

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 the Quarter Ended

March 31, 2000

Commission File Number

0-13611

SPARTAN MOTORS, INC.

(Exact Name of Registrant as
Specified in Its Charter)

Michigan

(State or Other Jurisdiction of
Incorporation or Organization)

38-2078923

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

1000 Reynolds Road

Charlotte, Michigan

(Address of Principal Executive Offices)

48813

(Zip Code)

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

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

Yes

No

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

<u>Class</u>	<u>Outstanding at May 8, 2000</u>
Common stock, \$.01 par value	11,789,077 shares

SPARTAN MOTORS, INC.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

**SPARTAN MOTORS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS**

	March 31, 2000	December 31, 1999
	(Unaudited)	
ASSETS		
Current Assets		
Cash and cash equivalents	\$ 812,508	\$ 35,797
Accounts receivable, less allowance for doubtful accounts of \$2,612,000 in 2000 and \$2,491,000 in 1999	44,156,032	37,765,807
Inventories (Note 4)	44,400,609	47,111,727
Deferred tax benefit	3,487,305	3,487,305
Federal taxes receivable	--	1,427,945
Other current assets	1,321,481	1,106,105
Total Current Assets	94,177,935	90,934,686
Property, Plant, and Equipment, net	22,288,938	22,568,177
Goodwill, net of accumulated amortization of \$1,142,000 in 2000 and \$1,001,000 in 1999, respectively	7,321,884	7,462,995
Other Assets	1,453,133	1,731,885

Total Assets

\$ 125,241,890

\$ 122,697,743

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SPARTAN MOTORS, INC.
CONDENSED CONSOLIDATED BALANCE SHEETS (Continued)

	March 31, 2000	December 31, 1999
	(Unaudited)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current Liabilities		
Accounts payable	\$ 27,144,768	\$ 25,115,388
Notes payable	9,081,745	6,290,131
Other current liabilities and accrued expenses	4,041,237	4,881,179
Accrued warranty	3,585,457	3,645,363
Accrued customer rebates	626,615	629,311
Taxes on income	116,431	--
Accrued compensation and related taxes	1,600,378	1,809,332
Accrued vacation	1,498,066	1,348,941
Deposits from customers	4,593,620	3,761,249
Current portion of long-term debt	1,247,389	1,587,201
Total Current Liabilities	53,535,706	49,068,095
Accounts Payable, long-term	1,637,478	1,631,904
Long-Term Debt	24,572,571	27,476,993
Notes Payable to Related Parties	1,342,310	1,342,310
Shareholders' Equity:		
Preferred Stock, no par value: 2,000,000 shares authorized (none issued)	--	--
Common Stock, \$.01 par value, 23,900,000 shares authorized, issued 12,039,077 shares in 2000 and 12,273,997 shares in 1999	120,391	122,740
Additional Paid in Capital	23,191,794	23,645,151
Retained earnings, net of effect of minority interest in share- holders' deficit of subsidiary of (\$4,828,324) in 2000 and 1999	20,841,640	19,410,550

Total Shareholders' Equity	44,153,825	43,178,441
Total Liabilities and Shareholders' Equity	\$ 125,241,890	\$ 122,697,743

See notes to condensed consolidated financial statements.

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SPARTAN MOTORS, INC.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(UNAUDITED)

	Three Months Ended March 31,	
	2000	1999
Sales	\$ 84,624,826	\$ 75,625,571
Cost of Products Sold	73,694,956	64,786,689
Gross Profit	10,929,870	10,838,882
Operating Expenses		
Research and development	1,755,021	1,743,464
Selling, general and administrative	4,690,281	5,461,347
Operating Income	4,484,568	3,634,071
Other Income / (Expense)		
Interest Expense	(772,956)	(757,932)
Interest and Other Income	(133,809)	116,320
Earnings Before Taxes on Income	3,577,803	2,992,459
Taxes on Income	1,609,265	1,547,406
Net Earnings	\$ 1,968,538	\$ 1,445,053
Basic and Diluted Net Earnings Per Share	\$ 0.16	\$ 0.12
Basic Weighted Average Common Shares Outstanding	12,157,000	12,536,000
Diluted Weighted Average Common Shares Outstanding	12,174,000	12,560,000

See notes to condensed consolidated financial statements.

