

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

FORM 10-Q

QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934

For Quarter Ended June 30, 1996 -----	Commission File Number 0-13611 -----
SPARTAN MOTORS, INC. (Exact name of registrant as specified in its charter) -----	
Michigan ----- (State of incorporation)	38-2078923 ----- (I.R.S. Employer Identification no.)
1000 Reynolds Road, Charlotte, Michigan ----- (Address of principal executive offices)	48813 ----- (Zip Code)
Registrant's telephone number, including area code	(517) 543-6400 -----

NONE Former name, former address and

former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

YES X NO

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

Common shares outstanding at August 5, 1996 12,523,572

SPARTAN MOTORS, INC.
INDEX TO QUARTERLY REPORT ON FORM 10-Q
QUARTER ENDED JUNE 30, 1996

Page No.

Part I. Financial Information

Consolidated Balance Sheets - June 30, 1996
(Unaudited) and December 31, 1995

Consolidated Statements of Net Earnings - Three Months Ended June 30, 1996 and 1995 (Unaudited)	3
Consolidated Statements of Operations - Six Months Ended June 30, 1996 and 1995 (Unaudited)	4
Consolidated Statements of Cash Flows - Six Months Ended June 30, 1996 and 1995 (Unaudited)	5
Notes to Consolidated Financial Statements	7
Management's Discussion and Analysis of Financial Condition and Results of Operations	9
Part II. Other Information	12
Signatures	14
Exhibits	15

3

PART I. FINANCIAL INFORMATION
Item 1. FINANCIAL STATEMENTS

SPARTAN MOTORS, INC.
CONSOLIDATED BALANCE SHEETS

	June 30, 1996 ----- (Unaudited)	December 31, 1995 -----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 2,714,341	\$ 5,202,595
Investment securities	8,977,963	7,688,693
Accounts receivable, less allowance for doubtful accounts of \$589,000 and \$591,000 in 1996 and 1995, respectively	25,503,238	20,202,534
Inventories	25,684,578	24,394,303
Deferred tax benefit	1,488,000	1,453,000
Other current assets	1,511,672	1,539,765
	-----	-----
TOTAL CURRENT ASSETS	65,879,792	60,480,890
PROPERTY, PLANT AND EQUIPMENT,		

net of accumulated depreciation of \$7,049,089 and \$6,281,734 in 1996 and 1995, respectively	12,245,689	12,267,287
DEFERRED TAX BENEFIT	1,105,000	1,163,000
OTHER ASSETS	1,113,603	1,299,890
	-----	-----
TOTAL	\$80,344,084	\$75,211,067
	=====	=====

See notes to consolidated financial statements.

1

4

SPARTAN MOTORS, INC.
CONSOLIDATED BALANCE SHEETS

	June 30, 1996 ----- (Unaudited)	December 31, 1995 -----
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	\$ 6,882,194	\$ 3,801,135
Other current liabilities and accrued expenses	2,629,323	1,652,930
Accrued warranty expense	1,724,098	1,621,954
Accrued customer rebates	998,988	1,030,658
Accrued compensation and related taxes	1,389,398	1,064,368
Current portion of long-term debt	502,000	420,000
	-----	-----
TOTAL CURRENT LIABILITIES	14,126,001	9,591,045
LONG-TERM DEBT, less current portion	5,472,520	5,791,728
COMMITMENTS AND CONTINGENT LIABILITIES		
STOCKHOLDERS' EQUITY:		
Preferred stock, no par value, authorized 2,000,000 shares.		
Common stock, \$.01 par value; authorized 23,900,000 shares, issued 12,523,572 shares in 1996 and issued 12,623,872 shares 1995	125,236	21,482,878
Additional paid in capital	21,255,232	
Retained earnings	41,592,945	40,543,432
Valuation allowance	(81,321)	61,025
Cumulative translation adjustment	(2,146,529)	(2,259,041)
	-----	-----
TOTAL STOCKHOLDERS EQUITY	60,745,563	59,828,294
	-----	-----
TOTAL	\$80,344,084	\$75,211,067
	=====	=====

See notes to consolidated financial statements.

2

5

SPARTAN MOTORS, INC.
CONSOLIDATED STATEMENTS OF NET EARNINGS (UNAUDITED)

Three Months Ended June 30

	1996	1995
REVENUES:		
Net sales	\$44,394,773	\$28,426,318
Other income	307,782	365,919
TOTAL	44,702,555	28,792,237
COSTS AND EXPENSES:		
Costs of products sold	37,609,927	25,182,955
Research and development	1,080,672	685,725
Selling, general and administrative	3,881,993	3,318,119
Interest	110,694	140,384
TOTAL	42,683,286	29,327,183
EARNINGS (LOSS) BEFORE TAXES ON INCOME	2,019,269	(534,946)
TAXES ON INCOME (CREDIT)	876,000	(312,000)
NET EARNINGS (LOSS)	1,143,269	(222,946)
NET EARNINGS (LOSS) PER SHARE	\$ 0.09	\$ (0.02)
DIVIDENDS PAID PER SHARE	\$ 0.05	\$ 0.05
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	12,533,000	12,982,000

See notes to consolidated financial statements.

SPARTAN MOTORS, INC.
CONSOLIDATED STATEMENTS OF NET EARNINGS (UNAUDITED)

Six Months Ended June 30

	1996	1995
REVENUES:		
Net sales	\$91,483,052	\$72,201,251
Other income	607,705	792,260
TOTAL	92,090,757	72,993,511
COSTS AND EXPENSES:		
Costs of products sold	78,491,068	61,992,720
Research and development	2,080,090	1,473,432
Selling, general and administrative	7,392,944	6,869,203
Interest	239,358	256,990
TOTAL	88,203,460	70,592,345

EARNINGS BEFORE TAXES ON INCOME	3,887,297	2,401,166
TAXES ON INCOME	1,532,000	851,000
NET EARNINGS	<u>\$ 2,355,297</u>	<u>\$ 1,550,166</u>
NET EARNINGS PER SHARE	<u>\$ 0.19</u>	<u>\$ 0.12</u>
DIVIDENDS PAID PER SHARE	<u>\$ 0.05</u>	<u>\$ 0.05</u>
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	<u>12,567,000</u>	<u>13,032,000</u>

See notes to financial statements.

