

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, 1997

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.

CLASS	OUTSTANDING AT MAY 1, 1997
-----	-----
Common stock, \$.01 par value	12,364,472 shares

SPARTAN MOTORS, INC.

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(Unaudited) and December 31, 1996

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

SPARTAN MOTORS, INC.

CONSOLIDATED BALANCE SHEETS

=====

	MARCH 31, 1997	DECEMBER 31, 1996
	-----	-----
	(Unaudited)	
ASSETS		
CURRENT ASSETS		
Cash and cash equivalents	\$ 4,216,382	\$ 4,912,001
Investment securities <F5>	5,615,557	8,955,809
Accounts receivable, less allowance for doubtful accounts of \$689,000 in 1997 and \$629,000 in 1996	28,735,769	26,299,698
Inventories <F4>	24,791,680	24,283,517
Deferred tax benefit	1,455,000	1,471,700
Federal taxes receivable	--	925,000
Other current assets	1,497,796	1,063,601
	-----	-----

TOTAL CURRENT ASSETS	66,312,184	67,911,326
	=====	=====
PROPERTY, PLANT, AND EQUIPMENT, net of accumulated depreciation of \$8,374,857 and \$7,977,012 in 1997 and 1996, respectively	11,371,158	11,403,194
EQUITY INVESTMENT IN AFFILIATE	9,076,364	--
OTHER ASSETS	364,749	368,249
	-----	-----
TOTAL	\$87,124,455	\$79,682,769
	=====	=====

See notes to consolidated financial statements.

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SPARTAN MOTORS, INC.

CONSOLIDATED BALANCE SHEETS

=====

	MARCH 31, 1997	DECEMBER 31, 1996
	-----	-----
	(Unaudited)	
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES		
Accounts payable	\$ 8,283,155	\$ 6,264,362
Other current liabilities and accrued expenses	1,453,265	2,058,820
Accrued warranty expense	1,909,610	2,002,870
Accrued customer rebates	601,780	480,216
Taxes on income	83,200	--
Accrued compensation and related taxes	1,357,160	1,034,496
Accrued vacation	668,754	644,754
Current portion of long-term debt	1,232,664	586,000
	-----	-----
TOTAL CURRENT LIABILITIES	15,589,589	13,071,518
LONG-TERM DEBT, less current portion	9,386,759	5,206,631
	-----	-----
TOTAL LIABILITIES	24,976,348	18,278,149
SHAREHOLDERS' EQUITY:		
Preferred Stock, \$1.00 par value: 2,000,000 shares authorized (none issued)		
Common Stock, \$.01 par value, 23,900,000 authorized, issued 12,364,472 shares in 1997 and 12,354,072 shares in 1996	123,645	123,541
Additional Paid in Capital	21,136,041	21,065,942
Retained earnings	40,991,322	40,195,117
Valuation allowance	(102,901)	20,020
	-----	-----

TOTAL SHAREHOLDERS' EQUITY	62,148,107	61,404,620
	-----	-----
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$87,124,455	\$79,682,769
	=====	=====

See notes to consolidated financial statements.

SPARTAN MOTORS, INC.

CONSOLIDATED STATEMENTS OF NET EARNINGS (UNAUDITED)

=====

	THREE MONTHS ENDED MARCH 31,	
	1997	1996
SALES	\$45,787,583	\$47,088,279
COST OF PRODUCTS SOLD	38,653,503	40,881,141
GROSS PROFIT	7,134,080	6,207,138
OPERATING EXPENSES		
Research and development	1,111,328	999,418
Selling, general and administrative	3,326,257	3,510,951
OPERATING INCOME	2,696,495	1,696,769
OTHER INCOME EXPENSE		
Interest Expense	(254,568)	(128,664)
Interest and Other Income	372,914	299,923
EARNINGS BEFORE TAXES AND EQUITY IN LOSS OF AFFILIATE	2,814,841	1,868,028
EQUITY IN LOSS OF AFFILIATE	923,636	--
EARNINGS BEFORE TAXES ON INCOME	1,891,205	1,868,028
TAXES ON INCOME	1,095,000	656,000
NET EARNINGS	\$ 796,205	\$ 1,212,028
NET EARNINGS PER SHARE	\$ 0.06	\$ 0.10
DIVIDENDS DECLARED PER SHARE		\$ 0.05
WEIGHTED AVERAGE COMMON SHARES OUTSTANDING	12,411,435	12,639,000

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See notes to consolidated financial statements.