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SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(UNAUDITED)

	Number of Shares	Common Stock	Additional Paid In Capital	Retained Earnings	Total
Balance at January 1, 2000	12,273,977	\$ 122,740	\$ 23,645,151	\$ 19,410,550	\$ 43,178,441
Purchase and constructive retirement of stock	(234,900)	(2,349)	(453,357)	(537,448)	(993,154)
Comprehensive income: Net earnings				1,968,538	1,968,538
Balance at March 31, 2000	12,039,077	\$ 120,391	\$ 23,191,794	\$ 20,841,640	\$ 44,153,825

See notes to condensed consolidated financial statements.

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

	Three Months Ended March 31,	
	2000	1999
Cash Flows From Operating Activities:		
Net earnings	\$ 1,968,538	\$ 1,445,053
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	856,773	995,088
Loss / (Gain) on sales of assets	1,435	(73,180)
Decrease (increase) in assets:		
Accounts receivable	(6,390,225)	(1,659,716)
Inventories	2,763,358	(2,664,774)
Federal taxes receivable	1,427,945	--
Other assets	63,376	325,953
Increase (decrease) in liabilities:		
Accounts payable	2,034,954	1,199,606
Other current liabilities and accrued expenses	(839,942)	295,957
Accrued warranty	(59,906)	150,541
Accrued customer rebates	(2,696)	7,299
Taxes on income	116,431	1,495,077
Accrued vacation	149,125	207,826
Accrued compensation and related taxes	(208,954)	213,554
Deposits from customers	832,371	251,720
Total Adjustments	744,045	744,951
Net Cash Provided By Operating Activities	2,712,583	2,190,004
Cash Flows From Investing Activities:		
Purchases of property, plant and equipment	(495,148)	(381,351)
Proceeds from sales of property, plant and equipment	5,050	20,021
Proceeds from sales of investment securities	--	500,000
Purchase price adjustment related to acquisition of subsidiary	--	(249,103)
Minority interest contributions	--	750,000
Net Cash Provided By (Used In) Investing Activities	(490,098)	639,567

(Continued)

	2000	1999
Cash Flows From Financing Activities:		
Payments on notes payable		\$ (950,790)
Proceeds from notes payable	\$ 2,791,614	-
Payments on long-term debt	(3,244,234)	(1,898,292)
Net proceeds from exercise of stock options	-	1,942
Purchase of treasury stock	(993,154)	-
Net Cash Used in Financing Activities:	(1,445,774)	(2,847,140)
Net Increase (Decrease) in Cash and Cash Equivalents	776,711	(17,569)
Cash and Cash Equivalents at Beginning of Period	35,797	37,645
Cash and Cash Equivalents at End of Period	\$ 812,508	\$ 20,076

See notes to condensed consolidated financial statements.

SPARTAN MOTORS, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

- Note 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, 1999, included in the Form 10-K of Spartan Motors, Inc. (the "Company") filed with the Securities and Exchange Commission on March 7, 2000.
- Note 2** The accompanying unaudited interim consolidated financial statements reflect all normal and recurring adjustments that are necessary for the fair presentation of the Company's financial position as of March 31, 2000, and the results of operations and cash flows for the periods presented.
- Note 3** The results of operations for the three-month period ended March 31, 2000 are not necessarily indicative of the results to be expected for the full year.
- Note 4** Inventories consist of raw materials and purchased components, work in process, and finished goods and are summarized as follows:

	March 31, 2000	December 31, 1999
Finished goods	\$ 7,239,147	\$ 9,148,018
Raw materials and purchased components	35,438,720	36,026,149
Work in process	5,628,927	6,479,813
Obsolescence reserve	(3,906,185)	(4,542,253)
	<u>\$ 44,400,609</u>	<u>\$ 47,111,727</u>

Note 5 Sales and other financial information by business segment are as follows (amounts in thousands):

Three Months Ended March 31, 2000

	Business Segments					
	Chassis	EVTeam	Carpenter	Intangibles	Other	Consolidated
Net Sales	\$ 63,392	\$ 16,479	\$ 7,230	\$ --	\$ (2,476)	\$ 84,625
Interest expense	129	160	429	--	55	773
Depreciation and amortization expense	225	106	333	193		857
Income tax expense	1,552	207	--		(150)	1,609
Segment earnings	2,705	378	(981)	(193)	60	1,969
Segment assets	73,922	23,482	23,598	7,322	(3,082)	125,242