4

7

SPARTAN MOTORS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	Six Months Ended June 30	
	1996	1995
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$ 2,355,297	\$ 1,550,166
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	884,896	794,332
Gain on sales of assets	(4,903)	(80,591)
Decrease (increase) in:		
Accounts receivable	(5,299,053)	4,990,180
Inventories	(1,271,081)	(3,592,712)
Deferred tax benefit		102,000
Federal taxes receivable		361,000
Other assets	52,422	(37,397)
Increase (decrease) in:		
Accounts payable	3,080,661	(1,777,749)
Other current liabilities and accrued expenses	976,141	(519,967)
Accrued warranty expense	102,144	(507,815)
Accrued customer rebate	(31,670)	171,827
Accrued compensation and related taxes	325,232	(191,633)
TOTAL ADJUSTMENTS	<u>(1,185,213)</u>	<u>(213,731)</u>
NET CASH PROVIDED BY OPERATING ACTIVITIES	1,170,084	1,336,435
CASH FLOWS FROM INVESTING ACTIVITIES:		
Purchases of property, plant and equipment	(835,406)	(959,783)
Proceeds from sale of property, plant and equipment		150,000
Purchases of marketable securities	(3,051,290)	(6,953,938)
Proceeds from sales of marketable securities	1,640,822	7,315,496
Advances on note receivable		(707,275)
Principal repayments on note receivable	103,997	585,955
NET CASH USED IN INVESTING ACTIVITIES	<u>(2,141,877)</u>	<u>(569,545)</u>
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from exercise of stock options	85,360	
Payments on long-term debt	(237,208)	(236,518)
Purchase of treasury stock	(866,875)	(2,463,987)
Dividends paid	(626,679)	
NET CASH USED IN FINANCING ACTIVITIES	<u>(1,645,402)</u>	<u>(2,700,505)</u>

EFFECT OF EXCHANGE RATE CHANGES ON CASH	128,941	48,946
	-----	-----
NET DECREASE IN CASH AND CASH EQUIVALENTS	(2,488,254)	(1,884,669)
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	5,202,595	2,930,270
	-----	-----
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 2,714,341	\$ 1,045,601
	=====	=====

5

8

SPARTAN MOTORS, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION:

Cash paid for interest was \$240,158 and \$276,103 for the six months ended June 30, 1996 and 1995, respectively. Cash paid for income taxes was \$905,000 and \$353,000 for the six months ended June 30, 1996 and 1995, respectively.

See notes to consolidated financial statements. (Concluded)

6

9

SPARTAN MOTORS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

- (1) For a description of the accounting policies followed refer to the notes to the Company's annual consolidated financial statements for the year ended December 31, 1995, included in Form 10-K filed with the Securities and Exchange Commission March 29, 1996.
- (2) The consolidated financial statements include the accounts of Spartan Motors, Inc., its wholly owned subsidiaries, Spartan Motors Foreign Sales Corporation, Inc., and Spartan de Mexico, S.A. de C.V. ("Spartan de Mexico"). All material intercompany transactions have been eliminated. The two joint ventures with Societe D' Equipment de Transport et de Carrosserie S.A. ("Setcar") are included in the consolidated financial statements. However, the Company has not made any expenditures for investment purposes as of June 30, 1996.
- (3) In the opinion of the Company, the accompanying unaudited consolidated financial statements contain all adjustments (consisting of only normal recurring accruals) necessary to present fairly the financial position as of June 30, 1996, and the results of operations for the three month and six month periods ended June 30, 1996 and 1995.
- (4) The results of operations for the three month and six month periods ended June 30, 1996, are not necessarily indicative of the results to be expected for the full year.
- (5) Inventories consist of raw materials and purchased components, work in

process, and finished goods and are summarized as follows:

	June 30, 1996	December 31, 1995
	-----	-----
Finished Goods	\$ 2,045,437	\$ 1,779,551
Raw Materials and purchased components	21,952,119	19,844,049
Work in Process	2,237,022	3,270,703
Obsolescence reserve	(500,000)	(500,000)
LIFO reserve	(50,000)	
	-----	-----
	\$25,684,578	\$24,394,303
	=====	=====

- (6) A cash dividend of \$0.05 per share was declared February 27, 1996 for shareholders of record on March 27, 1996. The dividend of \$626,679 was paid April 29, 1996.
- (7) During March and June of 1996 the Company repurchased a total of 110,000 shares of its common stock at an average market price of approximately \$7.90 per share. The treasury stock was constructively retired in accordance with the Michigan Business Corporations Act applicable to all Michigan corporations.
- (8) During the six months ended June 30, 1996, stockholders' equity changed as follows:

Balance at December 31, 1995	\$59,828,294
Net Earnings	2,355,297
Exercise of stock options	85,360
Dividends paid	(626,679)
Purchase of treasury stock	(866,875)
Valuation Allowance - Investment Securities	(142,346)
Cumulative Translation Adjustment Change	112,512

Balance at June 30, 1996	\$60,745,563
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SPARTAN MOTORS, INC.
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS - (CONTINUED)

(9) NEW ACCOUNTING PRONOUNCEMENTS

The Financial Accounting Standards Board has issued Statement of Financial Accounting Standards (SFAS) No. 121 "Accounting for the Impairment of Long-Lived Assets To Be Disposed Of." This standard requires that long-lived assets held by and used by an entity may be reviewed for impairment whenever events or changes in circumstances indicate that the carrying amount of an asset may not be recoverable. SFAS No. 121 also requires that long-lived assets to be disposed of be reported at the lower of carrying amount or fair value less costs to sell. The Company has adopted this standard during the first quarter of 1996. Adoption of this

statement did not have a material effect on the Company's results of operations or financial position.

The Financial Accounting Standards Board has issued SFAS No. 123, "Accounting for Stock-Based Compensation", which was effective for the Company beginning January 1, 1996. SFAS No. 123 requires expanded disclosures of stock-based compensation arrangements with employees and encourages (but does not require) compensation to be measured based on the fair value of the equity instrument awarded. Companies are permitted, however, to continue to apply APB Opinion No. 25, which recognizes compensation cost based on the intrinsic value of the equity instrument awarded. The Company will continue to apply APB Opinion No. 25 to its stock based compensation awards to employees and will disclose the required pro forma effect on net income and earnings per share in the financial statement for the year ending December 31, 1996.

