SPARTAN MOTORS INC
Form 10-Q
May 08, 2008

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

**FORM 10-Q**

**[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended March 31, 2008

**[ ] 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**: 0-13611**

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

| | |
|---|---|
| **Michigan** | **38-2078923** |
| (State or Other Jurisdiction of Incorporation or Organization) | (I.R.S. Employer Identification No.) |
| **1000 Reynolds Road Charlotte, Michigan** | **48813** |
| (Address of Principal Executive Offices) | (Zip Code) |

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

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

Yes X No ___

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

| | | | |
|---|---|---|---|
| Large accelerated filer | o | Accelerated filer | x |
| Non-accelerated filer | o | Smaller Reporting Company | o |

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

Yes ___ No X

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

| Class | Outstanding at May 1, 2008 |
|---|---|
| Common stock, $.01 par value | 32,407,869 shares |

**SPARTAN MOTORS, INC.**

**INDEX**

**FORWARD-LOOKING STATEMENTS**

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

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

**Changes in environmental regulations**. These regulations could have a negative impact on our earnings; for example, laws mandating improved emissions standards could increase our research and development costs, increase the cost of components and lead to the temporary unavailability of engines.

**Rapidly rising material and component costs and the Company's ability to mitigate such cost increases based upon our supply contracts or to recover such cost increases with increases in selling prices of its products**. Such increases in costs could have an adverse impact on our earnings.

**Changes in relationships with major customers**. An adverse change in our relationship with major customers would have a negative impact on our earnings and financial position.

**Economic, legal and other factors could impact our customers' ability to pay accounts receivable balances due from them.** In the ordinary course of business, customers are granted terms related to the sale of goods and services delivered to them. These terms typically include a period of time between when the goods and services are tendered for delivery to the customer and when the customer needs to pay for these goods and services. The amounts due under these payment terms are listed as accounts receivable on our balance sheet. Prior to collection of these accounts receivable, our customers could encounter drops in sales, large legal settlements, or other factors which could impact their ability to continue as a going concern and which could affect the collectability of these amounts. Writing off uncollectible accounts receivable could have a material adverse effect on our earnings and cash flow as the company has major customers with material accounts receivable balances at any given time.

**Changes in economic conditions, including changes in interest rates, financial market performance and our industry**. These types of changes can impact the economy in general, resulting in a downward trend that impacts not only our business, but all companies with which we compete; or, the changes can impact only those parts of the economy upon which we rely in a unique fashion, including, by way of example:

- Credit availability can impact our direct customers' and our direct customers' dealer network's ability to finance their operations, including inventory levels of our product. In addition, the condition of the housing market can cause liquidity issues for motorhome retail customers.
- Factors that impact our attempts to expand internationally, such as the introduction of trade barriers in the United States or abroad.
- Increasing oil prices and the availability of oil may have an adverse impact on the RV market.

**Armed conflicts and other military actions**. The considerable political and economic uncertainties resulting from these events could adversely affect our order intake and sales.

**Our sales of specialty chassis for military vehicles depend on U.S. government contracts awarded to our customers. Multi-year U.S. government contracts generally are not fully funded at inception and are subject to termination.** Currently, we derive a large portion of our revenue from the sale of specialty chassis for military vehicles. Our customers for these specialty chassis have prime contracts with military agencies of the U.S. government. There are unique risks associated with U.S. government contracts, and by extension, subcontracts. Changes in the congressional appropriations process, program funding levels, and unforeseen world events can interrupt, delay, or terminate the funding for any program or contract. Other risks particular to government contracts and subcontracts include:

- U.S. government contracts generally permit the government to terminate a contract, in whole or in part, for convenience. If a contract is terminated the government will pay the prime and subcontractors for work performed and related termination costs.
- The government may also terminate a contract for default in the event of a breach by the contractor. If a contract is terminated for default, the government in most cases pays for only the work it has accepted. The loss of anticipated funding or the termination of multiple or large programs could have an adverse effect on our future sales and earnings.
- In general, future sales under multiyear contracts are conditioned on the continuing availability of congressional appropriations. Congress typically appropriates funds on a fiscal-year basis, even though contract performance may extend over many years. Changes in appropriations in subsequent years may impact the funding available for these programs. Delays or changes in funding can impact the timing of available funds or lead to changes in program content.

Contracts and subcontracts for U.S. government programs are subject to various procurement laws and regulations. The government may suspend us from receiving new contracts pending resolution of alleged violations of these laws or regulations.

U.S. defense spending has historically been cyclical. Rising budget deficits, increased military expenditures, and increasing costs for domestic programs could ultimately impact government spending on military vehicles. Changes in military strategies, tactics, and conditions on the ground in Iraq and Afghanistan may lead to the reduction, delay, or termination of the vehicle programs that we support. Reductions in our existing vehicle programs, unless offset by other programs and opportunities, could adversely affect our ability to sustain and grow our future sales and earnings.

