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SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 8-K

(AMENDMENT NO. 1)

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the  
Securities Exchange Act of 1934

Date of Report: March 31, 1997

SPARTAN MOTORS, INC.

(Exact Name of Registrant as Specified in Charter)

MICHIGAN  
(State or Other Jurisdic-  
tion of Incorporation)

0-13611  
(Commission  
File Number)

38-2078923  
(IRS Employer  
Identification No.)

1000 REYNOLDS ROAD  
CHARLOTTE, MICHIGAN  
(Address of Principal Executive Offices)

48813  
(Zip Code)

(517) 543-6400  
(Registrant's telephone number, including area code)

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ITEM 7(C) FINANCIAL STATEMENTS, PRO FORMA FINANCIAL INFORMATION AND EXHIBITS.

(a) The following Financial Statements of Business Acquired required by this Item follow on pages 3 to 38 and are filed as part of this report.

(i) Carpenter Industries, LLC (formerly Carpenter Manufacturing, Inc.)

- Report of Independent Auditors
- Balance Sheets as of December 31, 1996 and 1995
- Statements of Operations for the Fiscal Years Ended December 31, 1996 and 1995
- Statement of Changes in Owners' Equity (Deficit) for the Fiscal Years Ended December 31, 1996 and 1995

- Statements of Cash Flows for the Fiscal Years ended December 31, 1996 and 1995
- Notes to Financial Statements for the Fiscal Years ended December 31, 1996 and 1995

(ii) Carpenter Manufacturing, Inc.

- Report of Independent Auditors
- Statements of Operations and Retained Deficit for the Fiscal Years ended December 31, 1994 and 1993
- Balance Sheets as of December 31, 1994 and 1993
- Statements of Cash Flows for the Fiscal Years ended December 31, 1994 and 1993
- Notes to Financial Statements for the Fiscal Years ended December 31, 1994 and 1993

(b) The PRO FORMA Financial Information required by this Item follows on pages 39 to 41 and is filed as part of this report.

- PRO FORMA Consolidated Income Statements for the Fiscal Year ended December 31, 1996 (unaudited)
- PRO FORMA Consolidated Balance Sheets for the Fiscal Year ended December 31, 1996 (unaudited)
- Notes to PRO FORMA Financial Statements

(c) Exhibits:

- 23.1 Consent of Birk Gross Bell & Coulter, P.C. dated March 27, 1997.
- 23.2 Consent of Crowe, Chizek and Company dated March 31, 1997.

-2-

SIGNATURES

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

SPARTAN MOTORS, INC.

Dated: March 31, 1997

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

[BIRK GROSS BELL & COULTER, P.C. LETTERHEAD]

INDEPENDENT AUDITORS' REPORT

Board of Directors  
Carpenter Industries, Inc.  
Richmond, Indiana

Board of Directors  
Carpenter Industries, LLC  
Indianapolis, Indiana

We have audited the accompanying balance sheets of Carpenter Industries, LLC (formerly Carpenter Manufacturing, Inc.) as of December, 31, 1996 and 1995 and the related statements of operations, cash flows and changes in owners' deficit for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Carpenter Industries, LLC as of December 31, 1996 and 1995, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

As discussed in Note 2, on January 6, 1997, the Company completed the sale and transfer of substantially all its bus manufacturing operations into a newly formed entity, Carpenter Industries, Inc.

/s/ Birk Gross Bell & Coulter, P.C.  
March 2, 1997

CARPENTER INDUSTRIES, LLC

BALANCE SHEETS - DECEMBER 31, 1996 AND 1995

ASSETS

Current assets:	1996	1995
	-----	-----
Cash	\$ 14,112	\$ 19,380
Accounts receivable, net of allowance for doubtful accounts of \$1,630,877; 1996 and \$858,787; 1995 (Notes 6 and 7)	10,047,753	1,419,822
Inventories (Notes 6, 7 and 8)	27,573,282	32,413,078
Prepaid expenses and other current assets	1,315,585	340,092
Deferred tax asset (Note 10)	--	3,150,000
	-----	-----
Total current assets	38,950,732	37,342,372
	-----	-----
Property, plant and equipment (Notes 3 and 8):		
Land	323,157	98,590
Building and improvements	3,148,372	612,041
Machinery and equipment	6,178,264	5,972,955
	-----	-----
	9,649,793	6,683,586
Less accumulated depreciation and amortization	(3,360,481)	(2,410,741)
	-----	-----
	6,289,312	4,272,845
	=====	=====
Other assets:		
Investment in unconsolidated subsidiary held for sale (Note 2)	--	38,802
Other assets	222,568	243,346
	-----	-----
	222,568	282,148
	-----	-----
	\$45,462,612	\$41,897,365
	=====	=====

LIABILITIES AND OWNERS' DEFICIT

	1996	1995
	-----	-----
Current liabilities:		
Amount due bank (Note 5)	\$ 1,234,046	\$ 947,830
Line of credit (Note 6)	7,000,000	3,396,546
Notes payable (Note 7)	129,806	--
	-----	-----
Note payable, Newcourt (Note 7)	36,285,278	31,665,285
Current portion of long-term debt (Note 8)	1,546,538	2,670,539
Current portion of capital leases (Note 3)	60,101	56,140
Accounts payable	12,119,537	10,763,684
Customer deposits	246,467	145,511
Accrued compensation and payroll taxes	359,678	530,044
Other accrued liabilities (Note 13)	3,661,081	3,327,548
Note payable, member (Note 7)	6,149,020	--
	-----	-----
Total current liabilities	68,791,552	53,503,127
	-----	-----
Long-term liabilities, net of current portion:		

Long term debt (Note 8)	3,939,180	13,199,125
Capital leases (Note 3)	177,948	172,514
	-----	-----
	4,117,128	13,371,639
	-----	-----
Commitments and contingencies (Notes 2, 7, 13, 14 and 15)	--	--
Owners' deficit (Note 2):		
Common stock, no par value; 1,100 shares authorized, and 350 shares issued and outstanding	--	200,000
LLC members capital	16,570,608	--
Accumulated deficit	(44,016,676)	(25,177,401)
	-----	-----
	(27,446,068)	(24,977,401)
	-----	-----
	\$45,462,612	\$41,897,365
	=====	=====

See notes to financial statements.

-6-

CARPENTER INDUSTRIES, LLC

STATEMENTS OF OPERATIONS

YEARS ENDED DECEMBER 31, 1996 AND 1995

	1996	1995
	-----	-----
Sales	\$ 80,466,987	\$ 88,387,121
Competitive allowance	(12,424,101)	(14,538,057)
	-----	-----
Net sales	68,042,886	73,849,064
Cost of goods sold	80,748,629	85,414,323
	-----	-----
Gross margin (loss)	(12,705,743)	(11,565,259)
Selling, general and administrative expenses	5,318,296	3,556,810
	-----	-----
Operating loss	(18,024,039)	(15,122,069)
Other income (expense):		
Gain on sale of subsidiary (Note 2)	7,658,890	--
Interest expense	(5,621,072)	(3,548,013)
Other income (expense)	317,462	(352,814)
Equity in earnings of unconsolidated subsidiary (Note 2)	(8,473)	38,802
	-----	-----
	2,346,807	(3,862,025)
	-----	-----
Loss before income taxes	(15,677,232)	(18,984,094)
Income taxes benefit (expense) (Note 10)	(3,162,043)	3,150,000
	-----	-----
Net loss	\$ (18,839,275)	\$ (15,834,094)
	=====	=====

See notes to financial statements.

-7-

CARPENTER INDUSTRIES, LLC  
STATEMENT OF CHANGES IN OWNERS' EQUITY (DEFICIT)  
YEARS ENDED DECEMBER 31, 1996 AND 1995

	COMMON STOCK -----	ADDITIONAL PAID IN CAPITAL -----	MEMBERS EQUITY -----	ACCUMULATED DEFICIT -----
Balance at December 31, 1994	\$200,000	\$ --	\$ --	\$ (9,343,307)
1995 net loss	--	--	--	(15,834,094)
Balance at December 31, 1995	200,000	--	--	(25,177,401)
Contribution of debt to paid in capital, June 1996 (Note 2)	--	15,910,325	--	--
Liquidation of Carpenter Manufacturing, Inc. and contribution to Carpenter Industries, LLC (Note 2)	(200,000)	(15,910,325)	16,110,325	--
Withdrawals of members capital, November, 1996	--	--	(7,697,717)	--
Contribution of debt to members capital, December, 1996	--	--	8,158,000	--
1996 net loss	--	--	--	(18,839,275)
Balance at December 31, 1996	\$ -- =====	\$ -- =====	\$16,570,608 =====	\$ (44,016,676) =====

See notes to financial statements.

