

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

FORM 10-K

ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the fiscal year ended December 31, 2011

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____

Commission File Number 000-13611

SPARTAN MOTORS, INC.

(Exact Name of Registrant as Specified in Its Charter)

Michigan
(State or Other Jurisdiction of
Incorporation or Organization)

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

1541 Reynolds Road
Charlotte, Michigan
(Address of Principal Executive Offices)

48813
(Zip Code)

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

Securities registered pursuant to Section 12(b) of the Securities Exchange Act

Title of Class
Common Stock, \$.01 Par Value

Name of Exchange on which Registered
NASDAQ Global Select Market

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

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

Yes _____ No X

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

Yes _____ No X

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

Yes X No _____

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes X No _____

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

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

Large accelerated filer _____ Accelerated filer X Non-accelerated filer _____ Smaller reporting company _____

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

Yes No

The aggregate market value of the registrant's voting stock held by non-affiliates of the registrant, based on the last sales price of such stock on NASDAQ Global Select Market on June 30, 2011, the last business day of the registrant's most recently completed second fiscal quarter: \$165,725,552.

The number of shares outstanding of the registrant's Common Stock, \$.01 par value, as of February 28, 2012: 33,616,071 shares

Documents Incorporated by Reference

Portions of the definitive proxy statement for the registrant's May 23, 2012 annual meeting of shareholders, to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2011, are incorporated by reference in Part III.

FORWARD-LOOKING STATEMENTS

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

Risk Factors include the risk factors listed and more fully described in Item 1A below, “Risk Factors”, as well as risk factors that we have discussed in previous public reports and other documents filed with the Securities and Exchange Commission. The list in Item 1A below includes all known risks our management believes could materially affect the results described by forward-looking statements contained in this Form 10-K. However, these risks may not be the only risks we face. Our business, operations, and financial performance could also be affected by additional factors that are not presently known to us or that we currently consider to be immaterial to our operations. In addition, new Risk Factors may emerge from time to time that may cause actual results to differ materially from those contained in any forward-looking statements. Given these risks and uncertainties, although we believe that the forward-looking statements contained in this Form 10-K are reasonable, we cannot provide you with any guarantee that the anticipated results will be achieved. All forward-looking statements in this Form 10-K are expressly qualified in their entirety by the cautionary statements contained in this section and investors should not place undue reliance on forward-looking statements as a prediction of actual results. The Company undertakes no obligation to update or revise any forward-looking statements to reflect developments or information obtained after the date this Form 10-K is filed with the Securities and Exchange Commission.

PART I

Item 1. Business.

When used in this Form 10-K, “Company” refers to Spartan Motors, Inc. and, depending on the context, could also be used to refer generally to the Company and its subsidiaries, which are described below.

General

Spartan Motors, Inc. was organized as a Michigan corporation on September 18, 1975, and is headquartered in Charlotte, Michigan. Spartan Motors 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 five wholly owned operating subsidiaries: Spartan Motors Chassis, Inc., located at the corporate headquarters in Charlotte, Michigan (“Spartan Chassis”); Crimson Fire, Inc. located in Brandon, South Dakota (“Crimson”); Crimson Fire Aerials, Inc., located in Ephrata, Pennsylvania (“Crimson Aerials”); Utilimaster Corporation, located in Wakarusa, Indiana (“Utilimaster”); and Classic Fire LLC (“Classic Fire”), located in Ocala, Florida, acquired on April 1, 2011. In September of 2010, the Company divested substantially all of the assets and related liabilities of its Road Rescue, Inc. subsidiary located in Marion, South Carolina.

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 mounting the body or apparatus on the Company’s chassis. Crimson engineers and manufactures fire trucks built on chassis platforms purchased from either Spartan Chassis or outside sources. Crimson Aerials engineers and manufactures aerial ladder components for fire trucks. Classic Fire engineers and manufactures fire trucks that are built on commercial chassis and offered at a lower price point for use as brush trucks, urban interface, tankers and smaller rescues. Utilimaster is a leading manufacturer of specialty vehicles made to customer specifications in the delivery and service market, including walk-in vans and hi-cube vans, as well as truck bodies.

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. The Company’s diversification across several sectors gives numerous opportunities while minimizing overall risk. Additionally, the Company’s business model provides the agility to quickly respond to market needs, take advantage of strategic opportunities when they arise and correctly size operations to ensure stability and growth.

The Company has an innovative team focused on building lasting relationships with its customers. This is accomplished by striving to deliver premium custom vehicles, vehicle components, and services. The Company believes 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’s Segments

Based on its management structure and the processes employed for allocating resources across the Company by its chief operating decision makers, the Company operates in two reportable business segments: Specialty Vehicles, which consists of the Company’s emergency response chassis, motor home chassis, specialty vehicle chassis, emergency response bodies and related aftermarket parts and assemblies operations; and Delivery and Service Vehicles, consisting of Utilimaster. For certain financial information related to each segment, see Note 16, *Business Segments*, of the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K.

Specialty Vehicles

The Company's Specialty Vehicles segment consists of four wholly owned subsidiaries, Spartan Chassis, Crimson, Crimson Aerials, and Classic Fire. Spartan Chassis designs and manufactures custom chassis for emergency response vehicles, motor homes and other specialty vehicles. Crimson and Classic Fire specialize in the manufacture of emergency response bodies, while Crimson Aerials specializes in the engineering and manufacture of aerial ladders and emergency response vehicle bodies. Sales from the Specialty Vehicles segment represented 61.1%, 76.5% and 96.8% of the Company's consolidated sales for the years ended December 31, 2011, 2010 and 2009, respectively.

The Company's Specialty Vehicles segment has extensive engineering experience in creating custom vehicles that perform specialized tasks, and generally manufactures vehicles only upon receipt of confirmed purchase orders; thus, it does not have significant amounts of completed product inventory. As a specialized vehicle producer, Spartan Motors believes it holds a unique position for continued growth due to its engineering reaction time, manufacturing expertise and flexibility. Spartan Motors markets its specialty vehicles throughout the U.S. and Canada, as well as in select markets in South America and Asia. The Company's Specialty Vehicles segment employed approximately 843 associates in Charlotte, Michigan; Brandon, South Dakota; Ephrata, Pennsylvania; and Ocala, Florida as of February 28, 2012, of which approximately 819 were full-time. Of the full-time associates, 14 were contracted employees.

Emergency Response Chassis

The Company custom manufactures emergency response chassis and cabs in response to exact customer specifications through its Spartan Chassis, Inc. subsidiary. These specifications vary based on such factors as application, terrain, street configuration and the nature of the community, state or country in which the fire truck will be utilized. Spartan Chassis has four fire truck models within this product line: (1) the "Gladiator" chassis; (2) the "Metro Star" chassis; (3) the "Spartan Force" chassis and (4) the "Metro Star RT" (rescue transport).

Spartan Chassis strives to develop innovative engineering solutions to meet customer requirements, and designs new products anticipating the future needs of the marketplace. New vehicle systems and components are regularly introduced by Spartan Chassis that incrementally improve the level of product performance, reliability, and safety for all vehicle occupants. Spartan Chassis monitors the availability of new technology and works closely with its component manufacturers to apply new technology to its products.

Over the past few years, there have been several examples of such innovations. Spartan Chassis has introduced innovations such as: heavy duty air ride independent front suspensions, vehicle data recorder, side rollover air bags, computer navigation systems, electronic stability control, low profile cab design, electronic fluid level checks and idle reduction technology (IRT) – advancing our green initiative.

Emergency Response Bodies

The Company engineers and manufactures bodies for custom and commercial emergency response vehicles and apparatus through its Crimson and Classic Fire subsidiaries. Both subsidiaries market products through a network of dealers throughout North America, and have begun marketing efforts in select markets in South America and Asia. Crimson's product lines include pumpers and aerial fire apparatus, heavy- and light-duty rescue units, tankers and quick attack units. Created by the merger on January 1, 2003 of two of the Company's wholly owned subsidiaries - Luverne Fire Apparatus, Ltd. and Quality Manufacturing, Inc. (two of the industry's oldest brands) - the Crimson Fire brand builds on more than 130 years of heritage. Crimson is recognized in the industry for its innovative design and engineering. Crimson's signature features - such as Tubular Stainless Steel body structure (known as the Tri-Max™ body frame), Vibra-Torq™ mounting system, and Smart Access pump panels - are designed to offer the safety, reliability and durability that firefighters need to get the job done. Classic Fire's product lines include an array of lower price point apparatus built on commercial chassis such as brush trucks, urban interface rescue vehicles and tankers.

Aerial Ladders

The Company engineers, manufactures and markets aerial ladder components for fire trucks through its Crimson Aerials subsidiary in Ephrata, Pennsylvania, which began operations in 2003 and has developed a full line of aerial products. Crimson Aerials introduced its first models in 2004 and is poised to produce the next generation of aerial devices in terms of technology, operation and serviceability. Crimson Aerials primarily sells its products to Crimson.

Motor Home Chassis

The Company custom manufactures chassis to the individual specifications of its motor home chassis OEM customers through its Spartan Chassis subsidiary. These specifications vary based on specific interior and exterior design specifications, power requirements, horsepower and electrical needs of the motor home bodies to be attached to the Spartan chassis. Spartan Chassis's motor home chassis are separated into three models: (1) the "Mountain Master" series chassis; (2) the "K2" series chassis and (3) the "K3" series chassis.

Versions of these three basic product models are designed and engineered in order to meet exact customer requirements. This allows the chassis to be adapted to the specific floor plan and manufacturing process used by the OEM. The Company seeks to develop innovative engineering solutions to meet customer requirements and strives to anticipate future market needs by working closely with OEMs and listening to end users. The Company monitors the availability of new technology and works closely with its component manufacturers to apply new technology to its products. Over the past few years there have been several new innovations, including: electronic steering control, heavy duty air ride independent front suspension and multiplexed electrical controls. Most recently, Spartan Chassis has introduced the first air ride, kneeling Class-C chassis and a new entry level diesel pusher chassis.

Specialty Vehicle Chassis

Through its Spartan Chassis subsidiary, the Company develops specialized chassis to unique customer requirements and actively seeks additional applications of its existing products and technology in the specialty vehicle market. Over the past few years the Company has expanded into highly customized niche markets for specialty vehicle chassis, including high power/high capability drill rigs and specialty bus applications. In addition, in 2011 the Company began assembly of the Isuzu N-Series Gasoline Cab-Forward Trucks, a direct result of its alliance with Isuzu Commercial Truck of America.

Delivery and Service Vehicles

The Company manufactures delivery and service vehicles through its Utilimaster, Inc. subsidiary, which was acquired on November 30, 2009. Utilimaster, which was established in 1973, designs, develops, and manufactures products to customer specifications for use in the package delivery, one-way truck rental, bakery/snack delivery, utility, and linen/uniform rental businesses. Utilimaster serves a diverse customer base and also sells aftermarket parts and assemblies. The majority of its revenues are in the delivery and service market, which includes walk-in vans for the package delivery, bakery/snack delivery and linen/uniform rental markets. Its remaining revenues are attributable to commercial truck bodies, along with aftermarket parts and assemblies. Sales from the Delivery and Service Vehicles segment represented 48.9%, 23.5% and 3.2% of the Company's consolidated sales for the years ended December 31, 2011, 2010 and 2009, respectively. Utilimaster employed approximately 792 associates as of February 28, 2012, of which approximately 209 were contracted employees.

The Company's sales and distribution efforts are designed to sell to national, fleet and commercial dealer accounts within these niches under the Aeromaster®, Trademaster®, Metromaster® and Utilivan® brand names. Utilimaster markets its products throughout the U.S. and Canada.

The principal types of commercial vehicles manufactured by Utilimaster are walk-in vans, cutaway vans and truck bodies. Walk-in vans are assembled on a "stripped" truck chassis supplied with engine and drive train components, but without a cab. Walk-in vans are sold under the Aeromaster® brand, and are typically used in multi-stop applications that include the delivery of packages, the distribution of food products and the delivery of uniforms/linens. Cutaway vans are installed on "cutaway" van chassis, and are sold under the Utilimaster, Utilivan®, Metromaster® and Trademaster® brand names. Cutaway bodies are primarily used for local delivery of parcels, freight and perishable food. Utilimaster's truck bodies are typically fabricated with pre-painted panels, aerodynamic front and side corners, hardwood floors and various door configurations to accommodate end-user loading and unloading requirements. Utilimaster installs its truck bodies on a chassis that is supplied with a finished cab. Utilimaster's truck bodies are sold under the Utilimaster brand name and are used for diversified dry freight transportation.

The Company recently introduced the "Reach" Next Generation Commercial Van ("NGCV"). The Reach, which began shipping in January of 2012, offers greatly improved fuel economy and reduced CO² emissions, as well as enhanced aesthetics and functional improvements.

Marketing

The Company markets its specialty vehicles, including custom emergency response chassis, emergency response bodies and other specialty vehicles, throughout the U.S. and Canada, as well as select markets in South America and Asia, primarily through the direct contact of its sales department with OEMs, dealers and end users. The Company utilizes dealer organizations that establish close working relationships through their sales departments with end users. These personal contacts focus on the quality of the group's specialty products and allow the Company to keep customers updated on new and improved product lines and end users' needs.

The Company, through its Utilimaster subsidiary, sells its delivery and service vehicles to commercial vehicle dealers, leasing companies and directly to end-users. In addition, the Reach will be sold through the Isuzu dealer network. Utilimaster also markets its products directly to several national and fleet accounts (national accounts typically have 1,000+ vehicle fleets and fleet accounts typically have 100+ vehicle fleets), and through a network of independent truck dealers in the U.S. and, to a lesser extent, in Canada. Utilimaster has organized its sales force and product engineering staff into market teams. Utilimaster also provides aftermarket support, including parts sales and field service, to all of its customers through its Customer Service Department located in Wakarusa, Indiana, as well as maintaining the only online parts resource among the major delivery and service vehicle manufacturers. Utilimaster does not provide financing to dealers, fleet or national accounts. Utilimaster also maintains multi-year supply agreements with certain key fleet customers in the parcel and linen/uniform rental industries.

In 2011 and consistent with prior years, representatives from the Company attended trade shows, rallies and expositions throughout North America as well as Europe and Asia to promote its products. Trade shows provide the opportunity to display products and to meet directly with OEMs who purchase chassis, dealers who sell finished vehicles and consumers who buy the finished products. Participation in these events also allows the Company to better identify what customers and end users are looking for in the future. The Company uses these events to create a competitive advantage by relaying this information back to its advanced product development team for future projects.

The Company's sales and marketing team is responsible for promoting and selling its manufactured goods and producing product literature. The sales group consists of approximately 76 salespeople based in Company locations in Charlotte, Michigan; Brandon, South Dakota; Ephrata, Pennsylvania; Ocala, Florida; and Wakarusa, Indiana; with 17 additional salespeople located throughout North America.

Competition

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

Because of the lack of reliable published statistics, the Company is unable to state with certainty its position in most of its markets compared to its competitors. The emergency vehicle market and, to a lesser degree, the custom chassis market are fragmented. The Company believes that no one company has a dominant position in either of those markets. The Company is the leading manufacturer of walk-in vans in the United States. The Company believes it has a market share of approximately 60% in this market. The cutaway and truck body markets are highly fragmented, making the determination of the Company's market share difficult. However, the Company believes it is one of the top five manufacturers of these products in the United States.

Manufacturing

Spartan Chassis currently has six principal assembly facilities in Charlotte, Michigan for its custom chassis products. Most of these facilities have been updated over the past few years in order to increase efficiencies and to improve the quality of our manufacturing process. Due to the custom nature of its business, the Company's chassis are hand crafted to customer specifications on non-automated assembly lines. Generally, Spartan Chassis designs, engineers and assembles its specialized heavy-duty truck chassis using primarily commercially available components purchased from outside suppliers. Certain components are custom fabricated at Spartan Chassis Charlotte facilities when it is determined to be more cost effective than purchasing from outside suppliers. This approach facilitates prompt serviceability of finished products, reduces production costs, expedites the development of new products and reduces the potential of costly down time for the end user.

Crimson's products are manufactured and assembled at its manufacturing facility located in Brandon, South Dakota. The chassis for its products are purchased from Spartan Chassis and from outside commercial chassis manufacturers. Crimson's facilities do not use automated assembly lines since each vehicle is manufactured to meet specifications of an end user customized order. The chassis is rolled down the production line as other components are added and connected. The body is manufactured at the facility with components such as pumps, tanks, and electrical control units purchased from outside suppliers.

Crimson Aerials' products are manufactured and assembled at its manufacturing facility located in Ephrata, Pennsylvania, utilizing a chassis produced by Spartan Chassis. Crimson Aerials also recently added the capacity to service and refurbish aerial ladders and other fire truck components manufactured by it and other manufacturers.

Classic Fire's products are manufactured and assembled at its plant in Ocala, Florida, utilizing commercial chassis to build specialty emergency response vehicles. They also design, engineer and produce pump modules along with Compressed Air Foam Systems (CAFS) to be used in the truck's multiplex system.

Utilimaster's manufacturing operations are located in Wakarusa, Indiana. Utilimaster builds commercial vehicles and installs other related equipment on truck chassis. These commercial vehicles are built on an assembly line from engineered structural components, such as floors, roofs, and wall panels. After assembly, Utilimaster installs optional equipment and finishes based on customer specifications. At each step of the manufacturing, installation and finish process, Utilimaster conducts quality control procedures to ensure product and specification integrity. Utilimaster's products are highly engineered and generally produced to firm orders. Order levels will vary depending upon price, competition, prevailing economic conditions and other factors. On February 14, 2012, the Company announced its planned relocation of its Utilimaster operations from Wakarusa, Indiana to a leased facility in Bristol, Indiana. The move will enable all Utilimaster production to take place in one building, thereby eliminating non value added product movement and greatly increasing manufacturing efficiency. See Note 18, *Subsequent Events*, of the Notes to Consolidated Financial Statements appearing in this Form 10-K for further information on this planned move.

Suppliers

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

The single largest commodity directly utilized in production is aluminum, which the Company purchases under purchase agreements similar to steel. To a lesser extent the Company is dependent upon suppliers of lumber, fiberglass and steel for its manufacturing. The Company has no significant long-term material supply contracts. There are several readily available sources for the majority of these raw materials. However, the Company is heavily dependent on specific component part products from a few single source vendors. The Company maintains a qualification, on-site inspection, assistance, and performance measurement system to control risks associated with reliance on suppliers. The Company has not experienced any significant shortages of raw materials or component parts and normally does not carry inventories of such raw materials or components in excess of those reasonably required to meet production and shipping schedules. Material and component cost increases are passed on to the Company's customers whenever possible. However, there can be no assurance that there will not be any supply issues over the long-term.

In the assembly of commercial vehicles, the Company uses chassis supplied by third parties, and generally does not purchase these chassis for inventory. For this market, the Company typically accepts shipment of truck chassis owned by dealers or end users, for the purpose of installing and/or manufacturing its specialized commercial vehicles on such chassis. In the event of a labor disruption or other uncontrollable event adversely affecting the limited number of companies which manufacture and/or deliver such commercial truck chassis, Utilimaster's level of manufacturing could be substantially reduced.

Research and Development

The Company's success depends on its ability to respond quickly to changing market demands and new regulatory requirements. Thus, it emphasizes research and development and commits significant resources to develop and adapt new products and production techniques. The Company dedicates a portion of its facilities to research and development projects and focuses on implementing the latest technology from component manufacturers into existing products and manufacturing prototypes of new product lines. The Company spent \$13.9 million, \$16.9 million and \$17.0 million on research and development in 2011, 2010 and 2009, respectively.

Product Warranties

The Company's subsidiaries all provide limited warranties against assembly/construction defects. These warranties generally provide for the replacement or repair of defective parts or workmanship for a specified period following the date of sale. The end users also may receive limited warranties from suppliers of components that are incorporated into the Company's chassis and vehicles. For more information concerning the Company's product warranties, see Note 13, *Commitments and Contingent Liabilities*, of the Notes to Consolidated Financial Statements appearing in this Form 10-K.

Patents, Trademarks and Licenses

The Company and its subsidiaries have 21 United States patents (provisional and regular), which include rights to the design and structure of chassis and certain peripheral equipment, and have three pending patent applications in the United States. The existing patents will expire on various dates from 2016 through 2025 and all are subject to payments of required maintenance fees. The Company and its subsidiaries also own 20 United States trademark registrations and three United States service mark registrations. The trademark and service mark registrations are generally renewable under applicable laws, subject to payment of required fees and the filing of affidavits of use. In addition, the Company has three pending Canadian trademark applications.

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

Environmental Matters

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

Associates

The Company and its subsidiaries employed approximately 1,635 associates as of February 28, 2012, of which approximately 1,607 were full-time. Included in the full-time counts are an approximate 223 contracted associates. Management presently considers its relations with associates to be positive.

Customer Base

In 2011, the Company's customer base included one major customer as defined by sales of more than 10% of total net sales. Sales to United Parcel Service in 2011, which is a customer of Utilimaster, were \$73.5 million.

In 2010, the Company's customer base included two major customers, as defined by sales of more than 10% of total net sales. Sales to BAE Systems ("BAE") and to Fleetwood RV, which are both customers of Spartan Chassis, were \$65.2 million and \$48.7 million respectively for 2010.

In 2009, the Company had one defined major customer. Sales to BAE were \$91.5 million.

Sales to customers classified as major amounted to 17.3%, 23.7% and 21.3% of total revenues in 2011, 2010 and 2009, respectively. In late 2011, the Company announced its intent to discontinue supplying emergency response chassis to OEM customers that in 2011 accounted for approximately 6.1% of the Company's revenue. Additionally, in late 2011 we were notified that a customer that was classified as major in 2010 and accounted for approximately 8.4% of the Company's revenue in 2011 planned to discontinue purchases of motor home chassis in 2013. While the Company has developed plans to replace the revenue that will be lost as a result of these developments, if we are not successful in our efforts these changes could have an adverse effect on the Company and its future operating results. While no other customer individually comprises more than 10% of total net sales, the Company does have other significant customers which, if the relationship changes significantly, could have a material adverse impact on the Company's financial position and results of operations. The Company believes that it has developed strong relationships with its customers and continually works to develop new customers and markets. See related risk factors in Item 1A of this Form 10-K.

Sales to customers outside the United States were \$22.7 million, \$14.2 million and \$11.1 million for the years ended December 31, 2011, 2010 and 2009, respectively, or 5.3%, 2.9% and 2.6%, respectively, of sales for those years. All of the Company's long-lived assets are located in the United States.

Backlog Orders

At December 31, 2011, the Company had backlog orders for Specialty Vehicles of approximately \$89.3 million compared to a backlog of \$110.6 million at December 31, 2010. At December 31, 2011, the Company had backlog orders for Delivery and Service Vehicles of approximately \$47.7 million, compared with a backlog of \$23.9 million at December 31, 2010. The decrease in the Company's Specialty Vehicles backlog orders in 2011 is attributable to the continuing softness of the emergency response vehicles and motor home markets, and a decrease in defense related aftermarket parts and assemblies business. The Company expects to fill all of the backlog orders at December 31, 2011 during 2012.

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

Available Information

The Company's Annual Reports on Form 10-K, Quarterly Reports on Form 10-Q, Current Reports on Form 8-K and other reports (and amendments thereto) filed or furnished pursuant to Section 13(a) of the Securities Exchange Act are available, free of charge, on its internet website (www.SpartanMotors.com) as soon as reasonably practicable after the Company electronically files or furnishes such materials with the Securities and Exchange Commission.

The public may read and copy materials that we file with the SEC at the SEC's Public Reference Room at 100 F Street, NW, Washington, DC 20549. The public may obtain information on the operation of the Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC maintains an internet website (www.sec.gov) that contains reports, proxy and information statements, and other information regarding issuers that file electronically with the SEC.

Item 1A. Risk Factors.

The Company's financial condition, results of operations and cash flows are subject to various risks, many of which are not exclusively within the Company's control that may cause actual performance to differ materially from historical or projected future performance. The risks described below are the risks known to us that we believe could materially affect our business, financial condition, results of operations, or cash flows. However, these risks may not be the only risks we face. Our business could also be affected by additional factors that are not presently known to us, factors we currently consider to be immaterial to our operations, or factors that emerge as new risks in the future.

We depend on local and municipal governments for a substantial portion of our business.

Local and municipal governments are the end customer for a substantial proportion of our products, including custom fire truck chassis, fire truck bodies, aerial ladders and other fire truck related apparatus. These markets are cyclical later in an economic downturn and are heavily impacted by municipal capital spending budgets, which have been negatively impacted by weakened municipal tax revenues. These budgetary constraints may have a significant adverse effect on the overall fire and emergency vehicle market and/or cause a shift in the fire and emergency vehicle market away from highly customized products toward commercially produced vehicles. These changes could result in weakened demand for our products, which may have an adverse impact on our net sales, financial condition, profitability and/or cash flows.

The integration of businesses or assets we have acquired or may acquire in the future involves challenges that could disrupt our business and harm our financial condition.

As part of our growth strategy, we have pursued and expect we will continue to selectively pursue, acquisitions of businesses or assets in order to diversify, expand our capabilities, enter new markets, or increase our market share. Integrating any newly acquired business or assets can be expensive and can require a great deal of management time and other resources. If we are unable to successfully integrate the newly acquired businesses with our existing business, we may not realize the synergies we expect from the acquisition, and our business and results of operations would suffer from our current expectations.

Re-configuration or relocation of our production operations could negatively impact our earnings .

We may, from time to time, re-configure our production lines or relocate production of products between buildings or locations or to new locations in order to maximize the efficient utilization of our existing production capacity or take advantage of opportunities to increase manufacturing efficiencies, including, but not limited to, our recently announced plan to move our Utilimaster operations. Costs incurred to effect these re-configurations or re-locations may exceed our estimate, and efficiencies gained may be less than anticipated, each of which may have a negative impact on our results of operations and financial position.

Disruptions within our dealer network could adversely affect our business.

We rely, to a limited extent, on a network of independent dealers to market, deliver, provide training for, and service, our products to and for customers. Our business is influenced by our ability to initiate and manage new and existing relationships with dealers.

From time to time, an individual dealer or the Company may choose to terminate the relationship, or the dealership could face financial difficulty leading to failure or difficulty in transitioning to new ownership. In addition, our competitors could engage in a strategy to attempt to acquire or convert a number of our dealers to carry their products. We do not believe our business is dependent on any single dealer, the loss of which would have a sustained material adverse effect upon our business.

However, temporary disruption of dealer coverage within a specific local market could temporarily have an adverse impact on our business within the affected market. The loss or termination of a significant number of dealers could cause difficulties in marketing and distributing our products and have an adverse effect on our business, operating results or financial condition. In the event that a dealer in a strategic market experiences financial difficulty, we may choose to provide financial support, such as extending credit, to a dealership, reducing the risk of disruption, but increasing our financial exposure.

We may not be able to successfully implement and manage our growth strategy.

Our growth strategy includes expanding existing market share through product innovation, continued expansion into industrial and global markets, and merger or acquisition related activities.

We believe our future success depends in part on our research and development and engineering efforts, our ability to manufacture or source the products and customer acceptance of our products. As it relates to new markets, our success also depends on our ability to create and implement local supply chain, sales and distribution strategies to reach these markets.

The potential inability to successfully implement and manage our growth strategy could adversely affect our business and our results of operations. The successful implementation of our growth strategy will depend, in part, on our ability to integrate operations with acquired companies.

Our efforts to grow our business in emerging markets are subject to all of these risks plus additional, unique risks. In certain markets, the legal and political environment can be unstable and uncertain which could make it difficult for us to compete successfully and could expose us to liabilities.

We also make investments in new business development initiatives which, like many startups, could have a relatively high failure rate. We limit our investments in these initiatives and establish governance procedures to contain the associated risks, but losses could result and may be material. Our growth strategy also may involve acquisitions, joint venture alliances and additional arrangements of distribution. We may not be able to enter into acquisitions or joint venture arrangements on acceptable terms, and we may not successfully integrate these activities into our operations. We also may not be successful in implementing new distribution channels, and changes could create discord in our existing channels of distribution.

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

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

Any negative change in our relationship with our major customers could have significant adverse effects on revenues and profits.

Our financial success is directly related to the willingness of our customers to continue to purchase our products. Failure to fill customers' orders in a timely manner or on the terms and conditions they may impose could harm our relationships with our customers. The importance of maintaining excellent relationships with our major customers may also give these customers leverage in our negotiations with them, including pricing and other supply terms, as well as post-sale disputes. This leverage may lead to increased costs to us or decreased margins. Furthermore, if any of our major customers experience a significant downturn in their business, or fail to remain committed to our products or brands, then these customers may reduce or discontinue purchases from us, which could have an adverse effect on our business, results of operations and financial condition. We had three customers that together accounted for approximately 33% of our total sales in 2011 - any negative change in our relationship with any one of them, or the orders placed by any one of them, could significantly affect our revenues and profits.

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

Most chassis, emergency response vehicle, aerial ladder and specialty vehicle commodity components are readily available from a variety of sources. However, a few proprietary or specialty components are produced by a small group of quality suppliers that have the capacity to support our requirements.

In addition, Utilimaster generally does not purchase vehicle chassis for its inventory. Utilimaster accepts shipments of vehicle chassis owned by dealers or end-users for the purpose of installing and/or manufacturing its specialized truck bodies on such chassis. There are five primary sources for commercial chassis and Utilimaster has established relationships with all major chassis manufacturers.

Changes in our relationships with these suppliers, shortages, production delays or work stoppages by the employees of such suppliers could have a material adverse effect on our ability to timely manufacture our products and secure sales. If we cannot obtain an adequate supply of components or commercial chassis, this could result in a decrease in our sales and earnings.

Disruption of our supply base could affect our ability to obtain component parts.

We increasingly rely on component parts from global sources in order to manufacture our products. Disruption of this supply base due to international political events or natural disasters could affect our ability to obtain component parts at acceptable prices, or at all, and have a negative impact on our sales, results of operations and financial position.

Changes to laws and regulations governing our business could have a material impact on our operations.

Our manufactured products and the industries in which we operate are subject to extensive federal and state regulations. Changes to any of these regulations or the implementation of new regulations could significantly increase the costs of manufacturing, purchasing, operating or selling our products and could have a material adverse effect on our results of operations. Our failure to comply with present or future regulations could result in fines, potential civil and criminal liability, suspension of sales or production, or cessation of operations. In addition, a major product recall could have a material adverse effect on our results of operations.

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

Our operations are subject to a variety of federal and state environmental regulations relating to noise pollution and the use, generation, storage, treatment, emission and disposal of hazardous materials and wastes. Although we believe that we are currently in material compliance with applicable environmental regulations, our failure to comply with present or future regulations could result in fines, potential civil and criminal liability, suspension of production or operations, alterations to the manufacturing process, costly cleanup or capital expenditures.

Our businesses are cyclical and this can lead to fluctuations in our operating results.

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

- Interest rates and the availability of financing;
- Commodity prices;
- Unemployment trends;
- International tensions and hostilities;
- General economic conditions;
- Various tax incentives;
- Federal, state and municipal budgets;
- Strength of the U.S. dollar compared to foreign currencies;
- Overall consumer confidence and the level of discretionary consumer spending;
- Dealers' and manufacturers' inventory levels; and
- Fuel availability and prices.

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 expenses, 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.

Global political conditions could have a negative effect on our business.

Concerns regarding acts of terrorism, armed conflicts, natural disasters and budget shortfalls have created significant global economic and political uncertainties that may have material and adverse effects on consumer demand (particularly the specialty and motor home markets), shipping and transportation, the availability of manufacturing components, commodity prices and our ability to engage in overseas markets.

Risks associated with international sales and contracts could have a negative effect on our business.

For the year ended December 31, 2011 we derived approximately 5.3% of our revenue from sales to, or related to, end customers outside the United States. We expect that international sales will continue to account for an increasing amount of our total revenue, especially in our emergency response chassis and emergency response bodies businesses. Accordingly we face numerous risks associated with conducting international operations, any of which could negatively affect our financial performance, including, but not limited to, changes in foreign country regulatory requirements, the strength of the U.S. dollar compared to foreign currencies, import/export restrictions, the imposition of foreign tariffs and other trade barriers and disruptions in the shipping of exported products.

Additionally, as a U.S. corporation, we are subject to the Foreign Corrupt Practices Act, which may place us at a competitive disadvantage to foreign companies that are not subject to similar regulations.

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

Gasoline or diesel fuel is required for the operation of motor homes, emergency response vehicles, delivery and service vehicles and the specialty vehicles we manufacture. Particularly in view of increased international tensions and increased global demand for oil, there can be no assurance that the supply of these petroleum products will continue uninterrupted, that rationing will not be imposed or that the price of or tax on these petroleum products will not significantly increase in the future. Increases in gasoline and diesel prices and speculation about potential fuel shortages have had an unfavorable effect on consumer demand for motor homes from time to time in the past and may continue to do so in the future. This, in turn, has a material adverse effect on our sales volume. Increases in the price of oil also can result in significant increases in the price of many of the components in our products, which may have an adverse impact on margins or sales volumes.

Our operating results may fluctuate significantly on a quarter-to-quarter basis.

Our quarterly operating results depend on a variety of factors including, but not limited to, the timing and volume of orders, the completion of product inspections and acceptance by our customers, and various restructuring initiatives that may be undertaken from time to time. In addition, our Utilimaster subsidiary experiences seasonality whereby product shipments in the first and fourth quarters are generally lower than other quarters as a result of the busy holiday delivery operations experienced by some of Utilimaster's largest customers. Accordingly, our financial results may be subject to significant and/or unanticipated quarter-to-quarter fluctuations.

Our stock price has been and may continue to be volatile, which may result in losses to our shareholders.

The market price of the Company's common stock has been and may continue to be subject to wide fluctuations in response to, among other things, quarterly fluctuations in operating results, a failure to meet published estimates of or changes in earnings estimates by securities analysts, sales of common stock by existing holders, loss of key personnel, market conditions in our industries, shortages of key product inventory components and general economic conditions.

Credit market developments may reduce availability under our credit agreement.

Due to the current volatile state of the credit markets, there is risk that lenders, even those with strong balance sheets and sound lending practices, could fail or refuse to honor their legal commitments and obligations under existing credit commitments. If our lenders fail to honor their legal commitments under our credit facilities, it could be difficult in the current environment to replace our credit facilities on similar terms. Although we believe that our operating cash flow, access to capital markets and existing credit facilities will give us the ability to satisfy our liquidity needs for at least the next 12 months, the failure of any of the lenders under our credit facilities may impact our ability to finance our operating or investing activities.

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

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

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

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

Item 1B. Unresolved Staff Comments.

None.

Item 2. Properties.

The following table sets forth information concerning the properties owned or leased by the Company. The Company considers that its properties are generally in good condition, are well maintained, and are generally suitable and adequate to meet the Company's business requirements for the foreseeable future. In 2011, the Company's manufacturing plants, taken as a whole, operated moderately below capacity.

	<u>Square Footage</u>	<u>Owned/Leased</u>	<u>Operating Segment</u>
Manufacturing/Assembly			
Charlotte, Michigan	359,000	Owned	Specialty Vehicles
Brandon, South Dakota	24,000	Owned	Specialty Vehicles
Brandon, South Dakota	21,000	Leased	Specialty Vehicles
Ephrata, Pennsylvania	45,000	Leased	Specialty Vehicles
Ocala, Florida	50,000	Leased	Specialty Vehicles
Bristol, Indiana (1)	392,600	Leased	Delivery and Service Vehicles
Wakarusa, Indiana (2)	498,000	Owned	Delivery and Service Vehicles
	1,389,600		
Warehousing			
Charlotte, Michigan	136,000	Owned	Specialty Vehicles
Mesquite, Texas	2,000	Leased	Specialty Vehicles
Brandon, South Dakota	1,000	Owned	Specialty Vehicles
Brandon, South Dakota	3,000	Leased	Specialty Vehicles
Ephrata, Pennsylvania	4,500	Leased	Specialty Vehicles
Ocala, Florida	10,000	Leased	Specialty Vehicles
Wakarusa, Indiana (2)	34,000	Owned	Delivery and Service Vehicles
	190,500		
Research and Development			
Charlotte, Michigan	12,000	Owned	Specialty Vehicles
Wakarusa, Indiana (2)	11,000	Owned	Delivery and Service Vehicles
	23,000		
Service Area/Inspection			
Charlotte, Michigan	65,000	Owned	Specialty Vehicles
Brandon, South Dakota	7,000	Leased	Specialty Vehicles
Wakarusa, Indiana (2)	12,000	Leased	Delivery and Service Vehicles
	84,000		
Offices			
Corporate Offices – Charlotte, MI	9,000	Owned	Not Applicable
Charlotte, Michigan	122,000	Owned	Specialty Vehicles
Brandon, South Dakota	7,000	Owned	Specialty Vehicles
Brandon, South Dakota	3,000	Leased	Specialty Vehicles
Ephrata, Pennsylvania	12,500	Leased	Specialty Vehicles
Ocala, Florida	3,000	Owned	Specialty Vehicles
Bristol, Indiana (1)	33,000	Leased	Delivery and Service Vehicles
Wakarusa, Indiana (2)	40,000	Owned	Delivery and Service Vehicles
	229,500		
Unutilized			
Charlotte, Michigan	118,000	Owned	Not Applicable
Total square footage	2,034,600		

(1) Lease commenced March 1, 2012

(2) In February 2012, we announced our plans to relocate our Delivery and Service Vehicles production to Bristol, Indiana. Accordingly the Wakarusa property will be vacated during 2012.

Item 3. Legal Proceedings.

At December 31, 2011, the Company and its subsidiaries were parties, both as plaintiff or defendant, to a number of lawsuits and claims arising out of the normal conduct of their businesses. The Company's management does not currently expect the Company's financial position, future operating results or cash flows to be materially affected by the final outcome of these legal proceedings.

Item 4. Mine Safety Disclosures.

Not applicable

PART II

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

The Company's common stock is traded on the NASDAQ Global Select Market under the symbol "SPAR."

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

	<u>High</u>	<u>Low</u>
Year Ended December 31, 2011:		
Fourth Quarter	\$ 5.15	\$ 3.68
Third Quarter	5.96	4.01
Second Quarter	7.22	4.18
First Quarter	7.53	5.59
Year Ended December 31, 2010:		
Fourth Quarter	\$ 6.90	\$ 4.48
Third Quarter	4.85	3.61
Second Quarter	7.09	4.11
First Quarter	7.04	5.33

On October 26, 2011, the Company's Board of Directors declared a cash dividend of \$0.05 per outstanding share payable on December 8, 2011 to shareholders of record on November 10, 2011.

On April 26, 2011 the Company's Board of Directors declared a cash dividend of \$0.05 per outstanding share payable on June 9, 2011 to shareholders of record on May 12, 2011.

On October 28, 2010, the Company's Board of Directors declared a cash dividend of \$0.05 per outstanding share payable on December 9, 2010 to shareholders of record on November 11, 2010.

On February 16, 2010, the Company's Board of Directors declared a cash dividend of \$0.05 per outstanding share payable on June 10, 2010 to shareholders of record on May 13, 2010.

No assurance, however, can be given that any future distributions will be made or, if made, as to the amounts or timing of any future distributions as such distributions are subject to earnings, financial condition, liquidity, capital requirements, and such other factors as the Company's Board of Directors deems relevant. The number of shareholders of record (excluding participants in security position listings) of the Company's common stock on February 28, 2012 was 434. See Item 12 below for information concerning the Company's equity compensation plans.

Issuer Purchases of Equity Securities

A summary of the Company's purchases of its common stock during the fourth quarter of fiscal year 2011 is as follows:

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Number of Shares that May Yet Be Purchased Under the Plans or Programs (1)
Oct. 1, 2011 to Oct. 31, 2011	--	--	--	1,000,000
Nov. 1, 2011 to Nov. 30, 2011	--	--	--	1,000,000
Dec. 1, 2011 to Dec. 31, 2011	--	--	--	1,000,000
Total	--	--	--	1,000,000

- (1) On October 19, 2011, the Board of Directors authorized management to repurchase up to a total of 1.0 million shares of its common stock in open market transactions, contingent upon market conditions. Repurchase of common stock is based on management's assessment of market conditions. If the Company was to repurchase the full 1.0 million shares of stock under the repurchase program, it would cost the Company approximately \$5.6 million based on the closing price of the Company's stock on February 28, 2012. The Company believes that it has sufficient resources to fund any potential stock buyback in which it may engage.

Item 6. Selected Financial Data.

The selected financial data shown below for each of the five years in the period ended December 31, 2011 has been derived from the Consolidated Financial Statements of the Company. The following data should be read in conjunction with the Consolidated Financial Statements and related Notes thereto and “Management’s Discussion and Analysis of Financial Condition and Results of Operations” included in this Form 10-K.

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

	2011	2010	2009	2008	2007
	<u> </u>	<u>(1)</u>	<u>(2)</u>	<u>(3)</u>	<u> </u>
Sales	\$ 426,010	\$ 480,736	\$ 409,538	\$ 819,654	\$ 661,433
Cost of products sold	363,662	407,201	328,305	673,424	565,043
Restructuring charge	1,731	990	264	-	-
Gross profit	60,617	72,545	80,969	146,230	96,390
Operating expenses:					
Research and development	13,931	16,912	16,962	18,770	14,979
Selling, general and administrative	44,305	43,869	42,448	57,875	39,119
Restructuring charge	1,050	1,006	576	-	-
Operating income	1,331	10,758	20,983	69,585	42,292
Other income (expense), net	(48)	(506)	(805)	(1,666)	(1,297)
Income from continuing operations before taxes	1,283	10,252	20,178	67,919	40,995
Income tax expense from continuing operations	510	3,017	7,023	24,919	14,629
Net earnings from continuing operations	773	7,235	13,155	43,000	26,366
Loss from discontinued operations, net of tax	-	(3,094)	(1,383)	(286)	(1,862)
Net earnings	<u>\$ 773</u>	<u>\$ 4,141</u>	<u>\$ 11,772</u>	<u>\$ 42,714</u>	<u>\$ 24,504</u>
Basic earnings per share from continuing operations	<u>\$ 0.02</u>	<u>\$ 0.22</u>	<u>\$ 0.40</u>	<u>\$ 1.32</u>	<u>\$ 0.82</u>
Basic loss per share from discontinued operations	<u>\$ -</u>	<u>\$ (0.09)</u>	<u>\$ (0.04)</u>	<u>\$ (0.01)</u>	<u>\$ (0.06)</u>
Basic earnings per share	<u>\$ 0.02</u>	<u>\$ 0.13</u>	<u>\$ 0.36</u>	<u>\$ 1.31</u>	<u>\$ 0.76</u>
Diluted earnings per share from continuing operations	<u>\$ 0.02</u>	<u>\$ 0.22</u>	<u>\$ 0.40</u>	<u>\$ 1.31</u>	<u>\$ 0.80</u>
Diluted loss per share from discontinued operations	<u>\$ -</u>	<u>\$ (0.09)</u>	<u>\$ (0.04)</u>	<u>\$ (0.01)</u>	<u>\$ (0.05)</u>
Diluted earnings per share	<u>\$ 0.02</u>	<u>\$ 0.13</u>	<u>\$ 0.36</u>	<u>\$ 1.30</u>	<u>\$ 0.75</u>
Cash dividends per common share	<u>\$ 0.10</u>	<u>\$ 0.10</u>	<u>\$ 0.13</u>	<u>\$ 0.10</u>	<u>\$ 0.13</u>
Basic weighted average common shares outstanding	<u>33,438</u>	<u>33,021</u>	<u>32,729</u>	<u>32,582</u>	<u>32,113</u>
Diluted weighted average common shares outstanding	<u>33,488</u>	<u>33,101</u>	<u>32,916</u>	<u>32,817</u>	<u>32,816</u>
Balance Sheet Data:					
Net working capital	\$ 98,673	\$ 98,230	\$ 119,737	\$ 118,679	\$ 132,688
Total assets	248,609	241,749	293,277	261,140	318,664
Long-term debt, including current portion	5,139	5,224	46,350	27,195	63,218
Shareholders’ equity	182,838	182,979	180,520	170,643	129,218

(1) On September 20, 2010 the Company completed the sale of substantially all of the assets of its Road Rescue, Inc. subsidiary. Accordingly, the results of operations for Road Rescue were reclassified into discontinued operations for 2010 and prior years.

(2) Effective November 30, 2009, the Company acquired Utilimaster Corporation. The information shown for 2009 includes the results of operations for Utilimaster Corporation for the month of December 2009, and the balance sheet data reflects such acquisition and changes to the Company’s debt facilities made in connection with such acquisition. As a result, the results of operations and the balance sheet data as of and for the year ended December 31, 2009, are not readily comparable with results of operations and balance sheet data for the dates or years prior to December 31, 2009.

(3) In the fourth quarter of 2008, the Company charged \$6 million to selling, general and administrative expense for costs related to a legal settlement.

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

General

Spartan Motors, Inc. 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 and light duty, custom and commercial vehicle apparatus marketplace along with designing and manufacturing bodies used in the walk in delivery van market. The Company has five wholly owned operating subsidiaries: Spartan Motors Chassis, Inc., located at the corporate headquarters in Charlotte, Michigan (“Spartan Chassis”); Crimson Fire, Inc., located in Brandon, South Dakota (“Crimson”); Crimson Fire Aerials, Inc., located in Ephrata, Pennsylvania (“Crimson Aerials”); Classic Fire, LLC., located in Ocala, Florida (“Classic Fire”); and Utilimaster Corporation, located in Wakarusa, Indiana (“Utilimaster”). The Company’s brand names, **Spartan™**, **Crimson Fire™** and **Utilimaster™** are known for quality, durability, value, service and innovation. In September 2010, the Company divested substantially all of the assets of its Road Rescue, Inc. subsidiary located in Marion, South Carolina.

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 engineers and manufactures fire trucks built on chassis platforms purchased from either Spartan Chassis or outside sources. Crimson Aerials engineers and manufactures aerial ladder components for fire trucks. Classic Fire, which was purchased on April 1, 2011, is known for customization of emergency apparatus on a commercial chassis. Utilimaster, which we acquired on November 30, 2009, is a leading manufacturer of specialty vehicles made to customer specifications in the delivery and service market, including walk-in vans and hi-cube vans, as well as truck bodies.

Our 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: emergency response vehicles, motor homes and other product sales which include other specialty vehicles and aftermarket parts and assemblies (“APA”). Our diversification across several sectors gives numerous opportunities while minimizing overall risk. Additionally, our business model provides the agility to quickly respond to market needs, take advantage of strategic opportunities when they arise and correctly size operations to ensure stability and growth.

We have an innovative team focused on building lasting relationships with its customers. This is accomplished by striving to deliver premium custom vehicles, vehicle components, and services that inspire customer loyalty. We believe that we can best carry out our long-term business plan and obtain optimal financial flexibility by using a combination of borrowings under our credit facilities, as well as equity capital, as sources of expansion capital.

Recent Acquisitions and Divestiture

In furthering our strategy to diversify our products offered in the emergency vehicle business, we acquired Classic Fire on April 1, 2011, as more fully described in Note 2, *Acquisition Activities*, in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K. Classic Fire is a manufacturer of emergency response vehicles and fire fighting apparatus. The acquisition of Classic Fire has enabled us to expand our product offerings into lower price-points that complement our offerings from Spartan Chassis, Crimson and Crimson Aerials. In addition, Classic Fire will provide strategic sourcing of pump modules and other technology.

Consistent with our strategy to further diversify our business operations, we acquired Utilimaster on November 30, 2009, as more fully described in Note 2, *Acquisition Activities*, in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K. Utilimaster is a leading manufacturer of specialty vehicles made to customer specifications in the delivery and service market, including walk-in vans and hi-cube vans, as well as truck bodies. The acquisition of Utilimaster has served to further diversify our revenue stream into new markets that offer growth potential and are not directly dependent on government funding or consumer spending. The acquisition also allowed us to gain entry into the North American delivery and service market; add fabrication and vehicle body expertise; benefit from Utilimaster's strong brand, market share position, and solid customer base; and create opportunities to leverage future growth in our chassis business.

On September 20, 2010, we completed the sale of substantially all of the assets and related liabilities of our Road Rescue, Inc. subsidiary, as more fully described in Note 3, *Discontinued Operations*, in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K. We believe that our Company's performance will be enhanced by redeploying our resources from Road Rescue to support our other businesses. Net loss for Road Rescue, reported as discontinued operations in the Consolidated Statements of Operations for all periods presented, was \$3.1 million and \$1.4 million 2010 and 2009. The net loss for Road Rescue for 2010 includes a pre-tax gain on the sale of substantially all of the assets and related liabilities of Road Rescue of \$0.6 million.

Executive Overview

Revenue in 2011 was \$426.0 million, which reflected a decrease of \$54.7 million or 11.4% from 2010 revenues from continuing operations of \$480.7 million. Despite the decreases in revenue that we experienced, we were still able to deliver net income of \$0.02 per share for 2011, as a result of a concerted focus on productivity and realigning our cost structure. Driving the decrease in revenue were decreases in the emergency response and defense markets served by our Specialty Vehicle segment, resulting in a decrease of \$107.2 million or 29.2% for the segment. These decreases were partially offset by the strong results in our Delivery and Service Vehicles segment, in which revenue increased by \$52.5 million or 46.5% compared to 2010. We recorded net income for the year ended December 31, 2011 of \$0.8 million, a decrease of \$3.3 million from the year ended December 31, 2010, driven by the decrease in revenue in our Specialty Vehicles segment. Cash flow remained strong, generating \$30.1 million from operations in 2011, which enabled us to increase our cash reserves, while maintaining a low debt level. We continued to manage our cost structure in alignment with the reduced revenue levels in many of our markets, resulting in a decrease in operating expenses in 2011 of \$2.5 million or 4.0% compared to 2010. Our balance sheet remains strong with a large cash balance, low debt and a recently renegotiated line of credit that remains in effect until December 2016.

We are well positioned to take advantage of long-term opportunities as a result of:

- Our diversified business model. We believe the major strength of our business model is market diversity and customization, with an expanding product offering in emergency response vehicles as well as delivery and service vehicles. The delivery and service vehicle market is an early-cycle industry, complementary to the late-cycle emergency response vehicle industry. We intend to continue to pursue additional areas that build on our core competencies in order to further diversify our business.

- Our improved ability to react swiftly when challenges arise, as demonstrated by our recent aggressive cost realignment. We are also able to respond nimbly when opportunities arise, as demonstrated with our past ramp up on defense initiatives. We remain focused on keeping costs aligned with sales levels and are continuing efforts to identify cost reduction opportunities.
- The expansion of the Crimson Fire product portfolio with the addition of the Classic Series, as a result of our acquisition of Classic Fire. Consisting of eight new product offerings, this product line complements the Legend and Star Series. The Classic Series offers high performance and is already known for durability and unparalleled quality at affordable prices – a critical market position given current economic realities.
- The strength of our balance sheet, which includes a healthy cash balance, low debt and access to over \$100 million of credit through our revolving line of credit and private shelf agreement.
- The recently announced move of our Utilimaster subsidiary to a new, single building facility that will result in greater manufacturing flexibility and efficiency, higher product quality and lower operating costs. Operating in this new facility will reduce the distance a van or truck body travels during assembly from 2.5 miles today to less than one-half mile and will eliminate a number of non-value added production steps.
- The recently announced “Spartan Force”, a new model emergency response cab and chassis that features a pre-configured purpose-built body, strategically priced as an affordable option to departments under strict budget constraints, while still providing the content and quality expected from a custom chassis.
- The introduction of aftermarket parts and assemblies in our Delivery and Service Vehicles segment, including keyless entry and safe loading systems and shelving.
- Assembly of the Isuzu N-gas cab forward chassis at our Charlotte, Michigan campus, in partnership with Isuzu Commercial Truck of America. We continue to broaden our reach into new market niches and explore opportunities to leverage our existing assembly capacity and expertise in order to increase volumes and utilize capacity.
- Development of the Reach in tandem with our alliance with Isuzu, which offers quality and durability with improved functionality and fuel economy resulting in a product that is expected to have high acceptance in the delivery and service vehicles market.
- The award of orders to Spartan Chassis for 23 Metro Star® emergency response chassis for multiple fire departments in China, representing another step forward in our efforts to expand sales globally.
- Investments in air bag technology, which will be offered in Spartan chassis beginning in 2012 and will expand our bid opportunities while providing another compelling reason for customers to choose a Spartan product.
- A new Enterprise Resource Planning (ERP) system that we began implementing in late 2011. This new ERP system will provide information on a more timely and granular basis, which will enable management to make informed decisions using up to the minute information. In addition the new ERP system is expected to result in meaningful cost savings through re-engineered and streamlined processes that will impact all aspects of our operations. The new ERP system is expected to be on-line for the first business units in 2012, with final completion in 2014.
- The growing strength of the Spartan brands.

Tightening municipal budgets had a negative impact on sales in our Specialty Vehicles segment for 2011, and we expect that trend to continue in 2012. We expect sales of our emergency response bodies to increase in 2012, as a result of marketing efforts focused on select markets in South America and Asia, with a slight increase expected in sales of our emergency response chassis. We expect sales in the motor home chassis and aftermarket parts and accessories markets to decrease in 2012 as compared to 2011. Sales in our Delivery and Service Vehicles segment are expected to increase modestly as a result of our continued efforts related to innovations in aftermarket parts and assemblies for this market along with our introduction of the Reach, which began shipping in January of 2012. We will continue investing in product innovations and infrastructure and operational improvements in 2012, including investments in airbag technology for the emergency response chassis market, a new ERP system, and the recently announced move of our Delivery and Service Vehicles manufacturing to a new, single building location.

The following section provides a narrative discussion about our financial condition and results of operations. The comments that follow should be read in conjunction with our Consolidated Financial Statements and related Notes thereto appearing in Item 8 of this Form 10-K.

