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**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, 2000
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from \_\_\_\_\_ to \_\_\_\_\_

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 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.

State the aggregate market value of the voting stock held by non-affiliates of the registrant. The aggregate market value shall be computed by reference to the price at which the stock was sold, or the average bid and asked prices of such stock, as of a specified date within 60 days prior to the date of filing.

Aggregate Market Value as of February 20, 2001: \$33,531,629

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 20, 2001: 10,518,077 shares

**Documents Incorporated by Reference**

Portions of the definitive proxy statement for the Company's June 12, 2001, annual meeting of shareholders are incorporated by reference in Part III.

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**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. In June 1998, the Company restructured its operations into four wholly owned subsidiaries: Spartan Motors Chassis, Inc., located at the corporate headquarters in Charlotte, Michigan ("Spartan Motors Chassis"); Road Rescue, Inc., located in St. Paul, Minnesota ("Road Rescue"); Quality Manufacturing, Inc., located in Talladega, Alabama ("Quality"); and Luverne Fire Apparatus Co., Ltd., located in Brandon, South Dakota ("Luverne").

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.

In its continued efforts to diversify, the Company completed the acquisitions of Quality and Luverne, two fire truck apparatus companies, in the third quarter of 1997, and Road Rescue, an emergency vehicle manufacturer, in the first quarter of 1998. The premium ambulance product manufactured by Road Rescue was a new market for the Company. The acquisition of an ambulance manufacturer has expanded the Company's product diversification and growth opportunities. The acquisitions have placed the Company in a position to take advantage of various opportunities, including coordinated purchasing efforts and improved supplier relations.

The Company's business strategy is to further diversify product lines and develop innovative design, engineering and manufacturing expertise to continue 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. 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 recognizes that annual unit sales of motorhome chassis have been substantially greater than that of the 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.

On September 28, 2000, the Company's Board of Directors voted to cease funding of Carpenter Industries, Inc. ("Carpenter"), a 57.6%-owned manufacturer of school bus bodies, headquartered in Richmond, Indiana. 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 bus body builder has a small staff of five that is assisting with the orderly liquidation process.

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 internally or externally generated equity capital as its primary source of expansion capital.

## **The Company's Segments**

The Company is organized into two principal groups, the Chassis Group and the Emergency Vehicle Team (EVTeam). For a description of certain financial information related to each group, see Note 13, *Business Segments*, of the Notes to Consolidated Financial Statements appearing in this Form 10-K.

### **Chassis Group**

The Chassis Group consists of Spartan Motors Chassis. Sales by the Chassis Group made up approximately 80.4%, 85.0% and 82.4% of the Company's consolidated sales for the years ended December 31, 2000, 1999 and 1998, 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 apparatus. 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 to profitably manufacture custom chassis with a specialized design which will serve customer needs more efficiently and economically than a standard, commercially-produced chassis.

#### *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 new MR-1 emergency vehicle chassis and cab, which features 25% more useable floor space than conventional models. This industry-first design eliminates the large engine tunnel and allows ambulance drivers easy access to the rear without leaving the vehicle. Another innovative product is the ATR-1 4x4 chassis and cab, featuring the Spartan/Granning independent front suspension (IFS). Through the ATR-1, the Chassis Group was able to bring the IFS feature, which motorhome drivers appreciate, to the fire truck market. 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 trucks.

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 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 "Summit" 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 all in the patent process.

#### *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. All three companies engineer and manufacture emergency vehicles built on chassis platforms purchased from the Chassis Group and outside sources.

#### *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 60 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 90 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. Road Rescue is a market leader in the design and manufacturing of Type I and Type III advanced care ambulances, especially 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 140 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 2000, 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. In 2000, Company representatives also attended trade shows in Europe to introduce, promote and expand the Chassis Group's product lines into international markets. Sales made to external customers outside the United States were \$3.4 million, \$2.4 million and \$4.5 million for the years ended December 31, 2000, 1999 and 1998, respectively.

The Company's sales, marketing and communication team is responsible for marketing its manufactured goods and producing product literature. The sales group consists of six salespeople based in Charlotte, Michigan and 12 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 length of engineering reaction time, customized design, product and service quality and speed of delivery. The Company competes with companies, some of which are divisions of large diversified organizations that have total sales and financial resources exceeding those of the Company, that manufacture chassis for similar markets. 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 market share in both the custom chassis market and the emergency vehicle market is fragmented and the Company believes that no one company has a dominant market position.

### **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 their respective subsidiary facilities. The chassis for the products are purchased from the Chassis Group and from outside commercially produced chassis manufacturers. The facilities do not use fully automated assembly lines since each vehicle is manufactured to meet specifications of an end user order. The chassis is rolled down the assembly line on temporary wheels 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 for current product production and capacity increases can be achieved at 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, and a purchasing alliance with Federal Signal Corporation, have 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. 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.

#### **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.

#### **Patents, Trademarks, Licenses and Franchises**

The Company has three patents, one copyright and one service mark, which expire between 2004 and 2017. The Company also has seven trademarks, three registered in the United States and one each in Mexico, New Zealand, Peru and Papua New Guinea. Five of these registered trademarks are of the Spartan insignia and limit the right of use exclusively to the Company. Although the trademarks expire between 2002 and 2008, renewals currently are available under trademark laws.

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 765 full-time associates as of February 20, 2001. Management presently considers its relations with associates to be positive.

#### **Customer Base**

In 2000, the Company's customer base included two major customers. Sales in 2000 to Fleetwood Motor Homes of Indiana, Inc. ("Fleetwood") were approximately \$45.9 million and sales to Newmar Corp. ("Newmar") were approximately \$47.8 million. These numbers compare to sales of approximately \$58.6 million to Fleetwood and \$65.7 million to Newmar in 1999 and approximately \$62.8 million to Fleetwood and \$40.6 million to Newmar in 1998. Sales to customers classified as major amounted to 37.3%, 43.7% and 41.1% of total revenues in 2000, 1999 and 1998, respectively. Although the loss of a major customer potentially 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.

#### **Backlog Orders**

At December 31, 2000, the Company had backlog orders for the Chassis Group of approximately \$54.0 million, compared with a backlog of approximately \$53.0 million at December 31, 1999. At December 31, 2000, the Company had backlog orders for the EVTeam of approximately \$47.9 million compared with a backlog of approximately \$28.2 million at December 31, 1999.

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.

#### **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.

<u>Used By</u>	<u>Location</u>	<u>Use</u>	<u>Owned/ Leased</u>	<u>Square Footage</u>
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Spartan Motors, Inc.	Plant I - 1000 Reynolds Road Charlotte, Michigan	Manufacturing and Warehousing	Owned	51,000
Spartan Motors, Inc.	Plant II - 1165 Reynolds Road Charlotte, Michigan	Headquarters, Manufacturing, Sales and Marketing	Owned	44,000
Spartan Motors, Inc.	Plant III - 1580 Mikesell Street Charlotte, Michigan	Engineering, Research & Development and Manufacturing	Owned	50,000
Spartan Motors, Inc.	Plant IV - 1549 Mikesell Street Charlotte, Michigan	Manufacturing, Accounting, Receiving, Service Parts, Purchasing, Customer Service, and Warehousing	Owned	140,000
Spartan Motors, 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
Carpenter Industries, Inc.	1100 Industries Rd. Richmond, Indiana	General Offices, Manufacturing and Warehousing	Owned	530,000*

\*Currently idle

### **Item 3. Legal Proceedings.**

At December 31, 2000, 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 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 2000, 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."

On November 9, 1999, the Board of Directors authorized management to repurchase up to 2,000,000 shares of the Company's common stock from that date forward. In addition, the Board authorized the Company's officers to establish a systematic pattern of stock repurchases necessary for other corporate purposes, such as to fulfill the subsequent re-issuance needs for the Company's stock option plan. Management repurchased 1,755,900 shares during the year ended December 31, 2000, which completed the 2,000,000-share buyback. Repurchase of common stock is contingent upon market conditions. The treasury stock has been constructively retired in accordance with the Michigan Business Corporation Act.

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, 2000:		
First Quarter	\$4.625	\$3.813
Second Quarter	4.875	3.938
Third Quarter	4.313	2.250
Fourth Quarter	3.000	1.125
Year Ended December 31, 1999:		
First Quarter	\$6.313	\$4.063
Second Quarter	6.406	4.875
Third Quarter	6.563	4.875
Fourth Quarter	5.500	3.750

The Company declared cash dividends of \$0.07 per outstanding share on May 30, 2000 and \$0.07 per outstanding share on May 18, 1999, to shareholders of record on June 7, 2000 and May 31, 1999, respectively.

The number of shareholders of record of the Company's common stock on February 20, 2001 was 791.

#### **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, 2000, has been derived from Consolidated Financial Statements of the Company, which have been audited by the Company's independent auditors, Ernst & Young LLP, with respect to the years ended December 31, 2000, 1999 and 1998. 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)**

	2000	1999	1998	1997	1996
Sales	\$ 251,406	\$ 284,638	\$ 251,638	\$ 178,641	\$ 174,677
Cost of products sold	218,114	244,268	216,296	155,291	148,629
Gross profit	33,292	40,370	35,342	23,350	26,048
Operating expenses:					
Research and development	6,341	6,590	5,404	4,692	4,194
Selling, general & administrative	19,010	22,832	18,221	15,801	14,264
Operating income	7,941	10,948	11,717	2,857	7,590
Other	(889)	(994)	(165)	52	685
Earnings before loss on closure and taxes					
on income	7,052	9,954	11,552	2,909	8,275
Loss on closure of Mexican subsidiary	--	--	--	--	4,423
Taxes on income	2,142	3,061	4,236	630	1,532
Net earnings from continuing operations	4,910	6,893	7,316	2,279	2,320
Discontinued operations:					
Loss from operations of Carpenter	3,901	8,284	3,831	15,403	--
Loss on disposal of Carpenter	6,619	--	--	--	--

Net earnings (loss)	\$ (5,610)	\$ (1,391)	\$ 3,485	\$ (13,124)	\$ 2,320
Basic and diluted earnings (loss) per share:					
Net earnings from continuing operations	\$ 0.43	\$ 0.55	\$ 0.59	\$ 0.18	\$ 0.18
Discontinued operations	(0.92)	(0.66)	(0.31)	(1.24)	--
Basic and diluted earnings (loss) per share	\$ (0.49)	\$ (0.11)	\$ 0.28	\$ (1.06)	\$ 0.18
Cash dividends per common share	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.07	\$ 0.05
Basic weighted average common shares outstanding	11,493	12,483	12,507	12,381	12,541
Diluted weighted average common shares outstanding	11,496	12,500	12,536	12,418	12,602
Balance Sheet Data:					
Net working capital	\$ 38,057	\$ 41,867	\$ 45,208	\$ 41,429	\$ 54,840
Total assets	98,305	122,698	125,916	81,245	79,683
Long-term debt, continuing operations	24,504	23,119	22,265	9,604	5,207
Shareholders' equity	30,653	43,178	45,133	47,489	61,405

The five-year summary above should be read in conjunction with Note 12, *Discontinued Operations*, of the Notes to Consolidated Financial Statements appearing in 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:

	2000	1999	1998
Sales	100.0%	100.0%	100.0%
Cost of products sold	86.8%	85.8%	86.0%
Gross profit	13.2%	14.2%	14.0%
Operating expenses:			
Research and development	2.5%	2.3%	2.1%
Selling, general & administrative	7.5%	8.0%	7.2%
Operating income	3.2%	3.9%	4.7%
Other	(0.3%)	(0.4%)	(0.1%)
Earnings before taxes on income	2.9%	3.5%	4.6%
Taxes on income	0.9%	1.1%	1.7%
Net earnings from continuing operations	2.0%	2.4%	2.9%
Discontinued operations:			

Loss from operations of Carpenter	1.6%	2.9%	1.5%
Loss on closure of Carpenter	2.6%	--	--
Net earnings (loss)	(2.2%)	(0.5%)	1.4%

*Year Ended December 31, 2000 compared to Year Ended December 31, 1999*

### Continuing Operations

For the year ended December 31, 2000, consolidated sales decreased \$33.2 million (11.7%) over the amount reported for the previous year. The majority of this decrease is due to a \$39.9 million (16.5%) decrease in sales of the Chassis Group. This decrease is partially offset by an increase in sales by the EVTeam. This segment recorded an increase of \$4.9 million (8.9%) over the prior year, due to the fire truck and ambulance markets not being affected by the fluctuations in the economy.

Within the Chassis Group, the motorhome chassis line had sales decline 25.2% over the 1999 fiscal year. Rising interest rates, coupled with higher crude oil prices and a fluctuating stock market, have contributed to the slower demand in the motorhome market. In response to the softening market, the Chassis Group has developed a new 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 all in the patent process.

The Chassis Group's other primary product line, fire truck chassis, had an increase of 6.2% in sales for the year ended December 31, 2000 over the year ended December 31, 1999. All significant fire truck chassis platforms experienced growth over the prior year due to a strong market.

## MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)

Transit bus chassis sales for 2000 increased 35.5% over 1999, as the Company winds down its transit bus backlog. The Company decided during 2000 to transition out of the transit bus market. For the year ended December 31, 2000, sales for school bus chassis and specialty chassis declined approximately 84.8% and 42.1%, respectively, compared to the year ended December 31, 1999. The decrease in school bus chassis sales can be attributed to lower sales to the Chassis Group's primary customer, Carpenter. As mentioned earlier, in September of 2000 Carpenter began an orderly liquidation through an assignment for the benefit of creditors. See Note 12, *Discontinued Operations*, of the Notes to Consolidated Financial Statements.

Gross margin dropped from 14.2% in 1999 to 13.2% in 2000. This is due to higher EVTeam sales and lower Chassis Group sales. The EVTeam operates at lower margins than the Chassis Group since the value added is only in the body rather than the complete vehicle. Thus, the gross margin on the body is diluted by the pass-through nature of the chassis cost.

Selling, general and administrative expenses decreased from 8.0% of sales for year ended December 31, 1999 to 7.5% for the year ended December 31, 2000. This is due to a proactive move by the Chassis Group. During the third quarter of 2000, the Chassis Group reduced its salaried workforce by 20% in order to combat operating expenses in light of lower sales levels.