**Changes to the U.S. Department of Defense's Mine Resistant Ambush Protected ("MRAP") vehicle program may have an adverse effect on our earnings.** Since 2005, the Company has derived significant revenue from the sale of specialty chassis for use in the U.S. Department of Defense's MRAP vehicle program. This program began in response to the need for better armored vehicles to protect U.S. soldiers from improvised explosive devices. The Department of Defense, through the various branches of the U.S. military, is expected to complete currently planned purchases of MRAP vehicles by 2009. There is no guarantee that the U.S. government will continue the MRAP program, or that a successor program, if any, would present opportunities for the Company. Whether we receive future orders for military vehicle chassis will depend upon the military's need and funding for vehicles and whether we are successful in submitting competitive bids for our chassis to prime contractors. The Company intends to pursue other opportunities pertaining to military vehicles, including service to existing vehicles and sales for foreign military use, but there can be no assurance that earnings from these opportunities will be realized.

**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 Report. However, this list is not intended to be exhaustive; many other factors, including the risk factors disclosed in Item 1A "Risk Factors" of this Quarterly Report on Form 10-Q and of the Company's Annual Report on Form 10-K for the year ended December 31, 2007, could impact our business and it is impossible to predict with any accuracy which factors could adversely affect the Company. Although we believe that the forward-looking statements contained in this Report are reasonable, we cannot provide you with any guarantee that the anticipated results will be achieved. All forward-looking statements in this Report are expressly qualified in their entirety by the cautionary statements contained in this section and you are cautioned not to place undue reliance on the forward-looking statements contained in this Report. In addition to the risks listed above, other risks may arise in the future, and we disclaim any obligation to update information contained in any forward-looking statement.

## PART I. FINANCIAL INFORMATION

**Item 1. Financial Statements.**

SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| | March 31, 2008 | December 31, 2007 |
|---|---|---|
| **ASSETS** | | |
| **Current assets:** | | |
| Cash and cash equivalents | $ 5,297,736 | $ 13,527,867 |
| Accounts receivable, less allowance for doubtful accounts of $1,696,000 in 2008 and $802,000 in 2007 | 171,707,513 | 132,906,559 |
| Inventories | 95,461,307 | 103,075,789 |
| Deferred income tax assets | 6,924,832 | 6,924,832 |
| Other current assets | 2,127,236 | 1,978,322 |
| **Total current assets** | 281,518,624 | 258,413,369 |
| **Property, plant, and equipment, net** | 59,292,410 | 56,673,215 |
| **Goodwill** | 2,457,028 | 2,457,028 |
| **Deferred income tax assets** | 775,000 | 775,000 |
| **Other assets** | 260,211 | 345,327 |
| **Total assets** | $ 344,303,273 | $ 318,663,939 |

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

| | March 31, 2008 | December 31, 2007 |
|---|---|---|
| **LIABILITIES AND SHAREHOLDERS' EQUITY** | | |
| **Current liabilities:** | | |
| Accounts payable | $ 71,789,607 | $ 90,769,512 |
| Accrued warranty | 11,536,209 | 10,823,532 |
| Accrued customer rebates | 1,993,716 | 1,962,765 |
| Accrued compensation and related taxes | 8,748,349 | 10,430,556 |
| Accrued vacation | 1,951,144 | 1,758,354 |
| Deposits from customers | 6,163,027 | 5,539,824 |
| Other current liabilities and accrued expenses | 4,162,678 | 3,366,825 |
| Taxes on income | 7,026,184 | 551,074 |
| Current portion of long-term debt | 523,175 | 522,666 |
| **Total current liabilities** | 113,894,089 | 125,725,108 |
| **Other non-current liabilities** | 1,025,000 | 1,025,000 |
| **Long-term debt, less current portion** | 84,564,390 | 62,695,454 |
| **Shareholders' equity:** | | |
| Preferred stock, no par value: 2,000,000 shares authorized (none issued) | -- | -- |
| Common stock, $0.01 par value; 40,000,000 shares authorized; issued 32,407,644 shares and 32,352,679 shares in 2008 and 2007, respectively | 324,076 | 323,527 |
| Additional paid in capital | 63,468,543 | 62,648,429 |
| Retained earnings | 81,027,175 | 66,246,421 |
| **Total shareholders' equity** | 144,819,794 | 129,218,377 |
| **Total liabilities and shareholders' equity** | $ 344,303,273 | $ 318,663,939 |

See Accompanying Notes to Condensed Consolidated Financial Statements.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF INCOME (UNAUDITED)

| | Three Months Ended March 31, | |
|---|---|---|
| | 2008 | 2007 |
| Sales | $ 264,094,756 | $ 142,882,064 |
| Cost of products sold | 223,465,142 | 118,190,505 |
| **Gross profit** | 40,629,614 | 24,691,559 |
| Operating expenses: | | |
| Research and development | 4,687,555 | 3,789,579 |
| Selling, general and administrative | 12,539,581 | 9,482,122 |
| **Operating income** | 23,402,478 | 11,419,858 |
| Other income (expense): | | |
| Interest expense | (732,449) | (246,024) |
| Interest and other income | 93,197 | 137,044 |
| **Earnings before taxes on income** | 22,763,226 | 11,310,878 |
| Taxes on income | 7,982,472 | 4,104,138 |
| **Net earnings** | $ 14,780,754 | $ 7,206,740 |
| **Basic net earnings per share** | $ .46 | $ 0.23 |
| **Diluted net earnings per share** | $ .45 | $ 0.22 |
| **Basic weighted average common shares outstanding** | 31,954,000 | 31,655,000 |
| **Diluted weighted average common shares outstanding** | 32,512,000 | 32,610,000 |

See Accompanying Notes to Condensed Consolidated Financial Statements.

