

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

FORM 10-K

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2005
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 000-13611

SPARTAN MOTORS, INC.
(Exact Name of Registrant as Specified in Its Charter)

Michigan
(State or Other Jurisdiction of
Incorporation or Organization)

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

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

48813
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Securities Exchange Act: None

Securities registered pursuant to Section 12(g) of the Securities Exchange Act:
Common Stock, \$.01 Par Value
(Title of Class)

Indicate by check mark whether the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.

Yes No X
_____ _____

Indicate by check mark whether the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act.

Yes No X
_____ _____

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer" and "large accelerated filer" in Rule 12b-2 of the Exchange Act. (Check One):

Large accelerated filer _____ Accelerated Filer Non-accelerated filer _____

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2).

Yes _____ No

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant, based on the last sales price of such stock on The NASDAQ Stock Market on June 30, 2005, the last business day of the registrant's most recently completed second fiscal quarter: \$123,924,347.

The number of shares outstanding of the registrant's Common Stock, \$.01 par value, as of February 20, 2006: 12,650,781 shares

Documents Incorporated by Reference

Portions of the definitive proxy statement for the registrant's May 24, 2006 annual meeting of shareholders, to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2005, are incorporated by reference in Part III.

FORWARD-LOOKING STATEMENTS

This Form 10-K contains statements that are not historical facts. These statements are called "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. These statements involve important known and unknown risks, uncertainties and other factors and can be identified by phrases using "estimate," "anticipate," "believe," "project," "expect," "intend," "predict," "potential," "future," "may," "will," "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. These statements are not guarantees of future performance and involve certain risks, uncertainties and assumptions ("Risk Factors") that are difficult to predict with regard to timing, extent, likelihood and degree of occurrence. Therefore, actual results and outcomes may materially differ from what may be expressed or forecasted in such forward-looking statements.

Risk Factors include, but are not limited to, the risk factors listed and more fully described in Item 1A, "Risk Factors", as well as risk factors that we have discussed in previous public reports and other documents filed with the Securities and Exchange Commission. This list provides examples of factors that could affect the results described by forward-looking statements contained in this Form 10-K. However, this list is not intended to be exhaustive; many other factors could impact our business and it is impossible to predict with any accuracy which factors could result in negative impacts. Other Risk Factors exist, and new Risk Factors emerge from time to time that may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, although we believe that the forward-looking statements contained in this Form 10-K are reasonable, we cannot provide you with any guarantee that the anticipated results will be achieved. All forward-looking statements in this Form 10-K are expressly qualified in their entirety by the cautionary statements contained in this section and investors should not place undue reliance on forward-looking statements as a prediction of actual results. The Company undertakes no obligation to update or revise any forward-looking statements to reflect developments or information obtained after the date of this letter.

PART I

Item 1. Business.

General

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

The Company is known as a world leading, niche market engineer and manufacturer in the heavy duty, custom vehicles marketplace. During 2005, the Company had four wholly owned subsidiaries: Spartan Motors Chassis, Inc., located at the corporate headquarters in Charlotte, Michigan ("Spartan Chassis"); Crimson Fire, Inc., headquartered in Brandon, South Dakota with a service facility in Talladega, Alabama ("Crimson"); Crimson Fire Aerials, Inc., located in Lancaster, Pennsylvania ("Crimson Aerials"); and Road Rescue, Inc., located in Marion, South Carolina ("Road Rescue").

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

The Company's business strategy is to further diversify product lines and develop innovative design, engineering and manufacturing expertise in order to be the best value producer of custom vehicle products in both the national and international marketplace. Spartan Chassis sells its custom chassis to three principal markets: fire truck,

motorhome and specialty vehicles. Spartan Chassis focuses on certain custom niches within its three principal markets and believes that opportunities for growth remain strong for custom-built chassis and vehicles in each market.

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

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

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

The Company's Segments

The Company is organized into two operating segments, the Chassis Group and the Emergency Vehicle Team ("EVTeam"). For certain financial information related to each segment, see Note 13, *Business Segments*, of the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K.

Chassis Group

The Chassis Group consists of Spartan Chassis. Sales by the Chassis Group made up 85.8%, 87.7% and 83.3% of the Company's consolidated sales for the years ended December 31, 2005, 2004 and 2003, respectively. Approximately ninety-eight percent of the components used by the Chassis Group to manufacture its products are commercially available products purchased from outside suppliers. This strategy allows the Chassis Group, and its OEM customers and end-users, to service finished products with ease, control production costs and expedite the development of new products. The Chassis Group manufactures chassis only upon receipt of confirmed purchase orders; thus, it does not have significant amounts of completed product inventory. The Chassis Group markets its products throughout the U.S. and Canada.

The Chassis Group has extensive engineering experience in creating chassis for vehicles that perform specialized tasks. The Chassis Group engineers, manufactures and markets chassis for fire trucks, motorhomes and specialty applications such as trolleys, utility trucks and crash-rescue vehicles. As a specialized chassis producer, the Chassis Group believes that it holds a unique position for continued growth due to its engineering reaction time, manufacturing expertise and flexibility. This allows the Chassis Group to profitably manufacture custom chassis with a specialized design that will serve customer needs more efficiently and economically than a standard, commercially-produced chassis. The Chassis Group employed approximately 550 associates in Charlotte, Michigan as of February 20, 2006, of which approximately 520 were full-time.

Fire Truck Chassis

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

The Chassis Group strives to develop innovative engineering solutions to meet customer requirements, and designs new products anticipating the future needs of the marketplace. The Chassis Group monitors the availability of new technology and works closely with its component manufacturers to apply new technology to its products. Over the past few years, there have been several examples of such innovations.

The Chassis Group helped to introduce to the fire truck market vehicle systems and components that incrementally improve the level of safety for all vehicle occupants. The Chassis Group was the first to introduce roll stability control, which helps maintain vehicle stability and aids in reducing vehicle rollovers. Other safety systems include side roll protection, a side air bag and seat pretension system; the seatbelt sensor system that indicates unbuckled seatbelts, and the all-belts-to-seat system with shock-absorbent seats and prominent red-colored seatbelts. The cab is constructed with 4-inch I-beam roof supports that surpass certified independent third party ECE-R29 static load tests. The Chassis Group was also one of the first to introduce Independent Front Suspension on fire truck chassis, and adapted multiple systems to meet the breadth of emergency rescue vehicle applications. The newest safety vehicle application, the 4x4 feature, enables a lower center of gravity, improving vehicle control, balance and maneuverability. The 4x4 option is available on the complete fire truck vehicle line up. The Chassis Group offers a specialized Low-Profile 4x4 vehicle with lower, wider steps, and taller, wider doors, which serve to facilitate quick entry and egress, especially convenient for fire fighters who are weighed down in full gear.

Motorhome Chassis

The Chassis Group custom manufactures chassis to the individual specifications of its motorhome chassis OEM customers. These specifications vary based on specific interior and exterior design specifications, power requirements, horsepower and electrical needs of the motorhome bodies to be attached to the Spartan chassis. The Chassis Group's motorhome chassis are separated into four major product series: (1) the "NVS" series chassis; (2) the "Mountain Master" series chassis; (3) the "K-2" series chassis; and (4) the "K3" series chassis. These motorhome chassis are generally distinguished by differences in allowable vehicle weight, length, gross vehicle weight, engines, options and price. The Chassis Group designs and engineers modifications to these four basic product groups to meet customer requirements and adapt the chassis to each OEM's specific manufacturing process. The Chassis Group continually seeks to develop innovative engineering solutions to customer requirements and strives to anticipate future market needs and trends by working closely with the OEMs and listening to the end users.

In 2000, the Chassis Group developed a new motorhome chassis, the Me2, which is a mid-engine chassis featuring a rear-lift deck. This revolutionary design provides the OEM a significant opportunity in floor plan flexibility and provides enhanced ride and handling for the driver. The rear-lift deck, or traveling garage, provides extra storage space for bicycles, ATVs, canoes and other "toys" that complement the RV lifestyle. The innovative mid-engine design is now available on the entry-level diesel motorhome chassis.

Specialty Vehicle Chassis

The Chassis Group continues to develop specialized chassis and actively seeks additional applications of its existing products and technology in the specialty vehicle market. During 2005 the Company obtained a contract for the manufacture of specialized chassis for the Cougar armored vehicle for use by the United States armed forces. The Company believes that this specialty product group continues to have strong sales growth potential in the world marketplace. With its experience in manufacturing chassis for cement mixers, trolleys, utility trucks, crash and rescue vehicles and other specialty uses, the Company believes it is well positioned to continue to take advantage of opportunities in this market.

EVTeam

The Company's EVTeam consists of its three wholly owned subsidiaries, Crimson, Crimson Aerials and Road Rescue. Crimson and Road Rescue engineer and manufacture emergency vehicles built on chassis platforms purchased from either the Chassis Group or outside sources. Crimson Aerials engineers and manufactures aerial ladder components for fire trucks. The EVTeam members manufacture products only upon receipt of confirmed purchase orders; thus they do not have significant amounts of completed product inventory. The EVTeam employed approximately 350 associates as of February 20, 2006.

Crimson Fire, Inc.

Crimson engineers, manufactures and markets its custom and commercial fire apparatus products through a network of dealers throughout North America. Crimson's product lines include pumper and aerial fire apparatus, heavy- and light-duty rescue units, tankers and quick attack units. Created by the merger on January 1, 2003 of two of the Company's wholly owned subsidiaries - Luverne Fire Apparatus, Ltd. and Quality Manufacturing, Inc. (two of the industry's oldest brands) - the new Crimson Fire brand builds on more than 130 years of heritage. Crimson is recognized in the industry for its innovative design and engineering. Crimson's signature features - such as Tubular Stainless Steel body structure, Vibra-Torq™ mounting system, exclusive Trix-Max™ body frame and Smart Access pump panels - are designed to offer the safety, reliability and durability that firefighters need to get the job done again and again. As part of Crimson's growth initiative, expanding the Company's product offerings to include an aerial component line, through Crimson Aerials, was imperative to strengthening the sales ability of its existing dealers and for attracting new dealers. As of February 20, 2006 Crimson employed approximately 160 associates at its headquarters in Brandon, South Dakota and a service facility in Talladega, Alabama.

Crimson Fire Aerials, Inc.

Crimson Aerials engineers, manufactures and markets aerial ladder components for fire trucks at its headquarters in Lancaster, Pennsylvania and employed approximately 30 associates as of February 20, 2006. The Company began operations in the later half of 2003 and has developed a full line of aerial components. Crimson Aerials introduced its first models in 2004 and is poised to produce the next generation of aerial devices in terms of technology, operation and service. Crimson Aerials currently sells its products to only Crimson Fire, Inc.

Road Rescue, Inc.

Road Rescue engineers, manufactures and markets a complete line of premium, custom advanced-care ambulances and rescue vehicles at its headquarters in Marion, South Carolina. At the start of 2003, Road Rescue also had operations in St. Paul, Minnesota, but that facility was closed prior to the end of 2003 and the operations were consolidated to the Marion, South Carolina facility. Road Rescue is a market leader in the design and manufacturing of Type I and Type III high-performance, modular ambulances that fit all emergency transport requirements and offer the latest in technology. These vehicles are built with safety, performance and ease-of-maintenance in mind. Vehicles such as the UltraMedic Type III offer a glimpse at the ambulance of the future - complete with smart displays, smart glass and a variety of other high-tech features. Road Rescue markets its products through a dealer network throughout the United States and Canada. Road Rescue employed approximately 160 associates as of February 20, 2006.

Marketing

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

In 2005, representatives from the Company attended trade shows, rallies and expositions throughout North America to promote its products. Trade shows provide the opportunity to display products and to meet directly with OEMs who purchase chassis, dealers who sell finished vehicles and consumers who buy the finished products. Participation in these events also allows the Company to better identify what customers and end-users are looking for in the future. The Company uses these events to create a competitive advantage by relaying this information back to its research and development engineering groups for future development purposes.

The Company's sales and marketing team is responsible for marketing its manufactured goods and producing product literature. The sales group consists of 25 salespeople based in Company locations in Charlotte, Michigan;

Brandon, South Dakota; Marion, South Carolina; Talladega, Alabama; and Lancaster, Pennsylvania; and 15 additional salespeople located throughout North America.

Competition

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

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

Manufacturing

The Chassis Group has four principal assembly facilities in Charlotte, Michigan for its custom chassis products. Due to the custom nature of its business, the Company's chassis cannot be manufactured efficiently on automated assembly lines. Generally, the Chassis Group designs, engineers and assembles its specialized heavy-duty truck chassis using commercially available components purchased from outside suppliers rather than producing components internally. This approach facilitates prompt serviceability of finished products, reduces production costs, expedites the development of new products and reduces the potential of costly down time for the end-user.

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

As the Company's orders have continued to increase, it has experienced an increased need for manufacturing facilities. Certain of its current assembly facilities are operating at levels close to their maximums. The Company has the opportunity to expand its assembly facilities, as its locations have land available for this purpose. In February 2006, the Company's Board of Directors approved the renovation and expansion of one of its manufacturing facilities in Charlotte, Michigan. When complete, this new space will provide the company with an opportunity to increase its chassis production.

Suppliers

The Company is dedicated to establishing long-term and mutually beneficial relationships with its suppliers. Through these relationships, the Company benefits from new innovations, higher quality, reduced lead times, smoother/faster manufacturing ramp-up of new vehicle introductions and lower total costs of doing business. The combined buying power of the Company's subsidiaries and a corporate supply management initiative allow the Company to benefit from economies of scale and to focus on a common vision.

Components for the Company's products are generally available from a number of suppliers. The Company maintains an extensive qualification, on-site inspection, assistance, and performance measurement system to control risks associated with reliance on suppliers. The Company has not experienced any significant shortages of raw materials and normally does not carry inventories of such raw materials in excess of those reasonably required to meet production and shipping schedules. In December of 2003, the U.S. government repealed certain trade

protective measures that had been in place with respect to steel. During 2005, Spartan Motors, Inc. continued to experience steel surcharge costs. These costs, however, are passed onto the Company's customers whenever possible. The Company continues to purchase steel under a sales agreement as appropriate to help to mitigate the risk of supply and cost issues. However, there can be no assurance that there will be no steel cost or supply issues over the long-term.

Research and Development

The Company's success depends on its ability to respond quickly to changing market demands and new regulatory requirements. Thus, it emphasizes research and development and commits significant resources to develop and adapt new products and production techniques. The Company devotes a portion of its facilities to research and development projects and focuses on implementing the latest technology from component manufacturers into existing products and manufacturing prototypes of new product lines. The company spent \$9.4 million, \$7.9 million and \$7.1 million on research and development in 2005, 2004 and 2003, respectively.

Product Warranties

The Company's subsidiaries all provide limited warranties against assembly/construction defects. These warranties generally provide for the replacement or repair of defective parts or workmanship for a specified period following the date of sale. The end-users also may receive limited warranties from suppliers of components that are incorporated into the Company's chassis and vehicles. For more information concerning the Company's product warranties, see Note 11, *Commitments and Contingent Liabilities*, of the Notes to Consolidated Financial Statements appearing in this Form 10-K.

Patents, Trademarks and Licenses

The Company has five United States patents which include rights to the design and structure of chassis and certain peripheral equipment and has two pending patent applications. The existing patents will expire on various dates from 2006 through 2022 and all are subject to payments of required maintenance fees. The Company also owns one United States copyright registration, one United States trademark registration, and two United States service mark registrations, as well as one trademark registration in each of Mexico, New Zealand, Peru and Papua New Guinea. The trademark and service mark registrations are generally renewable under applicable laws, subject to payment of required fees and the filing of affidavits of use.

The Company believes its products are identified by the Company's trademarks and that its trademarks are valuable assets to both of its business segments. The Company is not aware of any infringing uses or any prior claims of ownership of its trademarks that could materially affect its business. It is the policy of the Company to pursue registration of its primary marks whenever possible and to vigorously defend its patents, trademarks and other proprietary marks against infringement or other threats to the greatest extent practicable under applicable laws.

Environmental Matters

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

Associates

The Company and its subsidiaries employed approximately 920 associates as of February 20, 2006, of which approximately 890 are full-time. Management presently considers its relations with associates to be positive.

Customer Base

In 2005, the Company's customer base included two major customers, both of which were customers of the Chassis Group. Sales in 2005 to Newmar Corp. ("Newmar") were \$83.4 million and sales to Fleetwood Motor Homes of Indiana, Inc. ("Fleetwood") were \$75.5 million. These numbers compare to 2004 sales of \$92.1 million to Newmar,

and \$68.6 million to Fleetwood. 2003 sales included sales of \$62.1 million to Newmar, \$25.8 million to Fleetwood and \$26.3 million to a third major customer. Sales to customers classified as major amounted to 46.3%, 51.5% and 48.1% of total revenues in 2005, 2004 and 2003, respectively.

In March of 2005, the Company announced that Fleetwood was not renewing its agreement with the Company for the Company to supply entry-level chassis for Fleetwood's 2006 model-year products, which resulted in the loss of certain business beginning in the third quarter of 2005. Sales of these entry-level chassis represented approximately 5.8% and 10.7% of the Company's consolidated net sales in 2005 and 2004, respectively. Although the loss of a major customer such as Newmar or Fleetwood could have a material adverse effect on the Chassis Group and its future operating results, the Company believes that it has developed strong relationships with its customers.

Sales made to external customers outside the United States were \$6.9 million, \$5.2 million and \$2.7 million for the years ended December 31, 2005, 2004 and 2003, respectively, or 2.0%, 1.7% and 1.1%, respectively, of sales for those years. All of the Company's long-lived assets are located in the United States.

Backlog Orders

At December 31, 2005, the Company had backlog orders for the Chassis Group of approximately \$96.9 million, compared with a backlog of \$61.6 million at December 31, 2004. At December 31, 2005, the Company had backlog orders for the EVTeam of \$70.9 million, compared with a backlog of \$56.0 million at December 31, 2004. The Company expects to fill all of the backlog orders at December 31, 2005 during 2006.

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

Available Information

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

Item 1A. Risk Factors.

Any negative change in the Company's relationship with its major customers could have significant negative effects on revenues and profits.

The Company's financial success is directly related to the willingness of its customers to continue to purchase its products. Failure to fill customers' orders in a timely manner could harm the Company's relationships with its customers. Furthermore, if either of the Company's major customers experience a significant downturn in its business, or fails to remain committed to the Company's products or brands, then these customers may reduce or discontinue purchases from the Company, which could have an adverse effect on the Company's business, results of operations and financial condition. The Company has two customers that accounted for 46.3% of its total annual sales in 2005 - any negative change in the Company's relationship with either of them or the orders placed by either of them could significantly affect the Company's revenues and profits.

Fuel shortages, or higher prices for fuel, could have a negative effect on sales.

Gasoline or diesel fuel is required for the operation of motorhomes, fire trucks, aerial ladders and ambulances. Particularly in view of increased international tensions and increased global demand for oil, there can be no assurance that the supply of these petroleum products will continue uninterrupted, that rationing will not be

imposed or that the price of or tax on these petroleum products will not significantly increase in the future. Increases in gasoline and diesel prices and speculation about potential fuel shortages have had an unfavorable effect on consumer demand for motorhomes from time to time in the past, which then had a material adverse effect on sales volume, and may do so in the future. Increases in the price of oil also can result in significant increases in the price of many of the components in our products, which may have a negative impact on margins or sales volumes.

When we introduce new products we may incur expenses that we did not anticipate, such as recall expenses, resulting in reduced earnings.

The introduction of new products is critical to our future success. We have additional costs when we introduce new products, such as initial labor or purchasing inefficiencies, but we may also incur unexpected expenses. For example, we may experience unexpected engineering or design flaws that will force a recall of a new product. In addition, we may make business decisions that include offering incentives to stimulate the sales of products not adequately accepted by the market, or to stimulate sales of older or obsolete products. The costs resulting from these types of problems could be substantial and have a significant adverse effect on our earnings.

If there is a rise in the frequency and size of product liability, warranty and other claims against us, including wrongful death claims, our business, results of operations and financial condition may be harmed.

We are frequently subject, in the ordinary course of business, to litigation involving products liability and other claims, including wrongful death claims, against us related to personal injury and warranties. We partially self-insure our product liability claims and purchase excess product liability insurance in the commercial insurance market. We cannot be certain that our insurance coverage will be sufficient to cover all future claims against us. Any increase in the frequency and size of these claims, as compared to our experience in prior years, may cause the premiums that we are required to pay for such insurance to rise significantly. It may also increase the amounts we pay in punitive damages, which may not be covered by our insurance.

Increased costs, including costs of component parts and labor costs, potentially impacted by changes in labor rates and practices, could reduce our operating income.

Our results of operations may be significantly affected by the availability and pricing of manufacturing components and labor, as well as changes in labor rates and practices. Increases in raw materials used in our products could affect the cost of our supply materials and components too, as the rising steel and aluminum prices have impacted the cost of certain of the Company's manufacturing components. Although we attempt to mitigate the effect of any escalation in components and labor costs by negotiating with current or new suppliers and by increasing productivity or, where necessary, by increasing the sales prices of our products, we cannot be certain that we will be able to do so without it having an adverse impact on the competitiveness of our products and, therefore, our sales volume. If we cannot successfully offset increases in our manufacturing costs, this could have a material adverse impact on our margins, operating income and cash flows. Our profit margins may decrease if prices of purchased component parts or labor rates increase and we are unable to pass on those increases to our customers. Even if we were able to offset higher manufacturing costs by increasing the sales prices of our products, the realization of any such increases often lags behind the rise in manufacturing costs, especially in our operations, due in part to our commitment to give our customers and dealers price protection with respect to previously placed customer orders.

We depend on a small group of suppliers for some of our components, and the loss of any of these suppliers could affect our ability to obtain components at competitive prices, which would decrease our sales or earnings.

Most chassis, fire truck, aerial ladder and ambulance commodity components are readily available from a variety of sources. However, a few proprietary or specialty components are produced by a small group of quality suppliers that have the capacity to support our requirements. Changes in our relationships with these suppliers, shortages, production delays or work stoppages by the employees of such suppliers could have a material adverse effect on our ability to timely manufacture our products and secure sales. If we cannot obtain an adequate chassis supply, this could result in a decrease in our sales and earnings.

Amendments of the regulations governing our businesses could have a material impact on our operations.

Our manufactured products are subject to extensive federal and state regulations. Amendments to any of these regulations and the implementation of new regulations could significantly increase the costs of manufacturing, purchasing, operating or selling our products and could have a material adverse effect on our results of operations.

Our failure to comply with present or future regulations could result in fines, potential civil and criminal liability, suspension of sales or production, or cessation of operations. In addition, a major product recall could have a material adverse effect on our results of operations.

Certain U.S. tax laws currently afford favorable tax treatment for the purchase and sale of recreational vehicles that are used as the equivalent of second homes. These laws and regulations have historically been amended frequently, and it is likely that further amendments and additional regulations will be applicable to us and our products in the future. Amendments to these laws and regulations and the implementation of new regulations could have a material adverse effect on our results of operations.

Our operations are subject to a variety of Federal and state environmental regulations relating to noise pollution and the use, generation, storage, treatment, emission and disposal of hazardous materials and wastes. Although we believe that we are currently in material compliance with applicable environmental regulations, our failure to comply with present or future regulations could result in fines, potential civil and criminal liability, suspension of production or operations, alterations to the manufacturing process, costly cleanup or capital expenditures. For example, laws mandating greater fuel efficiency and the heightened emission standards that take effect in 2007 could increase our research and development costs, increase the cost of components necessary for production and lead to the temporary unavailability of engines.

Failure to maintain effective internal controls in accordance with Section 404 of the Sarbanes-Oxley Act could have an adverse effect on our business and stock price.

Section 404 of the Sarbanes-Oxley Act requires us to evaluate annually the effectiveness of our internal controls over financial reporting as of the end of each fiscal year and to include a management report assessing the effectiveness of our internal controls over financial reporting in our annual report on Form 10-K. Section 404 also requires our independent registered public accounting firm to attest to, and report on, management's assessment of our internal controls over financial reporting. If we fail to maintain the adequacy of our internal controls, as such standards are modified, supplemented or amended from time to time, we cannot assure you that we will be able to conclude in the future that we have effective internal controls over financial reporting in accordance with Section 404. If we fail to maintain a system of effective internal controls, it could have an adverse effect on our business and stock price.

Businesses are cyclical and this can lead to fluctuations in operating results.

The industries in which we operate are highly cyclical and there can be substantial fluctuations in our manufacturing shipments and operating results, and the results for any prior period may not be indicative of results for any future period. Companies within these industries are subject to volatility in operating results due to external factors such as economic, demographic and political changes. Factors affecting the manufacture of chassis, fire trucks, aerial ladders and ambulances include:

- interest rates and the availability of financing;
- commodity prices;
- unemployment trends;
- international tensions and hostilities;
- general economic conditions;
- overall consumer confidence and the level of discretionary consumer spending;
- dealers' and manufacturers' inventory levels; and
- fuel availability and prices.

General economic conditions.

The effect of new or amended laws or regulations on the Company, our industry or the economy as a whole: such laws and regulations could cause an industry-wide market decline or affect the Company due to our inability to compete with other companies that are unaffected by these laws, regulations or policies.

Concerns regarding acts of terrorism, the war in Iraq and subsequent events have created significant global economic and political uncertainties that may have material and adverse effects on consumer demand (particularly the motorhome market), shipping and transportation and the availability of manufacturing components.

Changes in economic conditions, including changes in interest rates, financial market performance and industry-specific factors could 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 could impact only those parts of the economy upon which we rely in a unique fashion, including, for example, the introduction of trade barriers that impact our attempts to expand in North America.