-8-

CARPENTER INDUSTRIES, LLC  
STATEMENTS OF CASH FLOWS  
YEARS ENDED DECEMBER 31, 1996 AND 1995

	1996 -----	1995 -----
Cash flows from operating activities:		
Net loss	\$ (18,839,275)	\$ (15,834,094)
Adjustments to reconcile net loss to net cash used in operating activities:		
Depreciation and amortization	974,992	768,740
Gain on sale of subsidiary and other assets	(7,944,669)	--
Deferred tax provision	3,150,000	(3,150,000)
Change in assets and liabilities:		
(Increase) decrease in:		
Accounts receivable	(8,627,931)	840,978
Inventories	4,839,796	(9,108,713)
Prepaid expenses and other current assets	(975,493)	193,280
Other assets	20,778	(65,507)
Increase (decrease) in:		
Accounts payable	1,355,853	1,030,322
Customer deposits	100,956	145,511
Accrued compensation and payroll taxes	(170,366)	(155,905)
Accrued expenses and other current liabilities	333,533	2,178,618
Total adjustments	(6,942,551) -----	(7,322,676) -----

Net cash used in operating activities	(25,781,826)	(23,156,770)
	-----	-----
Cash flows from investing activities:		
Proceeds from sale of subsidiary	7,697,718	--
Proceeds from sale of property and equipment	359,100	--
Increase in investment in subsidiary	--	(38,802)
Purchase of property and equipment	(3,064,806)	(2,706,778)
	-----	-----
Net cash provided by (used in) investing activities	4,992,012	(2,745,580)
	-----	-----

-9-

Cash flows from financing activities:		
Debt borrowings	22,773,292	15,243,634
Withdrawal of capital	(7,697,718)	--
Net change in amount due bank and note payable	8,639,470	20,438,841
Payments on long-term debt	(2,939,893)	(9,941,391)
Borrowings from capital lease	75,924	205,467
Payments on capital leases	(66,529)	(41,490)
	-----	-----
Net cash provided by financing activities	20,784,546	25,905,061
	-----	-----
Net change in cash	(5,268)	2,711
Cash, beginning of year	19,380	16,669
	-----	-----
Cash, end of year	\$ 14,112	\$ 19,380
	=====	=====
Supplemental cash flow information:		
Interest paid	\$ 5,267,681	\$ 2,771,365
	=====	=====

Supplemental schedule of non-cash investing and financing transactions:

On June 27, 1996, the shareholders of Carpenter Manufacturing, Inc. contributed all loans then outstanding to the Company as additional paid in capital. The effect of this transaction was to reduce long-term debt and increase paid in capital by \$15,910,325.

In December 1996, the members of Carpenter Industries, LLC contributed to capital \$8,158,000 of outstanding loans. The effect of this transaction was to increase members capital and decrease notes payable to \$8,158,000.

See notes to financial statements.

NOTES TO FINANCIAL STATEMENTS

YEARS ENDED DECEMBER 31, 1996 AND 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS:

DESCRIPTION OF BUSINESS.

Carpenter Industries, LLC, formerly Carpenter Manufacturing, Inc. (the Company) is a manufacturer of school bus bodies. The bus bodies may be attached to either a dealer-provided or a Company-provided chassis. The bodies are sold, on an unsecured basis, through a nationwide network of exclusive Carpenter dealers. The Company was originally incorporated in Indiana in 1990 and was reorganized in June, 1996 and is located in Richmond, Indiana, (headquarters and primary manufacturing facility), and Mitchell, Indiana (manufacturing facility). During 1995, the headquarters and primary manufacturing facility moved to Richmond, Indiana (See Note 2).

CONSOLIDATION.

The financial statements include the accounts of Carpenter Industries, LLC (Parent Company) only. The investment in a majority-owned affiliate where control was "temporary" (Curtis International, Inc.) was accounted for on the equity method. The Company's share of the affiliates' earnings for 1995 and 1996, prior to the sale of the investment are included in the statement of operations. This investment was sold in November, 1996 (See Note 2).

BUSINESS, CREDIT AND OTHER CONCENTRATIONS.

Financial instruments which potentially subject the Company to concentrations of credit risk consist principally of trade receivables. The Company's customers are not concentrated in any one specific geographic region. The credit risk associated with trade receivables within this specific industry may be affected by changes in economic or other conditions and may, accordingly, impact the Company's overall credit risk. The Company reviews a customers credit history before extending credit. A provision for doubtful accounts is established based on review of specific customer accounts as needed.

During 1996 and 1995, one customer accounted for approximately 15% and 13% of the Company's sales, respectively. One other customer

-11-

CARPENTER INDUSTRIES, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1996 AND 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS (CONTINUED):

accounted for approximately 15% of 1996 sales, while another customer accounted for approximately 16% of 1995 sales.

The Company currently purchases a substantial portion of chassis for the forward control style bus (a significant component of its product) from one supplier. (See Note 2.) Company provided chassis for all other bus styles are purchased from Ford, Chevrolet and GMC authorized



dealers.

INVENTORIES.

Inventories are stated at the lower of cost or market, cost being determined based on standard cost which approximates the first-in, first-out (FIFO) method.

Inventories consisted of the following at December 31, 1996 and 1995:

	1996	1995
	-----	-----
Raw materials	\$12,902,085	\$12,026,867
Chassis	8,809,534	8,023,688
Work in process on-line	870,006	260,405
Work in process off-line	8,217,542	14,328,003
Less reserve for obsolete inventory	(3,225,885)	(2,225,885)
	-----	-----
	\$27,573,282	\$32,413,078
	=====	=====

PROPERTY, PLANT AND EQUIPMENT.

Property, plant and equipment are recorded at cost less accumulated depreciation. Expenditures for maintenance, repairs and minor renewals are charged to expense in the period incurred. Improvements

-12-

CARPENTER INDUSTRIES, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1996 AND 1995

1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS (CONTINUED):

and major renewals are capitalized. The cost of property, plant and equipment sold or otherwise disposed of and the related accumulated depreciation are eliminated from the accounts, and the resulting gain or loss is reflected in other income and expense. Depreciation is provided for on a straight-line basis over the estimated useful lives of the various classes of assets as follows:

Building and improvements	7 - 25 years
Machinery and equipment	3 - 7 years

Depreciation expense was \$974,992 and \$768,740 for the years ending December 31, 1996 and 1995, respectively.

INCOME TAXES.

The Company is a Limited liability company (LLC). For income tax purposes, an LLC is treated similar to a partnership. Accordingly, income, losses and other tax-related transactions are recognized by

the individual members and no provision for state or federal taxes are recognized in the accompanying financial statements for the period the Company has operated as an LLC.

Prior to becoming an LLC, the Company accounted for income taxes in accordance with Statement of Financial Accounting Standards No. 109 "Accounting for Income Taxes" (SFAS 109), as required. SFAS 109 provides for current and deferred tax liabilities and assets utilizing an asset and liability approach along with a valuation allowance as appropriate. (See Note 10.)

#### ESTIMATES.

The timely preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and

-13-

### CARPENTER INDUSTRIES, LLC

#### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1996 AND 1995

#### 1. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND DESCRIPTION OF BUSINESS (CONTINUED):

disclosures. Actual results could differ from those estimates. Estimates are used when accounting for allowances for doubtful accounts, inventory obsolescence, product warranty, depreciation and amortization, taxes and contingencies.

##### PRODUCT WARRANTIES.

Estimated future costs applicable to products sold under warranties are charged to expense in the year of sale.

##### RECLASSIFICATIONS.

Certain amounts reported in 1995 have been reclassified to conform to the 1996 classifications.

#### 2. CORPORATE REORGANIZATION, RESTRUCTURING, ACQUISITIONS AND DISPOSITIONS:

##### CORPORATE RESTRUCTURING.

PLANT RELOCATION. During 1995, the Board of Directors voted to move its' major production operations from the Mitchell, Indiana, facility to a plant leased in Richmond, Indiana. Production began in Richmond during the fall of 1995. Costs associated with closing the Mitchell production facility and related relocation costs have been recorded in the results of operations for 1995.

On November 12, 1996, the Company purchased the Richmond facility for \$2,500,000 from the City of Richmond, Indiana.

CONTRIBUTION OF PAID IN CAPITAL. On June 27, 1996, the shareholders of the Company agreed to contribute all outstanding loans through June 22, 1996 as paid in capital to Carpenter. The Curtis Publishing Company contributed \$14,410,285 to paid in capital and Dr. Buert R. SerVaas contributed \$1,500,040 to paid in capital.

