

4.2 Limitation Upon Incentive Awards. No Participant shall be granted, during any calendar year, Incentive Awards with respect to more than 50% of the total number of shares of Common Stock available for Incentive Awards under the Plan set forth in Section 4.1 of the Plan, subject to adjustment as provided in Section 4.3 of the Plan.

4.3 Adjustments. If the number of shares of Common Stock outstanding changes by reason of a stock dividend, stock split, recapitalization, merger, consolidation, combination, exchange of shares or any other change in the corporate structure or shares of the Company, the aggregate number and class of shares available for grants or awards under the Plan, together with Option prices, award limits and other appropriate terms of this Plan, shall be appropriately adjusted. No fractional shares shall be issued pursuant to the Plan, and any fractional shares resulting from adjustments shall be eliminated from the respective Incentive Award, with an appropriate cash adjustment for the value of any Incentive Awards eliminated. If an Incentive Award is canceled, surrendered, modified, expires or is terminated during the term of the Plan but before the exercise or vesting of the Incentive Award in full, the shares subject to but not purchased or retained by the Participant under such Incentive Award shall be available for other Incentive Awards. If shares subject to and otherwise deliverable upon the exercise of an Incentive Award are surrendered to the

Company in connection with the exercise or vesting of an Incentive Award, the surrendered shares subject to the Incentive Award shall be available for other Incentive Awards.

SECTION 5

Options

5.1 Grant.

(a) Officers and Employees. Except as set forth below for Non-Employee Directors, a Participant may be granted one or more Options under the Plan. Options shall be subject to such terms and conditions, consistent with the other provisions of the Plan, as shall be determined by the Committee in its sole discretion. The Committee may vary, among Participants and among Options granted to the same Participant, any and all of the terms and conditions of Options granted under the Plan. Subject to the limitation imposed by Section 4.2 of the Plan, the Committee shall have complete discretion in determining the number of Options granted to each Participant. The Committee may designate whether or not an Option is to be considered an incentive stock option as defined in Section 422(b) of the Code.

(b) Non-Employee Directors. Subject to the limitation imposed by Section 4.2 and the adjustments imposed by Section 4.3, an Option to purchase 3,500 shares of Common Stock shall be granted automatically on June 30 and December 31 of each year, to each director of the Company who is, at the time of such grant, a Non-Employee Director; *provided, however*, that if any Non-Employee Director is at the time of grant the Chairman of the Board, the number of shares subject to the Option granted to that Non-Employee Director shall be 7,500. Options shall be granted at an option price to be determined by the Committee, subject to the condition that such price will be equal to or greater than 85 percent of the fair market value of the Common Stock at the date of grant of the Option. Options granted to Non-Employee Directors shall not be treated as incentive stock options under Section 422(b) of the Code.

5.2 Option Agreements. Each Option shall be evidenced by an Option agreement containing such terms and conditions, consistent with the provisions of the Plan, as the Committee from time to time determines. To the extent not covered by the Option agreement, the terms and conditions of this Section 5 shall govern.

5.3 Option Price. The per share Option price shall be determined by the Committee. The per share Option price of any Option intended to qualify as an incentive stock option under Section 422(b) of the Code shall be equal to or greater than 100% of the Market Value on the date of grant. The date of grant of an Option shall be the date the Option is authorized by the Committee or a future date specified by the Committee as the date for issuing the Option.

5.4 Medium and Time of Payment. The exercise price for each share purchased pursuant to an Option granted under the Plan shall

be payable in cash or, if the Committee consents, in shares of Common Stock (including Common Stock to be received upon a simultaneous exercise). The

time and terms of payment may be amended before or after exercise of an Option (a) by the Committee in its sole discretion, if the terms of such amendment are more favorable to the Participant, or (b) in all other cases, by the Committee with the consent of the Participant. The Committee may from time to time authorize payment of all or a portion of the Option price in the form of a promissory note or installments according to such terms as the Committee may approve. The Board may restrict or suspend the power of the Committee to permit such loans and may require that adequate security be provided.