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

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

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

Spartan Motors, Inc., Spartan Motors Chassis, Inc.	Plant IV - 1549 Mikesell Street Charlotte, Michigan	Manufacturing, Accounting, Receiving, Service Parts, Purchasing, Customer Service, Warehousing	Owned	140,000
Spartan Motors Chassis, Inc.	Plant VII - 1111 Mikesell Street Charlotte, Michigan	Warehousing, Receiving	Leased	42,000
Crimson Fire, Inc.	907 7 th Ave. North Brandon, South Dakota	General Offices, Manufacturing, Warehousing	Owned	32,000
Crimson Fire, Inc.	1209 E. Birch Street Brandon, South Dakota	General Offices, Manufacturing, Warehousing	Leased	35,000
Crimson Fire, Inc.	1420 Nimitz Avenue Talladega, Alabama	General Offices, Service, Warehousing	Owned	65,000
Crimson Fire Aerials, Inc.	1828 Freedom Road Lancaster, Pennsylvania	General Offices, Manufacturing, Warehousing	Leased	33,600
Road Rescue, Inc.	2914 Spartan Place Marion, South Carolina	General Offices, Manufacturing, Warehousing	Owned	106,000

Item 3. Legal Proceedings.

At December 31, 2005, the Company and its subsidiaries were parties, both as plaintiff or defendant, to a number of lawsuits and claims arising out of the normal conduct of their businesses. In the opinion of management, the Company's financial position, future operating results and cash flows will not be materially affected by the final outcome of these legal proceedings.

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

During the fourth quarter of 2005, no matters were submitted to a vote of security holders, through the solicitation of proxies or otherwise.

PART II

Item 5. Market For Registrant's Common Stock, Related Shareholder Matters, and Issuer Purchases of Equity Securities.

The Company's common stock is traded on the National Market System of the NASDAQ Stock Market under the symbol "SPAR."

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

	<u>High</u>	<u>Low</u>
Year Ended December 31, 2005:		
First Quarter	\$ 12.250	\$ 9.880
Second Quarter	11.490	8.620
Third Quarter	12.570	10.210
Fourth Quarter	10.780	9.500
Year Ended December 31, 2004:		
First Quarter	\$ 11.190	\$ 9.750
Second Quarter	12.480	10.580
Third Quarter	14.400	11.320
Fourth Quarter	14.850	9.670

In 2005, the Company declared cash dividends of \$0.11 per outstanding share on April 28, 2005 to shareholders of record on May 14, 2005 and \$0.11 per outstanding share on November 7, 2005 to shareholders of record on November 15, 2005. On November 7, 2005, a special one-time \$0.04 dividend was announced for shareholders of record on November 15, 2005. In 2004, the Company declared cash dividends of \$0.08 per outstanding share on April 28, 2004 to shareholders of record on May 14, 2004 and \$0.14 per outstanding share on October 28, 2004 to shareholders of record on November 15, 2004.

The number of shareholders of record (excluding participants in security position listings) of the Company's common stock on February 21, 2006 was 574.

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

Issuer Purchases of Equity Securities

A summary of the Company's purchases of its common stock during the fourth quarter of fiscal year 2005 is as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Number of Shares that May Yet Be Purchased Under the Plans or Programs(1)
Oct. 1, 2005 to Oct. 31, 2005	--	--	--	500,000 shares
Nov. 1, 2005 to Nov. 30, 2005	--	--	--	500,000 shares
Dec. 1, 2005 to Dec. 31, 2005	--	--	--	500,000 shares
Total	--	\$ --	--	500,000 shares

- On April 26, 2005, the Board of Directors authorized management to repurchase, over the course of the subsequent 12-month period, up to a total of 500,000 shares of its common stock in open market transactions. The program is currently set to expire April 26, 2006. The Company repurchased no shares through December 31, 2005. Repurchase of common stock is contingent upon market conditions. If the Company were to repurchase the 500,000 shares of stock under the repurchase program, they would cost the Company approximately \$5.3 million based on the sales price of the Company's stock on February 21, 2006. The Company believes that it has sufficient cash reserves to fund this stock buyback.

Item 6. Selected Financial Data.

The selected financial data shown below for the Company for each of the five years in the period ended December 31, 2005 has been derived from the Consolidated Financial Statements of the Company. The following data should be read in conjunction with the Consolidated Financial Statements and related Notes thereto and "Management's Discussion and Analysis of Financial Condition and Results of Operations" included in this Form 10-K.

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

	2005	2004	2003	2002	2001
Sales	\$ 343,007	\$ 312,270	\$ 237,372	\$ 259,527	\$ 226,263
Cost of products sold	294,232	270,891	202,524	213,530	189,478
Gross profit	48,775	41,379	34,848	45,997	36,785
Operating expenses:					
Research and development	9,431	7,943	7,070	7,152	6,210
Selling, general and administrative	26,693	24,451	21,604	21,531	19,637
Operating income	12,651	8,985	6,174	17,314	10,938
Other income/(expense), net	718	209	(429)	90	(1,038)
Earnings from continuing operations before taxes on income	13,369	9,194	5,745	17,404	9,900
Taxes on income	5,077	3,312	1,305	5,969	3,885
Net earnings from continuing operations (1)	8,292	5,882	4,440	11,435	6,015
Discontinued operations:					
Gain on disposal of Carpenter	--	--	1,609	269	116
Net earnings (1)	\$ 8,292	\$ 5,882	\$ 6,049	\$ 11,704	\$ 6,131
Basic earnings per share (1):					
Net earnings from continuing operations	\$ 0.66	\$ 0.48	\$ 0.37	\$ 1.00	\$ 0.57
Net earnings from discontinued operations	--	--	0.13	0.02	0.01
Basic earnings per share	\$ 0.66	\$ 0.48	\$ 0.50	\$ 1.02	\$ 0.58
Diluted earnings per share (1):					
Net earnings from continuing operations	\$ 0.65	\$ 0.46	\$ 0.36	\$ 0.95	\$ 0.57
Net earnings from discontinued operations	--	--	0.13	0.02	0.01
Diluted earnings per share	\$ 0.65	\$ 0.46	\$ 0.49	\$ 0.97	\$ 0.58
Cash dividends per common share	\$ 0.26	\$ 0.22	\$ 0.20	\$ 0.16	\$ 0.07
Basic weighted average common shares Outstanding	12,557	12,351	12,123	11,492	10,561
Diluted weighted average common shares Outstanding	12,808	12,743	12,434	12,013	10,616
Balance Sheet Data:					
Net working capital	\$ 50,676	\$ 43,953	\$ 40,136	\$ 35,290	\$ 29,190
Total assets	123,208	106,913	91,382	88,312	77,612
Long-term debt, continuing operations	1,317	140	--	--	9,400
Shareholders' equity	72,602	67,511	61,120	56,434	36,912

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

The five-year summary above should be read in conjunction with Note 12, *Discontinued Operations*, of the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K.

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

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

Results of Operations

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

	Year Ended December 31,		
	2005	2004	2003
Sales	100.0%	100.0%	100.0%
Cost of products sold	85.8%	86.7%	85.3%
Gross profit	14.2%	13.3%	14.7%
Operating expenses:			
Research and development	2.7%	2.5%	3.0%
Selling, general and administrative	7.8%	7.9%	9.1%
Operating income	3.7%	2.9%	2.6%
Other income/(expense), net	0.2%	0.0%	(0.2%)
Earnings from continuing operations before taxes on income	3.9%	2.9%	2.4%
Taxes on income	1.5%	1.0%	0.5%
Net earnings from continuing operations	2.4%	1.9%	1.9%
Discontinued operations:			
Gain on disposal of Carpenter	--	--	0.6%
Net earnings	2.4%	1.9%	2.5%

Year Ended December 31, 2005 compared to Year Ended December 31, 2004

Continuing Operations

For the year ended December 31, 2005, consolidated sales increased \$30.7 million (9.8%) over the amount reported for the previous year. This increase is due to a \$20.2 million (7.4%) increase in Chassis Group sales coupled with \$12.5 million (23.9%) increase in EVTeam sales. Increased sales from the Chassis Group to the EVTeam caused intercompany sales to increase \$2.0 million (14.3%) over the prior year. Intercompany sales are eliminated from the consolidated sales totals.

Within the Chassis Group, the motorhome chassis line had a sales decrease of \$2.7 million (-1.4%) over the 2004 fiscal year. The decrease was due to an overall softening in the motorhome market. High crude oil prices contributed to a drop in consumer confidence levels resulting in lower consumer spending on such items as motorhomes.

The Chassis Group's other primary product line, fire trucks, had an increase of \$10.7 million (14.4%) in sales for the year ended December 31, 2005 over the year ended December 31, 2004. As the increase in sales indicates, the fire truck market continues to be strong in 2005. The focus of fire departments is to ensure their equipment is sufficient to respond to the variety of emergencies that are on their growing list of responsibilities.

The increase in EVTeam sales for 2005 was a result of increases at Crimson Fire of \$4.8 million, at Road Rescue of \$6.3 million and at Crimson Fire Aerial of \$1.4 million. The increase at Road Rescue was due to the production ramp-up at Road Rescue to a higher run rate in 2005. Crimson Fire Aerials sold its first units in 2004, as it was a newly formed corporation in 2003, and contributed \$2.2 million to 2005 consolidated sales. Crimson Fire's sales were temporarily affected during 2004 by its decision to move production of its E-series product from its Alabama facility to South Dakota and the construction and set-up of its new, more efficient plant in South Dakota. As a result of completing this manufacturing transition, net sales in 2005 were favorably affected.

Gross margin increased from 13.3% in 2004 to 14.2% in 2005. Primary drivers for the gross margin increase were increased fire truck chassis sales, the new Cougar military contract chassis sales and increased sales volume for the EVTeam. Also contributing to the increase in gross margin in 2005 were improved production efficiencies at Chassis and Crimson Fire and a full year of production at Crimson Fire Aerials, where production had been in the ramp-up phase in 2004.

Operating expenses increased by \$3.7 million (11.5%) from fiscal year 2004, mostly to support the increase in sales discussed above. Operating expenses as a percentage of sales increased from 10.4% for the year ended December 31, 2004 to 10.5% for the year ended December 31, 2005. The percentage increase was due primarily to an increase in certain research and development expenses to support the new Me2 motorhome chassis.

The increase in the Company's income taxes from \$3.3 million in 2004 to \$5.1 million in 2005 is primarily due to increased earnings before taxes in 2005 when compared to 2004. The effective tax rate was 38.0% in 2005 as compared to 36.0% in 2004. The increase in the effective tax rate was due primarily to higher state taxes in 2005 versus 2004. See Note 6, *Taxes on Income*, of the Notes to Consolidated Financial Statements for further information regarding income taxes.

Net earnings from continuing operations increased \$2.4 million from \$5.9 million (\$0.46 per diluted share) in 2004 to \$8.3 million (\$0.65 per diluted share) in 2005 as a result of the factors discussed above.

Year Ended December 31, 2004 compared to Year Ended December 31, 2003

Continuing Operations

For the year ended December 31, 2004, consolidated sales increased \$74.9 million (31.6%) over the amount reported for the previous year. This increase is due to a \$76.2 million (38.6%) increase in Chassis Group sales coupled with a \$3.0 million (6.0%) increase in EVTeam sales. Increased sales from the Chassis Group to the

EVTeam caused intercompany sales to increase \$4.3 million (44.2%) over the prior year. Intercompany sales are eliminated from the consolidated sales totals.

Within the Chassis Group, the motorhome chassis line had a sales increase of \$65.8 million (52.2%) over the 2003 fiscal year. The increase was due primarily to an increase in volume, resulting from additional business secured by the Chassis Group from two of its top three customers. Production related to the majority of this additional business began in the middle of the third quarter of 2004. Offsetting some of this market share gain was a softening in motorhome industry sales that began late in the year. Crude oil prices hit record levels, contributing to a drop in consumer confidence levels resulting in lower consumer spending on such items as motorhomes.

The Chassis Group's other primary product line, fire trucks, had an increase of \$10.0 million (15.5%) in sales for the year ended December 31, 2004 over the year ended December 31, 2003. As the increase in sales indicates, the fire truck market was strong in 2004. Fire departments' responsibilities are growing and they need vehicles and equipment that enhance their capability to respond to the variety of emergencies for which they are responsible.

The increase in EVTeam sales for 2004 was a result of increases at Road Rescue of \$2.9 million and at Crimson Fire Aerial of \$0.8 million, offset by lower sales at Crimson Fire of \$0.7 million. The increase at Road Rescue was due to the production ramp-up at Road Rescue to a higher run rate. Crimson Fire Aerials sold its first units in 2004, as it was a newly formed corporation in 2003. Crimson Fire's sales temporarily were affected during 2004 by its decision to move production of its E-series product from its Alabama facility to South Dakota and the construction and set-up of its new, more efficient plant in South Dakota.

Gross margins decreased from 14.7% in 2003 to 13.3% in 2004. This decrease is due to a combination of events. Lower margins were recorded by the Chassis Group resulting from favorable pricing given in conjunction with the additional business from two of its customers in 2004. Also contributing to the decrease in gross margin were production inefficiencies at Crimson Fire and production ramp-up at Crimson Fire Aerials.

Operating expenses increased \$3.7 million between years to support the increase in sales discussed above. However, operating expenses as a percentage of sales decreased from 12.1% for the year ended December 31, 2003 to 10.4% for the year ended December 31, 2004. The percentage decrease was due primarily to the increase in sales levels coupled with a Company focus on keeping the base operating expense level low.

The increase in the Company's income taxes from \$1.3 million in 2003 to \$3.3 million in 2004 is primarily due to increased earnings before taxes in 2004 when compared to 2003. See Note 6, *Taxes on Income*, of the Notes to Consolidated Financial Statements for further information regarding income taxes.

Net earnings from continuing operations increased from \$4.4 million (\$0.36 per diluted share) in 2003 to \$5.9 million (\$0.46 per diluted share) in 2004 as a result of the factors discussed above.

Discontinued Operations

On September 28, 2000, the Company's Board of Directors passed a resolution to cease funding the Company's majority owned subsidiary, Carpenter. Carpenter's Board of Directors then voted September 29, 2000 to begin the orderly liquidation of Carpenter. Because Carpenter was a separate segment of the Company's business, the disposition of Carpenter's net assets was accounted for as a discontinued operation. There was no activity related to Carpenter in 2004. The \$1.6 million gain on disposal of Carpenter in 2003 is a result of the Company's revision of its estimated loss to dispose of the business, based upon final resolution of certain accrued items related to the disposal.

Quarterly Results

The Company's rate of sales growth has varied historically from quarter to quarter. For a description of quarterly financial data, see Note 14, *Quarterly Financial Data (Unaudited)*, of the Notes to Consolidated Financial Statements appearing in this Form 10-K.

Liquidity and Capital Resources

For the year ended December 31, 2005, cash provided from continuing operating activities was \$4.8 million, which was a \$5.5 million change from the \$0.7 million of cash used in continuing operating activities for the year ended December 31, 2004. The cash on hand at December 31, 2004, \$4.8 million provided from continuing operating activities, \$1.5 million in proceeds from the sale of marketable securities, \$0.9 million in payments received on the exercise of stock options and \$1.3 million in proceeds from long-term debt permitted the Company to fund \$2.9 million of equipment purchases, pay dividends of \$3.3 million, purchase \$2.0 million of marketable securities and repurchase \$1.1 million of Company stock. The Company's working capital increased by \$6.7 million from \$44.0 million in 2004 to \$50.7 million in 2005. See the "Consolidated Statements of Cash Flows" appearing in Item 8 of this Form 10-K for further information regarding the decrease in cash and cash equivalents, from \$10.5 million as of December 31, 2004, to \$9.7 million as of December 31, 2005. See the "Five-Year Operating and Financial Summary" table appearing in Item 6 of this Form 10-K for a five-year comparison of net working capital.

Shareholders' equity increased \$5.1 million, from \$67.5 million on December 31, 2004 to \$72.6 million as of December 31, 2005. This change resulted from the \$8.3 million in net comprehensive income of the Company, \$0.1 million from the amortization of unearned compensation and \$1.1 million for the exercise of stock options including the corresponding tax benefit, all of which was offset by \$3.3 million in dividends paid and \$1.1 million for the purchase of Company stock. See the "Consolidated Statements of Shareholders' Equity" appearing in Item 8 of this Form 10-K for further information regarding the changes in shareholders' equity.

On April 26, 2005, the Board of Directors authorized management to repurchase, over the course of the subsequent 12-month period, up to a total of 500,000 shares of its common stock in open market transactions. The program is currently set to expire April 26, 2006. The Company repurchased no shares through December 31, 2005. Repurchase of common stock is contingent upon market conditions. If the Company were to repurchase the 500,000 shares of stock under the repurchase program, they would cost the Company approximately \$5.3 million based on the sales price of the Company's stock on February 21, 2006. The Company believes that it has sufficient cash reserves to fund this stock buyback.

The Company's primary line of credit was refinanced in October, 2005. The refinancing provided the Company with a \$15.0 million line of credit with a revolving note payable to the lending bank, which will expire on May 31, 2007. This line carries an interest rate equal to the Eurodollar rate (applicable Eurodollar rate at December 31, 2005 was 4.69%) plus an applicable margin ranging from 1.00% to 2.50% depending on the level of leverage maintained by the Company. There were no borrowings under this line at December 31, 2005 and 2004. Under the terms of the line of credit agreement, the Company is required to maintain certain financial ratios and other financial conditions. The agreement also prohibits the Company from incurring additional indebtedness, limits certain acquisitions, investments, advances or loans and restricts substantial asset sales. At December 31, 2005, the Company was in compliance with all debt covenants.

The Company also has a secured line of credit of \$0.2 million which carries an interest rate of 1% above the bank's prime rate (prime rate at December 31, 2005 was 7.25%) and is secured by accounts receivable, inventory and equipment. This line of credit will expire on July 1, 2006. There were no borrowings under this line at December 31, 2005 and 2004.

The Company also has two mortgage notes for \$1,250,000 and \$150,000. The mortgage notes carry an interest rate of 3.00%, payable in monthly installments of \$6,933 and \$834, respectively, with the balances due July 1, 2010 and March 1, 2009, respectively. These mortgage notes are secured by real estate and buildings.

In February 2006, the Company's Board of Directors approved the renovation and expansion of one of its manufacturing facilities in Charlotte, Michigan. The project is expected to take less than one year and estimated to cost approximately \$3.5 million and will provide the company with an opportunity to increase its motorhome chassis production. The Company intends to finance this project with internally generated funds.

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. Proceeds from existing credit facilities and anticipated renewals, along with cash flows from operations, are expected to be sufficient to meet capital needs in the foreseeable future.

Off-Balance Sheet Arrangements

The Company has no off-balance sheet arrangements.

Contractual Obligations and Commercial Commitments

The Company's future contractual obligations for agreements including agreements to purchase materials in the normal course of business, are summarized as follows:

Payments Due by Period (\$ - thousands)

	Total	Less Than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Long-term Debt	\$ 1,370	\$ 53	\$ 110	\$ 1,207	\$ --
Leases:					
Capital	--	--	--	--	--
Operating	1,800	516	829	455	--
Purchase obligations	44,258	44,258	--	--	--
Other long-term liabilities	--	--	--	--	--
Total contractual obligations	\$ 47,428	\$ 44,827	\$ 939	\$ 1,662	\$ --

The Company's line of credit discussed above is the Company's only commercial commitment.

Critical Accounting Policies

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

Revenue Recognition - The Company recognizes revenue in accordance with SEC Staff Accounting Bulletin (SAB) No. 104, *Revenue Recognition*. Accordingly, revenue is recognized when title to the product and risk of ownership passes to the buyer. In certain instances, risk of ownership and title passes when the unit has been completed in accordance with purchase order specifications and has been tendered for delivery to the customer. Sales are shown net of returns, discounts and sales incentives, which historically have not been significant. The collectibility of any related receivable is reasonably assured before revenue is recognized.

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

Warranties - The Company's policy is to record a provision for the estimated cost of warranty-related claims at the time of the sale and periodically adjust the provision to reflect actual experience. The amount of warranty liability accrued reflects management's best estimate of the expected future cost of honoring the Company's obligations under the warranty agreements. Historically, the cost of fulfilling the Company's warranty obligations has principally involved: replacement parts, labor and sometimes travel for field retrofit campaigns. The Company's estimates are based on historical experience, the number of units involved and the extent of features and components included in product models. See also Note 11, *Commitments and Contingent Liabilities*, of the Notes to Consolidated Financial Statements included in this 10-K for further information regarding warranties.

New and Pending Accounting Policies

See "New Accounting Standards" in Note 1, *General and Summary of Accounting Policies*, of the Notes to Consolidated Financial Statements included in this Form 10-K.

Effect of Inflation

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

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

The Company's primary market risk exposure is a change in interest rates and the effect of such a change on outstanding variable rate short-term and long-term debt. At December 31, 2005, the Company had no debt outstanding under its variable rate short-term and long-term debt agreements. However, the Company does have the ability to draw on this line of credit, which could result in a potential interest rate risk. Based on the Company's historical borrowings, a change of 1% in interest rates would not have a material adverse effect on the Company's financial position. The Company does not enter into market risk sensitive instruments for trading or other purposes.

The Company does not believe that there has been a material change in the nature or categories of the primary market risk exposures or the particular markets that present the primary risk of loss to the Company. As of the date of this report, the Company does not know of or expect any material changes in the general nature of its primary market risk exposure in the near term. In this discussion, "near term" means a period of one year following the date of the most recent balance sheet contained in this report.

Prevailing interest rates and interest rate relationships are primarily determined by market factors that are beyond the Company's control. All information provided in response to this item consists of forward-looking statements. Reference is made to the section captioned "Forward-Looking Statements" before Part I of this Annual Report on Form 10-K for a discussion of the limitations on the Company's responsibility for such statements.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

	December 31,	
	2005	2004
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 9,702,059	\$ 10,463,454
Marketable securities	1,988,120	1,506,570
Accounts receivable, less allowance for doubtful accounts of \$202,000 in 2005 and \$400,000 in 2004	37,016,549	32,358,950
Inventories	44,265,389	32,441,712
Deferred tax assets	3,745,396	2,939,456
Taxes receivable	989,896	1,956,535
Other current assets	1,948,796	1,548,806
Total current assets	99,656,205	83,215,483
Property, plant and equipment, net	18,478,110	18,238,884
Goodwill	4,543,422	4,543,422
Deferred tax assets	--	870,000
Other assets	530,533	44,921
TOTAL ASSETS	\$ 123,208,270	\$ 106,912,710
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 20,745,549	\$ 19,247,899
Accrued warranty	4,502,772	3,670,761
Accrued compensation and related taxes	4,241,293	3,264,737
Accrued vacation	1,188,692	1,087,414
Deposits from customers	13,640,197	8,588,134
Other current liabilities and accrued expenses	4,608,617	3,397,389
Current portion of long-term debt	52,831	5,713
Total current liabilities	48,979,951	39,262,047
Long-term debt, less current portion	1,317,003	139,545
Deferred tax liabilities	309,000	--
Shareholders' equity:		
Preferred stock, no par value; 2,000,000 shares authorized (none issued)	--	--
Common stock, \$0.01 par value; 23,900,000 shares authorized; issued 12,636,658 shares and 12,532,909 shares as of December 31, 2005 and 2004, respectively	126,367	125,329
Additional paid in capital	37,885,813	36,210,602
Retained earnings	35,447,985	31,182,253
Unearned compensation	(845,969)	--
Accumulated other comprehensive loss	(11,880)	(7,066)
Total shareholders' equity	72,602,316	67,511,118
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 123,208,270	\$ 106,912,710

See Accompanying Notes to Consolidated Financial Statements.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

Year Ended December 31,

	2005	2004	2003
Sales	\$ 343,006,608	\$ 312,270,384	\$ 237,371,906
Cost of products sold	294,231,467	270,891,827	202,523,597
Gross profit	48,775,141	41,378,557	34,848,309
Operating expenses:			
Research and development	9,431,394	7,943,487	7,069,784
Selling, general and administrative	26,693,005	24,450,503	21,604,659
Operating income	12,650,742	8,984,567	6,173,866
Other income/(expense):			
Interest expense	(140,698)	(366,183)	(330,346)
Interest and other income	822,801	551,063	267,783
Miscellaneous, net	36,000	24,277	(366,756)
Earnings from continuing operations before taxes on income	13,368,845	9,193,724	5,744,547
Taxes on income	5,077,000	3,312,000	1,304,500
Net earnings from continuing operations	8,291,845	5,881,724	4,440,047
Discontinued operations:			
Gain on disposal of Carpenter (including applicable income tax benefit of \$1,668,000 in 2003)	--	--	1,609,068
Net earnings	\$ 8,291,845	\$ 5,881,724	\$ 6,049,115
Basic net earnings per share:			
Net earnings from continuing operations	\$ 0.66	\$ 0.48	\$ 0.37
Gain from discontinued operations:			
Gain on disposal of Carpenter	--	--	0.13
Basic net earnings per share	\$ 0.66	\$ 0.48	\$ 0.50
Diluted net earnings per share:			
Net earnings from continuing operations	\$ 0.65	\$ 0.46	\$ 0.36
Gain from discontinued operations:			
Gain on disposal of Carpenter	--	--	0.13
Diluted net earnings per share	\$ 0.65	\$ 0.46	\$ 0.49
Basic weighted average common shares outstanding	12,557,000	12,351,000	12,123,000
Diluted weighted average common shares outstanding	12,808,000	12,743,000	12,434,000

See Accompanying Notes to Consolidated Financial Statements.



SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEAR ENDED DECEMBER 31, 2005, 2004 and 2003

	Number of Shares	Common Stock	Additional Paid In Capital	Retained Earnings	Unearned Compensation	Accumulate Other Comprehensive Loss	Total
Balance at January 1, 2003	12,025,842	\$ 120,258	\$ 30,776,327	\$ 25,537,876	--	--	\$ 56,434,461
Purchase and constructive retirement of stock	(57,065)	(571)	(148,940)	(348,635)	--	--	(498,146)
Stock options exercised and related tax benefit	229,335	2,294	1,601,580	--	--	--	1,603,874
Dividends paid (\$0.20 per share)	--	--	--	(2,469,100)	--	--	(2,469,100)
Net earnings	--	--	--	6,049,115	--	--	6,049,115
Balance at December 31, 2003	12,198,112	\$ 121,981	\$ 32,228,967	\$ 28,769,256	--	--	\$ 61,120,204
Purchase and constructive retirement of stock	(80,000)	(800)	(215,222)	(731,830)	--	--	(947,852)
Stock options exercised and related tax benefit	414,797	4,148	4,196,857	--	--	--	4,201,005
Dividends paid (\$0.22 per share)	--	--	--	(2,736,897)	--	--	(2,736,897)
Comprehensive income:							
Net earnings	--	--	--	5,881,724	--	--	5,881,724
Other comprehensive items:							
Unrealized loss on marketable securities	--	--	--	--	--	(7,066)	(7,066)
Total comprehensive income							5,874,658
Balance at December 31, 2004	12,532,909	\$ 125,329	\$ 36,210,602	\$ 31,182,253	\$ --	(7,066)	\$ 67,511,118
Purchase and constructive retirement of stock	(100,000)	(1,000)	(290,000)	(759,235)	--	--	(1,050,235)
Stock options exercised and related tax benefit	117,499	1,175	1,043,199	--	--	--	1,044,374
Dividends paid (\$0.26 per share)	--	--	--	(3,266,878)	--	--	(3,266,878)
Issuance of restricted stock	86,250	863	922,012	--	(922,875)	--	--
Amortization of unearned compensation					76,906		76,906
Comprehensive income:							
Net earnings	--	--	--	8,291,845	--	--	8,291,845
Other comprehensive items:							
Unrealized loss on marketable securities	--	--	--	--	--	(4,814)	(4,814)
Total comprehensive income							8,287,031
Balance at December 31, 2005	12,636,658	\$ 126,367	\$ 37,885,813	\$ 35,447,985	\$ (845,969)	(11,880)	\$ 72,602,316

See Accompanying Notes to Consolidated Financial Statements.

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

Year Ended December 31,

	2005	2004	2003
Cash flows from operating activities:			
Net earnings from continuing operations	\$ 8,291,845	\$ 5,881,724	\$ 4,440,047
Adjustments to reconcile net earnings from continuing operations to net cash provided by (used in) operating activities:			
Depreciation	2,646,990	2,309,569	2,022,583
Loss on disposal of assets	21,524	76,527	494,400
Tax benefit from stock options exercised	118,000	588,000	384,000
Deferred taxes (credit)	373,060	1,134,391	(178,522)
Amortization of unearned compensation	76,906	--	--
Decrease (increase) in operating assets:			
Accounts receivable	(4,657,599)	(12,754,892)	9,219,127
Inventories	(11,823,677)	(5,853,647)	(1,382,615)
Taxes receivable	966,639	(998,656)	(957,879)
Other assets	(885,602)	(113,639)	(49,333)
Increase (decrease) in operating liabilities:			
Accounts payable	1,497,650	4,181,358	(873,323)
Accrued warranty	832,011	1,132,557	(230,185)
Taxes on income	--	--	(1,412,210)
Accrued compensation and related taxes	976,556	518,620	(1,485,896)
Accrued vacation	101,278	66,977	(196,750)
Deposits from customers	5,052,063	1,791,185	2,698,738
Other current liabilities and accrued expenses	1,211,228	1,303,747	(107,831)
Total adjustments	(3,492,973)	(6,617,903)	7,944,304
Net cash provided by (used in) continuing operating activities	4,798,872	(736,179)	12,384,351
Net cash provided by (used in) discontinued operating activities	--	--	1,907,664
Net cash provided by (used in) operating activities	4,798,872	(736,179)	14,292,015
Cash flows from investing activities:			
Purchases of property, plant and equipment	(2,932,092)	(5,862,739)	(2,151,612)
Proceeds from sale of property, plant and equipment	50,002	21,724	6,100
Purchases of marketable securities	(2,000,000)	(4,313,636)	--
Proceeds from sale of marketable securities	1,487,986	2,800,000	--
Net cash used in investing activities	(3,394,104)	(7,354,651)	(2,145,512)
Cash flows from financing activities:			
Proceeds from long-term debt	1,250,000	150,000	--
Payments on long-term debt	(25,424)	(4,742)	--
Net proceeds from exercise of stock options	926,374	3,613,005	1,219,874
Purchase of treasury stock	(1,050,235)	(947,852)	(498,146)
Payment of dividends	(3,266,878)	(2,736,897)	(2,469,100)
Net cash provided by (used in) financing activities	(2,166,163)	73,514	(1,747,372)
Net increase (decrease) in cash and cash equivalents	(761,395)	(8,017,316)	10,399,131
Cash and cash equivalents at beginning of year	10,463,454	18,480,770	8,081,639
Cash and cash equivalents at end of year	\$ 9,702,059	\$ 10,463,454	\$ 18,480,770

Supplemental disclosures: Cash paid for interest was \$194,000, \$366,000 and \$329,000 for 2005, 2004 and 2003, respectively.

Cash paid for income taxes was \$3,707,000, \$2,758,000 and \$1,968,000 for 2005, 2004 and 2003, respectively.

See Accompanying Notes to Consolidated Financial Statements.

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

NOTE 1 - GENERAL AND SUMMARY OF ACCOUNTING POLICIES

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

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and its four wholly owned subsidiaries: Spartan Chassis, Inc., Crimson Fire, Inc., Crimson Fire Aerials, Inc. and Road Rescue, Inc. Crimson Fire, Inc. was created via the merger of the Company's wholly owned subsidiaries, Luverne Fire Apparatus, Ltd. and Quality Manufacturing, Inc., on January 1, 2003. Carpenter Industries, Inc. ("Carpenter") was formerly a 57.6% owned subsidiary that, effective September 29, 2000, was accounted for as a discontinued operation (see Note 12). All intercompany transactions have been eliminated.

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

Revenue Recognition. The Company recognizes revenue when title to its product passes to the customer. In certain instances, risk of ownership and title passes when production and testing of the product has been completed and the product has been tendered for delivery. Any related receivable is also evaluated for collectibility before revenue is recognized.

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

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

Cash and Cash Equivalents include cash on hand, cash on deposit and money market funds. The Company considers all investments purchased with a maturity of three months or less to be cash equivalents.

Marketable Securities are classified as available-for-sale securities and are reported at fair value, with offsetting adjustments to shareholders' equity, in accordance with SFAS No. 115, *Accounting for Certain Investments in Debt and Equity Securities*. The fair value of marketable securities is determined based on quoted market prices.

Accounts Receivable. The Company performs periodic credit evaluations of its customers' financial condition and generally requires a security interest in the products sold. Receivables generally are due within 30 days and allowances are maintained for potential credit losses. Historically, such losses consistently have been within management's expectations. Past due accounts are written off when collectibility is determined to be no longer forthcoming.

Inventories are stated at the lower of first-in, first-out (FIFO) cost or market. Estimated inventory allowances for slow-moving and obsolete inventory are based upon current assessments about future demands, market conditions and related management initiatives. If market conditions are less favorable than those projected by management, additional inventory allowances may be required.

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

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

During the third quarter of 2004, the Company modified its methodology for recognizing reserves for excess and obsolete inventory to better match required reserves with its specific inventory components. Prior to this change, the Company primarily utilized a general write-off percentage applied to total inventories to calculate required reserves. This methodology had become outdated based on changes in business circumstances that now resulted in a greater proportion of inventory being assigned to specific orders in a current production period. The change in methodology decreased recorded inventory reserves by \$645,000 at the date of revision.

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

Goodwill. The Company applies the provisions of SFAS No. 142, *Goodwill and Other Intangible Assets*, which prohibits the amortization of goodwill and intangible assets with indefinite lives and requires the Company to evaluate these intangibles for impairment on an annual basis. The Company completes its required annual impairment test as of October 1 each year. Based upon the estimated fair values of the Company's reporting units using a discounted cash flows valuation, no goodwill was evaluated as impaired. The goodwill of the Company all relates to the EVTeam business segment.

Warranties. The Company's policy is to record a provision for the estimated cost of warranty-related claims at the time of the sale, and periodically adjust the provision to reflect actual experience. The amount of warranty liability accrued reflects management's best estimate of the expected future cost of honoring the Company's obligations under the warranty agreements. The Company's estimates are based on historical experience, the number of units involved and the extent of features and components included in product models. See Note 11, *Commitments and Contingent Liabilities*, for further information regarding warranties.

Taxes on Income. The Company accounts for income taxes in accordance with SFAS No. 109, "*Accounting for Income Taxes*" which requires that deferred tax assets and liabilities be recognized using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. SFAS No. 109 also requires deferred tax assets be reduced by a valuation allowance, if it is more likely than not, some portion or all of the deferred tax assets will not be realized.

The Company evaluates the realizability of its deferred tax assets by assessing its valuation allowance and by adjusting the amount of such allowance, if necessary. The factors used to assess the likelihood of realization are the company's forecast of future taxable income and available tax planning strategies that could be implemented to realize the net deferred tax assets.

Earnings Per Share. Basic earnings per share represents net earnings divided by the weighted average number of common shares outstanding during the period. Diluted earnings per share represents net earnings outstanding divided by the weighted average number of common shares outstanding plus the average dilutive effect of the Company's stock options outstanding during the period. The effect of dilutive stock options was 251,000, 392,000 and 311,000 shares in 2005, 2004 and 2003 respectively. For 2005, 2004 and 2003, 1,148,000, 52,000 and 612,000 shares related to stock option plans were not included in diluted weighted average common shares outstanding because their inclusion would be antidilutive.

Stock Options. At December 31, 2005, the Company had key employee, director and outside market advisor stock option plans, which are described in more detail in Note 10. The Company follows Accounting Principles Board (APB) Opinion No. 25, *Accounting for Stock Issued to Employees*, in accounting for its stock option plans. Under APB Opinion No. 25, no compensation expense is recognized because the exercise price of the Company's stock options equals the market price of the underlying stock on the date of grant. Had compensation cost for the Company's stock-based compensation plans been determined based on the fair value at the grant dates for awards under those plans consistent with the method of SFAS No. 123, *Accounting for Stock-Based Compensation*, the Company's net earnings and net earnings per share for the years ended December 31, 2005, 2004 and 2003, would have been the *pro forma* amounts indicated below.

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

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

Stock Options (continued).

	Year Ended December 31,		
	2005	2004	2003
Net earnings			
As reported	\$ 8,291,845	\$ 5,881,724	\$ 6,049,115
Deduct: Compensation expense - fair value method	(1,335,965)	(2,747,275)	(2,414,899)
Add: Income tax benefit for disqualifying dispositions associated with incentive stock options previously expensed	80,848	534,633	185,444
<i>Pro forma</i>	\$ 7,036,728	\$ 3,669,082	\$ 3,819,660

	Year Ended December 31,		
	2005	2004	2003
Basic net earnings per share			
As reported	\$ 0.66	\$ 0.48	\$ 0.50
<i>Pro forma</i>	0.56	0.30	0.32
Diluted net earnings per share			
As reported	\$ 0.65	\$ 0.46	\$ 0.49
<i>Pro forma</i>	0.55	0.29	0.31

On September 30, 2005 the Company granted 86,250 shares of restricted stock which will vest over a three-year period.

The estimated fair value of options granted was \$4.56, \$5.18 and \$4.88 per share in 2005, 2004 and 2003, respectively. The fair market value of options granted under the Company's stock option plans was estimated on the date of grant using the Black-Scholes option-pricing model with the following weighted-average assumptions used:

	Dividend Yield	Expected Volatility	Risk Free Interest Rate	Expected Lives
2005	2%	54.4%	4.38%	5 years
2004	2%	54.4%	3.60%	5 years
2003	1%	58.3%	3.23%	5 years

New Accounting Standards. The Financial Accounting Standards Board (FASB) has issued SFAS No. 123(R), "Share-Based Payment," which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the income statement based on their fair values. SFAS No. 123(R) is effective for the Company beginning January 1, 2006.

The Company expects to adopt the modified-prospective transition method of applying SFAS No. 123(R) and will therefore recognize compensation expense for share-based payments to employees based on their grant-date fair value beginning January 1, 2006. Measurement of awards and grants that were granted prior to, but not vested as of January 1, 2006 will be based on the same grant-date fair value and recognition method used for pro forma disclosures under SFAS No. 123(R) as described above in Note 1.

The impact of adoption of SFAS No. 123(R) cannot be predicted at this time because it will depend on levels of share-based payments granted in the future. However, had we adopted SFAS No. 123(R) in prior periods, the impact of that standard would have approximated the pro forma impact of SFAS No. 123 as previously disclosed. SFAS No. 123(R) also requires the benefits of tax deductions in excess of recognized compensation cost to be reported as a financing cash flow, rather than as an operating cash flow as required under current literature.

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

NOTE 2 - MARKETABLE SECURITIES

The Company's marketable securities consist of U.S. Treasury securities and are summarized below:

	Cost	Gross Unrealized Loss	Fair Value
December 31, 2005	\$ 2,000,000	\$ (11,880)	\$ 1,988,120
December 31, 2004	\$ 1,513,636	\$ (7,066)	\$ 1,506,570

The marketable securities held at December 31, 2005 mature in 2008 and 2009. They can be sold at any time without restriction. The Company computes gains and losses on dispositions of marketable securities using the specific identification method. There was a realized loss of approximately \$26,000 in 2005 with no realized gains or losses during 2004 or 2003. The Company recognized investment income from marketable securities of approximately \$58,000 in 2005 and \$11,000 in 2004.

NOTE 3 - INVENTORIES

Inventories are summarized as follows:

	December 31,	
	2005	2004
Finished goods	\$ 9,369,658	\$ 6,079,748
Work in process	9,520,905	6,494,250
Raw materials and purchased components	27,447,857	22,107,721
Obsolescence and slow-moving reserves	(2,073,031)	(2,240,007)
TOTAL INVENTORY	\$ 44,265,389	\$ 32,441,712

NOTE 4 - PROPERTY, PLANT AND EQUIPMENT

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

	December 31,	
	2005	2004
Land and improvements	\$ 1,655,120	\$ 1,450,762
Buildings and improvements	18,765,820	18,340,447
Plant machinery and equipment	10,520,764	7,672,816
Furniture and fixtures	8,225,530	9,367,324
Vehicles	1,865,197	1,715,351
Construction in process	246,027	--
SUBTOTAL	41,278,458	38,546,700
Less accumulated depreciation	(22,800,348)	(20,307,816)
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	\$ 18,478,110	\$ 18,238,884

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

NOTE 5 - LEASES

The Company leases office equipment and manufacturing and warehouse space under operating lease agreements. Leases generally provide that the Company shall pay the cost of utilities, insurance, taxes and maintenance. Rent expense for the years ended December 31, 2005, 2004 and 2003 was \$729,000, \$744,000, and \$1,087,000 respectively. Future minimum lease commitments under non-cancelable leases are as follows: \$516,000 in 2006; \$438,000 in 2007; \$391,000 in 2008; \$323,000 in 2009 and \$132,000 in 2010.

NOTE 6 - TAXES ON INCOME

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

	Year Ended December 31,		
	2005	2004	2003
Current:			
Federal	\$ 4,430,000	\$ 2,166,000	\$ 1,802,522
State	273,940	11,609	(319,500)
Total current	4,703,940	2,177,609	1,483,022
Deferred (credit):			
Federal	433,000	1,100,000	(244,522)
State	(59,940)	34,391	66,000
Total deferred	373,060	1,134,391	(178,522)
TOTAL PROVISION FOR INCOME TAXES	\$ 5,077,000	\$ 3,312,000	\$ 1,304,500

Current taxes on income are further reduced by tax benefits associated with the exercise of stock options under the plans described in Note 10. This reduction totaled \$100,000 in 2005, \$600,000 in 2004 and \$400,000 in 2003 and was recognized as an adjustment of additional paid in capital.

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

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

NOTE 6 - TAXES ON INCOME (Continued)

	Year Ended December 31,					
	2005		2004		2003	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Federal income taxes at the statutory rate	\$ 4,545,407	34.00%	\$ 3,126,000	34.00%	\$ 1,953,000	34.00%
Increase (decrease) in income taxes resulting from:						
Nondeductible expenses	39,000	0.29	76,000	0.83	68,000	1.18
State tax expense	74,000	0.55	(243,000)	(2.64)	(167,000)	(2.91)
Adjustment of valuation allowance on state net operating loss carryforward	150,000	1.12	274,000	2.98		
Adjustment of valuation allowance on charitable contribution carryforward	230,000	1.72	566,000	6.16	--	--
Section 199 production deduction	(122,000)	(0.91)				
Reversal of prior year tax accruals			(409,000)	(4.45)	(150,000)	(2.61)
Adjustment of valuation allowance on capital loss carryforward			(103,000)	(1.12)	(500,500)	(8.71)
Other	160,593	1.20	25,000	0.26	101,000	1.76
TOTAL	\$ 5,077,000	37.97%	\$ 3,312,000	36.02%	\$ 1,304,500	22.71%

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

	December 31,	
	2005	2004
Current asset (liability):		
Additional capitalized inventory costs	\$ 145,000	\$ 134,000
Vacation accrual	444,000	385,000
Warranty reserve	1,747,000	1,341,000
Inventory allowance	747,000	781,000
Allowance for doubtful accounts	78,000	132,000
Charitable contribution carryover	631,000	821,000
Valuation allowance for charitable contribution carryover		(566,000)
Capital loss carryforward		9,494,000
Valuation allowance for capital loss carryforward		(9,494,000)
State tax net operating loss carryforward	424,000	274,000
Valuation allowance for state tax net operating loss carryforward	(424,000)	(274,000)
Other	(46,604)	(88,544)
TOTAL CURRENT DEFERRED TAX ASSETS	\$ 3,745,396	\$ 2,939,456
Noncurrent asset (liability):		
Charitable contribution carryover	\$ 40,000	\$ 1,000,000
Other	(349,000)	(130,000)
TOTAL NONCURRENT DEFERRED TAX ASSETS (LIABILITIES)	\$ (309,000)	\$ 870,000

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

NOTE 6 - TAXES ON INCOME (Continued)

At December 31, 2005, the Company had charitable contribution carryovers of approximately \$1,700,000 and state tax net operating loss carryforwards of approximately \$600,000 that begin expiring in 2006 and 2017, respectively. The Company increased its valuation allowance by \$150,000 for state tax net operating loss carryforwards. The Company expects to continue and maintain a valuation allowance on future tax benefits of state net operating losses until an appropriate level of profitability is sustained or it is able to develop tax strategies that will enable it to conclude that, more likely than not, a portion of the deferred tax assets will be realizable.

In 2004, the Company increased its valuation allowances for two of its deferred tax assets. First, the Company increased its valuation allowance by \$566,000 for a charitable contribution carryover expiring in 2005. In addition, the Company also increased its valuation allowance by \$274,000 for state tax net operating loss carryforwards. Also, in 2004 the Company entered into an agreement to dispose of a building in Mexico, which generated a capital gain. Therefore, the Company reduced its valuation allowance for capital loss carryforward for the amount that was realized on that gain.

In 2000, the Company's loss on its investment in the stock of Carpenter generated a capital loss of \$29,700,000. Since the Company had no capital gains to offset against the capital loss, the Company recorded a valuation allowance that reserved in full the deferred tax asset related to this loss carryforward. This capital loss carryforward expired in 2005.

At December 31, 2005 and 2004, the Company had deferred tax assets that exceeded deferred tax liabilities by \$3,436,396 and \$3,809,456, respectively.

The Company operates within multiple taxing jurisdictions and is subject to audit in these jurisdictions. In management's opinion, adequate provisions for income taxes have been made for all years.

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

NOTE 7 - DEBT

Long-term debt consists of the following:

	December 31, 2005	December 31, 2004
Mortgage notes payable to Brandon Revolving Loan Foundation:		
Due March 1, 2009 with monthly installments of \$834 including interest at 3%. Collateralized by land.	\$ 140,016	\$ 145,258
Due July 1, 2010 with monthly installments of \$6,933 including interest at 3%. Collateralized by building.	1,229,818	--
	1,369,834	145,258
Less current portion of long-term debt	(52,831)	(5,713)
TOTAL	\$ 1,317,003	\$ 139,545

The long-term debt is due as follows: \$52,831 in 2006, \$54,438 in 2007; \$55,999 in 2008; \$171,557 in 2009; and \$1,035,009 in 2010.

The Company's primary line of credit is a \$15,000,000 revolving note payable to a bank that expires on May 31, 2007. This line carries an interest rate equal to the Eurodollar rate (applicable Eurodollar rate at December 31, 2005 was 4.69 %) plus an applicable margin ranging from 1.00% to 2.50% depending on the level of leverage maintained by the Company. There were no borrowings under this line at December 31, 2005 and 2004. Under the terms of the credit agreement for the line of credit, the Company is required to maintain certain financial ratios and other financial conditions. The agreement also prohibits the Company from incurring additional indebtedness, limits certain acquisitions, investments, advances or loans and restricts substantial asset sales. At December 31, 2005 and 2004, the Company was in compliance with all debt covenants.

The Company also has a secured line of credit of \$200,000 which carries an interest rate of 1% above the bank's prime rate (prime rate at December 31, 2005 was 7.25%) and is secured by accounts receivable, inventory and equipment. This line of credit will expire on July 1, 2006. There were no borrowings under this line at December 31, 2005 and 2004.

NOTE 8 - TRANSACTIONS WITH MAJOR CUSTOMERS

The Company had two Chassis customers classified as major customers in 2005 and 2004 and three customers in 2003, as follows:

	2005		2004		2003	
	Sales	Accounts Receivable	Sales	Accounts Receivable	Sales	Accounts Receivable
Newmar	\$ 83,396,000	\$ 2,121,000	\$ 92,139,000	\$ 5,196,000	\$ 62,093,000	\$ 2,138,000
Fleetwood	\$ 75,518,000	\$ 5,364,000	\$ 68,624,000	\$ 9,697,000	\$ 25,794,000	\$ 2,303,000
Travel Supreme	--	--	\$ --	--	\$ 26,307,000	\$ 4,313,000

NOTE 9 - PROFIT-SHARING PLAN

The Spartan Motors, Inc. Profit-Sharing Plan and Trust covers all employees who meet length of service and minimum age requirements. Contributions to the plan are determined annually by the Board of Directors and were approximately \$564,000, \$561,000 and \$396,000 in 2005, 2004 and 2003 respectively. The Company's policy is to fund plan costs accrued.

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

NOTE 10 - STOCK OPTIONS

The Company has stock option plans covering certain employees, non-employee directors and outside market advisors. Shares reserved for options under these plans total 5,400,000. The options granted are exercisable for a period of 10 years from the grant date. The exercise price for all options is equal to the market price at the date of grant. Stock options issued to employees and non-employee directors do not result in compensation expense under the Company's policy of accounting for such options under APB Opinion No. 25.

Activity for the years ended December 31, 2005, 2004 and 2003 is as follows for all plans:

	Price Range	Weighted-Average Exercise Price	Option Shares
Balance at January 1, 2003	\$1.69 - \$15.32	\$8.57	1,900,930
Options granted	\$8.25 - \$11.14	\$9.99	517,445
Options exercised	\$2.06 - \$8.80	\$5.32	(229,335)
Options expired	\$3.95 - \$14.50	\$13.68	(156,125)
Balance at December 31, 2003	\$1.69 - \$15.32	\$8.90	2,032,915
Options granted	\$9.95 - \$14.09	\$11.93	544,005
Options exercised	\$3.95 - \$13.25	\$8.71	(414,797)
Options expired	\$3.95 - \$13.25	\$12.60	(135,820)
Balance at December 31, 2004	\$1.69 - \$15.32	\$9.51	2,026,303
Options granted	\$9.90 - \$11.61	\$10.30	292,975
Options exercised	\$1.69 - \$10.10	\$7.92	(114,999)
Options expired	\$3.95 - \$13.25	\$10.69	(130,300)
Balance at December 31, 2005	\$1.69 - \$15.32	\$9.63	2,073,979

The following table summarizes information regarding stock options outstanding at December 31, 2005 under the plans:

Exercise Price Range	Options Outstanding			Options Exercisable	
	Number Outstanding at 12/31/05	Weighted-Average Remaining Contractual Life	Weighted- Average Exercise Price	Number Exercisable at 12/31/05	Weighted- Average Exercise Price
\$1.69 - \$1.69	7,000	5.0	\$1.69	7,000	\$1.69
\$3.95 - \$5.75	239,265	4.4	\$4.72	239,265	\$4.72
\$6.13 - \$9.18	344,659	2.2	\$6.95	344,659	\$6.95
\$9.26 - \$13.24	1,462,055	8.4	\$11.06	1,462,055	\$11.06
\$14.09 - \$15.32	21,000	6.9	\$15.11	21,000	\$15.11
	2,073,979	6.9	\$9.63	2,073,979	\$9.63

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

NOTE 11 - COMMITMENTS AND CONTINGENT LIABILITIES

Under the terms of its credit agreement with its bank, the Company has the ability to issue letters of credit totaling \$2,500,000. At December 31, 2005 and 2004, the Company had outstanding letters of credit totaling \$200,000.

At December 31, 2005, the Company and its subsidiaries were parties, both as plaintiff and defendant, to a number of lawsuits and claims arising out of the normal course of their businesses. In the opinion of management, the financial position, future operating results or cash flows of the Company will not be materially affected by the final outcome of these legal proceedings.