(10) SUBSEQUENT EVENTS

During July 1996, the Company repurchased 90,000 shares of its common stock at an average market price of approximately \$7.20. The treasury stock was constructively retired in accordance with the Michigan Business Corporations Act applicable to all Michigan corporations.

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

The following is a discussion of the major elements impacting Spartan Motors, Inc. financial and operating results for the three month and six month periods ended June 30, 1996 compared to the same periods ended June 30, 1995. The comments that follow should be read in conjunction with the Company's consolidated financial statements and related notes.

RESULTS OF OPERATIONS

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

	Three Months Ended June 30		Six Months Ended June 30	
	1996	1995	1996	1995
Revenues	100%	100%	100%	100%
Cost and expenses:				
Cost of products sold	84.1%	87.5%	85.2%	84.9%
Research and development	2.4%	2.4%	2.3%	2.0%
Selling, general, and administrative	8.7%	11.5%	8.0%	9.4%
Interest	0.2%	0.5%	0.3%	0.4%
Total costs and expenses	95.4%	101.9%	95.8%	96.7%
Earnings (loss) before taxes on income	4.6%	(1.9)%	4.2%	3.3%
Taxes on income (credits)	2.0%	(1.1)%	1.7%	1.2%
Net earnings (loss)	2.6%	(0.8)%	2.5%	2.1%

THREE MONTH PERIOD ENDED JUNE 30, 1996, COMPARED TO THE THREE MONTH PERIOD ENDED JUNE 30, 1995

Revenues for the three months ended June 30, 1996, were \$44.7 million compared to \$28.8 million in 1995, an increase of 55%. For the three months ended June 30, 1996 the Company had net income of \$1.1 million (\$0.09 per share), compared to a net loss of \$0.2 million in 1995 (\$0.02 per share). The increase in revenues and earnings is primarily due to increased production of fire truck, transit bus and school bus chassis. Additionally, motorhome production rebounded from the historically low level due to soft retail market conditions in recreational vehicles during 1995. Total chassis production for the three months ended June 30, 1996 consisted of 801 units as compared to 459 chassis for the same period in 1995. Bus chassis unit sales increased to 143 units as compared to 52 units in the prior year period as the Company further penetrates the school and transit bus markets. The Company continues to compete with the commercial fire truck market with its Diamond, Metrostar, and Advantage series chassis.

Total costs and expenses as a percentage of revenues decreased to 95.4% for the 1996 period as compared to 101.9% for 1995. Costs of products sold decreased to 84.1% of revenues as compared to 87.5% for the same period in 1995. The decrease is the result of fixed manufacturing overhead costs being absorbed by more units produced than in the prior period and the effects of price increases on certain chassis. Selling, general and administrative expenses decreased to 8.7% of revenues for the 1996 period compared with 11.5% for the 1995 period reflecting the Company's emphasis on cost control and efficiency improvements. Research and development costs for the 1996 period remained consistent with the same period of 1995. The Company is continuing its efforts to expand the applications of rear engine diesel technology to additional market segments in the industry. Examples of this are the development of school bus and low floor transit bus chassis. Total chassis orders received decreased 13.0% during the three months ended June 30, 1996, to 783 units from 900 units for the same period of 1995. This decrease is primarily attributed to the cyclical nature of the school bus chassis market, and to a lesser extent a decline in OEM orders for recreational vehicle chassis in preparation for the model year changeover.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL
CONDITION AND RESULTS OF OPERATIONS - CONTINUED

SIX MONTH PERIOD ENDED JUNE 30, 1996, COMPARED TO THE SIX MONTH PERIOD ENDED
JUNE 30, 1995

Revenues for the six months ended June 30, 1996 were \$92 million compared with \$73 million in 1995, an increase of 26%. Net income was \$2.4 million for the six months ended June 30, 1996 (\$0.19 per share), compared to \$1.6 million in 1995 (\$0.12 per share). The increase in revenues and earnings is primarily due to the rebound from soft retail market conditions in recreational vehicles during 1995 and to a lesser extent an increase in fire truck chassis production. In addition, school and transit bus chassis production has increased as the Company further penetrates these markets. Total chassis production for the six months ended June 30, 1996 consisted of 1,661 units as compared to 1,235 chassis for the same period in 1995. Sales of fire truck chassis units increased by 15% due to the continued shift from commercial to custom chassis, and the Company's ability to compete with the commercial fire truck market with its Diamond, Metro Star and Advantage series chassis. Sales of motorhome chassis increased overall by 18% during the six months ended June 30, 1996. The school and transit bus sales improved to 283 units compared with 59 units during the same period in 1995 as the company continues to penetrate these markets. The Company will continue its efforts to diversify into other product lines to reduce the dependence on any single product line.

Total costs and expenses as a percentage of revenues decreased to 95.8% for 1996 as compared to 96.7% for 1995. Cost of products sold increased to 85.2% of revenues as compared to 84.9% for the same period in 1995. The increase is primarily the result of the mix of chassis produced and the proportion of these costs relative to the level of revenues. Selling, general and administrative expenses decreased to 8.0% of revenues for the 1996 period compared with 9.4% for 1995. The decrease is due to the proportion of these costs relative to the level of sales for the period. Research and development costs increased to 2.3% for the 1996 period as compared to 2.0% for 1995. This

is primarily due to the Company's continuing efforts to diversify into specialty chassis product lines, the development of the independent front suspension, and ongoing bus developments.

Total chassis orders received increased 4.4% during the six months ended June 30, 1996, to 1,737 units from 1,664 units for the same period of 1995. This increase is primarily the result of the improvement in the recreational vehicle market over the prior year.

At June 30, 1996, the Company had approximately \$49.3 million in backlog chassis orders, consisting of higher volume, lower margin units. While orders in backlog are subject to modification, cancellation or rescheduling by customers, the Company has not experienced significant modification, cancellation or rescheduling of orders in the past. 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.