-8-

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

| | Three Months Ended March 31, | |
|---|---|---|
| | 2008 | 2007 |
| **Cash flows from operating activities:** | | |
| Net earnings | $ 14,780,754 | $ 7,206,740 |
| Adjustments to reconcile net earnings to net cash used in operating activities: | | |
| Depreciation | 1,327,221 | 823,667 |
| Gain on disposal of assets | (2,500) | -- |
| Tax benefit from stock incentive plan transactions | (53,291) | (1,553,197) |
| Stock based compensation related to restricted stock | 417,711 | 202,427 |
| Decrease (increase) in operating assets: | | |
| Accounts receivable | (38,800,954) | (16,622,907) |
| Inventories | 7,614,482 | (8,619,532) |
| Other assets | (63,798) | 6,366,715 |
| Increase (decrease) in operating liabilities: | | |
| Accounts payable | (18,979,905) | 5,620,968 |
| Accrued warranty | 712,677 | 1,811,741 |
| Accrued compensation and related taxes | (1,682,207) | (2,952,397) |
| Accrued vacation | 192,790 | 205,622 |
| Accrued customer rebates | 30,951 | (1,084,907) |
| Deposits from customers | 623,203 | (326,479) |
| Other current liabilities and accrued expenses | 795,852 | 1,203,295 |
| Taxes on income | 6,528,402 | 1,111,628 |
| **Total adjustments** | (41,339,366) | (13,813,356) |
| **Net cash used in operating activities** | (26,558,612) | (6,606,616) |
| **Cash flows from investing activities:** | | |
| Purchases of property, plant and equipment | (3,946,416) | (7,038,639) |
| Proceeds from sale of property, plant and equipment | 2,500 | -- |
| **Net cash used in investing activities** | (3,943,916) | (7,038,639) |
| **Cash flows from financing activities:** | | |
| Proceeds from long-term debt | 79,500,000 | 18,000,000 |
| Payments on long-term debt | (57,630,555) | (22,091,354) |
| Proceeds from the exercise of stock options | 349,661 | 3,639,848 |
| Cash retained on taxes due to stock incentive plan transactions | 53,291 | 1,553,197 |
| **Net cash provided by financing activities** | 22,272,397 | 1,101,691 |
| **Net decrease in cash and cash equivalents** | (8,230,131) | (12,543,564) |
| **Cash and cash equivalents at beginning of period** | 13,527,867 | 13,834,892 |

| | | |
|---|---|---|
| **Cash and cash equivalents at end of period** | $ 5,297,736 | $ 1,291,328 |

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

| | Number of Shares | Common Stock | Additional Paid In Capital | Retained Earnings | Total Shareholders' Equity |
|---|---|---|---|---|---|
| Balance at December 31, 2007, as previously reported | 32,352,679 | $323,527 | $62,648,429 | $66,246,421 | $129,218,377 |
| Issuance of common stock and the tax benefit of stock incentive plan transactions | 61,428 | 614 | 402,338 | -- | 402,952 |
| Cancellation of restricted stock | (6,463) | (65) | 65 | -- | -- |
| Stock based compensation expense related to restricted stock | -- | -- | 417,711 | -- | 417,711 |
| Net earnings | -- | -- | -- | 14,780,754 | 14,780,754 |
| Balance at March 31, 2008 | 32,407,644 | $324,076 | $63,468,543 | $81,027,175 | $144,819,794 |

See Accompanying Notes to Condensed Consolidated Financial Statements.

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

**Note 1 - GENERAL AND SUMMARY OF ACCOUNTING POLICIES**

For a description of key accounting policies followed refer to the notes to the Spartan Motors, Inc. (the "Company") consolidated financial statements for the year ended December 31, 2007, included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2008. There have been no changes in such accounting policies.

The accompanying unaudited interim condensed consolidated financial statements reflect all normal and recurring adjustments that are necessary for the fair presentation of the Company's financial position as of March 31, 2008 and the results of operations and cash flows for the three- month periods ended March 31, 2008 and 2007.

The results of operations for the three-month period ended March 31, 2008 are not necessarily indicative of the results to be expected for the full year.

**Note 2 - INVENTORIES**

Inventories are summarized as follows:

| | March 31, 2008 | December 31, 2007 |
|---|---|---|
| Finished goods | $ 7,624,299 | $ 18,346,128 |
| Work in process | 24,839,601 | 21,426,663 |
| Raw materials and purchased components | 65,215,669 | 65,459,415 |
| Obsolescence reserve | (2,218,262) | (2,156,417) |
| | $ 95,461,307 | $ 103,075,789 |

**Note 3 - WARRANTIES**

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

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 and labor 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. The estimates for military vehicles are based upon experience with commercial vehicles.