The Company has repurchase agreements with third-party lending institutions, which have provided floor plan financing to customers. These agreements provide for the repurchase of products from the lending institution in the event of the customer's default. The total contingent liability on December 31, 2005 was approximately \$200,000. Historically, losses under these agreements have not been significant and it is management's opinion that any future losses will not have a material effect on the Company's financial position or future operating results and cash flows.

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

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

Changes in the Company's warranty liability during the years ended December 31, 2005 and 2004 were as follows:

	2005	2004
	_____	_____
Balance of accrued warranty at January 1	\$ 3,670,761	\$ 2,538,204
Warranties issued during the period	2,951,180	2,472,418
Cash settlements made during the period	(3,813,170)	(3,116,234)
Changes in liability for pre-existing warranties during the period, including expirations	1,694,001	1,776,373
	_____	_____
Balance of accrued warranty at December 31	\$ 4,502,772	\$ 3,670,761
	=====	=====

As a result of a study completed in the third quarter of 2004, the Company adjusted its methodology of recognizing warranty accruals to incorporate historical lag experience for such costs into the calculation to better match expenses with related revenues. The prior methodology only considered average warranty costs per known claims and did not consider the timing of claims over the warranty period. The change in methodology increased recorded accruals by \$515,000 at the date of revision.

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

NOTE 12 - DISCONTINUED OPERATIONS

On September 28, 2000, the Company's Board of Directors passed a resolution to cease funding of Carpenter. Carpenter's Board of Directors then voted on September 29, 2000 to begin the orderly liquidation of Carpenter. Because Carpenter was a separate segment of the Company's business, the operating results and the disposition of Carpenter's net assets were accounted for as a discontinued operation. Accordingly, previously reported financial results for all periods presented were restated to reflect this business as a discontinued operation. The \$1,600,000 gain on disposal of Carpenter in 2003 is a result of the Company's revision of its estimated loss to dispose of the business, based upon final resolution of certain accrued items related to the disposal.

NOTE 13 - BUSINESS SEGMENTS

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

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

Year Ended December 31, 2005

	Business Segments			Consolidated
	Chassis	EVTeam	Other	
Motorhome chassis sales	\$ 189,170			\$ 189,170
Fire truck chassis sales	85,498		\$ (15,946)	69,552
EVTeam product sales	--	\$ 64,793		64,793
Other sales	19,492	--	--	19,492
Total Net Sales	\$ 294,160	\$ 64,793	\$ (15,946)	\$ 343,007
Interest expense	\$ 0	\$ 867	\$ (726)	\$ 141
Depreciation expense	1,040	1,143	417	2,600
Income tax expense	7,455	(2,173)	(205)	5,077
Segment earnings (loss) from continuing operations	14,498	(4,714)	(1,492)	8,292
Segment assets	52,447	50,282	20,479	123,208

Year Ended December 31, 2004

	Business Segments			Consolidated
	Chassis	EVTeam	Other	
Motorhome chassis sales	\$ 191,843			\$ 191,843
Fire truck chassis sales	74,752		\$ (13,950)	60,802
EVTeam product sales	--	\$ 52,281	--	52,281
Other sales	7,344	--	--	7,344
Total Net Sales	\$ 273,939	\$ 52,281	\$ (13,950)	\$ 312,270
Interest expense	\$ 9	\$ 883	\$ (526)	\$ 366
Depreciation expense	896	988	426	2,310
Income tax expense	6,170	(2,467)	(391)	3,312
Segment earnings (loss) from continuing operations	11,345	(5,290)	(173)	5,882
Segment assets	45,545	41,130	20,238	106,913

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

NOTE 13 - BUSINESS SEGMENTS (Continued)

Year Ended December 31, 2003

	Business Segments			Consolidated
	Chassis	EVTeam	Other	
Motorhome chassis sales	\$ 126,048			\$ 126,048
Fire truck chassis sales	64,721		\$ (9,673)	55,048
EVTeam product sales	--	\$ 49,332	--	49,332
Other sales	6,944	--	--	6,944
Total Net Sales	\$ 197,713	\$ 49,332	\$ (9,673)	\$ 237,372
Interest expense	\$ 106	\$ 624	\$ (400)	\$ 330
Depreciation expense	840	749	434	2,023
Income tax expense	4,800	(2,493)	(1,002)	1,305
Segment earnings (loss) from continuing operations	8,432	(4,137)	145	4,440
Discontinued operations	--	--	1,609	1,609
Segment earnings (loss)	8,432	(4,137)	1,754	6,049
Segment assets	30,521	33,982	26,879	91,382

Foreign sales are not significant.

NOTE 14 - QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for the year ended December 31, 2005 is as follows:

	Quarter Ended			
	March 31	June 30	September 30	December 31
Sales	\$ 88,901,133	\$ 89,341,252	\$ 89,314,540	\$ 75,449,683
Gross profit	\$ 11,733,990	\$ 12,372,367	\$ 13,519,457	\$ 11,149,327
Net earnings from continuing operations	\$ 2,045,818	\$ 2,557,180	\$ 2,702,969	\$ 985,878
Basic net earnings per share	\$ 0.16	\$ 0.20	\$ 0.22	\$ 0.08
Diluted net earnings per share	\$ 0.16	\$ 0.20	\$ 0.21	\$ 0.08

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

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

Summarized quarterly financial data for the year ended December 31, 2004 is as follows:

	Quarter Ended			
	March 31	June 30	September 30	December 31
Sales	\$ 62,105,099	\$ 78,205,924	\$ 91,667,562	\$ 80,291,799
Gross Profit	\$ 9,258,724	\$ 11,412,678	\$ 11,160,413	\$ 9,546,742
Net Earnings (loss) from continuing operations	\$ 1,326,075	\$ 2,266,809	\$ 1,894,140	\$ 394,700
Basic net earnings per share	\$ 0.11	\$ 0.18	\$ 0.15	\$ 0.03
Diluted net earnings per share	\$ 0.11	\$ 0.18	\$ 0.15	\$ 0.03

During the three-month period ended September 30, 2004, the Company decreased its allowance for obsolete inventory by \$645,000 and increased its liability for outstanding warranties by \$515,000 as a result of a study of current production requirements and historical warranty experience related to these items.

Report of Independent Registered Public Accounting Firm
on Financial Statements

Board of Directors and Shareholders
Spartan Motors, Inc.

We have audited the accompanying consolidated balance sheets of Spartan Motors, Inc. and subsidiaries as of December 31, 2005 and 2004, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005. Our audits also included the financial statement schedule listed in the Index at Item 15(a)(2). These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Spartan Motors, Inc. and subsidiaries at December 31, 2005 and 2004, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2005, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the effectiveness of Spartan Motors' internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated February 24, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Grand Rapids, Michigan
February 24, 2006

Report of Independent Registered Public Accounting Firm
on Internal Control Over Financial Reporting

Board of Directors and Shareholders
Spartan Motors, Inc.

We have audited management's assessment, included in the accompanying Management's Report on Internal Control Over Financial Reporting, that Spartan Motors, Inc. and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting. Our responsibility is to express an opinion on management's assessment and an opinion on the effectiveness of the Company's internal control over financial reporting based on our audit.

We conducted our audit in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, evaluating management's assessment, testing and evaluating the design and operating effectiveness of internal control, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, management's assessment that Spartan Motors, Inc. and subsidiaries maintained effective internal control over financial reporting as of December 31, 2005, is fairly stated, in all material respects, based on the COSO criteria. Also, in our opinion, the Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2005, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Spartan Motors, Inc. and subsidiaries, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2005, and our report dated February 24, 2006 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Grand Rapids, Michigan
February 24, 2006

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

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

An evaluation was performed under the supervision and with the participation of the Company's Management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of December 31, 2005. Based on and as of the time of such evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this report in timely alerting them to material information relating to the Company (including its consolidated subsidiaries) required to be included in the Company's periodic filings with the SEC.

Management's Report on Internal Control Over Financial Reporting.

Our management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2005, based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation our management concluded that our internal control over financial reporting was effective as of December 31, 2005. Our management's assessment of the effectiveness of our internal control over financial reporting as of December 31, 2005, has been audited by Ernst & Young LLP, an independent registered public accounting firm, as stated in its attestation report on management's assessment, which is included in Item 8 and is incorporated into this Item 9A by reference.

Changes in Internal Control Over Financial Reporting.

There was no change in the Company's internal control over financial reporting that occurred during the fiscal quarter ended December 31, 2005 that has materially affected, or that is reasonably likely to materially affect, the Company's internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors and Executive Officers of the Registrant.

The information required by this item, with respect to directors, executive officers, audit committee, and audit committee financial experts of the Company and Section 16(a) beneficial ownership reporting compliance is contained under the captions "Spartan Motors' Board of Directors and Executive Officers," "Audit Committee Report" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive proxy statement for its annual meeting of shareholders to be held on May 24, 2006, to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2005, and is incorporated herein by reference.

The Company has adopted a Code of Ethics that applies to the Company's principal executive officer, principal financial officer and principal accounting officer. This Code of Ethics is posted on the "Corporate Information" section of the Company's website at www.spartanmotors.com. The Company has also adopted a Code of Business Conduct and Compliance applicable to all directors, officers and employees, which is posted on the "Corporate Information" section of the Company's website at www.spartanmotors.com. Any waiver from or amendment to a provision of either code will be disclosed on the Company's website.

Item 11. Executive Compensation.

The information required by this item is contained under the captions "Compensation of Directors," "Executive Compensation," "Compensation Committee Report on Executive Compensation" and "Stock Price Performance Graph" in the Company's definitive proxy statement for its annual meeting of shareholders to be held on May 24, 2006, to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2005, and is incorporated herein by reference.

Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters.

The information required by this item (other than that set forth below) is contained under the caption "Ownership of Spartan Motors Stock" in the definitive proxy statement for the Company's definitive proxy statement for its annual meeting of shareholders to be held on May 24, 2006, to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2005, and is incorporated herein by reference.

The following table provides information about the Company's equity compensation plans regarding the number of securities to be issued under these plans, the weighted-average exercise prices of options outstanding under these plans and the number of securities available for future issuance as of December 31, 2005.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights	Weighted average exercise price of outstanding options, warrants and rights	Number of securities remaining available for future issuance (3)
	(a)	(b)	(c)
Equity compensation plans approved by security holders(1)	2,073,979	\$9.63	580,300
Equity compensation plans not approved by security holders(2)	--	N/A	25,000
Total	2,073,979	\$9.63	605,300

(1) Consists of the Spartan Motors, Inc. Stock Incentive Plan of 2005 (the "2005 Plan"), the Spartan Motors, Inc. Stock Option and Restricted Stock Plan of 2003 (the "2003 Plan"), the Spartan Motors, Inc. Stock Option and Restricted Stock Plan of 1998 (the "1998 Plan"), the Spartan Motors, Inc. 1996 Stock Option and Restricted Stock Plan for Outside Market Advisors (the "1996 Plan") and the Spartan Motors, Inc. 1994 Incentive Stock Option Plan (the "1994 Plan").

(2) Consists of the Spartan Motors, Inc. Directors' Stock Purchase Plan. This plan provides that non-employee directors of the Company may elect to receive at least 25% and up to 100% of their "director's fees" in the form of the Company's common stock. The term "director's fees" means the amount of income payable to a non-employee director for his or her service as a director of the Company, including payments for attendance at meetings of the Company's Board of Directors or meetings of committees of the board, and any retainer fee paid to such persons as members of the board. A non-employee director who elects to receive Company common stock in lieu of some or all of his or her director's fees will, on or shortly after each "applicable date," receive a number of shares of common stock (rounded down to the nearest whole share) determined by

dividing (1) the dollar amount of the director's fees payable to him or her on the applicable date that he or she has elected to receive in common stock by (2) the market value of common stock on the applicable date. The term "applicable date" means any date on which a director's fee is payable to the participant. To date, no shares have been issued under this plan.

- (3) Each of the plans reflected in the above chart contains customary anti-dilution provisions that are applicable in the event of a stock split or certain other changes in the Company's capitalization. Furthermore, each of the 2005 Plan, the 2003 Plan, the 1998 Plan, the 1996 Plan, the 1994 Plan and the 1988 Plan provides that if a stock option is canceled, surrendered, modified, expires or is terminated during the term of the plan but before the exercise of the option, the shares subject to the option will be available for other awards under the plan.

The numbers of shares reflected in column (c) in the table above with respect to the 2005 Plan (314,950 shares), the 2003 Plan (167,450 shares), the 1998 Plan (13,400 shares), the 1996 Plan (84,500 shares) represent shares that may be issued other than upon the exercise of an option, warrant or right.

Item 13. Certain Relationships and Related Transactions.

None.

Item 14. Principal Accountant Fees and Services.

The information required by this item, is contained under the caption "Ernst & Young's Fees" in the definitive proxy statement for the Company's definitive proxy statement for its annual meeting of shareholders to be held on May 24, 2006, to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2005, and is incorporated herein by reference.

PART IV

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

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

The following consolidated financial statements of the Company and its subsidiaries are filed as a part of this report under Item 8 - Financial Statements and Supplementary Data:

Consolidated Balance Sheets - December 31, 2005 and December 31, 2004

Consolidated Statements of Income - Years Ended December 31, 2005, 2004, and 2003

Consolidated Statements of Shareholders' Equity - Years Ended December 31, 2005, 2004 and 2003

Consolidated Statements of Cash Flows - Years Ended December 31, 2005, 2004 and 2003

Notes to Consolidated Financial Statements - December 31, 2005

Report of Independent Registered Public Accounting Firm

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

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

Schedule II-Valuation and Qualifying Accounts

All other financial statement schedules are not required under the related instructions or are inapplicable and therefore have been omitted.

Item 15(a)(3).

List of Exhibits. The following exhibits are filed as a part of this report:

<u>Exhibit Number</u>	<u>Document</u>
3.1	Spartan Motors, Inc. Restated Articles of Incorporation, as amended to date. Previously filed as an exhibit to the Company's Form 10-Q Quarterly Report for the period ended March 31, 2005, and incorporated herein by reference.
3.2	Spartan Motors, Inc. Bylaws, as amended to date. Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2003, and incorporated herein by reference.
4.1	Spartan Motors, Inc. Restated Articles of Incorporation. See Exhibit 3.1 above.
4.2	Spartan Motors, Inc. Bylaws. See Exhibit 3.2 above.
4.3	Form of Stock Certificate. Previously filed as an exhibit to the Registration Statement on Form S-18 (Registration No. 2-90021-C) filed on March 19, 1984, and incorporated herein by reference.
4.4	Rights Agreement dated June 4, 1997, between Spartan Motors, Inc. and American Stock Transfer and Trust Company. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and incorporated herein by reference.
4.5	The Registrant has several classes of long-term debt instruments outstanding. The authorized amount of none of these classes of debt exceeds 10% of the Company's total consolidated assets. The Company agrees to furnish copies of any agreement defining the rights of holders of any such long-term indebtedness to the Securities and Exchange Commission upon request.
10.1	Restated Spartan Motors, Inc. 1988 Non-Qualified Stock Option Plan, as amended to date. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and incorporated herein by reference. *
10.2	Restated Spartan Motors, Inc. 1994 Incentive Stock Option Plan, as amended to date. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and incorporated herein by reference. *
10.3	Spartan Motors, Inc. 1996 Stock Option and Restricted Stock Plan for Outside Market Advisors, as amended.*
10.4	Spartan Motors, Inc. Stock Option and Restricted Stock Plan of 1998, as amended. *
10.5	Spartan Motors, Inc. Stock Option and Restricted Stock Plan of 2003, as amended.*
10.6	Spartan Motors, Inc. Stock Incentive Plan of 2005, as amended. Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2005, and incorporated herein by reference*
10.7	Spartan Motors, Inc. Spartan Profit and Return Management Incentive Bonus Plan.*

10.8	Spartan Motors, Inc. Directors' Stock Purchase Plan. Previously filed as an exhibit to the Company's Form S-8 Registration Statement (Registration No. 333-98083) filed on August 14, 2002, and incorporated herein by reference.*
10.9	Form of Stock Appreciation Rights Agreement.*
10.10	Form of Restricted Stock Agreement.*
10.11	Form of Indemnification Agreement.*
21	Subsidiaries of Registrant.
23	Consent of Independent Registered Public Accounting firm.
24	Limited Powers of Attorney
31.1	Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2	Certification of Chief Financial Officer, Secretary and Treasurer pursuant to Section 302 of the Sarbanes-Oxley Act.
32	Certification pursuant to 18 U.S.C. § 1350.

*Management contract or compensatory plan or arrangement.

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

SIGNATURES

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

SPARTAN MOTORS, INC.

March 15, 2006

By /s/ James W. Knapp

James W. Knapp
Chief Financial Officer, Secretary and Treasurer
(Principal Financial and Accounting Officer)

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

March 15, 2006

By /s/ John E. Szykiel

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

March 15, 2006

By /s/ James W. Knapp

James W. Knapp
Chief Financial Officer, Secretary and Treasurer
(Principal Financial and Accounting Officer)

March 15, 2006

By /s/ Richard J. Schalter

Richard J. Schalter, Director

March 15, 2006

By /s/ William F. Foster

William F. Foster, Director

March 15, 2006

By * /s/ George Tesseris

George Tesseris, Director

March 15, 2006

By * /s/ David R. Wilson

David R. Wilson, Director

March 15, 2006

By * /s/ Charles E. Nihart

Charles E. Nihart, Director

March 15, 2006

By * /s/ Kenneth Kaczmarek

Kenneth Kaczmarek, Director

March 15, 2006

*By /s/ James W. Knapp

James W. Knapp
Attorney-in-Fact

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

Column A	Column B	Column C		Column D	Column E
Description	Balance at Beginning of Period	Additions Charges to Costs and Expenses	Additions Charged to Other Accounts (Acquisition)	Deductions	Balance at End of Period
Year ended December 31, 2005:					
Allowance for doubtful accounts	\$ 400,000	\$ (77,959)	\$ --	\$ 120,041	\$ 202,000
Obsolescence and slow-moving reserves	2,240,007	624,327	--	791,303	2,073,031
Accrued warranty	3,670,761	4,645,181	--	3,813,170	4,502,772
Valuation allowance for deferred tax assets	10,334,000	408,000	--	10,318,000	424,000
Year ended December 31, 2004:					
Allowance for doubtful accounts	\$ 408,000	\$ 32,324	\$ --	\$ 40,324	\$ 400,000
Obsolescence and slow-moving reserves	2,234,598	1,372,768	--	1,367,359	2,240,007
Accrued warranty	2,538,204	4,248,791	--	3,116,234	3,670,761
Valuation allowance for deferred tax assets	9,596,500	840,000	--	102,500	10,334,000
Year ended December 31, 2003:					
Allowance for doubtful accounts	\$ 365,000	\$ 318,000	\$ --	\$ 275,000	\$ 408,000
Obsolescence and slow-moving reserves	1,912,573	2,345,948	--	2,023,923	2,234,598
Accrued warranty	2,768,389	2,434,188	--	2,664,373	2,538,204
Valuation allowance for deferred tax assets	10,097,000	--	--	500,500	9,596,500

EXHIBIT INDEX

<u>Exhibit Number</u>	<u>Document</u>
3.1	Spartan Motors, Inc. Restated Articles of Incorporation, as amended to date. Previously filed as an exhibit to the Company's Form 10-Q Quarterly Report for the period ended March 31, 2005, and incorporated herein by reference.
3.2	Spartan Motors, Inc. Bylaws, as amended to date. Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended March 31, 2003, and incorporated herein by reference.
4.1	Spartan Motors, Inc. Restated Articles of Incorporation. See Exhibit 3.1 above.
4.2	Spartan Motors, Inc. Bylaws. See Exhibit 3.2 above.
4.3	Form of Stock Certificate. Previously filed as an exhibit to the Registration Statement on Form S-18 (Registration No. 2-90021-C) filed on March 19, 1984, and incorporated herein by reference.
4.4	Rights Agreement dated June 4, 1997, between Spartan Motors, Inc. and American Stock Transfer and Trust Company. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and incorporated herein by reference.
4.5	The Registrant has several classes of long-term debt instruments outstanding. The authorized amount of none of these classes of debt exceeds 10% of the Company's total consolidated assets. The Company agrees to furnish copies of any agreement defining the rights of holders of any such long-term indebtedness to the Securities and Exchange Commission upon request.
10.1	Restated Spartan Motors, Inc. 1988 Non-Qualified Stock Option Plan, as amended to date. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and incorporated herein by reference. *
10.2	Restated Spartan Motors, Inc. 1994 Incentive Stock Option Plan, as amended to date. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the year ended December 31, 2002, and incorporated herein by reference. *
10.3	Spartan Motors, Inc. 1996 Stock Option and Restricted Stock Plan for Outside Market Advisors, as amended.*
10.4	Spartan Motors, Inc. Stock Option and Restricted Stock Plan of 1998, as amended. *
10.5	Spartan Motors, Inc. Stock Option and Restricted Stock Plan of 2003, as amended.*
10.6	Spartan Motors, Inc. Stock Incentive Plan of 2005, as amended. Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended September 30, 2005, and incorporated herein by reference*.
10.7	Spartan Motors, Inc. Spartan Profit and Return Management Incentive Bonus Plan.*

10.8	Spartan Motors, Inc. Directors' Stock Purchase Plan. Previously filed as an exhibit to the Company's Form S-8 Registration Statement (Registration No. 333-98083) filed on August 14, 2002, and incorporated herein by reference.*
10.9	Form of Stock Appreciation Rights Agreement.*
10.10	Form of Restricted Stock Agreement.*
10.11	Form of Indemnification Agreement.*
21	Subsidiaries of Registrant.
23	Consent of Independent Registered Public Accounting firm.
24	Limited Powers of Attorney
31.1	Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2	Certification of Chief Financial Officer, Secretary and Treasurer pursuant to Section 302 of the Sarbanes-Oxley Act.
32	Certification pursuant to 18 U.S.C. § 1350.

*Management contract or compensatory plan or arrangement.

EXHIBIT 10.3

SPARTAN MOTORS, INC.

1996 STOCK OPTION AND RESTRICTED STOCK PLAN

FOR OUTSIDE MARKET ADVISORS

(As Amended May 2, 2000 and July 26, 2005)

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 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. 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.

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.

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

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; Legending of Restricted Stock.

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

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

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.

7.5 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.

EXHIBIT 10.4

SPARTAN MOTORS, INC.

STOCK OPTION AND RESTRICTED STOCK PLAN OF 1998

SECTION 1

Establishment of Plan; Purpose of Plan

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

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

SECTION 2

Definitions

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

SECTION 3

Administration

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

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

granted or awarded by the Committee, and Incentive Awards may be amended by the Committee consistent with the Plan, provided that no such amendment may become effective without the consent of the Participant, except to the extent that the amendment operates solely to the benefit of the Participant.

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

SECTION 4

Shares Subject to the Plan

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

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

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

SECTION 5

Options

5.1 Grant.

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

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

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

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

5.4 Medium and Time of Payment. The exercise price for each share purchased pursuant to an Option granted under the Plan shall be payable in cash or, if the Committee consents, in shares of Common Stock (including Common Stock to be received upon a simultaneous exercise). The time and terms of payment may be amended before or after exercise of an Option (a) by the Committee in its sole discretion, if the terms of such amendment are more favorable to the Participant, or (b) in all other cases, by the Committee with the consent of the Participant.

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

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

5.7 Transferability.

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

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

5.8 Termination of Employment or Directorship.

(a) General. If a Participant ceases to be employed by or a director of the Company or one of its Subsidiaries for any reason other than the Participant's death, Total Disability, termination for cause or any additional provision as determined by the Committee, the Participant may exercise an Option for a period of 90 days after such termination of employment or directorship, but only to the extent the Participant was entitled to exercise the Option on the date of termination and would be entitled to exercise the Option if employed (or serving as a director) at the date of exercise, unless the Committee otherwise consents or the terms of the Option agreement provide otherwise. For purposes of the Plan, the following shall not be deemed a termination of employment: (i) a transfer of employment among the Company and its Subsidiaries; (ii) a leave of absence, duly authorized in writing by the Company, for military service or for any other purpose approved by the Company if the period of such leave does not exceed 90 days; (iii) a leave of absence in excess of 90 days, duly authorized in writing by the Company, provided the employee's right to reemployment is guaranteed either by statute or contract; or (iv) a termination of employment with continued service as an officer or

director. For purposes of the Plan, termination of employment shall be considered to occur on the date on which the employee is no longer obligated to perform services for the Company or any of its Subsidiaries and the employee's right to reemployment is not guaranteed either by statute or contract, regardless of whether the employee continues to receive compensation from the Company or any of its Subsidiaries after such date.

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

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

(d) Additional Provisions in Option Agreements. The Committee may, in its sole discretion, provide by resolution or by including provisions in any Option agreement entered into with a Participant that the Participant may exercise any outstanding options upon termination due to Early Retirement, Normal Retirement or Consensual Severance for a period of time after such termination as may be determined by the Committee, provided that (i) such period may not extend beyond the earlier of three years after the date of termination or the date on which the Options expire by their terms, (ii) the Participant may exercise the Option only to the extent the Participant was entitled to exercise the Option on the date of termination, and (iii) the Participant shall have no further right to exercise any Options after termination due to Early Retirement, Normal Retirement or Consensual Severance if the Committee determines the Participant has entered into Competition with the Company.