Results of Operations

The following table sets forth, for the periods indicated, the components of our consolidated statements of income, as a percentage of revenues:

% of Sales	Year Ended December 31,		
	2011	2010	2009 (1)
Sales	100.0	100.0	100.0
Cost of products sold	85.8	84.9	80.2
Gross profit	14.2	15.1	19.8
Operating expenses:			
Research and development	3.4	3.6	4.1
Selling, general and administrative	10.5	9.3	10.6
Operating income	0.3	2.2	5.1
Other expense, net	--	(0.1)	(0.2)
Earnings before taxes on income	0.3	2.1	4.9
Taxes on income	0.1	0.6	1.7
Net earnings from continuing operations	0.2	1.5	3.2
Loss from discontinued operations	--	(0.6)	(0.3)
Net earnings	0.2	0.9	2.9

(1) We acquired Utilimaster on November 30, 2009

A key metric in measuring our success is our Return on Invested Capital ("ROIC"). We define ROIC as operating income from continuing operations, less tax on income from continuing operations, divided by total shareholders' equity. ROIC for the year ended December 31, 2011 was 0.5%, a 370 basis point decrease as compared to ROIC of 4.2% in 2010 due to declines in our operating performance as discussed below.

During 2011, 2010 and 2009, we undertook restructuring activities, pertaining to continuing operations, to help align expenses with current and future revenue expectations. Restructuring charges incurred in the years ended December 31, 2011, 2010 and 2009 were \$2.8 million, \$2.0 million and \$0.8 million. Excluding all restructuring costs incurred, adjusted operating income was 1.0%, 2.7% and 5.3% of sales while adjusted earnings per share from continuing operations were \$0.07, \$0.26 and \$0.42 for the years ended December 31, 2011, 2010 and 2009, respectively.

These adjusted non-GAAP (Generally Accepted Accounting Principles) measures (adjusted earnings per share and adjusted operating income) are not measurements of financial performance under GAAP and should not be considered as an alternative to earnings per share or operating income under GAAP. These adjusted measures have limitations as analytical tools, and should not be considered in isolation or as a substitute for analysis of results as reported under GAAP. In addition, in evaluating adjusted earnings per share and adjusted operating income, additional expenses may be incurred in the future similar to the adjustments in this presentation. This presentation of adjusted measures should not be construed as an inference that future results will be unaffected by unusual or infrequent items. These limitations are compensated by providing equal prominence of GAAP results and using adjusted measures only as a supplement.

The following table reconciles operating income to adjusted operating income and earnings per share from continuing operations to adjusted earnings per share from continuing operations for the periods indicated (dollars in thousands, except per share amounts):

	Year Ended December 31,		
	2011	2010	2009
Operating income	\$ 1,331	\$ 10,758	\$ 20,983
Add back: restructuring charges	2,781	1,996	840
Adjusted operating income	<u>\$ 4,112</u>	<u>\$ 12,754</u>	<u>\$ 21,833</u>
Adjusted operating income as a percent of sales	1.00%	2.70%	5.30%
Earnings per share from continuing operations – diluted	\$ 0.02	\$ 0.22	\$ 0.40
Add back: restructuring charges	0.05	0.04	0.02
Adjusted earnings per share from continuing operations – diluted	<u>\$ 0.07</u>	<u>\$ 0.26</u>	<u>\$ 0.42</u>

Year Ended December 31, 2011 compared to Year Ended December 31, 2010

Consolidated sales for the year ended December 31, 2011 decreased by \$54.7 million or 11.4% from \$480.7 million in 2010 to \$426.0 million in 2011. The decrease was mainly due to a decrease of \$107.2 million in revenue in our Specialty Vehicles segment, which was partially offset by an increase of \$52.5 million in revenue from our Delivery and Service Vehicles segment. These changes in revenue are discussed more fully below in the description of our segments.

Cost of products sold decreased by \$42.8 million or 10.5% from \$408.2 million in 2010 to \$365.4 million in 2011, driven by the decrease in sales volume year over year. Cost of products sold as a percent of revenue increased by 90 basis points from 84.9% of sales in 2010 to 85.8% of sales in 2011 due to higher restructuring costs in 2011, a change in the mix of products sold and a lower absorption of fixed costs due to the lower sales volumes, mainly within our Specialty Vehicles segment markets.

Gross margin as a percent of sales decreased from 15.1% in 2010 to 14.2% in 2011 due to the product mix change and fixed cost absorption discussed above.

Operating expenses for the year ended December 31, 2011 decreased by \$2.5 million or 4.0% to \$59.3 million from \$61.8 million in 2010 driven by cost containment efforts, savings from the restructuring activities enacted in the second quarter of 2011, and a decrease in R&D spending as the Reach neared production. As a percent of sales, operating expenses increased 100 basis points from 12.9% in 2010 to 13.9% in 2011, due to the decrease in sales. We continue to focus on containment of operating expenses as we align operations with the expected revenue levels for 2012 and beyond, while continuing efforts on product development, innovation and market growth.

Income taxes for the year ended December 31, 2011 decreased by \$2.5 million or 83% from \$3.0 million in 2010 to \$0.5 million in 2011 due to the decrease in income from continuing operations, which was partially offset by an increase in our effective tax rate. Our effective rate for 2011 increased to 39.8% compared to 29.4% in 2010, primarily due to higher non-deductible expenses in relation to the reduced pre-tax income in 2011, as compared to 2010. In addition, the effective rate for 2010 was impacted by higher research and development tax credits applied for during that year, compared with 2011. See Note 8, *Taxes on Income*, in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further information regarding our income taxes.

Net earnings from continuing operations for the year ended December 31, 2011 decreased \$6.4 million or 88.9% from \$7.2 million in 2010 to \$0.8 million in 2011 as a result of the factors discussed in the paragraphs above. Earnings per diluted share from continuing operations decreased from \$0.22 in 2010 to \$0.02 in 2011.

Net earnings for the year ended December 31, 2011 decreased by \$3.3 million from \$4.1 million in 2010 to \$0.8 million in 2011. On a per diluted share basis, net earnings decreased by \$0.11 from \$0.13 in 2010 to \$0.02 in 2011 due to the factors discussed in the paragraphs above. Net earnings for the year ended December 31, 2010 included a net loss of \$3.1 million or \$0.09 per diluted share from discontinued operations, representing the loss from operations and gain on sale of our Road Rescue subsidiary.

Year Ended December 31, 2010 compared to Year Ended December 31, 2009

For the year ended December 31, 2010, consolidated sales increased by \$71.2 million or 17% from \$409.5 million in 2009 to \$480.7 million in 2010. The increase was mainly due to the acquisition of Utilimaster on November 30, 2009. Excluding Utilimaster, sales fell \$28.6 million or 7.2% from \$396.3 million in 2009 to \$367.7 million in 2010. This decrease is mainly attributed to a \$77.6 million decrease in sales of aftermarket parts and assemblies, primarily due to lower sales of defense related service parts. Helping to offset the decrease in aftermarket parts and assemblies was a \$53.4 million increase in motor home revenues from \$35.6 million in 2009 to \$89.0 million in 2010, reflecting improving market conditions for motor homes. There were no significant changes associated with pricing on our products.

Cost of products sold increased by \$79.6 million or 24.2% from \$328.6 million in 2009 to \$408.2 million in 2010, driven by the increased sales volume related to the Utilimaster acquisition and higher restructuring costs incurred in 2010. Excluding Utilimaster and restructuring charges, cost of products sold decreased by \$8.9 million or 2.8%, largely reflecting the reduced sales levels in our Specialty Vehicles segment. Cost of products sold as a percent of revenue increased by 4.7 percentage points from 80.2% of sales in 2009 to 84.9% of sales in 2010 due to a change in the mix of products sold. Sales in 2009 included a larger percentage of higher margin products such as aftermarket parts and assemblies, as compared to 2010 which included a higher proportion of sales from lower margin delivery and service vehicles and motor home chassis.

Gross margin as a percent of sales decreased from 19.8% in 2009 to 15.1% in 2010 due to the product mix change discussed above.

Operating expenses for the year ended December 31, 2010 increased by \$1.8 million or 3.0% to \$61.8 million from \$60.0 million in 2009. This increase is due to the acquisition of Utilimaster in 2009. As a percent of sales, operating expenses decreased 180 basis points from 14.7% in 2009 to 12.9% in 2010. Excluding the impact of Utilimaster, operating expenses decreased by \$11.5 million or 19.5% from \$58.6 million for the year ended December 31, 2009 to \$47.1 million for the year ended December 31, 2010. The decrease in operating expense excluding Utilimaster is a reflection of our continued focus on realigning our cost structure (see Note 14, *Restructuring Charges*, in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K). While we successfully reduced operating expenses in 2010, we continued to emphasize product development, spending \$4.8 million on research and development for new product innovations including the Reach commercial van that was developed in partnership with Isuzu, along with continued development on cab and chassis related to the 2010 emissions compliant engines.

Income taxes for the year ended December 31, 2010 decreased by \$4.0 million or 57% from \$7.0 million in 2009 to \$3.0 million in 2010 due to the decrease in income from continuing operations, along with a decrease in our effective tax rate. Our effective rate for 2010 decreased to 29.4% compared to 34.8% in 2009, which was mainly due to higher research and development tax credits applied for in 2010 as compared with 2009. See Note 8, *Taxes on Income*, in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further information regarding our income taxes.

Net earnings from continuing operations for the year ended December 31, 2010 decreased \$5.9 million or 45.0% from \$13.1 million in 2009 to \$7.2 million in 2010 as a result of the factors discussed in the paragraphs above. Earnings per diluted share from continuing operations decreased by \$0.18 from \$0.40 in 2009 to \$0.22 in 2010.

Net loss from discontinued operations increased by \$1.7 million from \$1.4 million for the year ended December 31, 2009 to \$3.1 million for the year ended December 31, 2010. The loss from discontinued operations in 2010 included charges to write down the assets of our Road Rescue, Inc. subsidiary to their estimated market values, and was partially offset by a \$0.4 million after tax gain on the sale of substantially all of the assets of the subsidiary, which was recorded during the third and fourth quarters of 2010. Loss per diluted share from discontinued operations increased by \$0.05 from \$0.04 in 2009 to \$0.09 in 2010 due mainly to the charges incurred in 2010 to write down the assets of Road Rescue, Inc., along with expenses incurred in 2010 related to the sale.

Net earnings for the year ended December 31, 2010 decreased by \$7.7 million or 64.8% from \$11.8 million in 2009 to \$4.1 million in 2010. On a per diluted share basis, net earnings decreased by \$0.23 from \$0.36 in 2009 to \$0.13 in 2010 due to the factors discussed in the paragraphs above.

Our Segments

Based on our management structure and the processes employed for allocating resources across our business by our chief operating decision makers, we operate in two reportable business segments: Specialty Vehicles, which consists of our emergency response chassis, motor home chassis, specialty vehicle chassis, emergency response bodies and related aftermarket parts and assemblies operations; and Delivery and Service Vehicles, consisting of Utilimaster. For certain financial information related to each segment, see Note 16, *Business Segments*, of the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K.

Specialty Vehicles

Income Statement Data – In Thousands

	Year Ended December 31,					
	2011		2010		2009	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Sales	\$ 260,484	100.0%	\$ 367,726	100.0%	\$ 396,290	100.0%
Net Income	\$ (2,560)	(1.0)%	\$ 13,042	3.5%	\$ 18,080	4.6%
Segment assets	\$ 91,937	100.0%	\$ 116,052	100.0%	\$ 151,225	100.0%

Year ended December 31, 2011 compared to year ended December 31, 2010

Sales in our Specialty Vehicles segment decreased by \$107.2 million or 29.2% from 2010 to 2011. The decreases were led by aftermarket parts and assemblies which decreased by \$35.0 million or 55.3% to \$28.3 million in 2011 as defense related sales continue to decline, reflecting the completion of our large military orders in 2008. Also contributing to the decrease in sales were decreases in emergency response chassis of \$35.2 million or 24.9% to \$106.4 million in 2011, reflecting the softness in this market due to tightening municipal budgets as well as the impact of orders pulled ahead into 2009 and 2010 as a result of the 2010 engine emissions changes. Sales of our motor home chassis decreased by \$23.0 million or 25.8% to \$66.0 million as the motor home market trended away from the premium class A market that we support. Sales of other vehicles, which include drill rigs, defense related and other specialized vehicles and chassis, decreased by \$11.2 million or 48.6% to \$11.8 million in 2011, driven by decreases in defense related sales. There were no significant changes in the pricing of the products in our Specialty Vehicles segment. While we are enacting strategies to increase market penetration and profitability in the emergency response chassis market, we expect that market to remain difficult in 2012, reflecting the impact of constrained municipal budgets. We also expect to experience continued revenue weakness in the motor home chassis market in 2012 due to the expected loss of a major customer and continued market softness. Defense related orders are expected to remain at reduced levels, impacting our aftermarket parts and assemblies and, to a lesser extent, our other vehicles markets. We expect to show improvement in our emergency response bodies market, as a result of increased selling efforts, especially those focused on markets outside the United States.

Net income for our Specialty Vehicles segment decreased by \$15.6 million or 119.6% to a net loss of \$2.6 million in 2011, driven by the sales declines described above, which resulted in unfavorable absorption of manufacturing overhead and other fixed costs. The decline in sales and related gross income was partially offset by significant reductions in operating expenses due to cost containment efforts and the restructuring activities enacted in the second quarter of 2011, which led to a pre-tax reduction of approximately \$4 million, year over year.

Backlog for our Specialty Vehicles segment decreased by \$21.4 million or 19.3% to \$89.3 million at December 31, 2011 from \$110.6 million at December 31, 2010. We experienced backlog decreases in all markets served by this segment due to the difficult market conditions in 2011.

Year ended December 31, 2010 compared to year ended December 31, 2009

Sales in our Specialty Vehicles segment decreased by \$28.6 million or 7.2% from 2009 to 2010. Aftermarket parts and assemblies sales drove the majority of the sales decrease, with a \$77.6 million or 56.2% decrease from \$138.2 million in 2009 to \$60.6 million in 2010. The decrease in aftermarket parts and assemblies sales was mainly attributed to declining sales related to military products, particularly the MRAP vehicles that were produced in 2007 and 2008. Also contributing to the sales decrease was a decline in emergency response chassis sales of \$8.1 million or 5.4% year over year, due to an increase in orders and sales in 2009 related to the 2010 emissions changes, along with a softening of the overall emergency response vehicle market due to tightening state and municipal budgets. Partially offsetting these declines was an increase in motor home chassis sales, which increased by \$53.4 million or 149.9% from \$35.6 million in 2009 to \$89.0 million in 2010 as the overall market for motor homes showed a marked improvement. Our backlog of orders for our Specialty Vehicles segment at year end decreased by \$89.4 million or 44.7% to \$110.6 million in 2010 from \$200.0 million in 2009. While our backlog decreased in all of our Specialty Vehicles product lines, the main driver of the overall decrease was a \$70.1 million or 56.6% decrease in backlog for our emergency response chassis to \$53.7 million in 2010 from \$123.8 million in 2009. This decrease in emergency response chassis backlog reflects the pull-ahead orders received in 2009 in advance of the 2010 engine emissions change, as well as the softening of the overall emergency response vehicle market in 2010. There were no changes in pricing of our products that had a significant impact on our financial statements when comparing year-over-year.

Net income decreased by \$5.0 million or 27.9% in 2010 to \$13.0 million or 3.5% of sales compared to \$18.1 million or 4.6% of sales in 2009, due to the decline in revenues year over year, along with an unfavorable product sales mix in 2010 as compared to 2009 as aftermarket parts and assemblies, which carry higher margins, made up a lesser proportion of revenues in 2010. Our focus on cost containment, which led to a reduction in operating expenses of approximately 20% from 2009 to 2010, along with a lower effective tax rate due to the utilization of research and development tax credits, helped reduce the impact of the lower revenue levels and unfavorable sales mix in 2010.

Backlog for our Specialty Vehicles segment decreased by \$89.4 million or 44.7% to \$110.6 million at December 31, 2010 from \$200.0 million at December 31, 2009, mainly due to reductions in backlog for emergency vehicle chassis and bodies due to fulfillment of orders accelerated into 2009 in anticipation of the 2010 engine emissions changes, along with an overall softening of these markets in 2010.

Delivery and Service Vehicles

Income Statement Data – In Thousands

	Year Ended December 31,					
	2011		2010		2009*	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Sales	\$ 165,526	100.0%	\$ 113,010	100.0%	\$ 13,248	100.0%
Net Income	\$ 6,433	3.9%	\$ (1,438)	(1.3) %	\$ (663)	4.6%
Segment assets	\$ 80,674	100.0%	\$ 65,860	100.0%	\$ 66,780	100.0%

* Represents one month of activity due to acquisition of Utilimaster on November 30, 2009.

Year ended December 31, 2011 compared to year ended December 31, 2010

We experienced a strong year with our Delivery and Service Vehicles segment, with sales of \$165.5 million in 2011, an increase of \$52.5 million or 46.5% compared to 2010. This increase was driven by the introduction of aftermarket parts and assemblies for the delivery and service market, including keyless entry systems, safe loading systems and shelving, and an approximately 13% increase in the volume of units sold in 2011 compared to 2010. Pricing increases on certain vehicles produced by our Delivery and Service Vehicles segment, which were largely offset by material cost increases, contributed approximately \$3.5 million to the increased sales year over year. We expect sales in our Delivery and Service Vehicles segment to remain strong for 2012, aided by increased demand following several years of lower than average industry shipments, the recently introduced Reach commercial van, which began shipping in January of 2012, and continued strong sales of the aftermarket parts and assemblies described above.

Net income for our Delivery and Service Vehicles segment increased by \$7.9 million to \$6.4 million for the year ended December 31, 2011, reflecting stronger margins as a result of favorable absorption of overhead and fixed expenses due to the volume increases and favorable product mix as a result of the introduction of the aftermarket parts and assemblies described above. Partially offsetting the sales related gains was an approximately 13% increase in operating expenses, due mainly to higher selling expenses as a result of the increased sales volumes.

Backlog for our Delivery and Service Vehicles segment increased by \$23.8 million or 99.6% to \$47.7 million at December 31, 2011 from \$23.9 million at December 31, 2010, reflecting the strong growth that the delivery and service vehicles market experienced in 2011.

Year ended December 31, 2010 compared to year ended December 31, 2009

Sales at our Delivery and Service Vehicles segment ended significantly higher in 2010 as 2009 encompassed only one month of operations following our acquisition of Utilimaster on November 30, 2009. Delivery and Service Vehicles sales represented 24% of consolidated revenue for 2010. There were no changes in pricing of our products that had a significant impact on our financial statements when comparing year-over-year.

Net income for the year ended December 31, 2010 was negatively impacted by elevated levels of R&D spending, including \$2.9 million related to the Reach commercial van. Comparisons of net income with the year ended December 31, 2009 are not meaningful as 2009 included only one month of activity for this segment, following the acquisition of Utilimaster on November 30, 2009.

Backlog for our Delivery and Service Vehicles segment decreased by \$10.2 million or 29.9% to \$23.9 million at December 31, 2010 from \$34.1 million in 2009. Our backlog at December 31, 2009 included a large fleet order that was filled early in 2010. In addition, fleet customers of our Delivery and Service Vehicles segment tend to place large orders on a periodic basis, which can cause larger shifts in timing and volume compared with our other product lines.

Fourth Quarter Results

Historically, our sales levels have varied from quarter to quarter. For a description of quarterly financial data, see Note 17, *Quarterly Financial Data (Unaudited)*, in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K.

2011

Sales for the fourth quarter were \$111.2 million, a decrease of \$9.1 million, or 7.6%, from our sales in the third quarter of 2011. The decrease was driven by a decrease of \$19.3 million or 31.6% in Delivery and Service Vehicles sales due to seasonal decreases in aftermarket parts and assemblies sales and walk in van sales related to our customary fourth quarter slowdown due to the busy holiday delivery season. In addition, in late December we delayed shipment until 2012 of certain walk-in vans in order to affect updates to meet certain regulatory safety requirements. Based on the likelihood that no recall would be necessary to modify affected walk-in vans already in operation, as well as the immaterial amount of a potential recall campaign, we did not accrue any liability in 2011 for future repair or retrofit costs related to this regulatory safety requirement. This decrease was partially offset by sales increases in our Specialty Vehicles segment which showed an increase of \$10.2 million or 17.3% from third quarter of 2011. Contributing to the increase in Specialty Vehicles sales were emergency response chassis, motor home chassis and emergency response bodies sales, which increased \$6.4 million, \$3.3 million and \$2.6 million respectively, with an offsetting decrease in defense related and other specialty vehicles of \$2.1 million.

Gross profit in the fourth quarter decreased by \$5.9 million or 29.0% from third quarter 2011. This was driven primarily by the seasonal volume decrease in our Delivery and Service Vehicles segment, as discussed above, offset by an increase in Specialty Vehicles sales.

Net earnings for the fourth quarter 2011 decreased \$2.5 million or 78.3% from the third quarter. The decrease in net income was impacted substantially by the sales decline in Delivery and Service Vehicles described above. Partially offsetting this decrease were increases in sales in our Specialty Vehicles segment, along with lower general and administrative expense, driven by lower research and development spending as the Reach product neared production.

2010

We finished 2010 with a strong fourth quarter, with sales of \$126.9 million, an increase of \$6.3 million or 5.2% over the third quarter of 2010 and substantially higher than the first and second quarters. The sales increase in the fourth quarter of 2010 was mainly due to sales at our Delivery and Service Vehicles segment, which were up \$11.6 million or more than 40% from the third quarter of 2010, which is attributed to strong fleet sales during the quarter. Offsetting this increase was a \$5.3 million or 5.7% decrease in sales for the fourth quarter of 2010 in our Specialty Vehicles segment as compared with the prior quarter. The decreases in Specialty Vehicles segment sales was due to declines in motor home chassis sales, which tend to be seasonal, along with declines in aftermarket parts and assemblies and specialty chassis, both of which were largely due to defense related sales declines, along with a decrease in fire truck chassis sales. Partially offsetting these declines was an increase in fire truck body sales, which was due to a shift toward higher priced units in the fourth quarter as compared to the third quarter of 2010.

Gross profit for the fourth quarter of 2010 decreased slightly from the third quarter, due mainly to a less favorable product mix for the fourth quarter, which more than offset the increase in sales volume. As compared to the first two quarters of 2010, gross profit in the fourth quarter was higher, owing to an increase in sales volume overall, as well as higher volumes in aftermarket parts and assemblies, which tend to carry higher margins.

Net earnings from continuing operations for the fourth quarter of 2010 of \$3.7 million continued the higher trend started in the third quarter, as a result of the increased revenue and steady gross profit levels discussed above, as well as reduced SG&A expense as compared with the first half of the year. Also impacting net earnings from continuing operations in the quarter were research and development tax credits that were recorded during the quarter, which helped to reduce our effective tax rate to 22% for the fourth quarter.

2009

Sales during the fourth quarter of 2009 were slightly lower than the prior quarters of 2009, after excluding the sales of Utilimaster, which was acquired on November 30, 2009. Sales were lower primarily due to the decrease in aftermarket parts and assemblies sales within the other product grouping of the Specialty Vehicles segment. These declines were offset in part by increases in motor home sales which continued to show an upward trend when comparing the previous three quarters. In addition, fire truck chassis and bodies both showed upward trends during the course of the year. We believe that the 2010 engine emissions change positively impacted the 2009 sales increases.

Gross profit was disproportionate in the fourth quarter of 2009, showing trend lines down compared to the previous 2009 quarters primarily due to sales mix. There were lower volumes of specialty vehicle and aftermarket parts and assemblies sales in the latter half of the year. In addition, there were depressed margins at Utilimaster due to a one-time inventory valuation charge of \$0.5 million incurred during December related to the adjustment of the acquired finished goods and work-in-process inventory to fair market value.

In addition to the items detailed above, net earnings from continuing operations during the fourth quarter were negatively impacted by one-time pre-tax charges of \$0.7 million related to the Company's acquisition of Utilimaster, exclusive of the \$0.5 million noted above.

Financial Condition

Balance sheet at December 31, 2011 compared to December 31, 2010

Accounts receivable decreased by \$12.5 million or 23.8% to \$40.0 million at December 2011, due to our ongoing emphasis on cash conversion and receivables collections and a decrease in sales for the fourth quarter of 2011 compared to the fourth quarter of 2010. We reduced our receivable days sales outstanding to 33 days sales at December 31, 2011, a decrease of 4 days from the 37 days sales outstanding at December 31, 2010.

Inventory levels increased by \$6.8 million, or 11.4% to \$67.0 million at December 31, 2011, mainly due to a delay in shipments from our Delivery and Service Vehicles segment at year end, as discussed above.

Property, plant and equipment decreased by \$5.9 million or 8.2% to \$65.4 million at December 31, 2011, reflecting depreciation taken in 2011 of \$9.4 million, impairment charges against a disused building of \$0.8 million and tooling from a discontinued product line of \$0.4 million, and other disposals of \$1.0 million. These decreases were partially offset by investments of \$5.3 million, and \$0.4 million for assets related to our acquisition of Classic Fire.

Goodwill increased by \$2.4 million or 13.0% to \$20.8 million at December 31, 2011 as a result of our acquisition of Classic Fire on April 1, 2011.

Accounts payable increased by \$3.7 million or 20.6% to \$21.6 million at December 31, 2011, mainly due to the increases in sales and production activity in our Delivery and Service Vehicles segment.

Deposits from customers increased by \$3.9 million or 98.4% to \$7.9 million at December 31, 2011, mainly due to the timing of customer payments received in the last few days of the year and the election of certain customers to make deposits on orders.

Balance Sheet at December 31, 2010 compared to December 31, 2009

Accounts receivable increased \$7.6 million or 16.8% from \$45.0 million at December 31, 2009 to \$52.5 million at December 31, 2010. Accounts receivable days outstanding improved from 40 days at December 31, 2009 to 37 days at December 31, 2010, driven by higher sales levels in the fourth quarter of 2010 as compared with the fourth quarter of 2009, along with a focused effort on improving our working capital.

Inventory levels decreased by \$36.2 million or 37.5% from \$96.3 million at December 31, 2009 to \$60.2 million at December 31, 2010. This decrease is the result of a focused effort to reduce inventory levels across all of our operations and better align our working capital with anticipated sales levels.

Assets of discontinued operations of \$11.0 million at December 31, 2009 reflect the assets of our Road Rescue, Inc. subsidiary, which we divested in September 2010.

The reduction in property, plant and equipment of \$6.3 million reflects depreciation of \$10.2 million, offset by \$3.9 million of capital acquisitions, including approximately \$0.8 million to support the Reach commercial van, which began production in January of 2012.

Accrued compensation and related taxes decreased \$0.5 million or 6.7%, from \$7.2 million to \$6.7 million year-over-year due to lower compensation expense related to incentive plans. The lower compensation expense for incentive plans is a result of the lower financial results year-over-year, combined with lower staffing levels as part of our cost realignment activities.

Deposits from customers decreased \$7.7 million or 66% to \$3.9 million at December 31, 2010 from \$11.6 million at December 31, 2009. The lower level of deposits was mainly due to the reduction of deposits for pre 2010 emissions engines as products were delivered.

Current portion of long term debt decreased by \$11.0 million or 99.1% to \$0.1 million at December 31, 2010 from \$11.1 million at December 31, 2009. Long term debt decreased by \$30.1 million or 85.4% to \$5.1 million at December 31, 2010 from \$35.2 million at December 31, 2009. These decreases in debt were enabled by our strong cash flows from continuing operations, in addition to the approximately \$7.4 million net cash received from the sale of our Road Rescue, Inc. subsidiary. See Note 9, *Debt* in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further information regarding debt.

Other current liabilities and accrued expenses increased \$1.3 million or 21% to \$7.5 million at December 31, 2010 from \$6.2 million at December 31, 2009, due to an accrual for a payment on a supplier agreement along with increases in insurance and property tax accruals year over year.

Liquidity and Capital Resources

Cash Flows

Our cash flows from operating, investing and financing activities, as reflected in the Consolidated Statements of Cash Flows appearing in Item 8 of this Form 10-K, are summarized in the following table (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Cash provided by (used in):			
Operating activities	\$ 30,137	\$ 38,121	\$ 34,428
Investing activities	(9,159)	4,301	(47,797)
Financing activities	(3,808)	(45,212)	14,600
Discontinued operations	--	(1,178)	3,503
Net increase (decrease) in cash and cash equivalents	\$ 17,170	\$ (3,968)	\$ 4,734

During 2011, cash and cash equivalents increased by \$17.2 million to a balance of \$31.7 million as of December 31, 2011. These funds, in addition to cash generated from future operations and available credit facilities, are expected to be sufficient to finance the Company's foreseeable liquidity and capital needs.

For the year ended December 31, 2011, cash generated by continuing operating activities was \$30.1 million primarily due to a decrease in accounts receivable of \$13.1 million and increases in accounts payable of \$3.5 million and deposits from customers of \$3.9 million from December 31, 2010 to December 31, 2011, as discussed above. For the year ended December 31, 2010, cash generated by continuing operating activities was \$38.1 million driven by a decrease in inventories of approximately \$36.2 million from \$96.3 million at December 31, 2009 to \$60.2 million at December 31, 2010. The decrease in inventory was part of a focused effort by management to reduce inventory and better align working capital with the reduced sales activity for 2010. Also impacting cash generated by continuing operating activities in 2010 was a decrease in customer deposits and an increase in accounts receivable, as discussed above. See the Consolidated Statements of Cash Flows contained in Item 8 of this Form 10-K for the other various factors that represented the remaining fluctuation of cash from continuing operations between the years.

Cash used in continuing investing activities of \$9.2 million was driven by \$5.3 million of cash used in the purchase of property, plant and equipment during the year ended December 31, 2011 and \$4.8 million used for the acquisition of Classic Fire in April 2011. See Note 2, *Acquisition Activities* in the Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K for further information on this acquisition. In 2012 we expect to incur cash outlays of \$11 million to \$13 million, including spending for our ERP system implementation, leasehold improvements related to the facility in Bristol, Indiana and replacement and upgrades of machinery and equipment used in operations. Cash provided by continuing investing activities during the year ended December 31, 2010 of \$4.3 million was driven by \$7.4 million in cash proceeds from the sale of substantially all of the assets of our Road Rescue subsidiary in September of 2010. See Note 3, *Discontinued Operations* in the Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K for further information on this divestiture. Partially offsetting these cash proceeds was \$3.9 million utilized for purchases of property, plant and equipment during the year ended December 31, 2010, including approximately \$0.8 million for capital equipment related to the Reach commercial van.

Cash used in continuing financing activities of \$3.8 million during the year ended December 31, 2011 consisted primarily of funds used to pay cash dividends during the year. Cash used in continuing financing activities of \$45.0 million during the year ended December 31, 2010 includes \$40.9 million utilized to pay down our long term debt, much of which was originated to fund our acquisition of Utilimaster in November 2009. In addition we utilized \$3.3 million in the payment of cash dividends in 2010.

Cash used in discontinued operations of \$1.2 million during the year ended December 31, 2010 represents cash utilized by our Road Rescue subsidiary. See Note 3, *Discontinued Operations* in the Notes to Consolidated Financial Statements contained in Item 8 of this Form 10-K for further information on the divestiture of substantially all of the assets of our Road Rescue subsidiary.

Restructuring Activities

During the years ended December 31, 2011, 2010 and 2009, we undertook restructuring initiatives to align expenses to coincide with current revenue expectations. The actions we took allowed us to maintain profitability despite the fall in sales volumes in 2011. Cost reduction measures included workforce reductions, plant and operation consolidations and overall improved cost management. An increased focus on our cash conversion cycle in 2011 helped us to maintain our working capital at a level similar to the prior year. Efforts to reduce inventory and other balance sheet items drove working capital levels down in 2010, particularly in light of the addition of Utilimaster. We recorded expense related to these restructuring activities of \$2.8 million, \$2.0 million and \$0.8 million for the years ended December 31, 2011, 2010 and 2009, respectively. See Note 14, *Restructuring Charges* in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further information.

Working Capital

Our working capital is summarized in the following table (in thousands):

	As of December 31,		
	2011	2010	2009
Current assets	\$ 149,069	\$ 139,954	\$ 184,760
Current liabilities	50,396	41,724	65,023
Working capital	\$ 98,673	\$ 98,230	\$ 119,737

Working capital increased from December 31, 2010 to December 31, 2011 by \$0.4 million to \$98.7 million, driven by the changes in cash, accounts receivable, inventory, accounts payable and deposits from customers, as described above. The working capital decrease from 2009 to 2010 was impacted primarily by a \$36.2 million decrease in inventory and the divestiture of substantially all of the assets and related liabilities of our Road Rescue, Inc. subsidiary, which were classified as held for sale and included in current assets and current liabilities at December 31, 2009.

Contingent Obligations

In connection with the acquisition of Classic Fire on April 1, 2011 and Utilimaster on November 30, 2009, we incurred contingent obligations that become due in the first quarter of 2012 through 2014 in the form of certain performance-based earn-out payments, up to an aggregate maximum amount of \$1.0 million for Classic Fire and \$7.0 million for Utilimaster. In accordance with accounting guidance, we recorded the estimated fair value of the future consideration on the acquisition dates and subsequently adjusted the balances to reflect amortization of the discount and changes in the subsidiaries' expected performance, resulting in a balance of \$2.9 million at December 31, 2011, including \$2.2 million classified as current and \$0.7 million classified as long term, based upon the likelihood of the payments, discounted to the reporting date. We believe that we have sufficient liquidity to fund the contingent obligations as they become due. See Note 2, *Acquisition Activities*, in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further details.

Debt

On December 16, 2011, we amended our unsecured revolving credit facility under which we may borrow up to \$70.0 million from a syndicate of lenders, including Wells Fargo Bank N.A. and JPMorgan Chase Bank, N.A., to, among other things, extend the maturity of the credit facility for an additional five years. See Note 9, *Debt*, in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further details. Under the terms of the agreement, the Company may request an increase in the facility of up to \$35.0 million in the aggregate, subject to customary conditions. Interest rates on borrowings under the credit facility are based on applicable rates at the time of issuance but are generally an adjusted LIBOR rate plus margin, ranging from 125 to 225 basis points, based on specified leverage ratio tiers from period to period. In addition, commitment fees range from 20 to 35 basis points on the unused portion of the line. The credit facility matures on December 16, 2016. We had no drawings against this credit line as of December 31, 2011 or 2010. During the year ended December 31, 2011, and in future years, our revolving credit facility was utilized and will continue to be utilized to finance commercial chassis received by our Utilimaster subsidiary under a chassis bailment inventory agreement with General Motors Company. This funding is reflected as a reduction of up to \$5.0 million on the revolving credit facility available to us. See Note 13, *Commitments and Contingent Liabilities*, in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further details about Utilimaster's chassis bailment inventory agreement.

On November 30, 2009, we amended and restated our private shelf agreement with Prudential Investment Management, Inc. Under this private shelf agreement, we issued \$5.0 million of 5.46% Series B Senior Notes, due December 1, 2016. In addition, this agreement established an uncommitted shelf facility up to an additional \$45.0 million. The interest rate is determined based on applicable rates at time of issuance. The total outstanding debt under this agreement was \$5 million at December 31, 2011 and 2010.

Under the terms of the line of credit and the term notes detailed above, we are required to maintain certain financial ratios and other financial conditions. The agreements prohibit us from incurring additional indebtedness; limit certain acquisitions, investments, advances or loans; and restrict substantial asset sales. At December 31, 2011, we were in compliance with all debt covenants, and, based on our outlook for 2012, we expect to be able to meet these financial covenants over the next twelve months.

We had capital lease obligations outstanding of approximately \$0.1 million and \$0.2 million as of December 31, 2011 and 2010, respectively, due and payable over the next five years.

Equity Securities

On October 19, 2011, the Board of Directors authorized management to repurchase up to a total of 1.0 million shares of its common stock in open market transactions. Repurchase of common stock is based on management's assessment of market conditions. As of December 31, 2011, no shares of common stock were repurchased under this authorization. If we were to repurchase the full 1.0 million shares of stock under the repurchase program, it would cost approximately \$5.6 million based on the closing price of our stock on February 28, 2012. We believe that we have sufficient resources to fund this potential stock buyback.

On October 20, 2010, the Board of Directors authorized management to repurchase, over the course of the subsequent 12-month period, up to a total of 1.0 million shares of its common stock in open market transactions. No shares of common stock were repurchased under this authorization, which expired October 19, 2011.

Dividends

On October 26, 2011, the Company's Board of Directors declared a cash dividend of \$0.05 per outstanding share payable on December 8, 2011 to shareholders of record on November 10, 2011.

On April 26, 2011 the Company's Board of Directors declared a cash dividend of \$0.05 per outstanding share payable on June 9, 2010 to shareholders of record on May 12, 2011. The total amount of dividends paid in 2011 was \$3.3 million.

On October 28, 2010 the Board of Directors declared a cash dividend of \$0.05 per outstanding share payable on December 9, 2010 to shareholders of record on November 11, 2010.

On February 16, 2010, the Board of Directors declared a cash dividend of \$0.05 per outstanding share payable on June 10, 2010 to shareholders of record on May 13, 2010. The total amount of dividends paid in 2010 was \$3.3 million.

Off-Balance Sheet Arrangements

We have no off balance sheet arrangements that have or are reasonably likely to have a material current or future effect on our financial condition, cash flows, results of operations, liquidity, capital expenditures or capital resources.

Contractual Obligations and Commercial Commitments

Our future contractual obligations for agreements, including agreements to purchase materials in the normal course of business, are summarized below. The weighted average interest rate for long term debt as of December 31, 2011 was 3.25%.

	Payments Due by Period (in thousands)				
	Total	Less than 1 Year	1-3 Years	4-5 Years	More than 5 Years
Long-term debt (1)	\$ 6,342	\$ 273	\$ 546	\$ 5,523	\$ --
Capital leases	163	68	95	--	--
Operating leases (2)	10,002	1,819	2,863	1,745	3,575
Contingent payments (3)	2,933	83	2,100	750	--
Purchase obligations	26,277	25,608	669	--	--
Total contractual obligations	\$ 45,717	\$ 27,851	\$ 6,273	\$ 8,018	\$ 3,575

- (1) Long term debt includes estimated interest payments; interest payments on related variable rate debt were calculated using the effective interest rate at December 31, 2011.
- (2) Operating leases includes amounts for the Bristol, Indiana facility lease beginning March 1, 2012.
- (3) Contingent payments are estimates associated with the Classic Fire acquisition in April 2011 and the Utilmaster acquisition in November, 2009, which assumes that various contingencies and market opportunities occur in 2011 and beyond.

Critical Accounting Policies and Estimates

The following discussion of critical accounting policies and estimates is intended to supplement Note 1, *General and Summary of Accounting Policies*, of the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K. These policies were selected because they are broadly applicable within the Company's operating units and they involve additional management judgment due to the sensitivity of the methods, assumptions and estimates necessary in determining the related statement of income, asset and/or liability amounts.

Revenue Recognition

We recognize revenue in accordance with authoritative guidelines, including those of the SEC. 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 product has been completed in accordance with purchase order specifications and has been tendered for delivery to the customer. On certain customer requested bill and hold transactions, revenue recognition occurs after the customer has been notified that the products have been completed according to the customer specifications, have passed all of our quality control inspections, and are ready for delivery. All sales are shown net of returns, discounts and sales incentive programs, which historically have not been significant. The collectability of any related receivable is reasonably assured before revenue is recognized.

Accounts Receivable

We maintain an allowance for customer accounts that reduces receivables to amounts that are expected to be collected. In estimating the allowance for doubtful accounts, we make certain assumptions regarding the risk of uncollectable open receivable accounts. This risk factor is applied to the balance on accounts that are aged over 60 days: generally this reserve has an estimated range from 10-25%. The risk percentage applied to the aged accounts may change based on conditions such as: general economic conditions, industry-specific economic conditions, historical and anticipated customer performance, historical experience with write-offs and the level of past-due amounts from year to year. However, generally our assumptions are consistent year-over-year and there has been little adjustment made to the percentages used. In addition, in the event there are certain known risk factors with an open account, we may increase the allowance to include estimated losses on such “specific” account balances. The “specific” reserves are identified by a periodic review of the aged accounts receivable. If there is an account in question, credit checks are made and there is communication with the customer, along with other means to try to assess if a specific reserve is required. The inclusion of the “specific” reserve has caused the greatest fluctuation in our allowance for doubtful accounts balance historically. Please see Note 1, *General and Summary of Accounting Policies*, in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K and Appendix A included in this Form 10-K for further details and historical view of our allowance for doubtful accounts balance.

Goodwill and Other Indefinite-Lived Intangible Assets

In accordance with authoritative guidance on goodwill and other indefinite-lived intangible assets, such assets are tested for impairment at least annually, and written down when and to the extent impaired. We perform our annual impairment test for goodwill and indefinite-lived intangible assets as of October 1 of each year, or more frequently if an event occurs or conditions change that would more likely than not reduce the fair value of the asset below its carrying value.

Goodwill is recorded on the financial statements of our Utilimaster, Crimson Fire and Classic Fire subsidiaries, each considered to be separate “reporting units” as referred to below. We early adopted Accounting Standards Update 2011-08 “*Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment*” (“ASU 2011-08”) in the fourth quarter of 2011. ASU 2011-08 permits us to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Under the amendments in ASU 2011-08, we are not required to calculate the fair value of a reporting unit unless we determine that it is more likely than not that the fair value of the reporting unit is less than its carrying amount by assessing a range of qualitative factors including, but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for our products and current and forecasted financial performance. If we elect to bypass the qualitative assessment permitted by ASU 2011-08, or if, after completing the assessment, it is determined to be more likely than not that the fair value of a reporting unit is less than its carrying value, we perform a two-step impairment test, whereby the first step is comparing the fair value of a reporting unit with its carrying amount, including goodwill. The fair value of the reporting unit is determined by estimating the future cash flows of the reporting unit to which the goodwill relates, and then discounting the future cash flows at a market-participant-derived weighted-average cost of capital (“WACC”). In determining the estimated future cash flows, we consider current and projected future levels of income based on our plans for that business; business trends, prospects and market and economic conditions; and market-participant considerations. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered to not be impaired and the second step of the test is not performed. The second step of the impairment test is performed when the carrying amount of the reporting unit exceeds its fair value, in which case the implied fair value of the reporting unit goodwill is compared with the carrying amount of that goodwill based on a hypothetical allocation of the reporting unit’s fair value to all of its underlying assets and liabilities. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess.

We evaluate the recoverability of our indefinite lived intangible assets, which consist of our Classic Fire and Utilimaster trade names, by comparing the estimated fair value of the trade name with its carrying value. We estimate the fair value of our trade names based on estimates of future royalty payments that are avoided through our ownership of the trade names, discounted to their present value. In determining the estimated fair value of the trade name, we consider current and projected future levels of revenue based on our plans for Classic Fire or Utilimaster, business trends, prospects and market and economic conditions.

Significant judgments inherent in these analyses include assumptions about appropriate sales growth rates, WACC and the amount of expected future net cash flows. The judgments and assumptions used in the estimate of fair value are generally consistent with the projections and assumptions that are used in current operating plans. Such assumptions are subject to change as a result of changing economic and competitive conditions. The determination of fair value is highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of the reporting units and trade name.

The goodwill of the Specialty Vehicles segment of \$4.9 million at December 31, 2011, relates to our Crimson and Classic Fire subsidiaries, which were determined to be reporting units under the guidance of Accounting Standards Codification topic 350. The estimated fair value of Crimson exceeded its carrying value by 22% as of October 1, 2011, the most recent annual assessment date. Based on the discounted cash flow valuation at October 1, 2011, an increase in the WACC for the Crimson reporting unit of approximately 180 basis points would not result in impairment. The estimated fair value of Classic Fire, which was acquired on April 1, 2011, exceeded its carrying value by 1% as of October 1, 2011. We do not consider the small excess of Classic Fire's fair value over its carrying value to be an indication of likely future goodwill impairment for this reporting unit due to the short time period since its acquisition on April 1, 2011 to the testing date of October 1, 2011.

The goodwill of our Delivery and Service Vehicles segment of \$16.0 million at December 31, 2011 related to our Utilimaster subsidiary, the sole reporting unit of that segment. Based on the results of our qualitative assessment for Utilimaster performed as of October 1, 2011, we determined that it is more likely than not that the fair value of Utilimaster exceeds its carrying value. Accordingly, the goodwill of Utilimaster was deemed to be not impaired and no further testing was performed.

The acquired Utilimaster trade name has an indefinite life as it is anticipated that it will contribute cash flows to the Company indefinitely. The estimated fair value of our Utilimaster trade name exceeded its associated carrying value of \$2.9 million by 26% as of October 1, 2011.

The acquired Classic Fire trade name has an indefinite life as it is anticipated that it will contribute cash flows to the Company indefinitely. The estimated fair value of our Classic Fire trade name exceeded its associated carrying value of \$0.6 million by 5% as of October 1, 2011.

See Note 7, *Goodwill and Intangible Assets*, in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further details on our goodwill and indefinite-lived intangible assets.

We cannot predict the occurrence of certain events or changes in circumstances that might adversely affect the carrying value of goodwill and indefinite-lived intangible assets. Such events may include, but are not limited to, the impact of the general economic environment; a material negative change in relationships with significant customers; or strategic decisions made in response to economic and competitive conditions; and other risk factors as detailed in Item 1A "Risk Factors" in this Annual Report on Form 10-K.

Warranties

Our policy is to record a provision for the estimated cost of warranty-related claims at the time of the sale, and periodically adjust the warranty liability to reflect actual experience. The amount of warranty liability accrued reflects actual historical warranty cost, which is accumulated on specific identifiable units. From that point, there is a projection of the expected future cost of honoring our obligations under the warranty agreements. Historically, the cost of fulfilling our warranty obligations has principally involved replacement parts and labor for field retrofit campaigns and recalls, which increase the reserve. Our estimates are based on historical experience, the number of units involved and the extent of features and components included in product models. Over time, this method has been consistently applied and has proven to be an appropriate approach to estimating future costs to be incurred. See Note 13, *Commitments and Contingent Liabilities*, in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K for further information regarding warranties.

New and Pending Accounting Policies

See Note 1 in the Notes to Consolidated Financial Statements appearing in Item 8 of this Form 10-K.

Effect of Inflation

Inflation affects us in two principal ways. First, our revolving note payable is generally tied to the prime and LIBOR interest rates so that increases in those interest rates would be translated into additional interest expense. Second, general inflation impacts prices paid for labor, parts and supplies. Whenever possible, we attempt to cover increased costs of production and capital by adjusting the prices of our products. However, we generally do not attempt to negotiate inflation-based price adjustment provisions into our contracts. Since order lead times can be as much as nine months, we have limited ability to pass on cost increases to our customers on a short-term basis. In addition, the markets we serve are competitive in nature, and competition limits our ability to pass through cost increases in many cases. We strive to minimize the effect of inflation through cost reductions and improved productivity.

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

Our primary market risk exposure is a change in interest rates and the effect of such a change on outstanding variable rate short-term and long-term debt. At December 31, 2011, we had \$5.0 million of debt outstanding under our variable rate short-term and long-term debt agreements. An increase of 1% in interest rates would not have a material adverse effect on our financial position or results of operations. We do not enter into market-risk-sensitive instruments for trading or other purposes.

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

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

Item 8. Financial Statements and Supplementary Data.

Report of Independent Registered Public Accounting Firm

Board of Directors and Shareholders
Spartan Motors, Inc.
Charlotte, Michigan

We have audited the accompanying consolidated balance sheets of Spartan Motors, Inc. as of December 31, 2011 and 2010 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2011. In connection with our audits of the financial statements, we have also audited the financial statement schedule as listed in the accompanying index in Item 15(a)(1) of this Form 10-K. These financial statements and schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

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

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Spartan Motors, Inc. as of December 31, 2011 and 2010, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Also, in our opinion, the financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

As discussed in Note 1, the Company changed its method of accounting for business combinations with the required adoption of new accounting guidance related to Accounting for Business Combinations, effective January 1, 2009.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Spartan Motors, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) and our report dated March 14, 2012 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Grand Rapids, Michigan
March 14, 2012

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

Board of Directors and Shareholders
Spartan Motors, Inc.
Charlotte, Michigan

We have audited Spartan Motors, Inc.'s internal control over financial reporting as of December 31, 2011, based on criteria established in *Internal Control – Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (the COSO criteria). Spartan Motors, Inc.'s management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Item 9A, Management's Report on Internal Control Over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit.

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

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

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

In our opinion, Spartan Motors, Inc. maintained, in all material respects, effective internal control over financial reporting as of December 31, 2011, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Spartan Motors, Inc. as of December 31, 2011 and 2010 and the related consolidated statements of income, shareholders' equity and cash flows for each of the three years in the period ended December 31, 2011 and our report dated March 14, 2012 expressed an unqualified opinion thereon.

/s/ BDO USA, LLP

Grand Rapids, Michigan
March 14, 2012

SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In thousands, except par value)

	December 31, 2011	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 31,677	\$ 14,507
Accounts receivable, less allowance of \$749 and \$996	40,042	52,542
Inventories	66,991	60,161
Deferred income tax assets	6,425	6,218
Income taxes receivable	1,479	2,890
Other current assets	2,455	3,636
Total current assets	149,069	139,954
Property, plant and equipment, net	65,399	71,268
Goodwill	20,815	18,418
Intangible assets, net	11,943	10,946
Other assets	1,383	1,163
TOTAL ASSETS	\$ 248,609	\$ 241,749
LIABILITIES AND SHAREHOLDERS' EQUITY		
Current liabilities:		
Accounts payable	\$ 21,649	\$ 17,970
Accrued warranty	5,802	5,702
Accrued customer rebates	1,546	2,388
Accrued compensation and related taxes	5,670	5,583
Deposits from customers	7,902	3,982
Other current liabilities and accrued expenses	7,772	5,997
Current portion of long-term debt	55	102
Total current liabilities	50,396	41,724
Other non-current liabilities	2,932	4,284
Long-term debt, less current portion	5,084	5,122
Deferred income tax liabilities	7,359	7,640
Shareholders' equity:		
Preferred stock, no par value: 2,000 shares authorized (none issued)	-	-
Common stock, \$0.01 par value; 40,000 shares authorized; 33,596 and 33,215 outstanding	336	332
Additional paid in capital	71,145	68,715
Retained earnings	111,357	113,932
Total shareholders' equity	182,838	182,979
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	\$ 248,609	\$ 241,749

See Accompanying Notes to Consolidated Financial Statements.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME

(In thousands, except per share data)

	Year Ended December 31,		
	2011	2010	2009
Sales	\$ 426,010	\$ 480,736	\$ 409,538
Cost of products sold	363,662	407,201	328,305
Restructuring charges	1,731	990	264
Gross profit	60,617	72,545	80,969
Operating expenses:			
Research and development	13,931	16,912	16,974
Selling, general and administrative	44,305	43,869	42,436
Restructuring charges	1,050	1,006	576
Total operating expenses	59,286	61,787	59,986
Operating income	1,331	10,758	20,983
Other income (expense):			
Interest expense	(324)	(950)	(1,322)
Interest and other income	276	444	517
Total other income (expense)	(48)	(506)	(805)
Earnings before taxes	1,283	10,252	20,178
Taxes	510	3,017	7,023
Net earnings from continuing operations	773	7,235	13,155
Net loss from discontinued operations	-	(3,094)	(1,383)
Net earnings	\$ 773	\$ 4,141	\$ 11,772
Basic net earnings (loss) per share			
Income from continuing operations	\$ 0.02	\$ 0.22	\$ 0.40
Loss from discontinued operations	-	(0.09)	(0.04)
	\$ 0.02	\$ 0.13	\$ 0.36
Diluted net earnings (loss) per share			
Income from continuing operations	\$ 0.02	\$ 0.22	\$ 0.40
Loss from discontinued operations	-	(0.09)	(0.04)
	\$ 0.02	\$ 0.13	\$ 0.36
Basic weighted average common shares outstanding	33,438	33,021	32,729
Diluted weighted average common shares outstanding	33,488	33,101	32,916

See Accompanying Notes to Consolidated Financial Statements.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
YEARS ENDED DECEMBER 31, 2011, 2010 and 2009
(In thousands, except per share data)

	Number of Shares	Common Stock	Additional Paid In Capital	Retained Earnings	Total Shareholders' Equity
Balance at December 31, 2008	32,572	\$ 326	\$ 64,607	\$ 105,710	\$ 170,643
Issuance of common stock and the tax impact of stock incentive plan transactions	188	2	442	-	444
Dividends declared (\$0.13 per share)	-	-	-	(4,236)	(4,236)
Issuance of restricted stock, net of cancellation	274	3	(3)	-	-
Stock based compensation expense related to restricted stock	-	-	2,332	-	2,332
Purchase and constructive retirement of stock	(140)	(2)	(279)	(154)	(435)
Net earnings	-	-	-	11,772	11,772
Balance at December 31, 2009	32,894	329	67,099	113,092	180,520
Issuance of common stock and the tax impact of stock incentive plan transactions	107	1	(787)	-	(786)
Dividends declared (\$0.10 per share)	-	-	-	(3,301)	(3,301)
Issuance of restricted stock, net of cancellation	214	2	(2)	-	-
Stock based compensation expense related to restricted stock	-	-	2,405	-	2,405
Net earnings	-	-	-	4,141	4,141
Balance at December 31, 2010	33,215	332	68,715	113,932	182,979
Issuance of common stock and the tax impact of stock incentive plan transactions	7	-	(375)	-	(375)
Dividends declared (\$0.10 per share)	-	-	-	(3,348)	(3,348)
Issuance of common stock related to investment in subsidiary	188	2	1,027	-	1,029
Issuance of restricted stock, net of cancellation	186	2	(2)	-	-
Stock based compensation expense related to restricted stock	-	-	1,780	-	1,780
Net earnings	-	-	-	773	773
Balance at December 31, 2011	33,596	\$ 336	\$ 71,145	\$ 111,357	\$ 182,838

See Accompanying Notes to Consolidated Financial Statements.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(In thousands)

	Year Ended December 31,		
	2011	2010	2009
Cash flows from continuing operating activities:			
Net earnings	\$ 773	\$ 4,141	\$ 11,772
Adjust for loss from discontinued operations	-	3,094	1,383
Earnings from continuing operations	773	7,235	13,155
Adjustments to reconcile net earnings from continuing operations to net cash provided by continuing operating activities:			
Depreciation and amortization	10,010	10,718	7,503
(Gain) loss on disposal and impairment of assets	1,139	(819)	432
Expense from changes in fair value of contingent consideration	983	230	-
Tax benefit (expense) related to stock incentive plan transactions	222	566	(140)
Deferred income taxes	(488)	(416)	2,610
Stock based compensation related to stock awards	1,780	2,405	2,332
Decrease (increase) in continuing operating assets, net of acquired business:			
Accounts receivable	13,118	(7,568)	34,791
Inventories	(5,478)	36,169	(2,110)
Income taxes receivable	1,412	1,322	(6,978)
Other assets	1,190	(413)	5,576
Increase (decrease) in continuing operating liabilities, net of acquired business:			
Accounts payable	3,510	(1,553)	(8,531)
Accrued warranty	(40)	(594)	(3,128)
Accrued customer rebates	(842)	1,064	(174)
Accrued compensation and related taxes	61	(1,610)	(8,170)
Deposits from customers	3,919	(7,589)	1,649
Other current liabilities and accrued expenses	(1,036)	(203)	(4,490)
Taxes on income	(96)	(823)	101
Total adjustments	29,364	30,886	21,273
Net cash provided by continuing operating activities	30,137	38,121	34,428
Cash flows from continuing investing activities:			
Proceeds from sale of discontinued operations	-	7,358	-
Purchases of property, plant and equipment	(5,255)	(3,869)	(5,621)
Proceeds from sale of property, plant and equipment	842	826	142
Acquisition of business, net of cash acquired	(4,746)	(14)	(42,318)
Net cash provided by (used in) continuing investing activities	(9,159)	4,301	(47,797)
Cash flows from continuing financing activities:			
Proceeds from long-term debt	17	29,024	45,000
Payments on long-term debt	(102)	(70,150)	(26,174)
Purchase and retirement of common stock	-	-	(435)
Issuance of stock	-	-	710
Net use of cash from the exercise, vesting or cancellation of stock incentive awards	(153)	(219)	(405)
Cash retained (paid) related to tax impact of stock incentive plan transactions	(222)	(566)	140
Payment of dividends	(3,348)	(3,301)	(4,236)
Net cash provided by (used in) continuing financing activities	(3,808)	(45,212)	14,600
Cash flows from discontinued operations:			
Operating activities	-	(4,146)	3,695
Investing activities	-	2,968	(192)
Net cash provided by (used in) discontinued operations	-	(1,178)	3,503
Net increase (decrease) in cash and cash equivalents	17,170	(3,968)	4,734
Cash and cash equivalents at beginning of year	14,507	18,475	13,741
Cash and cash equivalents at end of year	\$ 31,677	\$ 14,507	\$ 18,475

Supplemental disclosures: Non-cash investing activities for 2011 include the issuance of common stock valued at \$1,029 in conjunction with the acquisition

of Classic Fire, LLC. Cash paid for interest was \$516, \$1,208 and \$1,300 for 2011, 2010 and 2009. Cash paid for income taxes was \$629, \$679 and \$9,284 for 2011, 2010 and 2009.