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 were as follows:

For the three months ended March 31:

| | 2008 | 2007 |
|---|---|---|
| Balance of accrued warranty at January 1 | $ 10,823,532 | $ 6,380,740 |
| Warranties accrued during the period | 1,827,643 | 1,370,323 |
| Cash settlements made during the period | (1,255,423) | (1,569,437) |
| Changes in liability for pre-existing warranties during the period, including expirations | 140,457 | 2,010,855 |
| Balance of accrued warranty at March 31 | $ 11,536,209 | $ 8,192,481 |

**Note 4 - COMMITMENTS AND CONTINGENT LIABILITIES**

At March 31, 2008, 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.

**Note 5 - BUSINESS SEGMENTS**

Sales and other financial information by business segment are as follows:

Three Months Ended March 31, 2008
(amounts in thousands)

| | Business Segments | | | |
|---|---|---|---|---|
| | Chassis | EVTeam | Other | Consolidated |
| Motorhome chassis sales | $ 38,145 | $ -- | $ -- | $ 38,145 |
| Fire truck chassis sales | 29,737 | -- | (5,449) | 24,288 |
| EVTeam product sales | -- | 24,252 | -- | 24,252 |
| Other sales | 177,410 | -- | -- | 177,410 |
| Total Sales | $ 245,292 | $ 24,252 | $ (5,449) | $ 264,095 |
| Interest expense (income) | $ (51) | $ 398 | $ 385 | $ 732 |
| Depreciation expense | 589 | 281 | 457 | 1,327 |
| Taxes (credit) on income | 8,820 | (233) | (605) | 7,982 |
| Segment earnings (loss) | 16,644 | (436) | (1,427) | 14,781 |
| Segment assets | 251,171 | 52,172 | 42,295 | 345,638 |

Three Months Ended March 31, 2007
(amounts in thousands)

| | Business Segments | | | |
|---|---|---|---|---|
| | Chassis | EVTeam | Other | Consolidated |
| Motorhome chassis sales | $ 56,154 | $ -- | $ -- | $ 56,154 |
| Fire truck chassis sales | 30,624 | -- | (6,531) | 24,093 |
| EVTeam product sales | -- | 21,400 | -- | 21,400 |
| Other sales | 41,235 | -- | -- | 41,235 |
| Total Sales | $ 128,013 | $ 21,400 | $ (6,531) | $ 142,882 |
| Interest expense | $ -- | $ 308 | $ (62) | $ 246 |
| Depreciation expense | 385 | 309 | 130 | 824 |
| Taxes (credit) on income | 4,701 | (358) | (239) | 4,104 |
| Segment earnings (loss) | 8,360 | (722) | (431) | 7,207 |
| Segment assets | 137,587 | 50,426 | 14,986 | 202,999 |

**Note 6 - NEW AND PENDING ACCOUNTING STANDARDS**

In June 2007, the Financial Accounting Standards Board (FASB) ratified the consensus reached by the Emerging Issues Task Force (EITF) on EITF issue 06-11, "Accounting for Income Tax Benefits of Dividends on Share-Based Payment Awards." EITF 06-11 requires companies to recognize the income tax benefit realized from dividends or dividend equivalents that are charged to retained earnings and paid to employees for non-vested equity-classified employee share-based payment awards as an increase in additional paid-in capital. The EITF should be applied prospectively to the income tax benefits of dividends on equity-classified employee share-based payment awards that are declared in fiscal years beginning after December 15, 2007, and interim periods within those fiscal years. For the first quarter of 2008, EITF 06-11 did not have an effect on the Company's consolidated results of operations or its financial position. The Company does not expect this EITF to have a material impact on its future consolidated results of operation or its financial position.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities," which permits entities to choose to measure eligible financial instruments at fair value. The objective of this statement is to provide entities with the opportunity to mitigate volatility in reported earnings caused by measuring related assets and liabilities differently without having to apply complex hedge accounting provisions. SFAS No. 159 was effective for the Company beginning January 1, 2008. The Company does not expect the adoption of this statement to have a material impact on its consolidated results of operations or its financial position. Through March 31, 2008, the Company had not elected the fair value option for any of its financial assets or liabilities.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements." This statement clarifies the definition of fair value, establishes a framework for measuring fair value and expands the disclosures on fair value measurements. SFAS No. 157 was initially effective for the Company beginning January 1, 2008. In February 2008, the FASB approved the issuance of FASB Staff Position (FSP) FAS 157-2. FSP FAS 157-2 allows entities to electively defer the effective date of SFAS No. 157 until January 1, 2009 for nonfinancial assets and nonfinancial liabilities except those items recognized or disclosed at fair value on an annual or more frequently recurring basis. Through March 31, 2008, SFAS No. 157 had no effect on the Company's consolidated results of operations or financial position with respect to its financial assets and liabilities. Effective January 1, 2009, the Company will apply the fair value measurement and disclosure provisions of SFAS No. 157 to its nonfinancial assets and liabilities measured on a nonrecurring basis. Such is not expected to have a material impact on the Company's consolidated results of operations or financial position. The Company measures the fair value of the following on a nonrecurring basis: (1) long-lived assets and (2) the reporting unit under step one of the Company's goodwill impairment test.