5.5 Options Granted to Ten Percent Shareholders. No Option granted to any Participant who at the time of such grant owns, together with stock attributed to such Participant under Section 424(d) of the Code, more than 10% of the total combined voting power of all classes of stock of the Company or any of its Subsidiaries may be designated as an incentive stock option, unless (a) such Option provides an exercise price equal to at least 110% of the Market Value of the Common Stock, and (b) the exercise of the Option after the expiration of five years from the date of grant of the Option is prohibited by its terms.

5.6 Limits on Exercisability. Options shall be exercisable for such periods and upon such conditions as may be fixed by the Committee. Options intended to qualify as incentive stock options shall have terms not to exceed 10 years from the grant date. Other options shall have terms not to exceed 15 years from the grant date. The Committee may in its discretion require a Participant to continue service with the Company and its Subsidiaries for a certain length of time before an Option becoming exercisable and may eliminate such delayed vesting provisions. The Committee also may vary, among Participants and among Options granted to the same Participant, any and all of the terms and conditions of Options granted under the Plan.

5.7 Transferability.

(a) General. Unless the Committee otherwise consents or unless the terms of the Option agreement provide otherwise, no Option granted under the Plan may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution.

(b) Other Restrictions. The Committee may impose such restrictions on any shares of Common Stock acquired pursuant to the exercise of an Option under the Plan as it deems advisable, including, without limitation, restrictions intended to assure compliance with applicable federal or state securities laws.

5.8 Termination of Employment or Directorship.

(a) General. If a Participant ceases to be employed by or a director of the Company or one of its Subsidiaries for any reason other than the Participant's death, Total Disability, termination for cause or any additional provision as determined by the Committee, the Participant may exercise an Option for a period of 90 days after such termination of

employment or directorship, but only to the extent the Participant was entitled to exercise the Option on the date of termination and would be entitled to exercise the Option if employed (or serving as a director) at the date of exercise, unless the Committee otherwise consents or the terms of the Option agreement provide otherwise. For purposes of the Plan, the following shall not be deemed a termination of employment: (i) a transfer of employment among the Company and its Subsidiaries; (ii) a leave of absence, duly authorized in writing by the Company, for military service or for any other purpose approved by the Company if the period of such leave does not exceed 90 days; (iii) a leave of absence in excess of 90 days, duly authorized in writing by the Company, provided the employee's right to reemployment is guaranteed either by statute or contract; or (iv) a termination of employment with continued service as an officer or director. For purposes of the Plan, termination of employment shall be considered to occur on the date on which the employee is no longer obligated to perform services for the Company or any of its Subsidiaries and the employee's right to reemployment is not guaranteed either by statute or contract, regardless of whether the employee continues to receive compensation from the Company or any of its Subsidiaries after such date.

(b) Death. If a Participant dies either while an employee or director of the Company or one of its Subsidiaries, or dies after termination of employment or directorship other than for cause and other than as a result of voluntary termination but during the time when the Participant could have exercised an Option under the Plan, the Option issued to such Participant shall be exercisable by the personal representative of such Participant or other successor to the interest of the Participant for a period of one year after the Participant's death, but only to the extent that the Participant was entitled to exercise the Option on the date of death or termination of employment or directorship, whichever first occurred, and would be entitled to exercise the Option if employed at the date of exercise, unless the Committee otherwise consents or the terms of the Option agreement provide otherwise.

(c) Total Disability. If a Participant ceases to be an employee or a director of the Company or one of its Subsidiaries due to the Participant's Total Disability, the Participant may exercise an Option for a period of one year following such termination of employment, but only to the extent the Participant was entitled to exercise the Option on the date of such event, unless the Committee otherwise consents or the terms of the Option agreement provide otherwise.

(d) Additional Provisions in Option Agreements. The Committee may, in its sole discretion, provide by resolution or by including provisions in any Option agreement entered into with a Participant that the Participant may exercise any outstanding options upon termination due to Early Retirement, Normal Retirement or Consensual Severance for a period of time after such termination as may be determined by the Committee, provided that (i) such period may not extend beyond the earlier of three years after the date of termination or

the date on which the Options expire by their terms, (ii) the Participant may exercise the Option only to the extent the Participant was entitled to exercise the Option on the date of

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termination, and (iii) the Participant shall have no further right to exercise any Options after termination due to Early Retirement, Normal Retirement or Consensual Severance if the Committee determines the Participant has entered into Competition with the Company.