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Three Months Ended March 31, 1999

	Business Segments					
	Chassis	EVTeam	Carpenter	Intangibles	Other	Consolidated
Net Sales	\$ 60,455	\$ 12,905	\$ 4,672	\$ --	\$ (2,406)	\$ 75,626
Interest expense	301	134	350	--	(27)	758
Depreciation and amortization expense	339	79	395	182		995
Income tax expense	1,473	214	--		(140)	1,547
Segment earnings	2,808	342	(1,410)	(182)	(113)	1,445
Segment assets	79,996	20,889	25,014	7,230	(4,475)	128,654

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

The following is a discussion of the major elements impacting the Company's financial and operating results for the period ended March 31, 2000 compared to the period ended March 31, 1999. The comments that follow should be read in conjunction with the Company's consolidated financial statements and related notes contained in this Form 10-Q.

RESULTS OF OPERATIONS

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

	Three Months Ended March 31,	
	2000	1999
Sales	100.0%	100.0%
Cost of Product Sold	87.1%	85.7%
Gross Profit	12.9%	14.3%
Operating Expenses:		
Research and development	2.1%	2.3%
Selling, general, and administrative	5.5%	7.2%
Operating Income	5.3%	4.8%
Other	(1.1%)	(0.8%)
Earnings before taxes on income	4.2%	4.0%
Taxes on income	1.9%	2.0%
Net earnings	2.3%	2.0%

Three-Month Period Ended March 31, 2000, Compared to the Three-Month Period Ended March 31, 1999

For the three months ended March 31, 2000, consolidated sales increased \$9.0 million (11.9%) over the amount reported for the same period in the previous year. Chassis Group sales for the first quarter of 2000 increased by \$2.9 million (4.9%) compared to the sales reported for the same period of 1999. The majority of this increase is due to increased sales of motorhome chassis. For the first quarter of 2000, motorhome chassis sales increased 5.3% over the quarter ended March 31, 1999. The Company's Summit product line is primarily responsible for this increase and has generated significant interest in the market as a low-end alternative for a custom chassis. The Chassis Group will be competitive with this rear diesel engine product in a price range that had otherwise been dominated by front engine gas chassis.

Fire truck chassis sales in the first quarter of 2000 were consistent with sales for the same period in 1999. The fire truck market continues to be strong in 2000, maintaining sales levels in the current year. Transit bus sales increased 26.1% for the first quarter of 2000 compared to the sales reported for the same period in 1999. This is primarily attributable to increased sales to the Company's primary transit bus customer due to a large order placed by that customer.

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

The Company's other business segments also showed sales increases over the prior year's first quarter. EVTeam sales and Carpenter sales were up \$3.6 million (27.7%) and \$2.6 million (54.8%), respectively, for the first quarter of 2000 compared to the first quarter of 1999. The EVTeam's increase is primarily due to a large fire department order that was completed in the first quarter of 2000. Carpenter's growth in sales is due to increased order intake and, consequently, an increased level of produced units over the same period in the prior year. The school bus market continues to increase their confidence in the Carpenter bus product.

Gross margin decreased from 14.3% for the first quarter of 1999 to 12.9% for the first quarter of 2000. The EVTeam and Carpenter operate at lower margins than the Chassis Group since the value added is only in the body rather than the complete vehicle. Thus, the gross margin on the

body is diluted by the pass-through nature of the chassis cost. Since the majority of the increase in sales over the same period in the prior year is attributable to increases for the EVTeam and Carpenter, this caused the gross margin for the Company as a whole to be lower in the first quarter of 2000.

Operating expenses decreased from 9.5% of sales for the first quarter of 1999 to 7.6% for the first quarter of 2000. One reason for this decrease is that the Company has been focused on finding ways to decrease operating expenses. A reversal of previously accrued management fees at Carpenter is the other reason that operating expenses as percentage of sales were lower in the first quarter of 2000 than in the first quarter of 1999. The primary minority shareholder of Carpenter, Recovery Equity Investors, Inc., restructured the management fees it charges Carpenter to reflect more accurately the actual expenses that it incurs. This resulted in lower selling, general and administrative expenses of approximately \$425,000 for the first quarter of 2000.