PLAN OF LIQUIDATION AND ORGANIZATION OF CARPENTER INDUSTRIES, LLC. On June 28, 1996, the shareholders and directors of Carpenter

CARPENTER INDUSTRIES, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1996 AND 1995

2. CORPORATE REORGANIZATION, RESTRUCTURING, ACQUISITIONS AND DISPOSITIONS (CONTINUED):

Manufacturing, Inc. adopted a Plan of Complete Liquidation of Carpenter Manufacturing, Inc., with all assets distributed, in kind to the shareholders, subject to all debts and liabilities of the Company. In addition, a liquidating trust was set up to pay claims and receive any uncollected claims, contingent assets or other assets of the Company which may be converted to cash or distributed directly to the shareholders within the terms of the Trust.

On June 28, 1996, the former shareholders of Carpenter Manufacturing, Inc., formed Carpenter Industries, LLC (LLC), an Indiana limited liability company to engage in the business of manufacturing buses and other automotive products. The former shareholders of Carpenter Manufacturing, Inc. (now the LLC members) contributed to LLC these assets subject to all debts and liabilities for their respective percentage interests as members in the LLC. Carpenter Industries, LLC is continuing the business formerly operated by Carpenter Manufacturing, Inc. This transaction was accounted for as a reorganization of entities under common control in accordance with APB No. 16. Consequently, it has no material effect on the recorded amounts (historical cost) or presentation of the Company's financial statements.

ACQUISITION AND SALE OF UNCONSOLIDATED SUBSIDIARY. Effective January 1, 1995, the Company acquired an 80% interest in Curtis International, Inc. and its foreign subsidiaries (CII) from the Curtis Publishing Company (Curtis), a related party (owned 100% by Dr. Buert R. SerVaas), in exchange for 150 newly issued shares of Carpenter Manufacturing, Inc. This transaction was treated as a reorganization of affiliated entities with common ownership and control. Furthermore, the shares of Carpenter Manufacturing, Inc. had no determinable fair market value, consequently the original investment was recorded at no cost.

On November 21, 1996, the Company sold their interest in CII to the 20% minority shareholder of CII for \$7,697,717. The gain on the sale of this investment was \$7,658,890. Since control of CII was temporary, the investment was accounted for using the equity method as of December 31, 1995 in accordance with Statement of Financial

CARPENTER INDUSTRIES, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1996 AND 1995

2. CORPORATE REORGANIZATION, RESTRUCTURING, ACQUISITIONS AND DISPOSITIONS (CONTINUED):

Accounting Standards No. 94 and was classified as an asset held for sale in the accompanying balance sheet.

The Company's 80% share of the income (loss) from the investment in CII in 1996 and 1995 was \$(8,473) and \$38,802, respectively.

NET ASSET SALE AND REORGANIZATION (SUBSEQUENT EVENTS).

On January 6, 1997, the Company completed the transfer of substantially all bus manufacturing operations located in Richmond, Indiana into a newly formed entity, Carpenter Industries, Inc. as part of a tax free reorganization. Carpenter Industries, LLC was renamed Curtis Coach & Equipment, LLC. The manufacturing facility in Mitchell, Indiana, where certain tool and die, parts fabrication and bus rework operations are conducted were not transferred and remain as continuing operations of Curtis Coach & Equipment, LLC. In addition, certain semi-finished buses and related parts (approximately 490 buses) were excluded from the assets transferred along with associated direct floor plan inventory debt payable to Newcourt Financial USA, Inc. (See Notes 7 and 15.) In exchange for the transfer of the bus manufacturing operations, the Company received a 33 1/3 percent equity interest in Carpenter Industries, Inc. Carpenter Industries, Inc. agreed to assume all liabilities of the Company except liabilities related to the Mitchell facilities, the Newcourt inventory financing arrangement on all semi-finished buses as well as product warranty and liability claims on such semi-finished buses. Recovery Equity Investors, II, L.P. purchased a 33 1/3 percent interest in Carpenter Industries, Inc., for \$10,000,000. Spartan Motors, Inc., a major supplier of chassis for the forward control style bus, purchased a 33 1/3 percent interest in Carpenter Industries, Inc., for an additional \$10,000,000.

The following condensed Pro-forma balance sheet of Carpenter Industries, LLC as of December 31, 1996, illustrates the effects of the sale and transfer of substantially all assets, subject to liabilities from LLC to Carpenter Industries, Inc.:

-16-

CARPENTER INDUSTRIES, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1996 AND 1995

2. CORPORATE REORGANIZATION, RESTRUCTURING, ACQUISITIONS AND DISPOSITIONS (CONTINUED):

Pro-Forma Balance Sheet  
Carpenter Industries, LLC  
December 31, 1996

(Amounts in Thousands)

	HISTORICAL	PRO-FORMA ADJUSTMENTS	PRO-FORMA
	-----	-----	-----
ASSETS			
Current assets	\$38,951	\$(30,643)	\$ 8,308
Property, plant and equipment, net	6,289	(5,883)	406
Other assets	223	(223)	--
	-----	-----	-----
Total assets	\$45,463	\$(36,749)	\$ 8,714
	=====	=====	=====

LIABILITIES AND OWNERS' DEFICIT

Current liabilities	\$68,792	\$ (58,092)	\$ 10,700
Non-current liabilities	4,117	(4,117)	--
	-----	-----	-----
Total liabilities	72,909	(62,209)	10,700
	-----	-----	-----
LLC members' capital	16,571	--	16,571
Accumulated deficit	(44,017)	25,460	(18,557)
	-----	-----	-----
Total owners' deficit	(27,446)	25,460	(1,986)
	-----	-----	-----
Total liabilities and owners' deficit	\$45,463	\$ (36,749)	\$ 8,714
	=====	=====	=====

-17-

CARPENTER INDUSTRIES, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1996 AND 1995

3. CAPITAL LEASE OBLIGATIONS:

Certain of the Company's equipment leases qualify as capital leases. The Company has included these leases in property, plant and equipment as follows:

Machinery and equipment	\$ 374,595
Accumulated amortization	(126,320)
	-----
Net leased machinery and equipment	\$ 248,275
	=====

The following is a schedule by year of future minimum lease payments under these capital leases together with the present value of net minimum lease payments at December 31, 1996:

YEAR	AMOUNT
----	-----
1997	\$ 67,625
1998	73,596
1999	66,703
2000	62,921
2001	1,505
	-----
Total minimum lease payments	272,350
Amounts representing interest	(34,301)
	-----
Present value of minimum lease payments	\$238,049
	=====

CARPENTER INDUSTRIES, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1996 AND 1995

4. OPERATING LEASES:

The Company leases property and equipment under operating lease agreements. Leases generally provide that the Company shall pay the cost of utilities, insurance, taxes and maintenance except for the building lease in Richmond, Indiana under which the City of Richmond was required to pay under the terms of the lease. This lease was terminated on November 12, 1996 when the Company purchased the building (See Notes 2 and 8). Rent expense for the years ended December 31, 1996 and 1995 was \$341,329 and \$547,527 which includes \$208,824 and \$188,157, respectively, paid to SerVaas, Inc., a related party. (See Notes 2 and 9.)

A summary of the future minimum operating lease obligations follows:

YEAR ENDING DECEMBER 31,  
-----

1997	\$ 60,611
1998	45,970
1999	42,096
2000	27,983
2001	1,217
	-----
	\$177,877
	=====

5. AMOUNTS DUE BANK:

Amounts due bank represent amounts for checks written and released but not presented to the bank for payment.

CARPENTER INDUSTRIES, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1996 AND 1995

6. LINE OF CREDIT:

At December 31, 1996, the Company had available a line of credit provided as a joint facility with Wayne Bank, N.A. and Peoples Bank,

N.A. This credit facility provided for borrowings equal to the lesser of \$7,000,000 or the borrowing base as defined. Interest is payable monthly at prime plus 1% and prime plus 1.25% for Wayne Bank, N.A. and Peoples Bank, N.A., respectively (9.25% and 9.5%, respectively at December 31, 1996). Borrowings under this facility are collateralized by raw material inventory and accounts receivable, and all general intangibles and guaranteed by SerVaas, Inc., Dr. Buert R. SerVaas and Timothy S. Durham. At December 31, 1996, the Company had \$7,000,000 outstanding under this facility.

At December 31, 1995, the Company had outstanding \$3,396,546 under a credit facility with Star Bank. This facility was refinanced on March 5, 1996.

7. NOTES PAYABLE:

SHORT-TERM NOTES:

Note payable officer, unsecured no stated interest rate. Paid in full, January, 1997.	\$ 19,806
Note payable to former distributor, payable in monthly installments of \$15,000 plus interest at 10% through August, 1997.	110,00 -----
	\$129,806 =====

NOTE PAYABLE, NEWCOURT.