(e) Voluntary Termination. Except as provided in Section 5.8(d), if a Participant voluntarily terminates employment with the Company or one of its Subsidiaries, the Participant shall have no further right to exercise any Option previously granted, unless the terms of the Option Agreement provide otherwise.

(f) Termination for Cause. If a Participant is terminated for cause, the Participant shall have no further right to exercise any outstanding unexercised Option issued under the Plan.

(g) Suspension of Exercisability. If the Participant receives notice from the Company that the Participant may be terminated for cause, the Participant shall have no right to exercise any Options previously granted for a period of 60 days from the receipt of such notice. If the Participant is terminated for cause within such 60-day period, the Participant shall have no further right to exercise any Option previously granted. If the Participant is not terminated for cause within the 60-day period, the provisions of the Option agreement and the Plan shall continue to apply to the exercisability of the Participant's Options.

SECTION 6

Restricted Stock

6.1 Grant. A Participant may be granted Restricted Stock under the Plan. Restricted Stock shall be subject to such terms and conditions, consistent with the other provisions of the Plan, as shall be determined by the Committee in its sole discretion. Restricted Stock shall be awarded on the condition that the Participant remain in the employ of the Company or one of its Subsidiaries during the Restricted Period. Such condition shall have no effect on the right of the Company or any Subsidiary to terminate the Participant's employment at any time. No payment is required from a Participant for an award of Restricted Stock.

6.2 Restricted Stock Agreements. Each award of Restricted Stock shall be evidenced by a Restricted Stock agreement containing such terms and conditions, consistent with the provisions of the Plan, as the Committee from time to time determines.

6.3 Termination of Employment or Directorship.

(a) General. If a Participant ceases to be employed by or a director of the Company or one of its Subsidiaries for any reason other than the Participant's death, Total Disability or any other additional provisions as determined by the Committee pursuant to Section 6.3(c), then any shares of Restricted Stock still subject to restrictions on the date of

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such termination automatically shall be forfeited and returned to the Company. For purposes of the Plan, the following shall not be deemed a termination of employment: (i) a transfer of employment among the Company and its Subsidiaries; (ii) a leave of absence, duly authorized in writing by the Company, for military service or for any other purpose approved by the Company if the period of such leave does not exceed 90 days; (iii) a leave of absence in excess of 90 days, duly authorized in writing by the Company, provided the employee's right to reemployment is guaranteed either by statute or contract; or (iv) a termination of employment with continued service as an officer or director. For purposes of the Plan, termination of employment shall be considered to occur on the date on which the employee is no longer obligated to perform services for the Company or any of its Subsidiaries and the employee's right to reemployment is not guaranteed either by statute or contract, regardless of whether the employee continues to receive compensation from the Company or any of its Subsidiaries after such date.

(b) Death or Total Disability. Unless the terms of the Restricted Stock agreement or grant provide otherwise, in the event a Participant terminates employment or directorship with the Company or one of its Subsidiaries because of death or Total Disability during the Restricted Period, the restrictions applicable to the shares of Restricted Stock automatically shall terminate and the Restricted Stock shall vest as of the date of termination.

(c) Additional Provisions as Determined by Committee. The Committee may, in its sole discretion, provide provisions in any Restricted Stock agreement permitting, or by resolution approve, vesting of all or part of any Restricted Stock awarded to a Participant upon termination due to Early Retirement, Normal Retirement, Consensual Severance or a Change in Control.

6.4 Restrictions on Transferability.

(a) General. Unless the Committee otherwise consents or unless the terms of the Restricted Stock agreement provide otherwise, shares of Restricted Stock shall not be sold, exchanged, transferred, pledged or otherwise disposed of by a Participant during the Restricted Period other than to the Company pursuant to subsection 6.3 or 6.4(b) or by will or the laws of descent and distribution.

(b) Surrender to the Company. If any sale, exchange, transfer, pledge or other disposition, voluntary or involuntary, of Restricted Stock that has not vested shall be made or attempted during the Restricted Period, except as provided above in subsections 6.3 and 6.4(a), the Participant's right to the Restricted Stock immediately shall cease and terminate, and the Participant promptly shall forfeit and surrender to the Company all such Restricted Stock.