See Accompanying Notes to Consolidated Financial Statements.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except per share data)

NOTE 1 - GENERAL AND SUMMARY OF ACCOUNTING POLICIES

Nature of Operations. Spartan Motors, Inc. (the "Company") is a custom engineer and manufacturer of specialized motor vehicle chassis and bodies. The Company's principal chassis markets are emergency response vehicles, motor homes and other specialty vehicles. The Company also has various subsidiaries that are manufacturers of bodies for various markets including emergency response vehicles and delivery and service vehicles.

Principles of Consolidation. The consolidated financial statements include the accounts of the Company and its wholly owned subsidiaries: Spartan Chassis, Inc. ("Spartan Chassis"), Crimson Fire, Inc. ("Crimson"), Crimson Fire Aerials, Inc. ("Crimson Aerials"), Utilimaster Corporation (which was acquired on November 30, 2009) ("Utilimaster"), Classic Fire, LLC (which was acquired on April 1, 2011) ("Classic Fire"), and Road Rescue, Inc. ("Road Rescue") through its date of sale on September 20, 2010. As the result of our sale of substantially all of the assets and related liabilities of Road Rescue, the financial results related to this operation are presented as discontinued operations in the Company's Consolidated Financial Statements for 2010 and 2009. See Note 3, *Discontinued Operations* for further details. All intercompany transactions have been eliminated.

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

Revenue Recognition. The Company recognizes revenue in accordance with Accounting Standards Codification Topic ("ASC") 605. 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 product has been completed in accordance with purchase order specifications and has been tendered for delivery to the customer. On certain customer requested bill and hold transactions, revenue recognition occurs after the customer has been notified that the products have been completed according to the customer specifications, have passed all of the Company's quality control inspections, and are ready for delivery. All sales are shown net of returns, discounts and sales incentive programs, which historically have not been significant. Rebates for certain product sales, which are known and accrued at time of sale, are reflected as a reduction of revenue. Service revenue is immaterial at less than one percent of total sales. The collectability of any related receivable is reasonably assured before revenue is recognized.

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

Cash and Cash Equivalents include cash on hand, cash on deposit, treasuries and money market funds. The Company considers all investments purchased with an original maturity of three months or less to be cash equivalents. Cash that will be required for operations within 90 days or less will be invested in money market funds or treasuries.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except per share data)

Accounts Receivable. The Company's receivables are subject to credit risk, and the Company does not typically require collateral on its accounts receivable. The Company performs periodic credit evaluations of its customers' financial condition and generally requires a security interest in the products sold. Receivables generally are due within 30 to 60 days. The Company maintains an allowance for customer accounts that reduces receivables to amounts that are expected to be collected. In estimating the allowance for doubtful accounts, management makes certain assumptions regarding the risk of uncollectable open receivable accounts. This risk factor is applied to the balance on accounts that are aged over 60 days: generally this reserve has an estimated range from 10-25%. The risk percentage applied to the aged accounts may change based on conditions such as: general economic conditions, industry-specific economic conditions, historical and anticipated customer performance, historical experience with write-offs and the level of past-due amounts from year to year. However, generally the Company's assumptions are consistent year-over-year and there has been little adjustment made to the percentages used. In addition, in the event there are certain known risk factors with an open account, the Company may increase the allowance to include estimated losses on such "specific" account balances. The "specific" reserves are identified by a periodic review of the aged accounts receivable. If there is an account in question, credit checks are made and there is communication with the customer, along with other means to try to assess if a specific reserve is required. The inclusion of the "specific" reserve has caused the greatest fluctuation in the allowance for doubtful accounts balance historically. Past due accounts are written off when collectability is determined to be no longer assured.

Inventories are stated at the lower of first-in, first-out cost or market. Estimated inventory allowances for slow-moving 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.

Property, Plant and Equipment is stated at cost and the related assets are depreciated over their estimated useful lives on a straight line basis for financial statement purposes and an accelerated method for income tax purposes. Cost includes an amount of interest associated with significant capital projects. Estimated useful lives range from 20 to 31.5 years for buildings and improvements, 3 to 15 years for plant machinery and equipment, 3 to 7 years for furniture and fixtures and 3 to 5 years for vehicles. Maintenance and repair costs are charged to earnings, while expenditures that increase asset lives are capitalized. The Company reviews its property, plant and equipment, along with all other long-lived assets that have finite lives, including finite-lived intangible assets, and that are not held for sale for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

Goodwill and Other Intangible Assets. Goodwill represents the excess of the cost of a business combination over the fair value of the net assets acquired. Goodwill and intangible assets deemed to have indefinite lives are not amortized, but are subject to impairment tests on an annual basis, or whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Goodwill is allocated to the reporting unit from which it was created. A reporting unit is an operating segment or sub-segment to which goodwill is assigned when initially recorded. The Company annually reviews indefinite lived intangible assets for impairment by comparing the carrying value of those assets to their fair value.

Other intangible assets with finite lives are amortized over their estimated useful lives and are tested for impairment whenever events or changes in circumstances indicate that their carrying amounts may not be recoverable.

The Company performs its annual goodwill and indefinite lived intangible assets impairment test as of October 1 and monitors for interim triggering events on an ongoing basis. The Company early adopted Accounting Standards Update 2011-08 "*Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment*" ("ASU 2011-08") in the fourth quarter of 2011. ASU 2011-08 permits an entity to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Under the amendments in ASU 2011-08, the Company is not required to calculate the fair value of a reporting unit unless it determines that it is more likely than not that the fair value of the reporting unit is less than its carrying amount by assessing a range of qualitative factors including, but not limited to, macroeconomic conditions, industry conditions, the competitive environment, changes in the market for its products and current and forecasted financial performance. Under the guidance of ASU 2011-08, the Company has an unconditional option to bypass the qualitative assessment and proceed to the first step of the two-step impairment test.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except per share data)

If the Company elects to bypass the qualitative assessment permitted by ASU 2011-08 for a reporting unit, or if, after completing the assessment, it is determined to be more likely than not that the fair value of a reporting unit is less than its carrying value, the Company performs a two-step impairment test, whereby the first step is comparing the fair value of a reporting unit with its carrying amount, including goodwill. The fair value of the reporting unit is determined by estimating the future cash flows of the reporting unit to which the goodwill relates, and then discounting the future cash flows at a market-participant-derived weighted-average cost of capital (“WACC”). In determining the estimated future cash flows, management considers current and projected future levels of income based on its plans for that business; business trends, prospects and market and economic conditions; and market-participant considerations. If the fair value of a reporting unit exceeds its carrying amount, goodwill of the reporting unit is considered to not be impaired and the second step of the test is not performed. The second step of the impairment test is performed when the carrying amount of the reporting unit exceeds the fair value, in which case the implied fair value of the reporting unit goodwill is compared with the carrying amount of that goodwill based on a hypothetical allocation of the reporting unit’s fair value to all of its underlying assets and liabilities. If the carrying amount of the reporting unit goodwill exceeds the implied fair value of that goodwill, an impairment loss is recognized in an amount equal to the excess.

The Company evaluates the recoverability of its indefinite lived intangible assets, which consist of its Utilimaster and Classic Fire trade names, based on estimates of future royalty payments that are avoided through its ownership of the trade names, discounted to their present value. In determining the estimated fair value of the trade name, management considers current and projected future levels of revenue based on its plans for Utilimaster and Classic Fire, business trends, prospects and market and economic conditions.

Significant judgments inherent in these assessments and analyses include assumptions about macroeconomic and industry conditions, appropriate sales growth rates, WACC and the amount of expected future net cash flows. The judgments and assumptions used in the estimate of fair value are generally consistent with the projections and assumptions that are used in current operating plans. Such assumptions are subject to change as a result of changing economic and competitive conditions. The determination of fair value is highly sensitive to differences between estimated and actual cash flows and changes in the related discount rate used to evaluate the fair value of the reporting units and trade name.

See Note 7, *Goodwill and Intangible Assets*, for further details on the Company’s goodwill and other intangible assets.

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 warranty liability to reflect actual experience. The amount of warranty liability accrued reflects management’s best estimate of the expected future cost of honoring the Company’s obligations under the warranty agreements. The Company’s estimates are based on historical experience, the number of units involved and the extent of features and components included in product models. See Note 13, *Commitments and Contingent Liabilities*, for further information regarding warranties.

Deposits from Customers. The Company receives advance payments from customers for future product orders and records these amounts as liabilities. Such deposits are accepted by the Company when presented by customers seeking improved pricing in connection with orders that are placed for products to be manufactured and sold at a future date. Revenue associated with these deposits is deferred and recognized upon shipment of the related product to the customer.

Research and Development. The Company’s research and development costs, which consist of compensation costs, travel and entertainment, administrative expenses and new product development among other items, are expensed as incurred.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except per share data)

Taxes on Income. The Company accounts for income taxes under a method that requires deferred income tax assets and liabilities to be recognized using enacted tax rates for the effect of temporary differences between the book and tax bases of recorded assets and liabilities. Authoritative guidance also requires deferred income tax assets be reduced by a valuation allowance if it is more likely than not that some portion or all of the deferred income tax assets will not be realized.

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

The Company recognizes the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities. The determination is based on the technical merits of the position and presumes that each uncertain tax position will be examined by the relevant taxing authority that has full knowledge of all relevant information. Although management believes the estimates are reasonable, no assurance can be given that the final outcome of these matters will not be different than what is reflected in the historical income tax provisions and accruals.

Interest and penalties attributable to income taxes are recorded as a component of income taxes.

Earnings Per Share. Basic earnings per share is based on the weighted average number of common shares, share equivalents of stock appreciation rights ("SAR"s) and participating securities outstanding during the period. Diluted earnings per share also include the dilutive effect of additional potential common shares issuable from stock options and are determined using the treasury stock method. Basic earnings per share represents net earnings divided by basic weighted average number of common shares outstanding during the period, including the average dilutive effect of the Company's SARs outstanding during the period determined using the treasury stock method. Diluted earnings per share represents net earnings divided by diluted weighted average number of common shares outstanding, which includes the average dilutive effect of the Company's stock options outstanding during the period. The Company's unvested stock awards are included in the number of shares outstanding for both basic and diluted earnings per share calculations. See Note 15, *Earnings Per Share*, for further details.

Stock Incentive Plans. Share based payment compensation costs for equity-based awards is measured on the grant date based on the fair value of the award at that date, and is recognized over the requisite service period, net of estimated forfeitures. Fair value of stock option and stock appreciation rights awards are estimated using a closed option valuation (Black-Scholes) model. Fair value of restricted stock awards is based upon the quoted market price of the common stock on the date of grant. The Company's incentive stock plans are described in more detail in Note 12, *Stock Based Compensation*.

Fair Value. The Company is required to disclose the fair value of its financial instruments. The carrying value at December 31, 2011 and 2010 of cash and cash equivalents, accounts receivable and accounts payable approximate their fair value due to their short term nature. The carrying value of variable rate debt instruments approximate their fair value based on their relative terms and market rates.

Reclassifications. Certain amounts in the prior years' financial statements have been reclassified to conform to the current year's presentation. As the result of our sale of substantially all of the assets and related liabilities of the Company's Road Rescue subsidiary on September 20, 2010, the financial results related to this operation are presented as discontinued operations in the Company's Consolidated Financial Statements for 2010 and 2009.

Discontinued Operations. In June 2010, the Company's Board of Directors approved a plan to exit from Road Rescue, a wholly-owned subsidiary of the Company previously reported within the former Emergency Vehicle Team reportable segment. In September 2010, the Company completed the sale of substantially all of the assets of Road Rescue. For 2010 and 2009, the operating results and assets and liabilities related to Road Rescue that were sold have been classified as discontinued operations. Additionally, results of the discontinued operations are excluded from the accompanying notes to the consolidated financial statements for 2010 and 2009, unless noted otherwise. See Note 3 - *Discontinued Operations* for further detail.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except per share data)

Segment Reporting. For reporting purposes, the Company has defined its reportable segments to be Specialty Vehicles and Delivery and Service Vehicles. Reportable segments are identified based on differences in products, services and markets served and how the chief operating decision makers utilize financial data and make decisions to allocate resources. More detailed information about the reporting segments can be found in Note 16 - *Business Segments*.

New Accounting Standards

In September 2011, the Financial Accounting Standards Board (“FASB”) issued Accounting Standards Update 2011-08 “*Intangibles – Goodwill and Other (Topic 350): Testing Goodwill for Impairment*” (“ASU 2011-08”). ASU 2011-08 permits entities to first assess qualitative factors to determine whether it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Under the amendments in ASU 2011-08, an entity is not required to calculate the fair value of a reporting unit unless it determines that it is more likely than not that the fair value of the reporting unit is less than its carrying amount. ASU 2011-08 is effective for interim and annual goodwill impairment tests performed for fiscal years beginning on or after December 15, 2011, with early adoption permitted. The Company’s early adoption of ASU 2011-08 for its October 1, 2011 annual goodwill impairment testing did not have an impact on its consolidated financial statements.

In December 2010, the FASB issued Accounting Standards Update 2010-28, *Intangibles-Goodwill and Other (Topic 350): When to perform Step 2 of the Goodwill Impairment Test for Reporting Units with Zero or Negative Carrying Amounts* (“ASU 2010-28”). ASU 2010-28 requires a company to perform Step 2 of the goodwill impairment test if the carrying value of the reporting unit is zero or negative and adverse qualitative factors indicate that it is more likely than not that a goodwill impairment exists. The qualitative factors to consider are consistent with the existing guidance and examples in Topic 350, which requires that goodwill of a reporting unit be tested for impairment between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of the reporting unit below its carrying amount. The requirements in ASU 2010-28 were effective for public companies in the first annual period beginning after December 15, 2010. The adoption of ASU 2010-28 did not have an impact on the Company’s consolidated financial statements.

In December 2010, the FASB issued Accounting Standards Update 2010-29 (“ASU 2010-29”), *Business Combinations (Topic 805): Disclosure of Supplementary Pro Forma Information for Business Combinations*. ASU 2010-29 specifies that when a public company completes a business combination(s), the company should disclose revenue and earnings of the combined entity as though the business combination(s) occurred as of the beginning of the comparable prior annual reporting period. The update also expands the supplemental pro forma disclosures under Topic 805 to include a description of the nature and amount of material, nonrecurring pro forma adjustments directly attributable to the business combination included in the pro forma revenue and earnings. The requirements in ASU 2010-29 are effective for business combinations that occur on or after the beginning of the first annual reporting period beginning on or after December 15, 2010. The adoption of ASU 2010-29 did not have a material impact on the Company’s consolidated financial statements.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except per share data)

NOTE 2 – ACQUISITION ACTIVITIES

Classic Fire

On April 1, 2011, the Company completed its acquisition of substantially all of the assets and related liabilities of Classic Fire, a manufacturer of emergency response vehicles and fire apparatus. The acquisition of Classic Fire has allowed the Company to expand its offerings in the emergency response vehicles market into segments and price points that complement its offerings from Spartan Chassis, Crimson and Crimson Aerials, as well as provide strategic sourcing of pump modules and other technology. Classic Fire is reported as a component of the Company's Specialty Vehicles segment. The pro forma effect of the acquisition on the Company's results of operations is not material.

The revenue and earnings of Classic Fire, included in the Company's results since the April 1, 2011 acquisition, and acquisition related expenses included in the Company's Consolidated Statements of Operations are not material.

This acquisition was accounted for using the purchase method of accounting and the purchase price was allocated to the assets purchased and liabilities assumed based upon their estimated fair values at the date of acquisition. Identifiable intangible assets acquired include a trade name, customer and dealer relationships, unpatented technology and certain non-compete agreements. The excess purchase price over the net tangible and intangible assets acquired of \$2,397 was recorded as goodwill, which is expected to be deductible for tax purposes. The purchase price consisted of cash consideration of \$3,975, net of cash acquired of \$25, paid by the Company at closing; a working capital adjustment of \$771; Spartan Motors, Inc. common stock valued at \$1,029 and a contingency for certain performance-based earn out payments recorded at \$180, discounted to April 1, 2011. The performance-based earn out payments provide for additional consideration, up to a maximum amount of \$1,000, that may be paid to the sellers of Classic Fire. During the year ended December 31, 2011, the Company recorded an adjustment to operating expenses of \$97 to bring the contingent liability to \$83 based on the expected future payment amounts, discounted to December 31, 2011.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except per share data)

The purchase price was allocated to assets acquired and liabilities assumed as follows:

Cash and cash equivalents	\$ 25
Accounts receivable	635
Inventory	1,352
Other current assets	7
Property, plant and equipment	451
Intangible assets	1,650
Goodwill	2,397
Total assets acquired	<u>6,517</u>
Accounts payable	186
Accrued warranty	140
Other current liabilities	31
Other non-current liabilities	180
Total liabilities assumed	<u>537</u>
Total purchase price	<u>\$ 5,980</u>

The Company leases the land and building that houses the operations of Classic Fire, from an entity that is controlled by the sellers of Classic Fire, under an operating lease with an initial term of three years. The lease contains options allowing the Company to renew the lease for an additional three year term, or purchase the property at a fixed price at any time during the initial lease period or the renewal period, if any. For purchase accounting purposes, the Company recorded an unfavorable lease liability valued at \$180 at April 1, 2011. For the year ended December 31, 2011, the Company accreted \$45 to earnings as amortization of this liability.

Utilimaster

On November 30, 2009, the Company completed the acquisition of Utilimaster Holdings, Inc. (“Holdings”). Pursuant to the November 18, 2009 Agreement and Plan of Merger (the “Merger Agreement”), SMI Sub, Inc., a direct wholly-owned subsidiary of the Company, merged with and into Holdings (the “Merger”). As a result of the closing of the Merger, the Company became the sole shareholder of Holdings, the surviving corporation in the Merger and the owner of 100% of the capital stock of Utilimaster Corporation, a Delaware corporation (“Utilimaster”).

The acquisition of Utilimaster has diversified the Company’s revenue stream into new markets that offer growth potential and are not directly dependent on government funding or consumer spending. The acquisition also allowed the Company to gain entry into the North American delivery and service vehicles market, add fabrication and vehicle body expertise, benefit from Utilimaster’s strong brand, market share position, and solid customer base, and create opportunities to leverage future growth in the Company’s chassis business.

SPARTAN MOTORS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Dollar amounts in thousands, except per share data)

Included in the Company's results since the November 30, 2009 acquisition of Utilimaster are net sales of \$165,525, \$113,010 and \$13,248 for the years ended December 31, 2011, 2010 and 2009, operating income of \$10,040 for the year ended December 31, 2011 and operating losses of \$2,242 and \$974 for the years ended December 31, 2010 and 2009. Included in the 2009 results from Utilimaster was a one-time charge to cost of products sold of \$500 related to the fair value step-up of inventories acquired from Holdings and sold in December 2009.

Pro forma Results of Operation (Unaudited)

The following table provides pro forma net sales and results of operations for the year ended December 31, 2009, as if Utilimaster had been acquired as of January 1, 2008. Net earnings and Diluted net earnings per share include the results of the Company's discontinued operations. The unaudited pro forma results reflect certain adjustments related to the acquisition, such as increased depreciation and amortization expense on assets acquired from Utilimaster resulting from the fair valuation of assets acquired and the impact of acquisition financing in place at December 31, 2009. The pro forma results do not include any anticipated cost synergies or other effects of the planned integration of Utilimaster. Accordingly, such pro forma amounts are not necessarily indicative of the results that actually would have occurred had the acquisition been completed on the date indicated, nor are they indicative of the future operating results of the combined company.

Pro Forma Results of Operations (Unaudited)

Net sales	\$ 506,871
Net earnings	11,186
Diluted net earnings per share	0.34

Purchase Price Allocation

The purchase price of \$44,512 consisted of cash consideration paid by the Company at closing of \$42,330 (net of cash acquired of \$641), plus a \$1,541 contingency for certain performance-based earn out payments.

This acquisition was accounted for using the purchase method of accounting and the purchase price was allocated to the assets purchased and liabilities assumed based upon their estimated fair values at the date of acquisition. Identifiable intangible assets included a trade name, acquired project in development, customer relationships, backlog and certain non-compete agreements. Management assigned fair values to the acquired project in development, customer relationships, backlog and non-compete agreements through the discounted cash flow method, and to the acquired trade name through the relief from royalty method. The excess of the purchase price over the estimated fair values of the net tangible and intangible assets acquired of \$15,961 was recorded as goodwill.

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The purchase price was allocated to assets acquired and liabilities assumed as follows:

Accounts receivable	\$ 7,801
Inventory	14,858
Other current assets	4,971
Property, plant and equipment	15,849
Intangible assets	11,620
Goodwill	15,961
Total assets acquired	71,060
Accounts payable	7,202
Current liabilities	8,894
Other long-term liabilities	2,241
Deferred income taxes	8,211
Total liabilities assumed	26,548
Total purchase price	\$ 44,512

Contingent Consideration

Pursuant to the Merger Agreement, the prior shareholders of Holdings may receive additional consideration through 2014 in the form of certain performance-based earn-out payments, up to an aggregate maximum amount of \$7,000. The Merger Agreement specifies three separate categories of potential payouts, including: 1) a single payment contingent upon the sale and delivery on or before a specified date of the “Reach” Next Generation Commercial Van (“NGCV”) that was in development at the time of the acquisition, 2) a single payment contingent upon the sale and delivery of a specified number of the Reach NGCV on or before a specified date, and 3) annual payments for each calendar year beginning in 2010 through and including 2014 as a percentage of and contingent upon revenues for that calendar year exceeding predetermined thresholds. In accordance with accounting guidance for business combinations, at the date of sale the Company recorded a contingent liability of \$1,541 for the value of the future consideration based upon its best estimate of the likelihood of the payments, discounted to its present value using a discount rate of 15%. During the years ended December 31, 2011 and 2010, the Company recorded additional expense of \$1,080 and \$230 reflecting changes in the present value of the contingent liability due to the decrease in the discount period of approximately \$346 in 2011 and \$230 in 2010, along with expense of approximately \$734 in 2011 due to changes in the estimated payouts based on Utilimaster’s expected revenue for 2011 through 2014, bringing the total contingent liability to \$2,851 at December 31, 2011. As of December 31, 2011, no payments were required to have been made against this contingent liability. A payment of \$1,100 was made in March of 2012 based on 2011 sales that exceeded target levels. A payment of \$1,000 is expected to be made in the second quarter of 2012 as a result of the sale of the first Reach unit in accordance with the first payout category as described above.

Goodwill Assigned

The acquisition resulted in the recognition of \$15,961 of goodwill, which is not deductible for tax purposes. See Note 7, *Goodwill and Intangible Assets*, for further information on goodwill.

Goodwill largely consists of expected synergies resulting from the acquisition and the estimated value of the workforce employed. Key areas of expected cost savings include increased purchasing power for raw materials; manufacturing and supply chain work process improvements; and the elimination of redundant corporate overhead for shared services and governance. The Company has realized significant growth synergies through the application of each company’s innovative technologies and through the combined businesses’ broader product portfolio in key industry segments.

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Financing for the Utilimaster Acquisition

Financing for the acquisition of Utilimaster included cash of \$22,914, net of cash received, and debt financing of \$19,416 (see Note 9, *Debt*), for a total amount of consideration paid, net of cash acquired, of \$42,330. Contingent consideration currently recorded at \$2,852 will be paid as it becomes due.

Utilimaster Acquisition Related Expenses

During the fourth quarter of 2009, pretax charges totaling approximately \$700 were recorded for legal expenses and other transaction and integration costs related to the acquisition. These charges, which were expensed in accordance with the accounting guidance for business combinations, were recorded in “Selling, general and administrative” and reflected within the “Other” column in the 2009 business segment table in Note 16, *Business Segments*.

NOTE 3 – DISCONTINUED OPERATIONS

In June 2010, the Company’s Board of Directors decided to discontinue the operations of Road Rescue and hold the assets for sale. The exit of the Road Rescue operations was driven by the realignment of the Company’s cost structure and a focus on areas of the business that generate profitable market share. Exiting this business has allowed the Company to concentrate efforts and resources on business opportunities with the best long-term growth potential and focus more on core operations.

On September 20, 2010, the Company completed the sale of substantially all of the assets and related liabilities of its Road Rescue operations to an unrelated party for \$8,000, consisting of \$7,067 in cash, net of an estimated working capital adjustment of \$572 and selling costs of \$361. During the fourth quarter of 2010, the working capital adjustment was finalized, resulting in an additional adjustment of \$70, paid by the Company to the purchaser. As a result, during the year ended December 31, 2010, the Company recognized a pre-tax gain on sale, after all net working capital adjustments, of \$603 which is recorded in the Consolidated Statements of Income under Net loss from discontinued operations. The acquiring entity is not a related party of the Company following the completion of the sale.

For the year ended December 31, 2010, Road Rescue’s pre-tax loss from operations includes asset impairment charges of \$1,875, including a \$1,746 write-down in the book value of the building used by Road Rescue to its estimated fair value, and exit costs of \$129. The following table details the results of discontinued operations reported in the Consolidated Statements of Income within Net loss from discontinued operations:

	Year ended December 31,	
	2010	2009
Sales	\$ 14,002	\$ 20,388
Pre-tax loss from operations	(5,067)	(2,338)
Pre-tax gain on sale	603	-
Net loss	(3,094)	(1,383)

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NOTE 4 – INVENTORIES

Inventories are summarized as follows:

	December 31,	
	2011	2010
Finished goods	\$ 14,763	\$ 16,453
Work in process	18,518	9,528
Raw materials and purchased components	37,275	37,868
Reserve for slow-moving inventory	(3,565)	(3,687)
TOTAL INVENTORY	\$ 66,991	\$ 60,161

Included in the “Raw materials and purchased components” line item above are transitional engines purchased in preparation for the 2010 engine emissions change. In addition, this line item includes engines that were purchased from vendors who had notified the Company that the respective models would no longer be available. These combined engines amounted to \$607 and \$5,560 December 31, 2011 and 2010.

The Company also has a number of demonstration units as part of its sales and training program. These demonstration units are included in the “Finished goods” line item above, and amounted to \$8,091 and \$5,606 at December 31, 2011 and 2010. When the demonstration units are sold, the cost related to the demonstration unit is included in Cost of products sold on the Company’s Consolidated Statements of Income.

NOTE 5 - PROPERTY, PLANT AND EQUIPMENT

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

	December 31,	
	2011	2010
Land and improvements	\$ 6,676	\$ 6,769
Buildings and improvements	66,070	66,917
Plant machinery and equipment	27,737	26,196
Furniture and fixtures	15,173	14,252
Vehicles	3,242	3,267
Construction in process	1,095	1,307
SUBTOTAL	119,993	118,708
Less accumulated depreciation	(54,594)	(47,440)
TOTAL PROPERTY, PLANT AND EQUIPMENT, NET	\$ 65,399	\$ 71,268

During 2011, the Company engaged in certain restructuring activities, including the write down of \$1,186 for fixed assets, consisting of \$753 for a building that is no longer in use and \$433 for tooling related to a discontinued product line. These restructuring charges include \$433 and \$627 recorded within Cost of products sold and Operating expenses, respectively, under the Company’s Specialty Vehicles segment and \$126 recorded within Operating expenses reported under “Other” in the Company’s segment reporting. See Note 14, *Restructuring Charges* for further information on these activities.

There were no capitalized interest costs in 2011 or 2010.

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NOTE 6 - LEASES

The Company leases certain office equipment and manufacturing and warehouse space under operating lease agreements. Leases generally provide that the Company shall pay the cost of utilities, insurance, taxes and maintenance. Rent expense for the years ended December 31, 2011, 2010 and 2009 was \$1,201, \$799 and \$1,063, respectively.

Future minimum operating lease commitments under non-cancelable leases are as follows:

Year	Future Minimum Operating Lease Payment Amounts
2012	\$ 1,104
2013	934
2014	499
2015	283
2016	32
Total	\$ 2,852

On February 13, 2012, the Company entered into a ten year lease, commencing March 1, 2012, for an existing building of approximately 425,600 square feet of manufacturing and office space. The Company's aggregate contractual lease payment obligation under the lease is \$7,150, payable in equal monthly payments over the ten year term of the lease. See Note 18, *Subsequent Events* for further information about this lease.

The Company leases certain office equipment, computer hardware and material handling equipment under capital lease agreements. Cost and accumulated depreciation of capitalized leased assets included in machinery and equipment are \$346 and \$235, respectively, at December 31, 2011. Future minimum capital lease commitments under non-cancelable leases are as follows:

Year	Future Minimum Capital Lease Payments
2012	\$ 69
2013	65
2014	30
2015	-
Total lease obligations, including imputed interest	164
Less imputed interest charges	(25)
Total outstanding capital lease obligations	139

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NOTE 7 – GOODWILL AND INTANGIBLE ASSETS

The Company tests goodwill for impairment at the reporting unit level on an annual basis as of October 1, or whenever an event or change in circumstances occurs that would more likely than not reduce the fair value of a reporting unit below its carrying amount. The Company early adopted ASU 2011-08 for its goodwill testing in the fourth quarter of 2011. See “Goodwill and Other Indefinite-Lived Intangible Assets” within Note 1 *General and Summary of Accounting Policies* for a description of the Company’s accounting policies regarding goodwill and other intangible assets.

At October 1, 2011 the Company performed a qualitative assessment of its Utilimaster reporting unit, which is included in the Company’s Delivery and Service Vehicles reportable segment, to evaluate the potential for impairment of its goodwill. After assessing the totality of relevant events and circumstances related to its Utilimaster reporting unit, the Company determined that it was more likely than not that the fair value of its Utilimaster reporting unit exceeded its carrying amount. Accordingly it was unnecessary to perform the two-step impairment test and no goodwill impairment was recognized in 2011 for the Utilimaster reporting unit. At October 1, 2010, the goodwill at Utilimaster was evaluated using a discounted cash flow valuation. Based on that valuation, the estimated fair value of Utilimaster exceeded its carrying value by approximately 17% and therefore no impairment was recorded.

The goodwill at the Company’s Crimson subsidiary, a reporting unit which is included in the Company’s Specialty Vehicles reportable segment, was evaluated as of October 1, 2011 and 2010, using a discounted cash flow valuation. The estimated fair value of Crimson exceeded its carrying value by approximately 22% and 24% in 2011 and 2010 and therefore there was no impairment. As discussed in Note 1, *General and Summary of Accounting Policies*, there are significant judgments inherent in the Company’s impairment assessments and discounted cash flow analyses. These discounted cash flow analyses are most sensitive to the weighted average cost of capital (“WACC”) assumption. Based on the discounted cash flow valuation at October 1, 2011, an increase in the WACC for the Crimson reporting unit of approximately 180 basis points would not result in impairment.

The goodwill at the Company’s Classic Fire subsidiary, a reporting unit which is included in the Company’s Specialty Vehicles reportable segment, was evaluated as of October 1, 2011 using a discounted cash flow valuation. The estimated fair value of Classic Fire exceeded its carrying value by approximately 1%, and therefore there was no impairment. The Company does not consider the small excess of Classic Fire’s fair value over its carrying cost to be an indication of the likelihood of future goodwill impairment for this reporting unit due to the short time period since its acquisition on April 1, 2011 to the testing date of October 1, 2011. See Note 2, *Acquisition Activities* for further information on the acquisition of Classic Fire.

The Company’s goodwill by reportable segment is as follows (amounts in thousands):

	Specialty Vehicles	Delivery and Service Vehicles	Total
Balances as of December 31, 2009	\$ 2,457	\$ 15,947	\$ 18,404
Adjustment to Utilimaster acquisition	-	14	14
Balances as of December 31, 2010	2,457	15,961	18,418
Acquisition of Classic Fire	2,397	--	2,397
Balances as of December 31, 2011	<u>\$ 4,854</u>	<u>\$ 15,961</u>	<u>\$ 20,815</u>

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There were no accumulated impairment losses recorded against the goodwill in the Company's Specialty Vehicles or Delivery and Service Vehicles segments as of December 31, 2009.

The Company has other intangible assets associated with its Utilimaster and Classic Fire subsidiaries, including customer relationships, non-compete agreements, unpatented technology, an acquired product development project and trade names. See Note 2 *Acquisition Activities* for further information on these intangible assets.

The Company recorded \$653, \$545 and \$129 of intangible asset amortization expense during 2011, 2010 and 2009. The amortizable intangible assets are being amortized over their remaining lives consistent with the pattern of economic benefits estimated to be received. The acquired product development project intangible will be amortized on a similar basis following its completion in January, 2012. The non-compete agreement, unpatented technology, and certain other intangible assets resulting from the Classic Fire acquisition are being amortized on a straight-line basis, while the Company's other intangible assets, except for the trade names which have an indefinite life, are being amortized based on the pattern of estimated after-tax operating income generated. The Company estimated the fair value of its Utilimaster and Classic Fire trade names, as of October 1, 2011 and 2010, based on estimates of future royalty payments that are avoided through its ownership of the trade names, discounted to their present value. The estimated fair value of the Company's Utilimaster trade name at October 1, 2011 and 2010 exceeded its carrying cost by approximately 26% and 14%, respectively. The estimated fair value of the Company's Classic Fire trade name at October 1, 2011 exceeded its carrying cost by approximately 5%. Accordingly, there was no impairment recorded on either of these trade names during the years ended December 31, 2011 or 2010.

The following table provides information regarding the Company's other intangible assets:

	Weighted average amortization period (years)	As of December 31, 2011			As of December 31, 2010		
		Gross carrying amount	Accumulated amortization	Net	Gross carrying amount	Accumulated amortization	Net
Customer and dealer relationships	18	\$ 6,760	\$ 817	\$ 5,943	\$ 6,170	\$ 282	\$ 5,888
Acquired product development project	20	1,860	-	1,860	1,860	-	1,860
Unpatented technology	10	380	29	351	-	-	-
Non-compete agreements	6	520	161	359	400	72	328
Backlog	less than 1	320	320	-	320	320	-
Trade Names	indefinite	3,430	-	3,430	2,870	-	2,870
		<u>\$ 13,270</u>	<u>\$ 1,327</u>	<u>\$ 11,943</u>	<u>\$ 11,620</u>	<u>\$ 674</u>	<u>\$ 10,946</u>

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The estimated remaining amortization associated with finite-lived intangible assets is expected to be expensed as follows:

	Amount	
2012	\$	891
2013		958
2014		870
2015		776
2016		600
Thereafter		4,418
	\$	<u>8,513</u>

NOTE 8 - TAXES ON INCOME

Taxes on income consist of the following:

	Year Ended December 31,		
	2011	2010	2009
Taxes on income of continuing operations	\$ 510	\$ 3,017	\$ 7,023
Income tax credits of discontinued operations	-	(1,275)	(736)
Total taxes on income	<u>\$ 510</u>	<u>\$ 1,742</u>	<u>\$ 6,287</u>

Income taxes from continuing operations consist of the following:

	Year Ended December 31,		
	2011	2010	2009
Current:			
Federal	\$ 452	\$ 2,475	\$ 4,344
State	546	958	69
Total current	<u>998</u>	<u>3,433</u>	<u>4,413</u>
Deferred (credit):			
Federal	(71)	(458)	2,395
State	(417)	42	215
Total deferred	<u>(488)</u>	<u>(416)</u>	<u>2,610</u>
TOTAL TAXES ON INCOME	<u>\$ 510</u>	<u>\$ 3,017</u>	<u>\$ 7,023</u>

The above current tax expense amounts differ from the actual amounts payable to the taxing authorities due to the tax impact associated with stock incentive plan transactions under the plans described in Note 12, *Stock Based Compensation*. These adjustments were an addition of \$222 and \$566 in 2011 and 2010, and a reduction of \$140 in 2009. The adjustments to current taxes on income were recognized as adjustments of additional paid-in capital. Taxes on income for the year ended December 31, 2010 include \$1,168 for research and development tax credits applied for in 2010, which is largely a reflection of the Company's increased research and development efforts in recent years.

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

	Year Ended December 31,					
	2011		2010		2009	
	Amount	Percentage	Amount	Percentage	Amount	Percentage
Federal income taxes at the statutory rate	\$ 436	34.00%	\$ 3,588	35.00%	\$ 7,062	35.00%
Increase (decrease) in income taxes resulting from:						
Nondeductible expenses	418	32.57	111	1.08	316	1.57
State tax expense, net of federal income tax benefit	46	3.59	650	6.34	250	1.23
Adjustment of valuation allowance on state net operating losses and tax credit carryforwards, net of federal income tax benefit	(103)	(8.02)	--	--	--	--
Section 199 production deduction	(85)	(6.62)	(289)	(2.82)	(279)	(1.38)
Federal research and development tax credit	(327)	(25.48)	(1,168)	(11.40)	(203)	(1.01)
Other	125	9.71	125	1.23	(123)	(0.60)
TOTAL	\$ 510	39.75%	\$ 3,017	29.43%	\$ 7,023	34.81%

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

	December 31,	
	2011	2010
Current asset (liability):		
State tax credit and net operating loss carryforwards, net of federal income tax benefit	\$ 4,006	\$ 3,688
Warranty reserve	2,599	2,524
Inventory costs and reserves	1,940	2,072
Compensation related accruals	889	868
Federal income tax benefit related to state unrecognized tax benefits	87	517
Vendor compensation	146	201
Prepaid insurance	(305)	(275)
Charitable contributions	278	-
Other	331	272
Total - Current	9,971	9,867
Valuation Allowance	(3,546)	(3,649)
Total - Current, Net	\$ 6,425	\$ 6,218
Noncurrent asset (liability):		
Depreciation	\$ (6,653)	\$ (6,314)
Goodwill	(3,890)	(3,835)
Other	3,184	2,509
Total - Noncurrent, net	\$ (7,359)	\$ (7,640)

At December 31, 2011 and 2010, the Company had state deferred tax assets, related to state tax net operating loss carry-forwards, of approximately \$1,136 and \$931, respectively, which begin expiring in 2017. Also, as of December 31, 2011, the Company had state deferred tax assets, related to state tax credit carry-forwards, of approximately \$5,026, which begin expiring in 2019. The Company has valuation allowances against these deferred tax assets, which are reflected in the above table net of Federal income taxes, and expects to maintain these allowances on future tax benefits of state net operating losses and tax credits until an appropriate level of profitability is sustained or the Company is able to develop tax strategies that will enable it to conclude that, more likely than not, a portion of the deferred tax assets will be realizable in the particular states.

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A reconciliation of the change in the unrecognized tax benefits (“UTB”) for the three years ended December 31, 2011, 2010 and 2009 is as follows:

	2011	2010	2009
Balance at January 1,	\$ 987	\$ 1,145	\$ 884
Increase (decrease) related to prior year tax positions	(62)	280	304
Increase related to Utilimaster purchase	--	--	279
Increase (decrease) related to current year tax positions	150	150	(3)
Settlements	176	(535)	(319)
Expiration of statute	(261)	(53)	--
Balance at December 31,	<u>\$ 990</u>	<u>\$ 987</u>	<u>\$ 1,145</u>

As of December 31, 2011, the Company had an ending UTB balance of \$990, along with \$315 of interest and penalties, for a total of \$1,305. Of this total, \$269 was recorded as current and \$1,036 as non-current, based on the applicable statute of limitations. The change in interest and penalties amounted to a decrease of \$49 and \$1 in 2011 and 2010 and an increase of \$190 in 2009, which were reflected in taxes on income within the Consolidated Statements of Income.

The Company operates in multiple tax jurisdictions and could be subject to audit in any of these jurisdictions. These audits can involve complex issues that may require an extended period of time to resolve and may cover multiple years. To the extent the Company prevails in matters for which reserves have been established, or is required to pay amounts in excess of its reserves, the Company’s effective income tax rate in a given fiscal period could be materially affected. An unfavorable tax settlement would require use of the Company’s cash and could result in an increase in the Company’s effective income tax rate in the period of resolution. A favorable tax settlement could result in a reduction in the Company’s effective income tax rate in the period of resolution. The Company does not expect the total amount of unrecognized tax benefits to significantly increase or decrease over the next twelve months.

As of December 31, 2011, the Company is no longer subject to examination by federal taxing authorities for 2006 and earlier. The Company also files tax returns in a number of states and those jurisdictions remain subject to examination in accordance with relevant state statutes.

NOTE 9- DEBT

Long-term debt consists of the following:

	December 31, 2011	December 31, 2010
Note payable to Prudential Investment Management, Inc. Principal due December 1, 2016 with quarterly interest only payments of \$68 at 5.46%. Unsecured debt. (1)	\$ 5,000	\$ 5,000
Line of credit revolver (2):	--	--
Capital lease obligations (See Note 6 – Leases)	139	224
Total debt	5,139	5,224
Less current portion of long-term debt	(55)	(102)
Total long-term debt	<u>\$ 5,084</u>	<u>\$ 5,122</u>

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The long-term debt due is as follows; \$55 in 2012; \$56 in 2013; \$28 in 2014; none in 2015 and \$5,000 thereafter.

- (1) The Company has a private shelf agreement with Prudential Investment Management, Inc., which allows the Company to borrow up to \$45,000 to be issued in \$5,000 minimum increments. The interest rate is determined based on applicable rates at the time of issuance. The Company had \$5,000 of private placement notes outstanding at December 31, 2011 and 2010 with prudential Investment Management, Inc.
- (2) The Company's primary line of credit is a \$70,000 unsecured revolving line with Well Fargo Bank and JPMorgan Chase Bank, expiring on December 16, 2016. Both lending institutions equally share this commitment. This line carries an interest rate of the higher of either (i) the highest of prime rate, the federal funds effective rate plus 0.5%, or the one month adjusted LIBOR plus 1.00%; or (ii) adjusted LIBOR plus margin based upon the Company's ratio of debt to earnings from time to time. The Company had no borrowings on this line at December 31, 2011 or 2010. General Motors Company ("GM") has the ability to draw up to \$5,000 against the Company's primary line of credit in relation to chassis supplied to Utilimaster under a chassis bailment inventory program, resulting in net available borrowings of \$65,000 at December 31, 2011. See Note 13, *Commitments and Contingent Liabilities* for further information about this chassis bailment inventory program. The applicable borrowing rate including margin was 3.25% at December 31, 2011.

Under the terms of the primary line of credit agreement and the private shelf agreement, the Company is required to maintain certain financial ratios and other financial conditions. The agreements also prohibit the Company from incurring additional indebtedness; limit certain acquisitions, investments, advances or loans; and restrict substantial asset sales. At December 31, 2011 and 2010, the Company was in compliance with all debt covenants.

NOTE 10 - TRANSACTIONS WITH MAJOR CUSTOMERS

Major customers are defined as those with sales greater than 10 percent of consolidated sales in a given year. For comparative purposes, amounts are presented for those customers in the other years presented.

The Company had one customer classified as a major customer in 2011, which was a customer of the Delivery and Service Vehicles segment, while the major customers from 2010 and 2009 were from the Specialty Vehicles segment, as follows:

Customer	2011		2010		2009	
	Sales	Accounts Receivable (at year end)	Sales	Accounts Receivable (at year end)	Sales	Accounts Receivable (at year end)
Customer A	\$ 73,508	\$ 2,272	\$ 38,617	\$ 1,458	\$ 4,921	\$ 244
Customer B	35,598	851	48,680	3,329	10,919	3,120
Customer C	17,063	930	65,165	7,215	91,479	4,955

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NOTE 11 - COMPENSATION INCENTIVE PLANS

The Company sponsors defined contribution retirement plans which cover all associates who meet length of service and minimum age requirements. The Company's matching contributions vest over 5 years and were approximately \$271, \$273 and \$1,100 in 2011, 2010 and 2009. These amounts were expensed as incurred.

The Spartan Motors, Inc. Economic Value Add Plan (the "EVA Plan") encompasses a quarterly and an annual bonus program. The quarterly program covers certain full-time employees of the Company. The cash bonuses paid under the quarterly program are equal for all participants. Amounts expensed for the quarterly bonus were \$1,024, \$309 and \$1,400 for 2011, 2010 and 2009.

The annual bonus provides that executive officers and certain designated managers may earn cash bonuses based on the Company's achievement of a target amount of net operating profit after tax for a given year, less a capital charge based upon the tangible net operating assets employed in the business, along with achievement of certain pre-defined management objectives. Amounts expensed for the annual bonus were \$1,149, \$687 and \$1,100 for 2011, 2010 and 2009.

NOTE 12 - STOCK BASED COMPENSATION

The Company has stock incentive plans covering certain employees and non-employee directors. Shares reserved for stock awards under these plans total 4,950,000. Total shares remaining available for stock incentive grants under these plans totaled 1,124,000 at December 31, 2011. The Company is currently authorized to grant stock options, restricted stock, restricted stock units, stock appreciation rights and common stock under its various stock incentive plans which include its Stock Option and Restricted Stock Plan of 2003, Stock Incentive Plan of 2005 and Stock Incentive Plan of 2007. The stock incentive plans allow certain employees, officers and non-employee directors to purchase common stock of Spartan Motors at a price established on the date of grant. Incentive stock options granted under these plans must have an exercise price equal to or greater than 100% of the fair market value of Spartan Motors stock on the grant date.

Stock Options and Stock Appreciation Rights. Granted options and Stock Appreciation Rights (SARs) vest immediately and are exercisable for a period of 10 years from the grant date. The exercise price for all options and the base price for all SARs granted have been equal to the market price at the date of grant. Dividends are not paid on unexercised options or SARs. SARs are settled with shares of common stock upon exercise.

The Company receives a tax deduction for certain stock option exercises during the period the options are exercised, generally for the excess of the fair value of the stock on the date of exercise over the exercise price of the options. As required, the Company reports any excess tax benefits in its Consolidated Statement of Cash Flows as financing cash flows. Excess tax benefits derive from the difference between the tax deduction and the fair market value of the option as determined by the Black-Scholes valuation model.

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Option activity for the year ended December 31, 2011 is as follows for all plans:

	Total Number of Options (000)	Weighted Average Exercise Price	Total Intrinsic Value	Weighted Average Remaining Contractual Term (Years)
Options outstanding and exercisable at December 31, 2010	682	\$ 4.81		
Granted and vested	--	--		
Exercised	(53)	2.77		
Cancelled	(24)	4.60		
Options outstanding and exercisable at December 31, 2011	605	4.99	\$ 96	2.2

No options were granted in 2011, 2010 or 2009. The total intrinsic value of options exercised during years ended December 31, 2011, 2010 and 2009, were \$147, \$204 and \$538.

SARs activity for the year ended December 31, 2011 is as follows for all plans:

	Total Number of SARs (000)	Weighted Average Grant Date Fair Value	Total Intrinsic Value	Weighted Average Remaining Contractual Term (Years)
SARs outstanding and exercisable at December 31, 2010	392	\$ 3.04		
Granted and vested	--	--		
Exercised	(1)	2.03		
Cancelled	(26)	3.07		
SARs outstanding and exercisable at December 31, 2011	365	3.04	\$ 18	5.2

No SARs were granted in 2011, 2010 or 2009; accordingly, there was no related compensation expense nor income tax benefit recognized in the corresponding income statements. These SARs could have been exercised for the issuance of 3,648 shares of the Company's common stock at December 31, 2011. The total intrinsic value of SARs exercised during the years ended December 31, 2011, 2010 and 2009 was \$3, \$0 and \$120.

Restricted Stock Awards. The Company issues restricted stock, at no cash cost, to directors, officers and key employees of the Company. Shares awarded entitle the shareholder to all rights of common stock ownership except that the shares are subject to the risk of forfeiture and may not be sold, transferred, pledged, exchanged or otherwise disposed of during the vesting period, which is generally three to five years. The unearned stock-based compensation related to restricted stock awards, using the market price on the date of grant, is being amortized to compensation expense over the applicable vesting periods. Cash dividends are paid on unvested restricted stock grants and all such dividends vest immediately.

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The Company receives an excess tax benefit or liability during the period the restricted shares vest. The excess tax benefit (liability) is determined by the excess (shortfall) of the market price of the stock on date of vesting over (under) the grant date market price used to amortize the awards to compensation expense. As required, any excess tax benefits or liabilities are reported in the Consolidated Statements of Cash Flows as financing cash flows.

Restricted stock activity for the year ended December 31, 2011, is as follows:

	Total Number of Non-vested Shares (000)	Weighted Average Grant Date Fair Value	Weighted Average Remaining Vesting Life (Years)
Non-vested shares outstanding at December 31, 2010	593	\$ 7.42	
Granted	202	4.30	
Vested	(229)	7.99	
Cancelled	(16)	7.77	
Non-vested shares outstanding at December 31, 2011	550	6.02	1.5

The weighted-average grant date fair value of non-vested shares granted was \$4.30, \$4.30 and \$11.33 for the years ended December 31, 2011, 2010 and 2009.

During 2011, 2010 and 2009, the Company recorded compensation expense, net of cancellations, of \$1,780, \$2,405 and \$2,332, related to restricted stock awards and direct stock grants. The total income tax benefit recognized in the Consolidated Statements of Income related to restricted stock awards was \$623, \$842 and \$816 for 2011, 2010 and 2009. For the years ended December 31, 2011, 2010 and 2009, restricted shares vested with a fair market value of \$1,134, \$1,055 and \$2,102. When the fair value of restricted shares is lower on the date of vesting than that previously expensed for book purposes, an excess tax liability is booked. As of December 31, 2011, the Company had unearned stock-based compensation of \$2,553 associated with these restricted stock grants, which will be recognized over a weighted average of 1.5 years.

Employee Stock Purchase Plan. The Company instituted an employee stock purchase plan ("ESPP") beginning on October 1, 2011 whereby essentially all employees who meet certain service requirements can purchase the Company's common stock on quarterly offering dates at a 5% discount to the fair market value on the purchase date. A maximum of 750,000 shares are authorized for purchase until the ESPP termination date of February 24, 2021, or earlier termination of the ESPP.

NOTE 13 - COMMITMENTS AND CONTINGENT LIABILITIES

Under the terms of its credit agreement with its banks, the Company has the ability to issue letters of credit totaling \$10,000. At December 31, 2011 and 2010, the Company had outstanding letters of credit totaling \$5,084 and \$1,180, respectively, related to the Company's workers compensation insurance, certain emergency response vehicle body contracts and the Utilimaster chassis agreement discussed below.

In December, 2011, the Company reached a settlement with a customer regarding certain supply contracts Spartan Chassis had completed but for which the customer claimed a post-delivery price adjustment. An adjustment for the excess amount accrued over the settlement amount is reflected in sales for the year ended December 31, 2011.

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At December 31, 2011, 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.

Chassis Agreements

Utilimaster assembles van and truck bodies onto original equipment manufacturer ("OEM") chassis. The majority of such OEM chassis are purchased directly by Utilimaster's customers from the OEM and drop-shipped to Utilimaster's premises. Utilimaster is a bailee of most other chassis under converter pool agreements with the OEMs, as described below. Chassis possessed under converter pool agreements are invoiced to the customer by the OEM or its affiliated financial institution based upon the terms of the converter pool agreements. On an annual basis, Utilimaster purchases and takes title to an immaterial number of chassis that ultimately are recorded as sales and cost of sales. Converter pool chassis obtained from the OEMs are based upon estimated future requirements and, to a lesser extent, confirmed orders from customers. Although each manufacturer's agreement has different terms and conditions, the agreements generally provide that the manufacturer will provide a supply of chassis to be maintained at Utilimaster's production facility under the conditions that Utilimaster will store such chassis, will not make any additions or modifications to such chassis and will not move, sell or otherwise dispose of such chassis, except under the terms of the agreement. The manufacturer does not transfer the certificate of origin to Utilimaster and, accordingly, Utilimaster accounts for the chassis in the Company's possession as bailed inventory belonging to the manufacturer.