The note payable to Newcourt Financial USA, Inc. (Newcourt) permits borrowings secured by bus body units in advance of shipment under the Company line of credit. In addition, the agreement permits the Company to borrow additional amounts to finance bus bodies

-20-

CARPENTER INDUSTRIES, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1996 AND 1995

7. NOTES PAYABLE (CONTINUED):

manufactured for specific dealers from lines of credit held by these dealers. The Company pays monthly interest payments on all bus units financed at prime plus 1.5% (9.75% at December 31, 1996) until date of shipment. Subsequent to shipment, the Company pays interest on the Company line units until such time the debt is paid in accordance with the terms described below. In addition, the Company pays interest on the "Dealer line" units for a period of thirty to sixty days after shipment based on the terms with the individual dealers. Newcourt also advances borrowings to the Company for chassis purchased from one of its primary suppliers (Spartan Motors, Inc.), with those monies going directly to Spartan Motors, Inc.

The Company also borrows on the Newcourt facility to purchase Chevrolet and GMC chassis from various dealers. All advances described above are due and payable the earlier of: 1) receipt of proceeds from the sale by the Company; 2) three hundred sixty days after the date of the loan. This loan is guaranteed by SerVaas, Inc.

and The Curtis Publishing Company.

As of December 31, 1996, the Company had delivered certain buses without remitting payment to Newcourt within specified terms and uncollected monies on certain open accounts receivable from its dealers on buses sold and financed by Newcourt under the terms of its credit lines. Such amounts totalling \$6,132,644 had not been disbursed to Newcourt as required under the terms of the loan agreement as described above. The members of the LLC have provided a note receivable backed by an irrevocable letter of credit for \$3,000,000 to Newcourt to secure this amount.

The agreement with Newcourt also includes a repurchase and remarketing provision. Under this provision, the Company may be required by Newcourt to repurchase previously sold units on which dealers have defaulted. As of December 31, 1996, the total amount subject to repurchase obligation for Carpenter sold bus bodies was approximately \$5,900,000. Historically, losses under this repurchase provision have not been significant.

-21-

CARPENTER INDUSTRIES, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1996 AND 1995

7. NOTES PAYABLE (CONTINUED):

NOTE PAYABLE, MEMBER.

The note payable to member of \$6,149,020 at December 31, 1996 is due January 13, 1997. This note was renewed on January 13, 1997 at an interest rate of 2% over prime, payable on demand and is unsecured.

8. LONG-TERM DEBT AT DECEMBER 31, 1996 AND 1995 CONSISTS OF:

	1996	1995
	-----	-----
Various notes payable to SerVaas, Inc., and Dr. Buert R. SerVaas; subordinated to Wayne Bank & Trust; debt contributed as paid in capital in June, 1996 (See Note 2).	\$ --	\$11,120,548
Notes payable to Harsco Corporation; one requires quarterly installments of \$38,298; the other monthly installments of \$84,545; both including interest at 8%; due August 1999 and June 1997, respectively; secured by equipment and inventory purchased and guaranteed by SerVaas, Inc.	\$ 831,559	\$ 1,893,220
Term notes, payable in monthly payments of \$3,385 and \$2,050, including interest at the Wall Street Journal published rate plus 1% (9.25% at December 31, 1996) and 4%, respectively; secured by specified equipment and guaranteed by Dr. Buert SerVaas, Tim Durham (President to Carpenter Industries, LLC) and SerVaas, Inc.	245,350	286,790
Payable to Creditors' Committee of Carpenter Body Works, Inc., single payment of \$500,000 due April, 1996; unsecured; noninterest-bearing with interest imputed at 11.5%; plus interest at a rate of 15% after June 1, 1996. (See Note 14).	543,750	473,183



Distributorship settlement to EDM Corporation; \$100,417 due March, 1996 and additional \$100,000 due in monthly payments of \$4,387 including interest at 5% commencing March, 1996; due February, 1998. (See Note 14).	55,403	200,417
Note payable to Newcourt Financial Corporation; monthly installments of \$30,907 including interest at 8.56%; due December, 2000. Secured by equipment and guaranteed by SerVaas, Inc.	1,247,881	1,499,374
Note payable to the City of Richmond; interest only at 4.5% for 120 months principal due in balloon payment November 12, 2006; secured by first mortgage on property.	2,500,000	--
Notes payable to vendors, and bank interest from 10-12%; paid off in 1996.	--	381,084
Various other notes payables, monthly installments ranging from \$548 to \$638 including interest from 8.4% to 9.5% through April 2001, one note requires a balloon payment of \$18,223 due November 13, 2000, loans secured by vehicles.	61,775	15,048
	-----	-----
Current maturities	5,485,718	15,869,644
	-----	-----
Long-term debt, net	\$3,939,180	\$13,199,125
	=====	=====

CARPENTER INDUSTRIES, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1996 AND 1995

8. LONG-TERM DEBT AT DECEMBER 31, 1996 AND 1995 CONSISTS OF (CONTINUED):

Scheduled principal payments are due on the outstanding long-term debt  
as follows:

YEAR	AMOUNT
------	--------

-----	-----
1997	\$1,546,538
1998	509,102
1999	467,051
2000	436,801
2001	26,226
Thereafter	2,500,000
	-----
	\$5,485,718
	=====

9. RELATED PARTY TRANSACTIONS:

During 1996 and 1995, the Company had certain transactions with various companies which share common management and ownership. These transactions consisted primarily of working capital loans to supplement operations (see Notes 2 and 8) and direct expense reimbursements. In addition, the Company has two leases with SerVaas, Inc., that have been classified as operating leases (see Note 4). The Company also had a note payable to an officer of \$19,806 at December 31, 1996 and a note payable to a member (owner) of \$6,149,020 (See Note 7).

10. INCOME TAXES:

On June 28, 1996, the Company was reorganized as a Limited Liability Company (LLC) (See Note 2). The members of an LLC are taxed individually on the Company's taxable income as a Partnership. Accordingly, no provision for income taxes relating to the period after June of 1996 are included in the financial statements.

-24-

CARPENTER INDUSTRIES, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1996 AND 1995

10. INCOME TAXES (CONTINUED):

Prior to June 28, 1996, deferred tax assets and liabilities were recognized for the expected future tax consequences of events that had been recognized in the Company's financial statements or tax returns when it was in corporate form in accordance with SFAS No. 109.

The provision for income tax (expense) benefit includes:

	1996	1995
	-----	-----
State tax related to corporate tax returns	\$ (12,043)	\$ --
Reduction of deferred tax asset valuation allowance for the realization of a net operating loss carryforward	--	3,150,000
Federal income tax expense recognized upon corporate liquidation and sale of subsidiary	(3,150,000)	--
	-----	-----

\$(3,162,043)	\$3,150,000
=====	=====

The deferred tax asset of \$3,150,000 was recognized based on the tax impact of the corporate liquidation and reorganization as described in Note 2 which resulted in utilizing approximately \$7,683,000 of the net operating loss carryforwards. This amount was recognized as federal income tax expense upon corporate liquidation in June 1996.

-25-

CARPENTER INDUSTRIES, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1996 AND 1995

11. DEFINED CONTRIBUTION PLAN:

The Company sponsors a defined contribution profit sharing plan with 401(k) provisions for all employees of the corporation who have met certain requirements for participation. Employees may make contributions to the plan up to the lesser of 15% of their annual salary or the maximum allowable by the Internal Revenue Code (\$9,500 in 1996). The Company may make discretionary contributions to the plan as determined by the Board of Directors. The Company made contributions to the plan totalling \$62,254 in the year ended December 31, 1996 and no contributions to the plan for the year ended December 31, 1995.

12. SELF INSURED HEALTH PLAN:

The Company self insures its group health plan. The annual liability for each employee is limited to \$125,000 by a stop loss insurance policy. The Company is liable for claims that have occurred but are unreported and unprocessed. Such claims as of December 31, 1996 and 1995 have been estimated at \$250,052 and \$335,100, respectively and have been recorded in the financial statements.

13. POSTRETIREMENT HEALTHCARE AND OTHER BENEFITS:

The Company provides certain healthcare and life insurance benefits for certain retired employees under the terms of a collective bargaining agreement for the Mitchell, Indiana location.

In December, 1990, the Financial Accounting Standards Board issued guidance which requires companies to accrue such costs during employee service periods. The total estimated unfunded post retirement benefit expense accrued at December 13, 1996 and 1995 is \$245,000.

CARPENTER INDUSTRIES, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1996 AND 1995

14. COMMITMENTS AND CONTINGENCIES:

PURCHASE COMMITMENT.