(c) Other Restrictions. The Committee may impose other restrictions on any Restricted Stock as the Committee deems advisable.

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6.5 Rights as a Shareholder. During the Restricted Period, a Participant shall have all rights of a shareholder with respect to his Restricted Stock, including (a) the right to vote any shares at shareholders' meetings; (b) the right to receive, without restriction, all cash dividends paid with respect to such Restricted Stock; and (c) the right to participate with respect to such Restricted Stock in any stock dividend, stock split, recapitalization or other adjustment in the Common Stock of the Company or any merger, consolidation or other reorganization involving an increase or decrease or adjustment in the Common Stock of the Company. Any new, additional or different shares or other security received by the Participant pursuant to any such stock dividend, stock split, recapitalization or reorganization shall be subject to the same terms, conditions and restrictions as those relating to the Restricted Stock for which such shares were received.

6.6 Deposit of Certificates; Legending of Restricted Stock.

(a) Deposit of Certificates. Any certificates evidencing shares of Restricted Stock awarded pursuant to the Plan shall be registered in the name of the relevant Participant and deposited, together with a stock power endorsed in blank, with the Company. In the discretion of the Committee, any such certificates may be deposited in a bank designated by the Committee or delivered to the Participant. Certificates for shares of Restricted Stock that have vested shall be delivered to the Participant upon request within a reasonable period of time. The Participant shall sign all documents necessary or appropriate to facilitate such delivery.

(b) Legend. Any certificates evidencing shares of Restricted Stock awarded pursuant to the Plan shall bear the following legend:

This certificate is held subject to the terms and conditions contained in a restricted stock agreement that includes a prohibition against the sale or transfer of the stock represented by this certificate except in compliance with that agreement, and that provides for forfeiture upon certain events. A copy of that agreement is on file in the office of the Corporation.

6.7 Resale. The Participant shall agree not to resell or redistribute such Restricted Stock after the Restricted Period except upon such conditions as the Company reasonably may specify to ensure compliance with federal and state securities laws.

SECTION 7

Tax Benefit Rights

7.1 Grant. A Participant may be granted Tax Benefit Rights under the Plan to encourage a Participant to exercise Options and provide certain tax benefits to the Company. A Tax Benefit Right entitles a Participant to receive from the Company or a Subsidiary a cash payment not to exceed the amount calculated by multiplying the ordinary income, if any, realized by the Participant

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for federal tax purposes as a result of the exercise of a non-qualified stock option, or the disqualifying disposition of shares acquired under an incentive stock option, by the maximum federal income tax rate (including any surtax or similar charge or assessment) for corporations, plus any other applicable state and local tax against which the Company is entitled to a deduction or credit by reason of exercise of the Option or the disqualifying disposition.

7.2 Restrictions. A Tax Benefit Right may be granted only with respect to an Option issued and outstanding or to be issued under the Plan or any other Plan of the Company or its Subsidiaries that has been approved by the shareholders as of the effective date of the Plan and may be granted concurrently with or after the grant of the Option. Such rights with respect to outstanding Options shall be issued only with the consent of the Participant if the effect would be to disqualify an incentive stock option, change the date of grant or the exercise price or otherwise impair the Participant's existing Options.

7.3 Terms and Conditions. The Committee shall determine the terms and conditions of any Tax Benefit Rights granted and the Participants to whom such rights will be granted with respect to Options under the Plan or any other plan of the Company and those terms and conditions shall be set forth in written agreements. The Committee may amend, cancel, limit the term of, or limit the amount payable under a Tax Benefit Right at any time before the exercise of the related stock option, unless otherwise provided under the terms of the Tax Benefit Right. The net amount of a Tax Benefit Right, subject to withholding, may be used to pay a portion of the Option price, unless otherwise provided by the Committee.

SECTION 8

Change in Control

Without in any way limiting the Committee's discretion, the Committee may include in any Incentive Award provisions for acceleration of any vesting or other similar requirements or for the elimination of any restrictions upon Incentive Awards upon a Change in Control of the Company. The Committee also may include provisions for Participants to receive cash in lieu of outstanding Options upon a Change in Control of the Company.