Utilimaster is party to a chassis bailment inventory agreement with GM which allows GM to draw up to \$5,000 against the Company's revolving credit line for chassis placed at Utilimaster. As a result of this agreement, there was \$4,030 and \$1,858 outstanding on the Company's revolving credit line on December 31, 2011 and 2010. Under the terms of the bailment inventory agreement, these chassis never become the property of Utilimaster, and the amount drawn against the credit line will be repaid by a GM dealer at the time an order is placed for a Utilimaster body, utilizing a GM chassis. As such, the chassis, and the related draw on the line of credit, are not reflected in the accompanying Consolidated Balance Sheets. See Note 9 *Debt* for further information on the Company's revolving line of credit.

Warranty Related

The Company's subsidiaries all provide limited warranties against assembly/construction defects. These warranties generally provide for the replacement or repair of defective parts or workmanship for a specified period following the date of sale. The end users also may receive limited warranties from suppliers of components that are incorporated into the Company's chassis and vehicles.

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 and liability 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.

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

Changes in the Company's warranty liability during the years ended December 31, 2011 and 2010 were as follows:

	<u>2011</u>	<u>2010</u>
Balance of accrued warranty at January 1	\$ 5,702	\$ 6,296
Warranties issued during the period	2,750	3,530
Adjustments (1)	140	-
Cash settlements made during the period	(4,164)	(5,306)
Changes in liability for pre-existing warranties during the period, including expirations	1,374	1,182
Balance of accrued warranty at December 31	<u>\$ 5,802</u>	<u>\$ 5,702</u>

(1) Adjustments are assumed warranties outstanding at Classic Fire on April 1, 2011.

NOTE 14 – RESTRUCTURING CHARGES

During 2011, 2010 and 2009, the Company has undergone restructuring activities, pertaining to continuing operations, to help align expenses with current and future revenue expectations.

The following table provides a summary of the compensation related charges incurred through December 31, 2011, along with the related outstanding balances to be paid in relation to those expenses.

	<u>Severance</u>
Balance as of January 1, 2010	\$ -
Accrual for severance	1,022
Payments made in period	<u>(906)</u>
Balance December 31, 2010	\$ 116
Accrual for severance	278
Payments and adjustments made in period	<u>(394)</u>
Balance December 31, 2011	<u>\$ -</u>

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Restructuring charges included in the Consolidated Statements of Income for the years ended December 31, 2011 and 2010 broken down by segment as follows:

	2011			2010			2009		
	Specialty Vehicles	Other	Total	Specialty Vehicles	Delivery and Service Vehicles	Total	Specialty Vehicles	Delivery and Service Vehicles	Total
Accrual for severance	\$ 278	\$ -	\$ 278	\$ 380	\$ 642	\$ 1,022	\$ 411	\$ -	\$ 411
Inventory impairment	1,317	-	1,317	974	-	974	-	-	-
Asset impairments (1)	1,060	126	1,186	-	-	-	429	-	429
Totals through December 31	<u>\$ 2,655</u>	<u>\$ 126</u>	<u>\$ 2,781</u>	<u>\$ 1,354</u>	<u>\$ 642</u>	<u>\$ 1,996</u>	<u>\$ 840</u>	<u>\$ -</u>	<u>\$ 840</u>

(1) Asset impairments in 2011 include \$753 for a disused building and \$433 for tooling related to a discontinued product line. The asset impairment in 2009 includes \$429 for demolition of an abandoned building.

Restructuring charges affecting cost of products sold amounted to \$1,731, \$990 and \$264 for the years ended December 31, 2011, 2010 and 2009. Restructuring charges impacting operating expenses for the years ended December 31, 2011, 2010 and 2009 were \$1,050, \$1,006 and \$576.

NOTE 15 – EARNINGS PER SHARE

The table below reconciles basic weighted average common shares outstanding to diluted weighted average shares outstanding for 2011, 2010 and 2009 (in thousands). The stock awards noted as antidilutive were not included in the diluted weighted average common shares outstanding. Although these stock awards were not included in the Company's calculation of basic or diluted earnings per share ("EPS"), they may have a dilutive effect on the EPS calculation in future periods if the price of the common stock increases.

	Year Ended December 31,		
	2011	2010	2009
Basic weighted average common shares outstanding	33,438	33,021	32,729
Effect of dilutive stock options	50	80	187
Diluted weighted average common shares outstanding	<u>33,488</u>	<u>33,101</u>	<u>32,916</u>
Antidilutive stock awards:			
Stock options	65	258	41

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NOTE 16 - BUSINESS SEGMENTS

Based on its management structure and the processes employed for allocating resources across the Company by its chief operating decision makers, the Company operates in two reportable business segments: Specialty Vehicles and Delivery and Service Vehicles.

The Specialty Vehicle segment consists of Crimson, Crimson Aerials, Classic Fire and Spartan Chassis. This segment engineers and manufactures emergency response chassis, motor home chassis, specialty vehicle chassis and emergency response bodies, and distributes related aftermarket parts and assemblies. The Delivery and Service Vehicles segment consists of Utilimaster and focuses on designing and manufacturing walk-in vans for the delivery and service market and the production of commercial truck bodies. Assets and related depreciation expense and interest expense in the column labeled "Other" pertain to capital assets and debt maintained at the corporate level. Appropriate expense amounts are allocated to the two reportable segments and are included in their reported earnings or loss from operations. Segment loss from operations in the "Other" column contains the related eliminations for the allocation, as well as corporate related expenses not allocable to the operating segments.

Sales to customers outside the United States were \$22,675, \$14,173 and \$11,101 for the years ended December 31, 2011, 2010 and 2009, respectively, or 5.3%, 2.9% and 2.6%, respectively, of sales for those years. All of the Company's long-lived assets are located in the United States.

The accounting policies of the segments are the same as those described in Note 1, *General and Summary of Accounting Policies*. Sales and other financial information by business segment are as follows:

Year Ended December 31, 2011

	Business Segments			Consolidated
	Specialty Vehicles	Delivery and Service Vehicles	Other	
Motorhome chassis sales	\$ 66,034	\$ --	\$ --	\$ 66,034
Emergency response chassis sales	106,392	--	--	106,392
Emergency response bodies sales	47,926	--	--	47,926
Utilimaster product sales	--	118,810	--	118,810
Other product sales				
Vehicles	11,818	--	--	11,818
Aftermarket parts and assemblies	28,314	46,716	--	75,030
Sales	<u>\$ 260,484</u>	<u>\$ 165,526</u>	<u>\$ --</u>	<u>\$ 426,010</u>
Interest expense	\$ 41	\$ 227	\$ 56	\$ 324
Depreciation and amortization expense	5,047	2,442	2,522	10,010
Taxes (credit) on income	(597)	3,380	(2,273)	510
Net earnings (loss)	(2,560)	6,433	(3,100)	773
Capital expenditures	1,885	2,597	773	5,255
Segment assets	91,937	80,674	75,998	248,609

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Year Ended December 31, 2010

	Business Segments			Consolidated
	Specialty Vehicles	Delivery and Service Vehicles	Other	
Motorhome chassis sales	\$ 89,003	\$ --	\$ --	\$ 89,003
Emergency response chassis sales	141,584	--	--	141,584
Emergency response bodies sales	50,811	--	--	50,811
Utilimaster product sales	--	96,167	--	96,167
Other product sales				
Vehicles	23,001	--	--	23,001
Service parts and accessories	63,327	16,843	--	80,170
Sales	\$ 367,726	\$ 113,010	\$ --	\$ 480,736
Interest expense	\$ 1,070	\$ 194	\$ (314)	\$ 950
Depreciation and amortization expense	5,013	3,336	2,369	10,718
Taxes (credit) on income	4,979	(968)	(994)	3,017
Net earnings (loss) from continuing operations	13,042	(1,438)	(4,369)	7,235
Net loss from discontinued operations	--	--	(3,094)	(3,094)
Net earnings (loss)	13,042	(1,438)	(7,463)	4,141
Capital expenditures	2,223	1,414	232	3,869
Segment assets	116,052	65,860	59,837	241,749

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Year Ended December 31, 2009

	Business Segments			Consolidated
	Specialty Vehicles	Delivery and Service Vehicles (1)	Other	
Motor home chassis sales	\$ 35,613	\$ --	--	\$ 35,613
Emergency response chassis sales	149,719	--	--	149,719
Emergency response bodies sales	46,234	--	--	46,234
Utilimaster product sales		12,061		12,061
Other product sales				
Specialty Vehicles	24,402	--	--	24,402
Service parts and accessories	140,322	1,187	--	141,509
Sales	<u>\$ 396,290</u>	<u>\$ 13,248</u>	<u>\$ --</u>	<u>\$ 409,538</u>
Interest expense	\$ 1,362	\$ 17	\$ 57	\$ 1,322
Depreciation and amortization expense	4,816	357	2,330	7,503
Taxes (credit) on income	10,174	(425)	(2,726)	7,023
Net earnings (loss) from continuing operations	18,080	(663)	(4,262)	13,155
Net loss from discontinued operations	--	--	(1,383)	(1,383)
Net earnings (loss)	18,080	(663)	(5,645)	11,772
Capital expenditures	5,399	101	121	5,621
Segment assets	151,225	66,780	75,272	293,277

(1) Represents only one month ended December 31, 2009.

NOTE 17 - QUARTERLY FINANCIAL DATA (UNAUDITED)

Summarized quarterly financial data for the years ended December 31, 2011 and 2010 is as follows (full year amounts may not sum due to rounding):

	2011 Quarter Ended				2010 Quarter Ended			
	Mar 31	June 30	Sept 30	Dec 31	Mar 31	June 30	Sept 30	Dec 31
Sales	\$ 95,133	\$ 99,364	\$ 120,303	\$ 111,211	\$ 117,636	\$ 115,656	\$ 120,572	\$ 126,875
Gross profit	12,962	12,666	20,458	14,531	16,841	16,493	19,770	19,441
Net earnings (loss)	(898)	(898)	3,198	694	3	(2,610)	3,317	3,431
Basic net earnings (loss) per share	(0.03)	(0.07)	0.10	0.02	0.00	(0.08)	0.10	0.10
Diluted net earnings (loss) per share	(0.03)	(0.07)	0.10	0.02	0.00	(0.08)	0.10	0.10

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During the second quarter of 2011, the Company incurred costs of \$2,781 associated with restructuring activities. Of those restructuring costs, recorded in cost of products sold were \$1,731, while operating expenses recorded were \$1,050. See Note 14, *Restructuring Charges*, for more details on this activity.

During the first and second quarters of 2010, the Company incurred costs associated with restructuring activities of \$178 and \$1,818, respectively. Of those restructuring costs, recorded in cost of products sold were \$13 and \$977 in the first and second quarter, respectively, while operating expenses recorded were \$165 and \$841 for the first and second quarter, respectively. See Note 14, *Restructuring Charges*, for more details on this activity.

NOTE 18 – SUBSEQUENT EVENTS

On February 10, 2012 the Company's Board of Directors approved the sale of the Company's facility in Wakarusa, Indiana.

On February 13, 2012, the Company entered into a lease with Fruit Hills Investments, LLC (the "Lease"), whereby commencing March 1, 2012, the Company will lease an existing building, as well as certain machinery and equipment within the building. The Company's aggregate contractual lease payment obligation under the lease is \$7,150, payable in equal monthly payments over the ten year term of the lease. Under the terms of the lease, the Company has an option to purchase the leased land and building at its then-current appraised fair market value, along with an option to renew the lease, at the same base rental rate, for an additional term of five years following the initial ten year lease term.

On February 14, 2012, the Company announced the planned move of its Utilimaster operations from its current campus in Wakarusa, Indiana to the leased building in Bristol, Indiana. As a result of the move and expected sale, the Company expects to record a non-cash impairment charge totaling \$4 million to \$6 million in the first quarter of 2012 on its land, buildings and certain machinery and equipment related to its Wakarusa, Indiana campus.

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

None.

Item 9A. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures.

An evaluation was performed under the supervision and with the participation of the Company's management, including the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934) as of December 31, 2011. 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.

Management's Report on Internal Control Over Financial Reporting.

Management is responsible for establishing and maintaining adequate internal control over financial reporting, as such term is defined in Exchange Act Rules 13a-15(f) and 15d-15(f). Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of the effectiveness of our internal control over financial reporting as of December 31, 2011, based on the framework in Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission. Based on that evaluation our management concluded that our internal control over financial reporting was effective as of December 31, 2011. The effectiveness of our internal control over financial reporting as of December 31, 2011 has been audited by BDO USA, LLP, an independent registered public accounting firm, as stated in its attestation report, which is included in Item 8 and is incorporated into this Item 9A by reference.

Changes in Internal Control Over Financial Reporting.

No changes in our internal control over financial reporting were identified as having occurred during the quarter ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

Item 9B. Other Information.

None.

PART III

Item 10. Directors, Executive Officers, and Corporate Governance.

The information required by this item, with respect to directors, executive officers, audit committee, and audit committee financial experts of the Company and Section 16(a) beneficial ownership reporting compliance is contained under the captions "Spartan Motors' Board of Directors and Executive Officers" and "Section 16(a) Beneficial Ownership Reporting Compliance" in the Company's definitive proxy statement for its annual meeting of shareholders to be held on May 23, 2012, to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2011, and is incorporated herein by reference.

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

Item 11. Executive Compensation.

The information required by this item is contained under the captions “Executive Compensation,” “Compensation of Directors,” “Compensation Committee Report” and “Compensation Committee Interlocks and Insider Participation” in the Company’s definitive proxy statement for its annual meeting of shareholders to be held on May 23, 2012, to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2011, and is incorporated herein by reference.

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

The information required by this item (other than that set forth below) is contained under the caption “Ownership of Spartan Motors Stock” in the Company’s definitive proxy statement for its annual meeting of shareholders to be held on May 23, 2012, to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2011, and is incorporated herein by reference.

The following table provides information about the Company’s equity compensation plans regarding the number of securities to be issued under these plans upon the exercise of outstanding options, the weighted-average exercise prices of options outstanding under these plans, and the number of securities available for future issuance as of December 31, 2011.

Equity Compensation Plan Information

Plan category	Number of securities to be issued upon exercise of outstanding options, warrants and rights (a)	Weighted average exercise price of outstanding options, warrants and rights (b)	Number of securities remaining available for future issuance (3) (c)
Equity compensation plans approved by security holders (1)	970,000	\$ 6.14	1,099,000
Equity compensation plans not approved by security holders (2)	--	N/A	25,000
Total	970,000	\$ 6.14	1,124,000

- (1) Consists of the Spartan Motors, Inc. Stock Incentive Plan of 2007 (the “2007 Plan”), Spartan Motors, Inc. Stock Incentive Plan of 2005 (the “2005 Plan”), the Spartan Motors, Inc. Stock Option and Restricted Stock Plan of 2003 (the “2003 Plan”), the Spartan Motors, Inc. Stock Option and Restricted Stock Plan of 1998 (the “1998 Plan”), the Spartan Motors, Inc. 1996 Stock Option and Restricted Stock Plan for Outside Market Advisors (the “1996 Plan”) and the Spartan Motors, Inc. 1994 Incentive Stock Option Plan (the “1994 Plan”).
- (2) Consists of the Spartan Motors, Inc. Directors’ Stock Purchase Plan. This plan provides that non-employee directors of the Company may elect to receive at least 25% and up to 100% of their “director’s fees” in the form of the Company’s common stock. The term “director’s fees” means the amount of income payable to a non-employee director for his or her service as a director of the Company, including payments for attendance at meetings of the Company’s Board of Directors or meetings of committees of the board, and any retainer fee paid to such persons as members of the board. A non-employee director who elects to receive Company common stock in lieu of some or all of his or her director’s fees will, on or shortly after each “applicable date,” receive a number of shares of common stock (rounded down to the nearest whole share) determined by dividing (1) the dollar amount of the director’s fees payable to him or her on the applicable date that he or she has elected to receive in common stock by (2) the market value of common stock on the applicable date. The term “applicable date” means any date on which a director’s fee is payable to the participant. To date, no shares have been issued under this plan.

- (3) Each of the plans reflected in the above table contains customary anti-dilution provisions that are applicable in the event of a stock split or certain other changes in the Company's capitalization. Furthermore, each of the 2007 Plan, the 2005 Plan, the 2003 Plan, the 1998 Plan, the 1996 Plan and the 1994 Plan provides that if a stock option is canceled, surrendered, modified, expires or is terminated during the term of the plan but before the exercise of the option, the shares subject to the option will be available for other awards under the plan.

The numbers of shares reflected in column (c) in the table above with respect to the 2007 Plan (637,694 shares), the 2005 Plan (344,205 shares) and the 2003 Plan (117,225 shares) represent shares that may be issued other than upon the exercise of an existing option, warrant or right.

Item 13. Certain Relationships and Related Transactions, and Director Independence.

The information required by this item is contained under the captions "Transactions with Related Persons" and "Spartan Motors' Board of Directors and Executive Officers" in the Company's definitive proxy statement for its annual meeting of shareholders to be held on May 23, 2012, to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2011, and is incorporated herein by reference.

Item 14. Principal Accountant Fees and Services.

The information required by this item is contained under the caption "Independent Auditor Fees" in the Company's definitive proxy statement for its annual meeting of shareholders to be held on May 23, 2012, to be filed with the Securities and Exchange Commission no later than 120 days after December 31, 2011, and is incorporated herein by reference.

PART IV

Item 15. Exhibits, Financial Statement Schedules.

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

The following consolidated financial statements of the Company and its subsidiaries, and reports of our registered independent public accounting firm, are filed as a part of this report under Item 8 - Financial Statements and Supplementary Data:

Independent Registered Public Accounting Firm's Report on Consolidated Financial Statements – Years Ended December 31, 2011, 2010 and 2009

Independent Registered Public Accounting Firm's Report on Internal Control Over Financial Reporting – December 31, 2011

Consolidated Balance Sheets - December 31, 2011 and December 31, 2010

Consolidated Statements of Income - Years Ended December 31, 2011, 2010 and 2009

Consolidated Statements of Shareholders' Equity - Years Ended December 31, 2011, 2010 and 2009

Consolidated Statements of Cash Flows - Years Ended December 31, 2011, 2010 and 2009

Notes to Consolidated Financial Statements

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

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

Schedule II-Valuation and Qualifying Accounts

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

Item 15(a)(3). List of Exhibits. The following exhibits are filed as a part of this report:

<u>Exhibit Number</u>	<u>Document</u>
3.1	Spartan Motors, Inc. Restated Articles of Incorporation, as amended to date. Previously filed as an exhibit to the Company's Form 10-Q Quarterly Report for the period ended June 30, 2007, and incorporated herein by reference.
3.2	Spartan Motors, Inc. Bylaws, as amended to date. Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2008, and incorporated herein by reference.
4.1	Spartan Motors, Inc. Restated Articles of Incorporation. See Exhibit 3.1 above.
4.2	Spartan Motors, Inc. Bylaws. See Exhibit 3.2 above.
4.3	Form of Stock Certificate. Previously filed as an exhibit to the Registration Statement on Form S-18 (Registration No. 2-90021-C) filed on March 19, 1984, and incorporated herein by reference.
4.4	Rights Agreement dated July 7, 2007, between Spartan Motors, Inc. and American Stock Transfer and Trust Company, which includes the form of Certificate of Designation, Preferences and Rights of Series B Preferred Stock as Exhibit A, the form of Rights Certificate as Exhibit B and the Summary of Rights to Purchase Series B Preferred Stock as Exhibit C. Previously filed as Exhibit 1 to the Company's Form 8-A filed on July 10, 2007, and incorporated herein by reference.
4.5	The Registrant has several classes of long-term debt instruments outstanding. The authorized amount of none of these classes of debt exceeds 10% of the Company's total consolidated assets. The Company agrees to furnish copies of any agreement defining the rights of holders of any such long-term indebtedness to the Securities and Exchange Commission upon request.
10.1	Restated Spartan Motors, Inc. 1994 Incentive Stock Option Plan, as amended to date. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 2007 and incorporated herein by reference.*
10.2	Spartan Motors, Inc. 1996 Stock Option and Restricted Stock Plan for Outside Market Advisors, as amended. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 2005, and incorporated herein by reference.*
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10.6	Spartan Motors, Inc. Stock Incentive Plan of 2007, as amended. Previously filed as Appendix A to the Company's 2007 Proxy Statement filed April 23, 2007 and incorporated herein by reference.*
10.7	Spartan Motors, Inc. Executive Leadership Team Incentive Compensation Framework.*
10.8	Spartan Motors, Inc. Directors' Stock Purchase Plan. Previously filed as an exhibit to the Company's Form S-8 Registration Statement (Registration No. 333-98083) filed on August 14, 2002, and incorporated herein by reference.*
10.9	Form of Stock Appreciation Rights Agreement. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 2007 and incorporated herein by reference.*
10.10	Form of Restricted Stock Agreement. Previously filed as an exhibit to the Company's Quarterly Report on Form 10-Q for the period ended June 30, 2009, and incorporated herein by reference.*
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10.14	Agreement and Plan of Merger, dated as of November 18, 2009, by and among Spartan Motors, Inc.; SMI Sub, Inc.; Utilimaster Holdings, Inc.; Utilimaster Corporation; and John Hancock Life Insurance Company; as amended by a First Amendment to Agreement and Plan of Merger dated as of November 30, 2009. Previously filed as an exhibit to the Company's Annual Report on Form 10-K for the period ended December 31, 2009 and incorporated herein by reference.
10.15	Amended and Restated Credit Agreement, dated December 16, 2011, by and among the Company, Wells Fargo Bank, National Association, as administrative agent, and the lenders party thereto.
21	Subsidiaries of Registrant.

Exhibit Number	Document
23	Consent of BDO USA, LLP, Independent Registered Public Accounting firm.
24	Limited Powers of Attorney.
31.1	Certification of President and Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act.
31.2	Certification of Chief Financial Officer, Secretary and Treasurer pursuant to Section 302 of the Sarbanes-Oxley Act.
32	Certification pursuant to 18 U.S.C. § 1350.
101.INS	XBRL Instance Document
101.SCH	XBRL Schema Document
101.CAL	XBRL Calculation Linkbase Document
101.DEF	XBRL Definition Linkbase Document
101.LAB	XBRL Label Linkbase Document
101.PRE	XBRL Presentation Linkbase Document

*Management contract or compensatory plan or arrangement.

The Company will furnish a copy of any exhibit listed above to any shareholder of the Company without charge upon written request to Joseph M. Nowicki, Chief Financial Officer, Spartan Motors, Inc., 1541 Reynolds Road, Charlotte, Michigan 48813.

SIGNATURES

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

SPARTAN MOTORS, INC.

March 14, 2012

By /s/ Joseph M. Nowicki
Joseph M. Nowicki
Chief Financial Officer, Treasurer, and Chief/Corporate Compliance Officer
(Principal Financial and Accounting Officer)

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

March 14, 2012

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

March 14, 2012

By /s/ Joseph M. Nowicki
Joseph M. Nowicki
Chief Financial Officer, Treasurer, and Chief/Corporate Compliance Officer
(Principal Financial and Accounting Officer)

March 14, 2012

By * /s/ Joseph M. Nowicki
Richard R. Current, Director

March 14, 2012

By * /s/ Joseph M. Nowicki
Richard F. Dauch, Director

March 14, 2012

By * /s/ Joseph M. Nowicki
Ronald Harbour, Director

March 14, 2012

By * /s/ Joseph M. Nowicki
Kenneth Kaczmarek, Director

March 14, 2012

By * /s/ Joseph M. Nowicki
Andrew Rooke, Director

March 14, 2012

By * /s/ Joseph M. Nowicki
Hugh W. Sloan, Director

March 14, 2012

* By /s/ Joseph M. Nowicki
Joseph M. Nowicki
Attorney-in-Fact

APPENDIX A

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

Column A	Column B	Column C	Column D	Column E	
Description	Balance at Beginning of Period	Additions Charges to Costs and Expenses	Additions Charged to Other Accounts (Acquisition)	Deductions	Balance at End of Period
Year ended December 31, 2011:					
Allowance for doubtful accounts	\$ 996	\$ 15	\$ --	\$ (262)	\$ 749
Reserve for slow-moving inventory	3,687	2,741	35	(2,898)	3,565
Accrued warranty	5,702	2,750	140	(2,790)	5,802
Valuation allowance for deferred tax assets	3,649	111	--	(214)	3,546
Year ended December 31, 2010:					
Allowance for doubtful accounts	\$ 685	\$ 548	\$ --	\$ (237)	\$ 996
Reserve for slow-moving inventory	2,853	3,047	--	(2,213)	3,687
Accrued warranty	6,296	3,530	--	(4,124)	5,702
Valuation allowance for deferred tax assets	3,601	129	--	(81)	3,649
Year ended December 31, 2009:					
Allowance for doubtful accounts	\$ 80	\$ 660	\$ 63	\$ (118)	\$ 685
Reserve for slow-moving inventory	2,510	653	1,264	(1,574)	2,853
Accrued warranty	7,880	2,202	1,536	(5,322)	6,296
Valuation allowance for deferred tax assets	490	3,155	--	(44)	3,601

EXHIBIT INDEX

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101.PRE	XBRL Presentation Linkbase Document

*Management contract or compensatory plan or arrangement.

EXHIBIT 10.7



Spartan Motors Inc. Executive Leadership Team Incentive Compensation Framework

Philosophy

The Spartan Motors, Inc. (the “Company”) executive compensation plan aims to provide competitive levels of compensation and incentives to drive strong long-term financial performance. The plan is designed to achieve the following objectives:

1. Attract and retain qualified management
2. Align the interests of management with those of shareholders to encourage achievement of continuing increases in shareholder value
3. Align management’s compensation with the achievement of Spartan Motors’ annual and long-term performance goals
4. Reward excellent corporate performance
5. Recognize individual and team initiatives and achievements

Executive compensation is comprised of three components: base salary, annual cash-based incentive, and long-term equity-based incentive. The total compensation for executives is structured so that a majority of the total earnings potential is derived from performance-based incentives to encourage management to take appropriate risks. Accordingly, base salary is established slightly below market-median ranges, and incentive compensation potential is established above market-median ranges.

In addition, there are equity holding requirements that executives must maintain. The compensation plan is established by the full Board after consideration of input from external sources and is reviewed annually.

Annual Incentive Compensation

The Targeted Incentive Compensation Rate is expected to be 50 percent to 55 percent for each member of the Executive Leadership Team (“ELT”), comprised of the CEO, COO, and CFO, and 40% for other Named Executive Officers. The Annual Incentive Bonus is calculated as the Targeted Incentive Compensation Rate times the Bonus Multiple times the officer’s annual base salary.

Bonus Multiple

There are three metrics used to determine the Bonus Multiple:

- Performance to an Economic Value Add (“EVA”) goal
 - Performance to an established sales goal
 - Performance to established operational objectives (“MBOs”)
-

EVA Metric: The EVA targets will be approved annually by the Human Resources and Compensation Committee. The targets will be calculated following the company's established practice of determining net operating profits after tax, less a capital charge based on the assets employed in the business. The targets will be consistent with those set for the quarterly SPAR company bonus program and will be based on continuous improvement over the prior year results. The floor (0X), at which the bonus payout starts, will be set at the prior year achieved EVA, with expected improvement targets built from that starting point. The EVA incentive will have a floor of 0X (0 percent of target incentive) and a ceiling of 2X (200 percent of target compensation).

Sales Metric: The Human Resources and Compensation Committee will establish the annual sales target. The floor (0X or 0 percent), at which the bonus payout starts, will be set at the prior-year achieved sales, with expected growth built from that starting point. The sales incentive will have a floor of 0X (0 percent of target) and a ceiling of 2X (200 percent of target compensation).

MBO metric: On an annual basis the Board will establish the MBOs (and measurement metrics) that the officers are expected to accomplish for the year. Unless specifically weighted differently by the Board at the start of the year, each of the MBOs will be equally weighted. The MBOs will have a floor of 0X (0-percent achievement of the objectives) and a ceiling of 1X (100-percent achievement of all of the objectives).

Annual Incentive deferral: A portion of the total Annual Incentive Bonus payments may be required to be deferred or "banked" for payment in future years and are subject to forfeiture in accordance with the terms described below. At the discretion of the Human Resources and Compensation Committee, any Annual Incentive Bonus may be paid in the form of the Company's Common Stock.

Terminations and Vesting of Deferred Balances: In the event an officer either voluntarily or involuntarily experiences a "Separation From Service," as that term is defined under Section 409A of the Internal Revenue Code (i.e., a termination of employment), with Spartan Motors, Inc. during any performance year, for reason other than death, disability, retirement, or a change in control (as described in "Death, Disability, Retirement, and Changes in Control below), the officer will not earn an annual incentive bonus for that year or any portion of an annual incentive bonus. In addition, deferred balances will be payable as follows:

Mandatory Deferred Balances..... 50%

Payment of the mandatory deferred balances will be made to a terminated officer within thirty days after the Separation from Service, but in no case in a later taxable year than the year of the Separation From Service. Notwithstanding the previous sentence, if the Separation from Service occurs during the last two weeks of the year, then payment will be made on the first practicable business day in January of the following year.

Death, Disability, Retirement, and Changes in Control: Upon the first to occur of the following events:

1. an officer dies,
2. an officer becomes disabled (meaning the Participant is, by reason of any medically determinable physical or mental impairment which can be expected to result in death or can be expected to last for a continuous period of not less than 12 months: (i) unable to engage in any substantial gainful activity; or (ii) receiving income replacement benefits for a period of not less than 3 months under an accident and health plan covering associates of the Company),
3. an officer retires, (meaning the Officer's voluntary Separation From Service after either age 62 or age 60 with 10 years of service, as determined under the Company's Retirement Plan), or
4. a change in control of the Company (defined as acquisition by a purchaser of more than 50 percent of the Company's stock or substantially all of the assets of the Company);

The officer will receive the following payments:

1. A prorated annual incentive bonus for the year in which the event occurs. The prorated bonus will be calculated as the officer's Target Bonus percentage times the Bonus Multiple times the officer's current prorated salary. The current prorated salary is calculated as the weekly salary in effect on the date of the event times the number of weeks the officer was a member of the Executive Leadership Team Incentive Compensation Plan at the Company prior to the event. If event occurs mid-week, a full week will be credited for the partial week; and
2. 100 percent of the sum of the officer's mandatory deferred balances.

Long Term Incentive Compensation ("LTIC")

Targeted long-term incentive compensation rate is expected to be 60 percent to 65 percent of base-pay range. The Annual LTIC Amount is calculated as the targeted long term incentive compensation rate times the LTIC Multiple (described below) times the officer's annual base salary.

LTIC Multiple

There are two metrics used to determine the long-term incentive compensation payout:

- Performance to a shareholder return metric
- Performance to established strategic MBOs

Combined performance of the two metrics will have an expected long-term minimum award of 40 percent of base salary, with a cap of 80 percent.

Shareholder return Metric: A portion of the annual LTIC is based on performance relative to a shareholder return metric. The shareholder return metric may consist of a return on invested capital (ROIC) target, a comparison of Spartan Motors' total shareholder return to a peer group of companies in similar industries, or other shareholder return metrics as the Human Resources and Compensation Committee deems appropriate.

Strategic MBOs Metric: A portion of the annual LTIC is based on achievement of established strategic MBOs. On an annual basis the Board will establish the strategic MBOs (and measurement metrics) that the officers are expected to accomplish for the year. Unless specifically weighted differently by the Board at the beginning of the year, each of the objectives will be equally weighted.

Equity-Based Compensation Payment: The officers may elect equity compensation in a combination of restricted-stock grants and stock options. An officer's election is predicated upon that officer meeting certain equity holding requirements. The Equity-Based Compensation Payment may be made in a combination of restricted-stock grants and options at the discretion of the Human Resources and Compensation Committee.

The number of shares or options granted is based on the Annual LTIC amount. The number of shares to be granted for restricted share grants will be determined by dividing the Annual LTIC Amount by the average stock price over the preceding three years. The number of stock options granted will be determined by dividing the Annual LTIC Amount by the calculated black-scholes valuation of the options at the time of grant.

The Human Resources and Compensation Committee shall have the authority to modify the Executive Leadership Incentive Compensation Framework or the vesting or terms of any outstanding award.

AMENDED AND RESTATED
CREDIT AGREEMENT

dated as of

December 16, 2011

among

SPARTAN MOTORS, INC.
SPARTAN MOTORS CHASSIS, INC.
CRIMSON FIRE, INC.
CRIMSON FIRE AERIALS, INC.
CLASSIC FIRE, LLC
UTILIMASTER CORPORATION

as the Borrowers

The Lenders Party Hereto

and

WELLS FARGO BANK,
NATIONAL ASSOCIATION
as Administrative Agent

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Schedule 6.01 - - Existing Indebtedness
Schedule 6.02 - - Existing Liens
Schedule 6.08 - - Existing Restrictions

EXHIBITS:

Exhibit A -- Form of Assignment and Assumption
Exhibit B -- Form of Guaranty
Exhibit C -- Form of Tax Certificates

THIS AMENDED AND RESTATED CREDIT AGREEMENT dated as of December 16, 2011, among SPARTAN MOTORS, INC., SPARTAN MOTORS CHASSIS, INC., CRIMSON FIRE, INC., CRIMSON FIRE AERIALS, INC., CLASSIC FIRE, LLC and UTILIMASTER CORPORATION, the LENDERS party hereto, and WELLS FARGO BANK, NATIONAL ASSOCIATION, as Administrative Agent.

The parties hereto agree as follows:

RECITALS

A. The Borrowers (excluding Classic Fire, LLC), the Existing Agent and the Existing Lenders are party to that certain Credit Agreement dated as of November 30, 2009 (as amended, the "Existing Credit Agreement").

B. The Borrowers, the Administrative Agent, the Existing Agent and the Existing Lenders wish to amend and restate the Existing Credit Agreement on the terms and conditions set forth below to remove Former RR, Inc. (f/k/a Road Rescue, Inc.) as a co-borrower, add Classic Fire, LLC as a co-borrower and to make the other changes to the Existing Credit Agreement evidenced hereby.

NOW, THEREFORE, in consideration of the premises and of the mutual agreements made herein, and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree that the Existing Credit Agreement is amended and restated in its entirety as follows:

ARTICLE I. DEFINITIONS

SECTION 1.01. Defined Terms. As used in this Agreement, the following terms have the meanings specified below:

"ABR", when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Alternate Base Rate.

"Acquisition" means any transaction, or any series of related transactions, consummated on or after the date of this Agreement, by which the Company or any of its Subsidiaries (a) acquires any going business or all or substantially all of the assets of any firm, corporation or limited liability company, or division thereof, whether through purchase of assets, merger or otherwise or (b) directly or indirectly acquires (in one transaction or as the most recent transaction in a series of transactions) at least a majority (in number of votes) of the Equity Interests of a Person.

"Adjusted LIBO Rate" means, with respect to any Eurodollar Borrowing for any Interest Period, an interest rate per annum (rounded upwards, if necessary, to the next 1/16 of 1%) equal to (a) the LIBO Rate for such Interest Period multiplied by (b) the Statutory Reserve Rate.

"Administrative Agent" means Well Fargo, in its capacity as administrative agent for the Lenders hereunder.

"Administrative Questionnaire" means an Administrative Questionnaire in a form supplied by the Administrative Agent.

“Affiliate” means, with respect to a specified Person, another Person that directly, or indirectly through one or more intermediaries, Controls or is Controlled by or is under common Control with the Person specified.

“Alternate Base Rate” means, for any day, a rate per annum equal to the greatest of (a) the Prime Rate in effect on such day, (b) the Federal Funds Effective Rate in effect on such day plus ½ of 1% and (c) the Adjusted LIBO Rate for a one month Interest Period on such day (or if such day is not a Business Day, the immediately preceding Business Day) plus 1%, provided that, for the avoidance of doubt, the Adjusted LIBO Rate for any day shall be based on the rate appearing on the Reuters Screen LIBOR01 Page (or on any successor or substitute page) at approximately 11:00 a.m. London time on such day (without any rounding). Any change in the Alternate Base Rate due to a change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate shall be effective from and including the effective date of such change in the Prime Rate, the Federal Funds Effective Rate or the Adjusted LIBO Rate, respectively.

“Applicable Percentage” means, with respect to any Lender, the percentage of the total Commitments represented by such Lender’s Commitment. If the Commitments have terminated or expired, the Applicable Percentages shall be determined based upon the Commitments most recently in effect, giving effect to any assignments.

“Applicable Rate” means, for any day, with respect to any Eurodollar Loan or with respect to the commitment fees payable hereunder, as the case may be, the applicable rate per annum set forth below under the caption “Eurodollar Spread” or “Commitment Fee Rate”, as the case may be, based upon the Leverage Ratio as of the most recent determination date;

Level	Leverage Ratio	Eurodollar Spread	Commitment Fee Rate
I	< 1.00:1.0	125.0 bps	20.0 bps
II	< 1.50:1.0 but ≥ 1.00:1.0	150.0 bps	25.0 bps
III	< 2.00:1.0 but ≥ 1.50:1.0	175.0 bps	30.0 bps
IV	< 2.50:1.0 but ≥ 2.00:1.0	200.0 bps	32.5 bps
V	≥ 2.50:1.0	225.0 bps	35.0 bps

The Applicable Rate shall be determined in accordance with the foregoing table based on the Leverage Ratio as of the end of each Fiscal Quarter, as calculated for the four most recently ended consecutive Fiscal Quarters of the Company. Adjustments, if any, to the Applicable Rate shall be effective on the date which is five (5) Business Days after the Administrative Agent’s receipt of the applicable financials under Section 5.01(a) or (b) and certificate under Section 5.01(c). During all times any Event of Default exists, in addition to any increase in rates under Section 2.13(c), the Applicable Rate shall be automatically set at Level V. Notwithstanding anything herein to the contrary, the Applicable Rate shall be set at Level I as of the Effective Date and shall be adjusted for the first time based on receipt of the financials for the Fiscal Quarter ending December 31, 2011 and certificate under Section 5.01(c).

“Approved Fund” has the meaning assigned to such term in Section 9.04.

“Assignment and Assumption” means an assignment and assumption entered into by a Lender and an assignee (with the consent of any party whose consent is required by Section 9.04), and accepted by the Administrative Agent, in the form of Exhibit A or any other form approved by the Administrative Agent.

“Available Revolving Commitment” means, at any time, the Commitment then in effect minus the Revolving Credit Exposure of all Lenders at such time; it being understood and agreed that any Lender’s Swingline Exposure shall not be deemed to be a component of the Revolving Credit Exposure for purposes of calculating the commitment fee under Section 2.12(a).

“Availability Period” means the period from and including the Effective Date to but excluding the earlier of the Maturity Date and the date of termination of the Commitments.

“Board” means the Board of Governors of the Federal Reserve System of the United States of America.

“Borrower” means each of the Company, Spartan Motors Chassis, Inc., a Michigan corporation, Crimson Fire, Inc., a South Dakota corporation, Crimson Fire Aerials, Inc., a Pennsylvania corporation, Classic Fire, LLC, a Michigan limited liability company, and Utilimaster Corporation, a Delaware corporation, and “Borrowers” shall refer to the entities collectively.

“Borrowing” means (a) Revolving Loans of the same Type, made, converted or continued on the same date and, in the case of Eurodollar Loans, as to which a single Interest Period is in effect, or (b) a Swingline Loan

“Borrowing Request” means a request by a Borrower for a Revolving Borrowing in accordance with Section 2.03.

“Business Day” means any day that is not a Saturday, Sunday or other day on which commercial banks in New York City are authorized or required by law to remain closed; provided that, (i) when used in connection with a Eurodollar Loan, the term “Business Day” shall also exclude any day on which banks are not open for dealings in dollar deposits in the London interbank market, and (ii) when used in connection with a Letter of Credit denominated in a Foreign Currency, the term “Business Day” shall also exclude a day on which the applicable Issuing Bank is not open to the public for carrying on substantially all of its banking functions in its primary office used to issue such Letter of Credit.

“Capital Lease Obligations” of any Person means the obligations of such Person to pay rent or other amounts under any lease of (or other arrangement conveying the right to use) real or personal property, or a combination thereof, which obligations are required to be classified and accounted for as capital leases on a balance sheet of such Person under GAAP, and the amount of such obligations shall be the capitalized amount thereof determined in accordance with GAAP.

“Cash Collateralize” means, to pledge and deposit with or deliver to the Administrative Agent, for the benefit of the applicable Issuing Bank or the Lenders, as collateral for LC Exposure or obligations of Lenders to fund participations in respect of LC Exposure, cash or deposit account balances or, if the Administrative Agent and each applicable Issuing Bank shall agree in their sole discretion, other credit support, in each case pursuant to documentation in form and substance satisfactory to the Administrative Agent and each such Issuing Bank. “Cash Collateral” shall have a meaning correlative to the foregoing and shall include the proceeds of such cash collateral and other credit support.

“Change in Control” means (a) the acquisition of ownership, directly or indirectly, beneficially or of record, by any Person or group (within the meaning of the Securities Exchange Act of 1934 and the rules of the Securities and Exchange Commission thereunder as in effect on the date hereof), of Equity Interests representing more than 49% of the aggregate ordinary voting power represented by the issued and outstanding Equity Interests of the Company; (b) occupation of a majority of the seats (other than vacant seats) on the board of directors of the Company by Persons who were neither (i) nominated by the board of directors of the Company nor (ii) appointed by directors so nominated; or (c) the acquisition of direct or indirect Control of the Company by any Person or group.

“Change in Law” means (a) the adoption of any law, rule or regulation after the date of this Agreement, (b) any change in any law, rule or regulation or in the interpretation or application thereof by any Governmental Authority after the date of this Agreement or (c) compliance by any Lender or the Issuing Bank (or, for purposes of Section 2.15(b), by any lending office of such Lender or by such Lender’s or the Issuing Bank’s holding company, if any) with any request, guideline or directive (whether or not having the force of law) of any Governmental Authority made or issued after the date of this Agreement; provided however, that notwithstanding anything herein to the contrary, (i) the Dodd-Frank Wall Street Reform and Consumer Protection Act and all requests, rules, guidelines, requirements and directives thereunder, issued in connection therewith or in implementation thereof, and (ii) all requests, rules, guidelines, requirements and directives promulgated by the Bank for International Settlements, the Basel Committee on Banking Supervision (or any successor or similar authority) or the United States or foreign regulatory authorities, in each case pursuant to Basel III, shall in each case be deemed to be a “Change in Law” regardless of the date enacted, adopted, issued or implemented.

“Class”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are Revolving Loans or Swingline Loans.

“Code” means the Internal Revenue Code of 1986, as amended from time to time.

“Commitment” means, with respect to each Lender, the commitment of such Lender to make Revolving Loans and to acquire participations in Letters of Credit and Swingline Loans hereunder, expressed as an amount representing the maximum aggregate amount of such Lender’s Revolving Credit Exposure hereunder, as such commitment may be (a) reduced from time to time pursuant to Section 2.09 and (b) reduced or increased from time to time pursuant to assignments by or to such Lender pursuant to Section 9.04. The initial amount of each Lender’s Commitment is set forth on Schedule 2.01, or in the Assignment and Assumption pursuant to which such Lender shall have assumed its Commitment, as applicable. The initial aggregate amount of the Lenders’ Commitments is \$70,000,000.

“Company” means Spartan Motors, Inc., a Michigan corporation.

“Consolidated EBIT” means Consolidated Net Income (excluding foreign currency gains or losses and non-cash income or charges) (a) plus, to the extent deducted from revenues in determining Consolidated Net Income, without duplication, (i) Consolidated Interest Expense, (ii) expense for income taxes paid or accrued, (iii) extraordinary charges (as determined in accordance with GAAP), (iv) unusual or nonrecurring charges in an aggregate amount not to exceed \$2,000,000 (or such greater amount as may be approved in writing by the Required Lenders, which approval shall not be unreasonably withheld) for any consecutive four Fiscal Quarter period, provided that in addition to such amount the Company (on a consolidated basis with its Subsidiaries) may add back \$2,781,000 for the Fiscal Quarter ending June 30, 2011 related to several nonrecurring restructuring charges previously approved in writing by the Lenders, (v) up to \$8,000,000 in the aggregate in Wakarusa Charges during the 2011 and 2012 Fiscal Years, and (vi) amounts related to impairment of any intangible assets, and (b) minus, to the extent included in Consolidated Net Income, (i) extraordinary gains (as determined in accordance with GAAP) realized other than in the ordinary course of business, (ii) the income (or deficit) of any Person (other than a Subsidiary) in which the Company or any of its Subsidiaries has an ownership interest, except to the extent that any such income is actually received by the Company or such Subsidiary in the form of dividends or similar distributions and (iii) the undistributed earnings of any Subsidiary to the extent that the declaration or payment of dividends or similar distributions by such Subsidiary is not at the time permitted by the terms of any contractual obligation (other than under any Loan Document) or Requirement of Law applicable to such Subsidiary, all calculated for the Company and its Subsidiaries on a consolidated basis.

“Consolidated EBITDA” means Consolidated EBIT, plus, to the extent deducted from revenues in determining Consolidated EBIT, (a) depreciation expense, and (b) amortization expense.

“Consolidated Indebtedness” means at any time the Indebtedness of the Company and its Subsidiaries calculated on a consolidated basis.

“Consolidated Interest Expense” means, with reference to any period, the cash Interest Expense of the Company and its Subsidiaries calculated on a consolidated basis for such period.

“Consolidated Net Income” means, with reference to any period, the net income (or loss) of the Company and its Subsidiaries calculated on a consolidated basis for such period.

“Consolidated Tangible Net Worth” means, as of any date, (a) the amount of any capital stock, paid in capital and similar equity accounts plus (or minus in the case of a deficit) the capital surplus and retained earnings of such Person and the amount of any foreign currency translation adjustment account shown as a capital account of such Person, less (b) the net book value of all items of the following character which are included in the assets of such Person: (i) goodwill, including, without limitation, the excess of cost over book value of any asset, (ii) organization expenses, (iii) unamortized debt discount and expense, (iv) patents, trademarks, trade names and copyrights, (v) treasury stock, (vi) deferred taxes and deferred charges, (vii) franchises, licenses and permits, and (viii) other assets which are deemed intangible assets under GAAP, all calculated for the Company and its Subsidiaries on a consolidated basis.

“Consolidated Total Debt” means at any time the sum of all of the following for the Company and its Subsidiaries calculated on a consolidated basis: (a) obligations for borrowed money and similar obligations, (b) obligations representing the deferred purchase price of property or services (other than accounts payable arising in the ordinary course of business payable on terms customary in the trade), (c) obligations, whether or not assumed, secured by liens or payable out of the proceeds or production from property now or hereafter owned or acquired, (d) obligations which are evidenced by notes, acceptances, or other instruments, (e) Capital Lease Obligations, (f) obligations under asset securitizations, sale/leasebacks, “synthetic lease” transaction or similar obligations which are the functional equivalent of or take the place of borrowing, based on the amount that would be outstanding thereunder if it were structured as borrowing, (g) contingent obligations under letters of credit, bankers acceptances and similar instruments, (h) the amount of any earn-out obligation related to any Acquisition in excess of \$4,000,000, calculated in accordance with GAAP, and (i) any Guaranty Obligations. “Consolidated Total Debt” shall specifically exclude liabilities related to the Supplemental Employee Retirement Program.

“Control” means the possession, directly or indirectly, of the power to direct or cause the direction of the management or policies of a Person, whether through the ability to exercise voting power, by contract or otherwise. “Controlling” and “Controlled” have meanings correlative thereto.

“Debtor Relief Laws” means the Bankruptcy Code of the United States of America, and all other liquidation, conservatorship, bankruptcy, assignment for the benefit of creditors, moratorium, rearrangement, receivership, insolvency, reorganization, or similar debtor relief Laws of the United States or other applicable jurisdictions from time to time in effect.

“Defaulting Lender” means, subject to Section 2.20(f), any Lender that (a) has failed to (i) fund all or any portion of its Loans within two Business Days of the date such Loans were required to be funded hereunder, unless such Lender notifies the Administrative Agent and the Borrowers in writing that such failure is the result of such Lender’s determination that one or more conditions precedent to funding (each of which conditions precedent, together with any applicable default, shall be specifically identified in such writing) has not been satisfied, or (ii) pay to the Administrative Agent, any Issuing Bank, the Swingline Lender or any other Lender any other amount required to be paid by it hereunder (including in respect of its participation in Letters of Credit or Swingline Loans) within two Business Days of the date when due, (b) has notified the Borrowers, the Administrative Agent, the applicable Issuing Bank or the Swingline Lender in writing that it does not intend to comply with its funding obligations hereunder, or has made a public statement to that effect (unless such writing or public statement relates to such Lender’s obligation to fund a Loan hereunder and states that such position is based on such Lender’s determination that a condition precedent to funding (which condition precedent, together with any applicable default, shall be specifically identified in such writing or public statement) cannot be satisfied), (c) has failed, within three Business Days after written request by the Administrative Agent or the Borrowers, to confirm in writing to the Administrative Agent and the Borrowers that it will comply with its prospective funding obligations hereunder (provided that such Lender shall cease to be a Defaulting Lender pursuant to this clause (c) upon receipt of such written confirmation by the Administrative Agent and the Borrowers), or (d) has, or has a direct or indirect parent company that has, (i) become the subject of a proceeding under any Debtor Relief Law, or (ii) had appointed for it a receiver, custodian, conservator, trustee, administrator, assignee for the benefit of creditors or similar Person charged with reorganization or liquidation of its business or assets, including the Federal Deposit Insurance Corporation or any other state or federal regulatory authority acting in such a capacity; provided that a Lender shall not be a Defaulting Lender solely by virtue of the ownership or acquisition of any equity interest in that Lender or any direct or indirect parent company thereof by a Governmental Authority so long as such ownership interest does not result in or provide such Lender with immunity from the jurisdiction of courts within the United States of America or from the enforcement of judgments or writs of attachment on its assets or permit such Lender (or such Governmental Authority) to reject, repudiate, disavow or disaffirm any contracts or agreements made with such Lender. Any determination by the Administrative Agent that a Lender is a Defaulting Lender under clauses (a) through (d) above shall be conclusive and binding absent manifest error, and such Lender shall be deemed to be a Defaulting Lender (subject to Section 2.20(f)) upon delivery of written notice of such determination to the Borrowers, each Issuing Bank, the Swingline Lender and each Lender.

“Disclosed Matters” means the actions, suits and proceedings and the environmental matters disclosed in Schedule 3.06.

“dollars”, “Dollars” or “\$” refers to the lawful money of the United States of America.

“Dollar Equivalent” means, on any date of determination (a) with respect to any amount in Dollars, such amount, and (b) with respect to any amount in any Foreign Currency, the equivalent in Dollars of such amount, determined by the Administrative Agent pursuant to Section 1.05 using the Exchange Rate with respect to such Foreign Currency at the time in effect under the provisions of such Section.

“Domestic Subsidiary” means any Subsidiary organized under the laws of the United States of America, any State thereof, or the District of Columbia.

“Effective Date” means the date on which the conditions specified in Section 4.01 are satisfied (or waived in accordance with Section 9.02).

“Environmental Laws” means all laws, rules, regulations, codes, ordinances, orders, decrees, judgments, injunctions, notices or binding agreements issued, promulgated or entered into by any Governmental Authority, relating in any way to the environment, preservation or reclamation of natural resources, the management, release or threatened release of any Hazardous Material or to health and safety matters.

“Environmental Liability” means any liability, contingent or otherwise (including any liability for damages, costs of environmental remediation, fines, penalties or indemnities), of the Company or any Subsidiary directly or indirectly resulting from or based upon (a) violation of any Environmental Law, (b) the generation, use, handling, transportation, storage, treatment or disposal of any Hazardous Materials, (c) exposure to any Hazardous Materials, (d) the release or threatened release of any Hazardous Materials into the environment or (e) any contract, agreement or other consensual arrangement pursuant to which liability is assumed or imposed with respect to any of the foregoing.

“Equity Interests” means shares of capital stock, partnership interests, membership interests in a limited liability company, beneficial interests in a trust or other equity ownership interests in a Person, and any warrants, options or other rights entitling the holder thereof to purchase or acquire any such equity interest.

“ERISA” means the Employee Retirement Income Security Act of 1974, as amended from time to time.

“ERISA Affiliate” means any trade or business (whether or not incorporated) that, together with a Borrower, is treated as a single employer under Section 414(b) or (c) of the Code or, solely for purposes of Section 302 of ERISA and Section 412 of the Code, is treated as a single employer under Section 414 of the Code.

“ERISA Event” means (a) any “reportable event”, as defined in Section 4043 of ERISA or the regulations issued thereunder with respect to a Plan (other than an event for which the 30-day notice period is waived); (b) the existence with respect to any Plan of an “accumulated funding deficiency” (as defined in Section 412 of the Code or Section 302 of ERISA), whether or not waived; (c) the filing pursuant to Section 412(d) of the Code or Section 303(d) of ERISA of an application for a waiver of the minimum funding standard with respect to any Plan; (d) the incurrence by any Borrower or any of its ERISA Affiliates of any liability under Title IV of ERISA with respect to the termination of any Plan; (e) the receipt by any Borrower or any ERISA Affiliate from the PBGC or a plan administrator of any notice relating to an intention to terminate any Plan or Plans or to appoint a trustee to administer any Plan; (f) the incurrence by any Borrower or any of its ERISA Affiliates of any liability with respect to the withdrawal or partial withdrawal from any Plan or Multiemployer Plan; or (g) the receipt by any Borrower or any ERISA Affiliate of any notice, or the receipt by any Multiemployer Plan from any Borrower or any ERISA Affiliate of any notice, concerning the imposition of Withdrawal Liability or a determination that a Multiemployer Plan is, or is expected to be, insolvent or in reorganization, within the meaning of Title IV of ERISA.