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

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

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

SECTION 6

Restricted Stock

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

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

6.3 Termination of Employment or Directorship.

(a) General. If a Participant ceases to be employed by or a director of the Company or one of its Subsidiaries for any reason other than the Participant's death, Total Disability or any other additional provisions as determined by the Committee pursuant to Section 6.3(c), then any shares of Restricted Stock still subject to restrictions on the date of such termination automatically shall be forfeited and returned to the Company. For purposes of the Plan, the following shall not be deemed a termination of employment: (i) a transfer of employment among the Company and its Subsidiaries; (ii) a leave of absence, duly authorized in writing by the Company, for military service or for any other purpose approved by the Company if the period of such leave does not exceed 90 days; (iii) a leave of absence in excess of 90 days, duly authorized in writing by the Company, provided the employee's right to reemployment is guaranteed either by statute or contract; or (iv) a termination of employment with continued service as an officer or director. For purposes of the Plan, termination of employment shall be considered to occur on the date on which the employee is no longer obligated to perform services for the Company or any of its Subsidiaries and the employee's right to reemployment is not guaranteed either by statute or contract, regardless of whether the employee continues to receive compensation from the Company or any of its Subsidiaries after such date.

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

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

6.4 Restrictions on Transferability.

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

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

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

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

6.6 Deposit of Certificates: Legending of Restricted Stock.

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

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

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

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

SECTION 7

Tax Benefit Rights

7.1 Grant. A Participant may be granted Tax Benefit Rights under the Plan to encourage a Participant to exercise Options and provide certain tax benefits to the Company. A Tax Benefit Right entitles a Participant to receive from the Company or a Subsidiary a cash payment not to exceed the amount calculated by multiplying the ordinary income, if any, realized by the Participant for federal tax purposes as a result of the exercise of a non-qualified stock option, or the disqualifying disposition of shares acquired under an incentive stock option, by the maximum federal income tax rate (including any surtax or similar charge or assessment) for corporations, plus any other applicable state and local tax against which the Company is entitled to a deduction or credit by reason of exercise of the Option or the disqualifying disposition.

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

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

SECTION 8

Change in Control

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

SECTION 9

General Provisions

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

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

9.3 Compliance With Laws: Listing and Registration of Shares. All Incentive Awards granted under the Plan (and all issuances of Common Stock or other securities under the Plan) shall be subject to applicable laws, rules and regulations, and to the requirement that if at

any time the Committee determines, in its sole discretion, that the listing, registration or qualification of the shares covered thereby upon any securities exchange or under any state or federal law, or the consent or approval of any governmental regulatory body, is necessary or desirable as a condition of, or in connection with, the granting of such Incentive Award or the issue or purchase of shares thereunder, such Incentive Award may not be exercised in whole or in part, or the restrictions on such Incentive Award shall not lapse, unless and until such listing, registration, qualification, consent or approval shall have been effected or obtained free of any conditions not acceptable to the Committee.

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

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

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

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

SECTION 10

Effective Date and Duration of the Plan

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

SECTION 11

Termination and Amendment

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

**SPARTAN MOTORS, INC.
STOCK OPTION AND RESTRICTED STOCK PLAN OF 2003
PLAN DESCRIPTION**

January 13, 2004

The Spartan Motors, Inc. Stock Option and Restricted Stock Plan of 2003 (the "**Plan**") permits the grant and award of stock options and restricted stock to directors, officers and key employees of Spartan Motors, Inc. and its subsidiaries. The Plan's purposes are to provide Plan participants with an increased incentive to contribute to the long-term performance and growth of Spartan Motors and its subsidiaries, to join the interests of participants with the interests of Spartan Motors' shareholders through the opportunity for increased stock ownership and to attract and retain directors, officers and key employees. The Plan is further intended to provide flexibility to Spartan Motors in structuring long-term incentive compensation to best promote the foregoing objectives.

**This document constitutes part of a prospectus covering
Securities that have been registered under the Securities Act of 1933.**

Note: This plan description is designed to assist you in understanding the provisions of the Plan. The description in this booklet is qualified in its entirety by the Plan, which is attached as Exhibit A. This booklet is not intended to provide tax or legal advice or to substitute for professional or investment advice. You are encouraged to consult your professional advisers on all financial, legal and tax matters.

GENERAL PLAN INFORMATION

The Plan permits the grant and award of stock options and restricted stock (collectively, the "**incentive awards**") to directors, officers and key employees (collectively, "**participants**") of Spartan Motors, Inc. and its subsidiaries. Spartan Motors' board of directors believes that aligning the interests of participants with the interests of Spartan Motors' shareholders best advances the company's long-term interests. In addition, the board of directors recognizes participants' importance to Spartan Motors' long-term performance and growth. Accordingly, the issuance of incentive awards as part of a comprehensive compensation program provides them with an incentive to continue their directorship or employment with Spartan Motors, while further aligning their interests with those of Spartan Motors' shareholders.

A total of 1,000,000 shares of Spartan Motors common stock, \$.01 par value, may be granted or awarded under the Plan. However, the number of shares may be adjusted in the future to reflect stock dividends and other changes in Spartan Motors' capitalization. Shares deliverable on the exercise or grant of an incentive award under the Plan will be authorized and unissued shares or shares repurchased by Spartan Motors, including shares purchased on the open market. No participant may be granted, during any calendar year, incentive awards with respect to more than 125,000 shares of Spartan Motors common stock (subject to certain capital adjustments) made available for incentive awards under the Plan.

The Plan is not subject to any provisions of the Employee Retirement Income Security Act of 1974 (ERISA) and is not qualified under Section 401(a) of the Internal Revenue Code of 1986. The Plan took effect, subject to shareholder approval, on April 22, 2003. Spartan Motors' shareholders approved the Plan on May 28, 2003. Incentive awards can be made under the Plan until April 21, 2013.

ADMINISTRATION OF THE PLAN

The compensation committee of Spartan Motors' board of directors (the "**committee**") administers the Plan. Each member of the committee is appointed by and serves at the pleasure of the board of directors. The Plan requires the committee to consist of at least two members of Spartan Motors' board of directors, and all of its members to be "non-employee directors" as defined in Rule 16b-3 under the Securities Exchange Act of 1934 and "outside directors" as defined in the regulations under Section 162(m) of the Internal Revenue Code.

The committee will determine, subject to the terms of the Plan, (1) who will participate in the Plan, (2) the nature and extent of incentive awards to be granted to each participant, (3) the time of each grant, (4) the duration of and restrictions applicable to each incentive award, and (5) all other matters necessary or advisable for administration of the Plan. The committee may amend the terms of the incentive awards granted under the Plan from time to time in any manner, subject to the limitations specified in the Plan.

STOCK OPTIONS

Grant. Except as discussed in the following paragraph, the committee will select the participants who will receive stock options and will determine the terms and conditions of stock options granted under the Plan. The committee may vary, among participants and among stock options granted to the same participant, any and all of the terms and conditions of the stock options granted under the Plan. If you are granted a stock option under the Plan, then it will be evidenced by either a stock option agreement or a certificate of award, or both (collectively, a "**stock option agreement**"). You should carefully read your stock option agreement(s) and the Plan to understand the specific terms of your option(s). In addition, the committee may designate whether a stock option is to be considered an "incentive stock option" as defined in Section 422(b) of the Internal Revenue Code; however, no stock option granted to a director who is not an employee of Spartan Motors or its subsidiaries may be an incentive stock option.

Option Grants to Non-employee Directors. Notwithstanding the foregoing, the Plan provides that, to the extent not granted under the Stock Option and Restricted Stock Plan of 1998, a stock option to purchase 3,500 (7,500 for a non-employee director who is also Chairman of the Board) shares of Spartan Motors common stock (subject to adjustment in the event of a stock split, stock dividend, recapitalization, etc.) will automatically be granted to each non-employee director on June 30 and December 31 of each year during the life of the Plan.

Stock Option Price. The committee will determine the per-share exercise price of any stock options granted under the Plan, provided that the per-share exercise price of options must be equal to or greater than 100% of the fair market value of Spartan Motors common stock on the grant date. Furthermore, if you own more than 10% of the total combined voting power of all classes of company stock (as determined under Section 424(d) of the Internal Revenue Code), then stock options granted to you will not be incentive stock options, unless those options have a per-share exercise price equal to at least 110% of the market price on the grant date.

Exercise Period. Each stock option granted under the Plan may be exercised in whole or in part from time to time during the period that is specified in the stock option agreement governing that option. You cannot exercise a stock option later than ten years after the option is granted to you. However, if you own more than 10% of the total combined voting power of all classes of company stock (as determined under Section 424(d) of the Internal Revenue Code), then no option granted to you will be an incentive stock option unless the option must be exercised within five years of the date of grant. In addition, the committee may require you to continue service with Spartan Motors for a specified period of time before stock options become

exercisable and/or may require you to represent that your shares are being acquired for investment purposes only.

Payment of Option Price. When exercising your stock options, you must pay Spartan Motors the exercise price in cash or, if the committee consents or provides in your stock option agreement, in shares of Spartan Motors common stock that were held by you for at least six months ("**mature shares**") or other consideration substantially equivalent to cash.

Restrictions on Transferability. Unless the committee consents or your stock option agreement provides otherwise, you may not sell, exchange, transfer, pledge, assign or otherwise alienate or hypothecate your stock options, except by will or the laws of descent and distribution. If a transfer is permitted, the transferee must execute a written agreement permitting Spartan Motors to withhold a number of shares to be received upon the exercise of the stock option to pay for any federal, state or local withholding or other taxes associated with or resulting from the exercise of the stock option. The committee may also impose other restrictions on shares of stock acquired pursuant to the exercise of options.

Termination of Employment, Directorship or Officer Status. Unless the committee consents or your stock option agreement provides otherwise, if you cease to be a director of Spartan Motors or cease to be employed by or an officer of Spartan Motors or one of its subsidiaries for any reason other than death, disability, retirement (as defined in the Plan) or termination for cause, then you may exercise your stock options in accordance with their terms for three months after your termination, but only to the extent that your stock options could have been exercised on the date of your termination. However, stock options may not be exercised after their expiration dates.

Death. Unless the committee consents or your stock option agreement provides otherwise, if you die while you are a director of Spartan Motors or an employee or officer of Spartan Motors or one of its subsidiaries, or after your directorship or employment is terminated, other than for cause, during the time when you could have exercised your stock options, your personal representative or other successor may exercise your stock options in accordance with their terms for one year after your death. However, only stock options that could have been exercised on the date of death or the date of termination of employment or directorship (whichever happened first) may be exercised, unless the committee consents to a different time period or your stock option agreement provides otherwise. However, in no event may stock options be exercised after their expiration dates.

Disability. Unless the committee consents or your stock option agreement provides otherwise, if you cease to be a director of Spartan Motors or an employee or officer of Spartan Motors or one of its subsidiaries due to a disability, then you may exercise your stock options in accordance with their terms for one year following your termination of employment or directorship. Only stock options that could have been exercised on the date of termination may be exercised, unless the committee consents to different time period or your stock option

agreement provides otherwise. However, in no event may stock options be exercised after their expiration dates.

Retirement. Unless the committee consents or your stock option agreement provides otherwise, if you retire (as set forth in the Plan), stock options granted to you under the Plan may be exercised in accordance with their terms before their expiration dates.

Termination for Cause; Competition. If you are terminated for cause, then you will have no further right to exercise any stock options. For purposes of the Plan the committee or officers designated by the committee will have absolute discretion to determine whether a termination is for cause. The committee may also provide by resolution or through a stock option agreement that you will have no further right to exercise stock options after termination of employment or directorship if the committee determines that you have entered into competition (as defined in the Plan) with Spartan Motors.

RESTRICTED STOCK

Grant. The Plan provides that the committee may award restricted stock, but not more than 50% of the shares authorized for issuance under the Plan may be issued as restricted stock. The committee, consistent with the Plan, will select the recipients (if any) of restricted stock awards and determine the terms and conditions of those awards.

Restricted Stock Agreements. The Plan provides that each award of restricted stock will be evidenced by a restricted stock agreement or a certificate of award (collectively, a "**restricted stock agreement**"). You should carefully read your restricted stock agreement(s) and the Plan to understand the specific terms of your restricted stock award(s).

Restrictions on Transferability. Unless the committee consents or your restricted stock agreement provides otherwise, you may not sell, exchange, transfer, pledge, assign or otherwise alienate or hypothecate your restricted stock, except by will or the laws of descent and distribution during the "**restricted period**" (the period before the restrictions on the restricted stock lapse and the restricted stock vests). In addition, only you, your guardian or legal representative may exercise rights with respect to your restricted stock during your lifetime.

Termination of Employment or Directorship. Unless the committee consents or your restricted stock agreement provides otherwise, if you cease to be a director, employee or officer before your restricted stock vests for any reason other than death, disability, retirement (as defined in the Plan) or termination for cause, then any shares that are still subject to restrictions at that time will be automatically forfeited and returned to Spartan Motors.

Death, Retirement or Disability. Unless the committee consents or your restricted stock agreement provides otherwise, if your employment or directorship is terminated because of death, disability or retirement (as defined in the Plan) during the restricted period, then the restrictions applicable to your shares of restricted stock will terminate automatically with respect

to that number of shares (rounded to the nearest whole number) equal to the total number of shares of restricted stock granted to you, multiplied by the number of full months that have elapsed since the date of grant, divided by the total number of full months in the restricted period. All remaining shares will be forfeited and returned to Spartan Motors; *provided*, that the committee may, in its sole discretion, waive the restrictions remaining on any or all such shares of restricted stock either before or after your death, disability or retirement.

Termination for Cause. If you are terminated for cause, then you will have no further right to exercise or receive any restricted stock and all restricted stock still subject to restrictions as of the date of termination will be automatically forfeited and returned to Spartan Motors. The committee or officers designated by the committee will have absolute discretion to determine whether a termination is for cause.

Rights as a Shareholder. During the restricted period, subject to the transfer restrictions, risk of forfeiture and other terms of the Plan, you will have all rights as a shareholder with respect to your restricted stock, including the right to vote, the right to receive without restriction all cash dividends paid on those shares of restricted stock and the right to participate in any stock dividend, stock split, recapitalization or other adjustment in Spartan Motors common stock. Unless the committee otherwise determines or the terms of your restricted stock agreement provide otherwise, any non-cash dividends or distributions paid with respect to shares of unvested restricted stock will be subject to the same restrictions as the shares to which such dividends or distributions relate.

CHANGE IN CONTROL

General. If a change in control (as defined in the Plan) of Spartan Motors occurs, then, unless the committee or the board of directors determines otherwise, all of your unvested stock options will become immediately exercisable in full and will remain exercisable during the remaining term. All other outstanding incentive awards will become fully vested, exercisable and nonforfeitable.

Cash Payment for Options. If a change of control occurs, then the committee, in its sole discretion and without your consent, may choose to redeem some or all of your unexercised stock options for cash in accordance with Section 7.2 of the Plan.

NO RIGHT TO EMPLOYMENT OR AWARDS

You do not have any claim to be granted an incentive award under the Plan and there is no obligation of unity of treatment under the Plan. The grant of an incentive award does not give you a right to remain in the employ or directorship of Spartan Motors or any of its subsidiaries. Spartan Motors or any of its subsidiaries may at any time dismiss you from employment or terminate your directorship, free from any liability or any claim under the Plan, unless otherwise expressly provided in the Plan or in any written agreement with you. Spartan Motors may also suspend your rights under any incentive award (including your right to exercise stock options)

for a period of up to 60 days while the termination for cause of your employment or directorship is under consideration.

TAX WITHHOLDING

Spartan Motors has the right to (1) withhold and deduct from your future wages (or from other amounts that may be due and owing to you from Spartan Motors or a subsidiary), or make arrangements for the collection of, all legally required amounts necessary to satisfy federal, state, local and foreign withholding and employment-related tax requirements attributable to an incentive award, or (2) require you to promptly remit the amount of such withholding to Spartan Motors before taking any action with respect to an incentive award. Unless the committee determines otherwise, withholding may be satisfied (but only to the extent required to satisfy the minimum amount required to be withheld by law or regulation) by withholding common stock to be received in connection with an incentive award or by delivering to Spartan Motors previously owned shares of Spartan Motors common stock.

AMENDMENT AND TERMINATION

Spartan Motors' board of directors may amend or terminate the Plan at any time, provided that no such amendment or termination, except where explicitly permitted by the Plan or by the terms of an incentive award, may impair any of your outstanding incentive awards without your written consent.

FEDERAL INCOME TAX CONSEQUENCES

Stock Options

Incentive Stock Options. Options for Spartan Motors common stock granted to employees of Spartan Motors or one of its subsidiaries with a value of not more than \$100,000 as of the date of grant which are first exercisable by a participant in any one year may be treated as incentive stock options under the Internal Revenue Code. There is no limit on the aggregate value of underlying shares for options that are not incentive stock options. If you receive options that qualify under Section 422 of the Internal Revenue Code as incentive stock options, then the following tax consequences apply.

You will recognize no income when you are granted or exercise your option to purchase shares and recognition of gain or loss is deferred until you subsequently sell the stock, provided that the following conditions are satisfied:

1. You do not dispose of the stock within two years of the date of grant of the option;
2. You do not dispose of the stock within one year after the exercise of the option; and

3. The option is exercised not later than three months after the termination of employment (one year in the event of disability).

Special rules apply when you own an option at the time of your death.

If you meet the above conditions, there are no federal tax consequences to Spartan Motors upon the grant or exercise of an incentive stock option. The difference between the market value and the exercise price is, however, a tax preference item for the purpose of calculating your alternative minimum tax.

If you fail to meet any of the above conditions, you will recognize compensation income at the time you exercise the option (as in (3) above) or make the disqualifying disposition (as in (1) or (2) above). The ordinary income would be the difference between the option price and the market value of the stock at the time of exercise, but not more than the excess of the amount recognized on the disqualifying disposition over the adjusted basis in the stock acquired upon the exercise of the option (generally, the difference between the option price and the price at which you sell the stock in the disqualifying disposition). Additional gain, if any, will be capital gain, long-term or short-term, depending on your holding period. Spartan Motors is entitled to a deduction for federal income tax purposes at the same time and in the same amount as you are considered to have recognized compensation income.

Proposed Treas. Reg. §1.422-5 provides that where an option is exercised through payment with shares of stock, the basis and holding period of the shares received are adjusted. If you use mature shares to pay the exercise price of an option, then you will not recognize gain at the time of exercise on any appreciation in value of the mature shares that were used to exercise the option, unless the mature shares were acquired under an incentive stock option and did not meet the holding period requirements discussed above. A number of shares received, equal to the number of shares used for payment, have the same basis and holding period as the shares used for payment, increased, where applicable, by an amount included as compensation income as a result of such exercise. Your basis in any additional shares will be the sum of the amount of cash paid to exercise the option and the gain that you recognized on the exercise. Whenever shares of stock acquired through the exercise of an option are used as payment in the exercise of an option before satisfying the holding periods described above, the shares with the lowest basis will be considered a disqualifying disposition first in determining the amount of compensation income to be taxed to the optionee.

Except in cases of substitute basis resulting from payment of the exercise price with shares of stock as provided above, the basis of the shares will be the option exercise price plus any income recognized on a disqualifying disposition. Upon a sale, you will recognize long- or short-term capital gain or loss on the transaction depending upon your holding period and the basis and the amount of the proceeds.

Non-Incentive Stock Options. If you receive options that do not qualify as "incentive stock options" under Section 422 of the Internal Revenue Code, then the following tax consequences apply:

You will not recognize any income when the option is granted. You will recognize compensation income on the day you exercise the option in an amount equal to the excess of the market value of the shares on the exercise date over the amount paid for the shares. Spartan Motors is entitled to a deduction for this same amount. Tax withholding applies and may be satisfied out of other compensation or shares of Spartan Motors common stock, either those received on exercise or other shares. Social Security Tax and Unemployment Tax (FICA and FUTA) apply to non-incentive stock options on the same date income is recognized.

If you use previously owned shares of Spartan Motors common stock as consideration to purchase the shares pursuant to the option (if the committee consents or your stock option agreement so allows), then you will not recognize gain at the time of exercise on any appreciation in value of the Spartan Motors common stock that you used to exercise the option. Your tax basis in the aggregate number of shares will be the basis in the shares exchanged plus the income recognized on exercise as provided above, plus any cash consideration used to pay the option price.

Upon the sale of the shares, the transaction will be a sale or exchange of property resulting in long- or short-term capital gain or loss, depending upon your holding period and the basis and amount of proceeds.

Restricted Stock

Generally, you only recognize income on the restricted stock once it vests (when the restrictions lapse). Once vested, you will recognize compensation income on the difference between the fair market value of the restricted stock and the amount you paid for the stock, if any. Spartan Motors would receive a corresponding deduction in the same amount. Before the restricted stock vests, any dividends paid on the restricted stock will be treated as compensation income to you, with Spartan Motors receiving a corresponding deduction.

Under Section 83(b) of the Internal Revenue Code, you may elect to report compensation income for the tax year in which you receive a grant of restricted stock. Again, Spartan Motors would be entitled to take a corresponding deduction for federal income tax purposes. If you make such an election, the amount of compensation income is the value of the restricted stock at the time of grant. Any later appreciation in the value of the restricted stock is treated as capital gain and recognized only upon a sale of the restricted stock. Dividends received after such an election is made are taxable as dividends and not treated as additional compensation income. However, if the restricted stock is forfeited after you make a Section 83(b) election, you will not be allowed any deduction for the amount that you earlier took into income. *Because a Section 83(b) election is irrevocable and has both benefits and risks, you should consult tax counsel at*

the time you receive a grant of restricted stock to determine the most advantageous course in your individual circumstances.

Upon the sale of restricted stock (subject to any terms imposed by Spartan Motors to ensure compliance with federal or state securities laws), you will recognize capital gain or loss in the amount of the difference between the sale price and the value of the stock that you previously reported as compensation income.

The federal income tax provisions applicable to incentive awards are complex and are subject to change. Spartan Motors encourages you to seek tax counsel before accepting incentive awards under the Plan.

INFORMATION AVAILABLE TO PARTICIPANTS

General. Spartan Motors' latest Form 10-K Annual Report, all reports and documents that Spartan Motors has filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act since the end of the fiscal year covered by the latest Form 10-K Annual Report and the description of Spartan Motors' stock contained in its Registration Statement filed under the Securities Exchange Act, including any amendment or report filed for the purpose of updating such description, and all documents filed by Spartan Motors pursuant to Sections 13(a), 13(c), 14, and 15(d) of the Securities Exchange Act of 1934 after the registration on Form S-8 of shares to be issued under the Plan and before the filing of a post-effective amendment that indicates that all securities offered under the Plan have been sold or that deregisters all securities then remaining unsold are incorporated by reference in this Plan Description.

You may obtain this information without charge by making written or oral requests to James W. Knapp, Spartan Motors' Chief Financial Officer, Secretary and Treasurer. Employees may obtain additional information regarding the Plan or the administration of the Plan by making written or oral requests to Spartan Motors at 1000 Reynolds Road, Post Office Box 440, Charlotte, Michigan 48813, telephone number (517) 543-6400. Spartan Motors does not intend to provide you with regular statements regarding your incentive awards. You may, however, obtain information regarding your incentive awards by contacting Spartan Motors at the address or telephone number set forth above.

Annual Report. A copy of Spartan Motors' annual report for the year ended December 31, 2002 is included with this Plan Description.

EXHIBIT A

SPARTAN MOTORS, INC.

STOCK OPTION AND RESTRICTED STOCK PLAN OF 2003

(As Amended October 21, 2003)

SECTION 1

Establishment of Plan; Purpose of Plan

1.1 Establishment of Plan. The Company hereby establishes the STOCK OPTION AND RESTRICTED STOCK PLAN OF 2003 (the "Plan") for its directors, corporate, divisional and Subsidiary officers and other key employees. The Plan permits the grant and award of Stock Options and Restricted Stock.

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

SECTION 2

Definitions

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

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

2.5 "Committee" means the Compensation Committee of the Board. The Committee shall consist of at least two members of the Board and all of its members shall be Non-employee Directors and "outside directors" as defined in the regulations issued under Section 162(m) of the Code.

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

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

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

2.9 "Continuing Directors" mean the individuals constituting the Board as of the date this Plan was adopted and any subsequent directors whose election or nomination for election by the Company's shareholders was approved by a vote of three-quarters (3/4) of the individuals who are then Continuing Directors, but specifically excluding any individual whose initial assumption of office occurs as a result of either an actual or threatened solicitation subject to Rule 14a-12(c) of Regulation 14A issued under the Act or other actual or threatened solicitation of proxies or consents by or on behalf of a Person other than the Board.

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

2.11 "Excluded Holder" means (a) any Person who at the time this Plan was adopted was the beneficial owner of 10% or more of the outstanding Common Stock; or (b) the

Company, a Subsidiary or any Employee Benefit Plan of the Company or a Subsidiary or any trust holding Common Stock or other securities pursuant to the terms of an Employee Benefit Plan.

2.12 "Incentive Award" means the award or grant of a Stock Option or Restricted Stock to a Participant pursuant to the Plan.

2.13 "Market Value" shall equal the last reported sales price of shares of Common Stock on The Nasdaq Stock Market (or any successor exchange that is the primary stock exchange for trading of Common Stock) on the date of grant, or if The Nasdaq Stock Market (or any such successor) is closed on that date, the last preceding date on which The Nasdaq Stock Market (or any such successor) was open for trading and on which shares of Common Stock were traded. If the Company's Common Stock is not listed on Nasdaq or another quotation system or stock exchange on the date in question, the Market Value shall be determined by any means deemed fair and reasonable by the Committee, which determination shall be final and binding on all parties.

2.14 "Mature Shares" means shares of Common Stock that a Participant has owned for at least six months.

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

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

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

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

2.19 "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.

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

2.21 "Retirement" means the voluntary termination of all employment by a Participant or the fulfillment of the term for which a director of the Company was elected followed by that director not standing for re-election (as applicable) after the Participant has attained 62 years of age, or such other age as shall be determined by the Committee in its sole discretion or as otherwise may be set forth in the Incentive Award agreement or other grant document with respect to a Participant and a particular Incentive Award.