LIQUIDITY AND CAPITAL RESOURCES

Over the years, the Company has financed its growth through a combination of funds provided from equity offerings, operations and long and short-term debt financing. During the six months ended June 30, 1996, cash provided by the operating activities amounted to approximately \$1.3 million. On June 30, 1996, the Company had working capital of \$51.8 million compared to \$50.9 million at December 31, 1995, an increase of 2.0%. The current ratio on June 30, 1996 decreased to 4.7 compared with 6.3 on December 31, 1995. The change in working capital is the result of increases in accounts receivable, inventory and accounts payable. Accounts receivable increased approximately \$5.3 million primarily due to sales growth during the period. Inventories increased approximately \$1.2 million primarily to support increased production levels. Accounts payable increased by approximately \$3.1 million due to higher inventory levels and the timing of vendor payments.

The Company anticipates that cash generated from operations, the liquidity of short-term investment securities and the existing credit line will be sufficient to satisfy all working capital and capital expenditure requirements for the foreseeable future. This will provide the Company with financial flexibility to respond quickly to business opportunities as they arise, including opportunities for growth either through internal development or through strategic joint ventures or acquisitions.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS - CONTINUED

Due to the effects of the peso devaluation, the ongoing financial crisis in Mexico and the lack of order activity, the Company has not produced chassis at its Mexican facility during 1996. The current staff continues to perform service and warranty repairs on products sold, maintain customer contacts, and promote the Company's custom chassis products. Spartan de Mexico recorded revenues of \$14,000 and incurred losses of \$333,000 (\$0.03 per share) for the six month period ended June 30, 1996. This compares to revenues of \$9,600 and losses of approximately \$247,000 (\$0.02 per share) for the same period in 1995. The effect on earnings related to the devaluation of the peso was immaterial to the consolidated financial statements of the Company. Spartan remains committed to supporting the operations of Spartan de Mexico.

Stockholders' equity increased to \$60.7 million as of June 30, 1996, an increase of 1.5%. The change is the result of earnings of \$2.4 million, net of dividends of \$0.6 million paid April 29, 1996 and the \$0.9 million used to acquire 110,000 shares of the Company's common stock. The Company's debt to

equity ratio decreased to 9.8% on June 30, 1996 compared with 10.4% at December 31, 1995.

The Company's unsecured line of credit with a bank provides for maximum borrowings of \$15,000,000 at 2% above the London Inter Bank Offering Rate (LIBOR), which was 5.5% at June 30, 1996. As of June 30, 1996, there were no borrowings against this line. In addition, under the terms of its credit agreement with its bank, the Company has the ability to issue letters of credit totaling \$400,000. At June 30, 1996, the Company had outstanding letters of credit totaling \$200,000.

SAFE HARBOR STATEMENT UNDER THE PRIVATE SECURITIES LITIGATION REFORM ACT OF 1995

Except for the historical information contained herein, the matters discussed in this Form 10-Q are forward-looking statements which involve risks and uncertainties, including but not limited to economic, competitive, governmental and technological factors affecting the Company's operations, markets, products, services and prices, and other factors discussed in the Company's filings with the Securities and Exchange Commission.

11

14

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

The Company is party, both as plaintiff and defendant, to a number of lawsuits and claims arising out of the normal course of business. It is the best judgment of management that the financial position of the Company will not be materially affected by the final outcome of these legal proceedings.

Item 2. Changes in Securities

The total number of shares of which the corporation shall have 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).
- (2) Two million (2,000,000) shares of preferred stock, having no par value.

The authorized shares of Preferred Stock may be issued 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, restrictions, as may be stated in a resolution or resolutions providing for the issue of such series adopted by the Board of Directors. The holders of shares of each series of Preferred Stock shall be entitled to receive, when and if declared, dividends pursuant to the rate fixed for the series. On liquidation, dissolution or winding up of the affairs of the corporation, the holders of each share of Preferred Stock shall be entitled to available assets of the corporation before any amounts are distributed to the holders of Common Stock. The voting rights of holders of Preferred Stock shall in no event exceed more than one vote per share.

None of the shares of the Common Stock shall be entitled to any preferences. Dividends on the shares of Common Stock may be declared and paid, as determined by the Board of Directors, after declaration or payment of full dividends on all shares having priority over the Common Stock. On any liquidation, dissolution, or winding up of the affairs of the corporation, the holders of the Common Stock shall be entitled to receive pro rata the remaining assets of the corporation available for distribution after there shall have been paid 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 Common Stock shall be entitled to one vote for each share of Common Stock held by them respectively.

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

The annual meeting of shareholders of Spartan Motors, Inc. was held on June 5, 1996, with the business portion of the meeting being adjourned to June 20, 1996. The purpose of the meeting was to elect directors, adopt Restated Articles of Incorporation, approve an amendment to the 1988 Nonqualified Stock Option Plan, approve the 1996 Stock Option and Restricted Stock Plan for Outside Market Advisors, and to transact any other business that may properly come before the meeting.

The name of each director elected (along with the number of votes cast for or authority withheld) is as follows:

Elected Directors -----	Votes Cast	
	For	Authority Withheld
-----	-----	-----
George W. Sztykiel	11,598,680	664,001
William F. Foster	11,598,280	664,401

The following persons continue to serve as directors: John E. Sztykiel, Charles E. Nihart, Max A. Coon, Anthony G. Sommer, and George Tesseris.

OTHER INFORMATION - CONTINUED

The shareholders also acted on the following matters:

	For	Against	Abstain
	-----	-----	-----
Restated Articles of Incorporation	6,381,263	2,278,073	111,828
Approval of Amendment to 1988 Nonqualified Stock Option Plan	9,992,806	1,231,796	595,002
Approval of 1996 Stock Option and Restricted Stock Plan for Outside Market Advisors	9,925,318	1,776,849	148,882

Item 5. Other Information

Pursuant to the corporate bylaws of Spartan Motors, Inc., the Board of Directors increased the number of members of the Board from seven to eight members and filled the newly created board position on July 1, 1996 by appointing David R. Wilson to the Board.