“Eurodollar”, when used in reference to any Loan or Borrowing, refers to whether such Loan, or the Loans comprising such Borrowing, are bearing interest at a rate determined by reference to the Adjusted LIBO Rate.

“Event of Default” has the meaning assigned to such term in Article VII.

“Exchange Rate” means on any day, for purposes of determining the Dollar Equivalent of any currency other than Dollars, the rate at which such currency may be exchanged into Dollars at the time of determination on such day on the Reuters Currency pages, if available, for such currency. In the event that such rate does not appear on any Reuters Currency pages, the Exchange Rate shall be determined by reference to such other publicly available service for displaying exchange rates as may be agreed upon by the Administrative Agent and the applicable Borrower, or, in the absence of such an agreement, such Exchange Rate shall instead be the arithmetic average of the spot rates of exchange of the Administrative Agent in the market where its foreign currency exchange operations in respect of such currency are then being conducted, at or about such time as the Administrative Agent shall elect after determining that such rates shall be the basis for determining the Exchange Rate, on such date for the purchase of Dollars for delivery two Business Days later; provided that if at the time of any such determination, for any reason, no such spot rate is being quoted, the Administrative Agent may use any reasonable method it deems appropriate to determine such rate, and such determination shall be conclusive absent manifest error.

“Exchange Rate Date” means, if on such date any outstanding Letter of Credit is (or any Letter of Credit that has been requested at such time would be) denominated in a currency other than Dollars, each of:

- (a) the last Business Day of each calendar month,
- (b) if an Event of Default has occurred and is continuing, any Business Day designated as an Exchange Rate Date by the Administrative Agent in its sole discretion, and
- (c) each date (with such date to be reasonably determined by the Administrative Agent) that is on or about the date of (i) a Borrowing Request or an Interest Election Request with respect to any Revolving Borrowing or (ii) each request for the issuance, amendment, renewal or extension of any Letter of Credit or Swingline Loan.

“Excluded Taxes” means, with respect to the Administrative Agent, any Lender, the Issuing Bank or any other recipient of any payment to be made by or on account of any obligation of any Borrower hereunder, (a) income or franchise taxes imposed on (or measured by) its net income by the United States of America, or by the jurisdiction under the laws of which such recipient is organized or in which its principal office is located or, in the case of any Lender, in which its applicable lending office is located, (b) any branch profits taxes imposed by the United States of America or any similar tax imposed by any other jurisdiction in which any Borrower is located and (c) in the case of a Foreign Lender (other than an assignee pursuant to a request by any Borrower under Section 2.19(b)), any withholding tax that is imposed on amounts payable to such Foreign Lender at the time such Foreign Lender becomes a party to this Agreement (or designates a new lending office) or is attributable to such Foreign Lender’s failure to comply with Section 2.17(e), except to the extent that such Foreign Lender (or its assignor, if any) was entitled, at the time of designation of a new lending office (or assignment), to receive additional amounts from any Borrower with respect to such withholding tax pursuant to Section 2.17(a).

“Existing Agent” means JPMorgan Chase Bank, N.A., as administrative agent under the Existing Credit Agreement.

“Existing Credit Agreement” shall have the meaning provided in the Recitals hereto.

“Existing Lenders” means the lenders party to the Existing Credit Agreement.

“Existing Letter of Credit” means a letter of credit issued and outstanding under the Existing Credit Agreement and listed on Schedule 2.06 hereto.

“FATCA” means Sections 1471 through 1474 of the Code, as of the date of this Agreement and any regulations or official interpretations thereof.

“Federal Funds Effective Rate” means, for any day, the weighted average (rounded upwards, if necessary, to the next 1/100 of 1%) of the rates on overnight Federal funds transactions with members of the Federal Reserve System arranged by Federal funds brokers, as published on the next succeeding Business Day by the Federal Reserve Bank of New York, or, if such rate is not so published for any day that is a Business Day, the average (rounded upwards, if necessary, to the next 1/100 of 1%) of the quotations for such day for such transactions received by the Administrative Agent from three Federal funds brokers of recognized standing selected by it.

“Financial Officer” means the chief financial officer, principal accounting officer, treasurer or controller of the Company.

“Fiscal Quarter” means each of the quarterly accounting periods of the Company, ending March 31, June 30, September 30 and December 31 of each year.

“Fiscal Year” means each annual accounting period of the Company ending on December 31 of each year. As an example, reference to the 2011 Fiscal Year shall mean the Fiscal Year ending December 31, 2011.

“Floored Item” means any Vehicle for which a Floorplan Swingline Loan has been made to a Borrower to acquire the same and for which a Borrower remains indebted hereunder.

“Floorplan Swingline Commitment” has the meaning set forth in Section 2.05(a).

“Floorplan Swingline Loan” means a Loan pursuant to Section 2.05 for the purpose of financing the acquisition by a Borrower of Vehicles.

“Foreign Currency” means, with respect to any Letter of Credit, any currency other than Dollars acceptable to the Administrative Agent that is freely available, freely transferable and freely convertible into Dollars, and agreed to by the Issuing Bank issuing such Letter of Credit.

“Foreign Lender” means any Lender that is organized under the laws of a jurisdiction other than that in which a Borrower is located. For purposes of this definition, the United States of America, each State thereof and the District of Columbia shall be deemed to constitute a single jurisdiction.

“Fronting Exposure” means, at any time there is a Defaulting Lender, (a) with respect to the Issuing Banks, such Defaulting Lender’s Applicable Percentage of the outstanding LC Exposure other than LC Exposure as to which such Defaulting Lender’s participation obligation has been reallocated to other Lenders or Cash Collateralized in accordance with the terms hereof, and (b) with respect to the Swingline Lender, such Defaulting Lender’s Applicable Percentage of outstanding Swingline Exposure other than Swingline Exposure as to which such Defaulting Lender’s participation obligation has been reallocated to other Lenders.

“GAAP” means generally accepted accounting principles in the United States of America.

“Governmental Authority” means the government of the United States of America, any other nation or any political subdivision thereof, whether state or local, and any agency, authority, instrumentality, regulatory body, court, central bank or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“Guarantor” means each existing and future Domestic Subsidiary, provided, that no Inactive Subsidiary shall be required to be a Guarantor.

“Guaranty Obligations” means, with respect to any Person, without duplication, any obligations of such Person (other than endorsements in the ordinary course of business of negotiable instruments for deposit or collection) guaranteeing or intended to guarantee any Indebtedness of any other Person in any manner, whether direct or indirect, and including without limitation any obligation, whether or not contingent, (a) to purchase any such Indebtedness or any property constituting security therefor, (b) to advance or provide funds or other support for the payment or purchase of any such Indebtedness or to maintain working capital, solvency or other balance sheet condition of such other Person (including without limitation keep well agreements, maintenance agreements or similar agreements or arrangements) for the benefit of any holder of Indebtedness of such other Person, (c) to lease or purchase assets, securities or services primarily for the purpose of assuring the holder of such Indebtedness against loss in respect thereof, or (d) to otherwise assure or hold harmless the holder of such Indebtedness against loss in respect thereof. The amount of any Guaranty Obligation hereunder shall (subject to any limitations set forth therein) be deemed to be an amount equal to the outstanding principal amount (or maximum principal amount, if larger) of the Indebtedness in respect of which such Guaranty Obligation is made.

“Hazardous Materials” means all explosive or radioactive substances or wastes and all hazardous or toxic substances, wastes or other pollutants, including petroleum or petroleum distillates, asbestos or asbestos containing materials, polychlorinated biphenyls, radon gas, infectious or medical wastes and all other substances or wastes of any nature regulated pursuant to any Environmental Law.

“Inactive Subsidiary” means a Subsidiary which has no assets and conducts no business. Schedule 1.01 is a list of all Inactive Subsidiaries as of the Effective Date.

“Indebtedness” of any Person means, without duplication, (a) all obligations of such Person for borrowed money or with respect to deposits or advances of any kind, (b) all obligations of such Person evidenced by bonds, debentures, notes or similar instruments, (c) all obligations of such Person upon which interest charges are customarily paid, (d) all obligations of such Person under conditional sale or other title retention agreements relating to property acquired by such Person, (e) all obligations of such Person in respect of the deferred purchase price of property or services (excluding current accounts payable incurred in the ordinary course of business), (f) all Indebtedness of others secured by (or for which the holder of such Indebtedness has an existing right, contingent or otherwise, to be secured by) any Lien on property owned or acquired by such Person, whether or not the Indebtedness secured thereby has been assumed, (g) all Guaranty Obligations by such Person of Indebtedness of others, (h) all Capital Lease Obligations of such Person, (i) all obligations, contingent or otherwise, of such Person as an account party in respect of letters of credit and letters of guaranty and (j) all obligations, contingent or otherwise, of such Person in respect of bankers’ acceptances. The Indebtedness of any Person shall include the Indebtedness of any other entity (including any partnership in which such Person is a general partner) to the extent such Person is liable therefor as a result of such Person’s ownership interest in or other relationship with such entity, except to the extent the terms of such Indebtedness provide that such Person is not liable therefor.

“Indemnified Taxes” means Taxes other than Excluded Taxes.

“Interest Coverage Ratio” means, the ratio, determined as of the end of each of Fiscal Quarter of the Company, of (a) Consolidated EBIT, to (b) Consolidated Interest Expense, all as calculated for the most-recently ended four Fiscal Quarters and for the Company and its Subsidiaries on a consolidated basis.

“Interest Election Request” means a request by a Borrower to convert or continue a Revolving Borrowing in accordance with Section 2.08.

“Interest Expense” means, with reference to any period, total interest expense (including that attributable to Capital Lease Obligations) of the Company and its Subsidiaries for such period with respect to all outstanding Indebtedness of the Company and its Subsidiaries (including all commissions, discounts and other fees and charges owed with respect to letters of credit and bankers’ acceptance financing and net costs under Swap Agreements in respect of interest rates to the extent such net costs are allocable to such period in accordance with GAAP), calculated on a consolidated basis for the Company and its Subsidiaries for such period in accordance with GAAP.

“Interest Payment Date” means (a) with respect to any ABR Loan (other than a Swingline Loan), the last day of each March, June, September and December, (b) with respect to any Eurodollar Loan, the last day of the Interest Period applicable to the Borrowing of which such Loan is a part and, in the case of a Eurodollar Borrowing with an Interest Period of more than three months’ duration, each day prior to the last day of such Interest Period that occurs at intervals of three months’ duration after the first day of such Interest Period, and (c) with respect to any Swingline Loan, the day that such Loan is required to be repaid.

“Interest Period” means with respect to any Eurodollar Borrowing, the period commencing on the date of such Borrowing and ending on the numerically corresponding day in the calendar month that is one, two, three or six months thereafter, as a Borrower may elect, and; provided, that (a) if any Interest Period would end on a day other than a Business Day, such Interest Period shall be extended to the next succeeding Business Day unless such next succeeding Business Day would fall in the next calendar month, in which case such Interest Period shall end on the next preceding Business Day and (b) any Interest Period that commences on the last Business Day of a calendar month (or on a day for which there is no numerically corresponding day in the last calendar month of such Interest Period) shall end on the last Business Day of the last calendar month of such Interest Period. For purposes hereof, the date of a Borrowing initially shall be the date on which such Borrowing is made and, in the case of a Revolving Borrowing, thereafter shall be the effective date of the most recent conversion or continuation of such Borrowing.

“Issuing Bank” means Wells Fargo and JPMorgan Chase Bank, N.A., each in its capacity as an issuer of Letters of Credit hereunder, and each of their respective successors in such capacity as provided in Section 2.06(i). Each Issuing Bank may, in its discretion, arrange for one or more Letters of Credit to be issued by Affiliates of such Issuing Bank, in which case the term “Issuing Bank” shall include any such Affiliate with respect to Letters of Credit issued by such Affiliate.

“LC Disbursement” means a payment made by the applicable Issuing Bank pursuant to a Letter of Credit.

“LC Exposure” means, at any time, the sum of (a) the Dollar Equivalent of the aggregate undrawn amount of all outstanding Letters of Credit at such time plus (b) the Dollar Equivalent of the aggregate amount of all LC Disbursements that have not yet been reimbursed by or on behalf of any Borrower at such time. The LC Exposure of any Lender at any time shall be its Applicable Percentage of the total LC Exposure at such time.

“Laws” or “laws” means all applicable provisions of constitutions, statutes, rules, regulations and orders of any Governmental Authority, including all orders and decrees of all courts, tribunals and arbitrators.

“Lenders” means the Persons listed on Schedule 2.01 and any other Person that shall have become a party hereto pursuant to an Assignment and Assumption, other than any such Person that ceases to be a party hereto pursuant to an Assignment and Assumption. Unless the context otherwise requires, the term “Lenders” includes the Swingline Lender.

“Letter of Credit” means any letter of credit or similar instrument (including without limitation a bank guarantee) acceptable to the applicable Issuing Bank issued for the account of any Borrower pursuant to this Agreement. All references in this Agreement to account party, beneficiary, reimbursements, draws and similar terms used with respect to any letter of credit constituting a Letter of Credit shall be interpreted in a similar manner as determined by the applicable Issuing Bank when used with respect to any similar instrument (including without limitation a bank guarantee) acceptable to the applicable Issuing Bank constituting a Letter of Credit.

“Leverage Ratio” means, as of the end of any Fiscal Quarter, the ratio of the Consolidated Total Debt as of such Fiscal Quarter end to the Consolidated EBITDA for the period of four consecutive Fiscal Quarters ending with such Fiscal Quarter end, provided that for purposes of Section 6.06(d), Leverage Ratio shall be calculated on a trailing twelve month basis as of any applicable date of determination.

“LIBO Rate” means, for the Interest Period for any Eurodollar Borrowing, the rate of interest referred to as the BBA (British Bankers’ Association) LIBOR rate as set forth by any service selected by the Administrative Agent that has been nominated by the British Bankers’ Association as an authorized information vendor for the purpose of displaying such rate for deposits in U.S. Dollars at approximately 9:00 a.m. Pacific time, two Business Days prior to the date of commencement of such Interest Period for purposes of calculating effective rates of interest for loans or obligations making reference thereto, for an amount approximately equal to the applicable Eurodollar Borrowing and for a period of time approximately equal to such Interest Period. In the event that such rate is not available at such time for any reason, then the “LIBO Rate” with respect to such Eurodollar Borrowing for such Interest Period shall be the rate at which dollar deposits of \$5,000,000 and for a maturity comparable to such Interest Period are offered by the principal London office of the Administrative Agent in immediately available funds in the London interbank market at approximately 11:00 a.m., London time, two Business Days prior to the commencement of such Interest Period.

“Lien” means, with respect to any asset, (a) any mortgage, deed of trust, lien, pledge, hypothecation, encumbrance, charge or security interest in, on or of such asset, (b) the interest of a vendor or a lessor under any conditional sale agreement, capital lease or title retention agreement (or any financing lease having substantially the same economic effect as any of the foregoing) relating to such asset and (c) in the case of securities, any purchase option, call or similar right of a third party with respect to such securities.

“Loan Documents” means this Agreement, any promissory notes issued pursuant to this Agreement, any Letter of Credit applications, the Loan Party Guaranties, and all other agreements, instruments, documents and certificates identified in Section 4.01 executed and delivered to, or in favor of, the Administrative Agent or any Lenders and including all other consents, contracts, notices, letter of credit agreements and all other written matter whether heretofore, now or hereafter executed by or on behalf of any Loan Party, or any employee of any Loan Party, and delivered to the Administrative Agent or any Lender in connection with the Agreement or the transactions contemplated thereby. Any reference in the Agreement or any other Loan Document to a Loan Document shall include all appendices, exhibits or schedules thereto, and all amendments, restatements, supplements or other modifications thereto, and shall refer to the Agreement or such Loan Document as the same may be in effect at any and all times such reference becomes operative.

“Loan Parties” means the Borrowers and the Guarantors.

“Loan Party Guaranty” means any guaranty agreements from any Guarantor as are requested by the Administrative Agent and its counsel, in each case as amended, restated, supplemented or otherwise modified from time to time, and substantially in the form attached hereto as Exhibit B.

“Loans” means the loans made by the Lenders to the Borrowers pursuant to this Agreement, including Swingline Loans.

“Manufacturer” means General Motors Corporation.

“Material Adverse Effect” means a material adverse effect on (a) the business, assets, operations, prospects or condition, financial or otherwise, of the Company and the Subsidiaries taken as a whole, (b) the ability of the Loan Parties to perform any of their obligations under this Agreement or any other Loan Document or (c) the rights of or benefits available to the Lenders under this Agreement or any other Loan Document.

“Material Acquisition” means an Acquisition where the total consideration paid or payable (including cash payments, Indebtedness assumed, earnouts (as projected by the Company in good faith) and other payments) is equal to or greater than \$15,000,000.

“Material Indebtedness” means Indebtedness (other than the Loans and Letters of Credit), or obligations in respect of one or more Swap Agreements, of any one or more of the Company and its Subsidiaries in an aggregate principal amount exceeding \$500,000. For purposes of determining Material Indebtedness, the “principal amount” of the obligations of the Company or any Subsidiary in respect of any Swap Agreement at any time shall be the maximum aggregate amount (giving effect to any netting agreements) that the Company or such Subsidiary would be required to pay if such Swap Agreement were terminated at such time.

“Maturity Date” means December 16, 2016.

“Moody’s” means Moody’s Investors Service, Inc.

“Multiemployer Plan” means a multiemployer plan as defined in Section 4001(a)(3) of ERISA.

“Non-Defaulting Lender” means, at any time, each Lender that is not a Defaulting Lender at such time.

“Note Purchase Agreement” has the meaning set forth in Section 6.01(f).

“Obligations” means all unpaid principal of and accrued and unpaid interest on (including without limitation interest accruing after the maturity of the Loans and reimbursement obligations and interest accruing after the filing of any petition in bankruptcy, or the commencement of any insolvency, reorganization or like proceeding relating to any Loan Party, whether or not a claim for post-filing or post-petition interest is allowed in such proceeding) the Loans, all LC Exposure, all accrued and unpaid fees and all expenses, reimbursements, indemnities and other obligations of the Loan Parties to the Lenders or to any Lender, the Administrative Agent, the Issuing Bank or to the Issuing Bank or any indemnified party arising under the Loan Documents.

“Other Taxes” means any and all present or future stamp or documentary taxes or any other excise or property taxes, charges or similar levies arising from any payment made hereunder or from the execution, delivery or enforcement of, or otherwise with respect to, this Agreement.

“Participant” has the meaning set forth in Section 9.04.

“PBGC” means the Pension Benefit Guaranty Corporation referred to and defined in ERISA and any successor entity performing similar functions.

“Permitted Encumbrances” means:

- (a) liens imposed by law for taxes that are not yet delinquent or are being contested in compliance with Section 5.04;
- (b) carriers’, warehousemen’s, mechanics’, materialmen’s, repairmen’s and other like Liens imposed by law, arising in the ordinary course of business and securing obligations that are not overdue by more than 30 days or are being contested in compliance with Section 5.04;
- (c) pledges and deposits made in the ordinary course of business in compliance with workers’ compensation, unemployment insurance and other social security laws or regulations;

(d) deposits to secure the performance of bids, trade contracts, leases, statutory obligations, surety and appeal bonds, performance bonds and other obligations of a like nature, in each case in the ordinary course of business;

(e) judgment liens in respect of judgments that do not constitute an Event of Default under clause (k) of Article VII; and

(f) easements, zoning restrictions, rights-of-way and similar encumbrances on real property imposed by law or arising in the ordinary course of business that do not secure any monetary obligations and do not materially detract from the value of the affected property or interfere with the ordinary conduct of business of the Company or any Subsidiary;

provided that the term “Permitted Encumbrances” shall not include any Lien securing Indebtedness.

“Permitted Investments” means:

(a) direct obligations of, or obligations the principal of and interest on which are unconditionally guaranteed by, the United States of America (or by any agency thereof to the extent such obligations are backed by the full faith and credit of the United States of America), in each case maturing within one year from the date of acquisition thereof;

(b) investments in commercial paper maturing within 270 days from the date of acquisition thereof and having, at such date of acquisition, the highest credit rating obtainable from S&P or from Moody’s;

(c) investments in certificates of deposit, banker’s acceptances and time deposits maturing within 180 days from the date of acquisition thereof issued or guaranteed by or placed with, and money market deposit accounts issued or offered by, any domestic office of any commercial bank organized under the laws of the United States of America or any State thereof which has a combined capital and surplus and undivided profits of not less than \$500,000,000;

(d) fully collateralized repurchase agreements with a term of not more than 30 days for securities described in clause (a) above and entered into with a financial institution satisfying the criteria described in clause (c) above; and

(e) money market funds that (i) comply with the criteria set forth in Securities and Exchange Commission Rule 2a-7 under the Investment Company Act of 1940, (ii) are rated AAA by S&P and Aaa by Moody’s and (iii) have portfolio assets of at least \$5,000,000,000.

“Person” means any natural person, corporation, limited liability company, trust, joint venture, association, company, partnership, Governmental Authority or other entity.

“Plan” means any employee pension benefit plan (other than a Multiemployer Plan) subject to the provisions of Title IV of ERISA or Section 412 of the Code or Section 302 of ERISA, and in respect of which any Borrower or any ERISA Affiliate is (or, if such plan were terminated, would under Section 4069 of ERISA be deemed to be) an “employer” as defined in Section 3(5) of ERISA.

“Prime Rate” means the rate of interest per annum publicly announced from time to time by Wells Fargo as its prime rate in effect at its office located at 1525 W WT Harris Blvd., Charlotte, North Carolina; each change in the Prime Rate shall be effective from and including the date such change is publicly announced as being effective.

“Pro Rata Share” means, for each Lender, the ratio of such Lender’s Commitment to the aggregate Commitments. If at any time the Commitments have been terminated, the amount of any Commitment for the purposes of this definition of “Pro Rata Share” only shall be deemed equal to the amount of such Commitment immediately prior to its termination.

“Register” has the meaning set forth in Section 9.04.

“Related Parties” means, with respect to any specified Person, such Person’s Affiliates and the respective directors, officers, employees, agents and advisors of such Person and such Person’s Affiliates.

“Required Lenders” means, at any time, Lenders having Revolving Credit Exposures and unused Commitments representing more than 50% of the sum of the total Revolving Credit Exposures and unused Commitments at such time. The total Revolving Credit Exposures and unused Commitments of any Defaulting Lender shall be disregarded in determining Required Lenders at any time.

“Requirement of Law” means, as to any Person, the Certificate of Incorporation and By Laws or other organizational or governing documents of such Person, and any law, treaty, rule or regulation or determination of an arbitrator or a court or other Governmental Authority, in each case applicable to or binding upon such Person or any of its property or to which such Person or any of its property is subject.

“Restricted Payment” means any dividend or other distribution (whether in cash, securities or other property) with respect to any Equity Interests in the Company or any Subsidiary, or any payment (whether in cash, securities or other property), including any sinking fund or similar deposit, on account of the purchase, redemption, retirement, acquisition, cancellation or termination of any such Equity Interests in the Company or any option, warrant or other right to acquire any such Equity Interests in the Company.

“Revolving Credit Exposure” means, with respect to any Lender at any time, the sum of the outstanding principal amount of such Lender’s Revolving Loans and its LC Exposure and Swingline Exposure at such time. For purposes of calculating “Revolving Credit Exposure” for use in Sections 2.01(a), 2.05(a), 2.06(a) and 2.09(b) (or any other provision determining a Lender’s Commitment to fund), the amount of outstanding Swingline Exposure related to the Floorplan Swingline Loans shall be deemed to be the amount of the Floorplan Swingline Commitment (without regard to the outstanding amount of Floorplan Swingline Loans).

“Revolving Loan” means a Loan made pursuant to Section 2.03.

“S&P” means Standard & Poor’s Ratings Services, a division of The McGraw-Hill Companies, Inc.

“Statutory Reserve Rate” means a fraction (expressed as a decimal), the numerator of which is the number one and the denominator of which is the number one minus the aggregate of the maximum reserve percentages (including any marginal, special, emergency or supplemental reserves) expressed as a decimal established by the Board to which the Administrative Agent is subject, with respect to the Adjusted LIBO Rate, for eurocurrency funding (currently referred to as “Eurocurrency Liabilities” in Regulation D of the Board). Such reserve percentages shall include those imposed pursuant to such Regulation D. Eurodollar Loans shall be deemed to constitute eurocurrency funding and to be subject to such reserve requirements without benefit of or credit for proration, exemptions or offsets that may be available from time to time to any Lender under such Regulation D or any comparable regulation. The Statutory Reserve Rate shall be adjusted automatically on and as of the effective date of any change in any reserve percentage.

“subsidiary” means, with respect to any Person (the “parent”) at any date, any corporation, limited liability company, partnership, association or other entity the accounts of which would be consolidated with those of the parent in the parent’s consolidated financial statements if such financial statements were prepared in accordance with GAAP as of such date, as well as any other corporation, limited liability company, partnership, association or other entity (a) of which securities or other ownership interests representing more than 50% of the equity or more than 50% of the ordinary voting power or, in the case of a partnership, more than 50% of the general partnership interests are, as of such date, owned, controlled or held, or (b) that is, as of such date, otherwise Controlled, by the parent or one or more subsidiaries of the parent or by the parent and one or more subsidiaries of the parent.

“Subsidiary” means any subsidiary of the Company.

“Supplemental Employee Retirement Program” means the deferred compensation program established under the Spartan Motors, Inc. Supplemental Executive Retirement Plan as originally adopted on January 1, 2006 and amended January 1, 2009.

“Swap Agreement” means any agreement with respect to any swap, forward, future or derivative transaction or option or similar agreement involving, or settled by reference to, one or more rates, currencies, commodities, equity or debt instruments or securities, or economic, financial or pricing indices or measures of economic, financial or pricing risk or value or any similar transaction or any combination of these transactions; provided that no phantom stock or similar plan providing for payments only on account of services provided by current or former directors, officers, employees or consultants of the Company or the Subsidiaries shall be a Swap Agreement.

“Swingline Exposure” means, at any time, the aggregate principal amount of all Swingline Loans outstanding at such time. The Swingline Exposure of any Lender at any time shall be its Applicable Percentage of the total Swingline Exposure at such time.

“Swingline Lender” means JPMorgan Chase Bank, N.A., in its capacity as lender of Swingline Loans hereunder.

“Swingline Loan” means any Floorplan Swingline Loan or W/C Swingline Loan.

“Taxes” means any and all present or future taxes, levies, imposts, duties, deductions, charges or withholdings imposed by any Governmental Authority.

“Transactions” means the execution, delivery and performance by the Loan Parties of this Agreement, the borrowing of Loans and other credit extensions, the use of the proceeds thereof and the issuance of Letters of Credit hereunder.

“Type”, when used in reference to any Loan or Borrowing, refers to whether the rate of interest on such Loan, or on the Loans comprising such Borrowing, is determined by reference to the Adjusted LIBO Rate or the Alternate Base Rate.

“Unmatured Default” means any event or condition which upon notice, lapse of time or both would, unless cured or waived, become an Event of Default.

“Vehicles” means chassis and/or vehicles manufactured by the Manufacturer and acquired by a Borrower for the purpose of upfitting or modifying with special bodies and/or equipment.

“Wakarusa Charges” means certain non-cash charges that may be recognized by the Company (on a consolidated basis with Utilimaster Corporation) during its 2011 and 2012 Fiscal Years in connection with the possible writedown in asset value of its real property and improvements located at 65266-65906 State Road 19, Wakarusa, Indiana.

“W/C Swingline Loan” means a Loan made pursuant to Section 2.05 for a purpose other than financing the acquisition by a Borrower of Vehicles.

“Wells Fargo” means Wells Fargo Bank, National Association, a national banking association, and its successors.

“Withdrawal Liability” means liability to a Multiemployer Plan as a result of a complete or partial withdrawal from such Multiemployer Plan, as such terms are defined in Part I of Subtitle E of Title IV of ERISA.

SECTION 1.02. Classification of Loans and Borrowings. For purposes of this Agreement, Loans may be classified and referred to by Class (e.g., a “Revolving Loan”) or by Type (e.g., a “Eurodollar Loan”) or by Class and Type (e.g., a “Eurodollar Revolving Loan”). Borrowings also may be classified and referred to by Class (e.g., a “Revolving Borrowing”) or by Type (e.g., a “Eurodollar Borrowing”) or by Class and Type (e.g., a “Eurodollar Revolving Borrowing”).

SECTION 1.03. Terms Generally. The definitions of terms herein shall apply equally to the singular and plural forms of the terms defined. Whenever the context may require, any pronoun shall include the corresponding masculine, feminine and neuter forms. The words “include”, “includes” and “including” shall be deemed to be followed by the phrase “without limitation”. The word “will” shall be construed to have the same meaning and effect as the word “shall”. Unless the context requires otherwise (a) any definition of or reference to any agreement, instrument or other document herein shall be construed as referring to such agreement, instrument or other document as from time to time amended, supplemented or otherwise modified (subject to any restrictions on such amendments, supplements or modifications set forth herein), (b) any reference herein to any Person shall be construed to include such Person’s successors and assigns, (c) the words “herein”, “hereof” and “hereunder”, and words of similar import, shall be construed to refer to this Agreement in its entirety and not to any particular provision hereof, (d) all references herein to Articles, Sections, Exhibits and Schedules shall be construed to refer to Articles and Sections of, and Exhibits and Schedules to, this Agreement and (e) the words “asset” and “property” shall be construed to have the same meaning and effect and to refer to any and all tangible and intangible assets and properties, including cash, securities, accounts and contract rights.

SECTION 1.04. Accounting Terms; GAAP. Except as otherwise expressly provided herein, all terms of an accounting or financial nature shall be construed in accordance with GAAP, as in effect from time to time; provided that, if the Company notifies the Administrative Agent that the Company requests an amendment to any provision hereof to eliminate the effect of any change occurring after the date hereof in GAAP or in the application thereof on the operation of such provision (or if the Administrative Agent notifies the Company that the Required Lenders request an amendment to any provision hereof for such purpose), regardless of whether any such notice is given before or after such change in GAAP or in the application thereof, then such provision shall be interpreted on the basis of GAAP as in effect and applied immediately before such change shall have become effective until such notice shall have been withdrawn or such provision amended in accordance herewith. For purposes of calculating all financial covenants and all other covenants, any Acquisition or any sale or other disposition outside the ordinary course of business by any Borrower or any of its Subsidiaries of any asset or group of related assets in one or a series of related transactions, including the incurrence of any Indebtedness and any related financing or other transactions in connection with any of the foregoing, occurring during the period for which such matters are calculated shall be deemed to have occurred on the first day of the relevant period for which such matters were calculated on a pro forma basis acceptable to the Administrative Agent.

SECTION 1.05. Foreign Currency Calculations. (a) For purposes of determining the Dollar Equivalent of any Letter of Credit denominated in a Foreign Currency or any related amount, the Administrative Agent shall determine the Exchange Rate as of the applicable Exchange Rate Date with respect to each Foreign Currency in which any requested or outstanding Letter of Credit is denominated and shall apply such Exchange Rates to determine such amount (in each case after giving effect to any Letter of Credit Borrowing to be made or repaid on or prior to the applicable date for such calculation).

(b) For purposes of any determination under Article VI or VII, all amounts incurred, outstanding or proposed to be incurred or outstanding, and the amount of each investment, asset disposition or other applicable transaction, denominated in currencies other than Dollars shall be translated into Dollars at the Exchange Rates in effect on the date of such determination; provided that no Default shall arise as a result of any limitation set forth in Dollars in Section 6.01 or 6.02 being exceeded solely as a result of changes in Exchange Rates from those rates applicable at the time or times Indebtedness or Liens were initially consummated in reliance on the exceptions under such Sections. Such Exchange Rates shall be determined in good faith by the Borrowers.

ARTICLE II THE CREDITS

SECTION 2.01. Commitments. (a) Subject to the terms and conditions set forth herein, each Lender agrees to make Revolving Loans to the Borrowers from time to time during the Availability Period, on a joint and several basis, in an aggregate principal amount that will not result in such Lender's Revolving Credit Exposure exceeding such Lender's Commitment. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, prepay and reborrow Revolving Loans.

(b) The Borrowers may, with the consent of the Administrative Agent (which consent shall not be unreasonably withheld), from time to time elect to increase the aggregate Commitments so long as, after giving effect thereto, the total amount of the aggregate Commitments does not exceed \$105,000,000. The Borrowers may arrange for any such increase to be provided by one or more Lenders (each Lender so agreeing, electing in its sole discretion, to an increase in its Commitment, an "Increasing Lender"), or by one or more banks, financial institutions or other entities (each such bank, financial institution or other entity, an "Augmenting Lender"), to increase their existing Commitments, or extend Commitments, provided that (i) each Augmenting Lender, shall be subject to the approval of the Borrowers and the Administrative Agent and (ii) the Borrowers and each applicable Increasing Lender or Augmenting Lender shall execute all such documentation as the Administrative Agent shall reasonably specify as necessary to give effect to such increase. Increases and new Commitments created pursuant to this clause (b) shall become effective on the date agreed by the Borrowers, the Administrative Agent and the relevant Increasing Lenders and Augmenting Lenders, and the Administrative Agent shall notify each affected Lender thereof. Notwithstanding the foregoing, no increase in the aggregate Commitments (or in the Commitment of any Increasing Lender or Augmenting Lender), shall become effective under this Section 2.01(b) unless, (i) on the proposed date of the effectiveness of such increase, the conditions set forth Section 4.02 shall be satisfied and the Administrative Agent shall have received a certificate to that effect dated such date and executed by a responsible officer of the Borrowers. On the effective date of any increase in the aggregate Commitments, (i) each relevant Increasing Lender and Augmenting Lender shall make available to the Administrative Agent such amounts in immediately available funds and in the relevant currency or currencies as the Administrative Agent shall determine, for the benefit of the other relevant Lenders, as being required in order to cause, after giving effect to such increase and the use of such amounts to make payments to such other relevant Lenders, each Lender's portion of the aggregate outstanding Revolving Credit Exposure to equal its Pro Rata Share of the aggregate outstanding Revolving Credit Exposure and (ii) the Borrowers shall be deemed to have repaid and reborrowed all outstanding Loans as of the date of any increase in the Commitments (with such reborrowing to consist of the Loans, with related Interest Periods if applicable, specified in a notice delivered by the Borrowers in accordance with the requirements of Section 2.03), provided, that such deemed repayment and reborrowing shall not be required in the event that each of the existing Lenders is also an Increasing Lender and the Pro Rata Share of each Lender remains the same after giving effect to such increase in the aggregate Commitments. The deemed payments made pursuant to clause (ii) of the immediately preceding sentence in respect of each Eurocurrency Loan shall be subject to indemnification by the Borrowers pursuant to the provisions of Section 2.16 if the deemed payment occurs other than on the last day of the related Interest Periods. On the effective date of any increase in the aggregate Commitments, each Augmenting Lender and each Increasing Lender shall be deemed a Lender for purposes of this Agreement. The Agent shall promptly distribute a revised Schedule 2.01 to all of the Lenders, which new Schedule 2.01 shall automatically supercede any prior Schedule 2.01.

SECTION 2.02. Loans and Borrowings. (a) Each Revolving Loan shall be made as part of a Borrowing consisting of Revolving Loans made by the Lenders ratably in accordance with their respective Commitments. The failure of any Lender to make any Loan required to be made by it shall not relieve any other Lender of its obligations hereunder; provided that the Commitments of the Lenders are several and no Lender shall be responsible for any other Lender's failure to make Loans as required.

(b) Subject to Section 2.14, each Revolving Borrowing shall be comprised entirely of ABR Loans or Eurodollar Loans as a Borrower may request in accordance herewith. Each Swingline Loan shall be an ABR Loan or shall bear interest at an alternate rate agreed upon by the applicable Borrower and the Swingline Lender. Each Lender at its option may make any Eurodollar Loan by causing any domestic or foreign branch or Affiliate of such Lender to make such Loan; provided that any exercise of such option shall not affect the obligation of any Borrower to repay such Loan in accordance with the terms of this Agreement.

- (c) At the commencement of each Interest Period for any Eurodollar Revolving

Borrowing, such Borrowing shall be in an aggregate amount that is an integral multiple of \$100,000 and not less than \$1,000,000. At the time that each ABR Revolving Borrowing is made, such Borrowing shall be in an aggregate amount that is an integral multiple of \$100,000 and not less than \$500,000; provided that an ABR Revolving Borrowing may be in an aggregate amount that is equal to the entire unused balance of the total Commitments or that is required to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e). Each Swingline Loan shall be in an amount that is an amount required by the Swingline Lender from time to time. Borrowings of more than one Type and Class may be outstanding at the same time; provided that there shall not at any time be more than a total of six (6) Eurodollar Revolving Borrowings outstanding.

(d) Notwithstanding any other provision of this Agreement, no Borrower shall be entitled to request, or to elect to convert or continue, any Borrowing if the Interest Period requested with respect thereto would end after the Maturity Date.

SECTION 2.03. Requests for Revolving Borrowings. To request a Revolving Borrowing, the applicable Borrower shall notify the Administrative Agent of such request by telephone (a) in the case of a Eurodollar Borrowing, not later than 11:00 a.m., Eastern time, three Business Days before the date of the proposed Borrowing or (b) in the case of an ABR Borrowing, not later than 11:00 a.m., Eastern time, on the Business Day of the proposed Borrowing; provided that any such notice of an ABR Revolving Borrowing to finance the reimbursement of an LC Disbursement as contemplated by Section 2.06(e) may be given not later than 11:00 a.m., Eastern time, on the date of the proposed Borrowing. Each such telephonic Borrowing Request shall be irrevocable and shall be confirmed promptly by hand delivery, electronic transmission or telecopy to the Administrative Agent of a written Borrowing Request in a form approved by the Administrative Agent and signed by the applicable Borrower. Each Borrower hereby authorizes any Financial Officer of the Company to submit on behalf of such Borrower Borrowing Requests and any other notices pursuant to this Agreement. Each such telephonic and written Borrowing Request shall specify the following information in compliance with Section 2.02:

- (i) the aggregate amount of the requested Borrowing;
- (ii) the date of such Borrowing, which shall be a Business Day;
- (iii) whether such Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing;
- (iv) in the case of a Eurodollar Borrowing, the initial Interest Period to be applicable thereto, which shall be a period contemplated by the definition of the term "Interest Period"; and
- (v) the location and number of the applicable Borrower's account to which funds are to be disbursed, which shall comply with the requirements of Section 2.07.

If no election as to the Type of Revolving Borrowing is specified, then the requested Revolving Borrowing shall be an ABR Borrowing. If no Interest Period is specified with respect to any requested Eurodollar Revolving Borrowing, then the applicable Borrower shall be deemed to have selected an Interest Period of one month's duration. Promptly following receipt of a Borrowing Request in accordance with this Section, the Administrative Agent shall advise each Lender of the details thereof and of the amount of such Lender's Loan to be made as part of the requested Borrowing.

SECTION 2.04. [Intentionally Reserved.]

SECTION 2.05. Swingline Loans. (a) General. Subject to the terms and conditions set forth herein, the Swingline Lender agrees to make Swingline Loans to the Borrowers from time to time during the Availability Period, in an aggregate principal amount at any time outstanding that will not result in (i) the aggregate principal amount of outstanding Swingline Loans exceeding \$12,500,000, (ii) the sum of the total Revolving Credit Exposures exceeding the total Commitments, (iii) the aggregate principal amount of outstanding Floorplan Swingline Loans exceeding \$7,500,000 (the “Floorplan Swingline Commitment”), and (iv) the aggregate principal amount of outstanding W/C Swingline Loans exceeding \$5,000,000; provided that the Swingline Lender shall not be required to make a Swingline Loan to refinance an outstanding Swingline Loan. Notwithstanding anything herein to the contrary, for purposes of determining the amount of the Loans and Letters of Credit that may be made under this Agreement, the Administrative Agent may assume that the aggregate amount of the Swingline Loans made by the Swingline Lender is \$12,500,000, absent a written agreement to the contrary among the Company, the Swingline Lender and the Administrative Agent. Within the foregoing limits and subject to the terms and conditions set forth herein, the Borrowers may borrow, prepay and reborrow Swingline Loans.

(b) Procedures. (i) Procedures for W/C Swingline Loans. To request a W/C Swingline Loan, a Borrower shall notify the Administrative Agent of such request by telephone (confirmed by telecopy), not later than 12:00 noon, Eastern time, on the day of a proposed W/C Swingline Loan or by such other time and by other procedures as may be agreed upon from time to time between the applicable Borrower and the Swingline Lender. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested W/C Swingline Loan and whether such W/C Swingline Loan shall be an ABR Loan or shall bear interest at an alternate rate agreed upon by the applicable Borrower and the Swingline Lender, and each W/C Swingline Loan shall bear interest at the ABR or at an alternate rate if agreed upon by the applicable Borrower and the Swingline Lender. The Administrative Agent will promptly advise the Swingline Lender of any such notice received from any Borrower. The Swingline Lender shall make each W/C Swingline Loan available to the applicable Borrower by means of a credit to the general deposit account of the applicable Borrower with the Swingline Lender (or, in the case of a W/C Swingline Loan made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e), by remittance to the Issuing Bank) by 3:00 p.m., Eastern time, on the requested date of such W/C Swingline Loan.

(ii) Procedures for Floorplan Swingline Loans. To request a Floorplan Swingline Loan, a Borrower, Manufacturer or such other person or entity as described below shall notify the Swingline Lender by such time and by procedures as may be agreed upon from time to time between the applicable Borrower and the Swingline Lender. Each such notice shall be irrevocable and shall specify the requested date (which shall be a Business Day) and amount of the requested Floorplan Swingline Loan. Each Floorplan Swingline Loan shall bear interest as provided in Schedule 2.05(b)(ii) attached hereto and by this reference incorporated herein. Upon request from time to time, the Swingline Lender will promptly advise the Administrative Agent of any such notice received from any Borrower, Manufacturer or other person and/or the then current Swingline Exposure. Each request for a Floorplan Swingline Loan, whether such request comes from a Borrower, from a Manufacturer, from some other person or entity under some drafting or similar type agreement, or from another dealer or third party with respect to (i) the acquisition by a Borrower of a Floored Item or (ii) a refinancing (take-out) of Vehicles financed with another floorplan (inventory) lender (each a "Floorplan Swingline Loan Request"), shall be in writing, in a form acceptable to the Swingline Lender, and shall be accompanied by such information the Swingline Lender may require from time to time, in its sole and absolute discretion, including copies of invoices, certificates, bills of sale, delivery tickets, title documents, ledger cards, statements of account, tax receipts, Manufacturer certificates of origin, Manufacturer repurchase agreements or repurchase options or inventory lists of prior floorplan (inventory) lender. The Swingline Lender may refuse to fund, or delay funding of, any Floorplan Swingline Loan Request until the Swingline Lender has reviewed, analyzed and approved such Floorplan Swingline Loan Request and all supporting documentation and information, which review and approval shall be for the purpose of determining that the Manufacturer, distributor or other seller has delivered the requisite documentation pursuant to the Swingline Lender's agreement with the Manufacturer. Floorplan Swingline Loans may be made by the Swingline Lender at its option directly to the requesting Borrower, to a Manufacturer, distributor or other seller of Floored Items, to any other person or entity in connection with the requesting Borrower's acquisition of Floored Items, or to the prior floorplan (inventory) lender of a Borrower. Each such Floorplan Swingline Loan, whether by depositing or transferring funds to, or for the account of, a Manufacturer, a prior floorplan (inventory) lender of a Borrower or by paying drafts in any other manner, shall be the same as if the Swingline Lender had issued funds directly to a Borrower. The Swingline Lender shall not be obligated to make any Floorplan Swingline Loan that exceeds 100% of a Borrower's net cost for any Vehicle, including freight charges and any associated Manufacturer's "hold-back", but excluding all other discounts, rebates, prizes, premiums, credits and everything else of value received by such Borrower. Notwithstanding the foregoing, the Swingline Lender in its sole and absolute discretion may make a Floorplan Swingline Loan (in excess of the net cost, invoice, market reference guide price or purchase price limitations referenced in this sub-paragraph) that is equal to the outstanding principal balance of a Borrower's Vehicle inventory, as stated by the prior floorplan (inventory) lender.

(c) Payment of Floorplan Swingline Loans. The applicable Borrower shall cause the Manufacturer to forward all proceeds of Floored Items directly to the Swingline Lender for repayment of the Floorplan Swingline Loan which financed the purchase of such Floored Item.

(d) Documentary Drafts. Each Borrower agrees that the Swingline Lender shall have no obligation to examine or review any document provided with any Floorplan Swingline Loan Request including, but not limited to, documentary drafts drawn on a Borrower. The Swingline Lender may conclusively rely on any invoice, advice or other document from a Manufacturer, distributor or other seller of Floored Items as being genuine, authorized and correct in all respects. Each Borrower hereby relieves and releases the Swingline Lender from any and all responsibility and liability whatsoever arising out of, or in any way related to, the correctness, genuineness, sufficiency, validity or authenticity of any invoice, advice or other document or instrument presented to the Swingline Lender for, or in connection with, any payment or for the existence, quantity, quality, condition, identity, packing, value, title, delivery, or any other aspect or quality, of the property purported to be described in, or represented by any such invoice, advice or other document or instrument.

(e) Proceeds of Floored Items. Each Borrower covenants and agrees that it shall not use any proceeds received by such Borrower on account of the sale, lease, transfer, or placing in use of a Floored Item without first repaying, in full, the Floorplan Swingline Loan for such Floored Item.

(f) Dealer Access System. Certain Borrowers have requested access to the Swingline Lender's internet web based "Dealer Access System" to permit such Borrowers to access certain account information relating to the Floorplan Swingline Loans and to facilitate the making of any payments on the Floorplan Swingline Loans by authorizing the Swingline Lender to debit any one or more of the applicable Borrower's deposit accounts with the Swingline Lender or with such other financial institutions as indicated by the applicable Borrower. In consideration for the Swingline Lender's granting to such Borrowers access to the Swingline Lender's Dealer Access System to view loan account information and make Floorplan Swingline Loan payments, each such Borrower acknowledges its responsibility for the security of its passwords and other information necessary for access to the Swingline Lender's Dealer Access System and fully, finally, and forever releases the Swingline Lender and its successors, assigns, directors, officers, employees, agents, and representatives from any and all causes of action, claims, debts, demands, and liabilities, of whatever kind or nature, in law or equity, such Borrower may now or hereafter have, in any way relating to such Borrower's access to, or use of, or the Swingline Lender's suspension or termination of certain systems features of the Swingline Lender's Dealer Access System.

(g) Participation by Lenders. The Swingline Lender may by written notice given to the Administrative Agent not later than 10:00 a.m., Eastern time, on any Business Day require the Lenders to acquire participations on such Business Day in all or a portion of the Swingline Loans outstanding. Such notice shall specify the aggregate amount of Swingline Loans in which Lenders will participate. Promptly upon receipt of such notice, the Administrative Agent will give notice thereof to each Lender, specifying in such notice such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender hereby absolutely and unconditionally agrees, upon receipt of notice as provided above, to pay to the Administrative Agent, for the account of the Swingline Lender, such Lender's Applicable Percentage of such Swingline Loan or Loans. Each Lender acknowledges and agrees that its obligation to acquire participations in Swingline Loans pursuant to this paragraph is absolute and unconditional and shall not be affected by any circumstance whatsoever, including the occurrence and continuance of an Event of Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever. Each Lender shall comply with its obligation under this paragraph by wire transfer of immediately available funds, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the Swingline Lender the amounts so received by it from the Lenders. The Administrative Agent shall notify the applicable Borrower of any participations in any Swingline Loan acquired pursuant to this paragraph, and thereafter payments in respect of such Swingline Loan shall be made to the Administrative Agent and not to the Swingline Lender. Any amounts received by the Swingline Lender from the Borrowers (or other party on behalf of the Borrowers) in respect of a Swingline Loan after receipt by the Swingline Lender of the proceeds of a sale of participations therein shall be promptly remitted to the Administrative Agent; any such amounts received by the Administrative Agent shall be promptly remitted by the Administrative Agent to the Lenders that shall have made their payments pursuant to this paragraph and to the Swingline Lender, as their interests may appear; provided that any such payment so remitted shall be repaid to the Swingline Lender or to the Administrative Agent, as applicable, if and to the extent such payment is required to be refunded to any Borrower for any reason. The purchase of participations in a Swingline Loan pursuant to this paragraph shall not relieve any Borrower of any default in the payment thereof.

(h) Settlement Among Swingline Lender and Lenders. Notwithstanding anything to the contrary contained in this Agreement, with respect to the Floorplan Swingline Loans:

(i) It is agreed that, from and after the Effective Date, the Floorplan Swingline Loans are intended by Swingline Lender and Lenders to be shared pro rata by Lenders and Swingline Lender in accordance with their Applicable Percentages. Notwithstanding such agreement, Lenders and Swingline Lender agree that in order to facilitate the administration of this Agreement with respect to the Floorplan Swingline Loans, settlement between Swingline Lender and Lenders, in connection with the Floorplan Swingline Loans shall, subject to the provisions of clause (iv) below, occur on the last Business Day of each month (the "Settlement Date") in accordance with the provisions of this Section 2.05(h).

(ii) Swingline Lender agrees to deliver to the Administrative Agent and the Lenders within three (3) Business Days after each Settlement Date, a statement of account with the Borrowers in respect of the Floorplan Swingline Loans for the preceding month. Such monthly statement of account shall state the net Floorplan Swingline Loan balance, and the net amount (excluding any payments of interest, which shall be settled pursuant to clause (iii) hereof) due from a Lender to Swingline Lender, such that such Lender has paid to Swingline Lender its appropriate amount of the applicable Floorplan Swingline Loans. Such payments shall be made in immediately available funds and, absent manifest error, Swingline Lender's books and records showing the statements of account rendered to each Lender shall be considered accurate unless objected to by a Lender within sixty (60) days from the date the statements of account were rendered to such Lender. If such notice is given by 10:00 a.m. (Eastern Standard Time), each Lender, or Swingline Lender, as the case may be, will on such day, by 4:00 p.m. (Eastern Standard Time), pay the net amount. If such statement is given after 10:00 a.m. (Eastern Standard Time) each Lender, or Swingline Lender, as the case may be, shall make such payments no later than 1:00 p.m. (Eastern Standard Time) on the next Business Day.

(iii) Swingline Lender agrees to pay and otherwise account for, to Lenders, no later than the third (3rd) Business Day of each month, the interest due Lenders in respect of its Applicable Percentage in respect of Floorplan Swingline Loans funded during the previous calendar month, as such interest is earned and paid by the applicable Borrower, pursuant to the terms, provisions, covenants and conditions of this Agreement. Lenders shall receive interest to the extent of its Applicable Percentage at the interest rate in respect of the closing daily balances in the applicable Borrower's Floorplan Swingline Loans account for each day during the immediately preceding calendar month to the extent such amounts were funded by Lenders and as such interest was earned and received by Swingline Lender from the applicable Borrowers pursuant to the terms, provisions, covenants and conditions of this Agreement.

(iv) Swingline Lender shall have the right at any time to require, by notice to the Lenders (delivered as set forth below), that all settlements in respect of Floorplan Swingline Loans made, and repayments of any amounts outstanding under this Agreement with respect to the Floorplan Swingline Loans be made on the last Business Day of each week or a daily basis (in either case, the “Alternative Settlement Date”). Swingline Lender shall deliver written notice to the Administrative Agent and the Lenders two (2) Business Days prior to the effectiveness of any such Alternative Settlement Date, unless an Unmatured Default or Event of Default has occurred and is continuing under any of the Loan Documents, in which case such written notice may be delivered prior to 10:00 a.m. (Eastern Standard Time) on the Business Day prior to the date such Alternative Settlement Date is to be effective. From and after the giving of such notice (and until such time, if any, as Swingline Lender notifies the Administrative Agent and the Lenders of its determination to return to another settlement date), each Lender shall pay to Swingline Lender such Lender’s ratable portion of the amount of any Floorplan Swingline Loan to be made under this Agreement (x) in the case of a daily Alternative Settlement Basis, on the date such Floorplan Swingline Loan is made provided that Lenders receive notice of the Floorplan Swingline Loan by 10:00 a.m. (Eastern Standard Time), or by 1:00 p.m. (Eastern Standard Time) on the following Business Day in the event Lenders receive notice after 10:00 a.m. (Eastern Standard Time) of a Floorplan Swingline Loan and (y) in the case of a weekly Alternative Settlement Basis, on a basis similar to that described in clause (ii) of this Section 2.05(h) (and as shall be more fully described in the applicable notice of Alternative Settlement Date). Notwithstanding the foregoing, the parties agree that in the event that on any Business Day, after giving effect to the payments received for, or collections on account of, any Floorplan Swingline Loan, the principal amount of such Floorplan Swingline Loan funded by Lenders based on their respective Applicable Percentage exceeds the aggregate outstanding principal amount of the Floorplan Swingline Loan, Swingline Lender shall have the right to require, by notice to Lenders, that settlements with respect to such Floorplan Swingline Loan be made on such day, so long as written notice is delivered to Lenders prior to 10:00 a.m. (Eastern Standard Time) on such day, or on the next succeeding Business Day, if such notice is received after 10:00 a.m. (Eastern Standard Time) on such date.