SPARTAN MOTORS, INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

	THREE MONTHS ENDED MARCH 31,	
	1997	1996
Net earnings		
Adjustments to reconcile net earnings to net cash (used in) provided by operating activities:	\$ 796,205	\$ 1,212,028
Depreciation and amortization	452,654	436,563
Gain on sales of assets and marketable securities	(79,144)	(3,079)
Equity in net loss of affiliate	923,636	--
Decrease (increase) in:		
Accounts receivable	(2,436,071)	(5,768,256)
Inventories	(508,163)	(2,538,111)
Deferred tax benefit	16,309	
Federal taxes receivable	925,000	
Other assets	(433,807)	26,328
Increase (decrease) in:		
Accounts payable	2,018,794	4,969,866
Other current liabilities and accrued expenses	(605,555)	500,394
Accrued warranty expense	(93,260)	16,418
Accrued customer rebate	121,564	36,443
Taxes on income	83,200	151,000
Accrued compensation and related taxes	346,665	52,995
TOTAL ADJUSTMENTS	731,822	(2,072,334)
NET CASH PROVIDED BY (USED IN) OPERATING ACTIVITIES	1,528,027	(860,306)

CASH FLOWS FROM INVESTING ACTIVITIES		
Purchases of property, plant and equipment	(405,133)	(422,209)
Proceeds from sales of property, plant and equipment	11,600	
Purchases of investment securities	(600,000)	(1,590,552)
Proceeds from sales of investment securities	3,862,969	1,628,366

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Investment in Affiliate	(10,000,000)	
Principal repayment on notes receivable	--	64,682
	-----	-----
NET CASH USED IN INVESTING ACTIVITIES	(7,130,564)	(319,713)

(Continued)

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CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED) - CONTINUED

	THREE MONTHS ENDED MARCH 31,	
	1997	1996
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	\$ 5,000,000	
Proceeds from exercise of stock options	80,124	\$ 85,360
Payments on long-term debt	(173,206)	(132,779)
Purchase of treasury stock	--	(793,750)
NET CASH PROVIDED BY (USED IN) FINANCING ACTIVITIES	4,906,918	(841,169)
EFFECT OF EXCHANGE RATE CHANGES ON CASH	--	3,175
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(695,619)	2,018,013
CASH AND CASH EQUIVALENTS AT BEGINNING OF PERIOD	4,912,001	5,202,595
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 4,216,382	\$ 3,184,582

SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION: Cash paid for interest was \$256,677 and \$128,664 for the three months ended March 31, 1997 and 1996, respectively. Cash paid for income taxes was \$72,800 and \$465,000 for the three months ended March 31, 1997 and 1996, respectively.

See notes to consolidated financial statements.

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SPARTAN MOTORS, INC.

NOTES TO 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, 1996, included in Form 10-K filed with the Securities and Exchange Commission on March 28, 1997.
- NOTE 2 The accompanying unaudited interim consolidated financial statements reflect all normal and recurring adjustments that are necessary for fair presentation of the financial position as of March 31, 1997, and the results of operations for the three month periods ended March 31, 1997 and 1996.
- NOTE 3 The results of operations for the three month period ended March 31, 1997, 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, 1997	DECEMBER 31, 1996
	-----	-----
Finished goods	\$ 2,322,379	\$ 2,449,406
Raw materials and purchased components	23,076,840	22,057,444
Work in process	384,461	528,667
Obsolescence reserve	(992,000)	(752,000)
	-----	-----
	\$24,791,680	\$24,283,517
	=====	=====

NOTE 5 In January 1997 the Company acquired a 33% interest in Carpenter Industries, Inc. ("Carpenter") for approximately \$10 million. Carpenter is a manufacturer of school bus bodies and chassis. The Company will account for its investment in Carpenter using the equity method of accounting. A summary of Carpenter's balance sheet as of March 31, 1997 and the results of its operations for the three month period ended March 31, 1997 are as follows:

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	MARCH 31, 1997
	-----
	(Unaudited)
Balance Sheet	
Total Assets	\$70,515,503
	=====
Total Liabilities	53,737,837
Stockholders' Equity	16,777,666
Total Liabilities and Equity	70,515,503
	=====
Income Statement	
Revenues	18,652,968
Loss from Operations	(1,918,627)
Net Loss	(2,770,909)

NOTE 6 During the three months ended March 31, 1997, shareholders' equity changed as follows:

Balance at December 31, 1996	\$61,404,620
Net earnings	796,205
Exercise of stock options	70,203
Valuation allowance - investment securities	(122,921)
Balance at March 31, 1997	\$62,148,107
	=====

NOTE 7 At March 31, 1997 the Company has a \$5 million note payable which matures on April 4, 1997. On April 4, 1997, the Company refinanced this note with another lender. The new debt matures on April 3, 2002 and bears interest at .75% above the LIBOR rate. In accordance with Statement of Financial Accounting Standards (SFAS) No. 6 the Company has classified such debt as long-term at March 31, 1997.

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NOTE 8 The Financial Accounting Standards Board has issued SFAS No. 128, "Earnings Per Share." This statement is effective for financial statements issued after December 15, 1997. The statement requires companies to present earnings per share on the face of the income statement in two categories called "Basic" and "Diluted" and requires restatement of all periods presented. The Company will adopt SFAS No. 128 during the fourth quarter of 1997.