In December 2007, the FASB issued SFAS No. 141(R), "Business Combinations," to further enhance the accounting and financial reporting related to business combinations. SFAS No. 141(R) establishes principles and requirements for how the acquirer in a business combination (1) recognizes and measures in its financial statements the identifiable assets acquired, the liabilities assumed, and any noncontrolling interest in the acquiree, (2) recognizes and measures the goodwill acquired in the business combination or a gain from a bargain purchase, and (3) determines what information to disclose to enable users of the financial statements to evaluate the nature and financial effects of the business combination. SFAS No. 141(R) applies prospectively to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. Therefore, the effects of the Company's adoption of SFAS No. 141(R) will depend upon the extent and magnitude of acquisitions after December 31, 2008.

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

**OVERVIEW**

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 leading, niche market engineer and manufacturer in the heavy-duty, custom vehicles marketplace. The Company has 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 ("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. Spartan Chassis customers are original equipment manufacturers ("OEMs") who complete their heavy-duty vehicle product by either mounting the body or apparatus on the Company's chassis or integrating the drive train with the armored body. 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 and waterway 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. 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. 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 motorhome chassis sales are more sensitive to economic swings 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 continued diversification into the specialty chassis market.

The Company expects future growth and earnings to come from:

The growing strength of the Spartan brands, including Spartan Chassis, Crimson Fire and Road Rescue.

EVTeam operational improvements as processes are reengineered to lower costs by eliminating non-value added activities.

Further market share gain in the Class A motorhome market as the Company's chassis continue to lead the way in design features such as stability, ride, durability and dependability.

Recent additions to manufacturing capacity for fire truck chassis cabs, specialty vehicles, and motorhome chassis, expanded our capability to fulfill current and future market needs.

In 2007, the Company unveiled the Furion which is the entry-level fire truck cab and chassis in the Spartan Chassis product line. The Furion is designed to bridge the market between custom and commercial vehicles.

Opportunities in the areas of specialty vehicles, service parts and micro-niche markets. The Company has received subcontract orders under the Mine Resistant Ambush Protected (MRAP) program, the Iraqi Light Armored Vehicle (ILAV) program, the Joint IED-Defeat Organization (JIEDDO) program, the Yemen Light Armored Vehicle (YLAV) program and the Special Operations Command (SOCOM) program. The Company's current backlog for these specialty vehicles will support production through most of 2008. There is an opportunity for increased service parts sales as the number of military vehicles in the field grows. The Company believes it is well positioned to seek additional military business, but this business is subject to unique risks and uncertainties identified in the "Forward Looking Statements" section of this Form 10-Q and disclosed in Item 1A "Risk Factors" of the Company's Annual Report on Form 10-K for the year ended December 31, 2007.

Potential for increased sales from our EVTeam due to the introduction of new technology such as the "Boomer", an innovative, low cost product that will provide an aerial waterway for fire departments looking for a cost effective solution. The Boomer also offers other features such as lifting and elevated lighting capabilities in addition to the necessary connections to operate vehicle extraction tools.

The Company believes the major strength of its business model is market diversity and customization, with a growing foundation in emergency rescue. The emergency rescue market is relatively less affected by geo-political events compared to the recreational vehicle market.

The following is a discussion of the major elements impacting the Company's financial and operating results for the three-month period ended March 31, 2008 compared to the three-month period ended March 31, 2007. The comments that follow should be read in conjunction with the Company's condensed consolidated financial statements and related notes contained in this Form 10-Q and in conjunction with the Company's annual report on Form 10-K filed with the Securities and exchange Commission on March 14, 2008.

**RESULTS OF OPERATIONS**

The following tables set forth, for the periods indicated, the components of the Company's business segment statements of operations, on an actual basis, as a percentage of sales:

| | March 31, 2008 | | | March 31, 2007 | | |
|---|---|---|---|---|---|---|
| | Business Segments | | | Business Segments | | |
| | Chassis | EVTeam | Consolidated | Chassis | EVTeam | Consolidated |
| Sales | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% | 100.0% |
| Cost of products sold | 84.1% | 93.3% | 84.6% | 81.7% | 93.7% | 82.7% |
| Gross profit | 15.9% | 6.7% | 15.4% | 18.3% | 6.3% | 17.3% |
| Operating expenses: | | | | | | |
| Research and development | 1.7% | 2.0% | 1.8% | 2.5% | 2.6% | 2.7% |
| Selling, general and administrative | 3.8% | 6.2% | 4.7% | 5.5% | 7.5% | 6.7% |
| Operating income (loss) | 10.4% | -1.5% | 8.9% | 10.3% | -3.8% | 7.9% |
| Other income (expense) | 0.0% | -1.3% | -0.3% | 0.0% | -1.1% | -0.1% |
| Earnings (loss) before taxes (credit) on income | 10.4% | -2.8% | 8.6% | 10.3% | -4.9% | 7.8% |
| Taxes (credit) on income | 3.6% | -1.0% | 3.0% | 3.7% | -1.7% | 2.8% |
| Net earnings (loss) | 6.8% | -1.8% | 5.6% | 6.6% | -3.2% | 5.0% |

***Quarter Ended March 31, 2008, Compared to the Quarter Ended March 31, 2007***

For the three months ended March 31, 2008, consolidated sales increased $121.2 million (84.8%) over sales for the same period in 2007. The increase was primarily due to a $117.3 million (91.6%) increase in Spartan Chassis sales. Other sales at Spartan Chassis, which include specialty chassis and service parts sales, drove the majority of the increase, with a $136.2 million (330.2%) increase over the prior year's quarter. This increase was partially offset by motorhome chassis sales, which decreased $18.0 million (32.1%), and fire truck chassis sales, which were relatively flat compared to the prior year recording a slight decrease of $0.9 million (2.9%). The increase in other sales was a result of increased orders for specialty chassis for Mine Resistant Ambush Protected (MRAP) vehicle chassis as well as service parts to support MRAP vehicles. The decrease in motorhome chassis sales was primarily a result of weakened economic conditions impacting the motorhome market as a whole. Fire truck sales were consistent with sales in the first quarter of 2007.