Item 6. Exhibits and Reports on Form 8-K

(a) Exhibits. The following documents are filed as exhibits to this

report on Form 10-Q:

Exhibit

Number Description

- 3.1 Restated Articles of Incorporation
 - 10.1 Restated 1988 Nonqualified Stock Option Plan, reflecting amendment approved by the Board of Directors on February 27, 1996, and approved by Shareholders at the adjourned meeting on June 20, 1996 (original plan was previously filed as an exhibit to the Registration Statement on Form S-8, Registration No. 33-28432, filed on April 28, 1989).
 - 10.2 Restated 1994 Incentive Stock Option Plan, reflecting amendment approved by the Board of Directors on February 27, 1996, and approved by Shareholders at the adjourned meeting on June 20, 1996 (original plan was previously filed as an exhibit to the Registration Statement on Form S-8, Registration No. 33-80980, filed on June 30, 1994).
 - 10.3 1996 Stock Option and Restricted Stock Plan for Outside Market Advisors, approved by the Board of Directors on February 27, 1996, and approved by Shareholders at the adjourned meeting on June 20, 1996.
 - 27 Financial Data Schedule
- (b) There were no reports on Form 8-K filed during the quarter ended June 30, 1996.

13

16

SIGNATURES

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

Spartan Motors, Inc.

By: /s/ James R. Jenks

James R. Jenks, CPA
Secretary/Treasurer

Date: August 5, 1996

14

17

EXHIBIT INDEX

Exhibit
Number

- 3.1 Restated Articles of Incorporation
- 10.1 Restated 1988 Nonqualified Stock Option Plan, reflecting amendment approved by the Board of Directors of February 27, 1996, and approved by Shareholders at the adjourned meeting on June 20, 1996 (original plan was previously filed as an exhibit to the Registration Statement on Form S-8, Registration No. 33-28432, filed on April 28, 1989).
- 10.2 Restated 1994 Incentive Stock Option Plan, reflecting amendment approved by the Board of Directors on February 27, 1996, and approved by Shareholders at the adjourned meeting on June 20, 1996 (original plan was previously filed as an exhibit to the Registration Statement on Form S-8, Registration No. 33-80980, filed on June 30, 1994).
- 10.3 1996 Stock Option and Restricted Stock Plan for Outside Market Advisors, approved by the Board of Directors on February 27, 1996, and approved by Shareholders at the adjourned meeting on June 20, 1996.
- 27 Financial Data Schedule

EXHIBIT 3.1

MICHIGAN DEPARTMENT OF COMMERCE - CORPORATION AND SECURITIES BUREAU
Date Received (FOR BUREAU USE ONLY)

Name
STEPHEN C. WATERBURY

EFFECTIVE DATE:

Address WARNER NORCROSS & JUDD LLP
900 OLD KENT BUILDING, 111 LYON STREET, N.W.
City State Zip Code
GRAND RAPIDS MICHIGAN 49503

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 August 27, 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:

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."

-2-

3

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

-3-

4

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.

-4-

5

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. Anthony G. Sommer.

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

-5-

6

creditors, or on all of the shareholders or class of shareholders and also on this corporation.

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 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

-8-

9
corporation existing at the time of, or with respect to, any acts or omissions occurring before such repeal or modification.

I, the Chairman and Chief Executive Officer of Spartan Motors, Inc., sign my name this ninth day of June, 1996.

SPARTAN MOTORS, INC.

/s/ George W. Szykiel

George W. Szykiel
Chairman and Chief Executive Officer

-9-

EXHIBIT 10.1

SPARTAN MOTORS, INC.

1988 NONQUALIFIED STOCK OPTION PLAN
(As Amended February 27, 1996)

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

2. Definitions.

(a) "Board" means the Board of Directors of the Company.

(b) "Committee" means the body administering the Plan.

(c) "Common Stock" means the company's Common Stock, \$.01 par value.

(d) "Date of Grant" means the date on which an option is granted under the Plan.

(e) "Option" means an option granted under the Plan.

(f) "Optionee" means a person to whom an option, which has not expired, has been granted under the Plan.

(g) "Subsidiary" or "Subsidiaries" means a subsidiary corporation or corporations of the Company as defined in Section 425 of the Code.

(h) "Successor" means the legal representative of the estate of a deceased optionee or the person or persons who acquire the right to exercise an option by bequest or inheritance or by reason of the death of any optionee.

(i) "Tax Benefit Right" means any right granted to a Participant under Paragraph 8 of the Plan;

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

4. Common Stock Subject to Options. The aggregate number of shares of the Company's Common Stock which may be issued upon the exercise of options granted under the Plan shall not exceed 400,000 (900,000 as adjusted through June 5, 1996), subject to adjustment under

the provisions of paragraph 7. The shares of Common Stock to be issued upon the exercise of options may be authorized but unissued shares, shares issued and

reacquired by the Company, or shares bought on the market for the purposes of the Plan. In the event any option shall, for any reason, terminate or expire or be surrendered without having been exercised in full, the shares subject to such option but not purchased thereunder shall again be available for options to be granted under the Plan. Subject to adjustments under paragraph 7, options for no more than 16,000 shares (36,000 as adjusted through June 5, 1996), may be granted under this or any other Plan of the Company to any one person in any calendar year.

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

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

(a) Non-Employee Director Options. Subject to adjustment as provided in paragraph 7, an option to purchase 3,500 shares of Common stock shall be granted automatically on June 30 and December 31, of each year, to each director of the Company who is not an employee of the Company or any of its subsidiaries. Stock options awarded under this paragraph shall be subject to such terms and conditions, consistent with the other provisions of the Plan, as may be determined by the Committee in its sole discretion. The per share price of each option awarded pursuant to this paragraph shall be 100 percent of: (i) if Common Stock is not then listed and traded on a recognized securities exchange, the mean of the bid and asked quotations for Common Stock on the Date of Grant (as reported by a recognized stock quotation service) or, if there is no bid or asked quotation on the Date of Grant, the mean of the bid and asked quotations on the date nearest preceding the Date of Grant; or (ii) if Common Stock is then listed and traded on a recognized securities exchange, the mean of the highest and lowest sales prices at which shares of Common Stock were traded on that exchange on the Date of Grant or, if Common Stock was not traded on the Date of Grant, the mean of such prices on the date nearest preceding the Date of Grant. The exercise price for each share purchased pursuant to an option granted under the Plan shall be payable in cash or in shares of Common Stock (including Common Stock to be received upon a simultaneous exercise) or other consideration substantially equivalent to cash. When appropriate arrangements are made with a broker or other institution, payment may be made by a properly executed exercise notice directing delivery of shares to a broker, together with irrevocable instructions to the broker to deliver promptly to the Company the amount of sale or loan proceeds to pay the exercise price. Except as provided in this subparagraph, no director who is not an employee of the Company or any other person shall have any claim to be granted any option under the Plan. Nothing in the Plan shall prevent the Company from adopting or continuing in effect other or additional compensation arrangements. The grant of an option under the Plan shall not be considered to give a director the right to be retained as a director of the Company or to continue as a director of the Company.