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

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

SECTION 3

Administration

3.1 Power and Authority. The Committee shall administer the Plan. The Committee may delegate record keeping, calculation, payment and other ministerial administrative functions to individuals designated by the Committee, who may be officers or employees of the Company or its Subsidiaries. Except as limited in this Plan or as may be necessary to ensure that this Plan provides performance-based compensation under Section 162(m) of the Code, the Committee shall have all of the express and implied powers and duties set forth in the Bylaws of the Company and this Plan, shall have full power and authority to interpret the provisions of the Plan and Incentive Awards granted under the Plan and shall have full power and authority to supervise the administration of the Plan and Incentive Awards granted under the Plan and to make all other determinations considered necessary or advisable for 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 considers 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 considers advisable.

3.2 Grants or Awards to Participants. In accordance with and subject to the provisions of the Plan, the Committee shall have the authority to determine all provisions of Incentive Awards as the Committee may consider necessary or desirable and as are consistent with the terms of the Plan, including, without limitation, the following: (a) the persons who shall be selected as Participants; (b) the nature and, subject to the limitations set forth in Sections 4.1 and 4.2 of the Plan, extent of the Incentive Awards to be made to each Participant (including the number of shares of Common Stock to be subject to each Incentive Award, any exercise price, the manner in which an Incentive Award will vest or become exercisable and the form of payment for the Incentive Award); (c) the time or times when Incentive Awards will be granted; (d) the duration of each Incentive Award; and (e) the restrictions and other conditions to which payment or vesting of Incentive Awards may be subject.

3.3 Amendments or Modifications of Awards. The Committee shall have the authority to amend or modify the terms of any outstanding Incentive Award in any manner, provided that the amended or modified terms are not prohibited by the Plan as then in effect, including, without limitation, the authority to: (a) modify the number of shares or other terms and conditions of an Incentive Award; (b) extend the term of an Incentive Award; (c) accelerate the exercisability or vesting or otherwise terminate, waive or modify any restrictions relating to an Incentive Award; (d) accept the surrender of any outstanding Incentive Award; and (e) to the extent not previously exercised or vested, authorize the grant of new Incentive Awards in substitution for surrendered Incentive Awards; *provided*, that Incentive Awards issued under the Plan may not be repriced, replaced, regranted through cancellation or modified without shareholder approval if the effect of such repricing, replacement, regrant or modification would be to reduce the exercise price of then outstanding Incentive Awards to the same Participants.

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

SECTION 4

Shares Subject to the Plan

4.1 Number of Shares. Subject to adjustment as provided in Section 4.3 of the Plan, the total number of shares of Common Stock available for Incentive Awards under the Plan shall be 1,000,000 shares of Common Stock; plus shares subject to Incentive Awards that are canceled, surrendered, modified, exchanged for substitute Incentive Awards or expire or terminate prior to the exercise or vesting of the Incentive Award in full and shares that are surrendered to the Company in connection with the exercise or vesting of an Incentive Award, whether previously owned or otherwise subject to such Incentive Award; *provided*, that not more than 50% of the shares authorized for issuance under the Plan pursuant to this Section 4.1 may be issued as Restricted Stock. Such shares shall be authorized and may be unissued shares, shares issued and reacquired by the Company or shares bought on the market.

4.2 Limitation Upon Incentive Awards. No Participant shall be granted, during any calendar year, Incentive Awards with respect to more than 125,000 shares of Common Stock, subject to adjustment as provided in Section 4.3 of the Plan. The purpose of this Section 4.2 is to ensure that the Plan may provide performance-based compensation under Section 162(m) of the Code and this Section 4.2 shall be interpreted, administered and amended if necessary to achieve that purpose.

4.3 Adjustments.

(a) Stock Dividends and Distributions. If the number of shares of Common Stock outstanding changes by reason of a stock dividend, stock split, recapitalization or other general distribution of Common Stock or other securities to holders of Common Stock, the number and kind of securities subject to Incentive Awards and reserved for issuance under the Plan, together with applicable exercise prices, as well as the number of shares available for issuance under the Plan and the limitation provided in Section 4.2, shall be adjusted appropriately. No fractional shares shall be issued pursuant to the Plan and any fractional shares resulting from such adjustments shall be eliminated from the respective Incentive Awards.

(b) Other Actions Affecting Common Stock. If there occurs, other than as described in the preceding subsection, any merger, business combination, recapitalization, reclassification, subdivision or combination approved by the Board that would result in the Persons who were shareholders of the Company immediately prior to the effective time of any such transaction owning or holding, in lieu of or in addition to shares of Common Stock, other securities, money and/or property (or the right to receive other securities, money and/or property) immediately after the effective time of such transaction, then the outstanding Incentive Awards (including exercise prices) and reserves for Incentive Awards under this Plan shall be adjusted in such manner and at such time as shall be equitable under the circumstances. It is intended that in the event of

any such transaction, Incentive Awards under this Plan shall entitle the holder of each Incentive Award to receive (upon exercise in the case of Stock Options), in lieu of or in addition to shares of Common Stock, any other securities, money and/or property receivable upon consummation of any such transaction by holders of Common Stock with respect to each share of Common Stock outstanding immediately prior to the effective time of such transaction; upon any such adjustment, holders of Incentive Awards under this Plan shall have only the right to receive in lieu of or in addition to shares of Common Stock such other securities, money and/or other property as provided by the adjustment. If the agreement, resolution or other document approved by the Board to effect any such transaction provides for the adjustment of Incentive Awards under the Plan in connection with such transaction, then the adjustment provisions contained in such agreement, resolution or other document shall be final and conclusive.

SECTION 5

Stock Options

5.1 Grant.

(a) **Officers and Employees.** Except as set forth below for Non-employee Directors, a Participant may be granted one or more Stock Options under the Plan. The Committee, in its discretion, may provide in the initial grant of a Stock Option or other Incentive Award for the subsequent automatic grant of additional Stock Options for the number of Mature Shares, if any, that are surrendered to the Company in connection with the exercise or vesting of the initial or any subsequently granted Stock Option or other Incentive Award. Stock Options 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. In addition, the Committee may vary, among Participants and among Stock Options granted to the same Participant, any and all of the terms and conditions of the Stock Options granted under the Plan. Subject to the limitation imposed by Section 4.2 of the Plan, the Committee shall have complete discretion in determining the number of Stock Options granted to each Participant. The Committee may designate whether or not a Stock Option is to be considered an incentive stock option as defined in Section 422(b) of the Code; *provided*, that the number of shares of Common Stock that may be designated as subject to incentive stock options for any given Participant shall be limited to that number of shares that become exercisable for the first time by the Participant during any calendar year (under all plans of the Company and its Subsidiaries) and have an aggregate Market Value less than or equal to \$100,000 (or such other amount as may be set forth in the Code) and all shares subject to an Incentive Award that have a Market Value in excess of such aggregate amount shall automatically be subject to Stock Options that are not incentive stock options.

(b) **Non-employee Directors.** Subject to the limitation imposed by Section 4.2 and the adjustments imposed by Section 4.3 and to the extent not granted under the Spartan Motors, Inc. Stock Option and Restricted Stock Plan of 1998, an Option to purchase 3,500 shares of Common Stock shall be granted automatically on June 30 and December 31 of each year, to each director of the Company who is, at the time of such grant, a Non-employee Director; *provided, however,* that if any Non-employee Director is at the time of grant the Chairman of the Board, the number of shares subject to the Option granted to that Non-employee Director shall be 7,500. Options shall be granted at an option price to be determined by the Committee, subject to the condition that such price will be equal to or greater than 85 percent of the fair market value of the Common Stock at the date of grant of the Option. Options granted to Non-employee Directors shall not be treated as incentive stock options under Section 422(b) of the Code.

5.2 Stock Option Agreements. Stock Options shall be evidenced by stock option agreements and/or certificates of award containing the terms and conditions applicable to such Stock Options. To the extent not covered by the stock option agreement, the terms and conditions of this Section 5 shall govern.

5.3 Stock Option Price. The per share Stock Option price shall be determined by the Committee, but shall be a price that is equal to or greater than 100% of the Market Value on the date of grant. The date of grant of a Stock Option shall be the date the Stock Option is authorized by the Committee or a future date specified by the Committee as the date for issuing the Stock Option.

5.4 Medium and Time of Payment. The exercise price for each share purchased pursuant to a Stock Option granted under the Plan shall be payable in cash or, if the Committee consents or provides in the applicable stock option agreement or grant, in Mature Shares or other consideration substantially equivalent to cash. The time and terms of payment may be amended with the consent of a Participant before or after exercise of a Stock Option. The Committee may implement a program for the broker-assisted cashless exercise of Stock Options.

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

5.6 Limits on Exercisability. Except as set forth in Section 5.5, Stock Options shall be exercisable for such periods, not to exceed 10 years from the date of grant, as may be fixed by the Committee. At the time of exercise of a Stock Option, the holder of the Stock 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 in its discretion require a Participant to continue the Participant's service with the Company and its Subsidiaries for a certain length of time prior to a Stock Option becoming exercisable and may eliminate such delayed vesting provisions.

5.7 Restrictions on Transferability.

(a) **General.** Unless the Committee otherwise consents or permits (before or after the option grant) or unless the stock option agreement or grant provides otherwise, Stock Options granted under the Plan may not be sold, exchanged, transferred, pledged, assigned or otherwise alienated or hypothecated except by will or the laws of descent and distribution, and, as a condition to any transfer permitted by the Committee or the terms of the stock option agreement or grant, the transferee must execute a written agreement permitting the Company to withhold from the shares subject to the Stock Option a number of shares having a Market Value at least equal to the amount of any federal, state or local withholding or other taxes associated with or resulting from the exercise of a Stock Option. All provisions of a Stock Option that are determined with reference to the Participant, including without limitation those that refer to the Participant's employment with the Company or its Subsidiaries, shall continue to be determined with reference to the Participant after any transfer of a Stock Option.

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

5.8 Termination of Employment, Directorship or Officer Status. Unless the Committee otherwise consents or permits (before or after the option grant) or unless the stock option agreement or grant provides otherwise:

(a) **General.** If a Participant ceases to be a director of the Company or ceases to be employed by or an officer of the Company or one of its Subsidiaries for any reason other than the Participant's death, disability, Retirement or termination for cause, the Participant may exercise his or her Stock Options in accordance with their terms for a period of 3 months after such termination of employment, directorship or officer status, but only to the extent the Participant was entitled to exercise the Stock Options on the date of termination unless the Committee otherwise consents or the terms of the Option agreement provide otherwise, and not beyond the original terms of the Stock Options. For purposes of the Plan, the following shall not be considered a termination of employment, or, where applicable, directorship or officer status: (i) a transfer of an employee from the Company to any Subsidiary; (ii) a leave of absence, duly authorized in writing by the Company, for military service or for any other purpose approved by the Company if the period of such leave does not exceed 90 days; (iii) a leave of absence in

excess of 90 days, duly authorized in writing by the Company, provided that the employee's right to re-employment is guaranteed by statute, contract or written policy of the Company; (iv) a termination of employment with continued service as an officer or director; or (v) a termination of a directorship with continued service as an employee or officer. For purposes of the Plan, termination of employment shall be considered to occur on the date on which the employee is no longer obligated to perform services for the Company or any of its Subsidiaries and the employee's right to re-employment is not guaranteed by statute, contract or written policy of the Company, regardless of whether the employee continues to receive compensation from the Company or any of its Subsidiaries after such date.

(b) Death. If a Participant dies either while a director of the Company or an employee or officer of the Company or one of its Subsidiaries or after the termination of employment or directorship other than for cause but during the time when the Participant could have exercised a Stock Option, the Stock Options issued to such Participant shall be exercisable in accordance with their terms by the personal representative of such Participant or other successor to the interest of the Participant for one year after the Participant's death, but only to the extent that the Participant was entitled to exercise the Stock Options on the date of death or termination of employment or directorship, whichever first occurred, and not beyond the original terms of the Stock Options.

(c) Disability. If a Participant ceases to be a director of the Company or ceases to be an employee or officer of the Company or one of its Subsidiaries due to the Participant's disability, the Participant may exercise his or her Stock Options in accordance with their terms for one year following such termination of employment or directorship, but only to the extent that the Participant was entitled to exercise the Stock Options on the date of such event and not beyond the original terms of the Stock Options.

(d) Participant Retirement. If a Participant Retires as a director of the Company or an employee or officer of the Company or one of its Subsidiaries, Stock Options granted under the Plan may be exercised in accordance with their terms during the remaining terms of the Stock Options.

(e) Termination for Cause. If a Participant is terminated for cause, the Participant shall have no further right to exercise any Stock Options previously granted. For purposes of the Plan, the Committee or officers designated by the Committee shall have absolute discretion to determine whether a termination is for cause.

(f) Additional Provisions in Stock Option Agreements. The Committee may, in its sole discretion, provide by resolution or by including provisions in any Stock Option agreement entered into with a Participant that the Participant shall have no further right to exercise any Stock Options after termination of employment or directorship if the Committee determines the Participant has entered into Competition with the Company.

SECTION 6

Restricted Stock

6.1 Grant. Subject to the limitations set forth in Sections 4.1 and 4.2 of the Plan, 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. The Committee may impose such restrictions or conditions, consistent with the provisions of the Plan, to the vesting of Restricted Stock as it considers appropriate. The Committee may also require that certificates representing shares of Restricted Stock be retained and held in escrow by a designated employee or agent of the Company or any Subsidiary until any restrictions applicable to shares of Restricted Stock so retained have been satisfied or lapsed.

6.2 Restricted Stock Agreements. Awards of Restricted Stock shall be evidenced by restricted stock agreements or certificates of award containing such terms and conditions, consistent with the provisions of the Plan, as the Committee shall from time to time determine. Unless a restricted stock agreement or certificate provides otherwise, Restricted Stock awards shall be subject to the terms and conditions set forth in this Section 6.

6.3 Termination of Employment, Directorship or Officer Status. Unless the Committee otherwise consents or permits (before or after the grant of Restricted Stock) or unless the restricted stock agreement or grant provides otherwise:

(a) General. In the event of termination of employment, directorship or officer status during the Restricted Period for any reason other than death, disability, Retirement or termination for cause, any shares of Restricted Stock still subject to restrictions at the date of such termination shall automatically be forfeited and returned to the Company. For purposes of the Plan, the following shall not be considered a termination of employment, or, where applicable, directorship or officer status: (i) a transfer of an employee from the Company to any Subsidiary; (ii) a leave of absence, duly authorized in writing by the Company, for military service or for any other purpose approved by the Company if the period of such leave does not exceed 90 days; (iii) a leave of absence in excess of 90 days duly authorized in writing by the Company, provided that the employee's right to re-employment is guaranteed by statute, contract or written policy of the Company; (iv) a termination of employment with continued service as an officer or director; or (v) a termination of a directorship with continued service as an employee or officer. For purposes of the Plan, termination of employment shall be considered to occur on the date on which the employee is no longer obligated to perform services for the Company or any of its Subsidiaries and the employee's right to re-employment is not guaranteed by statute, contract or written policy of the Company,

regardless of whether the employee continues to receive compensation from the Company or any of its Subsidiaries after such date.

(b) Death, Retirement or Disability. In the event a Participant terminates his or her employment or directorship with the Company because of death, disability or Retirement during the Restricted Period, the restrictions applicable to the shares of Restricted Stock shall terminate automatically with respect to that number of shares (rounded to the nearest whole number) equal to the total number of shares of Restricted Stock granted to such Participant multiplied by the number of full months that have elapsed since the date of grant divided by the total number of full months in the Restricted Period. All remaining shares shall be forfeited and returned to the Company; *provided*, that the Committee may, in its sole discretion, waive the restrictions remaining on any or all such remaining shares of Restricted Stock either before or after the death, disability or Retirement of the Participant.

(c) Termination for Cause. If a Participant's employment or directorship is terminated for cause, the Participant shall have no further right to exercise or receive any Restricted Stock and all Restricted Stock still subject to restrictions at the date of such termination shall automatically be forfeited and returned to the Company. For purposes of the Plan, the Committee or officers designated by the Committee shall have absolute discretion to determine whether a termination is for cause.

6.4 Restrictions on Transferability.

(a) General. Unless the Committee otherwise consents or permits or unless the terms of the restricted stock agreement or grant provide otherwise: (i) shares of Restricted Stock shall not be sold, exchanged, transferred, pledged, assigned or otherwise alienated or hypothecated during the Restricted Period except by will or the laws of descent and distribution; and (ii) all rights with respect to Restricted Stock granted to a Participant under the Plan shall be exercisable during the Participant's lifetime only by such Participant, his or her guardian or legal representative.

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

6.5 Legending of Restricted Stock. 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. Stock Option and Restricted Stock Plan of 2003 (the "Plan"). 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. Copies of the Plan and the restricted stock agreement are on file in the office of the Secretary of the Company.

6.6 Rights as a Shareholder. A Participant shall have all voting, dividend, liquidation and other rights with respect to Restricted Stock held of record by such Participant as if the Participant held unrestricted Common Stock; *provided*, that the unvested portion of any award of Restricted Stock shall be subject to any restrictions on transferability or risks of forfeiture imposed pursuant to Sections 6.1, 6.3 and 6.4 of the Plan. Unless the Committee otherwise determines or unless the terms of the restricted stock agreement or grant provide otherwise, any noncash dividends or distributions paid with respect to shares of unvested Restricted Stock shall be subject to the same restrictions as the shares to which such dividends or distributions relate.

SECTION 7

Change in Control

7.1 Acceleration of Vesting. If a Change in Control of the Company shall occur, then, unless the Committee or the Board otherwise determines with respect to one or more Incentive Awards, without action by the Committee or the Board: (a) all outstanding Stock Options shall become immediately exercisable in full and shall remain exercisable during the remaining terms thereof, regardless of whether the Participants to whom such Stock Options have been granted remain in the employ or service of the Company or any Subsidiary; and (b) all other outstanding Incentive Awards shall become immediately fully vested and exercisable and nonforfeitable.

7.2 Cash Payment for Stock Options. If a Change in Control of the Company shall occur, then the Committee, in its sole discretion, and without the consent of any Participant affected thereby, may determine that some or all Participants holding outstanding Stock Options shall receive, with respect to some or all of the shares of Common Stock subject to such Stock Options, as of the effective date of any such Change in Control of the Company, cash in an amount equal to the greater of the excess of (a) the highest sales price of the shares on Nasdaq on the date immediately prior to the effective date of such Change in Control of the Company or (b) the highest price per share actually paid in connection with any Change in Control of the Company over the exercise price per share of such Stock Options.

SECTION 8

General Provisions

8.1 No Rights to Awards. No Participant or other person shall have any claim to be granted any Incentive Award under the Plan and there is no obligation of uniformity of treatment of Participants or holders or beneficiaries of Incentive Awards under the Plan. The terms and conditions of 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 or the same Participant.

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

8.3 Compliance With Laws; Listing and Registration of Shares. All Incentive Awards granted under the Plan (and all issuances of Common Stock or other securities under the Plan) shall be subject to all applicable laws, rules and regulations, and to the requirement that if at any time the Committee shall determine, in its 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 grant 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.

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

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

8.6 Suspension of Rights under Incentive Awards. The Company, by notice to a Participant, may suspend a Participant's and any transferee's rights under any Incentive Award for a period not to exceed 60 days while the termination for cause of that Participant's employment or directorship with the Company and its Subsidiaries is under consideration.

8.7 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.

8.8 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 provisions of the Plan and the Plan shall be construed and enforced as if the illegal or invalid provision had not been included, unless such construction would cause the Plan to fail in its essential purposes.

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 considers proper and in the best interests of the Company, provided that no such amendment may impair any outstanding Incentive Award without the consent of the Participant, except according to the terms of the Plan or 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.

SECTION 10

Effective Date and Duration of the Plan

This Plan shall take effect April 22, 2003, subject to approval by the shareholders at the 2003 Annual Meeting of Shareholders or any adjournment thereof or at a Special Meeting of Shareholders. Unless earlier terminated by the Board of Directors, no Incentive Award shall be granted under the Plan after April 21, 2013.



**Spartan Motors, Inc. (SMI)
SPARTAN PROFIT AND RETURN (SPAR)
MANAGEMENT INCENTIVE BONUS PLAN**

Plan Purpose

The purpose of the Spartan Motors, Inc. Spartan Profit And Return Plan (the "SPAR Plan") is to motivate and encourage [Spartan Motors, Inc.] [Spartan Motors Chassis, Inc.] ("SMI") management to create economic value from the dollars invested in SMI. Only through value creation can Spartan achieve sustainable profitable growth, maximize Spartan's market valuation and provide for the long-term interests of its stakeholders.

Objectives of the Plan

The specific objectives of the SPAR Plan are as follows:

1. Provide management with incentives to choose strategies and investments that maximize shareholder wealth. In other words think, act and be paid like owners.
2. Utilize a financial measurement that conforms to the market's evaluation of Spartan's performance.
3. Communicate SMI's financial objectives in a clearly defined and quantifiable manner.
4. Focus management on continuous improvement in shareholder value.

Approach

SMI believes that Management financial rewards should track with SMI financial performance. Rewards should be structured to be generous in periods when management drives SMI toward the achievement of superior performance and scant when performance falls short. Since Spartan Motors' shareholders have historically have viewed Spartan as a "value" stock, it is essential that the financial interest of the executive be based on a comparable view. This leads to a plan that is based on a three-year payout.

Eligibility

The following positions are eligible for participation in the Plan:

Leadership Team

Other positions may be included upon the recommendation of the President/COO of Spartan and the approval of the Chairman of the Board. Participants in the Plan may not participate in any other incentive pay, commission override, gainsharing, or other supplemental compensation program. The only exceptions are quarterly bonus, stock options and certain designated sales managers. Participation in one year does not guarantee participation in subsequent years. Due to the varying nature of certain positions between business units, inclusion of a position at one organization will not necessarily mean a similarly titled position at another unit would be included in the Plan.

Effective Date

This Plan is effective upon approval of the Board of Directors of Spartan and will continue indefinitely at the discretion of the Board.

Plan Administration

The President and Chief Operating Officer at SMI and Chief Financial Officer of SMI are responsible for the ongoing administration of the Plan. The Compensation Committee of Spartan shall annually review both the provisions of the Plan and approve all payouts hereunder.

Overview of Plan Structure

The Plan rewards Participants based upon achievement in sustaining and increasing their operation's SPAR. Spartan Profit and Return (SPAR) is a single, comprehensive measurement by which individual subsidiary and consolidated performance is evaluated. "SPAR" is defined as net operating profit after tax (NOPAT) less a capital charge based upon the tangible net operating assets employed in the business. More detailed information regarding how the Company calculates SPAR is provided in Exhibit I.

1. *Annual SPAR Incentive Bonus Earned.* The participant's Target Bonus percentage (2 below) times the Spar Multiple (3 below) times the participant's annual salary.
2. *Target Bonus.* Each Participant is assigned a "Target Bonus" based on his or her level within the Plan. The Target Incentive is determined each year by multiplying the Participant's base compensation by the following percentages.

Level 5	50%
Level 4	40%
Level 3	20%
Level 2	15%
Level 1	10%

A Participant is included in one of the levels above upon the recommendation of the President/COO of Spartan and the approval of its Chairman of the Board.

3. *SPAR Target Multiple.* The Target Bonus can be increased or decreased based upon achieving varying levels of SPAR. The amount of increase or decrease is based upon predetermined levels of SPAR that relate to a SPAR Multiple. Spartan Profit And Return can be adjusted annually, but is intended to be static for three years. A SPAR Multiple for SMI is determined by using the following table:

	SPAR Required for Various SPAR Multiples - Year One						
	-2X	-1X	0X	+1X	+2X	+3X	+4X
Spartan Motors, Inc.][Spartan Motors Chassis, Inc.]	-7,068,000	-3,534,000	0	3,534,000	7,068,000	10,602,000	14,136,000

The SPAR multiple used for determining annual bonuses is computed by interpolating (or extrapolating, if necessary) where the SPAR earned for the year falls within (or outside) the various multiples indicated in the above table. The SPAR multiple is computed to one decimal.

4. *Individual Performance Bonus.* A Participant may earn an additional bonus based on the achievement of certain mutually agreed-upon personal objectives. The Participant is annually evaluated by his or her immediate superior and can achieve up to the percentage of base pay per their determined SPAR Target Bonus Level.

Level 5	10%
Level 4	10%
Level 3	10%
Level 2	5%
Level 1	3%

5. *Annual Incentive Bonus Cash Payout:* Annual incentive bonuses to all Participants employed by the Company on the last day of the performance year are calculated and paid no later than February 28 of the year following the end of the performance year. The amount of the annual payout is equal to the sum of seventy-five percent (75%) of any unpaid carryover balance (mandatory deferred balance) from prior years (7 below), 2) seventy-five percent (75%) of the Annual Incentive Bonus Earned for the current performance year (1 above), and 3) the Participant's Individual Performance Bonus, (4 above)

In the event that the participant either voluntarily or involuntarily terminates, (see exceptions below), their employment with SMI during any performance year, the participant will not earn an Annual Incentive Bonus for that year or any portion of an Annual Incentive Bonus. The Participant will only receive the appropriate amount of the mandatory an/or optional deferral. (See Terminations and Vesting of Deferred Balances below)

A Participant is entitled to a prorated annual incentive bonus for the current year in the event that death, disability, retirement, or change in control occurs prior to the conclusion of a performance year. (See Death, Disability, Retirement, and Changes in Control)

6. *Mandatory Deferral:* Twenty - five percent (25%) of the current year Annual Incentive Bonus Earned, plus twenty-five (25%) of the unpaid carryover balance from the previous year.
7. *Carryover Account Balance:* The cumulative effect of the Initial Account Balance (see below) plus the current year Annual Incentive Bonus Earned (1 above), plus any interest on the previous year unpaid carryover balance, minus the Annual Incentive Bonus Cash Payout (5 above).