SECTION 9

General Provisions

9.1 No Rights to Awards. No Participant or other person shall have any claim to be granted any Incentive Award, and there is no obligation of uniformity of treatment of employees, Participants or holders or beneficiaries of Incentive Awards. The terms and conditions of the Incentive Awards of the same type and the determination of the Committee to grant a waiver or modification of any Incentive Award and the terms and conditions thereof need not be the same with respect to each Participant.

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9.2 Withholding. The Company or a Subsidiary shall be entitled to (a) withhold and deduct from future wages of a Participant (or from other amounts that may be due and owing to a Participant from the Company or a Subsidiary), or make other arrangements for the collection of, all amounts deemed necessary to satisfy any and all federal, state and local withholding and employment-related tax requirements attributable to an Incentive Award, including, without limitation, the grant, exercise or vesting of, or payment of dividends with respect to, an Incentive Award or a disqualifying disposition of Common Stock received upon exercise of an incentive stock option; or (b) require a Participant promptly to remit the amount of such withholding to the Company before taking any action with respect to an Incentive Award. Unless the Committee determines otherwise, withholding may be satisfied by withholding Common Stock to be received upon exercise or by delivery to the Company of previously owned Common Stock.

9.3 Compliance With Laws; Listing and Registration of Shares. All Incentive Awards granted under the Plan (and all issuances of Common Stock or other securities under the Plan) shall be subject to applicable laws, rules and regulations, and to the requirement that if at any time the Committee determines, in its sole discretion, that the listing, registration or qualification of the shares covered thereby upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Incentive Award or the issue or purchase of shares thereunder, such Incentive Award may not be exercised in whole or in part, or the restrictions on such Incentive Award shall not lapse, unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

9.4 No Limit on Other Compensation Arrangements. Nothing contained in the Plan shall prevent the Company or any Subsidiary from adopting or continuing in effect other or additional compensation arrangements, including the grant of options and other stock-based awards, and such arrangements may be either generally applicable or applicable only in specific cases.

9.5 No Right to Employment. The grant of an Incentive Award shall not be construed as giving a Participant the right to be retained in the employ or directorship of the Company or any Subsidiary. The Company or any Subsidiary may at any time dismiss a Participant from employment, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any written agreement with a Participant.

9.6 Governing Law. The validity, construction and effect of the Plan and any rules and regulations relating to the Plan shall be determined in accordance with the laws of the State of Michigan and applicable federal law.

9.7 Severability. In the event any provision of the Plan shall be held illegal or invalid for any reason, the illegality or invalidity shall not affect the remaining parts of the Plan, and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included.

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SECTION 10

Effective Date and Duration of the Plan

This Plan shall take effect June 30, 1998, which is the effective date of approval by the Board of Directors, provided, that any Incentive Awards granted before shareholder approval shall be subject to approval of the Plan by the Company's shareholders at a regular or special meeting. Unless earlier terminated by the Board of Directors, no Incentive Award shall be granted under this Plan after June 29, 2008.

SECTION 11

Termination and Amendment

The Board may terminate the Plan at any time, or may from time to time amend the Plan, provided that no such amendment may impair any outstanding Incentive Award without the consent of the Participant, except according to the terms of the Incentive Award. No termination, amendment or modification of the Plan shall become effective with respect to any Incentive Award previously granted under the Plan without the prior written consent of the Participant holding such Incentive Award unless such amendment or modification operates solely to the benefit of the Participant.

Exhibit 18 - Preferability Letter for Change in Accounting Method

December 31, 2002

Mr. James W. Knapp
Chief Financial Officer
Spartan Motors, Inc.
1165 Reynolds Rd.
Charlotte, Michigan 48813

Dear Mr. Knapp:

Note 1 to the consolidated financial statements of Spartan Motors, Inc. included in its Annual Report on Form 10-K for the year ended December 31, 2002 describes a change in the method of accounting for certain inventory from the last-in, first-out method to the first-in, first-out method. There are no authoritative criteria for determining a preferable inventory valuation method based on the particular circumstances; however, we conclude that such change in the method of accounting for inventories is an acceptable alternative method which, based on your business judgment to make this change and for the stated reasons, is preferable in your circumstances.

Very truly yours

/s/ Ernst & Young LLP

EXHIBIT 21

SUBSIDIARIES OF SPARTAN MOTORS, INC.