(v) Swingline Lender and Lenders each acknowledge and agree that it is for the convenience of the parties to this Agreement that funding of Floorplan Swingline Loans under the this Agreement by Lenders and allocation of collections in respect of such Floorplan Swingline Loans between Swingline Lender and Lenders will occur on the basis of the settlement procedures described in this Section 2.05(h). For the avoidance of doubt, Swingline Lender and Lenders hereby acknowledge and agree, that Lender’s obligation to fund its Applicable Percentage of any Floorplan Swingline Loan funded under this Agreement by Swingline Lender shall be absolute and unconditional and shall not be affected by any circumstance, including, without limitation, (A) any set-off, counterclaim, recoupment, defense or other right which such Lender may have against Swingline Lender, any Borrower or any other party for any reason whatsoever (except Lender’s right of set off with respect to amounts otherwise payable by Swingline Lender to such Lender hereunder and wrongfully withheld by Swingline Lender); (B) the occurrence or continuance of any Unmatured Default or Event of Default; (C) any adverse change in the condition (financial or otherwise) of the Borrower or any other party; or (D) any other circumstance, happening or event whatsoever, whether or not similar to any of the foregoing. If a Lender does not make available to Swingline Lender the amount required pursuant to clause (ii) above, Swingline Lender shall be entitled to recover such amount on demand from such Lender, together with interest thereon for each day from the date of non-payment until such amount is paid in full, at the Federal Funds Effective Rate.

(vi) If any amounts received by Swingline Lender hereunder are later required to be returned or repaid by Swingline Lender to the Borrowers, whether by court order, settlement or otherwise, each Lender shall, upon demand by Swingline Lender, pay to Swingline Lender, an amount equal to Lender’s Applicable Percentage of all such amounts required to be returned by Swingline Lender.

(vii) If a Lender shall, at any time, fail to make any payment to Swingline Lender required hereunder, Swingline Lender may, but shall not be required to, retain payments that would otherwise be made to such Lender hereunder and apply such payments to such Lender’s defaulted obligations hereunder, at such time, and in such order, as Swingline Lender may elect in its sole and absolute discretion.

(viii) With respect to the payment of any funds under this Section 2.05(h), whether from Swingline Lender to a Lender or from a Lender to Swingline Lender, the party failing to make full payment when due pursuant to the terms hereof shall, upon written demand by the other party, pay such amount together with interest on such amount at the Federal Funds Effective Rate.

SECTION 2.06. Letters of Credit. (a) General. Subject to the terms and conditions set forth herein, each Borrower may request the issuance of Letters of Credit denominated in Dollars or any Foreign Currency for its own account, in a form reasonably acceptable to the Administrative Agent and the applicable Issuing Bank, at any time and from time to time during the Availability Period. In the event of any inconsistency between the terms and conditions of this Agreement and the terms and conditions of any form of letter of credit application or other agreement submitted by the applicable Borrower to, or entered into by the applicable Borrower with, the applicable Issuing Bank relating to any Letter of Credit, the terms and conditions of this Agreement shall control. Upon the effectiveness of this Agreement, each Existing Letter of Credit shall, without any further action by any party, be deemed to have been issued as a Letter of Credit hereunder on the Effective Date and shall for all purposes hereof be treated as a Letter of Credit under this Agreement.

(b) Notice of Issuance, Amendment, Renewal, Extension; Certain Conditions. To request the issuance of a Letter of Credit (or the amendment, renewal or extension of an outstanding Letter of Credit), the applicable Borrower shall hand deliver or telecopy (or transmit by electronic communication, if arrangements for doing so have been approved by the applicable Issuing Bank) to the applicable Issuing Bank and the Administrative Agent (reasonably in advance of the requested date of issuance, amendment, renewal or extension) a notice requesting the issuance of a Letter of Credit, or identifying the Letter of Credit to be amended, renewed or extended, and specifying the date of issuance, amendment, renewal or extension (which shall be a Business Day), the date on which such Letter of Credit is to expire (which shall comply with paragraph (c) of this Section), the amount of such Letter of Credit, the name and address of the beneficiary thereof and such other information as shall be necessary to prepare, amend, renew or extend such Letter of Credit. If requested by the applicable Issuing Bank, the applicable Borrower also shall submit a letter of credit application on such Issuing Bank's standard form in connection with any request for a Letter of Credit. A Letter of Credit shall be issued, amended, renewed or extended only if (and upon issuance, amendment, renewal or extension of each Letter of Credit the applicable Borrower shall be deemed to represent and warrant that), after giving effect to such issuance, amendment, renewal or extension (i) the LC Exposure shall not exceed \$10,000,000 and (ii) the total Revolving Credit Exposures shall not exceed the total Commitments.

(c) Expiration Date. Each Letter of Credit shall expire at or prior to the close of business on the earlier of (i) the date one year after the date of the issuance of such Letter of Credit (provided that Letters of Credit having a one-year tenor may provide for the renewal thereof for additional one-year periods, but not extending beyond the date referred to in clause (ii) below) and (ii) the date that is five Business Days prior to the Maturity Date.

(d) Participations. By the issuance of a Letter of Credit (or an amendment to a Letter of Credit increasing the amount thereof) and without any further action on the part of the applicable Issuing Bank or the Lenders, such Issuing Bank hereby grants to each Lender, and each Lender hereby acquires from such Issuing Bank, a participation in such Letter of Credit equal to such Lender's Applicable Percentage of the aggregate amount available to be drawn under such Letter of Credit. In consideration and in furtherance of the foregoing, each Lender hereby absolutely and unconditionally agrees to pay to the Administrative Agent, for the account of the applicable Issuing Bank, such Lender's Applicable Percentage of each LC Disbursement made by such Issuing Bank and not reimbursed by the applicable Borrower on the date due as provided in paragraph (e) of this Section, or of any reimbursement payment required to be refunded to the applicable Borrower for any reason. Each Lender acknowledges and agrees that its obligation to acquire participations pursuant to this paragraph in respect of Letters of Credit is absolute and unconditional and shall not be affected by any circumstance whatsoever, including any amendment, renewal or extension of any Letter of Credit or the occurrence and continuance of an Event of Default or reduction or termination of the Commitments, and that each such payment shall be made without any offset, abatement, withholding or reduction whatsoever.

(e) Reimbursement. If an Issuing Bank shall make any LC Disbursement in respect of a Letter of Credit, the applicable Borrower shall reimburse such LC Disbursement by paying to the Administrative Agent an amount equal to such LC Disbursement not later than 3:00 p.m., Eastern time, on the date that such LC Disbursement is made, if the applicable Borrower shall have received notice of such LC Disbursement prior to 10:00 a.m., Eastern time, on such date, or, if such notice has not been received by the applicable Borrower prior to such time on such date, then not later than 3:00 p.m., Eastern time, on the Business Day immediately following the day that the applicable Borrower receives such notice; provided that the applicable Borrower may, subject to the conditions to borrowing set forth herein, request in accordance with Section 2.03 or 2.05 that such payment be financed with an ABR Revolving Borrowing or Swingline Loan in an equivalent amount and, to the extent so financed, the applicable Borrower's obligation to make such payment shall be discharged and replaced by the resulting ABR Revolving Borrowing or Swingline Loan. If the applicable Borrower fails to make such payment when due, such amount, if denominated in Foreign Currency shall be converted to Dollars and the Administrative Agent shall notify each Lender of the applicable LC Disbursement, the payment then due from the applicable Borrower in respect thereof and such Lender's Applicable Percentage thereof. Promptly following receipt of such notice, each Lender shall pay to the Administrative Agent its Applicable Percentage of the payment then due from the applicable Borrower, in the same manner as provided in Section 2.07 with respect to Loans made by such Lender (and Section 2.07 shall apply, mutatis mutandis, to the payment obligations of the Lenders), and the Administrative Agent shall promptly pay to the applicable Issuing Bank the amounts so received by it from the Lenders. Promptly following receipt by the Administrative Agent of any payment from the applicable Borrower pursuant to this paragraph, the Administrative Agent shall distribute such payment to the applicable Issuing Bank or, to the extent that Lenders have made payments pursuant to this paragraph to reimburse the Issuing Bank, then to such Lenders and the applicable Issuing Bank as their interests may appear. Any payment made by a Lender pursuant to this paragraph to reimburse an Issuing Bank for any LC Disbursement (other than the funding of ABR Revolving Loans or a Swingline Loan as contemplated above) shall not constitute a Loan and shall not relieve the applicable Borrower of its obligation to reimburse such LC Disbursement.

(f) Obligations Absolute. Each Borrower's obligation to reimburse LC Disbursements as provided in paragraph (e) of this Section shall be absolute, unconditional and irrevocable, and shall be performed strictly in accordance with the terms of this Agreement under any and all circumstances whatsoever and irrespective of (i) any lack of validity or enforceability of any Letter of Credit or this Agreement, or any term or provision therein, (ii) any draft or other document presented under a Letter of Credit proving to be forged, fraudulent or invalid in any respect or any statement therein being untrue or inaccurate in any respect, (iii) payment by an Issuing Bank under a Letter of Credit against presentation of a draft or other document that does not comply with the terms of such Letter of Credit, or (iv) any other event or circumstance whatsoever, whether or not similar to any of the foregoing, that might, but for the provisions of this Section, constitute a legal or equitable discharge of, or provide a right of setoff against, the applicable Borrower's obligations hereunder. Neither the Administrative Agent, the Lenders nor any Issuing Bank, nor any of their Related Parties, shall have any liability or responsibility by reason of or in connection with the issuance or transfer of any Letter of Credit or any payment or failure to make any payment thereunder (irrespective of any of the circumstances referred to in the preceding sentence), or any error, omission, interruption, loss or delay in transmission or delivery of any draft, notice or other communication under or relating to any Letter of Credit (including any document required to make a drawing thereunder), any error in interpretation of technical terms or any consequence arising from causes beyond the control of the applicable Issuing Bank; provided that nothing in this subsection 2.06(f) shall be construed to excuse the applicable Issuing Bank from liability to the applicable Borrower to the extent of any direct damages (as opposed to consequential damages, claims in respect of which are hereby waived by each Borrower to the extent permitted by applicable law) suffered by the applicable Borrower that are caused by such Issuing Bank's failure to exercise care when determining whether drafts and other documents presented under a Letter of Credit comply with the terms thereof. The parties hereto expressly agree that, in the absence of gross negligence or willful misconduct on the part of an Issuing Bank (as finally determined by a court of competent jurisdiction), such Issuing Bank shall be deemed to have exercised care in each such determination. In furtherance of the foregoing and without limiting the generality thereof, the parties agree that, with respect to documents presented which appear on their face to be in substantial compliance with the terms of a Letter of Credit, the applicable Issuing Bank may, in its sole discretion, either accept and make payment upon such documents without responsibility for further investigation, regardless of any notice or information to the contrary, or refuse to accept and make payment upon such documents if such documents are not in strict compliance with the terms of such Letter of Credit.

(g) Disbursement Procedures. The applicable Issuing Bank shall, promptly following its receipt thereof, examine all documents purporting to represent a demand for payment under a Letter of Credit. Such Issuing Bank shall promptly notify the Administrative Agent and the applicable Borrower by telephone (confirmed by telecopy) of such demand for payment and whether such Issuing Bank has made or will make an LC Disbursement thereunder; provided that any failure to give or delay in giving such notice shall not relieve the applicable Borrower of its obligation to reimburse such Issuing Bank and the Lenders with respect to any such LC Disbursement.

(h) Interim Interest. If the applicable Issuing Bank shall make any LC Disbursement, then, unless the applicable Borrower shall reimburse such LC Disbursement in full on the date such LC Disbursement is made, the unpaid amount thereof shall bear interest, for each day from and including the date such LC Disbursement is made to but excluding the date that the applicable Borrower reimburses such LC Disbursement, at the rate per annum then applicable to ABR Revolving Loans (or in the case such LC Disbursement is denominated in a Foreign Currency, at the rate reasonably determined by the Administrative Agent to be the cost of funding such amount plus the then Applicable Rate with respect to Eurodollar Loans); provided that, if the applicable Borrower fails to reimburse such LC Disbursement when due pursuant to paragraph (e) of this Section, then Section 2.13(d) shall apply. Interest accrued pursuant to this paragraph shall be for the account of the applicable Issuing Bank, except that interest accrued on and after the date of payment by any Lender pursuant to paragraph (e) of this Section to reimburse such Issuing Bank shall be for the account of such Lender to the extent of such payment.

(i) Replacement of an Issuing Bank. An Issuing Bank may be replaced at any time by written agreement among the applicable Borrower, the Administrative Agent, the replaced Issuing Bank and the successor Issuing Bank. The Administrative Agent shall notify the Lenders of any such replacement of an Issuing Bank. At the time any such replacement shall become effective, the applicable Borrower shall pay all unpaid fees accrued for the account of the replaced Issuing Bank pursuant to Section 2.12(b). From and after the effective date of any such replacement, (i) the successor Issuing Bank shall have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit to be issued thereafter and (ii) references herein to the term "Issuing Bank" shall be deemed to refer to such successor or to any previous or other Issuing Bank, or to such successor and all previous and other Issuing Banks, as the context shall require. After the replacement of an Issuing Bank hereunder, the replaced Issuing Bank shall remain a party hereto and shall continue to have all the rights and obligations of an Issuing Bank under this Agreement with respect to Letters of Credit issued by it prior to such replacement, but shall not be required to issue additional Letters of Credit.

(j) Cash Collateralization. If any Event of Default shall occur and be continuing, on the Business Day that the applicable Borrower receives notice from the Administrative Agent or the Required Lenders (or, if the maturity of the Loans has been accelerated, Lenders with LC Exposure representing greater than 50% of the total LC Exposure) demanding the deposit of Cash Collateral pursuant to this paragraph, the applicable Borrower shall fully Cash Collateralize the LC Exposure as of such date plus any accrued and unpaid interest thereon; provided that the obligation to deposit such Cash Collateral shall become effective immediately, and such deposit shall become immediately due and payable, without demand or other notice of any kind, upon the occurrence of any Event of Default with respect to the applicable Borrower described in clause (h) or (i) of Article VII. Such Cash Collateral shall be held by the Administrative Agent as collateral for the payment and performance of the obligations of the applicable Borrower under this Agreement. The Administrative Agent shall have exclusive dominion and control, including the exclusive right of withdrawal, over such account. Other than any interest earned on the investment of such deposits, which investments shall be made at the option and sole discretion of the Administrative Agent and at the applicable Borrower's risk and expense, such deposits shall not bear interest. Interest or profits, if any, on such investments shall accumulate in such account. Moneys in such account shall be applied by the Administrative Agent to reimburse the applicable Issuing Bank for LC Disbursements for which it has not been reimbursed and, to the extent not so applied, shall be held for the satisfaction of the reimbursement obligations of the applicable Borrower for the LC Exposure at such time or, if the maturity of the Loans has been accelerated (but subject to the consent of Lenders with LC Exposure representing greater than 50% of the total LC Exposure), be applied to satisfy other obligations of the applicable Borrower under this Agreement. If a Borrower is required to provide an amount of Cash Collateral hereunder as a result of the occurrence of an Event of Default, such amount (to the extent not applied as aforesaid) shall be returned to the applicable Borrower within three Business Days after all Events of Default have been cured or waived.

(k) Information to Administrative Agent and Lenders. Promptly following any change in any Letters of Credit outstanding, the applicable Issuing Bank shall deliver to the Administrative Agent, each Lender and the Borrowers a notice describing the aggregate amount of all Letters of Credit issued by such Issuing Bank outstanding at such time. Upon the request of any Lender from time to time, an Issuing Bank shall deliver any other information reasonably requested by such Lender with respect to each Letter of Credit issued by such Issuing Bank then outstanding. Other than as set forth in this subsection, an Issuing Bank shall have no duty to notify the Lenders regarding the issuance or other matters regarding Letters of Credit issued hereunder. The failure of an Issuing Bank to perform its requirements under this subsection shall not relieve any Lender from its obligations under the immediately preceding subsection (d).

SECTION 2.07. Funding of Borrowings. (a) Each Lender shall make each Loan to be made by it hereunder on the proposed date thereof by wire transfer of immediately available funds by 12:00 noon, Eastern time, to the account of the Administrative Agent most recently designated by it for such purpose by notice to the Lenders; provided that Swingline Loans shall be made as provided in Section 2.05. The Administrative Agent will make such Loans available to the applicable Borrower by promptly crediting the amounts so received, in like funds, either (i) to an account of the applicable Borrower maintained with the Administrative Agent, or (ii) via wire transfer pursuant to instructions provided by the applicable Borrower, in each case as designated by the applicable Borrower in the applicable Borrowing Request; provided that ABR Revolving Loans made to finance the reimbursement of an LC Disbursement as provided in Section 2.06(e) shall be remitted by the Administrative Agent to the applicable Issuing Bank.

(b) Unless the Administrative Agent shall have received notice from a Lender prior to the proposed date of any Borrowing that such Lender will not make available to the Administrative Agent such Lender's share of such Borrowing, the Administrative Agent may assume that such Lender has made such share available on such date in accordance with paragraph (a) of this Section and may, in reliance upon such assumption, make available to the applicable Borrower a corresponding amount. In such event, if a Lender has not in fact made its share of the applicable Borrowing available to the Administrative Agent, then the applicable Lender and the applicable Borrower severally agree to pay to the Administrative Agent forthwith on demand such corresponding amount with interest thereon, for each day from and including the date such amount is made available to the applicable Borrower to but excluding the date of payment to the Administrative Agent, at (i) in the case of such Lender, the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation or (ii) in the case of the applicable Borrower, the interest rate applicable to ABR Loans, If such Lender pays such amount to the Administrative Agent, then such amount shall constitute such Lender's Loan included in such Borrowing.

SECTION 2.08. Interest Elections. (a) Each Borrowing initially shall be of the Type specified in the applicable Borrowing Request and, in the case of a Eurodollar Borrowing, shall have an initial Interest Period as specified in such Borrowing Request. Thereafter, the applicable Borrower may elect to convert such Borrowing to a different Type or to continue such Borrowing and, in the case of a Eurodollar Borrowing, may elect Interest Periods therefor, all as provided in this Section. The applicable Borrower may elect different options with respect to different portions of the affected Borrowing, in which case each such portion shall be allocated ratably among the Lenders holding the Loans comprising such Borrowing, and the Loans comprising each such portion shall be considered a separate Borrowing. This Section shall not apply to Swingline Borrowings, which may not be converted or continued.

(b) To make an election pursuant to this Section, the applicable Borrower shall notify the Administrative Agent of such election by telephone by the time that a Borrowing Request would be required under Section 2.03 if the applicable Borrower were requesting a Borrowing of the Type resulting from such election to be made on the effective date of such election. Each such telephonic Interest Election Request shall be irrevocable and shall be confirmed promptly by hand delivery or teletype to the Administrative Agent of a written Interest Election Request in a form approved by the Administrative Agent and signed by the applicable Borrower.

(c) Each telephonic and written Interest Election Request shall specify the following information in compliance with Section 2.02:

- (i) the Borrowing to which such Interest Election Request applies and, if different options are being elected with respect to different portions thereof, the portions thereof to be allocated to each resulting Borrowing (in which case the information to be specified pursuant to clauses (iii) and (iv) below shall be specified for each resulting Borrowing);
- (ii) the effective date of the election made pursuant to such Interest Election Request, which shall be a Business Day;
- (iii) whether the resulting Borrowing is to be an ABR Borrowing or a Eurodollar Borrowing; and
- (iv) if the resulting Borrowing is a Eurodollar Borrowing, the Interest Period to be applicable thereto after giving effect to such election, which shall be a period contemplated by the definition of the term "Interest Period",

If any such Interest Election Request requests a Eurodollar Borrowing but does not specify an Interest Period, then the applicable Borrower shall be deemed to have selected an Interest Period of one month's duration.

(d) Promptly following receipt of an Interest Election Request, the Administrative Agent shall advise each Lender of the details thereof and of such Lender's portion of each resulting Borrowing.

(e) If the applicable Borrower fails to deliver a timely Interest Election Request with respect to a Eurodollar Borrowing prior to the end of the Interest Period applicable thereto, then, unless such Borrowing is repaid as provided herein, at the end of such Interest Period such Borrowing shall be converted to an ABR Borrowing. Notwithstanding any contrary provision hereof, if an Event of Default has occurred and is continuing and the Administrative Agent, at the request of the Required Lenders, so notifies the applicable Borrower, then, so long as an Event of Default is continuing (i) no outstanding Revolving Borrowing may be converted to or continued as a Eurodollar Borrowing and (ii) unless repaid, each Eurodollar Borrowing shall be converted to an ABR Borrowing at the end of the Interest Period applicable thereto.

SECTION 2.09. Termination and Reduction of Commitments. (a) Unless previously terminated, the Commitments shall terminate on the Maturity Date.

(b) The Borrowers may at any time terminate, or from time to time reduce, the Commitments; provided that (i) each reduction of the Commitments shall be in an amount that is an integral multiple of \$1,000,000 and not less than \$5,000,000 and (ii) the Borrowers shall not terminate or reduce the Commitments if, after giving effect to any concurrent prepayment of the Loans in accordance with Section 2.11, the Revolving Credit Exposures would exceed the total Commitments.

(c) The Borrowers shall notify the Administrative Agent of any election to terminate or reduce the Commitments under paragraph (b) of this Section at least three Business Days prior to the effective date of such termination or reduction, specifying such election and the effective date thereof. Promptly following receipt of any notice, the Administrative Agent shall advise the Lenders of the contents thereof. Each notice delivered by the Borrowers pursuant to this Section shall be irrevocable; provided that a notice of termination of the Commitments delivered by the Borrowers may state that such notice is conditioned upon the effectiveness of other credit facilities, in which case such notice may be revoked by the Borrowers (by notice to the Administrative Agent on or prior to the specified effective date) if such condition is not satisfied. Any termination or reduction of the Commitments shall be permanent. Each reduction of the Commitments shall be made ratably among the Lenders in accordance with their respective Commitments.

SECTION 2.10. Repayment of Loans; Evidence of Debt. (a) The Borrowers hereby unconditionally promise to pay (i) to the Administrative Agent for the account of each Lender the then unpaid principal amount of each Revolving Loan on the Maturity Date, and (ii) to the Swingline Lender the then unpaid principal amount of each Swingline Loan on the earliest of (x) the Maturity Date, (y) the date five (5) Business Days after demand by the Swingline Lender in its discretion if no Event of Default exists and (z) the demand by the Swingline Lender in its discretion if an Event of Default exists. The Obligations of the Borrowers hereunder and under the Loan Documents are joint and several.

(b) Each Lender shall maintain in accordance with its usual practice an account or accounts evidencing the indebtedness of the Borrowers to such Lender resulting from each Loan made by such Lender, including the amounts of principal and interest payable and paid to such Lender from time to time hereunder.

(c) The Administrative Agent shall maintain accounts in which it shall record (i) the amount of each Loan made hereunder, the Class and Type thereof and the Interest Period applicable thereto, (ii) the amount of any principal or interest due and payable or to become due and payable from each Borrower to each Lender hereunder and (iii) the amount of any sum received by the Administrative Agent hereunder for the account of the Lenders and each Lender's share thereof.

(d) The entries made in the accounts maintained pursuant to paragraph (b) or (c) of this Section shall be prima facie evidence of the existence and amounts of the obligations recorded therein absent manifest error; provided that the failure of any Lender or the Administrative Agent to maintain such accounts or any error therein shall not in any manner affect the obligation of the Borrowers to repay the Loans in accordance with the terms of this Agreement.

(e) Any Lender may request that Loans made by it be evidenced by a promissory note. In such event, the Borrowers shall prepare, execute and deliver to such Lender a promissory note payable to the order of such Lender (or, if requested by such Lender, to such Lender and its registered assigns) and in a form approved by the Administrative Agent. Thereafter, the Loans evidenced by such promissory note and interest thereon shall at all times (including after assignment pursuant to Section 9.04) be represented by one or more promissory notes in such form payable to the order of the payee named therein (or, if such promissory note is a registered note, to such payee and its registered assigns).

SECTION 2.11. Prepayment of Loans. (a) Each Borrower shall have the right at any time and from time to time to prepay any Borrowing in whole or in part, subject to prior notice in accordance with paragraph (b) of this Section.

(b) The applicable Borrower shall notify the Administrative Agent (and, in the case of prepayment of a Swingline Loan, the Swingline Lender) by telephone (confirmed by telecopy) of any prepayment hereunder (i) in the case of prepayment of a Eurodollar Revolving Borrowing, not later than 11:00 a.m., Eastern time, three Business Days before the date of prepayment, (ii) in the case of prepayment of an ABR Revolving Borrowing, not later than 11:00 a.m., Eastern time, one Business Day before the date of prepayment or (iii) in the case of prepayment of a Swingline Loan, not later than 12:00 noon, Eastern time, on the date of prepayment. Each such notice shall be irrevocable and shall specify the prepayment date and the principal amount of each Borrowing or portion thereof to be prepaid; provided that, if a notice of prepayment is given in connection with a conditional notice of termination of the Commitments as contemplated by Section 2.09, then such notice of prepayment may be revoked if such notice of termination is revoked in accordance with Section 2.09. Promptly following receipt of any such notice relating to a Revolving Borrowing, the Administrative Agent shall advise the Lenders of the contents thereof. Each partial prepayment of any Revolving Borrowing shall be in an amount that would be permitted in the case of an advance of a Revolving Borrowing of the same Type as provided in Section 2.02. Each prepayment of a Revolving Borrowing shall be applied ratably to the Loans included in the prepaid Borrowing. Prepayments shall be accompanied by accrued interest to the extent required by Section 2.13.

SECTION 2.12. Fees. (a) The Borrowers agree to pay, on a joint and several basis, to the Administrative Agent for the account of each Lender a commitment fee, which shall accrue at the Applicable Rate on the average daily amount of the Available Revolving Commitment of such Lender during the period from and including the Effective Date to but excluding the date on which such Commitment terminates. Accrued commitment fees shall be payable in arrears on the last day of March, June, September and December of each year and on the date on which the Commitments terminate, commencing on the first such date to occur after the date hereof. All commitment fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(b) The Borrowers agree to pay, on a joint and several basis, (i) to the Administrative Agent for the account of each Lender a participation fee with respect to its participations in Letters of Credit, which shall accrue at the same Applicable Rate used to determine the interest rate applicable to Eurodollar Revolving Loans on the average daily amount of such Lender's LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date on which such Lender's Commitment terminates and the date on which such Lender ceases to have any LC Exposure, and (ii) to the applicable Issuing Bank a fronting fee, which shall accrue at the rate of 0.25% per annum on the average daily amount of the LC Exposure (excluding any portion thereof attributable to unreimbursed LC Disbursements) during the period from and including the Effective Date to but excluding the later of the date of termination of the Commitments and the date on which there ceases to be any LC Exposure, as well as such Issuing Bank's standard fees with respect to the issuance, amendment, renewal or extension of any Letter of Credit or processing of drawings thereunder. Participation fees and fronting fees accrued through and including the last day of March, June, September and December of each year shall be payable on the third Business Day following such last day, commencing on the first such date to occur after the Effective Date; provided that all such fees shall be payable on the date on which the Commitments terminate and any such fees accruing after the date on which the Commitments terminate shall be payable on demand. Any other fees payable to an Issuing Bank pursuant to this paragraph shall be payable within 10 days after demand. All participation fees and fronting fees shall be computed on the basis of a year of 360 days and shall be payable for the actual number of days elapsed (including the first day but excluding the last day).

(c) The Borrowers agree to pay, on a joint and several basis, to the Administrative Agent, for its own account, fees payable in the amounts and at the times separately agreed upon between the Company and the Administrative Agent.

(d) The Borrowers agree to pay, on a joint and several basis, to the Administrative Agent for the account of each Lender an upfront fee to induce each Lender to enter into this Agreement in an amount equal to 0.20% of such Lender's Commitment, which upfront fees shall be payable on the Effective Date.

(e) All fees payable hereunder shall be paid on the dates due, in immediately

available funds, to the Administrative Agent (or to an Issuing Bank, in the case of fees payable to it) for distribution, in the case of commitment fees and participation fees, to the Lenders. Fees paid shall not be refundable under any circumstances.

SECTION 2.13. Interest. (a) The Loans comprising each ABR Borrowing (including each Swingline Loan) shall bear interest at the Alternate Base Rate.

(b) The Loans comprising each Eurodollar Borrowing shall bear interest at the Adjusted LIBO Rate for the Interest Period in effect for such Borrowing plus the Applicable Rate.

(c) Notwithstanding the foregoing, if any principal of or interest on any Loan or any fee or other amount payable by any Borrower hereunder is not paid when due, whether at stated maturity, upon acceleration or otherwise, such overdue amount shall bear interest, after as well as before judgment, at a rate per annum equal to (i) in the case of overdue principal of any Loan, 2% plus the rate otherwise applicable to such Loan as provided in the preceding paragraphs of this Section or (ii) in the case of any other amount, 2% plus the rate applicable to ABR Loans as provided in paragraph (a) of this Section.

(d) Accrued interest on each Loan shall be payable in arrears on each Interest

Payment Date for such Loan and, in the case of Revolving Loans, upon termination of the Commitments; provided that (i) interest accrued pursuant to paragraph (d) of this Section shall be payable on demand, (ii) in the event of any repayment or prepayment of any Loan (other than a prepayment of an ABR Loan prior to the end of the Availability Period), accrued interest on the principal amount repaid or prepaid shall be payable on the date of such repayment or prepayment and (iii) in the event of any conversion of any Eurodollar Loan prior to the end of the current Interest Period therefor, accrued interest on such Loan shall be payable on the effective date of such conversion.

(e) All interest hereunder shall be computed on the basis of a year of 360 days,

except that interest computed by reference to the Alternate Base Rate at times when the Alternate Base Rate is based on the Prime Rate shall be computed on the basis of a year of 365 days (or 366 days in a leap year), and in each case shall be payable for the actual number of days elapsed (including the first day but excluding the last day). The applicable Alternate Base Rate, Adjusted LIBO Rate or LIBO Rate shall be determined by the Administrative Agent, and such determination shall be conclusive absent manifest error.

SECTION 2.14. Alternate Rate of Interest. If prior to the commencement of any Interest Period for a Eurodollar Borrowing:

(a) the Administrative Agent determines (which determination shall be conclusive absent manifest error) that adequate and reasonable means do not exist for ascertaining the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period; or

(b) the Administrative Agent is advised by the Required Lenders that the Adjusted LIBO Rate or the LIBO Rate, as applicable, for such Interest Period will not adequately and fairly reflect the cost to such Lenders (or Lender) of making or maintaining their Loans (or its Loan) included in such Borrowing for such Interest Period; then the Administrative Agent shall give notice thereof to the Borrowers and the Lenders by telephone or telecopy as promptly as practicable thereafter and, until the Administrative Agent notifies the Borrowers and the Lenders that the circumstances giving rise to such notice no longer exist, (i) any Interest Election Request that requests the conversion of any Revolving Borrowing to, or continuation of any Revolving Borrowing as, a Eurodollar Borrowing shall be ineffective, and (ii) if any Borrowing Request requests a Eurodollar Revolving Borrowing, such Borrowing shall be made as an ABR Borrowing; provided that if the circumstances giving rise to such notice affect only one Type of Borrowings, then the other Type of Borrowings shall be permitted.

SECTION 2.15. Increased Costs. (a) If any Change in Law shall:

(i) impose, modify or deem applicable any reserve, special deposit or similar requirement against assets of, deposits with or for the account of, or credit extended by, any Lender (except any such reserve requirement reflected in the Adjusted LIBO Rate) or any Issuing Bank; or

(ii) impose on any Lender or any Issuing Bank or the London interbank market any other condition affecting this Agreement or Eurodollar Loans made by such Lender or any Letter of Credit or participation therein; and the result of any of the foregoing shall be to increase the cost to such Lender of making or maintaining any Eurodollar Loan (or of maintaining its obligation to make any such Loan) or to increase the cost to such Lender or such Issuing Bank of participating in, issuing or maintaining any Letter of Credit or to reduce the amount of any sum received or receivable by such Lender or such Issuing Bank hereunder (whether of principal, interest or otherwise), then the Borrowers will pay to such Lender or such Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Bank, as the case may be, for such additional costs incurred or reduction suffered.

(b) If any Lender or an Issuing Bank determines that any Change in Law regarding capital requirements has or would have the effect of reducing the rate of return on such Lender's or such Issuing Bank's capital or on the capital of such Lender's or such Issuing Bank's holding company, if any, as a consequence of this Agreement or the Loans made by, or participations in Letters of Credit held by, such Lender, or the Letters of Credit issued by such Issuing Bank, to a level below that which such Lender or such Issuing Bank or such Lender's or such Issuing Bank's holding company could have achieved but for such Change in Law (taking into consideration such Lender's or such Issuing Bank's policies and the policies of such Lender's or such Issuing Bank's holding company with respect to capital adequacy), then from time to time the Borrowers will pay to such Lender or such Issuing Bank, as the case may be, such additional amount or amounts as will compensate such Lender or such Issuing Bank or such Lender's or such Issuing Bank's holding company for any such reduction suffered.

(c) A certificate of a Lender or an Issuing Bank setting forth the amount or amounts necessary to compensate such Lender or such Issuing Bank or its holding company, as the case may be, as specified in paragraph (a) or (b) of this Section shall be delivered to the Borrowers and shall be conclusive absent manifest error. The Borrowers shall pay such Lender or such Issuing Bank, as the case may be, the amount shown as due on any such certificate within 10 days after receipt thereof.

(d) Failure or delay on the part of any Lender or any Issuing Bank to demand compensation pursuant to this Section shall not constitute a waiver of such Lender's or such Issuing Bank's right to demand such compensation; provided that the Borrowers shall not be required to compensate a Lender or an Issuing Bank pursuant to this Section for any increased costs or reductions incurred more than 270 days prior to the date that such Lender or such Issuing Bank, as the case may be, notifies the Borrowers of the Change in Law giving rise to such increased costs or reductions and of such Lender's or such Issuing Bank's intention to claim compensation therefor; provided further that, if the Change in Law giving rise to such increased costs or reductions is retroactive, then the 270-day period referred to above shall be extended to include the period of retroactive effect thereof.

SECTION 2.16. Break Funding Payments. In the event of (a) the payment of any principal of any Eurodollar Loan other than on the last day of an Interest Period applicable thereto (including as a result of an Event of Default), (b) the conversion of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto, (c) the failure to borrow, convert, continue or prepay any Eurodollar Loan on the date specified in any notice delivered pursuant hereto (regardless of whether such notice may be revoked under Section 2.11(b) and is revoked in accordance therewith), or (d) the assignment of any Eurodollar Loan other than on the last day of the Interest Period applicable thereto as a result of a request by the Borrowers pursuant to Section 2.19, then, in any such event, the Borrowers shall compensate each Lender for the loss, cost and expense attributable to such event. In the case of a Eurodollar Loan, such loss, cost or expense to any Lender shall be deemed to include an amount determined by such Lender to be the excess, if any, of (i) the amount of interest which would have accrued on the principal amount of such Loan had such event not occurred, at the Adjusted LIBO Rate that would have been applicable to such Loan, for the period from the date of such event to the last day of the then current Interest Period therefor (or, in the case of a failure to borrow, convert or continue, for the period that would have been the Interest Period for such Loan), over (ii) the amount of interest which would accrue on such principal amount for such period at the interest rate which such Lender would bid were it to bid, at the commencement of such period, for dollar deposits of a comparable amount and period from other banks in the eurodollar market. A certificate of any Lender setting forth any amount or amounts that such Lender is entitled to receive pursuant to this Section shall be delivered to the Borrowers and shall be conclusive absent manifest error. The Borrowers shall pay such Lender the amount shown as due on any such certificate within 10 days after receipt thereof.

SECTION 2.17. Taxes. (a) Any and all payments by or on account of any obligation of the Borrowers hereunder shall be made free and clear of and without deduction for any Indemnified Taxes or Other Taxes; provided that if any Borrower shall be required to deduct any Indemnified Taxes or Other Taxes from such payments, then (i) the sum payable shall be increased as necessary so that after making all required deductions (including deductions applicable to additional sums payable under this Section) the Administrative Agent, Lender or Issuing Bank (as the case may be) receives an amount equal to the sum it would have received had no such deductions been made, (ii) such Borrower shall make such deductions and (iii) such Borrower shall pay the full amount deducted to the relevant Governmental Authority in accordance with applicable law.

(b) In addition, the Borrowers shall pay any Other Taxes to the relevant Governmental Authority in accordance with applicable law.

(c) Each Borrower shall indemnify the Administrative Agent, each Lender and each Issuing Bank, within 10 days after written demand therefor, for the full amount of any Indemnified Taxes or Other Taxes paid by the Administrative Agent, such Lender or such Issuing Bank, as the case may be, on or with respect to any payment by or on account of any obligation of such Borrower hereunder (including Indemnified Taxes or Other Taxes imposed or asserted on or attributable to amounts payable under this Section) and any penalties, interest and reasonable expenses arising therefrom or with respect thereto, whether or not such Indemnified Taxes or Other Taxes were correctly or legally imposed or asserted by the relevant Governmental Authority. A certificate as to the amount of such payment or liability delivered to the Borrowers by a Lender or an Issuing Bank, or by the Administrative Agent on its own behalf or on behalf of a Lender or an Issuing Bank, shall be conclusive absent manifest error.

(d) As soon as practicable after any payment of Indemnified Taxes or Other Taxes by a Borrower to a Governmental Authority, such Borrower shall deliver to the Administrative Agent the original or a certified copy of a receipt issued by such Governmental Authority evidencing such payment, a copy of the return reporting such payment or other evidence of such payment reasonably satisfactory to the Administrative Agent.

(e) (i) Any Foreign Lender that is entitled to an exemption from or reduction of

withholding tax under the law of the jurisdiction in which any Borrower is located, or any treaty to which such jurisdiction is a party, with respect to payments under this Agreement shall deliver to the Borrowers (with a copy to the Administrative Agent), at the time or times prescribed by applicable law, such properly completed and executed documentation prescribed by applicable law or reasonably requested by the Borrowers as will permit such payments to be made without withholding or at a reduced rate. In addition, any Lender, if requested by the applicable Borrower or the Administrative Agent, shall deliver such other documentation prescribed by law or reasonably requested by such Borrower or the Administrative Agent as will enable such Borrower or the Administrative Agent to determine whether or not such Lender is subject to any withholding (including backup withholding) or information reporting requirements. Notwithstanding anything to the contrary in the preceding two sentences, the completion, execution and submission of such documentation (other than such documentation set forth in Section 2.17(e)(ii)(A) through (E) below) shall not be required if in the Lender's reasonable judgment such completion, execution or submission would subject such Lender to any material unreimbursed cost or expense or would materially prejudice the legal or commercial position of such Lender. Upon the reasonable request of such Borrower or the Administrative Agent, any Lender shall update any form or certification previously delivered pursuant to this Section 2.17(g). If any form or certification previously delivered pursuant to this Section expires or becomes obsolete or inaccurate in any respect with respect to a Lender, such Lender shall promptly (and in any event within 10 days after such expiration, obsolescence or inaccuracy) notify such Borrower and the Administrative Agent in writing of such expiration, obsolescence or inaccuracy and update the form or certification if it is legally eligible to do so.

(ii) Without limiting the generality of the foregoing, if the applicable Borrower is a U.S. Person, any Lender with respect to such Borrower shall, if it is legally eligible to do so, deliver to such Borrower and the Administrative Agent (in such number of copies reasonably requested by such Borrower and the Administrative Agent) on or prior to the date on which such Lender becomes a party hereto, duly completed and executed copies of whichever of the following is applicable:

(A) in the case of a Lender that is a U.S. Person, IRS Form W-9 certifying that such Lender is exempt from U.S. Federal backup withholding tax;

(B) in the case of a Foreign Lender claiming the benefits of an income tax treaty to which the United States is a party (1) with respect to payments of interest under any Loan Document, IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. Federal withholding Tax pursuant to the "interest" article of such tax treaty and (2) with respect to any other applicable payments under this Agreement, IRS Form W-8BEN establishing an exemption from, or reduction of, U.S. Federal withholding Tax pursuant to the "business profits" or "other income" article of such tax treaty;

(C) in the case of a Foreign Lender for whom payments under this Agreement constitute income that is effectively connected with such Lender's conduct of a trade or business in the United States, IRS Form W-8ECI;

(D) in the case of a Foreign Lender claiming the benefits of the exemption for portfolio interest under Section 881(c) of the Code both (1) IRS Form W-8BEN and (2) a certificate substantially in the form of Exhibit C (a "U.S. Tax Certificate") to the effect that such Lender is not (a) a "bank" within the meaning of Section 881(c)(3)(A) of the Code, (b) a "10 percent shareholder" of the applicable Borrower within the meaning of Section 881(c)(3)(B) of the Code (c) a "controlled foreign corporation" described in Section 881(c)(3)(C) of the Code and (d) conducting a trade or business in the United States with which the relevant interest payments are effectively connected;

(E) in the case of a Foreign Lender that is not the beneficial owner of payments made under this Agreement (including a partnership or a participating Lender) (1) an IRS Form W-8IMY on behalf of itself and (2) the relevant forms prescribed in clauses (A), (B), (C), (D) and (F) of this paragraph (f)(ii) that would be required of each such beneficial owner or partner of such partnership if such beneficial owner or partner were a Lender; provided, however, that if the Lender is a partnership and one or more of its partners are claiming the exemption for portfolio interest under Section 881(c) of the Code, such Lender may provide a U.S. Tax Certificate on behalf of such partners; or

(F) any other form prescribed by law as a basis for claiming exemption from, or a reduction of, U.S. Federal withholding Tax together with such supplementary documentation necessary to enable the Borrower or the Administrative Agent to determine the amount of Tax (if any) required by law to be withheld.

(iii) If a payment made to a Lender under any Loan Document would be subject to U.S. Federal withholding Tax imposed by FATCA if such Lender were to fail to comply with the applicable reporting requirements of FATCA (including those contained in Section 1471(b) or 1472(b) of the Code, as applicable), such Lender shall deliver to the Withholding Agent, at the time or times prescribed by law and at such time or times reasonably requested by the Withholding Agent, such documentation prescribed by applicable law (including as prescribed by Section 1471(b)(3)(C)(i) of the Code) and such additional documentation reasonably requested by the Withholding Agent as may be necessary for the Withholding Agent to comply with its obligations under FATCA, to determine that such Lender has or has not complied with such Lender's obligations under FATCA and, as necessary, to determine the amount to deduct and withhold from such payment. Solely for purposes of this Section 2.17(e)(iii), "FATCA" shall include any amendments made to FATCA after the date of this Agreement.

(f) If the Administrative Agent or a Lender determines, in its sole discretion, that it has received a refund of any Taxes or Other Taxes as to which it has been indemnified by a Borrower or with respect to which a Borrower has paid additional amounts pursuant to this Section 2.17, it shall pay over such refund to such Borrower (but only to the extent of indemnity payments made, or additional amounts paid, by such Borrower under this Section 2.17 with respect to the Taxes or Other Taxes giving rise to such refund), net of all out-of-pocket expenses of the Administrative Agent or such Lender and without interest (other than any interest paid by the relevant Governmental Authority with respect to such refund); provided, that each Borrower, upon the request of the Administrative Agent or such Lender, agrees to repay the amount paid over to such Borrower (plus any penalties, interest or other charges imposed by the relevant Governmental Authority) to the Administrative Agent or such Lender in the event the Administrative Agent or such Lender is required to repay such refund to such Governmental Authority. This Section shall not be construed to require the Administrative Agent or any Lender to make available its tax returns (or any other information relating to its taxes which it deems confidential) to the Borrowers or any other Person.

SECTION 2.18. Payments Generally; Pro Rata Treatment; Sharing of Set-offs. (a) Each Borrower shall make each payment required to be made by it hereunder (whether of principal, interest, fees or reimbursement of LC Disbursements, or of amounts payable under Section 2.15, 2.16 or 2.17, or otherwise) prior to 12:00 noon, Eastern time, on the date when due, in immediately available funds, without set-off or counterclaim. Any amounts received after such time on any date may, in the discretion of the Administrative Agent, be deemed to have been received on the next succeeding Business Day for purposes of calculating interest thereon. All such payments shall be made to the Administrative Agent at such office designated by the Administrative Agent, except payments to be made directly to an Issuing Bank or Swingline Lender as expressly provided herein and except that payments pursuant to Sections 2.15, 2.16, 2.17 and 9.03 shall be made directly to the Persons entitled thereto. The Administrative Agent shall distribute any such payments received by it for the account of any other Person to the appropriate recipient promptly following receipt thereof. If any payment hereunder shall be due on a day that is not a Business Day, the date for payment shall be extended to the next succeeding Business Day, and, in the case of any payment accruing interest, interest thereon shall be payable for the period of such extension. All payments hereunder of (i) principal or interest in respect of any Loan shall be made in Dollars, (ii) reimbursement obligations shall be made in the currency in which the Letter of Credit in respect of which such reimbursement obligation exists is denominated and (iii) any other amount due hereunder or under another Loan Document shall be made in Dollars.

(b) If at any time insufficient funds are received by and available to the Administrative Agent to pay fully all amounts of principal, unreimbursed LC Disbursements, interest and fees then due hereunder, such funds shall be applied (i) first, towards payment of interest and fees then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of interest and fees then due to such parties, and (ii) second, towards payment of principal and unreimbursed LC Disbursements then due hereunder, ratably among the parties entitled thereto in accordance with the amounts of principal and unreimbursed LC Disbursements then due to such parties.

(c) If any Lender shall, by exercising any right of set-off or counterclaim or otherwise, obtain payment in respect of any principal or interest on any of its Revolving Loans or participations in LC Disbursements or Swingline Loans resulting in such Lender receiving payment of a greater proportion of the aggregate amount of its Revolving Loans and participations in LC Disbursements and Swingline Loans and accrued interest thereon than the proportion received by any other Lender, then the Lender receiving such greater proportion shall purchase (for cash at face value) participations in the Revolving Loans and participations in LC Disbursements and Swingline Loans of other Lenders to the extent necessary so that the benefit of all such payments shall be shared by the Lenders ratably in accordance with the aggregate amount of principal of and accrued interest on their respective Revolving Loans and participations in LC Disbursements and Swingline Loans; provided that (i) if any such participations are purchased and all or any portion of the payment giving rise thereto is recovered, such participations shall be rescinded and the purchase price restored to the extent of such recovery, without interest, and (ii) the provisions of this paragraph shall not be construed to apply to any payment made by the Borrowers pursuant to and in accordance with the express terms of this Agreement or any payment obtained by a Lender as consideration for the assignment of or sale of a participation in any of its Loans or participations in LC Disbursements to any assignee or participant, other than to any Borrower or any Subsidiary or Affiliate thereof (as to which the provisions of this paragraph shall apply). Each Borrower consents to the foregoing and agrees, to the extent it may effectively do so under applicable law, that any Lender acquiring a participation pursuant to the foregoing arrangements may exercise against such Borrower rights of set-off and counterclaim with respect to such participation as fully as if such Lender were a direct creditor of such Borrower in the amount of such participation.

(d) Unless the Administrative Agent shall have received notice from a Borrower prior to the date on which any payment is due to the Administrative Agent for the account of the Lenders or an Issuing Bank hereunder that such Borrower will not make such payment, the Administrative Agent may assume that such Borrower has made such payment on such date in accordance herewith and may, in reliance upon such assumption, distribute to the Lenders or the applicable Issuing Bank, as the case may be, the amount due. In such event, if such Borrower has not in fact made such payment, then each of the Lenders or the applicable Issuing Bank, as the case may be, severally agrees to repay to the Administrative Agent forthwith on demand the amount so distributed to such Lender or such Issuing Bank with interest thereon, for each day from and including the date such amount is distributed to it to but excluding the date of payment to the Administrative Agent, at the greater of the Federal Funds Effective Rate and a rate determined by the Administrative Agent in accordance with banking industry rules on interbank compensation.

(e) If any Lender shall fail to make any payment required to be made by it pursuant to Section 2.05(c), 2.06(d) or (e), 2.07(b), 2.18(d) or 9.03(c), then the Administrative Agent may, in its discretion (notwithstanding any contrary provision hereof), apply any amounts thereafter received by the Administrative Agent for the account of such Lender to satisfy such Lender's obligations under such Sections until all such unsatisfied obligations are fully paid.

SECTION 2.19. Mitigation Obligations: Replacement of Lenders. (a) If any Lender requests compensation under Section 2.15, or if any Borrower is required to pay any additional amount to any Lender or any Governmental Authority for the account of any Lender pursuant to Section 2.17, then such Lender shall use reasonable efforts to designate a different lending office for funding or booking its Loans hereunder or to assign its rights and obligations hereunder to another of its offices, branches or affiliates, if, in the judgment of such Lender, such designation or assignment (i) would eliminate or reduce amounts payable pursuant to Section 2.15 or 2.17, as the case may be, in the future and (ii) would not subject such Lender to any unreimbursed cost or expense and would not otherwise be disadvantageous to such Lender. The Borrowers hereby agree to pay all reasonable costs and expenses incurred by any Lender in connection with any such designation or assignment.

(b) If any Lender (i) shall become affected by any of the changes or events described in Section 2.15 or 2.17 and any Borrower is required to pay additional amounts or make indemnity payments with respect to the Lender thereunder, (ii) is a Defaulting Lender or (iii) has failed to consent to a proposed amendment, waiver, discharge or termination which pursuant to the terms of Section 9.02 or any other provision of any Loan Document requires the consent of all affected Lenders and with respect to which the Required Lenders shall have granted their consent (any such Lender being hereinafter referred to as a “Departing Lender”), then in such case, the Borrowers may, upon at least five Business Days’ notice to the Administrative Agent and such Departing Lender (or such shorter notice period specified by the Administrative Agent), designate a replacement lender acceptable to the Administrative Agent (a “Replacement Lender”) to which such Departing Lender shall, subject to its receipt (unless a later date for the remittance thereof shall be agreed upon by the Borrowers and the Departing Lender) of all amounts owed to such Departing Lender under Sections 2.15 or 2.17, assign all (but not less than all) of its interests, rights, obligations, Loans and Commitments hereunder; provided, that the Departing Lender shall have received payment of an amount equal to the outstanding principal of its Loans and participations in LC Disbursements and Swingline Loans, accrued interest thereon, accrued fees and all other amounts payable to it hereunder, from the Replacement Lender (to the extent of such outstanding principal and accrued interest and fees) or the Borrowers (in the case of all other amounts). Upon any assignment by any Lender pursuant to this Section 2.19 becoming effective, the Replacement Lender shall thereupon be deemed to be a “Lender” for all purposes of this Agreement (unless such Replacement Lender was, itself, a Lender prior thereto) and such Departing Lender shall thereupon cease to be a “Lender” for all purposes of this Agreement and shall have no further rights or obligations hereunder (other than pursuant to Section 2.15 or 2.17 and Section 9.03) while such Departing Lender was a Lender.

(c) Notwithstanding any Departing Lender’s failure or refusal to assign its rights, obligations, Loans and Commitments under this Section 2.19, the Departing Lender shall cease to be a “Lender” for all purposes of this Agreement and the Replacement Lender shall be substituted therefor upon payment to the Departing Lender by the Replacement Lender of all amounts set forth in this Section 2.19 without any further action of the Departing Lender.

SECTION 2.20. Defaulting Lenders.

Notwithstanding anything to the contrary contained in this Agreement, if any Lender becomes a Defaulting Lender, then, until such time as such Lender is no longer a Defaulting Lender, to the extent permitted by applicable law:

(a) Waivers and Amendments. Such Defaulting Lender’s right to approve or disapprove any amendment, waiver or consent with respect to this Agreement shall be restricted as set forth in the definition of Required Lenders.

(b) Defaulting Lender Waterfall. Any payment of principal, interest, fees or other amounts received by the Administrative Agent for the account of such Defaulting Lender (whether voluntary or mandatory, at maturity, pursuant to Article VII or otherwise) or received by the Administrative Agent from a Defaulting Lender pursuant to Section 9.08 shall be applied at such time or times as may be determined by the Administrative Agent as follows: first, to the payment of any amounts owing by such Defaulting Lender to the Administrative Agent hereunder; second, to the payment on a pro rata basis of any amounts owing by such Defaulting Lender to any Issuing Bank or the Swingline Lender hereunder; third, to Cash Collateralize each Issuing Bank's Fronting Exposure with respect to such Defaulting Lender in accordance with subsection (e) below; fourth, as the Borrowers may request (so long as no Unmatured Default or Event of Default exists), to the funding of any Loan in respect of which such Defaulting Lender has failed to fund its portion thereof as required by this Agreement, as determined by the Administrative Agent; fifth, if so determined by the Administrative Agent and the Borrowers, to be held in a deposit account and released pro rata in order to (x) satisfy such Defaulting Lender's potential future funding obligations with respect to Loans under this Agreement and (y) Cash Collateralize any Issuing Bank's future Fronting Exposure with respect to such Defaulting Lender with respect to future Letters of Credit issued under this Agreement, in accordance with subsection (e) below; sixth, to the payment of any amounts owing to the Lenders, the Issuing Banks or the Swingline Lender as a result of any judgment of a court of competent jurisdiction obtained by any Lender, any Issuing Bank or the Swingline Lender against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; seventh, so long as no Unmatured Default or Event of Default exists, to the payment of any amounts owing to the Borrowers as a result of any judgment of a court of competent jurisdiction obtained by the Borrowers against such Defaulting Lender as a result of such Defaulting Lender's breach of its obligations under this Agreement; and eighth, to such Defaulting Lender or as otherwise directed by a court of competent jurisdiction; provided that if (x) such payment is a payment of the principal amount of any Loans or LC Disbursements, in respect of which such Defaulting Lender has not fully funded its appropriate share, and (y) such Loans were made or the related Letters of Credit were issued at a time when the conditions set forth in Article IV. were satisfied or waived, such payment shall be applied solely to pay the Loans of, and LC Disbursements owed to, all Non-Defaulting Lenders on a pro rata basis prior to being applied to the payment of any Loans of, or LC Disbursements owed to, such Defaulting Lender until such time as all Loans and funded and unfunded participations in LC Exposure and Swingline Loans are held by the Lenders pro rata in accordance with their respective Applicable Percentages (determined without giving effect to subsection (d) of this Section 2.20 below). Any payments, prepayments or other amounts paid or payable to a Defaulting Lender that are applied (or held) to pay amounts owed by a Defaulting Lender or to post Cash Collateral pursuant to this subsection shall be deemed paid to and redirected by such Defaulting Lender, and each Lender irrevocably consents hereto.

(c) Certain Fees.