Initial Account Balance

For purposes of computing annual incentive payouts, Participants are credited with an "Initial Account Balance" equal to the following percentage of the 200[] Annual SPAR Incentive Bonus Earned for the year 200[]:

[Spartan Motors, Inc.][Spartan Motors Chassis, Inc.]	33.3%
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The Initial Carryover Balance is not subject to interest charges or credits or repayment during a Participant's period of employment. In determining a Participant's vested account balance, the Initial Carryover Balance is deducted from a Participant's total account balance upon termination of employment for any reason.

Interest on Mandatory Deferrals

Interest is credited on any deferred balances at an annual rate equal to the highest rate the Company pays at the time of the deferral on its debt capital or 10 percent, whichever is lower. Interest continues to be credited at this rate until the deferrals and the related accrued interest are paid. Interest is **not** credited on the Participant's Initial Carryover Balance.

Treatment of New Employees

An eligible employee who joins the Company during a performance period may be included in the Plan as a Participant at the discretion of his or her respective business unit President. The President/COO of SMI and its Chairman must approve the level of participation and any Initial Carryover Balance assigned.

The new Participant will be entitled to a prorated share of an annual bonus.

Acquisitions

Upon acquisition or disposal of a business unit, the required amounts of SPAR and minimum SPAR growth amounts in number three above are adjusted for Spartan (consolidated) and any other business unit which includes the acquired business (or as a separate stand-alone business unit).

The required amounts of SPAR and minimum SPAR growth amounts are determined in a manner providing a minimum return on capital invested in the acquired business.

Terminations and Vesting of Deferred Balances

In the event a Participant terminates his or her employment with Company voluntarily or involuntarily for reason other than death, disability, retirement, or a change in control, deferred balances are payable as follows:

Mandatory Deferred Balances (excluding Initial Carryover Balance)	50%
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Payment will be made to terminated Participants at the next regularly scheduled date for payment of incentive bonuses.

Death, Disability, Retirement, and Changes in Control

In the event a Participant dies, becomes disabled (defined as qualifying either for the Company's Long-Term Disability Plan or Social Security Disability), or retires, (per the Company's Profit Sharing Plan), 100 percent of the sum of mandatory deferred balances are payable to the Participant (less Initial Carryover Balances) at the next regularly scheduled date for the payment of incentive bonuses. In the event of a change in control of the Company or one of its business units (defined as acquisition by a purchaser of more than 50 percent of the Company's stock or substantially all the assets of the Company or one of its units) 100 percent of the sum of mandatory and any optional deferred balances are payable to the Participant (less Initial Carryover Balances) at the next regularly scheduled date for payment of incentive bonuses.

Funding

The Plan is an unfunded, nonqualified deferred compensation plan. Monies that become due to Participants are unsecured obligations of the Company.

Amendment and Termination of the Plan

The Plan may be amended or terminated at any time and without prior notice at the sole discretion of the Board of Directors of Spartan Motors, Inc. Any deferred balances (excluding any Initial Carryover Balances) shall become 100 percent vested upon termination of the Plan.

Exhibit I - Terms and Definitions

SPAR	Spartan Profit and Return (SPAR) equals Net Operating Profit After Taxes (NOPAT) minus Capital Charge.
NOPAT	Net Operating Profit After Taxes is calculated as follows:
OPERATING PROFIT	<p>Operating Profit is defined as Earnings Before Income Taxes determined for purposes of both internal and external reporting and subject to annual audit by the Company's independent accountants.</p> <p>Adjustments to Operating Profit consist of the following:</p> <ul style="list-style-type: none">• Add interest expense• Subtract interest income and other investment income• Add (subtract) equity in losses (income) of unconsolidated investments• Add (subtract) other non-operating expenses (income)• Add (subtract) any increases (decrease) in LIFO reserves• Add depreciation• Subtract annual rental charge for plant and equipment determined per attached table• Add amortization of goodwill and other intangible assets arising from business acquisitions.• Add amortization of other intangibles.• Subtract recovery charge for capitalized intangibles per the attached table, excluding those arising from business acquisitions.• Add any recorded provision for noncompete payments (+)• Add any items deemed to be strategic investments (+)• Subtract annual recovery charge of any items deemed to be strategic investments determined on a straight-line basis over an agreed-upon amortization period per attached table
STRATEGIC INVESTMENTS	<p>Strategic Investments are expenditures greater than \$100,000 that are expected to result in operating income in future periods but are required to be recognized as expenses or losses in the current fiscal year under generally-accepted accounting principles. Examples of such items include certain research and development expenses, acquired businesses that are not expected to initially generate positive SPAR and certain advertising and promotional costs. In order to qualify as a strategic investment for incentive computation purposes, the amount and amortization period of the investment must be planned and agreed to by the President/COO and Chairman of the Company in advance of any expenditure or loss. Generally this is done as part of the annual strategic planning review. The business unit is required to recognize an amortization charge in future performance periods regardless of whether the item actually results in future operating income.</p>

CAPITAL CHARGE	Cost of capital percentage times capital base.
COST OF CAPITAL	The minimum overall percentage return required by an investor providing both the debt and equity capital of the business. The required return for Spartan Motors, Inc. is 11 percent.
CAPITAL BASE	The Capital Base consists of average current assets plus other assets and land net of investment securities, LIFO reserve, intercompany accounts and intangible assets and less average total liabilities excluding interest bearing debt and intercompany accounts. Deferred income taxes will be included as an asset or liability for each business unit based on applicable beginning of the year balances, however income taxes receivable and payable are eliminated from the computation of the Capital Base.

EXHIBIT 10.9

Grantee: _____ Grant Date: _____

Address: _____ Expiration Date: _____

_____ Base Price per Share: _____

Number of Shares: _____ SAR No.: _____

STOCK APPRECIATION RIGHTS AGREEMENT

This Stock Appreciation Rights Agreement ("**Agreement**") is made as of the Grant Date set forth above (the "**Grant Date**") between SPARTAN MOTORS, INC., a Michigan corporation ("**Spartan**"), and the grantee named above ("**Grantee**").

The Spartan Motors, Inc. Stock Incentive Plan of 2005 (the "**Plan**") is administered by the Compensation Committee of Spartan's Board of Directors (the "**Committee**"). The Committee has determined that Grantee is eligible to participate in the Plan. The Committee has granted stock appreciation rights to Grantee, subject to the terms and conditions contained in this Agreement and in the Plan. This Agreement is intended to comply with the provisions governing stock appreciation rights under Internal Revenue Service Notice 2005-1 in order to exempt the stock appreciation rights from application of Section 409A of the Internal Revenue Code ("**Section 409A**").

Grantee acknowledges receipt of a copy of the Plan and accepts the stock appreciation rights subject to all of the terms, conditions and provisions of this Agreement and the Plan.

1. Grant. Spartan grants to Grantee stock appreciation rights (the "**Stock Appreciation Rights**") with respect to the number of shares of Spartan's common stock, \$.01 par value ("**Common Stock**") equal to the Number of Shares set forth above. A Stock Appreciation Right is a right awarded to Grantee that entitles Grantee to receive Common Stock having a value on the date the Stock Appreciation Right is exercised equal to the excess of (a) the Market Value (as defined in the Plan) of a share of Common Stock at the time of exercise over (b) the Base Price per Share set forth above, which equals the Market Value of the Common Stock on the Grant Date. The Stock Appreciation Rights consist of a single Stock Appreciation Right for each share of Common Stock.

2. Price. The per-share base price of the Stock Appreciation Rights shall equal the Base Price per Share set forth above (subject to adjustment as provided in the Plan).

3. Term and Vesting. The right to exercise the Stock Appreciation Rights shall vest immediately and shall terminate on the Expiration Date set forth above, unless earlier terminated pursuant to the terms of the Plan.

4. Exercise. Grantee shall exercise the Stock Appreciation Rights by giving Spartan a written notice of the exercise of the Stock Appreciation Rights in the form of **Exhibit A** to this Agreement and providing any other documentation that the Committee may require from time to time. The notice shall set forth the number of shares with respect to which Grantee is exercising the Stock Appreciation Rights. The notice shall be effective when received at Spartan's main office. The Stock

Appreciation Rights will be considered exercised with respect to the number of shares specified in the notice on the latest of (i) the date of exercise designated in the notice, (ii) if the date so designated is not a business day, the first business day following such date or (iii) the earliest business day by which Spartan has received the notice and all documentation required by the Committee. Spartan shall deliver to Grantee a certificate or certificates for the shares received upon exercise of the Stock Appreciation Rights: *provided, however*, that the time of delivery may be postponed for such period as may be required for Spartan with reasonable diligence to comply with any requirements or provisions of the Securities Act of 1933 or the Securities Exchange Act of 1934, any law, order or regulation of any governmental authority, or any rule or regulation of, or agreement of Spartan with, any applicable securities exchange or quotation system. If at any time the number of shares to be received upon exercise of the Stock Appreciation Rights includes a fractional share, the number of shares actually issued shall be rounded down to the nearest whole share. If Grantee fails to accept delivery or tender of all or any of the shares to be received upon exercise of the Stock Appreciation Rights specified in the notice, Grantee's right to exercise the Stock Appreciation Rights with respect to such unaccepted shares shall terminate.

5. Withholding. Spartan and its subsidiaries shall be entitled to (a) withhold and deduct from Grantee's future wages (or from other amounts that may be due and owing to Grantee from Spartan and/or its subsidiaries), 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 the Stock Appreciation Rights under this Agreement, including without limitation, attributable to the award, vesting or exercise of the Stock Appreciation Rights; or (b) require Grantee promptly to remit the amount of such withholding to Spartan before taking any action with respect to the Stock Appreciation Rights. Grantee acknowledges that Grantee is obligated to pay the amount of such withholding. Unless the Committee provides otherwise, withholding may be satisfied by withholding shares to be received upon exercise of the Stock Appreciation Rights or by delivery to Spartan of previously owned Common Stock.

6. Transferability. The Plan provides that the Stock Appreciation Rights are generally not transferable by Grantee except by will or according to the laws of descent and distribution, and are exercisable during Grantee's lifetime only by Grantee or Grantee's guardian. Spartan may, in the event it deems the same desirable to assure compliance with applicable federal and state securities laws, place an appropriate restrictive legend upon any certificate representing shares received upon exercise of the Stock Appreciation Rights, and may also issue appropriate stop-transfer instructions to its transfer agent with respect to such shares.

7. Termination of Employment, Directorship or Officer Status. If Grantee's employment (and directorship and/or officer status, if applicable) with Spartan or any of its subsidiaries terminates for any reason, such termination shall affect the Stock Appreciation Rights, and Grantee's rights with respect to the Stock Appreciation Rights, as set forth in the Plan.

8. Acceleration. The Stock Appreciation Rights shall be immediately exercisable in the event of any Change in Control (as defined in the Plan) of Spartan.

9. Shareholder Rights. Grantee shall have no rights as a shareholder by reason of the Stock Appreciation Rights or with respect to any shares to be received upon exercise of the Stock Appreciation Rights until the date of issuance of a stock certificate to Grantee for such shares.

10. Employment by Spartan. To the extent Grantee is or becomes an employee of Spartan or any of its subsidiaries, the grant of the Stock Appreciation Rights shall not impose upon Spartan or any of its subsidiaries any obligation to retain Grantee in its employ for any given period or upon any specific terms of employment. Spartan or any of its subsidiaries, as appropriate, may at any time dismiss Grantee

from employment, free from any liability or claim under the Plan or this Agreement, except as otherwise expressly provided in any written agreement with Grantee.

11. Certifications. Grantee agrees that Spartan may impose reasonable restrictions on the sale or distribution of the shares to be received upon exercise of the Stock Appreciation Rights to ensure compliance with federal and state securities laws.

12. Effective Date. The Stock Appreciation Rights Agreement shall be effective as of the Grant Date.

13. Amendment. Neither the Stock Appreciation Rights nor this Agreement shall be modified except in a writing executed by the parties to this Agreement and except as Spartan, upon advice of legal counsel, determines is necessary or advisable because of the promulgation of, or change in or of the interpretation of, any law or governmental rule or regulation, including without limitation, Section 409A and any applicable federal or state securities laws.

14. Agreement Controls. The Plan is incorporated in this Agreement by reference. Capitalized terms not defined in this Agreement shall have those meanings provided in the Plan. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the terms of this Agreement shall control.

15. Corporate Changes. In the event of any stock dividend, stock split or other increase or reduction in the number of shares of Common Stock outstanding, the number and class of shares that may be received upon exercise of the Stock Appreciation Rights, and the Base Price per Share, are subject to adjustment as provided in the Plan; *provided however, that* no adjustment shall be contrary to Section 409A or shall be effected in a manner that would subject Grantee to taxes and penalties under Section 409A.

16. Administration. The Committee has full power and authority to interpret the provisions of the Plan, to supervise the administration of the Plan and to adopt forms and procedures for the administration of the Plan, except as limited by the Plan. All determinations made by the Committee shall be final and conclusive.

17. Illegality. Grantee shall not exercise the Stock Appreciation Rights, and Spartan shall not be obligated to issue any shares of Common Stock to Grantee pursuant to the exercise of the Stock Appreciation Rights, if the exercise thereof or the issuance of such shares would constitute a violation by Grantee or Spartan of any provisions of the Securities Act of 1933 or the Securities Exchange Act of 1934, any other law, order or regulation of any governmental authority, or any rule or regulation of, or agreement of Spartan with, any applicable securities exchange or quotation system. Spartan will in no event be obligated to take any affirmative action in order to cause the exercise of the Stock Appreciation Rights or the resulting issuance of shares of Common Stock to comply with any such law, order, rule, regulation or agreement.

18. Governing Law. This Agreement will be governed by, and construed in accordance with, the internal laws of the State of Michigan, without regard to conflict of law principles. Each party irrevocably submits to the general jurisdiction of the state and federal courts located in the State of Michigan in the counties of Kent and Eaton, in any action to interpret or enforce this Agreement and irrevocably waives any objection to jurisdiction that such party may have based on inconvenience of forum.

[Remainder of page intentionally left blank]

SPARTAN MOTORS, INC.

By

James W. Knapp
Chief Financial Officer

GRANTEE

Signature

Print or type name

EXHIBIT A

Date

Spartan Motors, Inc.
ATTN: Chief Financial Officer
1165 Reynolds Road
Charlotte, Michigan 48813

Dear _____:

Effective on _____, 2____, I hereby exercise SAR No. ____ granted to me on _____ with respect to ____ shares of Common Stock of Spartan Motors, Inc., having a base price per share of \$_____.

Very truly yours,

Signature of Grantee

Social Security Number

Other Name, if Joint Ownership

EXHIBIT 10.10

Grantee:

Date of Award:

("Date of Award")

Address:

Number of Shares: _____

Restricted Stock Number: _____

RESTRICTED STOCK AGREEMENT

This Restricted Stock Agreement ("**Agreement**") is made as of _____, 200__ between SPARTAN MOTORS, INC., a Michigan corporation ("**Spartan Motors**"), and _____ ("**Grantee**").

The Spartan Motors, Inc. Stock Incentive Plan of 200__ (the "**Plan**") is administered by the Compensation Committee of Spartan Motors's Board of Directors (the "**Committee**"). The Committee has determined that Grantee is eligible to participate in the Plan. The Committee agrees to award restricted stock to Grantee, subject to the terms and conditions contained in this Agreement and in the Plan.

Grantee acknowledges receipt of a copy of the Plan and the Plan Description, and accepts this restricted stock award subject to all of the terms, conditions, and provisions of this Agreement and the Plan.

1. Award. Spartan Motors hereby awards to Grantee, as of the Date of Award, _____ shares of Spartan Motors' common stock, \$.01 par value, subject to conditions and restrictions imposed under this Agreement and the Plan (the "**Restricted Stock**"). Spartan Motors may issue share certificates with respect to the Restricted Stock or may deposit the Restricted Stock into an electronic account maintained by a third party, in which case the share certificates with respect to the Restricted Stock may, in Spartan Motors' discretion, not be issued until the restrictions imposed on the Restricted Stock have lapsed.

2. Transferability. Until the restrictions lapse as set forth in paragraph 3 below, the Plan provides that Restricted Stock granted under this Agreement is generally not transferable by Grantee except by will or according to the laws of descent and distribution, and further provides that all rights with respect to the Restricted Stock are exercisable during Grantee's lifetime only by Grantee, Grantee's guardian, or legal representative. Spartan Motors shall place an appropriate legend upon any certificate representing shares of Restricted Stock awarded under this Agreement and may also issue appropriate stop transfer instructions to its transfer agent with respect to such shares.

3. Lapsing of Restrictions. Except as otherwise provided in this Agreement, the restrictions imposed on the Restricted Stock awarded pursuant to this Agreement shall lapse as follows: _____ shares of the Restricted Stock will vest on _____, 200__ ; _____ shares of the Restricted Stock will vest on _____, 200__ (_____ shares vested) and _____ shares of the Restricted Stock will vest on _____, 200__ (_____ shares vested). The periods during which Restricted Stock is subject to restrictions imposed by the Plan and under this Agreement shall be known as "**Restricted Periods**."



4. Securities Laws. The Restricted Stock award under this Agreement is conditional upon (i) the effective registration of the Plan and the Restricted Stock granted thereunder under the Securities Act of 1933 and the effective registration or exemption of the Plan and the Restricted Stock granted thereunder under applicable state or foreign securities laws, and (ii) the effective listing of the stock on any applicable securities exchange or quotation system. Grantee shall not resell or distribute the Restricted Stock after any Restricted Period except in compliance with such conditions as Spartan Motors may reasonably specify to ensure compliance with federal and state securities laws.

5. Termination of Employment, Directorship or Officer Status. If Grantee's employment, directorship and/or officer status (each as applicable) with Spartan Motors or any of its subsidiaries terminates for any reason, such termination shall affect the Restricted Stock, and Grantee's rights with respect to the Restricted Stock, as set forth in the Plan.

6. Employment by Spartan Motors. To the extent Grantee is or becomes an employee of Spartan Motors or any of its subsidiaries, the award of Restricted Stock under this Agreement shall not impose upon Spartan Motors or any of its subsidiaries any obligation to retain Grantee in its employ for any given period or upon any specific terms of employment. Spartan Motors or any of its subsidiaries, as appropriate, may at any time dismiss Grantee from employment, free from any liability or claim under the Plan or this Agreement, except as otherwise expressly provided in any written agreement with Grantee.

7. Shareholder Rights. During the Restricted Period, Grantee shall have all voting, dividend, liquidation, and other rights with respect to the Restricted Stock held of record by Grantee as if Grantee held unrestricted common stock; *provided, however,* that the unvested portion of any Restricted Stock award shall be subject to any restrictions on transferability or risks of forfeiture imposed pursuant to this Agreement or the Plan. Any noncash dividends or distributions paid with respect to shares of unvested Restricted Stock shall be subject to the same restrictions as the shares to which such dividends or distributions relate. After the restrictions applicable to the Restricted Stock lapse, Grantee shall have all shareholder rights, including the right to transfer the shares, subject to such conditions as Spartan Motors may reasonably specify to ensure compliance with federal and state securities laws.

8. Withholding. Spartan Motors and its subsidiaries shall be entitled to (a) withhold and deduct from Grantee's future wages (or from other amounts that may be due and owing to Grantee from Spartan Motors and/or its subsidiaries), 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 the Restricted Stock award under this Agreement, including, without limitation, the award or vesting of, or payments of dividends with respect to, the Restricted Stock; or (b) require Grantee promptly to remit the amount of such withholding to Spartan Motors before taking any action with respect to the Restricted Stock. Unless the Committee provides otherwise, withholding may be satisfied by withholding common stock to be received or by delivery to Spartan Motors of previously owned common stock of Spartan Motors.

9. Effective Date. This Agreement shall be effective as of _____, 20__.

10. Amendment. This Agreement shall not be modified except in a writing executed by the parties to this Agreement.

11. Agreement Controls. The Plan is incorporated in this Agreement by reference. Capitalized terms not defined in this Agreement will have those meanings provided in the Plan. In the event of any conflict between the terms of this Agreement and the terms of the Plan, the provisions of this Agreement will control as long as the provision of this Agreement does not violate a limitation of the Plan

or the law. If any provision of this Agreement does violate a limitation of the Plan or the law, that limitation will control.

SPARTAN MOTORS, INC.

By

Its

GRANTEE

Its

EXHIBIT 10.11

SPARTAN MOTORS, INC.
INDEMNIFICATION AGREEMENT

This Indemnification Agreement (the "Agreement") is made as of the day ____ of _____, 20____, by and between SPARTAN MOTORS, INC., a Michigan corporation (the "Company"), and _____ ("Indemnitee"), a director and/or officer of the Company.

Indemnitee is a **[director][executive officer]** of the Company. It is essential to the Company to attract and retain as **[directors][executive officers]** the most capable persons available. The Company's Articles of Incorporation, as approved by its shareholders, provide that the Company's **[directors][executive officers]** shall be indemnified as of right to the fullest extent permitted by law. This Agreement implements that provision. In partial consideration of Indemnitee's agreement to serve as a **[director][executive officer]** of the Company, the parties are entering into this Agreement.

THEREFORE, the Company and Indemnitee agree:

Section 1. Definitions. As used in this Agreement:

(a) "Expenses" shall mean all reasonable costs, expenses, and obligations actually paid or incurred in connection with investigating, litigating, being a witness in, defending, or participating in, or preparing to litigate, defend, be a witness in, or participate in any matter that is the subject of a Proceeding (as defined below), including, without limitation, any attorney, accountant and expert fees and court costs.

(b) "Proceeding" shall mean any threatened, pending, or completed action, suit or proceeding, or any inquiry or investigation, whether brought by or in the right of the Company or otherwise, and whether of a civil, criminal, administrative, or investigative nature, in which Indemnitee is, may be, or may have been involved as a party or otherwise by reason of the fact that Indemnitee is or was a director, officer, employee, or agent of the Company and/or any one or more of its subsidiaries, or by reason of any action taken by Indemnitee, or any inaction on Indemnitee's part, while acting as a director, officer, employee, or agent of the Company and/or any one or more of its subsidiaries, or by reason of the fact that Indemnitee is or was elected, appointed or serving at the request of the Company and/or any one or more of its subsidiaries as a director, officer, partner, trustee, employee, agent or fiduciary of any other foreign or domestic corporation, partnership, joint venture, trust or other enterprise, whether for profit or not.

(c) "Resolution Costs" shall include any amount paid in connection with a Proceeding and in satisfaction of a judgment, fine or penalty, or any amount paid in settlement of a Proceeding.

(d) "Change in Control" shall mean a change in control of a nature that would be required to be reported in response to Item 6(e) of Schedule 14A of Regulation 14A issued under the Securities Exchange Act of 1934, as amended (the "Act") whether or not the Company is subject to Regulation 14A. Without limiting the inclusiveness of the definition in the preceding sentence, a Change in Control of the Company shall be deemed to have occurred as of the first day that any one or more of the following conditions is satisfied: (a) any Person is or becomes the "beneficial owner" (as defined in Rule 13d-3 under the Act), directly or indirectly, of securities of the Company representing 20% or more of the combined voting power of the Company's then outstanding securities; (b) the failure at any time of the Continuing Directors to constitute at least a majority of the board of directors of the Company; (c) during any period of two consecutive years, individuals who at the beginning of such period constitute the board of directors of the company cease for any reason to constitute a majority of the board of directors; or (d) any of the following occur: (i) any merger or consolidation of the Company, other than a merger or consolidation in which the voting securities of the Company immediately prior to the merger or consolidation continue to represent (either by remaining outstanding or being converted into securities of the surviving entity) 80% or more of the combined voting power of the Company or surviving entity immediately after the merger or consolidation with another entity; (ii) any sale, exchange, lease, mortgage, pledge, transfer or other disposition (in a single transaction or a series of related transactions) of assets or earning power aggregating more than 50% of the assets or earning power of the Company on a consolidated basis; (iii) any complete liquidation or dissolution of the Company; (iv) any reorganization, reverse stock split or recapitalization of the Company which would result in a Change in Control as otherwise defined herein; or (v) any transaction or series of related transactions having, directly or indirectly, the same effect as any of the foregoing.

(e) "Continuing Directors" means the individuals who were either (a) serving as directors of the Company on _____, 2005, or (b) subsequently appointed or elected as a director, if appointed or nominated by at least a majority of the Continuing Directors in office at the time of the nomination or appointment.

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

(g) A "Potential Change in Control" shall be deemed to have occurred if (i) the Company enters into an agreement, the consummation of that would result in the occurrence of a Change in Control; (ii) any person (including the Company) publicly announces an intention to take or to consider taking actions that once consummated would constitute a Change in Control; or (iii) the Board of Directors adopts a resolution to the effect that, for purposes of this Agreement, a Potential Change in Control has occurred.

Section 2. Agreement To Serve. Indemnitee agrees to serve as a director and/or officer of the Company for so long as Indemnitee is duly elected or appointed or until the tender of Indemnitee's written resignation.

Section 3. Indemnification.