The decrease in the Company's income taxes is due to lower earnings before taxes in 2000 when compared to 1999. The effective tax rate for 2000 was 30.4%, which is consistent with the 1999 effective tax rate of 30.8%. See Note 5, *Taxes on Income*, of the Notes to Consolidated Financial Statements for further information regarding income taxes.

### 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. Since 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. During the fourth quarter of 2000, Carpenter completed the remaining items in its backlog and ceased production. As part of its assignment for the benefit of creditors, Carpenter is accepting offers for its land and building and will be disposing of many assets in an auction to be held at the end of March 2001. Carpenter sales for the years ended December 31, 2000, 1999 and 1998, which have been properly removed from the restated consolidated totals, were \$24.9 million, \$21.5 million and \$3.7 million, respectively. The \$3.9 million, \$8.3 million and \$3.8 million losses from operations of Carpenter reflect losses generated from operating the business segment during 2000 through September 29, 2000 and the 1999 and 1998 years, respectively. The \$6.6 million after-tax loss on disposal of Carpenter resulted from the decision to orderly liquidate the company and this amount included approximately \$1.8 million for anticipated operating losses during the phase-out period. Details of Carpenter's net assets and liabilities at December 31, 2000 and 1999 are set forth in Note 12, *Discontinued Operations*, of the Notes to Consolidated Financial Statements.

*Year Ended December 31, 1999 compared to Year Ended December 31, 1998*

For the year ended December 31, 1999, consolidated sales increased \$33.0 million (13.1%) over the amount reported for the previous year. The majority of this increase is due to a \$34.7 million increase in sales of the Chassis Group. Sales by the EVTeam also increased over the prior year by \$3.2 million from \$51.9 million in 1998 to \$55.1 million in 1999. Lastly, intercompany chassis sales increased \$4.9 million from \$7.5 million in 1998 to \$12.4 million in 1999. These sales had to be eliminated from consolidated revenues. Before the acquisitions, these chassis sales would

have been considered revenues for the Company.

Within the Chassis Group, the product line that showed the most growth over the prior year is the motorhome chassis line. Sales of this product increased 29.2% over the prior year. The increase in motorhome chassis sales directly relates to the revenue and market share increases by the combined efforts of the Company's two largest customers, Fleetwood and Newmar.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

Fire truck chassis sales for the year ended December 31, 1999 increased 26.2% over the year ended December 31, 1998. All significant fire truck chassis lines experienced growth over the prior year due to a stronger market. Transit bus chassis sales for 1999 decreased 75.6% over 1998, primarily due to the financial difficulties and subsequent bankruptcy filing of a primary bus customer of the Company, Metrotrans Corp. This bankruptcy also resulted in the Company writing off inventory and accounts receivable totaling \$6 million during the fourth quarter of 1999. These write-offs are the primary reason for the higher selling, general and administrative expenses as a percentage of sales. The write-offs had less of an impact on gross margin as higher sales of the Chassis Group produced higher operating efficiencies that mitigated the effect.

For the year ended December 31, 1999, sales for school bus chassis and specialty chassis declined approximately 40.9% and 61.1%, respectively, compared to the year ended December 31, 1998. The decrease in school bus chassis can be attributed to lower sales to the Chassis Group's primary customer, Carpenter.

Other income/expense changed \$0.8 million primarily due to an increase in interest expense of 32.4%. This was a result of higher average debt outstanding during 1999. The decrease in the Company's income taxes is primarily due to lower earnings before taxes in 1999 when compared to 1998. See Note 5, *Taxes on Income*, of the Notes to Consolidated Financial Statements for further information regarding income taxes.

**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 14, *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, 2000, cash provided by continuing operating activities was approximately \$13.0 million, which was a \$1.3 million improvement over the \$11.7 million of cash provided by continuing operating activities for the year ended December 31, 1999. The Company's working capital decreased by \$5.2 million from \$41.9 million in 1999 to \$36.7 million in 2000. See the "Consolidated Statement of Cash Flows" contained in this Form 10-K for further information regarding the increase in cash and cash equivalents, from \$35,797 as of December 31, 1999, to \$535,030 as of December 31, 2000. See "Item 6--Selected Financial Data" for a five-year comparison of working capital.

Shareholders' equity decreased approximately \$12.5 million to \$30.7 million as of December 31, 2000. This change is primarily the result of a net loss of \$5.6 million, dividends of \$0.8 million paid on July 3, 2000 and payments of \$6.1 million to acquire 1,755,900 shares of the Company's common stock. 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 \$30 million revolving note payable to a bank. The Company also has a \$4 million term note under the same debt agreement. Under the terms of the line of credit and term note 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, 2000 the Company was in compliance with all debt covenants.

The Company also has an unsecured line of credit for \$1 million and secured lines of credit for \$0.2 million and \$4.3 million. The \$4.3 million line is due from Carpenter and carries an interest rate of 1/2% above the bank's prime rate (prime rate at December 31, 2000, was 9.5%) and has an expiration date of June 2001. This line of credit is secured by accounts receivable and inventory and is guaranteed by the Company. Borrowings under this line totaled \$3.8 million at December 31, 2000.

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**MANAGEMENT'S DISCUSSION AND ANALYSIS OF  
FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

The \$0.2 million line carries an interest rate of 2% above the bank's prime rate and has an expiration date of June 1, 2001. This line of credit is secured by accounts receivable, inventory and equipment. There were borrowings of \$30,000 on this line at December 31, 2000. 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 this line at December 31, 2000. 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.

### **Effect of Inflation**

Inflation affects the Company in two principal ways. First, the Company's debt 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.

### **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.
- Factors that we have discussed in previous public reports and other documents filed with the Securities and Exchange Commission.

## **MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (Continued)**

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.

### **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. Due to variable interest rates on the Company's short-term and long-term debt, an increase in interest rates of 1% could result in the Company incurring an additional \$0.3 million in annual interest expense. Conversely, a decrease in interest rates of 1% could result in the Company saving \$0.3 million in annual interest expense. The Company does not expect such market risk exposure to have a material adverse effect on the Company. 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,	
	2000	1999
<b>ASSETS</b>		
<b>Current assets:</b>		
Cash and cash equivalents	\$ 535,030	\$ 35,797
Accounts receivable, less allowance for doubtful accounts of \$599,000 in 2000 and \$567,000 in 1999	32,070,887	36,514,507
Inventories	30,437,792	39,580,734
Deferred tax benefit	4,023,269	3,487,305
Federal taxes receivable	5,697,352	1,427,945
Other current assets	944,406	834,404
Current assets of discontinued operations	3,783,007	9,053,994
<b>Total current assets</b>	<b>77,491,743</b>	<b>90,934,686</b>
<b>Property, plant and equipment, net</b>	<b>10,595,662</b>	<b>11,127,360</b>
<b>Goodwill</b> , net of accumulated amortization of \$1,295,000 in 2000 and \$878,000 in 1999	4,960,421	5,419,417
<b>Deferred tax benefit</b>	1,183,836	—
<b>Other assets</b>	359,811	527,189
<b>Long-term assets of discontinued operations</b>	3,713,884	14,689,091
<b>TOTAL ASSETS</b>	<b>\$ 98,305,357</b>	<b>\$122,697,743</b>
<b>LIABILITIES AND SHAREHOLDERS' EQUITY</b>		
<b>Current liabilities:</b>		
Accounts payable	\$ 19,182,332	\$ 22,406,392
Notes payable	30,000	35,000
Other current liabilities and accrued expenses	3,701,040	1,386,557
Accrued warranty	3,973,331	3,303,778
Accrued customer rebates	421,338	629,311
Accrued compensation and related taxes	1,633,117	1,691,664
Accrued vacation	1,018,989	1,108,664
Deposits from customers	2,458,566	3,652,964
Current portion of long-term debt	915,238	522,586
Current liabilities of discontinued operations	6,100,868	14,331,179
<b>Total current liabilities</b>	<b>39,434,819</b>	<b>49,068,095</b>
<b>Long-term debt, less current portion</b>	<b>24,503,809</b>	<b>23,119,047</b>

<b>Long-term liabilities of discontinued operations</b>	3,713,884	7,332,160
<b>Shareholders' equity:</b>		
Preferred stock, no par value; 2,000,000 shares authorized (none issued)	--	--
Common stock, \$0.01 par value; 23,900,000 shares authorized, issued 10,518,077 shares and 12,273,977 shares as of December 31, 2000 and 1999, respectively	105,181	122,740
Additional paid in capital	20,271,653	23,645,151
Retained earnings	10,276,011	19,410,550
<b>Total shareholders' equity</b>	<b>30,652,845</b>	<b>43,178,441</b>
<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>	<b>\$ 98,305,357</b>	<b>\$122,697,743</b>

See Notes to Consolidated Financial Statements.

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

**Year Ended December 31,**

	<b>2000</b>	<b>1999</b>	<b>1998</b>
<b>Sales</b>	\$ 251,405,660	\$ 284,637,910	\$ 251,638,240
<b>Cost of products sold</b>	218,113,677	244,268,314	216,295,751
<b>Gross profit</b>	33,291,983	40,369,596	35,342,489
<b>Operating expenses:</b>			
Research and development	6,341,169	6,589,681	5,403,691
Selling, general and administrative	19,009,446	22,832,264	18,221,159
<b>Operating income</b>	7,941,368	10,947,651	11,717,639
<b>Other income / (expense):</b>			
Interest expense	(1,617,771)	(1,450,062)	(1,095,299)
Interest and other income	728,912	456,550	929,985
<b>Earnings before taxes on income</b>	7,052,509	9,954,139	11,552,325
<b>Taxes on income</b>	2,142,000	3,061,000	4,236,000
<b>Net earnings from continuing operations</b>	4,910,509	6,893,139	7,316,325
<b>Discontinued operations:</b>			
Loss from operations of Carpenter (less applicable income taxes of \$0)	3,900,853	8,284,273	3,831,328
Loss on disposal of Carpenter, including provision of \$1,775,000 for operating losses during phase-out period (less applicable income tax benefit of \$6,422,000)	6,619,174	--	--

<b>Net earnings (loss)</b>	\$ (5,609,518)	\$ (1,391,134)	\$ 3,484,997
<b>Basic and diluted net earnings (loss) per share:</b>			
Net earnings from continuing operations	\$ 0.43	\$ 0.55	\$ 0.59
Loss from discontinued operations:			
Loss from operations of Carpenter	(0.34)	(0.66)	(0.31)
Loss on disposal of Carpenter	(0.58)	--	--
<b>Basic and diluted net earnings (loss) per share</b>	\$ (0.49)	\$ (0.11)	\$ 0.28
<b>Basic weighted average common shares outstanding</b>	11,493,000	12,483,000	12,507,000
<b>Diluted weighted average common shares outstanding</b>	11,496,000	12,500,000	12,536,000

See Notes to Consolidated Financial Statements.

**SPARTAN MOTORS, INC. AND SUBSIDIARIES  
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY  
YEARS ENDED DECEMBER 31, 2000, 1999 AND 1998**

	Number of Shares	Common Stock	Additional Paid In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	
					Valuation Allowance	Total
Balance at January 1, 1998	12,335,960	\$ 123,360	\$ 22,700,965	\$ 24,683,476	\$ (18,079)	\$ 47,489,722
Purchase and constructive retirement of stock	(51,600)	(516)	(94,785)	(198,434)		(293,735)
Stock options exercised	12,400	124	63,141			63,265
Shares issued in acquisition of subsidiary	240,131	2,401	1,483,423			1,485,824
Dividends paid (\$0.07 per share)				(879,655)		(879,655)
Minority interest in shareholders' deficit of subsidiary at acquisition				(6,207,290)		(6,207,290)
Comprehensive income:						
Net earnings				3,484,997		3,484,997
Other comprehensive items, net of tax:						
Change in valuation allowance (net of tax benefit of \$6,000)					(10,343)	(10,343)
Total comprehensive income						3,474,654
Balance at December 31, 1998	12,536,891	125,369	24,152,744	20,883,094	(28,422)	45,132,785
Purchase and constructive retirement of stock	(264,100)	(2,641)	(509,714)	(582,946)		(1,095,301)

Stock options exercised	4,700	47	8,961		9,008
Shares issued in purchase price adjustment related to acquisition of subsidiary	39,149	392	248,711		249,103
Minority funding of shareholders' deficit of subsidiary				750,000	750,000
Dividends paid (\$0.07 per share)				(877,430)	(877,430)
Assets sold in exchange for stock	(42,663)	(427)	(255,551)		(255,978)
Conversion of non-voting shares of stock of subsidiary to voting shares				628,966	628,966
Comprehensive loss:					
Net loss				(1,391,134)	(1,391,134)
Other comprehensive items, net of tax:					
Change in valuation allowance (net of tax benefit of \$16,400)					28,422
					28,422
Total comprehensive loss					(1,362,712)
Balance at December 31, 1999	12,273,977	122,740	23,645,151	19,410,550	--
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
Comprehensive loss:					
Net loss				(5,609,518)	(5,609,518)
Balance at December 31, 2000	10,518,077	\$ 105,181	\$ 20,271,653	\$ 10,276,011	\$ 0
					\$ 30,652,845

See Notes to Consolidated Financial Statements

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

	Year Ended December 31,		
	2000	1999	1998
<b>Cash flows from operating activities:</b>			
Net earnings from continuing operations	\$ 4,910,509	\$ 6,893,139	\$ 7,316,325
Adjustments to reconcile net earnings from continuing operations to net cash provided by (used in) operating activities:			
Depreciation and amortization	2,239,472	2,552,415	2,375,290
Gain on disposal of assets and investment securities	(24,272)	(390,914)	(73,742)
Decrease (increase) in assets net of effects of acquisition of subsidiaries:			
Accounts receivable	4,443,620	4,615,612	(13,904,505)
Inventories	9,195,182	(3,516,611)	(7,653,999)
Deferred tax benefit	(1,719,800)	(1,338,438)	908,720
Federal taxes receivable	(4,269,407)	(1,427,945)	513,379
Other assets	57,376	(340,662)	259,608
Increase (decrease) in liabilities net of effects of acquisition of subsidiaries:			
Accounts payable	(3,224,060)	3,407,860	5,617,758
Other current liabilities and accrued expenses	2,314,483	851,116	(1,027,502)
Accrued warranty	669,553	430,031	(136,743)