In the normal course of business, the Company enters into agreements to purchase materials for use in the manufacture of its buses. As of December 31, 1996, such commitments include the purchase of a number of chassis used for small bus production. The chassis are located at both the Richmond, Indiana facility and with a manufacturer of small buses in Canada which the Company uses as a supplier. Under this arrangement, upon sale of a bus built on one of the provided chassis, the Company is invoiced for the chassis cost plus a fee charged by the chassis dealer. At December 31, 1996, the Company had on hand approximately 200 chassis subject to this arrangement. Total costs to purchase these chassis upon completion of bus units they are to be built on is approximately \$3,400,000. Costs related to this arrangement to be paid upon purchase of the chassis of approximately \$191,000 has been included in the 1996 financial statements.

EMPLOYMENT MATTERS.

The Company is the defendant in several lawsuits involving employment matters including allegations regarding hiring and termination procedures. Management believes these suits will be settled without a material effect on the financial statements. Accordingly, no provision for potential liability relating to these suits have been recorded in the financial statements.

CREDITORS' COMMITTEE OF CARPENTER BODY WORKS, INC.

On November 6, 1996, the Creditors' Committee of Carpenter Body Works, Inc sued the Company for nonpayment of a promissory note of \$500,000 plus interest at 15% from June 1, 1996. The full amount of the liability has been recorded, and the Company is currently negotiating a settlement of this action.

SETTLED LITIGATION.

During 1996, the Company settled a \$400,000 lawsuit relating to damages awarded to the plaintiff arising out of a 1991 accident involving a Carpenter bus. The Company's product liability insurance

CARPENTER INDUSTRIES, LLC

NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1996 AND 1995

14. COMMITMENTS AND CONTINGENCIES (CONTINUED):

is covering all amounts incurred related to this suit in excess of

\$250,000. The financial statements include a provision in the amount of \$51,448 as of December 31, 1996 for the Company's unpaid portion of losses expected under the self insured retention clause of the policy. This amount has been recorded in other accrued liabilities.

During 1996, the Company reached a settlement in a suit involving a former distributor of the Company relating to the termination of the plaintiff's distributorship. The settlement of \$200,417 has been included in the 1995 results of operations and recorded as long-term debt. (See Note 8).

In addition, during 1996, the Company's insurance carrier settled a suit on the Company's behalf relating to an action filed in 1995. The settlement amount paid by the insurance company of \$79,500 is below the Company's self insured retention amount and the insurer has made a demand on the Company for payment of \$79,500. Management's position is that the settlement was excessive and to date the Company has not paid the insurance company. The financial statements include a provision recorded in other accrued liabilities of \$79,500 related to this settlement.

#### OTHER LITIGATION.

The Company is also a defendant in a lawsuit filed by a former Carpenter distributor on July 26, 1996 alleging "constructive termination" of its distributorship, and seeking actual and punitive damages. The Plaintiffs initial demand was \$25,000,000. The Company has filed an answer denying liability under all counts brought by the plaintiff and the parties are currently involved in discovery efforts.

Management believes the suit is without merit and intends to vigorously defend its position against all claims. However, it is not possible to predict at this time the extent of the Company's liability, if any. Therefore, no provision for any liability relating to this suit has been included in the financial statements.

The Company is a defendant in several additional lawsuits relating to product liability claims. Plaintiffs alleged damages from

-28-

#### CARPENTER INDUSTRIES, LLC

#### NOTES TO FINANCIAL STATEMENTS (CONTINUED)

YEARS ENDED DECEMBER 31, 1996 AND 1995

#### 14. COMMITMENTS AND CONTINGENCIES (CONTINUED):

\$15,000 to \$250,000. Certain of these suits are covered under the provisions of the Company's product liability insurance. The Company also has reached an agreement with a supplier to be indemnified in one suit. While it is not feasible to predict the outcome of these suits, management believes the ultimate outcome will not have a material effect on the Company's financial statements. Accordingly, no provision for any potential liability relating to these suits have been included in the financial statements.

#### COLLECTIVE BARGAINING AGREEMENTS.

Approximately 80% of the Company's non-management employees are covered by collective bargaining agreements that expire December, 1999, and are renewable from year to year unless either party desires to terminate the agreement sixty days prior to the expiration date or any subsequent anniversary date.

GENERAL.

In the normal course of business, the Company is subject to various claims, assessments and litigation. In the opinion of management, losses, if any, resulting from current litigation and other contingencies would not have a material effect on the accompanying financial statements.

15. SUBSEQUENT EVENTS:

As described in Note 2 to the financial statements, the Company sold substantially all of its assets subject to its liabilities. Assets retained by the Company included approximately 490 semi-finished buses and the related Newcourt floor plan debt of approximately \$10,417,000. The terms of the asset sale agreement requires the Company to complete the semi-finished buses which are then sold to Carpenter Industries, Inc. (CII). Upon completion of a bus and sale to CII, the related Newcourt floor plan debt transfers to CII. The Company does remain contingently liable for buses completed and considered undeliverable. As of the date of this report, the Company has approximately 209 semi-finished buses and \$5,847,000 of related floor plan debt remaining.

-29-

CROWE CHIZEK

REPORT OF INDEPENDENT AUDITORS

Board of Directors  
Carpenter Manufacturing, Inc.  
Mitchell, Indiana

We have audited the accompanying balance sheets of Carpenter Manufacturing, Inc. as of December 31, 1994 and 1993, and the related statements of operations and retained deficit and cash flows for the years then ended. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with generally accepted auditing standards. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates 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 financial position of Carpenter Manufacturing, Inc. as of December 31, 1994 and 1993, and the results of its operations and its cash flows for the years then ended in conformity with generally accepted accounting principles.

/s/ Crowe, Chizek and Company  
Crowe, Chizek and Company

Indianapolis, Indiana  
March 10, 1995, except for

Notes 4, 5 and 10 as to which  
the date is March 5, 1996.

-30-

CARPENTER MANUFACTURING, INC.  
STATEMENTS OF OPERATIONS AND RETAINED DEFICIT  
Years ended December 31, 1994 and 1993

	1994		1993	
	AMOUNT	% to SALES	AMOUNT	% to SALES
GROSS SALES	\$ 97,043,998	100.0%	\$ 78,031,825	100.0%
Competitive allowance	(14,346,886)	(14.8)	(10,726,611)	(13.7)
NET SALES	82,697,112	85.2	67,305,214	86.3
Cost of goods sold	81,496,521	84.0	67,331,702	86.3
GROSS MARGIN	1,200,591	1.2	(26,488)	-
Selling, general and administrative expenses	3,143,280	3.2	2,444,695	3.1
OPERATING LOSS	(1,942,689)	(2.0)	(2,471,183)	(3.1)
Other income (expense)				
Miscellaneous income	300,634	.3	190,810	.2
Loss on sale of receivables (Note 2)	-	-	(551,187)	(.7)
Loss on arbitration settlement (Note 10)	(286,687)	(.3)	-	-
Interest expense	(1,966,137)	(2.0)	(1,625,933)	(2.1)
	(1,952,190)	(2.0)	(1,986,310)	(2.6)
LOSS BEFORE INCOME TAXES	(3,894,879)	(4.0)	(4,457,493)	(5.7)
Income taxes (Note 9)	-	-	-	-
NET LOSS	(3,894,879)	(4.0)%	(4,457,493)	(5.7)%
		=====		=====
Retained deficit at beginning of year	(5,448,428)		(990,935)	
RETAINED DEFICIT AT END OF YEAR	\$ (9,343,307)		\$ (5,448,428)	

See accompanying notes to financial statements.

-31-

CARPENTER MANUFACTURING, INC.  
BALANCE SHEETS  
December 31, 1994 and 1993

	1994	1993
ASSETS		
Current assets		
Cash	\$ 16,670	\$ 45,812
Accounts receivable, net of allowance for doubtful accounts of \$54,000 in 1994 and \$30,000 in 1993 (Notes 2 and 4)	2,260,800	2,530,704
Inventories (Notes 1 and 4)	23,304,365	22,170,688
Prepaid expenses	471,914	523,411
Notes receivable (Note 3)	15,174	33,952
Other current assets	46,285	248,308

	-----	-----
	26,115,208	25,552,875
Property, plant and equipment (Notes 4, 5, and 6)		
Land	98,590	98,590
Building and improvements	642,086	633,462
Machinery and equipment	3,110,599	2,854,781
Construction in process	376,958	-
	-----	-----
	4,228,233	3,586,833
Accumulated depreciation	1,845,477	1,255,460
	-----	-----
	2,382,756	2,331,373
Other assets		
Organization costs - net of amortization	21,799	43,596
Covenant not to compete - net of amortization	6,667	26,667
Other assets	101,402	137,489
	-----	-----
	129,868	207,752
	-----	-----
	\$ 28,627,832	\$ 28,092,000
	=====	=====
LIABILITIES AND SHAREHOLDER'S EQUITY		
(DEFICIT)		
Current liabilities		
Note payable to bank (Note 4)	\$ 14,462,706	\$ 16,298,617
Current portion of long-term debt (Note 5)	339,174	214,518
Current portion of capital leases (Note 6)	41,951	64,699
Accounts payable	9,733,361	10,509,033
Accounts payable, related party (Note 8)	1,108,114	-
	-----	-----
	685,950	552,385
Accrued compensation and payroll taxes		
Other current liabilities	1,148,932	1,001,951
	-----	-----
	27,520,188	28,641,203
Long-term liabilities		
Long-term debt - net of current portion (Note 5)	10,228,247	4,634,026
Capital leases - net of current portion (Note 6)	22,704	65,199
	-----	-----
	10,250,951	4,699,225
Shareholder's equity (deficit)		
Common stock, no par value; 1,100 shares		
authorized and 200 shares issued and		
outstanding	200,000	200,000
Retained deficit	(9,343,307)	(5,448,428)
	-----	-----
	(9,143,307)	(5,248,428)
	-----	-----
	\$ 28,627,832	\$ 28,092,000
	=====	=====

-32-

See accompanying notes to financial statements.