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

nearest preceding the Date of Grant, and (iii) any other factors that the Committee deems appropriate.

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

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

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

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

(g) Termination of Employment or Directorship. Upon termination of an Optionee's employment with the Company or any of its subsidiaries or termination of service as a director of the Company, an Optionee may only purchase those Shares for which options were exercisable at the date of his termination and all such options shall expire unless exercised within 90 days after the date of his termination. The award of an option to any participant shall not alter in any way the Company's or the relevant subsidiary's rights to terminate the Optionee's employment or directorship at any time for any reason, nor shall it confer upon an Optionee any rights or privileges except as specifically provided in the Plan.

(h) Death of Optionee. If an Optionee dies while in the employ of the Company or any of its subsidiaries or while serving as a director of the Company, the Optionee's successor in interest may purchase only those for which options were exercisable at the date of death and such options shall expire unless exercised by the successor within one year of the date of death.

7. Adjustments.

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

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

4

(c) In the event of a Reorganization (as hereinafter defined) in which the company is not the surviving or acquiring company, or in which the Company is or becomes a wholly-owned subsidiary of another company after the effective

date of the Reorganization, then the committee shall adjust the shares under such outstanding and unexercised stock options (and shall adjust the shares remaining under the Plan which are then available to the Option under the Plan) in a manner not inconsistent with the provisions of the Reorganization Agreement for the adjustment, change, conversion, or exchange of such stock and such options.

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

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

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

(a) Grant. A Tax Benefit Right entitles a Participant to receive from the Company or a Subsidiary a cash payment not to exceed the amount calculated by multiplying the ordinary income, if any, realized by the Participant for federal tax purposes as a result of the exercise of a nonqualified stock option by the maximum federal income tax rate (including any surtax or similar charge or assessment) for corporations, plus the applicable state and local tax imposed on the exercise of the Option.

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

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

5

9. Restrictions on Issuing Shares.

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

delivery to the Company of previously owned Common Stock. The Company may establish such rules and procedures concerning timing of any withholding election as it deems appropriate to comply with Rule 16b-3 under the Act.

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

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

11. Amendment, Suspension and Termination of Plan. The Board may at any time suspend or terminate the Plan. The Board may amend the Plan from time to time in such respects as the Board may deem advisable for the options granted under the Plan to conform to any changes in law or any other respect which the Board may deem to be in the best interests of the Company; provided, that: (a) the provisions of subparagraph (a) of paragraph 6 may not be amended more than once every six months, other than to conform to changes in the Internal Revenue Code of 1986, as amended, the Employee Retirement Income Security Act of 1974, as amended, or the rules issued under either of such statutes; and (b) without approval of the shareholders of the Company representing a majority of the voting power, no such amendment shall (i) except as specified in paragraph 7, increase the maximum number of shares for which options may be granted under the Plan, (ii) change the provisions of subparagraph (b) of paragraph 6 relating to the establishment of the option price, (iii) change the provisions of subparagraph (c) of paragraph 6 relating to the expiration date of each option, or (iv) change the provisions of the third sentence of this paragraph 11 relating to the term of the Plan. Unless the Plan is terminated earlier by the Board or as provided in paragraph 12, the Plan shall terminate ten years after the effective date of the Plan. No option may be granted during any suspension or after the termination of the Plan. Except as provided in paragraph 12, no amendment, suspension, or termination of the Plan shall, without an Optionee's consent, alter or impair any of the rights or obligations under any option previously granted to that Optionee under the Plan.

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

EXHIBIT 10.2

SPARTAN MOTORS, INC.
1994 INCENTIVE STOCK OPTION PLAN

1. PURPOSE.

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

2. ADMINISTRATION.

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

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

(i) the Key Employees to whom awards hereunder shall be granted;

(ii) the time or times at which such awards shall be granted;

(iii) the form and amount of the awards; and

(iv) the limitations, restrictions and conditions applicable to any such award.

-1-

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

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

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

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

who receive or are eligible to receive awards under the Plan, whether or not such persons are similarly situated.

3. AWARDS UNDER THE PLAN.

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

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

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

-2-

3

4. INCENTIVE STOCK OPTIONS.

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

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

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

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

5. PROVISIONS APPLICABLE TO INCENTIVE STOCK OPTIONS.

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

(b) Manner of Exercise of Options and Payment for Common Stock. Incentive Stock Options may be exercised by an optionee by giving written notice to the Secretary of the Company stating the number of shares of Common Stock with respect to which the Incentive Stock Option is being exercised and

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

6. TRANSFERABILITY.

-3-

4

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

7. ADJUSTMENT PROVISIONS.

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

8. DISSOLUTION, MERGER AND CONSOLIDATION.

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

9. EFFECTIVE DATE AND CONDITIONS SUBSEQUENT TO EFFECTIVE DATE.

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

No grant or award shall be made under the Plan more than ten years from the earlier of the date of adoption of the Plan by the Board and shareholder approval hereof; provided,

5

however, that the Plan and all Incentive Stock Options granted under the Plan prior to such date shall remain in effect and subject to adjustment and amendment as herein provided until they have been satisfied or terminated in accordance with the terms of the respective grants or awards and the related agreements.

10. TERMINATION OF EMPLOYMENT.

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

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

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

11. MISCELLANEOUS.

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

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

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

6

(i) Materially increase the total number of shares of Common Stock available for grant under the Plan except as provided in Section 7.

(ii) Materially modify the class of eligible employees under the Plan;

(iii) Materially increase benefits to any Key Employee who is subject to the restrictions of Section 16 of the Securities

Exchange Act of 1934; or

(iv) Effect a change relating to Incentive Stock Options granted hereunder which is inconsistent with Section 422 of the Code or regulations issued thereunder.

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

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

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

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

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

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

-6-

7

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

DATED this _____ day of _____, 1994.

SPARTAN MOTORS, INC.

By:

Its:

-7-

EXHIBIT 10.3

SPARTAN MOTORS, INC.