Accrued customer rebates	(207,973)	66,159	(132,215)
Taxes on income	--	(1,446,432)	(261,658)
Accrued vacation	(89,675)	132,084	110,438
Accrued compensation and related taxes	(58,547)	505,705	(411,963)
Deposits from customers	(1,194,398)	728,956	(764,498)
<b>Total adjustments</b>	<b>8,131,554</b>	<b>4,828,936</b>	<b>(14,581,632)</b>
<b>Net cash provided by (used in) continuing operating activities</b>	<b>13,042,063</b>	<b>11,722,075</b>	<b>(7,265,307)</b>
<b>Net cash used in discontinued operating activities</b>	<b>(6,154,146)</b>	<b>(11,151,424)</b>	<b>(11,339,712)</b>
<b>Net cash provided by (used in) operating activities</b>	<b>6,887,917</b>	<b>570,651</b>	<b>(18,605,019)</b>
<b>Cash flows from investing activities:</b>			
Purchases of property, plant and equipment	(1,282,394)	(1,876,100)	(774,002)
Proceeds of sale of property, plant and equipment	38,374	38,601	171,724
Purchases of investment securities	--	--	(364,976)
Proceeds from sales of investment securities	--	500,000	2,731,869
Minority interest contributions	(1,000)	750,000	2,584,627
Proceeds from sale of assets	--	1,329,995	--
Acquisition of subsidiaries, net of cash received	--	(249,103)	(1,655,043)
<b>Net cash provided by (used in) investing activities</b>	<b>(1,245,020)</b>	<b>493,393</b>	<b>2,694,199</b>
<b>Cash flows from financing activities:</b>			
Proceeds from notes payable	--	--	255,000
Payments on notes payable	(5,000)	(162,000)	(291,177)
Proceeds from long-term debt	2,800,000	1,395,712	12,646,215
Payments on long-term debt	(1,022,586)	(18,776)	(680,991)
Net proceeds from exercise of stock options	--	9,008	63,265
Purchase of treasury stock	(6,120,722)	(1,095,301)	(293,735)
Payment of dividends	(810,745)	(877,430)	(879,655)
Other	15,389	--	--
<b>Net cash provided by (used in) financing activities</b>	<b>(5,143,664)</b>	<b>(748,787)</b>	<b>10,818,922</b>
<b>Net increase (decrease) in cash and cash equivalents</b>	<b>499,233</b>	<b>315,257</b>	<b>(5,091,898)</b>
<b>Cash and cash equivalents at beginning of year</b>	<b>35,797</b>	<b>(279,460)</b>	<b>4,812,438</b>
<b>Cash and cash equivalents at end of year</b>	<b>\$ 535,030</b>	<b>\$ 35,797</b>	<b>\$ (279,460)</b>

Supplemental disclosures: Cash paid for interest was \$2,104,000, \$1,894,600 and \$994,500 for 2000, 1999 and 1998, respectively. Cash paid for income taxes was \$1,655,000, \$6,698,000 and \$1,472,000 for 2000, 1999 and 1998, 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.

**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 Costs. Costs incurred related to the shipment and handling of products are classified in cost of products sold.

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and its five wholly owned subsidiaries: Spartan Motors Chassis, Inc., Spartan Motors Foreign Sales Corporation, Inc., Quality Manufacturing, Inc., Luverne Fire Apparatus Co., Ltd. and Road Rescue, Inc. ("Road Rescue"). Carpenter Industries, Inc. ("Carpenter") is a 57.6% owned subsidiary that, effective September 29, 2000, is accounted for as a discontinued operation (see Note 12). All material intercompany transactions have been eliminated.

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.

Inventories are stated at the lower of cost or market. Cost for approximately 51.9% (58.2% in 1999) of inventories is determined using the last-in, first-out (LIFO) cost method. Cost for the remaining inventory is determined using the lower of first-in, first-out (FIFO) cost method. The FIFO cost for all inventories approximates replacement cost.

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.

Goodwill represents the excess of purchase price over fair value of net assets of acquired businesses. Goodwill is amortized on a straight-line basis over 15 years. The carrying amounts of goodwill are reviewed if facts and circumstances suggest that they may be impaired. If the review indicates that the carrying amount will not be recoverable, as determined using an undiscounted cash flow analysis, the carrying amount of the goodwill is reduced by the estimated shortfall of cash flows to fair value.

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 the enacted tax laws, and is subject to ongoing assessment of realizability.

Earnings Per Share. Basic earnings (loss) per share represents net income (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 income (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 3,000, 17,000 and 29,000 at December 31, 2000, 1999 and 1998, respectively.

Concentrations of Credit Risk. 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. Such losses consistently have been within management's expectations. Two customers represented approximately 21% and 25% of the Company's trade accounts receivable at December 31, 2000 and 1999, respectively.

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

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

Financial Instruments. The Company values financial instruments as required by SFAS No. 107 "Disclosures about Fair Values of Financial Instruments." The carrying amounts of cash and cash equivalents and accounts and notes receivable approximate fair value.

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.

New Accounting Standards Not Yet Adopted. In June 1998, the Financial Accounting Standards Board (FASB) issued Statement No. 133, "Accounting for Derivative Instruments and Hedging Activities." The Company is required to adopt Statement No. 133 beginning in the first quarter of 2001. Management does not anticipate that the adoption of the new statement will have any effect on the earnings or financial position of the Company since the Company does not utilize derivatives.

**NOTE 2 - INVENTORIES**

Inventories are summarized as follows:

	<b>December 31,</b>	
	2000	1999
Finished goods	\$ 6,291,203	\$ 7,469,777
Raw materials and purchased components	18,882,881	28,802,183
Work in process	7,190,832	7,187,079

Obsolescence reserve	(1,927,124)	(3,878,305)
TOTAL	\$ 30,437,792	\$ 39,580,734

For 2000 and 1999, inventory valued at LIFO was approximately the same as inventory valued using the FIFO method.

### NOTE 3 - PROPERTY, PLANT AND EQUIPMENT

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

	December 31,	
	2000	1999
Land and improvements	\$ 1,041,382	\$ 1,004,916
Buildings and improvements	11,416,639	11,105,969
Plant machinery and equipment	3,870,005	3,643,861
Furniture and fixtures	6,177,219	5,942,616
Vehicles	999,376	1,090,933
Construction in process	76,946	195,869
<b>Total</b>	<b>23,581,567</b>	<b>22,984,164</b>
Less accumulated depreciation	12,985,905	11,856,804
<b>Net property, plant and equipment</b>	<b>\$ 10,595,662</b>	<b>\$ 11,127,360</b>

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

### 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, 2000, 1999 and 1998 was \$1,157,000, \$851,000 and \$1,038,000, respectively. Future minimum lease commitments under non-cancelable leases are as follows: \$816,000 in 2001; \$714,000 in 2002; \$255,000 in 2003; \$164,000 in 2004; \$104,000 in 2005; and \$400,000 thereafter.

### NOTE 5 - TAXES ON INCOME

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

	Year Ended December 31,		
	2000	1999	1998
Current:			
Federal	\$ 3,402,800	\$ 3,747,000	\$ 3,005,000
State	459,000	652,000	323,000
Total current	3,861,800	4,399,000	3,328,000
Deferred:			

Federal	(1,589,800)	(1,253,000)	852,000
State	(130,000)	(85,000)	56,000
Total deferred	(1,719,800)	(1,338,000)	908,000
<b>TOTAL PROVISION FOR INCOME TAXES</b>	<b>\$ 2,142,000</b>	<b>\$ 3,061,000</b>	<b>\$ 4,236,000</b>

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

	Year Ended December 31,					
	2000		1999		1998	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Federal income taxes at the statutory rate	\$ 2,398,000	34.00%	\$ 3,384,000	34.00%	\$ 3,928,000	34.00%
Increase (decrease) in income taxes resulting from:						
Foreign Sales Corporation	(40,000)	(0.57)	(17,000)	(0.17)	(119,000)	(1.03)
Nondeductible expenses	94,000	1.33	43,000	0.43	41,000	0.35
State tax expense	217,000	3.08	312,000	3.13	302,000	2.61
Reversal of prior year tax accruals	(520,000)	(7.37)	(607,000)	(6.10)	-	-
Municipal income	-	-	-	-	(21,000)	(0.18)
Other	(7,000)	(0.10)	(54,000)	(0.54)	105,000	0.91
<b>TOTAL</b>	<b>\$ 2,142,000</b>	<b>30.37%</b>	<b>\$ 3,061,000</b>	<b>30.75%</b>	<b>\$ 4,236,000</b>	<b>36.67%</b>

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

**NOTE 5 - TAXES ON INCOME (Continued)**

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

	December 31,	
	2000	1999
Current Asset (Liability):		
Additional capitalized inventory costs	\$ 127,000	\$ 125,000
Vacation accrual	382,000	412,000
Warranty reserve	1,878,000	1,217,000
Inventory allowance	704,000	1,508,000
Allowance for doubtful accounts	219,000	208,000
Charitable contribution carryover	614,000	225,000
Other	99,269	(207,695)

<b>Total</b>	\$ 4,023,269	\$ 3,487,305
<hr/>		
Non-Current Asset:		
Charitable contribution carryover	\$ 1,020,000	\$ --
Capital loss on investment in Carpenter	10,097,000	--
Valuation allowance for capital loss carryforward	(10,097,000)	--
Other	163,836	--
<hr/>		
<b>Total</b>	\$ 1,183,836	\$ --
<hr/>		

The Company's loss on its investment in the stock of its 57.6% owned subsidiary, Carpenter, has generated a capital loss for the 2000 tax year. Since the Company currently has no capital gains to offset against the capital loss, the Company has recorded a valuation allowance for approximately \$10.0 million that reserves in full the deferred tax asset related to this loss carryover. Future capital gains, up to approximately \$10.0 million, would be offset against these capital losses.

#### NOTE 6 - DEBT

	December 31,	
	2000	1999
<hr/>		
Long-term debt consists of the following:		
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, the average of which was 7.52% during 2000, due February 28, 2003, secured by the Company's assets	\$ 21,400,000	\$ 18,600,000
Term note payable to bank, with interest payable monthly at the 30 day LIBOR rate, the average of which was 6.45% during 2000, due February 28, 2003, secured by the Company's assets	4,000,000	5,000,000
Other	19,047	41,633
<hr/>		
<b>Subtotal</b>	25,419,047	23,641,633
Less current portion of long-term debt	915,238	522,586
<hr/>		
<b>Total</b>	\$ 24,503,809	\$ 23,119,047
<hr/>		

The aggregate amounts of maturities on long-term debt for the subsequent years are as follows: \$2,003,809 in 2002; and \$22,500,000 in 2003.

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

#### NOTE 6 - DEBT (Continued)

The Company's primary line of credit is a \$30 million revolving note payable to a bank. The Company also has a \$4 million term note. Under the terms of the credit agreement for the line of credit and term note, 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, 2000 the Company was in compliance with all debt covenants.

The Company also has an unsecured line of credit for \$1 million and secured lines of credit for \$0.2 million and \$4.3 million. The \$4.3 million line is due from Carpenter and carries an interest rate of 1/2% above the bank's prime rate (prime rate at December 31, 2000, was 9.5%) and has an expiration date of June 2001. This line of credit is secured by accounts receivable and inventory and is guaranteed by the Company. Borrowings under this line totaled \$3.8 million at December 31, 2000. The \$0.2 million line carries an interest rate of 2% above the bank's prime rate and has

an expiration date of June 1, 2001. This line of credit is secured by accounts receivable, inventory and equipment. There were borrowings of \$30,000 on this line at December 31, 2000. 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 this line at December 31, 2000. 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 2000, 1999 and 1998:

Customer	2000		1999		1998	
	Sales	Accounts Receivable	Sales	Accounts Receivable	Sales	Accounts Receivable
A	\$45,898,000	\$ 4,402,000	\$58,584,000	\$ 6,191,000	\$62,800,000	\$ 4,960,000
B	47,756,000	2,429,000	65,664,000	3,237,000	40,570,000	3,350,000

#### NOTE 8 - PROFIT-SHARING PLAN

The Spartan Motors, Inc. Profit-Sharing Plan and Trust covers all Chassis Group employees whom meet length of service and minimum age requirements. Contributions to the plan are determined annually by the Board of Directors and were \$384,000, \$325,000 and \$300,000 in 2000, 1999 and 1998, respectively. The Company's policy is to fund plan costs accrued.

#### NOTE 9 - STOCK OPTIONS

The Company has incentive stock option plans covering certain employees. Shares reserved for options under these plans total 4,100,000. 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 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, in accordance with FASB Statement 123, *Accounting and Disclosure of Stock-Based Compensation*.

The Company has a non-qualified stock option plan for certain employees and directors. Shares reserved for options under this plan total 900,000 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, 2000, 1999 and 1998 is as follows for all plans:

	Price Range	Weighted-Average Exercise Price	Option Shares
Balance at January 1, 1998	\$1.55-\$15.95	\$9.50	1,765,320
Options granted	\$5.19-\$7.25	\$6.21	520,395
Options exercised	\$1.73-\$12.67	\$5.17	(12,400)
Options expired	\$1.55-\$15.95	\$9.60	(120,175)
Balance at December 31, 1998	\$1.73-\$14.58	\$8.74	2,153,140
Options granted	\$4.38-\$6.19	\$5.75	548,240
Options exercised	\$1.73-\$6.19	\$1.92	(4,700)

Options expired	\$1.73-\$14.58	\$8.50	(162,430)
Balance at December 31, 1999	\$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

The following table summarizes information regarding stock options outstanding at December 31, 2000 under the plans:

Exercise Price Range	Options Outstanding			Options Exercisable	
	Number Outstanding at 12/31/00	Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable at 12/31/00	Weighted-Average Exercise Price
\$2.50-\$2.66	15,500	9.7	\$ 2.63	15,500	\$ 2.63
\$4.03-\$5.88	964,735	8.9	\$ 4.94	964,735	\$ 4.94
\$6.13-\$8.80	1,234,870	6.2	\$ 7.14	1,234,870	\$ 7.14
\$10.50-\$14.50	481,945	2.9	\$ 13.32	481,945	\$ 13.32
\$2.50-\$14.50	2,697,050	6.6	\$ 7.43	2,697,050	\$ 7.43

The estimated fair value of options granted was \$2.08, \$2.61 and \$2.52 per share in 2000, 1999, and 1998, respectively.