(a) The Company shall indemnify Indemnitee against all Expenses incurred by Indemnitee in connection with any Proceeding, except as otherwise provided in this Agreement. The Company shall indemnify Indemnitee against all Resolution Costs incurred by Indemnitee in connection with any Proceeding other than a Proceeding by or in the right of the Company, except as otherwise provided in this Agreement. The Company or a person challenging indemnification has the burden of proving that indemnification is not permitted by this Agreement. However, no indemnification shall be made under this Section if and to the extent that such Expenses or Resolution Costs are:

(i) with respect to remuneration paid to Indemnitee if it shall be determined by a final judgment or other final adjudication that such remuneration was in violation of law;

(ii) on account of any suit in which judgment is rendered against Indemnitee for an accounting of profits made from the purchase and sale by Indemnitee of securities of the Company pursuant to the provisions of Section 16 of the Act and amendments thereto, or similar provisions of any federal, state, or local law;

(iii) on account of Indemnitee's conduct which is determined by a final judgment or other final adjudication to have been knowingly fraudulent, deliberately dishonest, or engaged in willful misconduct;

(iv) on account of Indemnitee's conduct which by a final judgment or other final adjudication is determined to have not been in good faith, to have not been believed by Indemnitee to have been in or not opposed to the best interests of the Company, or to have produced an unlawful personal benefit;

(v) with respect to a criminal proceeding if Indemnitee knew or had reasonable cause to believe that Indemnitee's conduct was unlawful; or

(vi) with respect to a Proceeding in which a final decision by a court having jurisdiction in the matter shall determine that such indemnification is not lawful.

(b) In addition to any indemnification provided under Subsection 3(a) above, the Company shall indemnify Indemnitee against any Expenses or Resolution Costs incurred by Indemnitee, regardless of the nature of the Proceeding in which Expenses and/or Resolution Costs were incurred, if the Expenses or Resolution Costs would have been covered, insured or reimbursed under any insurance policy in effect on the effective date of this Agreement or that become effective on any later date.

(c) It is the intent of this Agreement that, in addition to any indemnification provided under Subsections 3(a) and 3(b), the Company shall indemnify Indemnitee to the fullest extent allowed by law as presently or hereafter enacted or interpreted, against any Expenses and Resolution Costs incurred by Indemnitee in connection with any Proceeding. If, and to the extent that a change in, or in the implementation or interpretation of, the Michigan Business Corporation Act (whether by statute, regulation, judicial decision or otherwise) permits greater indemnification, either by agreement or otherwise, than presently provided by law or this Agreement, it is the intent of the parties hereto that Indemnitee shall enjoy by this Agreement the greater benefits so afforded by such change.

(d) Without limiting Indemnitee's right to indemnification under any other provision of this Agreement, the Company shall indemnify Indemnitee in accordance with the provisions of this Subsection if Indemnitee is a party to or threatened to be made a party to or otherwise involved in any Proceeding by or in the right of the Company to procure a judgment in its favor by reason of the fact that Indemnitee was or is a director, officer, employee, or agent of the Company and/or any one or more of its subsidiaries or is or was serving at the request of the Company and/or any one or more of its subsidiaries as a director, officer, partner, trustee, employee, agent, or fiduciary of another foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, against all Expenses and Resolution Costs incurred by Indemnitee, but only if Indemnitee acted in good faith and in a manner that Indemnitee reasonably believed to be in or not opposed to the best interests of the Company; except that no indemnification shall be made under this Subsection in respect of any claim, issue, or matter as to which Indemnitee shall have been adjudged to be liable to the Company in the performance of his duty to the Company unless, and only to the extent that, any court in which such Proceeding was brought shall determine upon application that, despite the adjudication of liability but in view of all the relevant circumstances, Indemnitee is fairly and reasonably entitled to indemnity, in which event indemnification shall be limited to reasonable expenses incurred.

(e) Notwithstanding any other provision of this Agreement, prior to a Change in Control Indemnitee shall not be entitled to indemnification pursuant to this Agreement in connection with any Proceeding initiated by Indemnitee against the Company or any director, officer, employee, agent, or fiduciary of the Company (in such capacity) unless the Company has joined in or consented to the initiation of such Proceeding or such Proceeding relates to the enforcement by Indemnity of Indemnitee's rights under this Agreement.

(f) Indemnitee shall, as a condition precedent to indemnification under this Agreement, give written notice to the Company as soon as practicable of any claim for which indemnification will or could be sought under this Agreement. In addition, Indemnitee shall give the Company such information and cooperation as the Company may reasonably require.

(g) Notwithstanding any other provision of this Agreement, no indemnification shall be paid in violation of Michigan or federal laws and regulations.

Section 4. Payment of Indemnification.

(a) The Company shall pay or reimburse Indemnitee all Expenses and Resolution Costs for which Indemnitee is entitled to indemnification under Section 3, upon written demand for such payment or reimbursement from Indemnitee, promptly if, when and to the extent that a determination has been made, or deemed to have been made, in the manner provided in this Section 4 that Indemnitee is entitled to indemnification under Section 3.

(b) A determination as to whether or not Indemnitee is entitled to indemnification shall be made, no later than 30 days after receipt by the Company of a written demand of Indemnitee for such payment or reimbursement, by: (i) a majority vote of a quorum of directors who are not parties or threatened to be made parties to such Proceeding; (ii) if a quorum cannot be obtained under subsection (i), a majority vote of a committee of two or more directors, duly designated by the board, who are not parties or threatened to be made parties to such Proceeding; or (iii) if a quorum as described in subsection (i) cannot be obtained and a committee as described in subsection (ii) cannot be designated, the board of directors shall select independent legal counsel. If such determination is not referred to independent legal counsel, the board of directors, or committee provided in this subsection, shall be deemed to have made a determination that Indemnitee is entitled to Indemnification under Section 3 and that the Expenses and Resolution Costs are reasonable, unless within that 30 day period, such board or committee determines, in writing and in unconditional terms, that indemnification is not allowed under Section 3 of this Agreement or that a specified portion of such Expenses and Resolution Costs are not reasonable. Except as provided in Subsection 4(c), if the determination made under Section 4 is to be made by independent legal counsel then the independent legal counsel shall be selected by (x) a majority vote of a quorum of the board of directors who are not parties or threatened to be made parties to the Proceeding; (y) if a quorum cannot be obtained under subsection (x), a majority vote of two or more directors, duly designated by the board, who are not parties or threatened to be made parties to such Proceeding; or (z) if a quorum as described in subsection (x) cannot be obtained and a committee as described in subsection (y) cannot be designated, the board of directors shall select independent legal counsel.

(c) If a Change in Control (as defined in Section 1(d)) has occurred and the Continuing Directors do not constitute a majority of the Board of Directors, the determination made under Section 4 shall be made by independent legal counsel and not the board of directors or a committee of the board of directors. If a Change in Control has occurred, independent legal counsel shall be selected by Indemnitee. The Company shall pay the reasonable fees of the independent legal counsel and fully indemnify such counsel against any and all expense (including attorney fees), claims, liabilities, and damages arising out of or relating to this Agreement or its engagement pursuant thereto.

(d) If the indemnification demand is referred to independent legal counsel under this Section 4, a determination as to whether or not Indemnitee is entitled to indemnification shall be made no later than 45 days after Indemnitee's initial demand to the Company. Independent legal counsel shall be deemed to have made a determination that indemnification is allowed under Section 3 of this Agreement and that the Expenses and Resolution Costs are reasonable, unless within that 45 day period, independent legal counsel presents to the Company's board of directors a written opinion stating in unconditional terms that Indemnitee is not entitled to indemnification under Section 3 of this Agreement or that a specified portion of such Expenses and Resolution Costs are not reasonable.

(e) If the Company has not made a determination as to whether or not indemnification is allowed under Section 3 within the 30 day period (or 45 day period if referred to independent legal counsel) prescribed in Section 4, the Company shall be deemed to have made a determination that Indemnitee is entitled to indemnification under Section 3 and that the Expenses and Resolution Costs are reasonable.

(f) The right to indemnification payments as provided by this Agreement shall be enforceable by Indemnitee in any court of competent jurisdiction in the State of Michigan and in which venue is proper. The burden of proving that indemnification is not required or permitted by this Agreement shall be on the Company or on any Person challenging the indemnification. Neither the failure of the Company, including its board of directors, committees, or legal counsel, to have made a determination prior to the commencement of any Proceeding that indemnification is proper nor an actual determination by the Company, including its board of directors, committee or independent legal counsel, that indemnification is not proper, shall bar an action by Indemnitee to enforce this Agreement or create a presumption that Indemnitee is not entitled to indemnification under this Agreement. If the board of directors, committee or independent legal counsel determines in accordance with Section 4 that Indemnitee would not be permitted to be indemnified in whole or in part, Indemnitee shall have the right to commence litigation in any court of competent jurisdiction in the State of Michigan and in which venue is proper seeking an independent determination by the court or challenging any such determination by the board of directors, committee, or independent legal counsel, and the Company hereby consents to service of process and to appear in any such proceeding. Expenses incurred by Indemnitee in connection with successfully establishing Indemnitee's right to indemnification, in whole or in part, shall also be paid or reimbursed by the Company.

(g) Indemnitee shall not participate in any way in the board of directors' or committees' discussion and approval of indemnification under this Section 4. However, Indemnitee may present Indemnitee's request to the board of directors and respond to any inquiries concerning Indemnitee's involvement in the circumstances giving rise to the administrative proceeding or civil action.

Section 5. Payment or Reimbursement of Indemnitee in Advance of Final Disposition.

(a) The Company may pay or reimburse Indemnitee for Expenses incurred by Indemnitee in advance of final disposition of a Proceeding, within 30 days after receipt by the Company of a written request for such advance payment or reimbursement, if:

(i) Indemnitee furnishes the Company with a written affirmation of his or her good faith belief that he or she has met the applicable standard of conduct required of Indemnitee and for which the indemnification claim is based;

(ii) as of the date of such payment or reimbursement, a determination has been made, in the manner provided in Section 4 of this Agreement, that the facts then known to those making the determination would not preclude indemnification under this Agreement; and

(iii) Indemnitee's written request includes an unlimited general obligation to repay the amount or amounts advanced by the Company if it is ultimately determined that Indemnitee did not meet the applicable standard of conduct to receive indemnification under this Agreement.

(b) Indemnitee hereby undertakes that Indemnitee shall repay to the Company any amount advanced under this Agreement if and to the extent that it is ultimately determined, as provided in this Agreement or the Bylaws of the Company, that Indemnitee is not entitled to such indemnification.

Section 6. Defense of Claim. Prior to a Change in Control:

(a) The Company, jointly with any other indemnifying party, shall be entitled to assume the defense of any Proceeding as to which Indemnitee requests indemnification. After notice from the Company to Indemnitee of its election to assume the defense of a Proceeding, the Company shall not be liable to Indemnitee under this Agreement for any legal or other Expenses subsequently incurred by Indemnitee in connection with the defense of such matter other than reasonable costs of investigation or as otherwise provided in subsection (c) below.

(b) Except as provided in subsection (c) below, the Company need not, in any action or actions, employ or approve the employment of more than one counsel to represent Indemnitee and any other officer or other party entitled to indemnification pursuant to an agreement similar to this Agreement or otherwise.

(c) Indemnitee may employ his own counsel in a Proceeding and be indemnified therefor if (i) the Company approves, in writing, the employment of such counsel, or (ii) either (A) Indemnitee has reasonably concluded that there are conflicts of interest between the Company and Indemnitee or between Indemnitee and other parties represented by counsel employed by the Company to represent Indemnitee in the

Proceeding, or (B) the Company has not employed counsel to assume the defense of the Proceeding.

Section 7. Establishment of Trust.

(a) If and while there is a pending or threatened Proceeding while a Potential Change in Control of the Company exists, the Company shall, upon written request by Indemnitee, create a trust for the benefit of Indemnitee and from time to time upon written request of Indemnitee shall fund the trust in an amount sufficient to satisfy any and all anticipated Expenses or Resolution Costs that may properly be subject to indemnification under Section 3 above at the time of each request. The amount or amounts to be deposited in the trust pursuant to this funding obligation shall be determined by (i) a majority vote of a quorum consisting of directors who are Continuing Directors and are not parties or threatened to be made parties to the Proceeding; (ii) if a quorum cannot be obtained under subsection (i), a committee of two or more directors, duly designated by the board, who are Continuing Directors and who are not parties to or threatened to be made parties to the Proceeding; (iii) if a quorum as described in subsection (i) cannot be obtained and a committee as described in subsection (ii) cannot be designated, the President of the Company if he or she is not a party to or threatened to be made a party to the Proceeding. If a selection cannot be made as described in subsections (i), (ii) or (iii), the amount or amounts to be deposited in the trust shall be determined by independent legal counsel selected as described above in Section 4.

(b) The terms of the trust shall provide that upon a Change in Control: (i) the trust shall not be revoked or the principal of the trust fund invaded, without the written consent of Indemnitee; (ii) the trustee shall advance, within ten business days of a request by Indemnitee, any amount properly payable to Indemnitee under Sections 4 or 5 of this Agreement; (iii) the trust shall continue to be funded by the Company in accordance with the funding obligation set forth above; (iv) the trustee shall promptly pay to Indemnitee all amounts that Indemnitee shall be entitled to indemnification pursuant to this Agreement or otherwise; and (v) all unexpended funds in the trust shall revert to the Company upon a final determination by a court of competent jurisdiction that Indemnitee has been fully indemnified under the terms of this Agreement.

(c) The trustee shall be chosen by the party determining the initial funding of the trust and shall be a national or state bank having a combined capital and surplus of not less than \$20,000,000. At the time of each draw from the trust fund, Indemnitee shall provide the trustee with a written request providing that Indemnitee undertakes to repay the amount to the extent that it is ultimately determined that Indemnitee is not entitled to indemnification.

(d) Any funds, including interest or investment earnings, remaining in the trust fund shall revert and be paid to the Company if: (i) a Change in Control has not occurred; and (ii) if the Board of Directors by vote of a majority of a quorum consisting of Continuing Directors determines that the circumstances giving rise to that particular funding of the trust no longer exists. Nothing in this section shall relieve the Company of any of its obligations under this Agreement.

Section 8. Partial Indemnification; Successful Defense. If Indemnitee is entitled under any provision of this Agreement to indemnification, or advance payment or reimbursement by the Company for some portion of the Expenses or Resolution Costs incurred by Indemnitee, but not for the total amount of the Expenses or Resolution Costs, the Company shall nevertheless indemnify Indemnitee or advance payment or reimbursement for the portion of such Expenses or Resolution Costs to which Indemnitee is entitled. Notwithstanding any provision of any other section of this Agreement, to the extent that Indemnitee has been successful on the merits or otherwise in defense of any or all claims relating in whole or in part to a Proceeding or in defense of any issue or matter therein, including dismissal without prejudice, Indemnitee shall be indemnified against all Expenses and Resolutions Costs incurred in connection with such Proceeding. Notwithstanding any other provision of this Agreement, the total amount of Expenses and Resolution Costs advanced or indemnified from all sources combined shall not exceed the amount of actual Expenses and Resolution Costs incurred by Indemnitee.

Section 9. Consent to Settlement. Unless and until a Change in Control has occurred, the Company shall not be liable to indemnify Indemnitee under this Agreement for any amounts paid in settlement of any Proceeding made without the Company's written consent signed by its President. The Company shall not settle any Proceeding in any manner that would impose any penalty or limitation on Indemnitee or involve an admission of illegal conduct without Indemnitee's written consent. Neither the Company nor Indemnitee will unreasonably withhold their consent to any proposed settlement.

Section 10. Severability. If this Agreement or any portion hereof (including any provision within a single section, subsection, or sentence) shall be held to be invalid, void, or otherwise unenforceable on any ground by any court of competent jurisdiction, the Company shall nevertheless indemnify Indemnitee as to any Expenses or Resolution Costs with respect to any Proceeding to the full extent permitted by law or any applicable portion of this Agreement that shall not have been invalidated, declared void, or otherwise held to be unenforceable.

Section 11. Indemnification Hereunder Not Exclusive. The indemnification provided by this Agreement shall be in addition to any other rights to which Indemnitee may be entitled under the Articles of Incorporation or Bylaws of the Company, any vote of shareholders or disinterested directors, the Michigan Business Corporation Act or otherwise, both as to actions in Indemnitee's official capacity and as to actions in another capacity while holding such office. However, this Agreement supersedes the previous indemnification agreement between the parties dated _____, _____.

Section 12. No Presumption. For purposes of this Agreement, the termination of any claim, action, suit, or proceeding, by judgment, order, settlement (whether with or without court

approval), conviction, or upon a plea of nolo contendere, or its equivalent, shall not create a presumption that Indemnitee did not meet any particular standard of conduct or have any particular belief or that a court has determined that indemnification is not permitted by applicable law.

Section 13. Liability Insurance. If the Company maintains an insurance policy or policies providing directors' and officers' liability insurance, Indemnitee shall be covered by the policy or policies to the maximum extent of the coverage available for any director or officer of the Company under such policy or policies. Indemnitee may be covered by the policy or policies whether or not the Company would have the power to indemnify him or her against liability under Sections 561 to 565 of the Michigan Business Corporation Act.

Section 14. Subrogation. In the event of payment under this Agreement, the Company shall be subrogated to the extent of such payment to all of the rights of recovery of Indemnitee, who shall execute all documents reasonably required and shall take all reasonable actions necessary to secure such rights, including the execution of such documents necessary to enable the Company to effectively bring suit to enforce such rights.

Section 15. No Duplication of Payments. The Company shall not be liable under this Agreement to make any payment to the extent Indemnitee has otherwise actually received payment (under any insurance policy, Bylaw, or otherwise) of the amounts otherwise indemnifiable hereunder.

Section 16. Notice. All notices and other communications hereunder shall be in writing and shall be delivered personally, sent by facsimile transmission (with immediate confirmation thereafter) sent by registered, certified or express mail, postage prepaid, return receipt requested, or sent by a nationally recognized overnight courier service, marked for overnight delivery. Any such notice shall be deemed given when so delivered personally, or sent by facsimile transmission (provided confirmation is received immediately thereafter); or if mailed, upon receipt or rejection by the addressee; or if sent by overnight courier, one business day after the date of delivery to the courier service marked for overnight delivery; in each case addressed as provided below or to such other address as the parties hereto may specify from time to time by notice given as provided herein.

If to the Company:

Spartan Motors, Inc.
1165 Reynolds Road
Charlotte, Michigan 48813
Attention: Corporate Secretary

(or to any other individual or address that the Company designates by written notice to Indemnitee)

If to Indemnitee:

Addressed to the address provided in this Agreement or such other address as Indemnitee designates by written notice to Company.

Upon receipt of notice or a communication through facsimile transmission, as permitted in this Section, each party agrees to promptly acknowledge and reply to such communication in the same manner in which the communication was received.

Section 17. Counterparts. This Agreement may be executed in any number of counterparts, each of which shall constitute an original, and all of which taken together shall constitute a single document.

Section 18. Continuation of Indemnification. The indemnification rights provided to Indemnitee under this Agreement shall continue after Indemnitee has ceased to be a director, officer, employee, agent, or fiduciary of the Company or any other foreign or domestic corporation, partnership, joint venture, trust, or other enterprise, whether for profit or not, in which Indemnitee served in any such capacity at the request of the Company.

Section 19. Successors and Assigns. This Agreement shall be binding upon and inure to the benefit of the parties hereto, and their respective successors and assigns, including any direct or indirect successor by purchase, merger, consolidation, or otherwise to all or substantially all of the business or assets of the Company, and spouses, heirs, administrators and personal and legal representatives of Indemnitee.

Section 20. Applicable Law. This Agreement shall be governed by and construed in accordance with the laws of the State of Michigan applicable to contracts made and to be performed in Michigan without giving effect to the principles of conflicts of laws, and to the extent applicable the federal laws of the United States of America.

Section 21. Period of Limitations. No legal action shall be brought and no cause of action shall be asserted by or on behalf of the Company or any affiliate of the Company against Indemnitee, Indemnitee's spouse, heirs, administrators or personal or legal representatives after two years from the date of accrual of the cause of action, and any such claim or cause of action of the Company or its affiliate shall be extinguished and deemed released unless asserted by the timely filing of a legal action within the two-year period; provided, however, that if any shorter period of limitations is otherwise applicable to any cause of action the shorter period shall govern.

Section 22. Amendments; Waiver. No supplement, modification, or amendment of this Agreement shall be binding unless executed in writing by both of the parties hereto or, in the case of waiver, by the party against whom the waiver is asserted. No waiver of any of the provisions of this Agreement shall be deemed or shall constitute a waiver of any other provisions hereof (whether or not similar) nor shall such waiver constitute a continuing waiver of any provision of this Agreement.

Section 23. Headings. The section headings in this Agreement are for convenient reference only and shall not affect the construction of this Agreement.

[The remainder of this page intentionally left blank]

The parties have executed this Agreement as of the date stated in the first paragraph of the Agreement.

Spartan Motors, Inc.

By

Its

Indemnatee

Address:

EXHIBIT 21

SUBSIDIARIES OF SPARTAN MOTORS, INC.

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>
Spartan Motors Chassis, Inc.	Michigan, United States
Crimson Fire, Inc.*	South Dakota, United States
Road Rescue, Inc.	South Carolina, United States
Crimson Fire Aerials, Inc.	Pennsylvania, United States
Spartan de Mexico S.A. de C.V.	Mexico

*Formerly also did business under the names Luverne Fire Apparatus Co., Ltd. and Quality Manufacturing Inc.

Exhibit 23-Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements (Form S-8 Nos. 033-80980, 333-69028, 333-98083, 333-111887, 333-111888, and 333-126269, and Form S-3 No. 333-25357) pertaining to various stock option and incentive plans of Spartan Motors, Inc. of our reports dated February 24, 2006, with respect to the consolidated financial statements and schedule of Spartan Motors, Inc. and subsidiaries, Spartan Motors, Inc. management's assessment of the effectiveness of internal control over financial reporting, and the effectiveness of internal control over financial reporting of Spartan Motors, Inc. and subsidiaries, included in this Annual Report (Form 10-K) for the year ended December 31, 2005.

/s/ Ernst & Young LLP

Grand Rapids, Michigan
March 13, 2006

EXHIBIT 24

LIMITED POWER OF ATTORNEY

The undersigned hereby appoints JOHN E. SZTYKIEL and JAMES W. KNAPP, and each of them, such individual's attorneys or attorney, with full power of substitution, to execute in his or her name an Annual Report of Spartan Motors, Inc., on Form 10-K for its fiscal year ended December 31, 2005, and any amendments to that report, and to file it with the Securities and Exchange Commission. Each attorney shall have power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act to be done in the premises as fully and to all intents and purposes as the undersigned could do in person, and the undersigned hereby ratifies and approves the acts of such attorneys.

Dated: February 20, 2006

/s/ Charles E. Nihart

(signature)

Print Name: Charles E. Nihart

Title: Director

LIMITED POWER OF ATTORNEY

The undersigned hereby appoints JOHN E. SZTYKIEL and JAMES W. KNAPP, and each of them, such individual's attorneys or attorney, with full power of substitution, to execute in his or her name an Annual Report of Spartan Motors, Inc., on Form 10-K for its fiscal year ended December 31, 2005, and any amendments to that report, and to file it with the Securities and Exchange Commission. Each attorney shall have power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act to be done in the premises as fully and to all intents and purposes as the undersigned could do in person, and the undersigned hereby ratifies and approves the acts of such attorneys.

Dated: February 15, 2006

/s/ Kenneth Kaczmarek

(signature)

Print Name: Kenneth Kaczmarek

Title: Director

LIMITED POWER OF ATTORNEY

The undersigned hereby appoints JOHN E. SZTYKIEL and JAMES W. KNAPP, and each of them, such individual's attorneys or attorney, with full power of substitution, to execute in his or her name an Annual Report of Spartan Motors, Inc., on Form 10-K for its fiscal year ended December 31, 2005, and any amendments to that report, and to file it with the Securities and Exchange Commission. Each attorney shall have power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act to be done in the premises as fully and to all intents and purposes as the undersigned could do in person, and the undersigned hereby ratifies and approves the acts of such attorneys.

Dated: February 21, 2006

/s/ David R. Wilson

(signature)

Print Name: David R. Wilson

Title: Chairman of the Board

LIMITED POWER OF ATTORNEY

The undersigned hereby appoints JOHN E. SZTYKIEL and JAMES W. KNAPP, and each of them, such individual's attorneys or attorney, with full power of substitution, to execute in his or her name an Annual Report of Spartan Motors, Inc., on Form 10-K for its fiscal year ended December 31, 2005, and any amendments to that report, and to file it with the Securities and Exchange Commission. Each attorney shall have power and authority to do and perform in the name and on behalf of the undersigned, in any and all capacities, every act to be done in the premises as fully and to all intents and purposes as the undersigned could do in person, and the undersigned hereby ratifies and approves the acts of such attorneys.

Dated: February 20, 2006

/s/ George Tesseris

(signature)

Print Name: George Tesseris

Title: Director

EXHIBIT 31.1
CEO CERTIFICATION

I, John E. Szykiel, certify that:

1. I have reviewed this annual report on Form 10-K of Spartan Motors, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2006

/s/ John E. Szykiel

John E. Szykiel
President and Chief Executive Officer
Spartan Motors, Inc.

EXHIBIT 31.2
CFO CERTIFICATION

I, James W. Knapp, certify that:

1. I have reviewed this annual report on Form 10-K of Spartan Motors, Inc.;
2. Based on my knowledge, this annual report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2006

/s/ James W. Knapp

James W. Knapp
Chief Financial Officer,
Secretary and Treasurer
Spartan Motors, Inc.

EXHIBIT 32

CERTIFICATION

Solely for the purpose of complying with 18 U.S.C. § 1350, each of the undersigned hereby certifies in his capacity as an officer of Spartan Motors, Inc. (the "Company"), pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, 18 U.S.C. Section 1350 that:

1. The Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2005 (the "Report") fully complies with the requirements of Section 13(a) of the Securities and Exchange Act of 1934 (15 U.S.C. 78m); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for such period.

Date: March 15, 2006

/s/ John E. Szykiel

John E. Szykiel
President and Chief Executive Officer

Date: March 15, 2006

/s/ James W. Knapp

James W. Knapp
Chief Financial Officer,
Secretary and Treasurer

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.