The EVTeam also contributed to the overall sales increase. Compared to the same period in 2007, sales increased $2.9 million (13.3%) as a result of operational progress at all three EVTeam locations. Road Rescue sales increased $1.4 million (27.9%); Crimson Fire's sales increased $1.3 million (9.1%) and Crimson Aerials sales increased $0.1 (4.9%). Higher volumes of product were the primary drivers of the increases over the prior quarter of 2007.

Gross profit increased from $24.7 million for the quarter ended March 31, 2007 to $40.6 million for the same period in 2008 due to higher sales volumes. However, gross margin as a percent of sales decreased from 17.3% to 15.4% for these same time periods, due primarily to a change in the product sales mix. In the first quarter of 2007, the specialty chassis in production at Spartan Chassis were a part of lower volume military programs while the primary specialty chassis product in production in the first quarter of 2008 is part of the MRAP program. The MRAP program is a highly competitive program with many OEM's bidding to secure orders resulting in lower margins for these specialty chassis.

Operating expenses as a percentage of sales decreased from 9.4% for the first three months of 2007 to 6.5% for the same period of 2008 as a result of increased efficiencies gained from higher sales volumes. While consolidated sales recorded an 84.8% increase, operating expense dollars grew at a much smaller rate, 29.8% ($4.0 million) in the first quarter of 2008 over the same period of 2007. This increase was driven primarily by higher variable bonus compensation at Spartan Chassis as a result of the higher profitability of the segment. In addition, incremental support staff was added at Spartan Chassis to support the higher sales volumes.

Interest expense increased $0.5 million or 197.7% over the same quarter in 2007 due to the increased debt to support increased working capital and increased investments in property, plant and equipment.

The effective income tax rate was 35.1% in the first quarter of 2008 and 36.3% in the first quarter of 2007. The effective tax rates for 2008 and 2007 are consistent with the applicable federal and state statutory tax rates.

Net earnings increased $7.6 million ($0.23 per diluted share, post-split) from $7.2 million ($0.22 per diluted share, post-split) in 2007 to $14.8 million ($0.45 per diluted share) in 2008 as a result of the factors discussed above.

Total chassis unit orders received during the first quarter of 2008 increased 25.2% compared to the same period in 2007. This is a result of increases in all product lines with the exception of motorhome chassis for reasons noted above. The largest driver of the increase was specialty chassis unit orders, consisting of a 318.9% increase over the prior year primarily due to the orders for the MRAP program.

The U.S. Department of Defense launched the MRAP program in response to the need to protect U.S. troops in Iraq from roadside bombs and other improvised explosive devices. By mid-2007, the Department of Defense considered the MRAP program its highest priority, and the program received significant appropriations. As the Department of Defense completes its planned purchases, MRAP purchases will decline significantly, and the Company expects that chassis sales attributable to the MRAP program will experience a corresponding decline. The Company's largest customer during 2007, a producer of blast-protected vehicles, has publicly disclosed that it has no MRAP orders currently in place for 2009, and the Company's third largest customer of 2007 has publicly stated that it expects its MRAP sales to end by 2009.

While the expected ramping down of the MRAP program will likely affect our revenue and earnings, the Company believes that revenue opportunities exist in parts, refurbishment and replacement of MRAP vehicle chassis, and in the sale of specialty chassis for military use in non-U.S. military forces and chassis for future armored vehicle programs.

At March 31, 2008, the Company had $304.6 million in backlog, compared with a backlog of $250.1 million at March 31, 2007. This reflects an increase in Spartan Chassis backlog of $79.4 million, partially offset by a decrease in EVTeam backlog of $24.9 million. The Company anticipates filling its current backlog orders by October 2008.

While orders in the backlog are subject to modification, cancellation or rescheduling by customers, this has not been a major factor in the past. Although the backlog of unfilled orders is one of many indicators of market demand, several factors, such as changes in production rates, available capacity, new product introductions and competitive pricing actions, may affect actual sales. Accordingly, a comparison of backlog from period to period is not necessarily indicative of eventual actual shipments.

**LIQUIDITY AND CAPITAL RESOURCES**

The Company generated an estimated annualized return on invested capital (ROIC) of 42.6% in the first quarter of 2008, a 65.8% increase compared to the ROIC of 25.7% for the same period in 2007. The Company defines ROIC as operating income, less taxes, on an annualized basis, divided by total shareholders' equity.