The Company follows Accounting Principles Board Opinion No. 25, *Accounting for Stock Issued to Employees* (APB 25), and related interpretations in accounting for its stock options granted to employees or directors. Accordingly, no compensation cost has been recognized for grants to employees or directors under its stock option plans covering employees. Had compensation for these plans been determined based on the fair market value at the grant dates for awards under those plans consistent with the method of FASB Statement 123, the Company's net income (loss) and earnings (loss) per share for the years ended December 31, 2000, 1999 and 1998, would have been reduced to the *pro forma* amounts indicated below.

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

**NOTE 9 - STOCK OPTIONS (Continued)**

	2000	1999	1998
Net earnings (loss)			
As reported	\$ (5,609,518)	\$ (1,391,134)	\$ 3,484,997
<i>Pro forma</i>	(6,736,227)	(2,762,098)	2,210,975
Net earnings (loss) per share			
As reported	\$ (0.49)	\$ (0.11)	\$ 0.28
<i>Pro forma</i>	(0.59)	(0.22)	0.18

The fair market value of options granted under the Company's stock option plans during 2000 was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used: no dividend yield; expected volatility of 48.0%; risk free interest rate of 6.23%; and expected lives of five years. The following weighted-average assumptions were used for 1999 and 1998: no dividend yield; expected volatility of 41.8%; risk free interest rate of 5.73%; and expected lives of five years.

## 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, 2000, the Company had outstanding letters of credit totaling \$0.2 million.

At December 31, 2000, 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 of the Company will not be materially affected by the final outcome of these legal proceedings.

The Company has repurchase agreements with lending institutions, which have provided floor plan financing to OEMs. These agreements provide for the repurchase of products from the lending institution in the event of the OEM's default. The total contingent liability on December 31, 2000 was approximately \$7.9 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 operating results.

## NOTE 11 - PURCHASE OF TREASURY STOCK

On November 9, 1999, the Company's Board of Directors authorized management to repurchase up to 2,000,000 of the Company's common stock from that date forward. In addition, the Board authorized the Company's officers to establish a systematic pattern of stock repurchases necessary for other corporate purposes, such as to fulfill the subsequent re-issuance needs for the Company's stock option plan. Repurchase of the common stock is contingent upon market conditions. No expiration date was set for the completion of the repurchase program. Subsequent to the authorization, during 1999 the Company repurchased 244,100 shares at an average market price of approximately \$4.13 per share. During 2000 the Company repurchased 1,755,900 shares at an average market price of approximately \$3.49 per share. All treasury stock has been constructively retired in accordance with the Michigan Business Corporation Act applicable to all Michigan corporations.

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

## NOTE 12 - DISCONTINUED OPERATIONS

As of October 23, 1998, the Company has consolidated its majority-owned subsidiary, Carpenter, and recognized 100% of its operating results. 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. Since Carpenter was a separate segment of the Company's business, the operating results and the disposition of Carpenter's net assets is being accounted for as a discontinued operation. Accordingly, previously reported financial results for all periods presented have been restated to reflect this business as a discontinued operation. Carpenter sales for the years ended December 31, 2000, 1999 and 1998, which have been properly removed from the restated consolidated sales totals, were \$24.9 million, \$21.5 million and \$3.7 million, respectively. The Company has recorded 100% of Carpenter's operating results since it began consolidating Carpenter in 1998.

The assets or liabilities of the discontinued operations have been segregated in the consolidated balance sheets. Details of such amounts at December 31, 2000 and December 31, 1999, are as follows:

	December 31,	
	2000	1999
Accounts receivable	\$ 1,257,180	\$ 1,251,300
Inventories	1,129,476	7,530,993
Other current assets	1,396,351	271,701
<b>Total current assets of discontinued operations</b>	<b>\$ 3,783,007</b>	<b>\$ 9,053,994</b>
Notes payable	\$ 4,531,687	\$ 7,319,746
Accounts payable	302,481	2,708,996
Other current liabilities	1,266,700	4,302,437
<b>Total current liabilities of discontinued operations</b>	<b>\$ 6,100,868</b>	<b>\$14,331,179</b>
Property, plant and equipment, net	\$ 3,713,884	\$11,440,817
Goodwill, net	--	2,043,578
Other long-term assets	--	1,204,696

<b>Total long-term assets of discontinued operations</b>	\$ 3,713,884	\$14,689,091
Long-term debt	\$ 3,713,884	\$ 5,700,256
Other long-term liabilities	--	1,631,904
<b>Total long-term liabilities of discontinued operations</b>	<b>\$ 3,713,884</b>	<b>\$ 7,332,160</b>

The counter-party of the long-term debt noted above has begun foreclosure proceedings. The long-term assets will be used to satisfy all of the long-term debt of discontinued operations.

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

**NOTE 13 - 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 its three subsidiaries that are manufacturers of emergency vehicle bodies.

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, 2000**

	Business Segments				Consolidated
	Chassis	EVTeam	Intangibles	Other	
Net 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
Income tax expense	2,768	(100)	--	(526)	2,142
Segment earnings (loss) from continuing operations	5,224	595	(440)	(469)	4,910
Discontinued operations	--	--	--	(10,519)	(10,519)
Segment earnings	5,224	595	(440)	(10,988)	(5,609)
Segment assets	76,755	28,441	4,960	(11,851)	98,305

**Year Ended December 31, 1999**

	Business Segments				Consolidated
	Chassis	EVTeam	Intangibles	Other	
Net Sales	\$ 241,935	\$ 55,109		\$ (12,406)	\$ 284,638
Interest expense	1,067	569		(186)	1,450
Depreciation and amortization expense	1,348	365	\$ 840	--	2,553
Income tax expense	3,435	560	--	(934)	3,061
Segment earnings (loss) from					

continuing operations	6,218	894	(840)	621	6,893
Discontinued operations	--	--	--	(8,284)	(8,284)
Segment earnings	6,218	894	(840)	(7,663)	(1,391)
Segment assets	69,119	28,595	5,419	19,565	122,698

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

**NOTE 13 - BUSINESS SEGMENTS (Continued)**

Year Ended December 31, 1998

	Business Segments				Consolidated
	Chassis	EVTeam	Intangibles	Other	
Net Sales	\$ 207,234	\$ 51,911		\$ (7,507)	\$ 251,638
Interest expense	1,008	304		(217)	1,095
Depreciation and amortization expense	1,643	279	\$ 453	--	2,375
Income tax expense	3,942	294	--	--	4,236
Segment earnings (loss) from continuing operations	4,333	514	(453)	2,922	7,316
Discontinued operations	--	--	--	(3,831)	(3,831)
Segment earnings	4,333	514	(453)	(909)	3,485
Segment assets	74,980	19,877	7,315	23,744	125,916

**NOTE 14 - QUARTERLY FINANCIAL DATA (UNAUDITED)**

As disclosed in Note 12, *Discontinued Operations*, previously reported financial results for all periods presented have been restated to reflect Carpenter as a discontinued operation.

Summarized quarterly financial data for the year ended December 31, 2000 is as follows:

	Quarter Ended			
	March 31	June 30	September 30	December 31
<b>Net sales</b>	\$ 77,395,130	\$ 63,662,620	\$ 53,044,880	\$ 57,303,030
<b>Gross profit</b>	11,492,808	9,589,902	3,877,424	8,331,849
<b>Net earnings (loss) from continuing operations</b>	2,949,900	1,785,632	(1,732,574)	1,907,551
Discontinued operations:				
Loss from operations of Carpenter	981,362	771,340	2,148,151	--
Loss on disposal of Carpenter	--	--	6,099,174	520,000
<b>Net earnings (loss)</b>	<b>\$ 1,968,538</b>	<b>\$ 1,014,292</b>	<b>\$ (9,979,899)</b>	<b>\$ 1,387,551</b>
Basic and diluted net earnings (loss) per share:				
Net earnings from continuing operations	0.24	0.15	(0.15)	0.18
Loss from discontinued operation:				

Loss from operations of Carpenter	(0.08)	(0.06)	(0.19)	--
Loss from disposal of Carpenter	--	--	(0.54)	(0.05)
<b>Basic and diluted net earnings (loss) per share</b>	<b>\$ 0.16</b>	<b>\$ 0.09</b>	<b>\$ (0.88)</b>	<b>\$ (0.13)</b>

In the fourth quarter of 2000, the Company made a reversal of prior year tax accruals for continuing operations of \$0.5 million and reduced the tax benefit related to discontinued operations for \$0.5 million.

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

**NOTE 14 - QUARTERLY FINANCIAL DATA (UNAUDITED) (Continued)**

Summarized quarterly financial data for the year ended December 31, 1999 is as follows:

	Quarter Ended			
	March 31	June 30	September 30	December 31
<b>Net sales</b>	\$ 70,954,008	\$ 67,396,155	\$ 76,335,294	\$ 69,952,453
<b>Gross profit</b>	11,044,285	9,904,112	11,290,853	8,130,346
<b>Net earnings (loss) from continuing operations</b>	2,855,372	1,996,383	2,618,685	(577,301)
Discontinued operations:				
Loss from operations of Carpenter	1,410,319	993,826	1,690,117	4,190,011
Loss on disposal of Carpenter	--	--	--	--
<b>Net earnings (loss)</b>	<b>\$ 1,445,053</b>	<b>\$ 1,002,557</b>	<b>\$ 928,568</b>	<b>\$ (4,767,312)</b>
Basic and diluted net earnings (loss) per share:				
Net earnings from continuing operations	0.23	0.16	0.21	(0.05)
Loss from discontinued operation:				
Loss from operations of Carpenter	(0.11)	(0.08)	(0.14)	(0.33)
Loss from disposal of Carpenter	--	--	--	--
<b>Basic and diluted net earnings (loss) per share</b>	<b>\$ 0.12</b>	<b>\$ 0.08</b>	<b>\$ 0.07</b>	<b>\$ (0.38)</b>

In the fourth quarter of 1999, the Company's primary bus customer filed bankruptcy, resulting in a write-off of accounts receivable and inventory of \$6 million. In addition, the Company also made a reversal of prior year tax accruals for \$0.6 million in the fourth quarter of 1999.

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## Report of Independent Auditors

Board of Directors and Shareholders  
Spartan Motors, Inc.

We have audited the accompanying consolidated balance sheets of Spartan Motors, Inc. (the Company) and subsidiaries as of December 31, 2000 and 1999, and the related consolidated statements of operations, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2000. Our audits also included the financial statement schedule listed in the Index at Item 14. These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on the financial statements and financial statement schedule based on our audits. We did not audit the 1998 financial statements of Carpenter Industries, Inc. (Carpenter), a subsidiary of the Company that was accounted for on the equity method through October 23, 1998 and the consolidation method thereafter. Such statements reflect total assets of \$25.2 million as of December 31, 1998, and total revenues of \$47.2 million for the year then ended. Those statements were audited by other auditors whose report has been furnished to us, and our 1998 opinion, insofar as it relates to data included for Carpenter, is based solely on the report of the other auditors.

We conducted our audit 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 and the 1998 report of the other auditors provide a reasonable basis for our opinion.

The report of other auditors on the 1998 financial statements of Carpenter is qualified with respect to Carpenter's ability to continue as a going concern. In our opinion, this matter is not material in relation to the consolidated financial statements of Spartan Motors, Inc. and subsidiaries.

In our opinion, based on our audits and the 1998 report of the other auditors, the consolidated financial statements referred to above present fairly, in all material respects, the consolidated financial position of Spartan Motors, Inc. and subsidiaries as of December 31, 2000 and 1999, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2000 in conformity with accounting principles generally accepted in the United States. Also, in our opinion, such financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Ernst & Young LLP

February 9, 2001

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### **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 "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive proxy statement for its annual meeting of shareholders to be held on June 12, 2001, and is here 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 June 12, 2001, and is here incorporated by reference.

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

The information required by this item 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 June 12, 2001, and is here incorporated by reference.

**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" in the definitive proxy statement for the Company's annual meeting of shareholders to be held on June 12, 2001, and is here incorporated by reference.

**PART IV**

**Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.**

**Item 14(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, 2000 and December 31, 1999

Consolidated Statements of Operations for the Fiscal Years Ended December 31, 2000, December 31, 1999 and December 31, 1998

Consolidated Statements of Shareholders' Equity for the Fiscal Years Ended December 31, 2000, December 31, 1999 and December 31, 1998

Consolidated Statements of Cash Flows for the Fiscal Years Ended December 31, 2000, December 31, 1999 and December 31, 1998

Notes to Consolidated Financial Statements as of December 31, 2000

Report of Ernst & Young LLP

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**Item 14(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.

Schedule--Report of Birk Gross Bell & Coulter, P.C. dated February 10, 1999

**Item 14(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.
3.2	Spartan Motors, Inc. Bylaws, as amended to date.
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. Previously filed as an Exhibit to the Company's Form 8-A filed on June 25, 1997, and incorporated herein by reference.
10.1	Restated Spartan Motors, Inc. 1988 Non-Qualified Stock Option Plan.* Previously filed as an Exhibit to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1996, and incorporated herein by reference.
10.2	Restated Spartan Motors, Inc. 1994 Incentive Stock Option Plan.* Previously filed as an Exhibit to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1996, and incorporated herein by reference.
10.3	The Spartan Motors, Inc. 1996 Stock Option and Restricted Stock Plan for Outside Market Advisors, as amended. Previously filed as an Exhibit to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2001, and incorporated herein by reference.
10.4	Spartan Motors, Inc. Stock Option and Restricted Stock Plan of 1998.* Previously filed with the Company's Definitive Proxy Statement filed on April 30, 1999, and incorporated herein by reference.
21	Subsidiaries of Registrant. Previously filed as an Exhibit to the Company's Form 10-K Annual Report for the period ended December 31, 1998, and incorporated herein by reference.
23.1	Consent of Ernst & Young LLP.
23.2	Consent of Birk Gross Bell & Coulter, P.C.
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 Richard J. Schalter, Spartan Motors, Inc., 1165 Reynolds Road, Post Office Box 440, Charlotte, Michigan 48813.

**Item 14(b). Reports on Form 8-K.**

The registrant did not file any current reports on Form 8-K during the fourth quarter of 2000.