1996 STOCK OPTION AND RESTRICTED STOCK PLAN

FOR OUTSIDE MARKET ADVISORS

SECTION 1

Establishment of Plan; Purpose of Plan

1.1 Establishment of Plan. Spartan Motors, Inc. hereby establishes the 1996 Stock Option and Restricted Stock Plan for Outside Market Advisors (the "Plan"). The Plan permits the grant or award of Options and Restricted Stock.

1.2 Purpose of Plan. The purpose of the Plan is to provide those individuals who provide marketing, promotion and product development advice and counsel to the Company or its subsidiaries with the right to receive or purchase the Common Stock of the Company so as to join the interests of these persons with the interests of Spartan Motors, Inc. and its shareholders through the increased opportunity for stock ownership.

SECTION 2

Definitions

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

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

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

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

2.4 "Committee" means the Stock Option Plan Committee of the Board or such other committee as the Board shall designate to administer the Plan. The Committee shall consist of at least two members of the Board appointed by the Board all of whom shall be "disinterested persons" as defined in Rule 16b-3 under the Act.

2.5 "Common Stock" means the common stock, \$.01 par value, of the Company.

2.6 "Company" means Spartan Motors, Inc., a Michigan corporation.

2.7 "Competition" means participation, directly or indirectly, in the ownership, management, financing or control of any business that is the same as or similar to the present or future businesses of the Company or its parent or any Subsidiary. Such participation could be by way of employment, consulting services, directorship or officership. Ownership of less than five percent (5%) of the shares of any corporation whose shares are traded publicly on any national or regional stock exchange or over the counter shall not be deemed Competition.

2.8 "Incentive Award" means the award or grant of an Option or Restricted Stock to a Participant under the Plan.

2.9 "Market Value" of any security on any given date means: (a) if the security is listed for trading on one or more national securities exchanges (including The NASDAQ National Market System), the mean of the highest and lowest sales prices on the principal such exchange on the date in question, or

if such security shall not have been traded on such principal exchange on such date, the last reported sales price on such principal exchange on the first day prior thereto on which such security was so traded; or (b) if the security is not listed for trading on a national securities exchange (including The NASDAQ National Market System) but is traded in the over-the-counter market, the mean of highest and lowest bid prices for such security on the date in question, or if there are no such bid prices for such security on such date, the mean of the highest and lowest bid prices on the first day prior thereto on which such prices existed; or (c) if neither (a) nor (b) is applicable, the value as determined by any means deemed fair and reasonable by the Committee, which determination shall be final and binding on all parties.

2.10 "Option" means the right to purchase Common Stock at a stated price for a specified period of time. For purposes of the Plan, an Option may not be an incentive stock option within the meaning of Section 422(b) of the Code.

2.11 "Outside Market Advisor" means an individual who by reason of his or her position or past or future dealings or knowledge of the Company or any of its subsidiaries is in a position to provide marketing, promotion and product development advice and counsel. The Board of Directors shall determine the persons deemed to be Outside Market Advisors or the standard or method used to determine the persons to be considered Outside Market Advisors.

2.12 "Participant" means an Outside Market Advisor who the Committee determines is eligible to participate in the Plan and who is designated to be granted an Incentive Award under the Plan.

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

2.14 "Restricted Stock" means Common Stock awarded to a Participant under Section 6 of the Plan.

2.15 "Subsidiary" means any corporation of which a majority of the outstanding voting stock is directly or indirectly owned or controlled by the Company, or by one or more Subsidiaries.

SECTION 3

Administration

3.1 Power and Authority. The Committee shall administer the Plan, shall have full power and authority to interpret the provisions of the Plan, and shall have full power and authority to supervise the administration of the Plan. All determinations, interpretations and selections made by the Committee regarding the Plan shall be final and conclusive. The Committee shall hold its meetings at such times and places as it deems advisable. Action may be taken by a written instrument signed by all of the members of the Committee, and any action so taken shall be fully as effective as if it had been taken at a meeting duly called and held. The Committee shall make such rules and regulations for the conduct of its business as it deems advisable. The members of the Committee shall receive reasonable fees for their services.

3.2 Grants or Awards to Participants. In accordance with and subject to the provisions of the Plan, the Committee shall have the authority to: determine whether and when Incentive Awards will be granted, the persons or entities to be granted Incentive Awards, the amount of Incentive Awards to be granted to each person and the terms of the Incentive Awards to be granted; vary and amend vesting

3

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

3.3 Indemnification of Committee Members. Each person who is or shall have been a member of the Committee shall be indemnified and held harmless by

the Company from and against any cost, liability or expense imposed or incurred in connection with such person's or the Committee's taking or failing to take any action under the Plan. Each such person shall be justified in relying upon information furnished in connection with the Plan's administration by any appropriate person or persons.

SECTION 4

Shares Subject to the Plan

4.1 Number of Shares. Subject to adjustment as provided in subsection 4.2 of the Plan, a maximum of 200,000 shares of Common Stock shall be available for Incentive Awards under the Plan, with a maximum of 30,000 shares available for issuance in any one year. Such shares shall be authorized and unissued shares.

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

SECTION 5

Options

5.1 Grant. A Participant may be granted one or more Options under the Plan. Options shall be subject to such terms and conditions, consistent with the other provisions of the Plan, as shall be determined by the Committee in its sole discretion. The Committee may vary, among Participants and among Options granted to the same Participant, any and all of the terms and conditions of the Options granted under the Plan. The Committee shall have complete discretion in determining the number of Options granted to each Participant.

5.2 Option Agreements. Each Option shall be evidenced by an Option agreement containing such terms and conditions, consistent with the provisions of the Plan, as the Committee from time to time determines. Option Agreements may be amended by the Committee consistent with the Plan, but no such amendment shall be effective as to a Participant without the Participant's consent unless the amendment operates solely to the benefit of the Participant.

5.3 Option Price. The per share Option price shall not be less than the Market Value on the date of grant. The date of grant of an Option shall be the date the Option is authorized by the Committee or such future date specified by the Committee as the date for issuing the Option.