For the three months ended March 31, 2008, cash used in operating activities was $26.6 million, which was a $20.0 million increase from the $6.6 million of cash used in operating activities for the three months ended March 31, 2007. The $26.6 million of cash used was primarily due to increased working capital needs at Spartan Chassis to support higher sales levels in the quarter. See the Results of Operations section contained in Item 2 of this Form 10-Q for further information regarding the increase in sales levels. Consolidated, the net impact of changes in accounts receivable, inventory and accounts payable, which are the largest drivers of working capital changes, represented the largest use of cash at $50.2 million. This use of cash was funded in part by net earnings from continuing operations of $14.8 million. See the Condensed Consolidated Statements of Cash Flows contained in Item 1 of this Form 10-Q for the remaining various factors that represented the remaining fluctuation of $8.8 million in cash generated from operations during the period.

Additions to manufacturing capabilities resulted in increased investments in property, plant and equipment totaling $3.9 million. Cash needed for operations and the investments in property, plant and equipment were funded by cash on hand at December 31, 2007, net borrowings from long-term debt of $21.9 million and net proceeds from the exercise of stock options of $0.3 million. See the Condensed Consolidated Statements of Cash Flows contained in Item 1 of this Form 10-Q for further information regarding the decrease in cash and cash equivalents from $13.5 million at December 31, 2007 to $5.3 million at March 31, 2008.

Shareholders' equity increased $15.6 million, from $129.2 million as of December 31, 2007 to $144.8 million as of March 31, 2008. The increase was driven by $14.8 million in net income of the Company, $0.4 million from compensation related to restricted stock and $0.4 million from the exercise of stock options and stock appreciation rights including the corresponding tax benefit.

During its April 22, 2008 meeting, the Board of Directors approved an additional $10.0 million revolving note payable with JP Morgan Chase Bank, increasing the total unsecured borrowings available to $75.0 million. The Company had borrowings of $57.5 million under this debt agreement in the form of a line of credit as of March 31, 2008. The Company also had a $10.0 million term note as of March 31, 2008 under the same debt agreement. The line of credit includes three one-year automatic extensions unless the bank provides notice of non-renewal 14 months in advance of the expiration date. Working capital and capital expenditures created the need for the additional borrowings. Under the terms of the line of credit and term note agreement, the Company is required to maintain certain financial ratios and other financial conditions. The agreement also prohibits the Company from incurring additional indebtedness, limits certain acquisitions, investments, advances or loans and restricts substantial asset sales. At March 31, 2008, the Company was in compliance with all debt covenants.

The Company has a private shelf agreement with Prudential Investment Management, Inc. This agreement allows the Company to borrow up to an additional $40 million to be issued in $5 million minimum increments. The interest rate is determined based on applicable rates at time of issuance. The Company had a $10.0 million term note issued under this shelf agreement as of March 31, 2008, which carried an interest rate of 4.93%.

The Company has an unsecured fixed rate long term note which bears interest at 4.99%. The loan is repayable in equal monthly installments and matures in October 2011. At March 31, 2008, the total outstanding amount on this note was $6.3 million of which $466,667 is payable in 2008.

The Company has a secured line of credit for $0.2 million, which has an expiration date of July 5, 2008. This line of credit is secured by accounts receivable, inventory and equipment. There were no borrowings under this line at March 31, 2008. As of March 31, 2008, the Company was in compliance with all debt covenants.

The Company has secured mortgage notes of which $1.1 million and $0.1 million are outstanding as of March 31, 2008. The mortgage notes carry an interest rate of 3.00% payable in monthly installments (for principal and interest) of $6,933 and $834, respectively, with balances due July 1, 2010 and March 1, 2009, respectively. These mortgage notes are secured by real estate and buildings.

The Company had construction in process as of March 31, 2008 for the site development and building construction for a new office building and renovations to manufacturing facilities. Total estimated construction costs for these projects were $13.9 million of which $4.9 million has been spent as of March 31, 2008. The related construction projects are expected to be completed by September 2008.

On April 22, 2008, the Board of Directors approved regular dividends of $0.10 per share payable in the amount of $0.05 per share on June 16, 2008 and $0.05 per share on December 17, 2008 to shareholders of record on May 16, 2008 and November 17, 2008, respectively.

The Company believes it has sufficient resources from cash flows from operating activities and, if necessary, from additional borrowings under its lines of credit and anticipated renewals to satisfy ongoing cash requirements for the next 12 months.

**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 included in the Company's Annual Report on Form 10-K filed with the Securities and Exchange Commission on March 14, 2008. 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 income statement, 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 collectability of any related receivable is reasonably assured before revenue is recognized.

Accounts Receivable - The Company maintains an allowance for customer accounts that reduces receivables to amounts that are expected to be collected. In estimating the allowance, management considers factors such as current overall economic conditions, industry-specific economic conditions, historical and anticipated customer performance, historical experience with write-offs and the level of past-due amounts. Changes in these conditions may result in additional allowances.

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.

Impairment of Goodwill - Goodwill represents the difference between the purchase price and the related underlying tangible and identifiable intangible net asset values resulting from business acquisitions. Annually, or if conditions indicate an earlier review is necessary, the carrying value of the reporting unit is compared to an estimate of its fair value. If the estimated fair value is less than the carrying value, goodwill is impaired and will be written down to its estimated fair value. Goodwill is allocated to the reporting unit from which it was created.