**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 22, 2001

By /s/ Richard J. Schalter

\_\_\_\_\_  
Richard J. Schalter  
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 22, 2001

By /s/ George W. Szykiel\*

\_\_\_\_\_  
George W. Szykiel, Director  
(Principal Executive Officer)

March 22, 2001

By /s/ John E. Szykiel\*

\_\_\_\_\_  
John E. Szykiel, Director  
(Principal Operating Officer)

March 22, 2001

By /s/ Richard J. Schalter

\_\_\_\_\_  
Richard J. Schalter, Director  
(Principal Accounting and Financial Officer)

March 22, 2001

By /s/ William F. Foster\*

\_\_\_\_\_  
William F. Foster, Director

March 22, 2001

By /s/ Kim Korth\*

\_\_\_\_\_  
Kim Korth, Director

March 22, 2001

By /s/ George Tesseris\*

\_\_\_\_\_  
George Tesseris, Director

March 22, 2001

By /s/ Charles E. Nihart\*

\_\_\_\_\_  
Charles E. Nihart, Director

March 22, 2001

By /s/ David R. Wilson\*

\_\_\_\_\_  
David R. Wilson, Director

March 22, 2001

By /s/ James C. Penman\*

\_\_\_\_\_  
James C. Penman, Director

\*By /s/ Richard J. Schalter

\_\_\_\_\_  
Richard J. Schalter  
Attorney-in-Fact

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### 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**

**Years ended December 31, 2000, 1999 and 1998**

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
<b>Year ended December 31, 2000:</b>					
Allowance for doubtful accounts	\$ 567,000	\$ 772,000	\$ -	\$ 740,000	\$ 599,000
<b>Year ended December 31, 1999:</b>					
Allowance for doubtful accounts	\$ 600,000	\$ 3,764,000	\$ -	\$ 3,797,000	\$ 567,000
<b>Year ended December 31, 1998:</b>					
Allowance for doubtful accounts	\$ 924,000	\$ 300,000	\$ 51,000	\$ 675,000	\$ 600,000

**Birk Gross Bell & Coulter, P.C.**  
 CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS CONSULTANTS

Bradley S. Bell, CPA  
 Jeffrey W. Birk, CPA  
 Jeffrey L. Coulter, CPA

Steven A. Eichenberger, CPA  
 Howard I. Gross, CPA, CFP, ABV  
 Steven W. Reed, CPA, ABV

10 W. MARKET, 2300 MARKET TOWER • INDIANAPOLIS, IN 46204 • 317-633-4700  
 300 S. MADISON, SUITE 410 • GREENWOOD, IN 46142 • 317-887-4072  
 FAX • 317-638-5217

**Independent Auditors' Report**

Board of Directors  
 Carpenter Industries, Inc.  
 Richmond, Indiana

We have audited the accompanying balance sheets of Carpenter Industries, Inc. as of December 31, 1998 and 1997 and the related statements of operations, changes in shareholders' deficit and cash flows for the years then ended. These financial statements are the responsibility of the

Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. 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 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 financial position of Carpenter Industries, Inc. as of December 31, 1998 and 1997, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

The accompanying financial statements have been prepared assuming that the Company will continue as a going concern. As discussed in Note 1, conditions exist which raise substantial doubt about its ability to continue as a going concern unless it is able to obtain or generate sufficient cash flow to meet its obligations and sustain its operations. Management's plans in regard to these matters are also described in Note 1. The financial statements do not include any adjustment that might result from the outcome of this uncertainty.

/s/ Birk Gross Bell & Coulter, P.C.

February 10, 1999  
Indianapolis, Indiana

MICHIGAN DEPARTMENT OF COMMERCE - CORPORATION AND SECURITIES BUREAU			
Date Received		(FOR BUREAU USE ONLY)	
Name <b>Stephen C. Waterbury</b>		EFFECTIVE DATE:	
Address <b>Warner Norcross &amp; Judd LLP 900 Old Kent Building, 111 Lyon Street, N.W.</b>			
City <b>Grand Rapids</b>	State <b>Michigan</b>		

Document will be returned to the name and address you enter above.

RESTATED ARTICLES OF INCORPORATION  
OF

SPARTAN MOTORS, INC.

1. These Restated Articles of Incorporation have been duly adopted by the shareholders of Spartan Motors, Inc. and are executed pursuant to the provisions of Sections 641-643, Act 284, Public Acts of 1972, as amended.
2. The corporation identification number (CID) assigned by the Bureau is 162-372.
3. The present name of the corporation is:  

SPARTAN MOTORS, INC.
4. The corporation has had no former names.
5. The date of filing the original Articles of Incorporation was September 18, 1975.
6. The following Restated Articles of Incorporation supersede the original Articles of Incorporation as amended and shall be the Articles of Incorporation of the corporation:

Tuesday, March 20, 2001

**ARTICLE I**

The name of the corporation is:

SPARTAN MOTORS, INC.

**ARTICLE II**

The purpose or purposes for which the corporation is organized is to engage in any activity within the purposes for which corporations may be organized under the Michigan Business Corporation Act.

To conduct and be engaged in the business of manufacturing, producing, and sale, at wholesale and retail, of specialized motor vehicles and motor vehicle equipment and parts and all other related items.

To make, perform, and carry out contracts of every kind and description pertaining to the purpose of this corporation and for any lawful purposes necessary and expedient thereto with any person, firm, association, or corporation.

To acquire, own, hold, buy, sell and in every other manner deal in the shares of stock of other corporations, and to exchange shares of its own capital stock for any of the things, rights, and properties which it might otherwise lawfully acquire and hold.

To make contracts with any of the officers, directors, shareholders, or employees of this corporation, individually or otherwise, and without limitation, restriction, or prejudice, which contracts shall be considered and construed on the same basis as contracts with third persons, all in furtherance of the management, operation, objects, and purposes of the corporation.

To borrow and to issue bonds, debentures, notes, and other evidences of indebtedness and obligations from time to time for any lawful corporate purpose and to mortgage, pledge, and otherwise charge any or all of its properties, rights, privileges, and assets to secure the

payment thereof.

### ARTICLE III

The total number of shares of which the corporation shall have the authority to issue is twenty-five million, nine hundred thousand (25,900,000) divided into two classes, as follows:

- (1) Twenty-three million, nine hundred thousand (23,900,000) shares of common stock of the par value of One Cent (\$.01), which shall be called "Common Stock."
- (2) Two million (2,000,000) shares of preferred stock, having no par value, which shall be called "Preferred Stock."

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The following provisions shall apply to the authorized stock of the corporation:

A. Provisions Applicable to Common Stock.

1. *No Preference.* None of the shares of the Common Stock shall be entitled to any preferences, and each share of Common Stock shall be equal to every other share of said Common Stock in every respect.
2. *Dividends.* After payment or declaration of full dividends on all shares having a priority over the Common Stock as to dividends, and after making all required sinking or retirement fund payments, if any, on all classes of preferred shares and on any other stock of the corporation ranking as to dividends or assets prior to the Common Stock, dividends on the shares of Common Stock may be declared and paid, but only when and as determined by the Board of Directors.
3. *Rights on Liquidation.* On any liquidation, dissolution, or winding up of the affairs of the corporation, after there shall have been paid to or set aside for the holders of all shares having priority over the Common Stock the full preferential amounts to which they are respectively entitled, the holders of the Common Stock shall be entitled to receive pro rata all the remaining assets of the corporation available for distribution to its shareholders.
4. *Voting.* At all meetings of shareholders of the corporation, the holders of the Common Stock shall be entitled to one vote for each share of Common Stock held by them respectively.

B. Provisions Applicable to Preferred Stock.

1. *Issuance in Series.* The authorized shares of Preferred Stock may be issued from time to time in one or more series, each of such series to have such designations, powers, preferences, and relative, participating, optional, or other rights, and such qualifications, limitations, or restrictions, as may be stated in a resolution or resolutions providing for the issue of such series adopted by the Board of Directors. Authority is hereby expressly granted to the Board of Directors, subject to the provision of this Article, to authorize the issuance of any authorized and unissued shares of Preferred Stock (whether or not previously designated as shares of a particular series, and including shares of any series issued and thereafter acquired by the corporation) as shares of one or more series of Preferred Stock, and with respect to each series to determine and designate by resolution or resolutions providing for the issuance of such series:
  - (a) The number of shares to constitute the series and the title thereof;
  - (b) Whether the holders shall be entitled to cumulative or noncumulative dividends, and, with respect to shares entitled to cumulative dividends, the date or dates from which such dividends shall be cumulative, the rate of the annual dividends thereon (which may be fixed or variable and may be made dependent upon facts ascertainable

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outside of the Restated Articles of Incorporation), the dates of payment thereof, and any other terms and conditions relating to such dividends;

(c) Whether the shares of such series shall be redeemable, and, if redeemable, whether redeemable for cash, property, or rights, including securities of any other corporation, and whether redeemable at the option of the holder or the corporation or upon the happening of a specified event, the limitations and restrictions with respect to such redemption, the time or times when, the price or prices or rate or rates at which, the adjustments with which, and the manner in which such shares shall be redeemable, including the manner of selecting shares of such series for redemption if less than all shares are to be redeemed, and the terms and amount of a sinking fund, if any, provided for the purchase or redemption of such shares;

(d) Whether the shares of such series shall be participating or nonparticipating, and, with respect to participating shares, the date or dates from which the dividends shall be participating, the rate of the dividends thereon (which may be fixed or variable and may be made dependent upon facts ascertainable outside of the Restated Articles of Incorporation), the dates of payment thereof, and any other

terms and conditions relating to such additional dividends;

(e) The amount per share payable to holders upon any voluntary or involuntary liquidation, dissolution, or winding up of the affairs of the corporation;

(f) The conversion or exchange rights, if any, of such series, including, without limitation, the price or prices, rate or rates, and provisions for the adjustment thereof (including provisions for protection against the dilution or impairment of such rights), and all other terms and conditions upon which shares constituting such series may be converted into, or exchanged for, shares of any other class or classes or series;

(g) The voting rights per share, if any, of each such series, provided that in no event shall any shares of any series be entitled to more than one vote per share; and

(h) All other rights, privileges, terms, and conditions that are permitted by law and are not inconsistent with this Article.

All shares of Preferred Stock shall rank equally and be identical in all respects except as to the matters specified in this Article or any amendment thereto, or the matters permitted to be fixed by the Board of Directors, and all shares of any one series thereof shall be identical in every particular except as to the date, if any, from which dividends on such shares shall accumulate.

2. *Dividends.* The holders of shares of each series of Preferred Stock shall be entitled to receive, when, as, and if declared by the Board of Directors, dividends at, but not exceeding, the dividend rate fixed for such series by the Board of Directors pursuant to the provisions of this Article.

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3. *Liquidation Preference.* Upon the liquidation, dissolution, or winding up of the affairs of the corporation, whether voluntary or involuntary, the holders of each series of Preferred Stock shall be entitled to receive in full out of the assets of the corporation available for distribution to shareholders (including its capital) before any amount shall be paid to, or distributed among, the holders of Common Stock, an amount or amounts fixed by the Board of Directors pursuant to the provisions of this Article. If the assets of the corporation legally available for payment or distribution to holders of the Preferred Stock upon the voluntary or involuntary liquidation, dissolution, or winding up of the affairs of the corporation are insufficient to permit the payment of the full preferential amount to which all outstanding shares of the Preferred Stock are entitled, then such assets shall be distributed ratably upon outstanding shares of the Preferred Stock in proportion to the full preferential amount to which each such share shall be entitled. After payment to holders of the Preferred Stock of the full preferential amount, holders of the Preferred Stock as such shall have no right or claim to any of the remaining assets of the corporation. The merger or consolidation of the corporation into or with any other corporation, or the merger of any other corporation into the corporation, or the sale, lease, or conveyance of all or substantially all of the property or business of the corporation, shall not be deemed to be a dissolution, liquidation, or winding up for purposes of this Section 3.

#### ARTICLE IV

The address of the current registered office of the corporation is 1000 Reynolds Road, Charlotte, Michigan 48813. The mailing address of the corporation is Post Office Box 440, Charlotte, Michigan 48813.

The name of the current resident agent is Mr. Richard J. Schalter.

#### ARTICLE V

When a compromise or arrangement or a plan of reorganization of this corporation is proposed between this corporation and its creditors or any class of them or between this corporation and its shareholders or any class of them, a court of equity jurisdiction within the state, on application of this corporation or of a creditor or shareholder thereof, or on application of a receiver appointed for the corporation, may order a meeting of the creditors or class of creditors or of the shareholders or class of shareholders to be affected by the proposed compromise or arrangement or reorganization, to be summoned in such manner as the court directs. If a majority in number representing 3/4 in value of the creditors or class of creditors, or of the shareholders or class of shareholders to be affected by the proposed compromise or arrangement or a reorganization, agree to a compromise or arrangement or a reorganization of this corporation as a consequence of the compromise or arrangement, the compromise or arrangement and the reorganization, if sanctioned by the court to which the application has been made, shall be binding on all of the creditors or class of creditors, or on all of the shareholders or class of shareholders and also on this corporation.

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#### ARTICLE VI

Members of the Board of Directors of the corporation shall be selected, replaced, and removed as follows:

(1) Number of Directors. The number of the directors of the corporation shall be fixed from time to time by resolution adopted by a majority vote of the Board of Directors but shall not be less than three.

(2) Classification. The Board of Directors shall be divided into three classes as nearly equal in number as possible, with the term of office of one class expiring each year. At each annual meeting of the shareholders, the successors of the class of directors whose term expires at that meeting shall be elected to hold office for a term expiring at the annual meeting of shareholders held in the third year following the year of their election.

(3) Vacancies and Newly Created Directorships. Any vacancy occurring in the Board of Directors caused by resignation, removal, death, disqualification, or other incapacity, and any newly created directorships resulting from an increase in the number of directors, shall be filled by a majority vote of directors then in office, whether or not a quorum. Each director chosen to fill a vacancy or a newly created directorship shall hold office until the next election of the class for which such director shall have been chosen. When the number of directors is changed, any newly created or eliminated directorships shall be so apportioned by the Board of Directors among the classes as to make all classes as nearly equal in number as possible. No decrease in the number of directors constituting the Board of Directors shall shorten the term of any incumbent director.

(4) Removal. Any director may be removed from office at any time, but only for cause, and only if removal is approved as set forth below.