CARPENTER MANUFACTURING, INC.  
STATEMENTS OF CASH FLOWS  
Years ended December 31, 1994 and 1993

	1994 ----	1993 ----
<b>CASH FLOWS FROM OPERATING ACTIVITIES</b>		
Net loss	\$ (3,894,879)	\$ (4,457,593)
Adjustments to reconcile net loss to net cash from operating activities		
Depreciation and amortization	700,816	607,609
Bad debt expense	32,577	55,745
Capitalized interest expense	168,197	357,537
Gain on sale of property and equipment	(36,582)	(77,662)
Changes in assets and liabilities		
Accounts receivable	237,327	(10,563)
Inventories	(1,133,677)	(2,031,176)
Unbilled receivables	-	531,045
Prepaid expenses	51,497	(43,708)
Other current assets	202,023	(194,748)
Other assets	36,087	(79,488)
Accounts payable	332,442	3,109,431
Accrued compensation and payroll taxes	133,565	39,349
Other current liabilities	146,981	441,041
	-----	-----
Net cash from operating activities	(3,023,626)	(1,753,081)
<b>CASH FLOWS FROM INVESTING ACTIVITIES</b>		
Note receivable collections	18,778	128,130
Purchase of property and equipment	(903,028)	(1,559,252)
Proceeds from sale of property and equipment	229,208	918,808
	-----	-----
Net cash from investing activities	(655,042)	(512,314)
<b>CASH FLOWS FROM FINANCING ACTIVITIES</b>		
Checks written in excess of bank balance	-	(364,722)
Net change in note payable to bank	(1,835,911)	16,298,617
Net change in note payable to bank	-	(15,100,000)
Long-term debt borrowings	5,777,078	3,259,215
Payments on long-term debt	(226,398)	(1,714,794)
Payments on capital leases	(65,243)	(67,109)
	-----	-----
Net cash from financing activities	3,649,526	2,311,207
	-----	-----
Net change in cash	(29,142)	45,812

Cash at beginning of year	45,812	-
	-----	-----
<b>CASH AT END OF YEAR</b>	<b>\$ 16,670</b>	<b>\$ 45,812</b>
	=====	=====
<b>SUPPLEMENTAL DISCLOSURES OF CASH FLOWS INFORMATION</b>		
Cash paid during the year for		
Interest	\$ 1,966,137	\$ 1,625,933
Income taxes	\$ -	\$ 38,378

See accompanying notes to financial statements.

CARPENTER MANUFACTURING, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1994 and 1993

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

BUSINESS ACTIVITY: Carpenter Manufacturing, Inc. (the Company) is a manufacturer of school bus bodies and chassis. The bodies may be attached to either a dealer-provided or a company-produced chassis. The buses are sold, on an unsecured basis, through a nationwide network of exclusive Carpenter dealers. The Company was incorporated in 1990 and is located in Mitchell, Indiana (headquarters and primary manufacturing facility) and Richmond, Indiana (chassis manufacturing facility) (Note 10).

ACCOUNTS RECEIVABLE: A provision for credit losses on customer accounts is made in amounts required to maintain an adequate allowance to cover anticipated losses. The customer accounts are charged against the allowance when they are determined to be uncollectible.

INVENTORIES: Inventories are stated at the lower of cost or market, cost being determined by the first-in, first-out (FIFO) method.

Inventories consisted of the following at December 31, 1994 and 1993:

	1994 ----	1993 ----
Raw materials	\$ 6,812,071	\$ 6,421,126
Work in process on-line	1,942,397	1,462,624
Work in process off-line	7,116,053	8,123,927
Finished chassis	5,644,075	3,241,443
Finished bodies	1,789,769	2,921,568
	-----	-----
	\$ 23,304,365	\$ 22,170,688
	=====	=====

PROPERTY, PLANT AND EQUIPMENT: Property, plant and equipment are stated at cost less accumulated depreciation. Expenditures for maintenance, repairs and minor renewals are charged to expense in the period incurred. Betterments and major renewals are capitalized. The cost of property, plant and equipment sold or otherwise disposed of and the accumulated depreciation applicable thereto are eliminated from the accounts, and the resulting gain or loss is reflected in current earnings. Depreciation is

-36-

CARPENTER MANUFACTURING, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1994 and 1993

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

provided for on a straight-line basis over the estimated useful lives of the various classes of assets as follows:

Buildings and improvements	7 - 25 years
Machinery and equipment	3 - 7 years

Depreciation expense was \$659,019 and \$565,812 for the years ended December 31, 1994 and 1993.

ORGANIZATIONAL COSTS: Costs incurred in the formation of the Company have been capitalized and are being amortized on a straight-line basis over 60 months. Amortization expense was \$21,797 for the years ended December 31, 1994 and 1993.

COVENANT NOT TO COMPETE: As part of the purchase of Carpenter Body Works, Inc. in April 1990, the Company entered into a covenant not to compete with an officer of the predecessor company. The covenant requires the Company to pay the officer \$1,667 each month for the 60 month term of the agreement. The \$100,000 covenant is being amortized on a straight-line basis over the five year term of the agreement. Amortization expense was \$20,000 for the years ended December 31, 1994 and 1993.

INCOME TAXES: Income taxes are provided for the tax effects of transactions reported in the financial statements and consist of taxes currently due plus deferred taxes related primarily to differences between the bases of assets and liabilities for financial and income tax reporting. The deferred tax assets and liabilities represent the future tax return consequences of those differences, which will either be taxable or deductible when the assets and liabilities are recovered or settled. Deferred taxes also are recognized for operating losses that are available to offset future taxable income and tax credits that are available to offset future federal income taxes.

A valuation allowance is recorded, if necessary, to reduce net deferred tax assets to the amount considered more likely than not to be realizable.

PRODUCT WARRANTIES: Estimated future costs applicable to products sold under warranties are charged to expense in the year of sale.

-37-

CARPENTER MANUFACTURING, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1994 and 1993

NOTE 1 - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

STATEMENTS OF CASH FLOWS: The statement of cash flows has been prepared using a definition of cash that includes deposits with an original maturity of three months or less.

RECLASSIFICATIONS: Certain reclassifications have been made to the 1993 financial statements to conform to the 1994 presentation. These reclassifications had no effect on the 1993 net income or shareholder's equity.

NOTE 2 - RECEIVABLES SOLD WITH RECOURSE

During 1993, the Company sold certain receivables with recourse to a financing institution for cash in the amount of \$13,834,845. The transaction resulted in a loss in the amount of \$551,187. As of December 31, 1993, all of the receivable balance has been collected. During 1994, no such transactions occurred.

NOTE 3 - NOTES RECEIVABLE

Notes receivable consist of various notes from Company dealers. The original maturities of the dealer notes range from one to three years and accrue interest at varying rates. An allowance for uncollectible notes receivable is considered unnecessary as management believes all amounts are collectible.

NOTE 4 - NOTE PAYABLE TO BANK

On December 21, 1993, the Company refinanced its line of credit with Star Bank, Cincinnati, N.A. (Star Bank). The maximum borrowing under the line of credit agreement which expires in December 1995 was \$18,550,000 with \$14,462,706 and \$16,298,617 outstanding at December 31, 1994 and 1993, respectively. Interest on the loan balance accrues at the bank's prime rate plus one and three-quarters percent. The bank loans made under this financing agreement, which included a \$550,000 term note (see Note 5), are secured by equipment, inventory, accounts receivable and general intangibles of the Company. The financing agreement has also been guaranteed by Dr. Beurt R. SerVaas, Beurt R. SerVaas Revocable Trust and SerVaas, Inc. Borrowing against the line of credit is limited to specific percentages of eligible accounts receivable and inventory.