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>
Spartan Motors Chassis, Inc.	Michigan, United States
Crimson Fire, Inc.*	South Dakota, United States
Road Rescue, Inc.	Minnesota, United States
Spartan Motors Foreign Sales Corporation, Inc.	West Indies
Spartan de Mexico S.A. de C.V.	Mexico
Carpenter Industries, Inc. (57.6% interest)	Delaware, United States

**Also does business under the names Luverne Fire Apparatus Co., Ltd. and Quality Manufacturing, Inc.

EXHIBIT 23

We consent to the incorporation by reference in the Registration Statements (Form S-8 Nos. 33-28432, 33-80980, 333-69028 and 333-98083, and Form S-3 No. 333-25357) pertaining to the various stock option and incentive plans of Spartan Motors, Inc. of our report dated January 31, 2003, with respect to the consolidated financial statements and schedule of Spartan Motors, Inc. and subsidiaries included in the Annual Report on Form 10-K for the year ended December 31, 2002.

/s/ Ernst & Young LLP

Grand Rapids, Michigan
March 14, 2003

EXHIBIT 24

POWER OF ATTORNEY

KNOW ALL MEN AND WOMEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints JOHN E. SZTYKIEL and JAMES W. KNAPP, and each of them, such individual's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for such individual and in his or her name, place and stead, in any and all capacities, to sign the Form 10-K of SPARTAN MOTORS, INC. for the year ended December 31, 2002, together with any and all amendments thereto, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission or other regulatory authority, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Signature: /s/ Charles E. Nihart

Print Name: Charles E. Nihart

Title: Director

Date: February 3, 2003

POWER OF ATTORNEY

KNOW ALL MEN AND WOMEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints JOHN E. SZTYKIEL and JAMES W. KNAPP, and each of them, such individual's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for such individual and in his or her name, place and stead, in any and all capacities, to sign the Form 10-K of SPARTAN MOTORS, INC. for the year ended December 31, 2002, together with any and all amendments thereto, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission or other regulatory authority, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Signature: /s/ William F. Foster

Print Name: William F. Foster

Title: Vice President

Date: February 7, 2003

POWER OF ATTORNEY

KNOW ALL MEN AND WOMEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints JOHN E. SZTYKIEL and JAMES W. KNAPP, and each of them, such individual's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for such individual and in his or her name, place and stead, in any and all capacities, to sign the Form 10-K of SPARTAN MOTORS, INC. for the year ended December 31, 2002, together with any and all amendments thereto, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission or other regulatory authority, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Signature: /s/ David R. Wilson

Print Name: David R. Wilson

Title: Chairman of the Board

Date: February 11, 2003

POWER OF ATTORNEY

KNOW ALL MEN AND WOMEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints JOHN E. SZTYKIEL and JAMES W. KNAPP, and each of them, such individual's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for such individual and in his or her name, place and stead, in any and all capacities, to sign the Form 10-K of SPARTAN MOTORS, INC. for the year ended December 31, 2002, together with any and all amendments thereto, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission or other regulatory authority, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Signature: /s/ Richard J. Schalter

Print Name: Richard J. Schalter

Title: Executive Vice President

Date: March 13, 2003

POWER OF ATTORNEY

KNOW ALL MEN AND WOMEN BY THESE PRESENTS, that the person whose signature appears below constitutes and appoints JOHN E. SZTYKIEL and JAMES W. KNAPP, and each of them, such individual's true and lawful attorneys-in-fact and agents, with full power of substitution and resubstitution, for such individual and in his or her name, place and stead, in any and all capacities, to sign the Form 10-K of SPARTAN MOTORS, INC. for the year ended December 31, 2002, together with any and all amendments thereto, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission or other regulatory authority, granting unto said attorneys-in-fact and agents, and each of them, full power and authority to do and perform each and every act and thing requisite and necessary to be done in and about the premises as fully to all intents and purposes as he or she might or could do in person, hereby ratifying and confirming all that said attorneys-in-fact and agents, or any of them, or their substitute or substitutes, may lawfully do or cause to be done by virtue hereof.

Signature: /s/ George Tesseris

Print Name: George Tesseris

Title: Director

Date: March 13, 2003