Except as may be provided otherwise by law, cause for removal shall be construed to exist only if: (i) the director whose removal is proposed has been convicted of a felony by a court of competent jurisdiction and such conviction is no longer subject to direct appeal; (ii) such director has been adjudicated by a court of competent jurisdiction to be liable for negligence or misconduct in the performance of his duty to the corporation in a matter of substantial importance to the corporation and such adjudication is no longer subject to direct appeal; (iii) such director has become mentally incompetent, whether or not so adjudicated, which mental incompetency directly affects his ability as a director of the corporation; or (iv) such director's actions or failure to act are deemed by the Board of Directors to be in derogation of the director's duties.

Whether cause for removal exists shall be determined by the affirmative vote of two-thirds (2/3) of the total number of directors. Any action to remove a director pursuant to (i) or (ii) above shall be taken within one year of such conviction or adjudication. For purposes of

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this paragraph, the total number of directors will not include the director who is the subject of the removal determination, nor will such director be entitled to vote thereon.

#### **ARTICLE VII**

The corporation shall indemnify directors and executive officers of the corporation as of right to the fullest extent now or hereafter permitted by law in connection with any actual or threatened civil, criminal, administrative, or investigative action, suit, or proceeding (whether brought by or in the name of the corporation, a subsidiary, or otherwise) arising out of their service to the corporation, a subsidiary, or to another organization at the request of the corporation or a subsidiary. The corporation may indemnify persons who are not directors or executive officers of the corporation to the extent authorized by bylaw, resolution of the Board of Directors, or contractual agreement authorized by the Board of Directors. The corporation may purchase and maintain insurance to protect itself and any such director, officer, or other person against any liability asserted against him or her and incurred by him or her in respect of such service whether or not the corporation would have the power to indemnify him or her against such liability by law or under the provisions of this paragraph. The provisions of this paragraph shall apply to actions, suits, or proceedings, whether arising from acts or omissions occurring before or after the adoption of this Article VII, and to directors, officers, and other persons who have ceased to render such service, and shall inure to the benefit of the heirs, executors, and administrators of the directors, officers, and other persons referred to in this paragraph.

#### **ARTICLE VIII**

A director of the corporation shall not be personally liable to the corporation or its shareholders for monetary damages for breach of the director's fiduciary duty. However, this Article VIII shall not eliminate or limit the liability of a director for any of the following:

- (1) A breach of the director's duty of loyalty to the corporation or its shareholders.
- (2) Acts or omissions not in good faith or that involve intentional misconduct or a knowing violation of law.
- (3) A violation of Section 551(1) of the Michigan Business Corporation Act.
- (4) A transaction from which the director derived an improper personal benefit.
- (5) An act or omission occurring before the effective date of this Article VIII.

Any repeal or modification of this Article VIII by the shareholders of the corporation shall not adversely affect any right or protection of any director of the corporation existing at the time of, or with respect to, any acts or omissions occurring before such repeal or modification.

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SPARTAN MOTORS, INC.  
(A Michigan Corporation)  
AMENDED BYLAWS

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SPARTAN MOTORS, INC.  
(A Michigan Corporation)  
BYLAWS  
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## ARTICLE I

### OFFICES

The corporation may have offices at such places, both within and without of the State of Michigan, as the board of directors may from time to time determine or the business of the corporation may require.

## ARTICLE II

### MEETINGS OF SHAREHOLDERS

**Section 1. Times and Places of Meetings.** All meetings of the shareholders shall be held, except as otherwise provided by statute, the Restated Articles of Incorporation, or these Bylaws, at such time and place as may be fixed from time to time by the board of directors. Meetings of shareholders may be held within or without the State of Michigan as shall be stated in the notice of the meeting or in a duly executed waiver of notice.

**Section 2. Annual Meetings.** Annual meetings of the shareholders shall be held each year at such time and on such day as may be designated by the board of directors. Annual meetings shall be held to elect, by a plurality vote, successors to those members of the board of director whose terms expire at the meeting and to transact such other business as may be properly brought before the meeting.

**Section 3. Special Meetings.** Special meetings of the shareholders may be called by the board of directors, the chairman, an executive officer whenever directed by the board of directors, or by the Chief Executive Officer. The request shall state the purpose or purposes of the proposed meeting.

**Section 4. Written Notice.** Written notice of all shareholder meeting, stating the time, date, and place, and in the case of a special meeting, the purpose or purposes thereof, shall be given personally or by mail to each shareholder of record entitled to vote at the meeting not less than 10 nor more than 60 days before the date of the meeting. No notice of the time, date, and place of adjourned meetings need be given, provided that the time and place to which the meeting is adjourned is announced at the meeting and at the adjourned meeting only business is transacted as might have been transacted at the original meeting.

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**Section 5. Waiver of Notice.** Notice of any meeting need not be given to any shareholder who signs a waiver of notice before or after the meeting. Attendance of a shareholder at a meeting shall constitute a waiver of notice of such meeting, except when the shareholder attends a meeting for the express purpose of objecting, at the beginning of the meeting, to the holding of the meeting or the transaction of any business because the meeting is not lawfully called or convened. Neither the business to be transacted at, nor the purpose of, any meeting of the shareholders need be specified in any written waiver of notice unless so required by the Restated Articles of Incorporation or these Bylaws.

**Section 6. Shareholder List.** The officer or agent who has charge of the stock ledger of the corporation shall prepare and make before every meeting of shareholders, a complete list of the shareholders entitled to vote at the meeting, arranged by class or series in alphabetical order, showing the address and the number of shares registered in the name of each shareholder. The list shall be open to the examination of any shareholder, for any purpose germane to the meeting, during the whole time of the meeting, and may be inspected by any shareholder who is present at the meeting.

**Section 7. Quorum.** The holders of a majority of the stock issued and outstanding and entitled to vote at a meeting, present in person or represented by proxy, shall constitute a quorum at all shareholder meetings for the transaction of business, except as otherwise provided by statute or by the Restated Articles of Incorporation. The shareholders present in person or by proxy at the meeting may continue to do business until adjournment, notwithstanding the withdrawal of enough shareholders to leave less than a quorum. Whether or not a quorum is present, a meeting may be adjourned by a vote of the shares present.

**Section 8. Vote Required.** When a quorum is present at any meeting, the vote of the holders of a majority of the stock having voting power present in person or represented by proxy shall decide any question brought before such meeting other than the election of directors, unless the question is one upon which by express provision of statute or of the Restated Articles of Incorporation a different vote is required, in which case the express provision shall govern and control the decision of such question.

**Section 9. Voting Rights.** Except as otherwise provided by the Restated Articles of Incorporation or resolution or resolutions of the board of directors creating any class or series of stock, each shareholder shall at every shareholder meeting be entitled to one vote in person or by proxy for each share of the capital stock having voting power held by the shareholder. A proxy shall be valid only with respect to the particular meeting, or any adjournment or adjournments thereof, to which it specifically pertains.

**Section 10. Action Without a Meeting.** Any action required or permitted to be taken at a shareholder meeting may be taken without a meeting, without prior notice, and without a

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vote, if before or after the action all of the shareholders entitled to vote consent in writing to the action.

**Section 11. Conduct of Meetings.** Meetings of shareholders generally shall follow accepted rules of parliamentary procedure, subject to the following:

- (i) The Chairman of the meeting shall have absolute authority over matters of procedure, and there shall be no appeal from the ruling of the Chairman. If, in his or her absolute discretion, the Chairman deems it advisable to dispense with the rules of

parliamentary procedure as to any one meeting of shareholders or part thereof, the Chairman shall so state and shall clearly state the rules under which the meeting or appropriate part thereof shall be conducted.

(ii) If disorder should arise which prevents the continuation of the legitimate business of the meeting, the Chairman may quit the chair and announce the adjournment of the meeting. Upon so doing, the meeting is immediately adjourned without the necessity of any vote or further action of the shareholders.

(iii) The Chairman may ask or require that any person who is not a shareholder of record or holding a proxy to leave the meeting.

(iv) The Chairman may introduce nominations, resolutions, or motions submitted by the board of directors for consideration by the shareholders without a motion or a second. Except as the Chairman shall direct, a resolution or motion not submitted by the board of directors shall be considered for vote only if proposed by a shareholder of record or a duly authorized proxy of such a shareholder and seconded by an individual who is a shareholder or a duly authorized proxy other than the individual who proposed the resolution or motion.

**Section 12. Inspectors of Election.** The board of directors or, if they shall not have so acted, the Chief Executive Officer, may appoint, at or prior to any meeting of shareholders, one or more persons (who may be directors and/or employees of the corporation) to serve as inspectors of election. The corporation may designate one or more persons as alternate inspectors to replace any inspector who fails to act. If no inspector or alternate is able to act at a meeting of shareholders, the person presiding at the meeting shall appoint one or more inspectors to act at the meeting.

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### ARTICLE III

#### RECORD DATE

**Section 1. Fixing of Record Date by Board of Directors.** For the purpose of determining the shareholders entitled to notice of or to vote at any meeting of shareholders, or any adjournment thereof, or to express consent to or dissent from any corporate action in writing without a meeting, or for the purpose of determining shareholders entitled to receive payments of any dividend or the distribution or allotment of any rights or evidences of interests arising out of any change, conversion, or exchange of capital stock, or for the purpose of any other action, the board of directors may fix, in advance, a date as the record date for any such determination of shareholders. Such date shall not be more than 60 days nor less than 10 days before the date of any such meeting, nor more than 60 days prior to any other action. Only shareholders of record on a record date shall be entitled to notice of and to vote at such meeting or to receive payment of any dividend or the distribution or allotment of any rights or evidences of interests arising out of any change, conversion, or exchange of capital stock.

**Section 2. Adjournments.** When a determination of shareholders of record entitled to notice of or to vote at a meeting of shareholders has been made as provided in this Article III, the determination applies to any adjournment of the meeting, unless the board of directors fixes a new record date for the adjourned meeting.

**Section 3. Registered Shareholders.** The corporation shall be entitled to recognize the exclusive rights of a person registered on its books as the owner of shares to receive dividends, and to vote as such owner, and shall not be bound to recognize any equitable or other claim to or interest in such share or shares on the part of any other person, whether or not the corporation shall have express or other notice thereof, except as otherwise provided by the laws of the State of Michigan.

### ARTICLE IV

#### DIRECTORS

**Section 1. Number and Term of Directors.** The number of directors shall be fixed from time to time by resolution adopted by a majority vote of the board of directors but shall not be less than three. The directors, other than those who may be elected by the holders of any class or series of stock having a preference over Common Stock as to dividends or upon liquidation, shall be divided into three classes, as nearly equal in number as possible, with the term of office of one class expiring each year. Directors need not be residents of the State of Michigan or shareholders of the corporation.

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**Section 2. Powers.** The business of the corporation shall be managed by its board of directors, which may exercise all such powers of the corporation and do all such lawful acts and things as are not, by statute or by the Restated Articles of Incorporation or by these Bylaws, directed or required to be exercised or done by the shareholders.

**Section 3. Vacancies.** Vacancies and newly created directorships resulting from any increase in the authorized number of directors may be filled as provided in the Restated Articles of Incorporation.

**Section 4. Resignation and Renewal.** Any director may resign at any time and such resignation shall take effect upon receipt of written notice thereof by the corporation, or at such subsequent time as set forth in the notice of resignation. Any or all of the directors may be removed, but only for cause, as provided in the Restated Articles of Incorporation.

## Section 5. Nominations of Director Candidates.

(i) Nominations of candidates for the election of directors of the corporation at any meeting of shareholders called for the election of directors (an "Election Meeting") may be made by the board of directors or by any shareholder entitled to vote at the Election Meeting.

(ii) Nominations made by the board of directors shall be made at a meeting of the board of directors, or by written consent of directors in lieu of a meeting, not less than 30 days prior to the date of the Election Meeting, and such nominations shall be reflected in the minute books of the corporation as of the date made.

(iii) Any shareholder who intends to make a nomination at the Election Meeting shall deliver, not less than 120 days prior to the date of notice of the Election Meeting in the case of an annual meeting, and not more than seven days following the date of notice of the meeting in the case of a special meeting, a notice to the Secretary of the corporation setting forth: (a) the name, age, business address, and residence address of each nominee proposed in the notice; (b) the principal occupation or employment of each nominee; (c) the number of shares of capital stock of the corporation which are beneficially owned by each nominee; (d) a statement that the nominee is willing to be nominated; and (e) such other information concerning each nominee as would be required under the rules of the Securities and Exchange Commission in a proxy statement soliciting proxies for the election of such nominees.

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(iv) If the chairman of the Election Meeting determines that a nomination was not made in accordance with the foregoing procedures, such nomination shall be void.

**Section 6. Compensation of Directors.** The board of directors, by affirmative vote of a majority of directors in office and irrespective of any personal interest of any of them, may establish reasonable compensation for services to the corporation as a director or officer. Directors may also be reimbursed for their expenses, if any, of attendance at each board of directors or committee meeting. Nothing in this section shall be construed to preclude any director from serving the corporation in any other capacity and receiving compensation for that service.

**Section 7. Regular Meetings.** Regular meetings of the board of directors may be held at the times, dates, and places as determined by the board of directors. A notice to directors is not required for a regular meeting, except that, when the board of directors establishes or changes the schedule of regular meetings, or changes the time, date, or place of a previously scheduled regular meeting, notice of the action shall be given to each director who was absent from the meeting at which the action was taken.

**Section 8. Special Meetings.** Subject to the provisions of Section 8 of this Article IV, special meetings of the board of directors may be called by the Chairman, President, or directors constituting at least one-third of the directors then in office by giving notice to each director.

**Section 9. Notice of Meetings.** Except as otherwise provided by these Bylaws, notice of the time, date, and place of each meeting of the board of directors shall be given to each director by either of the following methods:

(i) by mailing a written notice of the meeting to the address that the director designates or, in the absence of designation, to the last known address of the director, at least three days before the date of the meeting; or

(ii) by delivering a written notice of the meeting to the director at least one full business day before the meeting, personally or by facsimile to the director's last known office or home.

**Section 10. Waiver of Notice.** Whenever notice is required to be given under the provisions of the statutes or of the Restated Articles of Incorporation or by these Bylaws, a written waiver signed by the person entitled to notice, whether before or after the time stated therein, shall be deemed equivalent to notice. The attendance of a director at a meeting shall constitute a waiver of notice of the meeting, unless, at the beginning of the meeting, the director objects to holding the meeting or transacting business at the meeting and does not vote for or assent to any action taken at the meeting.