(i) No Defaulting Lender shall be entitled to receive any fee payable under Section 2.12(a) for any period during which that Lender is a Defaulting Lender (and the Borrower shall not be required to pay any such fee that otherwise would have been required to have been paid to that Defaulting Lender).

(ii) Each Defaulting Lender shall be entitled to receive payable under Section 2.12(b) participation fees with respect to Letters of Credit for any period during which that Lender is a Defaulting Lender only to the extent allocable to its Applicable Percentage of the stated amount of Letters of Credit for which it has provided Cash Collateral pursuant to subsection (e) of this Section 2.20 below.

(iii) With respect to any fee not required to be paid to any Defaulting Lender pursuant to the immediately preceding clauses (i) or (ii), the Borrowers shall (x) pay to each Non-Defaulting Lender that portion of any such fee otherwise payable to such Defaulting Lender with respect to such Defaulting Lender's participation in LC Exposure or Swingline Exposure that has been reallocated to such Non-Defaulting Lender pursuant to the immediately following subsection (d), (y) pay to each Issuing Bank and Swingline Lender, as applicable, the amount of any such fee otherwise payable to such Defaulting Lender to the extent allocable to such Issuing Bank's or Swingline Lender's Fronting Exposure to such Defaulting Lender, and (z) not be required to pay the remaining amount of any such fee.

(d) Reallocation of Participations to Reduce Fronting Exposure. All or any part of such Defaulting Lender's participation in LC Exposure and Swingline Exposure shall be reallocated among the Non-Defaulting Lenders in accordance with their respective Applicable Percentages (determined without regard to such Defaulting Lender's Commitment) but only to the extent that (x) the conditions set forth in Article IV are satisfied at the time of such reallocation (and, unless the Borrowers shall have otherwise notified the Administrative Agent at such time, the Borrowers shall be deemed to have represented and warranted that such conditions are satisfied at such time), and (y) such reallocation does not cause the aggregate Revolving Credit Exposure of any Non-Defaulting Lender to exceed such Non-Defaulting Lender's Commitment. No reallocation hereunder shall constitute a waiver or release of any claim of any party hereunder against a Defaulting Lender arising from that Lender having become a Defaulting Lender, including any claim of a Non-Defaulting Lender as a result of such Non-Defaulting Lender's increased exposure following such reallocation.

(e) Cash Collateral, Repayment of Swingline Loans.

(i) If the reallocation described in the immediately preceding subsection (d) above cannot, or can only partially, be effected, the Borrowers shall, without prejudice to any right or remedy available to it hereunder or under law, (x) first, prepay Swingline Loans in an amount equal to the Swingline Lender's Fronting Exposure and (y) second, Cash Collateralize each Issuing Bank's Fronting Exposure in accordance with the procedures set forth in this subsection.

(ii) At any time that there shall exist a Defaulting Lender, within 1 Business Day following the written request of the Administrative Agent or any Issuing Bank (with a copy to the Administrative Agent), the Borrowers shall Cash Collateralize each Issuing Bank's Fronting Exposure with respect to such Defaulting Lender (determined after giving effect to the immediately preceding subsection (d) and any Cash Collateral provided by such Defaulting Lender) in an amount not less than the aggregate Fronting Exposure of the Issuing Banks with respect to Letters of Credit issued and outstanding at such time.

(iii) The Borrowers, and to the extent provided by any Defaulting Lender, such Defaulting Lender, hereby grant to the Administrative Agent, for the benefit of the Issuing Banks, and agree to maintain, a first priority security interest in all such Cash Collateral as security for the Defaulting Lenders' obligation to fund participations in respect of LC Exposure, to be applied pursuant to the immediately following clause (iv). If at any time the Administrative Agent determines that Cash Collateral is subject to any right or claim of any Person other than the Administrative Agent and the Issuing Banks as herein provided, or that the total amount of such Cash Collateral is less than the aggregate Fronting Exposure of the Issuing Banks with respect to Letters of Credit issued and outstanding at such time, the Borrowers will, promptly upon demand by the Administrative Agent, pay or provide to the Administrative Agent additional Cash Collateral in an amount sufficient to eliminate such deficiency (after giving effect to any Cash Collateral provided by the Defaulting Lender).

(iv) Notwithstanding anything to the contrary contained in this Agreement, Cash Collateral provided under this Section in respect of Letters of Credit shall be applied to the satisfaction of the Defaulting Lender's obligation to fund participations in respect of LC Exposure (including, as to Cash Collateral provided by a Defaulting Lender, any interest accrued on such obligation) for which the Cash Collateral was so provided, prior to any other application of such property as may otherwise be provided for herein.

(v) Cash Collateral (or the appropriate portion thereof) provided to reduce any Issuing Bank's Fronting Exposure shall no longer be required to be held as Cash Collateral pursuant to this subsection following (x) the elimination of the applicable Fronting Exposure (including by the termination of Defaulting Lender status of the applicable Lender), or (y) the determination by the Administrative Agent and each Issuing Bank that there exists excess Cash Collateral; provided that, subject to the preceding subsection (b) of this Section 2.20, the Person providing Cash Collateral and any applicable Issuing Bank may agree that Cash Collateral shall be held to support future anticipated Fronting Exposure.

(f) Defaulting Lender Cure. If the Borrowers, the Administrative Agent, the Swingline Lender and the Issuing Bank agree in writing that a Lender is no longer a Defaulting Lender, the Administrative Agent will so notify the parties hereto, whereupon as of the effective date specified in such notice and subject to any conditions set forth therein (which may include arrangements with respect to any Cash Collateral), that Lender will, to the extent applicable, purchase at par that portion of outstanding Loans of the other Lenders or take such other actions as the Administrative Agent may determine to be necessary to cause the Loans and funded and unfunded participations in Letters of Credit and Swingline Loans to be held pro rata by the Lenders in accordance with their respective Applicable Percentages (determined without giving effect to the immediately preceding subsection (d)), whereupon such Lender will cease to be a Defaulting Lender; provided that no adjustments will be made retroactively with respect to fees accrued or payments made by or on behalf of the Borrowers while that Lender was a Defaulting Lender; and provided, further, that except to the extent otherwise expressly agreed by the affected parties, no change hereunder from Defaulting Lender to Lender will constitute a waiver or release of any claim of any party hereunder arising from that Lender's having been a Defaulting Lender.

(g) New Swingline Loans/Letters of Credit. So long as any Lender is a Defaulting Lender, (i) the Swingline Lender shall not be required to fund any Swingline Loans unless it is satisfied that it will have no Fronting Exposure after giving effect to such Swingline Loan and (ii) no Issuing Bank shall be required to issue, extend, renew or increase any Letter of Credit unless it is satisfied that it will have no Fronting Exposure after giving effect thereto.

ARTICLE III. REPRESENTATIONS AND WARRANTIES

Each Borrower represents and warrants to the Lenders that:

SECTION 3.01. Organization; Powers. Each of the Borrower and its Subsidiaries is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, has all requisite power and authority to carry on its business as now conducted and, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, is qualified to do business in, and is in good standing in, every jurisdiction where a failure to be so qualified would result in a Material Adverse Effect.

SECTION 3.02. Authorization; Enforceability. The Transactions are within the Borrower's corporate powers and have been duly authorized by all necessary corporate and, if required, stockholder action. This Agreement has been duly executed and delivered by the Borrower and constitutes a legal, valid and binding obligation of the Borrower, enforceable in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity, regardless of whether considered in a proceeding in equity or at law.

SECTION 3.03. Governmental Approvals; No Conflicts. The performance by the Borrower and, if applicable, the Subsidiaries of its or their obligations under Transactions (a) do not require any consent or approval of, registration or filing with, or any other action by, any Governmental Authority, except such as have been obtained or made and are in full force and effect, (b) will not violate any applicable law or regulation or the charter, by-laws or other organizational documents of the Borrower or any of its Subsidiaries or any order of any Governmental Authority, (c) will not violate or result in a default under any indenture, agreement or other instrument binding upon the Borrower or any of its Subsidiaries or its assets, or give rise to a right thereunder to require any payment to be made by the Borrower or any of its Subsidiaries, and (d) will not result in the creation or imposition of any Lien on any asset of the Borrower or any of its Subsidiaries.

SECTION 3.04. Financial Condition; No Material Adverse Change. (a) The Company has heretofore furnished to the Lenders its consolidated balance sheet and statements of income, stockholders equity and cash flows (i) as of and for the Fiscal Year ended December 31, 2010, reported on by BDO Seidman, LLP, independent public accountants, and (ii) as of and for the Fiscal Quarter and the portion of the Fiscal Year ended September 30, 2011, certified by its chief financial officer. Such financial statements present fairly, in all material respects, the financial position and results of operations and cash flows of the Company and its consolidated Subsidiaries as of such dates and for such periods in accordance with GAAP, subject to year-end audit adjustments and the absence of footnotes in the case of the statements referred to in clause (ii) above.

(b) Since December 31, 2010, there has been no material adverse change in the business, assets, operations, prospects or condition, financial or otherwise, of the Company and its Subsidiaries, taken as a whole.

SECTION 3.05. Properties. (a) Each of the Borrower and its Subsidiaries has good title to, or valid leasehold interests in, all its real and personal property material to its business, except for minor defects in title that do not interfere with its ability to conduct its business as currently conducted or to utilize such properties for their intended purposes.

(b) Each of the Borrower and its Subsidiaries owns, or is licensed to use, all trademarks, tradenames, copyrights, patents and other intellectual property material to its business, and the use thereof by the Borrower and its Subsidiaries does not infringe upon the rights of any other Person, except for any such infringements that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect.

(c) As of the Effective Date, each Subsidiary of the Borrower, including its ownership, is described on Schedule 3.05 hereto. Each Subsidiary of the Borrower has and will have all requisite power to own or lease the properties material to its business and to carry on its business as now being conducted and as proposed to be conducted. All outstanding shares of Equity Interests of each class of each Subsidiary of the Borrower have been and will be validly issued and are and will be fully paid and nonassessable and, except as otherwise indicated in Schedule 3.05 hereto or disclosed in writing to the Administrative Agent and the Lenders from time to time, are and will be owned, beneficially and of record, by the Borrower or another Subsidiary of the Borrower free and clear of any Liens other than Liens permitted under this Agreement.

SECTION 3.06. Litigation and Environmental Matters. (a) There are no actions, suits or proceedings by or before any arbitrator or Governmental Authority pending against or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any of its Subsidiaries (i) as to which there is a reasonable possibility of an adverse determination and that, if adversely determined, could reasonably be expected, individually or in the aggregate, to result in a Material Adverse Effect (other than the Disclosed Matters) or (ii) that involve this Agreement or the Transactions.

(b) Except for the Disclosed Matters and except with respect to any other matters that, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect, neither the Borrower nor any of its Subsidiaries (i) has failed to comply in all material respects with any Environmental Law or to obtain, maintain or comply in all material respects with any permit, license or other approval required under any Environmental Law, (ii) has become subject to any Environmental Liability, (iii) has received notice of any claim with respect to any Environmental Liability or (iv) knows of any basis for any Environmental Liability.

(c) Since the date of this Agreement, there has been no change in the status of the Disclosed Matters that, individually or in the aggregate, has resulted in, or materially increased the likelihood of, a Material Adverse Effect.

SECTION 3.07. Compliance with Laws and Agreements. Each of the Borrower and its Subsidiaries is in compliance with all laws, regulations and orders of any Governmental Authority applicable to it or its property and all indentures, agreements and other instruments binding upon it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. No Event of Default or Unmatured Default has occurred and is continuing.

SECTION 3.08. Investment Company Status. Neither the Borrower nor any of its Subsidiaries is an “investment company” as defined in, or subject to regulation under, the Investment Company Act of 1940.

SECTION 3.09. Taxes. Each of the Borrower and its Subsidiaries has timely filed or caused to be filed all Tax returns and reports required to have been filed and has paid or caused to be paid all Taxes required to have been paid by it, except (a) Taxes that are being contested in good faith by appropriate proceedings and for which the Borrower or such Subsidiary, as applicable, has set aside on its books adequate reserves or (b) to the extent that the failure to do so could not reasonably be expected to result in a Material Adverse Effect.

SECTION 3.10. ERISA. No ERISA Event has occurred or is reasonably expected to occur that, when taken together with all other such ERISA Events for which liability is reasonably expected to occur, could reasonably be expected to result in a Material Adverse Effect. The present value of all accumulated benefit obligations under each Plan (based on the assumptions used for purposes of Statement of Financial Accounting Standards No. 87) did not, as of the date of the most recent financial statements reflecting such amounts, exceed the fair market value of the assets of such Plan.

SECTION 3.11. Disclosure. The Borrower has disclosed to the Lenders all agreements, instruments and corporate or other restrictions to which it or any of its Subsidiaries is subject, and all other matters known to it, that, individually or in the aggregate, could reasonably be expected to result in a Material Adverse Effect. No reports, financial statements, certificates or other information furnished by or on behalf of the Borrower to the Administrative Agent or any Lender in connection with the negotiation of this Agreement or delivered hereunder (as modified or supplemented by other information so furnished) contains any material misstatement of fact or omits to state any material fact necessary to make the statements therein, in the light of the circumstances under which they were made, not misleading; provided that, with respect to projected financial information, the Borrower represents only that such information was prepared in good faith based upon assumptions believed to be reasonable at the time.

SECTION 3.12. OFAC. None of the Borrowers, any of the other Loan Parties, any of the other Subsidiaries, or any other Affiliate of any Borrower: (a) is a person named on the list of Specially Designated Nationals or Blocked Persons maintained by the U.S. Department of the Treasury’s Office of Foreign Assets Control (“OFAC”) available at <http://www.treas.gov/offices/eotffc/ofac/sdn/index.html>, or as otherwise published from time to time; (b) is (i) an agency of the government of a country, (ii) an organization controlled by a country, or (iii) a person resident in a country that is subject to a sanctions program identified on the list maintained by OFAC and available at <http://www.treas.gov/offices/eotffc/ofac/sanctions/index.html>, or as otherwise published from time to time, as such program may be applicable to such agency, organization or person; or (c) derives any of its assets or operating income from investments in or transactions with any such country, agency, organization or person; and none of the proceeds from the Loans will be used to finance any operations, investments or activities in, or make any payments to, any such country, agency, organization, or person.

SECTION 3.13. No Default. No Event of Default or Unmatured Default has occurred and is continuing.

**ARTICLE IV.
CONDITIONS**

SECTION 4.01. Effective Date. The obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective until the date on which each of the following conditions is satisfied (or waived in accordance with Section 9.02):

(a) Credit Agreement and Loan Documents. The Administrative Agent (or its counsel) shall have received (i) from each party hereto either (A) a counterpart of this Agreement signed on behalf of such party or (B) written evidence satisfactory to the Administrative Agent (which may include telecopy transmission of a signed signature page of this Agreement) that such party has signed a counterpart of this Agreement and (ii) duly executed copies of the Loan Documents and such other legal opinions, certificates, documents, instruments, lien searches and agreements and other conditions and requirements as the Administrative Agent shall reasonably request in connection with the transactions contemplated by this Agreement and the Loan Documents, all in form and substance satisfactory to the Administrative Agent and its counsel.

(b) Opinion. The Administrative Agent shall have received a favorable written opinion (addressed to the Administrative Agent and the Lenders and dated the Effective Date) of Varnum LLP, counsel for the Loan Parties, in form and substance satisfactory to the Required Lenders, and covering such matters relating to the Loan Parties, this Agreement or the Transactions as the Required Lenders shall reasonably request. The Borrowers hereby request such counsel to deliver such opinion.

(c) Charter Documents. The Administrative Agent shall have received such documents and certificates as the Administrative Agent or its counsel may reasonably request relating to the organization, existence and good standing of the Loan Parties, the authorization of the Transactions and any other legal matters relating to the Loan Parties, this Agreement or the Transactions, all in form and substance satisfactory to the Administrative Agent and its counsel.

(d) Certificate. The Administrative Agent shall have received a certificate, dated the Effective Date and signed by the President, a Vice President or a Financial Officer of each Borrower, confirming compliance with the conditions set forth in paragraphs (a) and (b) of Section 4.02.

(e) Financial Statements. The Lenders shall have received satisfactory historical financial statements, pro forma financial statements and projections of the Company and its Subsidiaries.

(f) Fees. The Lenders and the Administrative Agent shall have received, substantially concurrently with the effectiveness hereof, all fees required to be paid, and all expenses for which invoices have been presented (including the reasonable fees and documented expenses of legal counsel to the Administrative Agent), on or before the Effective Date. All such amounts will be paid with proceeds of Loans made on the Effective Date and will be reflected in the funding instructions given by the Borrowers to the Administrative Agent on or before the Effective Date.

(g) Existing Indebtedness. The Borrowers shall have paid, concurrently with the initial Loans hereunder, all Indebtedness that is not permitted hereunder and shall have terminated all credit facilities and all Liens relating thereto, all in a manner satisfactory to the Administrative Agent and its counsel.

(h) Private Placement Debt. The Lenders shall have received copies of documentation relating to the private placement debt issued on or about November 30, 2009, through Prudential Investment Management, Inc. (or one of its Affiliates), all of which is in form and substance satisfactory to the Lenders.

The Administrative Agent shall notify the Borrowers and the Lenders of the Effective Date, and such notice shall be conclusive and binding. Notwithstanding the foregoing, the obligations of the Lenders to make Loans and of the Issuing Banks to issue Letters of Credit hereunder shall not become effective unless each of the foregoing conditions is satisfied (or waived pursuant to Section 9.02) at or prior to 3:00 p.m., Eastern time, on December 31, 2011 (and, in the event such conditions are not so satisfied or waived, the Commitments shall terminate at such time).

SECTION 4.02. Each Credit Event. The obligation of each Lender to make a Loan on the occasion of any Borrowing, and of each Issuing Bank to issue, amend, renew or extend any Letter of Credit, is subject to the satisfaction or waiver of the following conditions:

(a) The representations and warranties of the Borrowers set forth in this Agreement and the other Loan Documents shall be true and correct on and as of the date of such Borrowing or the date of issuance, amendment, renewal or extension of such Letter of Credit, as applicable.

(b) At the time of and immediately after giving effect to such Borrowing or the issuance, amendment, renewal or extension of such Letter of Credit, as applicable, no Event of Default or Unmatured Default shall have occurred and be continuing.

Each Borrowing and each issuance, amendment, renewal or extension of a Letter of Credit shall be deemed to constitute a representation and warranty by the Borrowers on the date thereof as to the matters specified in paragraphs (a) and (b) of this Section.

ARTICLE V. AFFIRMATIVE COVENANTS

Until the Commitments have expired or been terminated and the principal of and interest on each Loan and all fees payable hereunder shall have been paid in full and all Letters of Credit shall have expired or terminated and all LC Disbursements shall have been reimbursed, each Borrower covenants and agrees with the Lenders that:

SECTION 5.01. Financial Statements; Ratings Change and Other Information. The Borrower will furnish to the Administrative Agent and each Lender:

(a) within 90 days after the end of each Fiscal Year, its audited consolidated balance sheet and related statements of operations, stockholders equity and cash flows as of the end of and for such year, setting forth in each case in comparative form the figures for the previous Fiscal Year, all reported on by BDO Seidman, LLP or other independent public accountants of recognized national standing (without a “going concern” or like qualification or exception and without any qualification or exception as to the scope of such audit) to the effect that such consolidated financial statements present fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied;

(b) within 45 days after the end of each of the first three Fiscal Quarters, its consolidated balance sheet and related statements of operations, stockholders’ equity and cash flows as of the end of and for such Fiscal Quarter and the then elapsed portion of the Fiscal Year, setting forth in each case in comparative form the figures for the corresponding period or periods of (or, in the case of the balance sheet, as of the end of) the previous Fiscal Year, all certified by one of its Financial Officers as presenting fairly in all material respects the financial condition and results of operations of the Company and its consolidated Subsidiaries on a consolidated basis in accordance with GAAP consistently applied, subject to normal year-end audit adjustments and the absence of footnotes;

(c) concurrently with any delivery of financial statements under clause (a) or (b) above, a certificate of a Financial Officer of the Company (i) certifying as to whether an Event of Default has occurred and, if an Event of Default has occurred, specifying the details thereof and any action taken or proposed to be taken with respect thereto, (ii) setting forth reasonably detailed calculations demonstrating compliance with Section 6.13 and (iii) stating whether any change in GAAP or in the application thereof has occurred since the date of the audited financial statements referred to in Section 3.04 and, if any such change has occurred, specifying the effect of such change on the financial statements accompanying such certificate; and

(d) promptly after the same become publicly available, copies of all periodic and other reports, proxy statements and other materials filed by the Company or any Subsidiary with the Securities and Exchange Commission, or any Governmental Authority succeeding to any or all of the functions of said Commission, or with any national securities exchange, as the case may be; and

(e) promptly following any request therefor, such other information regarding the operations, business affairs and financial condition of any Borrower or any Subsidiary, or compliance with the terms of this Agreement, as the Administrative Agent or any Lender may reasonably request.

SECTION 5.02. Notices of Material Events. The Borrower will furnish to the Administrative Agent and each Lender prompt written notice of the following:

(a) the occurrence of any Event of Default or Unmatured Default;

(b) the filing or commencement of any action, suit or proceeding by or before any arbitrator or Governmental Authority against or affecting the Borrower or any Affiliate thereof that, if adversely determined, could reasonably be expected to result in a Material Adverse Effect;

(c) the occurrence of any ERISA Event that, alone or together with any other ERISA Events that have occurred, could reasonably be expected to result in liability of the Borrower and its Subsidiaries in an aggregate amount exceeding \$1,000,000; and

- (d) any other development that results in, or could reasonably be expected to result in, a Material Adverse Effect.

Each notice delivered under this Section shall be accompanied by a statement of a Financial Officer or other executive officer of the Borrower setting forth the details of the event or development requiring such notice and any action taken or proposed to be taken with respect thereto.

SECTION 5.03. Existence; Conduct of Business. The Borrower will, and will cause each of its Subsidiaries to, do or cause to be done all things necessary to preserve, renew and keep in full force and effect its legal existence and the rights, licenses, permits, privileges and franchises material to the conduct of its business; provided that the foregoing shall not prohibit any merger, consolidation, liquidation or dissolution permitted under Section 6.03.

SECTION 5.04. Payment of Obligations. The Borrower will, and will cause each of its Subsidiaries to, pay its obligations, including Tax liabilities, that, if not paid, could result in a Material Adverse Effect before the same shall become delinquent or in default, except where (a) the validity or amount thereof is being contested in good faith by appropriate proceedings, (b) the Borrower or such Subsidiary has set aside on its books adequate reserves with respect thereto in accordance with GAAP and (c) the failure to make payment pending such contest could not reasonably be expected to result in a Material Adverse Effect.

SECTION 5.05. Maintenance of Properties; Insurance. The Borrower will, and will cause each of its Subsidiaries to, (a) keep and maintain all property material to the conduct of its business in good working order and condition, ordinary wear and tear excepted, and (b) maintain, with financially sound and reputable insurance companies, insurance in such amounts and against such risks as are customarily maintained by companies engaged in the same or similar businesses operating in the same or similar locations.

SECTION 5.06. Books and Records; Inspection Rights. The Borrower will, and will cause each of its Subsidiaries to, keep proper books of record and account in which full, true and correct entries are made of all dealings and transactions in relation to its business and activities. The Borrower will, and will cause each of its Subsidiaries to, permit any representatives designated by the Administrative Agent or any Lender, upon reasonable prior notice, to visit and inspect its properties, to examine and make extracts from its books and records, and to discuss its affairs, finances and condition with its officers and independent accountants, all at such reasonable times and as often as reasonably requested.

SECTION 5.07. Compliance with Laws. The Borrower will, and will cause each of its Subsidiaries to, comply with all laws, rules, regulations and orders of any Governmental Authority applicable to it or its property, except where the failure to do so, individually or in the aggregate, could not reasonably be expected to result in a Material Adverse Effect. The Borrower will not, and will not permit any of its Subsidiaries, to be or become subject at any time to any law, regulation, or list of any government agency (including, without limitation, the U.S. Office of Foreign Asset Control list) that prohibits or limits any Lender from making any advance or extension of credit to the Borrower or Guarantor or from otherwise conducting business with the Borrower or Guarantor, or fail to provide documentary and other evidence of the Borrower's or Guarantor's identity as may be reasonably requested by any Bank at any time to enable such Lender to verify the Borrower's or Guarantor's identity or to comply with any applicable law or regulation, including, without limitation, Section 326 of the USA Patriot Act of 2001, 31 U.S.C. Section 5318.

SECTION 5.08. Use of Proceeds and Letters of Credit. The proceeds of the Loans will be used only to refinance existing Indebtedness, to consummate mergers and Acquisitions permitted by this Agreement and for general corporate purposes. No part of the proceeds of any Loan will be used, whether directly or indirectly, for any purpose that entails a violation of any of the Regulations of the Board, including Regulations T, U and X.

SECTION 5.09. Further Assurances. (a) To guarantee the payment when due of the Obligations, the Borrower shall cause to be executed and delivered to the Lenders and the Administrative Agent, Loan Party Guaranties of all present and future Guarantors.

(b) The Borrower agrees that it will promptly notify the Administrative Agent of the formation or acquisition of any Subsidiary. The Borrower agree that it will promptly cause each Loan Party to execute and deliver, promptly upon the request of the Administrative Agent, such additional Loan Party Guaranties and other agreements, documents and instruments, each in form and substance reasonably satisfactory to the Administrative Agent, sufficient to grant to the Administrative Agent, for the benefit of the Lenders and the Administrative Agent, the Loan Party Guaranties contemplated by this Agreement. Additionally, the Borrower shall execute and deliver, and cause each Subsidiary to execute and deliver, promptly upon the request of the Administrative Agent, such certificates, legal opinions, insurance, lien searches, environmental reports, organizational and other charter documents, resolutions and other documents and agreements as the Administrative Agent may request in connection therewith.

SECTION 5.10. Additional Covenants. If at any time the Borrower or any of its Subsidiaries shall enter into or be a party to any instrument or agreement, including all such instruments or agreements in existence as of the date hereof and all such instruments or agreements entered into after the date hereof, relating to or amending any provisions applicable to any of its Indebtedness, which includes any material covenants or defaults not substantially provided for in this Agreement or more favorable to the lender or lenders thereunder than those provided for in this Agreement, then the Borrower shall promptly so advise the Administrative Agent and the Lenders. Thereupon, if the Administrative Agent or the Required Lenders shall request, upon notice to the Borrower, the Administrative Agent and the Lenders shall enter into an amendment to this Agreement or an additional agreement (as the Administrative Agent may request), providing for substantially the same material covenants and defaults as those provided for in such instrument or agreement to the extent required and as may be selected by the Administrative Agent. Further, the Borrowers agree to deliver to the Administrative Agent by no later than February 29, 2012, a duly executed amendment to the Note Purchase Agreement amending any material covenant or default contained therein which is more favorable to the note holders thereunder than those provided for in this Agreement, which amendment shall be satisfactory to the Administrative Agent in sole discretion.

ARTICLE VI. NEGATIVE COVENANTS

Until the Commitments have expired or terminated and the principal of and interest on each Loan and all fees payable hereunder have been paid in full and all Letters of Credit have expired or terminated and all LC Disbursements shall have been reimbursed, each Borrower covenants and agrees with the Lenders that:

SECTION 6.01. Indebtedness. The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Indebtedness, except:

- (a) Indebtedness created hereunder;
- (b) Indebtedness existing on the date hereof and set forth in Schedule 6.01 and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof;
- (c) Indebtedness of the Borrower to any Subsidiary and of any Subsidiary to the Borrower or any other Subsidiary;
- (d) Guarantees by the Borrower of Indebtedness of any Subsidiary and by any Subsidiary of Indebtedness of the Borrower or any other Subsidiary;
- (e) Indebtedness of the Borrower or any Subsidiary incurred to finance the acquisition, construction or improvement of any fixed or capital assets, including Capital Lease Obligations and any Indebtedness assumed in connection with the acquisition of any such assets or secured by a Lien on any such assets prior to the acquisition thereof, and extensions, renewals and replacements of any such Indebtedness that do not increase the outstanding principal amount thereof; provided that (i) such Indebtedness is incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement and (ii) the aggregate principal amount of Indebtedness permitted by this clause (e) shall not exceed \$2,500,000 at any time outstanding;
- (f) Indebtedness of the Company outstanding under a certain Amended and Restated Note Purchase and Private Shelf Agreement dated as of November 30, 2009 among the Company, Prudential Investment Management, Inc., and the Purchasers named therein (the "Note Purchase Agreement") comprised of (i) Series A Notes (as defined in the Note Purchase Agreement) not exceeding \$10,000,000 in aggregate outstanding principal amount, (ii) Series B Notes (as defined in the Note Purchase Agreement) not exceeding \$5,000,000 in aggregate outstanding principal amount, (iii) Shelf Notes (as defined in the Note Purchase Agreement) not exceeding \$45,000,000 in aggregate outstanding principal amount so long as no Default or Event of Default shall have occurred and be continuing hereunder at the time the Shelf Note(s) are issued, and (iv) guaranties by the other Borrowers and Guarantors of the obligations described in clauses (i), (ii) and (iii) above;
- (g) If no Event of Default or Unmatured Default exists or would be caused thereby, other unsecured Indebtedness in an aggregate principal amount not exceeding \$20,000,000 at any time outstanding.

SECTION 6.02. Liens. The Borrower will not, and will not permit any Subsidiary to, create, incur, assume or permit to exist any Lien on any property or asset now owned or hereafter acquired by it, or assign or sell any income or revenues (including accounts receivable) or rights in respect of any thereof, except:

- (a) Permitted Encumbrances;
- (b) any Lien on any property or asset of the Borrower or any Subsidiary existing on the date hereof and set forth in Schedule 6.02; provided that (i) such Lien shall not apply to any other property or asset of the Borrower or any Subsidiary and (ii) such Lien shall secure only those obligations which it secures on the date hereof and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof;

(c) any Lien existing on any property or asset prior to the acquisition thereof by the Borrower or any Subsidiary or existing on any property or asset of any Person that becomes a Subsidiary after the date hereof prior to the time such Person becomes a Subsidiary; provided that (i) such Lien is not created in contemplation of or in connection with such acquisition or such Person becoming a Subsidiary, as the case may be, (ii) such Lien shall not apply to any other property or assets of the Borrower or any Subsidiary and (iii) such Lien shall secure only those obligations which it secures on the date of such acquisition or the date such Person becomes a Subsidiary, as the case may be and extensions, renewals and replacements thereof that do not increase the outstanding principal amount thereof; and

(d) Liens on fixed or capital assets acquired, constructed or improved by the Borrower or any Subsidiary; provided that (i) such security interests secure Indebtedness permitted by clause (e) of Section 6.01, (ii) such security interests and the Indebtedness secured thereby are incurred prior to or within 90 days after such acquisition or the completion of such construction or improvement, (iii) the Indebtedness secured thereby does not exceed the cost of acquiring, constructing or improving such fixed or capital assets and (iv) such security interests shall not apply to any other property or assets of the Borrower or any Subsidiary.

SECTION 6.03. Fundamental Changes. (a) The Borrower will not, and will not permit any Subsidiary to, merge into or consolidate with any other Person, or permit any other Person to merge into or consolidate with it, or sell, transfer, lease or otherwise dispose of (in one transaction or in a series of transactions) all or substantially all of the stock of any of its Subsidiaries (in each case, whether now owned or hereafter acquired), or liquidate or dissolve, except that, if at the time thereof and immediately after giving effect thereto no Event of Default or Unmatured Default shall have occurred and be continuing (i) any Subsidiary may merge into the Borrower in a transaction in which the Borrower is the surviving corporation, (ii) any Subsidiary may merge into any Subsidiary in a transaction in which the surviving entity is a Subsidiary, (iii) any Subsidiary may sell, transfer, lease or otherwise dispose of its assets to the Borrower or to another Subsidiary and (iv) any Subsidiary may liquidate or dissolve if the Borrower determines in good faith that such liquidation or dissolution is in the best interests of the Borrower and is not materially disadvantageous to the Lenders; provided that any such merger involving a Person that is not a wholly owned Subsidiary immediately prior to such merger shall not be permitted unless also permitted by Section 6.04.

(b) The Borrower will not, and will not permit any of its Subsidiaries to, engage to any material extent in any business other than businesses of the type conducted by the Borrower and its Subsidiaries on the date of execution of this Agreement and businesses reasonably related thereto.

SECTION 6.04. Investments, Loans, Advances, Guarantees and Acquisitions. The Borrower will not, and will not permit any of its Subsidiaries to, purchase, hold or acquire (including pursuant to any merger with any Person that was not a wholly owned Subsidiary prior to such merger) any capital stock, evidences of indebtedness or other securities (including any option, warrant or other right to acquire any of the foregoing) of, make or permit to exist any loans or advances to, guarantee any obligations of, or make or permit to exist any investment or any other interest in, any other Person, or make any Acquisition, except:

- (a) Permitted Investments;
- (b) investments by the Borrower in the capital stock of its Subsidiaries;

- (c) loans or advances made by the Borrower to any Subsidiary and made by any Subsidiary to the Borrower or any other Subsidiary;
- (d) Guarantees constituting Indebtedness permitted by Section 6.01; and

(e) any merger or Acquisition if (i) such merger involves the Borrower, the Borrower shall be the surviving or continuing corporation thereof, (ii) immediately before and after giving effect such merger or acquisition, no Event of Default or Unmatured Default shall exist or shall have occurred and be continuing and the representations and warranties contained in Article III and in the other Loan Documents shall be true and correct on and as of the date thereof (both before and after such merger or Acquisition is consummated) as if made on the date such merger or acquisition is consummated, (iii) at least 10 Business Days' prior to the consummation of such merger or acquisition, the Borrower shall have provided to the Administrative Agent a certificate of the Chief Financial Officer or Treasurer of the Borrower (attaching pro forma computations acceptable to the Administrative Agent to demonstrate compliance with all financial covenants hereunder), each stating that such merger or acquisition complies with this Section 6.04(e), all laws and regulations and that any other conditions under this Agreement relating to such transaction have been satisfied, and such certificate shall contain such other information and certifications as requested by the Administrative Agent and be in form and substance satisfactory to the Administrative Agent, (iv) at least 10 Business Days' prior to the consummation of such merger or acquisition, the Borrower shall have delivered all acquisition documents and other agreements and documents relating to such merger or acquisition, and the Administrative Agent shall have completed a satisfactory review thereof and completed such other due diligence satisfactory to the Administrative Agent, (v) the Borrower shall, at least 10 Business Days prior to the consummation of merger or acquisition, provide such other certificates and documents as requested by the Administrative Agent, in form and substance satisfactory to the Administrative Agent, (vi) the target of such merger or Acquisition is in the same line of business as the Borrower or a Subsidiary, and (vii) such merger or Acquisition is not opposed by the board of directors (or similar governing body) of the selling person or the person whose equity interests are to be acquired, unless the Administrative Agent consents to such merger or Acquisition.

SECTION 6.05. Swap Agreements. The Borrower will not, and will not permit any of its Subsidiaries to, enter into any Swap Agreement, except (a) Swap Agreements entered into to hedge or mitigate risks to which the Borrower or any Subsidiary has actual exposure, and (b) Swap Agreements entered into in order to effectively cap, collar or exchange interest rates (from fixed to floating rates, from one floating rate to another floating rate or otherwise) with respect to any interest-bearing liability or investment of the Borrower or any Subsidiary.

SECTION 6.06. Restricted Payments. The Borrower will not, and will not permit any of its Subsidiaries to, declare or make, or agree to pay or make, directly or indirectly, any Restricted Payment, except (a) the Borrower may declare and pay dividends with respect to its Equity Interests payable solely in additional shares of its common stock, (b) Subsidiaries may declare and pay dividends ratably with respect to their Equity Interests, (c) the Borrower may make Restricted Payments pursuant to and in accordance with stock option plans or other benefit plans for management or employees of the Borrower and its Subsidiaries and (d) other Restricted Payments not exceeding (i) \$20,000,000 during any Fiscal Year, provided that (A) such Restricted Payments shall not exceed \$6,000,000 in the aggregate during the first three Fiscal Quarters of any Fiscal Year (or such greater amount as may be approved in writing by all of the Lenders), (B) as of the end of such Fiscal Year and at the time of the making of any Restricted Payment during such Fiscal Year (provided such Restricted Payment together with all prior Restricted Payments made during such Fiscal Year exceeds \$6,000,000 in the aggregate) the Leverage Ratio (on a pro forma basis after giving effect to such Restricted Payment when determined in connection with the making of a Restricted Payment) is less than or equal to 2.0 to 1.0, and (C) no less than five Business Days prior to making any Restricted Payment which when added to all prior Restricted Payments made during such Fiscal Year exceeds \$6,000,000, Borrower delivers its pro forma computations acceptable to the Administrative Agent to demonstrate its compliance with the immediately preceding clause (B), and (ii) \$6,000,000 in any Fiscal Year provided that as the end of such Fiscal Year the Leverage Ratio is greater than 2.0 to 1.0.

SECTION 6.07. Transactions with Affiliates. The Borrower will not, and will not permit any of its Subsidiaries to, sell, lease or otherwise transfer any property or assets to, or purchase, lease or otherwise acquire any property or assets from, or otherwise engage in any other transactions with, any of its Affiliates, except (a) in the ordinary course of business at prices and on terms and conditions not less favorable to the Borrower or such Subsidiary than could be obtained on an arm's-length basis from unrelated third parties, (b) transactions between or among the Borrower and its wholly owned Subsidiaries not involving any other Affiliate and (c) any Restricted Payment permitted by Section 6.06.

SECTION 6.08. Restrictive Agreements. The Borrower will not, and will not permit any of its Subsidiaries to, directly or indirectly, enter into, incur or permit to exist any agreement or other arrangement that prohibits, restricts or imposes any condition upon (a) the ability of the Borrower or any Subsidiary to create, incur or permit to exist any Lien upon any of its property or assets, or (b) the ability of any Subsidiary to pay dividends or other distributions with respect to any shares of its capital stock or to make or repay loans or advances to the Borrower or any other Subsidiary or to guaranty Indebtedness of the Borrower or any other Subsidiary; provided that (i) the foregoing shall not apply to restrictions and conditions imposed by law or by this Agreement or by the Note Purchase Agreement (as in effect on November 30, 2009), (ii) the foregoing shall not apply to restrictions and conditions existing on the date hereof identified on Schedule 6.08 (but shall apply to any extension or renewal of, or any amendment or modification expanding the scope of, any such restriction or condition), (iii) the foregoing shall not apply to customary restrictions and conditions contained in agreements relating to the sale of a Subsidiary pending such sale, provided such restrictions and conditions apply only to the Subsidiary that is to be sold and such sale is permitted hereunder, (iv) clause (a) of the foregoing shall not apply to restrictions or conditions imposed by any agreement relating to secured Indebtedness permitted by this Agreement if such restrictions or conditions apply only to the property or assets securing such Indebtedness and (v) clause (a) of the foregoing shall not apply to customary provisions in leases and other contracts restricting the assignment thereof.

SECTION 6.09. Disposition of Assets; Etc. Sell, lease, license, transfer, assign or otherwise dispose of any material portion of its business, assets, rights, revenues or property, real, personal or mixed, tangible or intangible, whether in one or a series of transactions, other than inventory sold in the ordinary course of business upon customary credit terms and sales of scrap or obsolete material or equipment, provided, however, that this Section 6.09 shall not prohibit any such sale, lease, license, transfer, assignment or other disposition if the aggregate book value (disregarding any writedowns of such book value other than ordinary depreciation and amortization) of all of the business, assets, rights, revenues and property disposed of after the date of this Agreement shall be less than 10% percent of such aggregate book value of the total assets of the Borrower or such Subsidiary, as the case may be and if, immediately before and after such transaction, no Event of Default or Unmatured Default shall exist or shall have occurred and be continuing.

SECTION 6.10. Nature of Business. Make any substantial change in the nature of its business from that engaged in on the date of this Agreement or engage in any other businesses other than those in which it is engaged on the date of this Agreement.

SECTION 6.11. Inconsistent Agreements. Enter into any agreement containing any provision which would be violated or breached by this Agreement or any of the transactions contemplated hereby or by performance by the Borrower or any of its Subsidiaries of its obligations in connection therewith.

SECTION 6.12. Accounting Changes. The Company shall not change its Fiscal Year or make any significant changes (a) in accounting treatment and reporting practices except as permitted by GAAP and disclosed to the Lenders, or (b) in tax reporting treatment except as permitted by law and disclosed to the Lenders.

SECTION 6.13. Financial Covenants. The Borrowers will not:

(a) Leverage Ratio. Permit or suffer the Leverage Ratio to exceed 2.75 to 1.0 as of any Fiscal Quarter end, commencing with the Fiscal Quarter ending December 31, 2011, provided that for the four (4) Fiscal Quarters immediately following a Material Acquisition permitted pursuant to Section 6.04(e), the Borrower shall not permit or suffer the Leverage Ratio to exceed 3.0 to 1.0.

(b) Interest Coverage Ratio. Permit or suffer the Interest Coverage Ratio to be less than 2.5 to 1.0.

(c) Tangible Net Worth. Permit or suffer the Consolidated Tangible Net Worth at any time to be less than (i) \$100,000,000, plus (ii) 50% of Consolidated Net Income of the Company and its Subsidiaries for each Fiscal Year, commencing with the Fiscal Year ending December 31, 2011, provided that if such net income is negative in any such Fiscal Year, the amount added for such Fiscal Year shall be zero and such amount shall not reduce the amount added pursuant to any other Fiscal Year.

ARTICLE VII. EVENTS OF DEFAULT

If any of the following events ("Events of Default") shall occur:

(a) any Borrower shall fail to pay any principal of any Loan or any reimbursement obligation in respect of any LC Disbursement when and as the same shall become due and payable, whether at the due date thereof or at a date fixed for prepayment thereof or otherwise;

(b) any Borrower shall fail to pay any interest on any Loan or any fee or any other amount (other than an amount referred to in clause (a) of this Article) payable under this Agreement, when and as the same shall become due and payable, and such failure shall continue unremedied for a period of five Business Days;

(c) any representation or warranty made or deemed made by or on behalf of any Borrower or any Subsidiary in or in connection with this Agreement or any other Loan Document or any amendment or modification hereof or waiver hereunder or thereunder, or in any report, certificate, financial statement or other document furnished pursuant to or in connection with this Agreement or any amendment or modification hereof or waiver hereunder, shall prove to have been incorrect when made or deemed made;

(d) any Loan Party shall fail to observe or perform any covenant, condition or agreement contained in Section 5.02, 5.03 (with respect to any Borrower's existence) or 5.08 or in Article VI;

(e) any Borrower shall fail to observe or perform any covenant, condition or agreement contained in this Agreement or any other Loan Document (other than those specified in clause (a), (b) or (d) of this Article), and such failure shall continue unremedied for a period of 30 days after notice thereof from the Administrative Agent to the Borrowers (which notice will be given at the request of any Lender);

(f) any Borrower or any Subsidiary shall fail to make any payment (whether of principal or interest and regardless of amount) in respect of any Material Indebtedness, when and as the same shall become due and payable, after giving effect to any grace period, if any;

(g) any event or condition occurs that results in any Material Indebtedness becoming due prior to its scheduled maturity or that enables or permits (with or without the giving of notice, the lapse of time or both) the holder or holders of any Material Indebtedness or any trustee or agent on its or their behalf to cause any Material Indebtedness to become due, or to require the prepayment, repurchase, redemption or defeasance thereof, prior to its scheduled maturity; provided that this clause (g) shall not apply to secured Indebtedness that becomes due as a result of the voluntary sale or transfer of the property or assets securing such Indebtedness;

(h) an involuntary proceeding shall be commenced or an involuntary petition shall be filed seeking (i) liquidation, reorganization or other relief in respect of any Borrower or any Subsidiary or its debts, or of a substantial part of its assets, under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect or (ii) the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Borrower or any Subsidiary or for a substantial part of its assets, and, in any such case, such proceeding or petition shall continue undismissed for 90 days or an order or decree approving or ordering any of the foregoing shall be entered;

(i) any Borrower or any Subsidiary shall (i) voluntarily commence any proceeding or file any petition seeking liquidation, reorganization or other relief under any Federal, state or foreign bankruptcy, insolvency, receivership or similar law now or hereafter in effect, (ii) consent to the institution of, or fail to contest in a timely and appropriate manner, any proceeding or petition described in clause (h) of this Article, (iii) apply for or consent to the appointment of a receiver, trustee, custodian, sequestrator, conservator or similar official for any Borrower or any Subsidiary or for a substantial part of its assets, (iv) file an answer admitting the material allegations of a petition filed against it in any such proceeding, (v) make a general assignment for the benefit of creditors or (vi) take any action for the purpose of effecting any of the foregoing;

(j) any Borrower or any Subsidiary shall become unable, admit in writing its inability or fail generally to pay its debts as they become due;

(k) one or more judgments for the payment of money in an aggregate amount in excess of \$1,000,000 shall be rendered against any Borrower, any Subsidiary or any combination thereof and the same shall remain undischarged for a period of 30 consecutive days during which execution shall not be effectively stayed, or any action shall be legally taken by a judgment creditor to attach or levy upon any assets of any Borrower or any Subsidiary to enforce any such judgment;

(l) an ERISA Event shall have occurred that, in the opinion of the Required Lenders, when taken together with all other ERISA Events that have occurred, could reasonably be expected to result in a Material Adverse Effect;

(m) a Change in Control shall occur;

(n) any Loan Document shall fail to remain in full force or effect or any action shall be taken to discontinue or to assert the invalidity or unenforceability of any Loan Document, or any Loan Party shall fail to comply with any of the terms or provisions of any Loan Document if the failure continues beyond any period of grace provided for in the applicable Loan Document;

(o) any material provision of any other Loan Document for any reason ceases to be valid, binding and enforceable in accordance with its terms (or any Loan Party shall challenge the enforceability of any Loan Document or shall assert in writing, or engage in any action or inaction based on any such assertion, that any provision of any of the Loan Documents has ceased to be or otherwise is not valid, binding and enforceable in accordance with its terms); or

then, and in every such event (other than an event with respect to a Borrower described in clause (h) or (i) of this Article), and at any time thereafter during the continuance of such event, the Administrative Agent may, and at the request of the Required Lenders shall, by notice to the Borrowers, take either or both of the following actions, at the same or different times: (i) terminate the Commitments, and thereupon the Commitments shall terminate immediately, (ii) declare the Loans then outstanding to be due and payable in whole (or in part, in which case any principal not so declared to be due and payable may thereafter be declared to be due and payable), and thereupon the principal of the Loans so declared to be due and payable, together with accrued interest thereon and all fees and other obligations of the Borrowers accrued hereunder, shall become due and payable immediately, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers; and in case of any event with respect to any Borrower described in clause (h) or (i) of this Article, the Commitments shall automatically terminate and the principal of the Loans then outstanding, together with accrued interest thereon and all fees and other obligations of the Borrowers accrued hereunder, shall automatically become due and payable, without presentment, demand, protest or other notice of any kind, all of which are hereby waived by the Borrowers, and (iii) exercise any rights and remedies provided to the Administrative Agent under the Loan Documents or at law or equity.

ARTICLE VIII. THE ADMINISTRATIVE AGENT

Each of the Lenders and the Issuing Bank hereby irrevocably appoints the Administrative Agent as its agent and authorizes the Administrative Agent to take such actions on its behalf, including (in the case of the Administrative Agent) execution of the other Loan Documents, and to exercise such powers as are delegated to the Administrative Agent by the terms of the Loan Documents, together with such actions and powers as are reasonably incidental thereto.

The bank serving as the Administrative Agent hereunder shall have the same rights and powers in its capacity as a Lender as any other Lender and may exercise the same as though it were not the Administrative Agent, and such bank and its Affiliates may accept deposits from, lend money to and generally engage in any kind of business with any Borrower or any Subsidiary or other Affiliate thereof as if it were not the Administrative Agent hereunder.

The Administrative Agent shall not have any duties or obligations except those expressly set forth in the Loan Documents. Without limiting the generality of the foregoing, (a) the Administrative Agent shall not be subject to any fiduciary or other implied duties, regardless of whether an Event of Default has occurred and is continuing, (b) the Administrative Agent shall not have any duty to take any discretionary action or exercise any discretionary powers, except discretionary rights and powers expressly contemplated by the Loan Documents that the Administrative Agent is required to exercise in writing as directed by the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02), and (c) except as expressly set forth in the Loan Documents, the Administrative Agent shall not have any duty to disclose, and shall not be liable for the failure to disclose, any information relating to any Borrower or any of its Subsidiaries that is communicated to or obtained by the bank serving as Administrative Agent or any of its Affiliates in any capacity. The Administrative Agent shall not be liable for any action taken or not taken by it with the consent or at the request of the Required Lenders (or such other number or percentage of the Lenders as shall be necessary under the circumstances as provided in Section 9.02) or in the absence of its own gross negligence or willful misconduct. The Administrative Agent shall be deemed not to have knowledge of any Event of Default unless and until written notice thereof is given to the Administrative Agent by a Borrower or a Lender, and the Administrative Agent shall not be responsible for or have any duty to ascertain or inquire into (i) any statement, warranty or representation made in or in connection with any Loan Documents, (ii) the contents of any certificate, report or other document delivered hereunder or in connection with any Loan Document, (iii) the performance or observance of any of the covenants, agreements or other terms or conditions set forth in any Loan Document, (iv) the validity, enforceability, effectiveness or genuineness of any Loan Document or any other agreement, instrument or document, or (v) the satisfaction of any condition set forth in Article IV or elsewhere in any Loan Document, other than to confirm receipt of items expressly required to be delivered to the Administrative Agent.

The Administrative Agent shall be entitled to rely upon, and shall not incur any liability for relying upon, any notice, request, certificate, consent, statement, instrument, document or other writing believed by it to be genuine and to have been signed or sent by the proper Person. The Administrative Agent also may rely upon any statement made to it orally or by telephone and believed by it to be made by the proper Person, and shall not incur any liability for relying thereon. The Administrative Agent may consult with legal counsel (who may be counsel for the Borrowers), independent accountants and other experts selected by it, and shall not be liable for any action taken or not taken by it in accordance with the advice of any such counsel, accountants or experts.

The Administrative Agent may perform any and all its duties and exercise its rights and powers by or through any one or more sub-agents appointed by the Administrative Agent. The Administrative Agent and any such sub-agent may perform any and all its duties and exercise its rights and powers through their respective Related Parties. The exculpatory provisions of the preceding paragraphs shall apply to any such sub-agent and to the Related Parties of the Administrative Agent and any such sub-agent, and shall apply to their respective activities in connection with the syndication of the credit facilities provided for herein as well as activities as Administrative Agent.

Subject to the appointment and acceptance of a successor Administrative Agent as provided in this paragraph, the Administrative Agent may resign at any time by notifying the Lenders, the Issuing Bank and the Borrowers. Upon any such resignation, the Required Lenders shall have the right, subject to the consent of the Borrowers (provided no Event of Default then exists), to appoint a successor. If no successor shall have been so appointed by the Required Lenders and shall have accepted such appointment within 30 days after the retiring Administrative Agent gives notice of its resignation, then the retiring Administrative Agent may, on behalf of the Lenders and the Issuing Bank, appoint a successor Administrative Agent which shall be a bank with an office in New York, New York, or an Affiliate of any such bank. Upon the acceptance of its appointment as Administrative Agent hereunder by a successor, such successor shall succeed to and become vested with all the rights, powers, privileges and duties of the retiring Administrative Agent, and the retiring Administrative Agent shall be discharged from its duties and obligations hereunder. The fees payable by the Borrowers to a successor Administrative Agent shall be the same as those payable to its predecessor unless otherwise agreed between the Borrowers and such successor. After the Administrative Agent's resignation hereunder, the provisions of this Article and Section 9.03 shall continue in effect for the benefit of such retiring Administrative Agent, its sub-agents and their respective Related Parties in respect of any actions taken or omitted to be taken by any of them while it was acting as Administrative Agent.

Each Lender acknowledges that it has, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it has deemed appropriate, made its own credit analysis and decision to enter into this Agreement. Each Lender also acknowledges that it will, independently and without reliance upon the Administrative Agent or any other Lender and based on such documents and information as it shall from time to time deem appropriate, continue to make its own decisions in taking or not taking action under or based upon this Agreement, any other Loan Document or any related agreement or any document furnished hereunder or thereunder.

ARTICLE IX. MISCELLANEOUS

SECTION 9.01. Notices. (a) Except in the case of notices and other communications expressly permitted to be given by telephone (and subject to paragraph (b) below), all notices and other communications provided for herein shall be in writing and shall be delivered by hand or overnight courier service, mailed by certified or registered mail or sent by telecopy, as follows:

(i) if to the Borrowers, to them at 1541 Reynolds Road, Charlotte, MI 48813, Attention of the Director of Investment Relations & Treasury (Telecopy No. (517) 543-5403);

(ii) if to the Administrative Agent or Wells Fargo as an Issuing Bank, to Wells Fargo Bank, N.A., 1525 W WT Harris Blvd., MAC D1109-019, Charlotte, NC 28262, Attention of Syndication Agency Services (Telecopy No. (704) 590-2765);

(iii) if to the Swingline Lender or JPMorgan Chase Bank as an Issuing Bank, to JPMorgan Chase Bank, N.A., Loan and Agency Services Group, 10 South Dearborn, 7th Floor, Chicago, Illinois 60603, Mail Code IL1-0010, Attention of Muoy Lim (Telecopy No. (312) 385-7183); and

(iv) if to any other Lender, to it at its address (or telecopy number) set forth in its Administrative Questionnaire.

(b) Notices and other communications to the Lenders hereunder may be delivered or furnished by electronic communications pursuant to procedures approved by the Administrative Agent; provided that the foregoing shall not apply to notices pursuant to Article II unless otherwise agreed by the Administrative Agent and the applicable Lender. The Administrative Agent or the Borrowers may, in their discretion, agree to accept notices and other communications to it hereunder by electronic communications pursuant to procedures approved by it; provided that approval of such procedures may be limited to particular notices or communications.