Based upon the estimated fair value of the Company's reporting unit using a discounted cash flow valuation, the goodwill at its Crimson Fire subsidiary which is included in the Company's EVTeam reportable segment was not impaired as of October 1, 2007, the most recent annual impairment test date.

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. For military vehicles with limited historical data, estimates were based upon historical experience of commercial vehicles. See also Note 3 to the condensed consolidated financial statements included in Item 1 of this Form 10-Q.

Equity Compensation - SFAS 123(R), "Share-Based Payment", addresses the accounting for share-based employee compensation and was adopted by the Company on January 1, 2006 utilizing the modified prospective approach. SFAS 123(R) requires that share options and stock appreciation rights (SARs) awarded to employees are recognized as compensation expense based on their fair value at grant date. The fair market value of options and SARs granted under the Company's stock compensation plans was estimated on the date of grant using the Black-Scholes option-pricing model using assumptions for inputs such as interest rates, expected dividends, volatility measures and specific employee exercise behavior patterns based on historical statistical data. Some of the inputs we use are not market-observable and have to be estimated or derived from available data. Use of different estimates would produce different values, which in turn would result in higher or lower compensation expense recognized. We have not run the model with alternative inputs to quantify their effects on the fair value of the options or SARs.

To value options and SARs, several recognized valuation models exist. None of these models can be singled out as being the best or most correct one. The model we apply is able to handle some of the specific features included in the awards we grant, which is the reason for its use. If we were to use a different model, the values would differ despite using the same inputs. Accordingly, using different assumptions coupled with using a different valuation model could have a significant impact on the fair value of employee stock options and SARs. Fair value could be either higher or lower than the ones produced by the model we apply and the inputs we used.

**NEW AND PENDING ACCOUNTING POLICIES**

See note 6 to the condensed consolidated financial statements included in Item 1 of this Form 10-Q.

**EFFECT OF INFLATION**

Inflation affects the Company in two principal ways. First, the Company's revolving notes payable is generally tied to the prime and LIBOR interest rates so that increases in those interest rates would result in 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 Company's ability to pass through cost increases in many cases. The Company strives to minimize the effect of inflation through cost reductions and improved productivity.

**Item 3. Quantitative and Qualitative Disclosures About Market Risk.**

There have been no material changes to our exposures to market risk since December 31, 2007. The Company's primary market risk exposure is a change in interest rates in connection with its outstanding variable rate short-term and long-term debt. At March 31, 2008, the Company had no debt outstanding under its variable rate short-term and $57.5 million outstanding under its variable rate long-term debt agreements. The Company does not enter into market risk sensitive instruments for trading purposes.

**Item 4. 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 March 31, 2008. 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 to ensure that information required to be disclosed by us in the reports that we file or submit is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Securities Exchange Act of 1934 is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

## PART II. OTHER INFORMATION

### Item 1A. Risk Factors

**Changes to the U.S. Department of Defense's Mine Resistant Ambush Protected ("MRAP") vehicle program may have an adverse effect on our earnings**.

Since 2005, the Company has derived significant revenue from the sale of specialty chassis for use in the U.S. Department of Defense's MRAP vehicle program. This program began in response to the need for better armored vehicles to protect U.S. soldiers from improvised explosive devices. The Department of Defense, through the various branches of the U.S. military, is expected to complete currently planned purchases of MRAP vehicles by 2009. There is no guarantee that the U.S. government will continue the MRAP program, or that a successor program, if any, would present opportunities for the Company. Whether we receive future orders for military vehicle chassis will depend upon the military's need and funding for vehicles and whether we are successful in submitting competitive bids for our chassis to prime contractors. The Company intends to pursue other opportunities pertaining to military vehicles, including service to existing vehicles and sales for foreign military use, but there can be no assurance that earnings from these opportunities will be realized.

**Economic, legal and other factors could impact our customers' ability to pay accounts receivable balances due from them.** In the ordinary course of business, customers are granted terms related to the sale of goods and services delivered to them. These terms typically include a period of time between when the goods and services are tendered for delivery to the customer and when the customer needs to pay for these goods and services. The amounts due under these payment terms are listed as accounts receivable on our balance sheet. Prior to collection of these accounts receivable, our customers could encounter drops in sales, large legal settlements, or other factors which could impact their ability to continue as a going concern and which could affect the collectability of these amounts. Writing off uncollectible accounts receivable could have a material adverse effect on our earnings and cash flow as the company has major customers with material accounts receivable balances at any given time.

### Item 6. Exhibits.

(a) Exhibits. The following documents are filed as exhibits to this report on Form 10-Q:

| Exhibit No. | Document |
|---|---|
| 3.1 | Spartan Motors, Inc. Restated Articles of Incorporation, 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. |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act. |

| | |
|---|---|
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act. |
| 32 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. § 1350. |

**SIGNATURES**

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

Date: May 8, 2008 SPARTAN MOTORS, INC.

By /s/ James W. Knapp

James W. Knapp
Senior Vice President, Chief Financial Officer,
Secretary and Treasurer
(Principal Accounting and Financial Officer and
duly authorized signatory for the registrant)

**EXHIBIT INDEX**

| Exhibit No. | Document |
|---|---|
| 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. |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act. |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act. |
| 32 | Certification of Chief Executive Officer and Chief Financial Officer pursuant to 18 U.S.C. § 1350. |