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**Section 11. Purpose Need Not be Stated.** Neither the business to be transacted at nor the purpose of any regular or special meeting of the board of directors need be specified in the notice of such meeting unless so required by the Restated Articles of Incorporation or by these Bylaws.

**Section 12. Quorum.** At all meetings of the board of directors a majority of the directors shall constitute a quorum for the transaction of business, and the acts of a majority of the directors present at any meeting at which there is a quorum shall be acts of the board of directors except as may be otherwise specifically provided by statute or by the Restated Articles of Incorporation. If a quorum shall not be present at any meeting of the board of directors, the directors who are present may adjourn the meeting without notice, other than announcement at the meeting, until a quorum shall be present.

**Section 13. Action Without a Meeting.** Unless otherwise restricted by the Restated Articles of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the board of directors or of any committee of the board may be taken without a meeting if, before or after the action, all members of the board of directors or of such committee, as the case may be, consent in writing and the written

consent is filed with the minutes or proceedings of the board of directors or committee.

**Section 14. Meeting by Telephone or Similar Equipment.** The board of directors or any committee designated by the board of directors may participate in a board or committee meeting by means of conference telephone or similar communications equipment by which all persons participating in the meeting can hear each other, and participation in a meeting pursuant to this section shall constitute presence in person at such meeting.

**Section 15. Committees of the Board of Directors.** The board of directors may from time to time appoint committees, whose membership shall consist of such members of the board of directors as it may deem advisable, to serve at the pleasure of the board. The board of directors may also appoint directors to serve as alternates for members of each committee in the absence or disability of regular members. The board of directors may fill any vacancies in any committee as they occur.

Each committee shall meet as often as its business may require and may fix a day and time each week or at other intervals for regular meetings, notice of which shall not be required. Whenever the day fixed for a meeting shall fall on a holiday, the meeting shall be held on the business day following or on such other day as the committee may determine. Special meetings of a committee may be called by the chairman of the committee or any two members other than the chairman, and notice of the meeting may be given to the members by telephone, letter, or facsimile. A majority of its members shall constitute a quorum for the transaction of the business of a committee. A record of the proceedings of each committee shall be kept and presented to the board of directors.

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## ARTICLE V

### OFFICERS

**Section 1. Appointment of Officers.** The board of directors, at its first meeting after the annual meeting of shareholders, or as soon as practicable after the election of directors in each year, shall appoint a President, Executive Vice President, Secretary, and Treasurer, and may elect from their number a Chairman of the Board or one or more Vice Chairmen. The board of directors also may appoint one or more Vice Presidents, Assistant Secretaries, Assistant Treasurers, and other officers and agents which it deems necessary. The dismissal of an officer, the appointment of an officer to fill the office of one who has been dismissed or has ceased for any reason to be an officer, the appointment of any additional officers, and the change of an officer to a different or additional office, may be made by the board of directors at any later meeting. Any two or more offices may be filled by the same person.

**Section 2. Authority of Officers.** The Chairman of the Board, President, Executive Vice President, any Senior Vice President and Vice President, Secretary, Treasurer, and any other persons expressly designated as officers by the board of directors shall be the only officers of the corporation. Only the officers of the corporation shall have discretionary authority to determine the fundamental policies of the corporation.

**Section 3. Term of Office, Removal, and Vacancies.** An officer shall hold office at the pleasure of the board. The board may remove any officer with or without cause. An officer may resign his or her office at any time by written notice to the corporation. The resignation is effective upon receipt by the corporation or at a later date specified in the notice.

**Section 4. Chairman of the Board.** There may be elected a Chairman of the Board who shall be chosen from among the directors, but who need not be an officer or an executive employee of the corporation. The Chairman of the Board shall preside at all meetings of the shareholders and at all meetings of the board of directors and shall be an ex officio member of all committees designated by the board, and shall have such other duties and powers as may be imposed or given by the board of directors.

**Section 5. President.** The President, who shall be a member of the board of directors, shall be the chief operating officer of the corporation and shall have general supervision over the operations of the corporation, subject to the direction of the board of directors and shall have such powers and perform such duties as may be assigned from time to time by the board of directors, subject, however, to his right and the right of the directors to delegate any specific powers to any officer or officers of the corporation. The President shall ensure that all orders and resolutions of the board of directors are carried into effect and may sign, with the Secretary or the Treasurer, certificates of stock of the corporation. At the request of the Chief Executive Officer, or in the case of the Chief Executive Officer's absence or inability to act, the President

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shall perform the duties of the Chief Executive Officer, and when so acting, shall have all the powers of, and be subject to all the restrictions upon, the Chief Executive Officer.

**Section 6. Chief Executive Officer.** The Chief Executive Officer, who shall be a member of the board of directors, in addition to his duties as Chairman of the Board or President as the case may be, shall have final authority, subject to the control of the board of directors, over the general policy and business of the corporation and shall have the general control and management of the business and affairs of the corporation. The Chief Executive Officer shall perform other duties as may be prescribed from time to time by the board of directors or these Bylaws.

**Section 7. Vice Presidents.** The Vice President or Vice Presidents shall perform such duties and have such powers as the Chief Executive Officer or the board of directors may from time to time prescribe. At the request of the President, or in the case of his absence or inability to act, the Vice President or, if more than one Vice President, that one of them designated by the President or the board of directors, shall have all of the powers of, and shall be subject to the restrictions upon, the President. The board of directors may at its discretion designate one or more of the Vice Presidents as Executive Vice Presidents or Senior Vice Presidents. Any Vice President so designated shall have such duties

and responsibilities as the board of directors shall prescribe.

**Section 8. Secretary.** The Secretary shall attend all meetings of the shareholders and of the board of directors and shall preserve in the books of the corporation true minutes of the proceedings of all such meetings. The Secretary shall safely keep in his or her custody the seal of the corporation and shall have authority to affix the seal to all instruments where its use is required or appropriate, and when so affixed may attest the same. The Secretary shall give all notices required or appropriate pursuant to statute, the Restated Articles of Incorporation, the Bylaws, or by resolution. The Secretary may sign, with the President and Treasurer, certificates of stock of the corporation and shall perform such other duties as may be prescribed by the board of directors.

**Section 9. Treasurer.** The Treasurer shall have custody of, and be responsible for, all corporate funds and securities and shall keep in books belonging to the corporation full and accurate accounts of all receipts and disbursements. The Treasurer shall deposit all moneys, securities, and other valuable effects in the name of and to the credit of the corporation in depositories as may be designated for that purpose by the board of directors. The Treasurer shall disburse the funds of the corporation as may be ordered by the board of directors, taking proper vouchers for such disbursements, and shall render to the President and directors at the regular meetings of the board, and whenever requested by them, an account of all transactions as Treasurer and of the financial condition of the corporation. He may sign, with the President and Secretary, certificates of stock of the corporation and shall perform other duties as may be assigned to him by the board of directors.

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**Section 10. Assistant Secretary and Assistant Treasurer.** There may be appointed an Assistant Secretary and Assistant Treasurer who shall, in the absence, disability, or nonfeasance of the Secretary or Treasurer, perform the duties and exercise the powers of such persons respectively.

**Section 11. Other Officers.** All other officers, as may from time to time be appointed by the board of directors, shall perform such duties and exercise such authority as the board of directors shall prescribe.

## ARTICLE VI

### INDEMNIFICATION

**Section 1. Indemnification Other Than in Actions by or in the Right of the Corporation.** Any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding, whether civil, criminal, administrative, or investigative, and whether formal or informal, other than an action by or in the right of the corporation, by reason of the fact that he or she is or was a director or executive officer of the corporation, or, while serving as such a director or executive officer, is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, shall be indemnified by the corporation against expenses, including attorneys' fees, judgments, penalties, fines, and amounts paid in settlement actually and reasonably incurred by him in connection with such action, suit, or proceeding if the person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interest of the corporation or its shareholders, and, with respect to any criminal action or proceeding, had no reasonable cause to believe his or her conduct was unlawful. The termination of any action, suit, or proceeding by judgment, order, settlement, conviction, or upon a plea of nolo contendere or its equivalent, shall not, of itself, create any presumption that the person did not act in good faith nor in a manner which he or she reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders, or, with respect to any criminal action or proceeding, that he or she had reasonable cause to believe that his conduct was unlawful. Persons who are not directors or executive officers of the corporation may be indemnified in respect of such service to the extent authorized at any time by the board of directors, except as otherwise provided by statute or the Restated Articles of Incorporation.

**Section 2. Indemnification in Actions by or in the Right of the Corporation.** Any person who was or is a party or is threatened to be made a party to any threatened, pending, or completed action, suit, or proceeding by or in the right of the corporation to procure a judgment in its favor by reason of the fact that he or she is or was a director or executive officer of the corporation, or, while serving as such a director or executive officer, is or was serving at the

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request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, shall be indemnified by the corporation against expenses, including attorneys' fees and amounts paid in settlement actually and reasonably incurred by the person in connection with the defense or settlement of such action, suit, or proceeding if the person acted in good faith and in a manner he or she reasonably believed to be in or not opposed to the best interests of the corporation or its shareholders. No indemnification shall be made in respect of any claim, issue, or matter as to which such person shall have been found liable to the corporation unless and only to the extent that the court in which such action, suit, or proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the circumstances of the case, such person is fairly and reasonably entitled to indemnity for such expenses which such court shall deem proper. Persons who are not directors or executive officers of the corporation may be indemnified in respect of such service to the extent authorized at any time by the board of directors, except as otherwise provided by statute or the Restated Articles of Incorporation.

**Section 3. Expenses.** To the extent that a director, executive officer, or other individual whose indemnification is authorized by the board of directors, has been successful on the merits or otherwise in defense of any action, suit, or proceeding referred to in Sections 1 and 2 of this Article VI, or in defense of any claim, issue, or matter in the action, suit, or proceeding, he or she shall be indemnified against actual and reasonable expenses, including attorneys' fees incurred by him or her in connection with the action, suit, or proceeding and in any action, suit, or proceeding

brought to enforce the mandatory indemnification provided in this Section 3.

**Section 4. Authorization of Indemnification.** Any indemnification of a director, executive officer, or other individual under Sections 1 or 2 of this Article VI, unless ordered by a court, shall be made by the corporation promptly, and in any event within 90 days, upon the written request of the director, executive officer, or other person, unless with respect to such application a determination is reasonably made that the director, executive officer, or other person failed to satisfy the applicable standard of conduct set forth in these Bylaws. Such determination shall be made as follows: (i) by a majority vote of a quorum of the board consisting of directors who are not parties or threatened to be made parties to such action, suit, or proceeding; (ii) if such a quorum is not obtainable, by a majority vote of a committee designated by the board of directors consisting of two or more directors who are not parties or threatened to be made parties to the action, suit, or proceeding; (iii) by independent legal counsel (who may be the regular counsel of the corporation) in a written opinion; or (iv) by the shareholders. The right to indemnification or advances granted by this Article VI shall be enforceable by the director, executive officer, or other individual in any court of competent jurisdiction if the board of directors or independent legal counsel denies the claim, in whole or in part, or if no disposition of such claim is made within 90 days. Expenses incurred in connection with successfully establishing a right to indemnification, in whole or in part, in any such proceeding shall also be indemnified by the corporation.

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**Section 5. Advancing of Expenses.** Expenses incurred in defending a civil or criminal action, suit, or proceeding described in Sections 1 or 2 of this Article VI shall be paid by the corporation in advance of the final disposition of such action, suit, or proceeding as authorized by the board of directors pursuant to these Bylaws if: (i) the person furnishes the corporation a written affirmation of his or her good faith belief that he or she has met the applicable standard of conduct described in Sections 1 or 2 of this Articles VI; (ii) the person furnishes the corporation a written undertaking by or on behalf of the person to repay such amount if it ultimately is determined that the individual did not meet the standard of conduct; and (iii) a determination is made that the facts then known to those making the determination would not preclude indemnification. The undertaking shall be by unlimited general obligation of the individual on whose behalf advances are made but need not be secured. In no event shall any advance be made in instances where the board of directors or independent legal counsel reasonably determines that such person deliberately breached his duty to the corporation or its shareholders.

**Section 6. Partial Indemnification.** If an individual is entitled to indemnification under Sections 1 or 2 of this Article VI for a portion of expenses, including attorneys' fees, judgments, penalties, fines, and amounts paid in settlement, but not for the total amount thereof, the corporation may indemnify the individual for the portion of the expenses, judgments, penalties, fines, or amounts paid in settlement for which the individual is entitled to be indemnified.

**Section 7. Indemnification Hereunder Not Exclusive.** The indemnification and advancement of expenses provided by this Article VI shall not be deemed exclusive of any other rights to which those seeking indemnification may be entitled under the Restated Articles of Incorporation, any Bylaw, agreement, vote of shareholders or disinterested directors, or otherwise. The indemnification provided in this Article VI shall continue as to an individual who ceases to be a director or executive officer or serve in any other capacity, and shall inure to the benefit of the heirs, executors, and administrators of such an individual. Notwithstanding the foregoing, the total amount of actual expenses advanced or indemnified from all sources combined shall not exceed the amount of actual expenses incurred by the individual seeking indemnification or advancement of expenses.

**Section 8. Insurance.** The corporation may purchase and maintain insurance on behalf of any individual who is or was a director, officer, employee, or agent of the corporation, or is or was serving at the request of the corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, against any liability asserted against him or her and incurred by him or her in any such capacity, or arising out of his other status as such, whether or not the corporation would have the power to indemnify him against such liability under the provisions of this Article VI.

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**Section 9. Mergers.** For the purposes of this Article VI, references to the "corporation" include all constituent corporations absorbed in a consolidation or merger, as well as the resulting or surviving corporation, so that any person who is or was a director, officer, employee, or agent of such constituent corporation, or is or was serving at the request of such constituent corporation as a director, officer, partner, trustee, employee, or agent of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, shall stand in the same position under the provisions of this Article VI with respect to the resulting or surviving corporation in the same capacity.