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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, 1997 compared to the period ended March 31, 1996. 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 net earnings, on an actual basis, as a percentage of revenues:

	THREE MONTHS ENDED MARCH 31,	
	1997	1996
Revenues	100.0%	100.0%
Cost of Product Sold	84.4	86.8
Gross Profit	15.6	13.2
Operating Expenses	2.4	2.1
Research and development	7.3	7.4
Selling, general, and administrative	5.9	4.2
Income from operations		
Interest Expense	(.6)	(.3)
Other income (expense)	.8	.7
Earnings before taxes and equity in loss of affiliate	6.1	4.6
Equity in loss of affiliate	2.0	--
Taxes on income	2.4	1.6
Net earnings	1.7%	3.0%

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

THREE MONTH PERIOD ENDED MARCH 31, 1997, COMPARED TO THE THREE MONTH PERIOD ENDED MARCH 31, 1996

Revenues for the three months ended March 31, 1997, were \$45.8 million compared to \$47.1 million in 1996, a decrease of 2.8%. The decrease in revenues is primarily attributable to a 42% decline in bus revenues and a 25.1% decline in fire truck revenues. Motorhome revenues, however, increased 18.1%. This change in product mix in combination with continued efforts to reduce production costs led to the 14.9% increase in gross profit. Gross margin as a percent of sales increased 2.4% from 13.2% for the three months ended March 31, 1996 to 15.6% compared to the same period in 1997.

Operating expenses decreased 1.6% in total dollars and as a percentage

of sales from 11.6% for the three months ended March 31, 1996 to 9.7% for the same period in 1997. The decrease came primarily from a 12.9% decline in general and administrative expenses offset by a 11.2% increase in research and development costs and a 3.2% increase in selling expenses.

Interest and other income increased 40.2% compared to the same period in 1996 due to realized gains on investments sold to generate cash for the investment in Carpenter Industries, Inc. ("Carpenter"). Interest expense increased 97.9% due to borrowings necessary to complete the financing of the investment in Carpenter. The \$10 million investment in Carpenter was financed 50% in cash generated from the sale of marketable securities and 50% long-term debt.

The equity in loss of affiliate represents the Company's 33% share of the \$2.7 million recorded by Carpenter for the three months ended March 31, 1997.

Total chassis orders received increased 26.7% during the three months ended March 31, 1997 compared to the same period in 1996. The increase in orders is primarily attributed to the Company's motorhome and bus/specialty product lines. 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, 1997 were produced and delivered by March 31, 1997.

At March 31, 1997, the Company had approximately \$56.1 million in backlog chassis orders compared with a backlog of approximately \$52.9 million for the same period in 1996. While orders in backlog are subject to modification, cancellation or rescheduling by customers, the Company has not experienced significant modification, cancellation or rescheduling of

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## ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS (CONTINUED)

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 three months ended March 31, 1997, cash provided by operating activities was approximately \$1.5 million.

On March 31, 1997, the Company had working capital of \$50.7 million compared to \$54.8 million at December 31, 1996. The current ratio on March 31, 1996 decreased to 4.3 compared with 5.2 on December 31, 1996. The change in working capital was the result of increases in accounts receivable and accounts payable and a decrease in investment securities. Accounts receivable increased approximately \$2.4 million. The increase in accounts payable of approximately \$2 million is primarily temporary timing difference for payments due to the conversion to new software at the end of the quarter.

The Company anticipates that cash generated from operations, the liquidity of short-term investment securities, and its existing credit line will be sufficient to satisfy 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.

Shareholders' equity increased to approximately \$62.1 million as of March 31, 1997. This change is primarily due to the result of net earnings of \$.8 million. The Company's debt to equity ratio increased to 15.1 on March 31, 1997, compared with 8.5 at December 31, 1996 due to the \$5 million of term debt used to finance the investment in Carpenter.

The Company's unsecured line of credit with a bank provides for maximum borrowings of \$15 million at 2% above the 30-day LIBOR, which was 5.45% at March 31, 1997. As of March 31, 1997, 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 March 31, 1997, the Company had outstanding letters of credit totaling \$200,000.

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

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.

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:

EXHIBIT NO.	DOCUMENT
3.1	Spartan Motors, Inc. Restated Articles of Incorporation. 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.
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.
27	Financial Data Schedule.

(b) REPORTS ON FORM 8-K. The Company filed a Form 8-K on January 6, 1997, and filed Amendment No. 1 to Form 8-K on March 31, 1997, regarding the Company's investment in Carpenter Industries, Inc.

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, 1997

By /S/ RICHARD J. SCHALTER  
Richard J. Schalter  
Secretary/Treasurer

(Principal Accounting and Financial  
Officer)

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EXHIBIT INDEX

EXHIBIT NO.	DOCUMENT
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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.
27	Financial Data Schedule.

<ARTICLE>

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<LEGEND> THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE AUDITED CONSOLIDATED FINANCIAL STATEMENTS OF SPARTAN MOTORS, INC. AND SUBSIDIARIES FOR THE PERIOD ENDED MARCH 31, 1997, AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH FINANCIAL STATEMENTS.

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