Terms of the bank borrowings include restrictions on certain capital expenditures, minimum gross earnings levels and also require maintenance of

-38-

CARPENTER MANUFACTURING, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1994 and 1993

NOTE 4 - NOTE PAYABLE TO BANK (CONTINUED)

a specified minimum tangible net worth, ratio of total liabilities to tangible net worth, turnover ratios, and fixed charge coverage.

At December 31, 1994, the Company was in technical default of several restrictive covenants contained in the line-of-credit agreement. The line-of-credit and Star Bank term debt (Note 5) was refinanced with another institution on March 5, 1996.

NOTE 5 - LONG-TERM DEBT

Long-term debt at December 31, 1994 and 1993 consists of the following:

	1994 ----	1993 ----
Term loan from Star Bank guaranteed by Dr. Beurt R. SerVaas, Beurt R. SerVaas Revocable Trust, and SerVaas, Inc.; payable in monthly installments of \$15,278 plus interest at prime plus 1.75%; due January 1, 1997. This term note is cross collateralized with the note payable to Star Bank and is subject to the restrictive covenants described in Note 4.	\$ 381,945	\$ 550,000
Refinancing of trade account payable due E.I. Du Pont DeNemours & Co., Inc. The Company agreed to use Du Pont finishes exclusively over the term of the loan; interest at 11% payable by adding a surcharge of 5% to future purchases; due April 1996.	49,649	103,456
Payable to Creditors' Committee of Carpenter Body Works, Inc. formed pursuant to the Creditors' Extension Agreement; unsecured; subordinated to Star Bank; noninterest-bearing with interest imputed at 11.5%; single payment of \$500,000 due April 1996.	\$ 427,428	\$ 387,264
Mortgage loan payable to Bank of Mitchell secured by real estate; interest at 10.5%; monthly payments of \$883 including interest; due October 1995.	90,976	91,490
Revolving loan from SerVaas, Inc.; unsecured; subordinated to Star Bank, interest at prime plus 1.75%; due December 1996. Interest for period May 1, 1994 through December 31, 1994 was forgiven.	9,170,327	3,711,003
-39-		
Revolving loan from Carpenter Financial, Inc.; unsecured; interest at 8%; due May 1996.	281,018	5,331
Term loan from First National Bank of Mitchell secured by specific vehicles, interest at 8.9%; monthly payments of \$638 including interest; due May 1997.	16,078	-
Term loan from the City of Richmond, Indiana secured by certain fixed assets; interest at 4.0%; monthly payments of \$2,050 including interest; due December 2001.	150,000	-
	-----	-----
Current maturities	10,567,421 339,174 -----	4,848,544 214,518 -----
Long-term debt, net	\$ 10,228,247 =====	\$ 4,634,026 =====

Scheduled principal payments are due on the outstanding long-term debt as follows:

YEAR ----	AMOUNT -----
1995	\$ 339,174
1996	10,098,516

1997	38,924
1998	21,361
1999	22,231
Thereafter	47,215
	-----
	\$ 10,567,421
	-----

NOTE 6 - CAPITAL LEASES

Certain of the Company's equipment leases qualify as capital leases. The Company has included these leases in property, plant and equipment as follows:

-40-

CARPENTER MANUFACTURING, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1994 and 1993

NOTE 6 - CAPITAL LEASES (CONTINUED)

	1994	1993
	----	----
Machinery and equipment	\$ 171,558	\$ 288,920
Accumulated depreciation	97,003	114,720
	-----	-----
Net leased machinery and equipment	\$ 74,555	\$ 174,200
	=====	=====

The following is a schedule by year of future minimum lease payments under these capital leases together with the present value of net minimum lease payments at December 31, 1994:

YEAR	AMOUNT
----	-----
1995	\$ 46,848
1996	10,860
1997	8,527
1998	6,893
	-----
Total minimum lease payments	73,128
Amount representing interest	8,473
	-----
Present value of minimum lease payments	\$ 64,655
	=====

NOTE 7 - OPERATING LEASES

The Company leases property and equipment under operating lease agreements. All leases generally provide that the Company shall pay the cost of utilities, insurance, taxes and maintenance. Rent expense for the years ended December 31, 1994 and 1993 totaled \$432,551 and \$142,354, respectively (Note 8).

-41-

CARPENTER MANUFACTURING, INC.  
 NOTES TO FINANCIAL STATEMENTS  
 December 31, 1994 and 1993

NOTE 7 - OPERATING LEASES (CONTINUED)

A summary of future minimum operating lease obligations follows:

1995	\$ 468,510
1996	402,994
1997	316,933
1998	294,316
1999	290,945
Thereafter	176,500
	-----
	\$ 1,950,198
	=====

NOTE 8 - RELATED PARTY TRANSACTIONS

During 1994 and 1993, the Company had the following account balances and transactions with various companies which share common management and ownership:

	1994	1993
	----	----
Accounts payable - trade	\$ 33,908	\$ 34,761
	-----	-----
Accounts payable - other	\$ 1,108,114	\$ -
	-----	-----
Sales	\$ 11,677,145	\$ 1,246,485
	-----	-----
Dealer incentives	\$ 164,196	\$ -
	-----	-----
Rents (Note 7)	\$ 68,948	\$ -
	-----	-----
Consulting and other purchased services	\$ 18,663	\$ 122,401
	-----	-----

-42-

Interest expense	\$ 168,197	\$ 357,537
	-----	-----

Notes payable	\$ 9,451,345	\$ 3,716,334
	-----	-----

During 1994, the Company entered into an agreement with Carpenter Acceptance Corporation (CAC), a related party, to sell complete and partially completed buses to CAC as a Company dealer. Under the agreement, the units are sold to CAC without recourse and the Company has no real or contingent liability associated with the debt used by CAC to purchase the units. The agreement does require the Company to pay a Dealer Incentive fee to CAC based on the volume of purchases made and certain costs incurred. However, CAC has no obligation to purchase specific units nor are they committed to any minimum purchase obligation.

NOTE 9 - INCOME TAXES

The net deferred taxes in the accompanying balance sheet include the following at December 31:

	1994	1993
	----	----
Deferred tax liabilities	\$ (158,300)	\$ (170,901)
Deferred tax assets	3,347,800	2,316,480
Valuation allowance for deferred tax assets	(3,189,500)	(2,145,579)
	-----	-----
Net deferred taxes	\$ -	\$ -
	=====	=====
Change in valuation allowance	\$ 1,043,921	\$ 1,841,531
	=====	=====

Temporary differences resulting in the deferred tax assets and liabilities are depreciation, valuation allowances and accrued expenses.

As of December 31, 1994, the Company had net operating losses available for carry forward as follows:

-43-

CARPENTER MANUFACTURING, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1994 and 1993

NOTE 9 - INCOME TAXES (CONTINUED)

YEAR OF EXPIRATION	NET OPERATING LOSSES
-----	-----
2007	\$ 391,414
2008	1,538
2008	4,250,378
2010	2,278,879
	-----



\$ 6,922,209  
=====

NOTE 10 - SUBSEQUENT EVENTS

ARBITRATION SETTLEMENT - During March 1995, a dispute regarding royalties due under a 1992 purchase agreement was settled in arbitration resulting in an additional liability to the Company of \$286,687. The liability has been accrued at December 31, 1994.

CAPITAL RESTRUCTURING - Effective January 1, 1995, the Company entered into a transaction with The Curtis Publishing Company, a related party, whereby 150 shares of newly issued stock in Carpenter Manufacturing, Inc. were exchanged for 800 shares of stock in Curtis International, Inc., a related party, owned by The Curtis Publishing Company. This will result in Carpenter Manufacturing, Inc. owning 80% of the outstanding stock of Curtis International, Inc. The acquisition will be accounted for as a pooling of interests.

Below is a summary of the pro forma condensed consolidated results of operations and Carpenter Manufacturing, Inc. and Curtis International, Inc. for the years ended December 31, 1994 and 1993 and the pro forma condensed consolidated statement of financial position of the Companies as of December 31, 1994 and 1993.