## ARTICLE VII

### SUBSIDIARIES

**Section 1. Subsidiaries.** The board of directors, the Chief Executive Officer, or any executive officer designated by the board of directors may vote the shares of stock owned by the corporation in any subsidiary, whether wholly or partly owned by the corporation, in such manner as they may deem in the best interests of the corporation, including, without limitation, for the election of directors of any subsidiary, for any amendments to the charter or bylaws of any such subsidiary, or for the liquidation, merger, or sale of assets of any such subsidiary. The board of directors, the Chief Executive Officer, or any executive officer designated by the board of directors may cause to be elected to the board of directors of any such subsidiary such persons as they shall designate, any of whom may, but need not be, directors, executive officers, or other employees or agents of the corporation. The board of directors, the Chief Executive Officer, or any executive officer designated by the board of directors may instruct the directors of any such subsidiary as to the manner in which they are to vote upon any issue properly coming before them as the directors of such subsidiary, and such directors shall have no liability to the corporation as the result of any action taken in accordance with

such instructions.

**Section 2. Subsidiary Officers Not Executive Officers of the Corporation.** The officers of any subsidiary, shall not, by virtue of holding such title and position, be deemed to be executive officers of the corporation, nor shall any such officer of a subsidiary, unless such officer shall also be a director or executive officer of the corporation, be entitled to have access to any files, records, or other information relating or pertaining to the corporation or its business and finances, or to attend or receive the minutes of any meetings of the board of directors or any committee of the corporation, except as and to the extent expressly authorized and permitted by the board of directors or the Chief Executive Officer.

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## ARTICLE VIII

### CERTIFICATES OF STOCK

**Section 1. Form.** Certificates of stock in the corporation shall be in such form as shall be approved by the board of directors and shall be signed by, or in the name of the corporation by, the President or a Vice President and by the Treasurer or an Assistant Treasurer, or the Secretary or an Assistant Secretary of the corporation, certifying the number of shares owned by each shareholder in the corporation. The certificate may, but need not be, sealed with the seal of the corporation, or a facsimile thereof.

**Section 2. Facsimile Signature.** Where a certificate is signed (i) by a transfer agent or an assistant transfer agent; or (ii) by a transfer clerk acting on behalf of the corporation and a registrar, the signature of any such President, Vice President, Treasurer, Assistant Treasurer, Secretary, or Assistant Secretary may be a facsimile. In case any officer, transfer agent, or registrar who has signed, or whose facsimile signature has been placed upon a certificate shall have ceased to be such officer, transfer agent, or registrar before such certificate is issued, it may be issued by the corporation with the same effect as if he were such officer, transfer agent, or registrar at the date of issue.

**Section 3. Lost Certificates.** The officers may direct a new certificate or certificates to be issued in place of any certificate or certificates previously issued by the corporation alleged to have been lost or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost or destroyed. When authorizing such issue of a new certificate or certificates, the board of directors may, in its discretion and as a condition precedent to the issuance of the certificate, require the owner of such lost or destroyed certificate or certificates, or the person's legal representative, to give the corporation a bond in such sum as it may direct as indemnity against any claim that may be made against the corporation with respect to the certificate alleged to have been lost or destroyed.

**Section 4. Transfers of Stock.** Transfers of stock shall be made only on the books of the corporation by the holder of the shares in person, or by his duly authorized attorney or legal representative, and upon surrender and cancellation of certificates for a like number of shares.

## ARTICLE IX

### GENERAL PROVISIONS

**Section 1. Dividends.** Dividends upon the capital stock of the corporation, subject to the provisions of the Restated Articles of Incorporation, if any, may be declared by the board of directors at any regular or special meeting pursuant to law in such amounts as, in its opinion,

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the condition of the affairs of the corporation shall render advisable. Dividends may be paid in cash, in property, or in shares of capital stock, subject to the provisions of the Restated Articles of Incorporation.

**Section 2. Reserves.** Before payment of any dividends, there may be set aside out of any funds of the corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the corporation, or for such other purposes as the board shall deem conducive to the interests of the corporation. The directors may modify or abolish any such reserve in the manner in which it was created.

**Section 3. Execution of Contracts.** The board of directors may authorize any officer or officers, agent or agents, in the name and on behalf of the corporation, to enter into any contract or execute and deliver any instrument, and such authority may be general or confined to specific instances. No officer or agent or employee shall have any power or authority to bind the corporation by any contract or engagement or to pledge its credit or to render it pecuniarily liable for any purpose or to any amount.

**Section 4. Loans.** No loans shall be contracted on behalf of the corporation and no negotiable papers shall be issued in its name unless authorized by resolution of the board of directors, except that the President of the corporation is authorized to contract loans or issue negotiable paper on behalf of the corporation and in its name to the extent of \$10,000. When authorized by the board of directors, any authorized officer or agent of the corporation may affect loans and advances at any time for the corporation from any bank, trust company, other institution, or from any firm, corporation, or individual, and for such loans and advances may make, execute, and deliver promissory notes, bonds, or other certificates or evidences of indebtedness of the corporation and may pledge, hypothecate, or transfer any securities or other property of the corporation as security for any such loans or advances. Such authority may be general or confined to specific instances.

**Section 5. Checks.** All checks, drafts, and other demands for money and notes of the corporation shall be signed on behalf of the corporation, by such officer or officers or such other person or persons as the board of directors may from time to time designate.

**Section 6. Deposits.** All funds of the corporation not otherwise employed shall be deposited from time to time to the credit of the corporation in such bank, trust company, or other depositories as the board of directors may select or may be selected by any officer or officers, or agent or agents of the corporation to whom such power may from time to time be delegated by the board. For the purpose of a deposit, the President, any Vice President, the Treasurer, the Secretary, or any other officer or agent or employee of the corporation to whom such power may be delegated by the board may endorse, assign, and deliver checks, drafts, and other demands for the payment of monies which are payable to the order of the corporation.

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**Section 7. Books.** There shall be kept at the office of the corporation in the State of Michigan correct books of the business and transactions of the corporation, a copy of these Bylaws, and the stock book of the corporation, which shall contain the names, alphabetically arranged, of all persons who are shareholders of the corporation, showing their respective places of residence, the number of shares held by them respectively, the time when they became the owners of the shares, and the amount paid for the shares.

**Section 8. Fiscal Year.** The fiscal year of the corporation shall be determined by a resolution of the board of directors.

**Section 9. Seal.** The corporate seal shall have inscribed thereon the name of the corporation, and the words "Corporate Seal, Michigan." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise.

## ARTICLE X

### AMENDMENTS

Subject to any provisions of the Restated Articles of Incorporation, these Bylaws may be altered, amended, changed, or repealed at any regular or special meeting of the board of directors by a majority vote of directors. Subject to any provisions of the Restated Articles of Incorporation, these Bylaws also may be altered, amended, changed, or repealed at any regular or special meeting of shareholders by a majority vote of the shares present or represented by proxy, unless a greater vote is required by law or the Restated Articles of Incorporation.

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## Consent of Independent Auditors

Board of Directors and Shareholders  
Spartan Motors, Inc.

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 33-28432) pertaining to the Nonqualified Stock Option Plan and the 1984 Incentive Stock Option Plan of Spartan Motors, Inc. and in the Registration Statement (Form S-8 No. 33-80980) pertaining to the 1994 Incentive Stock Option Plan of Spartan Motors, Inc. of our report dated February 9, 2001, with respect to the consolidated financial statements and schedule of Spartan Motors, Inc. included in the Annual Report (Form 10-K) for the year ended December 31, 2000.

/s/ Ernst & Young LLP

Grand Rapids, MI  
March 16, 2001

**Birk Gross Bell & Coulter, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS / BUSINESS CONSULTANTS

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Bradley S. Bell, CPA  
Jeffrey W. Birk, CPA  
Jeffrey L. Coulter, CPA

Steven A. Eichenberger, CPA  
Howard I. Gross, CPA, CFP, ABV  
Steven W. Reed, CPA, ABV

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300 S. MADISON, SUITE 410 • GREENWOOD, IN 46142 • 317-887-4072  
FAX • 317-638-5217

**INDEPENDENT AUDITOR'S CONSENT**

Board of Directors  
**Spartan Motors, Inc.**  
Charlotte, Michigan

We consent to the incorporation by reference in Registration Statement No. 33-28432 of Spartan Motors, Inc. on Form S-8 and Registration Statement No. 33-80980 of Spartan Motors, Inc. on Form S-8 of our report dated February 10, 1999, (which report expresses an unqualified opinion and includes an explanatory paragraph which indicates that there are matters that raise substantial doubt about Carpenter Industries, Inc.'s ability to continue as a going concern) appearing in this Annual Report on Form 10-K of Spartan Motors, Inc. for the year ended December 31, 2000.

/s/ Birk Gross Bell & Coulter, P.C.

Indianapolis, Indiana  
March 6, 2001

**Limited Power of Attorney**

The undersigned, in his or her capacity as a director or officer, or both, as the case may be, of Spartan Motors, Inc., does hereby appoint GEORGE W. SZTYKIEL and RICHARD J. SCHALTER, or any of them, his or her attorneys or attorney to execute in his or her name an Annual Report of Spartan Motors, Inc. on Form 10-K for its fiscal year ended December 31, 2000, and any amendments to that report, and to file it with the Securities and Exchange Commission. Each attorney shall have power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act to be done in the premises as fully and to all intents and purposes as the undersigned could do in person, and the undersigned hereby ratifies and approves the acts of such attorneys.

Dated: March 1, 2001

/s/William F. Foster

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William F. Foster

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**Limited Power of Attorney**

The undersigned, in his or her capacity as a director or officer, or both, as the case may be, of Spartan Motors, Inc., does hereby appoint GEORGE W. SZTYKIEL and RICHARD J. SCHALTER, or any of them, his or her attorneys or attorney to execute in his or her name an Annual Report of Spartan Motors, Inc. on Form 10-K for its fiscal year ended December 31, 2000, and any amendments to that report, and to file it with the Securities and Exchange Commission. Each attorney shall have power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act to be done in the premises as fully and to all intents and purposes as the undersigned could do in person, and the undersigned hereby ratifies and approves the acts of such attorneys.

Dated: February 27, 2001

/s/Kim Korth

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Kim Korth

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**Limited Power of Attorney**

The undersigned, in his or her capacity as a director or officer, or both, as the case may be, of Spartan Motors, Inc., does hereby appoint GEORGE W. SZTYKIEL and RICHARD J. SCHALTER, or any of them, his or her attorneys or attorney to execute in his or her name an Annual Report of Spartan Motors, Inc. on Form 10-K for its fiscal year ended December 31, 2000, and any amendments to that report, and to file it with the Securities and Exchange Commission. Each attorney shall have power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act to be done in the premises as fully and to all intents and purposes as the undersigned could do in person, and the undersigned hereby ratifies and approves the acts of such attorneys.

Dated: February 14, 2001

/s/Charles E. Nihart

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Charles E. Nihart

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**Limited Power of Attorney**

The undersigned, in his or her capacity as a director or officer, or both, as the case may be, of Spartan Motors, Inc., does hereby appoint GEORGE W. SZTYKIEL and RICHARD J. SCHALTER, or any of them, his or her attorneys or attorney to execute in his or her name an Annual Report of Spartan Motors, Inc. on Form 10-K for its fiscal year ended December 31, 2000, and any amendments to that report, and to file it with the Securities and Exchange Commission. Each attorney shall have power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act to be done in the premises as fully and to all intents and purposes as the undersigned could do in person, and the undersigned hereby ratifies and approves the acts of such attorneys.

Dated: February 9, 2001

/s/James C. Penman

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James C. Penman

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**Limited Power of Attorney**

The undersigned, in his or her capacity as a director or officer, or both, as the case may be, of Spartan Motors, Inc., does hereby appoint GEORGE W. SZTYKIEL and RICHARD J. SCHALTER, or any of them, his or her attorneys or attorney to execute in his or her name an Annual Report of Spartan Motors, Inc. on Form 10-K for its fiscal year ended December 31, 2000, and any amendments to that report, and to file it with the Securities and Exchange Commission. Each attorney shall have power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act to be done in the premises as fully and to all intents and purposes as the undersigned could do in person, and the undersigned hereby ratifies and approves the acts of such attorneys.

Dated: March 20, 2001

/s/George W. Szykiel

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George W. Szykiel

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**Limited Power of Attorney**

The undersigned, in his or her capacity as a director or officer, or both, as the case may be, of Spartan Motors, Inc., does hereby appoint GEORGE W. SZTYKIEL and RICHARD J. SCHALTER, or any of them, his or her attorneys or attorney to execute in his or her name an Annual Report of Spartan Motors, Inc. on Form 10-K for its fiscal year ended December 31, 2000, and any amendments to that report, and to file it with the Securities and Exchange Commission. Each attorney shall have power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act to be done in the premises as fully and to all intents and purposes as the undersigned could do in person, and the undersigned hereby ratifies and approves the acts of such attorneys.

Dated: February 10, 2001

/s/John E. Szykiel

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John E. Szykiel

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**Limited Power of Attorney**

The undersigned, in his or her capacity as a director or officer, or both, as the case may be, of Spartan Motors, Inc., does hereby appoint GEORGE W. SZTYKIEL and RICHARD J. SCHALTER, or any of them, his or her attorneys or attorney to execute in his or her name an Annual Report of Spartan Motors, Inc. on Form 10-K for its fiscal year ended December 31, 2000, and any amendments to that report, and to file it with the Securities and Exchange Commission. Each attorney shall have power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act to be done in the premises as fully and to all intents and purposes as the undersigned could do in person, and the undersigned hereby ratifies and approves the acts of such attorneys.

Dated: February 10, 2001

/s/George Tesseris

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George Tesseris

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**Limited Power of Attorney**

The undersigned, in his or her capacity as a director or officer, or both, as the case may be, of Spartan Motors, Inc., does hereby appoint GEORGE W. SZTYKIEL and RICHARD J. SCHALTER, or any of them, his or her attorneys or attorney to execute in his or her name an Annual Report of Spartan Motors, Inc. on Form 10-K for its fiscal year ended December 31, 2000, and any amendments to that report, and to file it with the Securities and Exchange Commission. Each attorney shall have power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act to be done in the premises as fully and to all intents and purposes as the undersigned could do in person, and the undersigned hereby ratifies and approves the acts of such attorneys.

Dated: February 13, 2001

/s/David R. Wilson

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David R. Wilson