Total chassis orders received increased 6.8% during the first quarter of 2000 compared to the same period in 1999. Based on average order lead-time, the Company estimates that approximately one-half of the motorhome, one-third of the bus/specialty, and none of the fire truck orders received during the three-month period ended March 31, 2000 were produced and delivered by March 31, 2000.

At March 31, 2000, the Company had \$99.1 million in backlog, compared with a backlog of \$124.2 million at March 31, 1999. The majority of the decrease is due to transit bus chassis backlog, which has decreased 97.4% when comparing the first quarter of 2000 to the amount of backlog reported for the same period in 1999. This decrease is due to the fourth quarter 1999 bankruptcy filing by the Company's primary transit bus chassis customer, Metrotrans. This company made up the majority of the backlog number for transit bus chassis at March 31, 1999.

While orders in the 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.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

LIQUIDITY AND CAPITAL RESOURCES

For the three months ended March 31, 2000, cash provided by operating activities was \$2.7 million, which was approximately a \$0.5 million improvement over the \$2.2 million of cash provided by operating activities for the three months ended March 31, 1999. The Company's working capital decreased by \$1.3 million from \$41.9 million at December 31, 1999 to \$40.6 million at March 31, 2000. See the "Consolidated Statement of Cash Flows" contained in this Form 10-Q for further information regarding the increase in cash and cash equivalents, from \$35,797 at December 31, 1999 to \$812,508 at March 31, 2000.

Shareholders' equity increased \$1.0 million in the three months ended March 31, 2000 to approximately \$44.1 million. This change primarily is due to net earnings of \$2.0 million and the repurchase of Company stock of \$1.0 million. The Company's debt to equity ratio decreased to 62.4% on March 31, 2000 compared with 70.5% at December 31, 1999 due to the decrease in borrowings resulting from the positive cash flow from operations.

The Company's primary line of credit is a \$30.0 million revolving note payable to a bank. The Company also has a \$5.0 million term note under the same debt agreement. Under the terms of the line of credit and term note agreement, the Company is required to maintain certain financial ratios and other financial conditions. The agreement also prohibits the Company from incurring additional indebtedness, limits certain acquisitions, investments, advances or loans and restricts substantial asset sales. At March 31, 2000 the Company was in compliance with all debt covenants.

The Company also has an unsecured line of credit for \$1.0 million and secured lines of credit for \$0.2 million and \$4.3 million. The \$4.3 million line carries an interest rate of 0.5% above the bank's prime rate (the prime rate at March 31, 2000, was 9.0%) and has an expiration date of June 30, 2000. This line of credit is secured by accounts receivable and inventory. Borrowings under this line totaled \$4.0 million at March 31, 2000. The \$0.2 million line carries an interest rate of 2% above the bank's prime rate and has an expiration date of June 1, 2000. This line of credit is secured by accounts receivable, inventory and equipment. There were no borrowings on this line at March 31, 2000. The \$1.0 million line carries an interest rate of 1% above the bank's prime rate and expires only if there is a change in management. There were no borrowings on the \$1.0 million line at March 31, 2000. The Company believes it has sufficient resources from cash flows from operating activities and, if necessary, from additional borrowings under its lines of credit to satisfy ongoing cash requirements for the next 12 months.

Effect of Inflation

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

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

in nature, and competition limits the pass through of cost increases in many cases. The Company strives to minimize the effect of inflation through cost reductions and improved productivity.

Year 2000 Readiness Disclosure

As of the date of this Form 10-Q, the Company has not experienced any Year 2000 issues arising from its systems or those of its material vendors and suppliers. If there are ongoing Year 2000 issues that might arise at a later date, the Company has contingency plans in place to address these issues. The Company continues to maintain contact with third parties with whom it has material relationships, such as vendors, suppliers and financial institutions, with respect to the third parties' Year 2000 compliance and any ongoing Year 2000 issues that might arise at a later date.

The Company has not incurred any material costs in connection with identifying, assessing, remediating and testing Year 2000 issues and does not expect to incur material costs in the future. The immaterial costs have consisted primarily of personnel expense for employees who have had a portion of their time dedicated to the Year 2000 remediation effort. It has been the Company's policy to expense these costs as incurred. These costs have been funded through operating cash flows.