-44-

CARPENTER MANUFACTURING, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1994 and 1993

NOTE 10 - SUBSEQUENT EVENTS (CONTINUED)

OPERATIONAL DATA

	1994	1993
	----	----
Revenues	\$ 163,821,291	\$ 141,104,370
Net loss	(1,102,916)	(4,184,951)

FINANCIAL POSITION DATA

	1994	1993
	----	----
ASSETS		
Current assets	\$ 45,243,454	\$ 43,192,064
Property - net	32,235,369	34,095,944
Other long-term assets	149,045	335,981
	-----	-----
	\$ 77,627,868	\$ 77,623,989
	=====	=====
LIABILITIES AND SHAREHOLDERS'		
EQUITY (DEFICIT)		
Current liabilities	\$ 55,468,490	\$ 55,462,279

Long-term debt	6,463,836	11,520,567
Other long-term liabilities	4,808,348	4,110,358
Subordinated debt	9,170,327	3,711,003
Shareholders' equity	1,716,867	2,819,782
	-----	-----
	\$ 77,627,868	\$ 77,623,989
	=====	=====

SALE OF PRODUCT LINE: During March 1995, the Company agreed to sell approximately \$1,400,000 of inventory and materials related to the production of certain bus chassis. No loss is anticipated on the sale.

RELOCATION: During 1995, the Company decided to close its Mitchell, Indiana facility and consolidated all manufacturing and administrative activity in Richmond, Indiana.

-45-

CARPENTER MANUFACTURING, INC.  
NOTES TO FINANCIAL STATEMENTS  
December 31, 1994 and 1993

NOTE 10 - SUBSEQUENT EVENTS (CONTINUED)

REFINANCING: The Company refinanced its line-of-credit agreement and term debt with Star Bank on March 5, 1996 (Notes 4 and 5).

NOTE 11 - DEFINED CONTRIBUTION PLAN

The Company sponsors a defined contribution profit sharing plan with 401(k) provisions for all employees of the corporation who have met certain requirements for participation. Employees may make contributions to the plan up to the lesser of 15% of their annual salary or \$9,240 in 1994 and \$8,994 in 1993. The Company may make discretionary contributions from net profits or accumulated earnings as determined by the Board of Directors. The Company made no contributions to the plan for the years ended December 31, 1994 or 1993.

NOTE 12 - SELF-INSURED HEALTH PLAN

The Company self insures its group health plan. The annual liability for each employee is limited to \$125,000 by a stop loss insurance policy.

NOTE 13 - POSTRETIREMENT HEALTHCARE AND OTHER BENEFITS

The Company provides certain healthcare and life insurance benefits for retired employees. Substantially all of the Company's employees may become eligible for those benefits if they reach normal retirement age while working for the Company. The cost of retiree healthcare and life insurance benefits is recognized as expense as claims are paid.

In December 1990, the Financial Accounting Standards Board issued new guidance which requires companies to accrue such costs during employee service periods. The Company is required to adopt this new guidance in 1995.

NOTE 14 - CONTINGENCIES

In the normal course of business, the Company is subject to various claims, assessments and litigation. In the opinion of management, losses, if any, resulting from current litigation and other contingencies would not have a material effect on the accompanying financial statements.

SPARTAN MOTORS, INC.  
CONSOLIDATED INCOME STATEMENTS  
(Unaudited)

	HISTORICAL 1996	PRO FORMA ADJUSTMENTS	PRO FORMA 1996
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)			
Revenues			
Net Sales	\$ 174,677		\$ 174,677
Other Income	1,149	\$ (25)	1,124
Total	175,826	(25)	175,801
Cost and Expenses			
Cost of Products Sold	148,629		148,629
Research and Development	4,194		4,194
Selling, General and Administrative	14,264		14,264
Interest	464	284	748
Loss on Closure of Mexican Subsidiary	4,423		4,423
Total	171,974	284	172,258
Equity in loss of Carpenter Industries LLC (33 1/3% owned)	--	6,280	6,280
Income from Operations before Income Taxes	3,852	(6,589)	(2,737)
Taxes on Income	1,532	(117)	1,415
Net Earnings	\$ 2,320	\$ (6,472)	\$ (4,152)
Earnings per Share	0.18		(0.33)
Weighted Average Common Shares Outstanding	12,541		

SPARTAN MOTORS, INC.  
CONSOLIDATED BALANCE SHEETS  
(Unaudited)

	HISTORICAL 1996	PRO FORMA ADJUSTMENTS	PRO FORMA 1996
(DOLLARS IN THOUSANDS, EXCEPT PER SHARE DATA)			
ASSETS			
Cash	\$ 4,912		4,912
Marketable Securities	8,956	\$ (5,000)	3,956
Accounts Receivable	26,300		26,300
Inventories	24,284		24,284
Federal Taxes Receivable Net of valuation	925		925
Other Current Assets	1,064		1,064
Deferred Tax Benefit	1,472	--	1,472
Total Current Assets	67,912	(5,000)	62,912
Property Plant and Equipment	11,403		11,403
Other Assets	368		368
Investment in Carpenter Industries	--	3,528	3,528

Total Assets	\$ 79,683	\$ (1,472)	78,212
	=====	=====	=====
LIABILITIES			
Notes Payable to Bank			
Accounts Payable	\$ 6,264		6,264
Accrued Warranty Expense	2,003		2,003
Accrued Customer Rebates	480		480
Other Current Liabilities and Accruals	2,059		2,059
Accrued Compensation & Related Taxes	1,034		1,034
Accrued Vacation	645		645
Current Portion of LTD	586	\$ 1,000	1,586
	-----	-----	-----
Total Current Liabilities	\$ 13,072	\$ 1,000	14,072
Long Term Debt less: Current	5,207	4,000	9,207
SHAREHOLDERS' EQUITY			
Common Stock	124		124
Additional Paid in Capital	21,066		
Retained Earnings	40,195	(6,472)	33,723
Valuation Allowance	20		20
Cumulative Translation adjustment	--		--
	-----	-----	-----
Total Shareholders' Equity	61,405	(6,472)	33,867
	-----	-----	-----
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	\$ 79,683	\$ (1,472)	\$ 57,145
	=====	=====	=====

NOTES TO PRO FORMA  
FINANCIAL STATEMENTS

NOTE 1

The following adjustments have been made to reflect the pro forma effect of the acquisition of 33% of Carpenter Industries as if the acquisition was consummated as of January 1, 1996.

Income Statement	\$ -000
Interest Expense on \$5,000,000 indebtedness Five year term debt at 75 basis points above Libor.	(284)
Interest Income reduction on \$5,000,000 of marketable securities at 6.5%	(325)
Management fees to Spartan from Carpenter per agreement.	300
Income tax effect on above adjustments at 38%	117
33% of 1996 earnings of Carpenter Industries	(6,280)
Net change based on Pro Forma	----- (6,472) -----
Balance Sheet	
Marketable Securities liquidated to fund 50% of acquisition.	(5,000)
Long term debt to finance 50% of acquisition	5,000
Retained Earnings to reflect decrease in Income	(6,471)

EXHIBIT INDEX

EXHIBIT  
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DOCUMENT  
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23.1 Consent of Birk Gross Bell & Coulter, P.C. dated March 27,  
1997.

23.2

Consent of Crowe, Chizek and Company dated March 31, 1997.

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

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

CONSENT OF INDEPENDENT AUDITORS

Board of Directors  
Spartan Motors, Inc.  
Charlotte, Michigan

We consent to the incorporation by reference in Registration Statement No. 33-28432 of Spartan Motors, Inc. on Form S-8 and Registration Statement No. 33-80980 of Spartan Motors, Inc. on Form S-8 of our report dated March 2, 1997, relating to the balance sheets of Carpenter Industries, LLC as of December 31, 1996 and 1995, and the related statements of operations, statement of changes in owners' equity, and statements of cash flows for the years in the two-year period ended December 31, 1996, appearing in this Current Report on Form 8-K of Spartan Motors, Inc.

/s/Birk Gross Bell & Coulter, P.C.  
Indianapolis, Indiana  
March 27, 1997

AN INDEPENDENT MEMBER OF  
BDO  
SEIDMAN  
ALLIANCE

Members: Division for CPA Firms  
American Institute of Certified  
Public Accountants

[Crowe Chizek Logo]  
CROWE CHIZEK

CONSENT OF INDEPENDENT AUDITORS

Board of Directors  
Spartan Motors, Inc.  
Charlotte, Michigan

We consent to the incorporation by reference in Registration Statement No. 33-28432 of Spartan Motors, Inc. on Form S-8 and Registration Statement No. 33-80980 of Spartan Motors, Inc. on Form S-8 of our report dated March 10, 1995, except for Notes 4, 5, and 10 as to which the date is March 5, 1996, relating to the balance sheets of Carpenter Manufacturing, Inc. as of December 31, 1994 and 1993, and the related statements of operations and retained deficit and statements of cash flows for the years in the two-year period ended December 31, 1994, appearing in this Current Report on Form 8-K of Spartan Motors, Inc.

/s/ Crowe Chizek & Company LLP

Crowe, Chizek and Company LLP

Indianapolis, Indiana  
March 28, 1997