4

5.4 Medium and Time of Payment. The exercise price for each share purchased pursuant to an Option granted under the Plan shall be payable in cash or, if the Committee consents, in shares of Common Stock (including Common Stock to be received upon a simultaneous exercise). The time and terms of payment may be amended with the consent of the Participant before or after exercise of the Option, but such amendment shall not reduce the Option price. The Committee may from time to time authorize payment of all or a portion of the Option price in the form of a promissory note or installments according to such terms as the Committee may approve. The Board may restrict or suspend the power of the Committee to permit such loans and may require that adequate security be provided.

5.5 Limits on Exercisability. Options shall be exercisable for such periods as may be fixed by the Committee, not to exceed ten years from the

grant date. At the time of the exercise of an Option, the holder of the Option, if requested by the Committee, must represent to the Company that the shares are being acquired for investment and not with a view to the distribution thereof. The Committee may also vary, among Participants and among Options granted to the same Participant, any and all of the terms and conditions of Options granted under the Plan.

5.6 Transferability.

(a) General. Unless the Committee otherwise consents or unless the terms of the Option agreement provide otherwise, no Option granted under the Plan may be sold, transferred, pledged, assigned or otherwise alienated or hypothecated, other than by will or by the laws of descent and distribution if the participant is a natural person. In addition, all Options granted to a Participant during the Participant's lifetime shall be exercisable during the Participant's lifetime only by such Participant, his guardian, or legal representative.

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

5.7 Restrictions on Exercise.

(a) General. The Committee may impose such restrictions as it deems appropriate on the Participant's right to exercise any options granted. Such restrictions shall be specified in the Option Agreement entered into with the participant under Section 5.2.

(b) Specific Restrictions. Notwithstanding the Committee's right to impose additional restrictions under Section 5.7(a), the following restrictions shall also apply:

(i) If the Participant ceases to be an Outside Market Advisor for any reason other than death or disability, the Option issued to such Participant shall no longer be exercisable. If a Participant dies or becomes disabled, the Option shall be exercisable by the Participant or personal representative for a period of three months after the date the Participant ceases to be an Outside Market Advisor, but only to the extent that the Participant was entitled to exercise the option on the date Participant ceases to be an Outside Market Advisor, unless the Option Agreement provides otherwise or the Committee otherwise consents;

(ii) If the Committee determines that the Participant has entered into Competition with the Company or any of its subsidiaries, the Participant's right to exercise any outstanding options shall terminate as of that date of entry into Competition. The Committee shall have sole discretion in making such determination.

SECTION 6

Restricted Stock

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6.1 Grant. A Participant may be granted Restricted Stock under the Plan. Restricted Stock shall be subject to such terms and conditions, consistent with the other provisions of the Plan, as shall be determined by the Committee in its sole discretion. Restricted Stock shall be awarded on the condition that the Participant continues to perform certain services or meets certain requirements as provided by the Committee in the Restricted Stock Agreement.

6.2 Restricted Stock Agreements. Each award of Restricted Stock shall be evidenced by a Restricted Stock Agreement containing such terms and conditions, consistent with the provisions of the Plan, as the Committee from time to time determines. Restricted Stock Agreements may be amended by the Committee consistent with the Plan, but no such amendment shall be effective as to a Participant without the Participant's consent unless the amendment operated solely for the benefit of the Participant.

6.3 Termination of Outside Market Advisor Status. In addition to any

restrictions that the Committee may impose on the award of Restricted Stock the following restrictions shall apply:

(a) Competition. If the Committee determines that the Participant has entered into Competition with the Company or any of its subsidiaries or ceases to be an Outside Market Advisor other than by reason of death or disability, then any shares of Restricted Stock still subject to restrictions on the date of such determination shall automatically be forfeited and returned to the Company.

(b) Death or Disability. Unless the terms of the Restricted Stock agreement or grant provide otherwise, in the event a Participant is no longer an Outside Market Advisor because of death or disability during the Restricted Period, the Participant's right to all of the Participant's Restricted Stock shall vest as of the date of death or disability, and the Participant's Restricted Stock may be transferred free of any restrictions under the Plan, except any restrictions as the Company may reasonably specify to ensure compliance with federal and state securities laws.

6.4 Restrictions on Transferability.

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

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

(c) Other Restrictions. The Committee may impose other restrictions on any shares of Common Stock acquired pursuant to an award of Restricted Stock as the Committee deems advisable, including, without limitation, restrictions under applicable federal or state securities laws.

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

6.6 Deposit of Certificates; Legend of Restricted Stock.

6

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

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

The shares represented by this certificate were issued subject to certain restrictions under the Spartan Motors, Inc. 1996 Stock Option and Restricted Stock Plan for Outside Market Advisors (the "Plan"). A copy of the Plan is on file in the office of the Secretary of Spartan Motors, Inc. This certificate is held subject to the terms and conditions contained in a restricted stock agreement that includes a prohibition against the sale or transfer of the stock represented by this certificate except in compliance with that agreement, and that provides for forfeiture upon certain events.

6.7 Representations and Warranties. A Participant who is awarded Restricted Stock shall represent and warrant that the Participant is acquiring the Restricted Stock for the Participant's own account and investment and without any intention to resell or redistribute the Restricted Stock. The Participant shall agree not to resell or redistribute such Restricted Stock after the Restricted Period except upon such conditions as the Company may reasonably specify to ensure compliance with federal and state securities laws.

SECTION 7

General Provisions

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

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

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

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

7

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

SECTION 8

Effective Date and Duration of the Plan

This Plan shall take effect February 27, 1996, subject to approval by the shareholders at the 1996 Annual Meeting of Shareholders, or any adjournment thereof or at a special meeting of shareholders. Unless earlier terminated by the Board of Directors, the Plan shall terminate on February 26, 2006. No Incentive Award shall be granted under this Plan after such date.

SECTION 9

Termination and Amendment

The Board may terminate the Plan at any time, or may from time to time amend the Plan as it deems proper and in the best interests of the Company, provided that without shareholder approval no such amendment may (a) materially increase either the benefits to Participants under the Plan or the number of shares that may be issued under the Plan; (b) materially modify the eligibility requirements; (c) reduce the Option price (except pursuant to adjustments under subsection 4.2); or (d) impair any outstanding Incentive Award without the consent of the Participant, except according to the terms of the Incentive Award. No termination, amendment, or modification of the Plan shall become effective with respect to any Incentive Award previously granted under the Plan without the prior written consent of the Participant holding such Incentive Award unless such amendment or modification operates solely to the benefit of the Participant.

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