In light of the Company's efforts, the Year 2000 issue has had no material adverse effect to date on the business or results of operations of the Company, and is not expected to have a material impact on the Company's financial condition. However, there can be no assurance that the Company or any third parties will not have ongoing Year 2000 issues that may have a material adverse effect on the Company's business, operating results and financial condition in the future.

Forward-Looking Statements

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

- Changes in existing products liability, tort or warranty laws or the introduction of new laws, regulations or policies that could affect our business practices: these laws, regulations or policies could impact our industry as a whole, or could impact only those portions in which we are currently active, for example, laws regulating the design or manufacture of emergency vehicles or regulations issued by the National Fire Protection Association; in either case, our profitability could be injured due to a industry-wide market decline or due to our inability to compete with other companies that are unaffected by these laws, regulations or policies.

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Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations (Continued)

- Changes in environmental regulations: these regulations could have a negative impact on our earnings; for example, laws mandating greater fuel efficiency could increase our research and development costs.
- Changes in economic conditions, including changes in interest rates, financial market performance and the industry: these types of changes can impact the economy in general, resulting in a downward trend that impacts not only our business, but all companies with which we compete; or, the changes can impact only those parts of the economy upon which we rely in a unique fashion, including, by way of example:
 - Factors that impact our attempts to expand internationally, such as the introduction of trade barriers in the United States or abroad.
- Factors that we have discussed in previous public reports and other documents filed with the Securities and Exchange Commission.

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

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

The Company's primary market risk exposure is a change in interest rates in connection with its outstanding variable rate short-term and long-term debt. Due to variable interest rates on the Company's short-term and long-term debt, an increase in interest rates of 1% could result in the Company incurring approximately \$0.3 million in additional annual interest expense. Conversely, a decrease in interest rates of 1% could result in the Company saving approximately \$0.3 million in annual interest expense. The Company does not expect such market risk exposure to have a material adverse effect on the Company. The Company does not enter into market risk sensitive instruments for trading purposes.

PART II. OTHER INFORMATION

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:

<u>Exhibit No.</u>	<u>Document</u>
3.1	Spartan Motors, Inc. Restated Articles of Incorporation. Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 1996, and incorporated herein by reference.
3.2	Spartan Motors, Inc. Bylaws (restated to reflect all amendments). Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 1995, and incorporated herein by reference.
10.1	The Spartan Motors, Inc. 1996 Stock Option and Restricted Stock Plan for Outside Market Advisors, as amended May 2, 2000.
27	Financial Data Schedule.

(b) Reports on Form 8-K. During the quarter ended March 31, 2000, the Company did not file a current report on Form 8-K.

SIGNATURES

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

SPARTAN MOTORS, INC.

Date: May 15, 2000

By /s/ Richard J. Schalter

Richard J. Schalter
Secretary/Treasurer
(Principal Accounting and Financial Officer)

EXHIBIT INDEX

<u>Exhibit No.</u>	<u>Document</u>
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3.2	Spartan Motors, Inc. Bylaws (restated to reflect all amendments). Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 1995, and incorporated herein by reference.
10.1	The Spartan Motors, Inc. 1996 Stock Option and Restricted Stock Plan for Outside Market Advisors, as amended May 2, 2000.
27	Financial Data Schedule.

EXHIBIT 10.1

SPARTAN MOTORS, INC.

1996 STOCK OPTION AND RESTRICTED STOCK PLAN

FOR OUTSIDE MARKET ADVISORS

(As Amended May 2, 2000)

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.

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- 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 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.

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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. If the Company does not issue a full 30,000 shares in any year, the difference between 30,000 shares and the number of shares issued in that year shall carry forward and be available for issuance in any subsequent year during the term of the Plan. 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.

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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.

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.

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(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

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.

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(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; Legending of Restricted Stock.

(a) Deposit of Certificates. Any certificates evidencing shares of Restricted Stock awarded pursuant to the Plan shall be registered in the name of the

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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

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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.

7.5 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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<ARTICLE> 5
<LEGEND> THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED
FROM THE UNAUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SPARTAN
MOTORS, INC. AND SUBSIDIARIES FOR THE PERIOD ENDED MARCH 31,
2000, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH
FINANCIAL STATEMENTS.

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