(c) Any party hereto may change its address or telecopy number for notices and other communications hereunder by notice to the other parties hereto. All notices and other communications given to any party hereto in accordance with the provisions of this Agreement shall be deemed to have been given on the date of receipt.

SECTION 9.02. Waivers; Amendments. (a) No failure or delay by the Administrative Agent, any Issuing Bank or any Lender in exercising any right or power hereunder or under any other Loan Document shall operate as a waiver thereof, nor shall any single or partial exercise of any such right or power, or any abandonment or discontinuance of steps to enforce such a right or power, preclude any other or further exercise thereof or the exercise of any other right or power. The rights and remedies of the Administrative Agent, the Issuing Banks and the Lenders hereunder and under any other Loan Document are cumulative and are not exclusive of any rights or remedies that they would otherwise have. No waiver of any provision of any Loan Document or consent to any departure by any Borrower therefrom shall in any event be effective unless the same shall be permitted by paragraph (b) of this Section, and then such waiver or consent shall be effective only in the specific instance and for the purpose for which given. Without limiting the generality of the foregoing, the making of a Loan or issuance of a Letter of Credit shall not be construed as a waiver of any Event of Default, regardless of whether the Administrative Agent, any Lender or any Issuing Bank may have had notice or knowledge of such Event of Default at the time.

(b) Neither this Agreement nor any provision hereof may be waived, amended or modified except pursuant to an agreement or agreements in writing entered into by the Borrowers and the Required Lenders or by the Borrowers and the Administrative Agent with the consent of the Required Lenders; provided that no such agreement shall (i) increase the Commitment of any Lender without the written consent of such Lender, (ii) reduce or forgive the principal amount of any Loan or LC Disbursement or reduce the rate of interest thereon, or reduce or forgive any interest or fees or other amounts payable hereunder, without the written consent of each Lender affected thereby, (iii) postpone the scheduled date of payment of the principal amount of any Loan or LC Disbursement, or any interest thereon, or any fees payable hereunder, or reduce the amount of, waive or excuse any such payment, or postpone the scheduled date of expiration of any Commitment, without the written consent of each Lender affected thereby, (iv) change Section 2.18(b) or (c) in a manner that would alter the pro rata sharing of payments required thereby, without the written consent of each Lender, or (v) change any of the provisions of this Section or the definition of "Required Lenders" or any other provision hereof specifying the number or percentage of Lenders required to waive, amend or modify any rights hereunder or make any determination or grant any consent hereunder, without the written consent of each Lender; provided further that no such agreement shall amend, modify or otherwise affect the rights or duties of the Administrative Agent, any Issuing Bank or the Swingline Lender hereunder without the prior written consent of the Administrative Agent, the applicable Issuing Bank or the Swingline Lender, as the case may be.

SECTION 9.03. Expenses; Indemnity; Damage Waiver. (a) The Borrowers shall pay (i) all reasonable out-of-pocket expenses incurred by the Administrative Agent and its Affiliates, including the reasonable fees, charges and disbursements of counsel for the Administrative Agent, in connection with the syndication of the credit facilities provided for herein, the preparation and administration of this Agreement or any amendments, modifications or waivers of the provisions hereof (whether or not the transactions contemplated hereby or thereby shall be consummated), (ii) all reasonable out-of-pocket expenses incurred by the applicable Issuing Bank in connection with the issuance, amendment, renewal or extension of any Letter of Credit or any demand for payment thereunder and (iii) all out-of-pocket expenses incurred by the Administrative Agent, any Issuing Bank or any Lender, including the fees, charges and disbursements of any counsel for the Administrative Agent, any Issuing Bank or any Lender, in connection with the enforcement or protection of its rights in connection with this Agreement, including its rights under this Section, or in connection with the Loans made or Letters of Credit issued hereunder, including all such out-of-pocket expenses incurred during any workout, restructuring or negotiations in respect of such Loans or Letters of Credit.

(b) The Borrowers shall indemnify the Administrative Agent, each Issuing Bank and each Lender, and each Related Party of any of the foregoing Persons (each such Person being called an “Indemnitee”) against, and hold each Indemnitee harmless from, any and all losses, claims, damages, liabilities and related expenses, including the fees, charges and disbursements of any counsel for any Indemnitee, incurred by or asserted against any Indemnitee arising out of, in connection with, or as a result of (i) the execution or delivery of this Agreement or any agreement or instrument contemplated hereby, the performance by the parties hereto of their respective obligations hereunder or the consummation of the Transactions or any other transactions contemplated hereby, (ii) any Loan or Letter of Credit or the use of the proceeds therefrom (including any refusal by the applicable Issuing Bank to honor a demand for payment under a Letter of Credit if the documents presented in connection with such demand do not strictly comply with the terms of such Letter of Credit), (iii) any actual or alleged presence or release of Hazardous Materials on or from any property owned or operated by any Borrower or any of its Subsidiaries, or any Environmental Liability related in any way to any Borrower or any of its Subsidiaries, or (iv) any actual or prospective claim, litigation, investigation or proceeding relating to any of the foregoing, whether based on contract, tort or any other theory and regardless of whether any Indemnitee is a party thereto; provided that such indemnity shall not, as to any Indemnitee, be available to the extent that such losses, claims, damages, liabilities or related expenses are determined by a court of competent jurisdiction by final and nonappealable judgment to have resulted from the gross negligence or willful misconduct of such Indemnitee.

(c) To the extent that any Borrower fails to pay any amount required to be paid by it to the Administrative Agent, any Issuing Bank or the Swingline Lender under paragraph (a) or (b) of this Section, each Lender severally agrees to pay to the Administrative Agent, the applicable Issuing Bank or the Swingline Lender, as the case may be, such Lender’s Applicable Percentage (determined as of the time that the applicable unreimbursed expense or indemnity payment is sought) of such unpaid amount; provided that the unreimbursed expense or indemnified loss, claim, damage, liability or related expense, as the case may be, was incurred by or asserted against the Administrative Agent, the applicable Issuing Bank or the Swingline Lender in its capacity as such.

(d) To the extent permitted by applicable law, the Borrowers shall not assert, and hereby waives, any claim against any Indemnitee, on any theory of liability, for special, indirect, consequential or punitive damages (as opposed to direct or actual damages) arising out of, in connection with, or as a result of, this Agreement or any agreement or instrument contemplated hereby, the Transactions, any Loan or Letter of Credit or the use of the proceeds thereof.

(e) All amounts due under this Section shall be payable promptly after written demand therefor.

SECTION 9.04. Successors and Assigns. (a) The provisions of this Agreement shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns permitted hereby (including any Affiliate of an Issuing Bank that issues any Letter of Credit), except that (i) a Borrower may not assign or otherwise transfer any of its rights or obligations hereunder without the prior written consent of each Lender (and any attempted assignment or transfer by a Borrower without such consent shall be null and void) and (ii) no Lender may assign or otherwise transfer its rights or obligations hereunder except in accordance with this Section. Nothing in this Agreement, expressed or implied, shall be construed to confer upon any Person (other than the parties hereto, their respective successors and assigns permitted hereby (including any Affiliate of an Issuing Bank that issues any Letter of Credit), Participants (to the extent provided in paragraph (c) of this Section) and, to the extent expressly contemplated hereby, the Related Parties of each of the Administrative Agent, the Issuing Banks and the Lenders) any legal or equitable right, remedy or claim under or by reason of this Agreement.

(b) (i) Subject to the conditions set forth in paragraph (b)(ii) below, any Lender may assign to one or more assignees all or a portion of its rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans at the time owing to it) with the prior written consent (such consent not to be unreasonably withheld) of:

(A) the Borrowers, provided that no consent of the Borrowers shall be required for an assignment to a Lender, an Affiliate of a Lender, an Approved Fund or, if an Event of Default has occurred and is continuing, any other assignee;

(B) the Administrative Agent, provided that no consent of the Administrative Agent shall be required for an assignment of any Commitment to an assignee that is a Lender with a Commitment immediately prior to giving effect to such assignment; and

(C) each Issuing Bank.

Notwithstanding anything to the contrary in this Agreement, a Lender may not assign all or any portion of its rights and obligations under this Agreement to a Borrower or any of their respective Affiliates.

(ii) Assignments shall be subject to the following additional conditions:

(A) except in the case of an assignment to a Lender or an Affiliate of a Lender or an assignment of the entire remaining amount of the assigning Lender's Commitment or Loans of any Class, the amount of the Commitment or Loans of the assigning Lender subject to each such assignment (determined as of the date the Assignment and Assumption with respect to such assignment is delivered to the Administrative Agent) shall not be less than \$1,000,000 unless each of the Borrowers and the Administrative Agent otherwise consent, provided that no such consent of any Borrower shall be required if an Event of Default has occurred and is continuing;

(B) each partial assignment shall be made as an assignment of a proportionate part of all the assigning Lender's rights and obligations under this Agreement, provided that this clause shall not be construed to prohibit the assignment of a proportionate part of all the assigning Lender's rights and obligations in respect of one Class of Commitments or Loans;

(C) the parties to each assignment shall execute and deliver to the Administrative Agent an Assignment and Assumption, together with a processing and recordation fee of \$3,500; and

(D) the assignee, if it shall not be a Lender, shall deliver to the Administrative Agent an Administrative Questionnaire in which the assignee designates one or more Credit Contacts to whom all syndicate-level information (which may contain material non-public information about the Borrowers, the Loan Parties and their related parties or their respective securities) will be made available and who may receive such information in accordance with the assignee's compliance procedures and applicable laws, including Federal and state securities laws.

For the purposes of this Section 9.04(b), the term "Approved Fund" has the following meaning:

"Approved Fund" means any Person (other than a natural person) that is engaged in making, purchasing, holding or investing in bank loans and similar extensions of credit in the ordinary course of its business and that is administered or managed by (a) a Lender, (b) an Affiliate of a Lender or (c) an entity or an Affiliate of an entity that administers or manages a Lender.

(iii) Subject to acceptance and recording thereof pursuant to paragraph (b)(iv) of this Section, from and after the effective date specified in each Assignment and Assumption the assignee thereunder shall be a party hereto and, to the extent of the interest assigned by such Assignment and Assumption, have the rights and obligations of a Lender under this Agreement, and the assigning Lender thereunder shall, to the extent of the interest assigned by such Assignment and Assumption, be released from its obligations under this Agreement (and, in the case of an Assignment and Assumption covering all of the assigning Lender's rights and obligations under this Agreement, such Lender shall cease to be a party hereto but shall continue to be entitled to the benefits of Sections 2.15, 2.16, 2.17 and 9.03). Any assignment or transfer by a Lender of rights or obligations under this Agreement that does not comply with this Section 9.04 shall be treated for purposes of this Agreement as a sale by such Lender of a participation in such rights and obligations in accordance with paragraph (c) of this Section.

(iv) The Administrative Agent, acting for this purpose as an agent of the Borrowers, shall maintain at one of its offices a copy of each Assignment and Assumption delivered to it and a register for the recordation of the names and addresses of the Lenders, and the Commitment of, and principal amount of the Loans and LC Disbursements owing to, each Lender pursuant to the terms hereof from time to time (the "Register"). The entries in the Register shall be conclusive, and the Borrowers, the Administrative Agent, the Issuing Banks and the Lenders may treat each Person whose name is recorded in the Register pursuant to the terms hereof as a Lender hereunder for all purposes of this Agreement, notwithstanding notice to the contrary. The Register shall be available for inspection by the Borrowers, any Issuing Bank and any Lender, at any reasonable time and from time to time upon reasonable prior notice.

(v) Upon its receipt of a duly completed Assignment and Assumption executed by an assigning Lender and an assignee, the assignee's completed Administrative Questionnaire (unless the assignee shall already be a Lender hereunder), the processing and recordation fee referred to in paragraph (b) of this Section and any written consent to such assignment required by paragraph (b) of this Section, the Administrative Agent shall accept such Assignment and Assumption and record the information contained therein in the Register; provided that if either the assigning Lender or the assignee shall have failed to make any payment required to be made by it pursuant to Section 2.05(c), 2.06(d) or (e), 2.07(b), 2.18(d) or 9.03(c), the Administrative Agent shall have no obligation to accept such Assignment and Assumption and record the information therein in the Register unless and until such payment shall have been made in full, together with all accrued interest thereon. No assignment shall be effective for purposes of this Agreement unless it has been recorded in the Register as provided in this paragraph.

(c) (i) Any Lender may, without the consent of the Borrowers, the Administrative Agent, the Issuing Banks or the Swingline Lender, sell participations to one or more banks or other entities (a “Participant”) in all or a portion of such Lender’s rights and obligations under this Agreement (including all or a portion of its Commitment and the Loans owing to it); provided that (A) such Lender’s obligations under this Agreement shall remain unchanged, (B) such Lender shall remain solely responsible to the other parties hereto for the performance of such obligations and (C) the Borrowers, the Administrative Agent, the Issuing Banks and the other Lenders shall continue to deal solely and directly with such Lender in connection with such Lender’s rights and obligations under this Agreement. Any agreement or instrument pursuant to which a Lender sells such a participation shall provide that such Lender shall retain the sole right to enforce this Agreement and to approve any amendment, modification or waiver of any provision of this Agreement; provided that such agreement or instrument may provide that such Lender will not, without the consent of the Participant, agree to any amendment, modification or waiver described in the first proviso to Section 9.02(b) that affects such Participant. Subject to paragraph (c)(ii) of this Section, the Borrowers agree that each Participant shall be entitled to the benefits of Sections 2.15, 2.16 and 2.17 to the same extent as if it were a Lender and had acquired its interest by assignment pursuant to paragraph (b) of this Section. To the extent permitted by law, each Participant also shall be entitled to the benefits of Section 9.08 as though it were a Lender, provided such Participant agrees to be subject to Section 2.18(c) as though it were a Lender. Notwithstanding anything to the contrary in this Agreement, a Lender may not sell a participation to a Borrower or any of their respective Affiliates.

(ii) A Participant shall not be entitled to receive any greater payment under Section 2.15 or 2.17 than the applicable Lender would have been entitled to receive with respect to the participation sold to such Participant, unless the sale of the participation to such Participant is made with the Borrowers’ prior written consent. A Participant that would be a Foreign Lender if it were a Lender shall not be entitled to the benefits of Section 2.17 unless the Borrowers are notified of the participation sold to such Participant and such Participant agrees, for the benefit of the Borrower, to comply with Section 2.17(e) as though it were a Lender.

(d) Any Lender may at any time pledge or assign a security interest in all or any portion of its rights under this Agreement to secure obligations of such Lender, including without limitation any pledge or assignment to secure obligations to a Federal Reserve Bank, and this Section shall not apply to any such pledge or assignment of a security interest; provided that no such pledge or assignment of a security interest shall release a Lender from any of its obligations hereunder or substitute any such pledgee or assignee for such Lender as a party hereto.

SECTION 9.05. Survival. All covenants, agreements, representations and warranties made by the Loan Parties in the Loan Documents and in the certificates or other instruments delivered in connection with or pursuant to this Agreement or any other Loan Document shall be considered to have been relied upon by the other parties hereto and shall survive the execution and delivery of the Loan Documents and the making of any Loans and issuance of any Letters of Credit, regardless of any investigation made by any such other party or on its behalf and notwithstanding that the Administrative Agent, any Issuing Bank or any Lender may have had notice or knowledge of any Event of Default or incorrect representation or warranty at the time any credit is extended hereunder, and shall continue in full force and effect as long as the principal of or any accrued interest on any Loan or any fee or any other amount payable under this Agreement is outstanding and unpaid or any Letter of Credit is outstanding and so long as the Commitments have not expired or terminated. The provisions of Sections 2.15, 2.16, 2.17 and 9.03 and Article VIII shall survive and remain in full force and effect regardless of the consummation of the transactions contemplated hereby, the repayment of the Loans, the expiration or termination of the Letters of Credit and the Commitments or the termination of this Agreement or any provision hereof.

SECTION 9.06. Counterparts; Integration; Effectiveness. This Agreement may be executed in counterparts (and by different parties hereto on different counterparts), each of which shall constitute an original, but all of which when taken together shall constitute a single contract. This Agreement, the other Loan Documents and any separate letter agreements with respect to fees payable to the Administrative Agent constitute the entire contract among the parties relating to the subject matter hereof and supersede any and all previous agreements and understandings, oral or written, relating to the subject matter hereof. Except as provided in Section 4.01, this Agreement shall become effective when it shall have been executed by the Administrative Agent and when the Administrative Agent shall have received counterparts hereof which, when taken together, bear the signatures of each of the other parties hereto, and thereafter shall be binding upon and inure to the benefit of the parties hereto and their respective successors and assigns. Delivery of an executed counterpart of a signature page of this Agreement by telecopy shall be effective as delivery of a manually executed counterpart of this Agreement.

SECTION 9.07. Severability. Any provision of any Loan Document held to be invalid, illegal or unenforceable in any jurisdiction shall, as to such jurisdiction, be ineffective to the extent of such invalidity, illegality or unenforceability without affecting the validity, legality and enforceability of the remaining provisions thereof; and the invalidity of a particular provision in a particular jurisdiction shall not invalidate such provision in any other jurisdiction.

SECTION 9.08. Right of Setoff. If an Event of Default shall have occurred and be continuing, each Lender and each of its Affiliates is hereby authorized at any time and from time to time, to the fullest extent permitted by law, to set off and apply any and all deposits (general or special, time or demand, provisional or final) at any time held and other obligations at any time owing by such Lender or Affiliate to or for the credit or the account of any Borrower or any Guarantor against any of and all the Obligations held by such Lender, irrespective of whether or not such Lender shall have made any demand under the Loan Documents and although such obligations may be unmaturing. The rights of each Lender under this Section are in addition to other rights and remedies (including other rights of setoff) which such Lender may have.

SECTION 9.09. Governing Law; Jurisdiction; Consent to Service of Process. (a) This Agreement shall be construed in accordance with and governed by the law of the State of Michigan.

(b) Each Borrower hereby irrevocably and unconditionally submits, for itself and its property, to the nonexclusive jurisdiction of any state or federal court sitting in Michigan, and any appellate court from any thereof, in any action or proceeding arising out of or relating to this Agreement, or for recognition or enforcement of any judgment, and each of the parties hereto hereby irrevocably and unconditionally agrees that all claims in respect of any such action or proceeding may be heard and determined in such courts in Michigan. Each of the parties hereto agrees that a final judgment in any such action or proceeding shall be conclusive and may be enforced in other jurisdictions by suit on the judgment or in any other manner provided by law. Nothing in this Agreement shall affect any right that the Administrative Agent, any Issuing Bank or any Lender may otherwise have to bring any action or proceeding relating to this Agreement against any Borrower or its properties in the courts of any jurisdiction.

(c) Each Borrower hereby irrevocably and unconditionally waives, to the fullest extent it may legally and effectively do so, any objection which it may now or hereafter have to the laying of venue of any suit, action or proceeding arising out of or relating to this Agreement in any court referred to in paragraph (b) of this Section. Each of the parties hereto hereby irrevocably waives, to the fullest extent permitted by law, the defense of an inconvenient forum to the maintenance of such action or proceeding in any such court.

(d) Each party to this Agreement irrevocably consents to service of process in the manner provided for notices in Section 9.01. Nothing in this Agreement will affect the right of any party to this Agreement to serve process in any other manner permitted by law.

SECTION 9.10. WAIVER OF JURY TRIAL. EACH PARTY HERETO HEREBY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY RIGHT IT MAY HAVE TO A TRIAL BY JURY IN ANY LEGAL PROCEEDING DIRECTLY OR INDIRECTLY ARISING OUT OF OR RELATING TO THIS AGREEMENT, ANY OTHER LOAN DOCUMENTS OR THE TRANSACTIONS CONTEMPLATED THEREBY (WHETHER BASED ON CONTRACT, TORT OR ANY OTHER THEORY). EACH PARTY HERETO (A) CERTIFIES THAT NO REPRESENTATIVE, AGENT OR ATTORNEY OF ANY OTHER PARTY HAS REPRESENTED, EXPRESSLY OR OTHERWISE, THAT SUCH OTHER PARTY WOULD NOT, IN THE EVENT OF LITIGATION, SEEK TO ENFORCE THE FOREGOING WAIVER AND (B) ACKNOWLEDGES THAT IT AND THE OTHER PARTIES HERETO HAVE BEEN INDUCED TO ENTER INTO THIS AGREEMENT BY, AMONG OTHER THINGS, THE MUTUAL WAIVERS AND CERTIFICATIONS IN THIS SECTION.

SECTION 9.11. Headings. Article and Section headings and the Table of Contents used herein are for convenience of reference only, are not part of this Agreement and shall not affect the construction of, or be taken into consideration in interpreting, this Agreement.

SECTION 9.12. Confidentiality. Each of the Administrative Agent, the Issuing Banks and the Lenders agrees to maintain the confidentiality of the Information (as defined below), except that Information may be disclosed (a) to its and its Affiliates' directors, officers, employees and agents, including accountants, legal counsel and other advisors (it being understood that the Persons to whom such disclosure is made will be informed of the confidential nature of such Information and instructed to keep such Information confidential), (b) to the extent requested by any regulatory authority, (c) to the extent required by any Requirement of Law or by any subpoena or similar legal process, (d) to any other party to this Agreement, (e) in connection with the exercise of any remedies hereunder or any suit, action or proceeding relating to this Agreement or the enforcement of rights hereunder, (f) subject to an agreement containing provisions substantially the same as those of this Section, to (i) any assignee of or Participant in, or any prospective assignee of or Participant in, any of its rights or obligations under this Agreement or (ii) any actual or prospective counterparty (or its advisors) to any swap or derivative transaction relating to any Borrower and its obligations, (g) with the consent of the Borrowers or (h) to the extent such Information (i) becomes publicly available other than as a result of a breach of this Section or (ii) becomes available to the Administrative Agent, any Issuing Bank or any Lender on a nonconfidential basis from a source other than a Borrower. For the purposes of this Section, "Information" means all information received from any Borrower relating to any Borrower or its business, other than any such information that is available to the Administrative Agent, any Issuing Bank or any Lender on a nonconfidential basis prior to disclosure by a Borrower; provided that, in the case of information received from a Borrower after the date hereof, such information is clearly identified at the time of delivery as confidential. Any Person required to maintain the confidentiality of Information as provided in this Section shall be considered to have complied with its obligation to do so if such Person has exercised the same degree of care to maintain the confidentiality of such Information as such Person would accord to its own confidential information.

SECTION 9.13. Interest Rate Limitation. Notwithstanding anything herein to the contrary, if at any time the interest rate applicable to any Loan, together with all fees, charges and other amounts which are treated as interest on such Loan under applicable law (collectively the “Charges”), shall exceed the maximum lawful rate (the “Maximum Rate”) which may be contracted for, charged, taken, received or reserved by the Lender holding such Loan in accordance with applicable law, the rate of interest payable in respect of such Loan hereunder, together with all Charges payable in respect thereof, shall be limited to the Maximum Rate and, to the extent lawful, the interest and Charges that would have been payable in respect of such Loan but were not payable as a result of the operation of this Section shall be cumulated and the interest and Charges payable to such Lender in respect of other Loans or periods shall be increased (but not above the Maximum Rate therefor) until such cumulated amount, together with interest thereon at the Federal Funds Effective Rate to the date of repayment, shall have been received by such Lender.

SECTION 9.14. Joint and Several Obligations; Contribution Rights; Savings Clause. (a) Notwithstanding anything to the contrary set forth herein or in any other Loan Document, the obligations of the Borrowers hereunder and under the other Loan Documents are joint and several.

(b) If any Borrower makes a payment in respect of the Obligations it shall have the rights of contribution set forth below against the other Borrowers; provided that such Borrower shall not exercise its right of contribution until all the Obligations shall have been finally paid in full in cash. If any Borrower makes a payment in respect of the Obligations that is smaller in proportion to its Payment Share (as hereinafter defined) than such payments made by the other Borrowers are in proportion to the amounts of their respective Payment Shares, the Borrower making such proportionately smaller payment shall, when permitted by the preceding sentence, pay to the other Borrowers an amount such that the net payments made by the Borrower in respect of the Obligations shall be shared among the Borrowers pro rata in proportion to their respective Payment Shares. If any Borrower receives any payment that is greater in proportion to the amount of its Payment Shares than the payments received by the other Borrowers are in proportion to the amounts of their respective Payment Shares, the Borrower receiving such proportionately greater payment shall, when permitted by the second preceding sentence, pay to the other Borrowers an amount such that the payments received by the Borrowers shall be shared among the Borrowers pro rata in proportion to their respective Payment Shares. Notwithstanding anything to the contrary contained in this paragraph or in this Agreement, no liability or obligation of any Borrower that shall accrue pursuant to this paragraph shall be paid nor shall it be deemed owed pursuant to this paragraph until all of the Obligations shall be finally paid in full in cash.

For purposes hereof, the “Payment Share” of each Borrower shall be the sum of (a) the aggregate proceeds of the Obligations received by such Borrower plus (b) the product of (i) the aggregate Obligations remaining unpaid on the date such Obligations become due and payable in full, whether by stated maturity, acceleration, or otherwise (the “Determination Date”) reduced by the amount of such Obligations attributed to all or such Borrowers pursuant to clause (a) above, times (ii) a fraction, the numerator of which is such Borrower’s net worth on the effective date of this Agreement (determined as of the end of the immediately preceding fiscal reporting period of such Borrower), and the denominator of which is the aggregate net worth of all Borrowers on such effective date.

(c) It is the intent of each Borrower, the Administrative Agent and the Lenders that each Borrower's maximum Obligations shall be in, but not in excess of:

(i) in a case or proceeding commenced by or against such Borrower under the

Bankruptcy Code on or within one year from the date on which any of the Obligations are incurred, the maximum amount that would not otherwise cause the Obligations (or any other obligations of such Borrower to the Administrative Agent and the Lenders) to be avoidable or unenforceable against such Borrower under (A) Section 548 of the Bankruptcy Code or (B) any state fraudulent transfer or fraudulent conveyance act or statute applied in such case or proceeding by virtue of Section 544 of the Bankruptcy Code; or

(ii) in a case or proceeding commenced by or against such Borrower under the Bankruptcy Code subsequent to one year from the date on which any of the Obligations are incurred, the maximum amount that would not otherwise cause the Obligations (or any other obligations of such Borrower to the Administrative Agent and the Lenders) to be avoidable or unenforceable against such Borrower under any state fraudulent transfer or fraudulent conveyance act or statute applied in any such case or proceeding by virtue of Section 544 of the Bankruptcy Code;

(iii) in a case or proceeding commenced by or against such Borrower under any law, statute or regulation other than the Bankruptcy Code (including, without limitation, any other bankruptcy, reorganization, arrangement, moratorium, readjustment of debt, dissolution, liquidation or similar debtor relief laws), the maximum amount that would not otherwise cause the Obligations (or any other obligations of such Borrower to the Administrative Agent and the Lenders) to be avoidable or unenforceable against such Borrower under such law, statute or regulation including, without limitation, any state fraudulent transfer or fraudulent conveyance act or statute applied in any such case or proceeding.

(d) The Borrowers acknowledge and agree that they have requested that the Lenders make credit available to the Borrowers with each Borrower expecting to derive benefit, directly and indirectly, from the loans and other credit extended by the Lenders to the Borrowers.

SECTION 9.15. Consents to Renewals; Modifications and Other Actions and Events. This Agreement and all of the obligations of the Borrowers hereunder shall remain in full force and effect without regard to and shall not be released, affected or impaired by: (a) any amendment, assignment, transfer, modification of or addition or supplement to the Obligations, this Agreement or any other Loan Document; (b) any extension, indulgence, increase in the Obligations or other action or inaction in respect of any of the Loan Documents or otherwise with respect to the Obligations, or any acceptance of security for, or guaranties of, any of the Obligations or Loan Documents, or any surrender, release, exchange, impairment or alteration of any such security or guaranties including without limitation the failing to perfect a security interest in any such security or abstaining from taking advantage or of realizing upon any guaranties or upon any security interest in any such security; (c) any default by any Borrower under, or any lack of due execution, invalidity or unenforceability of, or any irregularity or other defect in, any of the Loan Documents; (d) any waiver by the Lenders or any other Person of any required performance or otherwise of any condition precedent or waiver of any requirement imposed by any of the Loan Documents, any guaranties or otherwise with respect to the Obligations; (e) any exercise or non-exercise of any right, remedy, power or privilege in respect of this Agreement or any of the other Loan Documents; (f) any sale, lease, transfer or other disposition of the assets of any Borrower or any consolidation or merger of any Borrower with or into any other Person, corporation, or entity, or any transfer or other disposition by any Borrower or any other holder of any Equity Interest of any Borrower; (g) any bankruptcy, insolvency, reorganization or similar proceedings involving or affecting any Borrower; (h) the release or discharge of any Borrower from the performance or observance of any agreement, covenant, term or condition under any of the Obligations or contained in any of the Loan Documents by operation of law; or (i) any other cause whether similar or dissimilar to the foregoing which, in the absence of this provision, would release, affect or impair the obligations, covenants, agreements and duties of any Borrower hereunder, including without limitation any act or omission by the Administrative Agent, or any Lender or any other any Person which increases the scope of such Borrower's risk; and in each case described in this paragraph whether or not any Borrower shall have notice or knowledge of any of the foregoing, each of which is specifically waived by each Borrower. Each Borrower warrants to the Lenders that it has adequate means to obtain from each other Borrower on a continuing basis information concerning the financial condition and other matters with respect to the Borrowers and that it is not relying on the Administrative Agent or the Lenders to provide such information either now or in the future.

SECTION 9.16. Waivers, Etc. Each Borrower unconditionally waives: (a) notice of any of the matters referred to in Section 9.15 above; (b) all notices which may be required by statute, rule or law or otherwise to preserve any rights of the Administrative Agent, or any Lender, including, without limitation, presentment to and demand of payment or performance from the other Borrowers and protect for non-payment or dishonor; (c) any right to the exercise by the Administrative Agent, or any Lender of any right, remedy, power or privilege in connection with any of the Loan Documents; (d) any requirement that the Administrative Agent, or any Lender, in the event of any default by any Borrower, first make demand upon or seek to enforce remedies against, such Borrower or any other Borrower before demanding payment under or seeking to enforce this Agreement against any other Borrower; (e) any right to notice of the disposition of any security which the Administrative Agent, or any Lender may hold from any Borrower or otherwise; and (f) all errors and omissions in connection with the Administrative Agent, or any Lender's administration of any of the Obligations, any of the Loan Documents, or any other act or omission of the Administrative Agent, or any Lender which changes the scope of the Borrower's risk, except as a result of the gross negligence or willful misconduct of the Administrative Agent, or any Lender. The obligations of each Borrower hereunder shall be complete and binding forthwith upon the execution of this Agreement and subject to no condition whatsoever, precedent or otherwise, and notice of acceptance hereof or action in reliance hereon shall not be required.

SECTION 9.17. Several Obligations; Nonreliance; Violation of Law. The respective obligations of the Lenders hereunder are several and not joint and the failure of any Lender to make any Loan or perform any of its obligations hereunder shall not relieve any other Lender from any of its obligations hereunder. Each Lender hereby represents that it is not relying on or looking to any margin stock for the repayment of the Borrowings provided for herein. Anything contained in this Agreement to the contrary notwithstanding, no Issuing Bank nor any Lender shall be obligated to extend credit to any Borrower in violation of any Requirement of Law.

SECTION 9.18. Disclosure. Each Borrower and each Lender hereby acknowledges and agrees that the Administrative Agent and/or its Affiliates from time to time may hold investments in, make other loans to or have other relationships with any of the Borrowers, their respective Subsidiaries and their respective Affiliates.

SECTION 9.19. USA PATRIOT Act Each Lender that is subject to the requirements of the USA Patriot Act (Title III of Pub. L. 107-56 (signed into law October 26, 2001)) (the "Act") hereby notifies the Borrowers that pursuant to the requirements of the Act, it is required to obtain, verify and record information that identifies the Borrower, which information includes the name and address of the Borrower and other information that will allow such Lender to identify the Borrower in accordance with the Act.

SECTION 9.20. Conversion of Currencies. (a) If, for the purpose of obtaining judgment in any court, it is necessary to convert a sum owing hereunder in one currency into another currency, each party hereto agrees, to the fullest extent that it may effectively do so, that the rate of exchange used shall be that at which in accordance with normal banking procedures in the relevant jurisdiction the first currency could be purchased with such other currency on the Business Day immediately preceding the day on which final judgment is given.

(b) The obligations of each Borrower in respect of any sum due to any party hereto or any holder of the obligations owing hereunder (the "Applicable Creditor") shall, notwithstanding any judgment in a currency (the "Judgment Currency") other than the currency in which such sum is stated to be due hereunder (the "Agreement Currency"), be discharged only to the extent that, on the Business Day following receipt by the Applicable Creditor of any sum adjudged to be so due in the Judgment Currency, the Applicable Creditor may in accordance with normal banking procedures in the relevant jurisdiction purchase the Agreement Currency with the Judgment Currency; if the amount of the Agreement Currency so purchased is less than the sum originally due to the Applicable Creditor in the Agreement Currency, such Borrower agrees, as a separate obligation and notwithstanding any such judgment, to indemnify the Applicable Creditor against such loss. The obligations of the Borrowers contained in this Section 9.20 shall survive the termination of this Agreement and the payment of all other amounts owing hereunder.

SECTION 9.21. Amendment and Restatement.

(a) On the Effective Date the Existing Credit Agreement shall be amended, restated and superseded in its entirety hereby. The parties hereto acknowledge and agree that (a) this Agreement, any promissory notes delivered pursuant hereto and the other Loan Documents executed and delivered in connection herewith do not constitute a novation or termination of the "Obligations" (as defined in the Existing Credit Agreement) under the Existing Credit Agreement as in effect prior to the Effective Date and (b) such "Obligations" are in all respects continuing with only the terms thereof being modified as provided in this Agreement.

(b) All indemnification obligations of the Borrowers arising under the Existing Credit Agreement (including any arising from a breach of the representations thereunder) shall survive this amendment and restatement of the Existing Credit Agreement.

(c) The Administrative Agent, at the direction of the Lenders hereunder (which constitute "Required Banks" under the Existing Credit Agreement), hereby waives the requirement pursuant to the Existing Credit Agreement that the Borrowers deliver prior notice of their election to terminate or reduce the "Commitments" under the Existing Credit Agreement. The execution of this Agreement by any Lender that is also a "Lender" under the Existing Credit Agreement shall constitute such Person's consent to the amendments to the Existing Credit Agreement contained herein, including the appointment of Wells Fargo as the Administrative Agent and an Issuing Bank.

(d) By its execution hereof, each Lender hereby (i) consents to any amendments to be executed in connection herewith to the Loan Documents delivered in connection with the Existing Credit Agreement, all as in form and substance approved by the Administrative Agent, and (ii) authorizes and directs the Administrative Agent to enter into such amendments.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed by their respective authorized officers as of the day and year first above written.

SPARTAN MOTORS, INC.

By: _____

Name: _____

Title: _____

SPARTAN MOTORS CHASSIS, INC.

By: _____

Name: _____

Title: _____

CRIMSON FIRE, INC.

By: _____

Name: _____

Title: _____

CRIMSON FIRE AERIALS, INC.

By: _____

Name: _____

Title: _____

[Credit Agreement - Signature Page]

CLASSIC FIRE, LLC

By: _____

Name: _____

Title: _____

UTILIMASTER CORPORATION

By: _____

Name: _____

Title: _____

[*Credit Agreement - Signature Page*]

WELLS FARGO BANK, N.A., individually and
as Administrative Agent and an Issuing Bank

By: _____

Name: _____

Title: _____

JPMORGAN CHASE BANK, N.A., individually
and as Swingline Lender and an Issuing Bank

By: _____

Name: _____

Title: _____

[*Credit Agreement - Signature Page*]

SCHEDULE 1.01

Inactive Subsidiaries

1. UTM Acquisition Company, LLC, an Indiana limited liability company
2. Former RR, Inc., a South Carolina corporation
3. Utilimaster Canada Limited, an Ontario corporation

Schedule 1.01

SCHEDULE 2.01

Commitments

COMMITMENTS		
Lender	Commitment	Pro Rata Share
Wells Fargo Bank, N.A.	\$35,000,000	50%
JPMorgan Chase Bank, N.A.	\$35,000,000	50%
Aggregate Commitments	\$70,000,000	100%

Schedule 2.01

SCHEDULE 2.05(b)(ii)

The unpaid principal balance of the Floorplan Swingline Loans will accrue interest at a variable rate per annum equal to the sum of (i) the Applicable Rate for Eurodollar Loans, and (ii) the LIBOR Rate applicable to the relevant Interest Period. Each change in the rate at which interest accrues will become effective without notice on the commencement of each Interest Period.

For the purposes of this Schedule 2.05(b)(ii), the following terms shall have the following meanings (capitalized terms not otherwise defined shall have the meanings set forth in the Agreement):

“**Business Day**” means (i) with respect to any borrowing or payment of a Floorplan Swingline Loan or LIBOR Rate selection, a day (other than a Saturday or Sunday) on which banks generally are open in Vermont and/or New York for the conduct of substantially all of their commercial lending activities and on which dealings in United States dollars are carried on in the London interbank market and (ii) for all other purposes, a day other than a Saturday, Sunday or any other day on which national banking associations are authorized to be closed.

“**LIBOR Rate**” means with respect to any LIBOR advance for any Interest Period, the interest rate determined by the Swingline Lender by reference to Page 3750 of the Moneyline Telerate Service (“MTS”) (or on any successor or substitute page of the MTS, or any successor to or substitute for the MTS, providing rate quotations comparable to those currently provided on Page 3750 of the MTS, as determined by the Swingline Lender from time to time for purposes of providing quotations of interest rates applicable to dollar deposits in the London interbank market) to be the rate at approximately 11:00 a.m. London time, two Business Days prior to the commencement of the Interest Period for the offering by the Swingline Lender’s London office, of dollar deposits in an amount comparable to such LIBOR advance with a maturity equal to such Interest Period. If no LIBOR Rate is available to the Swingline Lender, the applicable LIBOR Rate for the relevant Interest Period shall instead be the rate determined by the Swingline Lender to be the rate at which the Swingline Lender offers to place deposits in U.S. dollars with first-class banks in the London interbank market at approximately 11:00 A.M. (London time) two Business Days prior to the first day of such Interest Period, in the approximate amount of the principal amount outstanding on such date and having a maturity equal to such Interest Period.

“**Interest Period**” means each consecutive calendar month commencing with the calendar month in which the initial Floorplan Swingline Loan was requested. Each Interest Period shall commence on the first day of each calendar month and if the initial Floorplan Swingline Loan was requested on a date other than the first day of a calendar month, the first Interest Period shall be determined as of the first day of the calendar month in which the initial Floorplan Swingline Loan was requested.

If any applicable domestic or foreign law, treaty, rule or regulation now or later in effect (whether or not it now applies to any Lender) or the interpretation or administration thereof by a governmental authority charged with such interpretation or administration, or compliance by any Lender with any guideline, request or directive of such an authority (whether or not having the force of law), shall make it unlawful or impossible for any Lender to maintain or fund the Floorplan Swingline Loans, then, upon notice to the Borrower by the Swingline Lender, the outstanding principal amount of Floorplan Swingline Loans, together with accrued interest and any other amounts payable to the Lenders under this Agreement or the other Loan Documents shall be repaid (a) immediately upon the Swingline Lender’s demand if such change or compliance with such requests, in the Swingline Lender’s judgment, requires immediate repayment, or (b) at the expiration of the last Interest Period to expire before the effective date of any such change or request.

If the Swingline Lender determines that quotations of interest rates for the relevant deposits referred to in the definition of LIBOR Rate are not being provided in the relevant amounts or for the relevant maturities for purposes of determining the interest rate as provided in this Schedule 2.05(b)(ii), then the Swingline Lender shall forthwith give notice of such circumstances to the Borrower, whereupon (i) the obligation of the Swingline Lender to make Floorplan Swingline Loans shall be suspended until the Swingline Lender notifies the Borrowers that the circumstances giving rise to the suspension no longer exists, and (ii) the Borrowers shall repay in full the then outstanding principal amount of the Floorplan Swingline Loans, together with accrued interest, on the last day of the then current Interest Period.

Schedule 2.05(b)(ii)

SCHEDULE 2.06

Existing Letters of Credit

<u>Issuer</u>	<u>For the Account of</u>	<u>Beneficiary</u>	<u>Stated Amount</u>
JPMorgan Chase Bank, N.A.	Spartan Motors, Inc.	State of Michigan	\$200,000 (USD)
JPMorgan Chase Bank, N.A.	Spartan Motors, Inc.	Banco DeChile	\$200,000 (USD)
JPMorgan Chase Bank, N.A.	Spartan Motors, Inc.	Banco DeChile	\$30,000 (USD)
JPMorgan Chase Bank, N.A.	Spartan Motors, Inc.	Banco DeChile	\$50,000,000 (Chilean Pesos)

Schedule 2.06

SCHEDULE 3.05
Existing Subsidiaries of Spartan Motors, Inc.

<u>Entity</u>	<u>Jurisdiction of Formation</u>	<u>Capital Stock Owned By (100%)</u>
Spartan Motors Chassis, Inc.	Michigan	Spartan Motors, Inc.
Crimson Fire, Inc.	South Dakota	Spartan Motors, Inc.
Crimson Fire Aerials, Inc.	Pennsylvania	Spartan Motors, Inc.
Classic Fire, LLC	Michigan	Crimson Fire, Inc.
Former RR, Inc.	South Carolina	Spartan Motors, Inc.
Utilimaster Holdings, Inc.	Delaware	Spartan Motors, Inc.
Utilimaster Corporation	Delaware	Utilimaster Holdings, Inc.
Utilimaster Canada Limited	Ontario	Utilimaster Holdings, Inc.
UTM Acquisition Company, LLC	Indiana	Utilimaster Corporation

Schedule 3.05

SCHEDULE 3.06

Disclosed Matters

None.

Schedule 3.06

SCHEDULE 6.01

Existing Indebtedness

See letters of credit listed on Schedule 2.06.

Schedule 6.01

SCHEDULE 6.02**Existing Lien Schedule**

Secured Party	Debtor	Financing Statement No.	Collateral Description
Crown Credit Company	Spartan Motors, Inc.	2006200077-7	Specific Equipment
Crown Credit Company	Spartan Motors, Inc.	2008066650-3	Specific Equipment
Crown Credit Company	Spartan Motors, Inc.	2008066663-0	Specific Equipment
State of Michigan – DELEG	Spartan Motors, Inc.	2010134255-3	Unemployment Insurance Agency Tax Lien - \$12,963.74
TCF Leasing, Inc.	Spartan Motors Chassis, Inc.	2004073815-4	Specific Equipment
Greater Bay Bank N.A.	Spartan Motors Chassis, Inc.	2007092807-6	Specific Equipment
NMHG Financial Services, Inc.	Spartan Motors Chassis, Inc.	2008035126-5	All Leased Equipment
Crown Credit Company	Crimson Fire, Inc.	20082001070028	Specific Equipment
General Motors Acceptance Corporation	Utilimaster Corporation	21755507	Specific Equipment
Siemens Financial Services, Inc.	Utilimaster Corporation	63176641	Specific Leased Equipment
Crown Credit Company	Utilimaster Corporation	71116157	Specific Equipment
U.S. Bancorp	Utilimaster Corporation	71599884	Specific Equipment
U.S. Bancorp	Utilimaster Corporation	72049327	Specific Equipment
U.S. Bancorp	Utilimaster Corporation	72049335	Specific Equipment
Crown Credit Company	Utilimaster Corporation	73699104	Specific Equipment

Schedule 6.02

Secured Party	Debtor	Financing Statement No.	Collateral Description
U.S. Bancorp	Utilimaster Corporation	80252401	Specific Equipment
Crown Credit Company	Utilimaster Corporation	80859924	Specific Equipment
Ford Motor Company	Utilimaster Corporation	81790730	Specific Equipment
Crown Credit Company	Utilimaster Corporation	83009030	Specific Equipment
U.S. Bancorp	Utilimaster Corporation	91837290	Specific Equipment
U.S. Bancorp	Utilimaster Corporation	93623599	Specific Equipment
Wells Fargo Bank, N.A.	Utilimaster Corporation	00007660	Specific Equipment
U.S. Bancorp	Utilimaster Corporation	00166599	Specific Equipment
Cambridge Classic Ford, Ltd	Utilimaster Corporation	02750531	Specific Equipment
Kings Ford, Inc.	Utilimaster Corporation	02757510	Specific Equipment
U.S. Bancorp Business Equipment Finance	Utilimaster Corporation	11267221	Specific Equipment
Crown Credit Company	Utilimaster Corporation	13704635	Specific Equipment

Schedule 6.02

SCHEDULE 6.08

Existing Restrictions

None.

Schedule 6.08

EXHIBIT A

ASSIGNMENT AND ASSUMPTION

This Assignment and Assumption (the "Assignment and Assumption") is dated as of the Effective Date set forth below and is entered into by and between [Insert name of Assignor] (the "Assignor") and [Insert name of Assignee] (the "Assignee"). Capitalized terms used but not defined herein shall have the meanings given to them in the Credit Agreement identified below (as amended, the "Credit Agreement"), receipt of a copy of which is hereby acknowledged by the Assignee. The Standard Terms and Conditions set forth in Annex 1 attached hereto are hereby agreed to and incorporated herein by reference and made a part of this Assignment and Assumption as if set forth herein in full.

For an agreed consideration, the Assignor hereby irrevocably sells and assigns to the Assignee, and the Assignee hereby irrevocably purchases and assumes from the Assignor, subject to and in accordance with the Standard Terms and Conditions and the Credit Agreement, as of the Effective Date inserted by the Administrative Agent as contemplated below (i) all of the Assignor's rights and obligations in its capacity as a Lender under the Credit Agreement and any other documents or instruments delivered pursuant thereto to the extent related to the amount and percentage interest identified below of all of such outstanding rights and obligations of the Assignor under the respective facilities identified below (including any letters of credit, guarantees, and swingline loans included in such facilities) and (ii) to the extent permitted to be assigned under applicable law, all claims, suits, causes of action and any other right of the Assignor (in its capacity as a Lender) against any Person, whether known or unknown, arising under or in connection with the Credit Agreement, any other documents or instruments delivered pursuant thereto or the loan transactions governed thereby or in any way based on or related to any of the foregoing, including contract claims, tort claims, malpractice claims, statutory claims and all other claims at law or in equity related to the rights and obligations sold and assigned pursuant to clause (i) above (the rights and obligations sold and assigned pursuant to clauses (i) and (ii) above being referred to herein collectively as the "Assigned Interest"). Such sale and assignment is without recourse to the Assignor and, except as expressly provided in this Assignment and Assumption, without representation or warranty by the Assignor.

- 1. Assignor: _____
- 2. Assignee: [and is an Affiliate/Approved Fund of [*identify Lender*]¹
- 3. Borrowers: _____
- 4. Administrative Agent: Wells Fargo Bank, N.A., as the administrative agent under the Credit Agreement
- 5. Credit Agreement: The Credit Agreement dated as of December 16, 2011 among Spartan Motors, Inc., Spartan Motors Chassis, Inc., Crimson Fire, Inc., Crimson Fire Aerials, Inc., Classic Fire, LLC and Utilmaster Corporation, the Lenders parties thereto, Wells Fargo Bank, N.A., as Administrative Agent, and the other agents parties thereto

¹ Select as applicable.

6. Assigned Interest:

Facility Assigned	Aggregate Amount of Commitment/Loans for all Lenders	Amount of Commitment/Loans Assigned	Percentage Assigned of Commitment/Loans ²
	\$	\$	%
	\$	\$	%
	\$	\$	%

Effective Date: _____, 20__ [TO BE INSERTED BY ADMINISTRATIVE AGENT AND WHICH SHALL BE THE EFFECTIVE DATE OF RECORDATION OF TRANSFER IN THE REGISTER THEREFOR.]

The Assignee agrees to deliver to the Administrative Agent a completed Administrative Questionnaire in which the Assignee designates one or more Credit Contacts to whom all syndicate-level information (which may contain material non-public information about the Loan Parties and their Related Parties or their respective securities) will be made available and who may receive such information in accordance with the Assignee's compliance procedures and applicable laws, including Federal and state securities laws.

The terms set forth in this Assignment and Assumption are hereby agreed to:

ASSIGNOR

[NAME OF ASSIGNOR]

By: _____

Title:

ASSIGNEE

[NAME OF ASSIGNEE]

By: _____

Title:

² Set forth, to at least 9 decimals, as a percentage of the Commitment/Loans of all Lenders thereunder.

[Consented to and]³ Accepted:

[NAME OF ADMINISTRATIVE AGENT], as

Administrative Agent

By: _____

Title: _____

[Consented to:]⁴

[NAME OF RELEVANT PARTY]

By: _____

Title:

³ To be added only if the consent of the Administrative Agent is required by the terms of the Credit Agreement.

⁴ To be added only if the consent of the Borrowers and/or other parties (e.g. Swingline Lender, Issuing Bank) is required by the terms of the Credit Agreement.

[]⁵

STANDARD TERMS AND CONDITIONS FOR
ASSIGNMENT AND ASSUMPTION

1. Representations and Warranties.

1.1 Assignor. The Assignor (a) represents and warrants that (i) it is the legal and beneficial owner of the Assigned Interest, (ii) the Assigned Interest is free and clear of any lien, encumbrance or other adverse claim and (iii) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby; and (b) assumes no responsibility with respect to (i) any statements, warranties or representations made in or in connection with the Credit Agreement or any other Loan Document ⁶, (ii) the execution, legality, validity, enforceability, genuineness, sufficiency or value of the Loan Documents or any collateral thereunder, (iii) the financial condition of any Borrower, any of its Subsidiaries or Affiliates or any other Person obligated in respect of any Loan Document or (iv) the performance or observance by any Borrower, any of its Subsidiaries or Affiliates or any other Person of any of their respective obligations under any Loan Document.

1.2 Assignee. The Assignee (a) represents and warrants that (i) it has full power and authority, and has taken all action necessary, to execute and deliver this Assignment and Assumption and to consummate the transactions contemplated hereby and to become a Lender under the Credit Agreement, (ii) it satisfies the requirements, if any, specified in the Credit Agreement that are required to be satisfied by it in order to acquire the Assigned Interest and become a Lender, (iii) from and after the Effective Date, it shall be bound by the provisions of the Credit Agreement as a Lender thereunder and, to the extent of the Assigned Interest, shall have the obligations of a Lender thereunder, (iv) it has received a copy of the Credit Agreement, together with copies of the most recent financial statements delivered pursuant to Section thereof, as applicable, and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Assignment and Assumption and to purchase the Assigned Interest on the basis of which it has made such analysis and decision independently and without reliance on the Administrative Agent or any other Lender, and (v) if it is a Foreign Lender ⁷, attached to the Assignment and Assumption is any documentation required to be delivered by it pursuant to the terms of the Credit Agreement, duly completed and executed by the Assignee; and (b) agrees that (i) it will, independently and without reliance on the Administrative Agent, the Assignor or any other Lender, and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Documents, and (ii) it will perform in accordance with their terms all of the obligations which by the terms of the Loan Documents are required to be performed by it as a Lender.

⁵ Describe Credit Agreement at option of Administrative Agent.

⁶ The term “Loan Document” should be conformed to that used in the Credit Agreement.

⁷ The concept of “Foreign Lender” should be conformed to the section in the Credit Agreement governing withholding taxes and gross-up.

2. Payments. From and after the Effective Date, the Administrative Agent shall make all payments in respect of the Assigned Interest (including payments of principal, interest, fees and other amounts) to the Assignor for amounts which have accrued to but excluding the Effective Date and to the Assignee for amounts which have accrued from and after the Effective Date.

3. General Provisions. This Assignment and Assumption shall be binding upon, and inure to the benefit of, the parties hereto and their respective successors and assigns. This Assignment and Assumption may be executed in any number of counterparts, which together shall constitute one instrument. Delivery of an executed counterpart of a signature page of this Assignment and Assumption by telecopy shall be effective as delivery of a manually executed counterpart of this Assignment and Assumption. This Assignment and Assumption shall be governed by, and construed in accordance with, the law of the State of Michigan.

Exhibit A

EXHIBIT B

FORM OF GUARANTY

LOAN GUARANTY

THIS LOAN GUARANTY (this "Guaranty") is made as of the ____ day of _____, 20__, by _____ (the "Guarantor") in favor of the Administrative Agent, for the benefit of the Lenders, under the Credit Agreement referred to below.

WITNESSETH:

WHEREAS, Spartan Motors, Inc., a Michigan corporation, Spartan Motors Chassis, Inc., a Michigan corporation, Crimson Fire, Inc., a South Dakota corporation, Crimson Fire Aerials, Inc., a Pennsylvania corporation, Classic Fire, LLC, a Michigan limited liability company and Utilimaster Corporation, a Delaware corporation (each, individually, a "Borrower" and, collectively, the "Borrowers") and Wells Fargo Bank, National Association, a national banking association, as Administrative Agent (the "Administrative Agent"), and certain other Lenders from time to time party thereto have entered into a certain Amended and Restated Credit Agreement dated as of December 16, 2011 (as same may be amended or modified from time to time, the "Credit Agreement"), providing, subject to the terms and conditions thereof, for extensions of credit to be made by the Lenders to the Borrowers;

WHEREAS, it is a condition precedent to the Administrative Agent and the Lenders executing the Credit Agreement that the Guarantor executes and delivers this Guaranty whereby the Guarantor shall guarantee the payment when due, subject to Section 9 hereof, of all Guaranteed Obligations (as defined below); and

WHEREAS, in consideration of the financial and other support that the Borrowers have provided, and such financial and other support as the Borrowers may in the future provide, to the Guarantor, and in order to induce the Lenders and the Administrative Agent to enter into the Credit Agreement, and the Lenders and their Affiliates to enter into one or more agreements relating to Swap Agreement Obligations and Banking Services Obligations with the Borrowers and/or the Guarantor, and because the Guarantor has determined that executing this Guaranty is in its interest and to its financial benefit, the Guarantor is willing to guarantee the obligations of each of the Borrowers under the Credit Agreement and the other Loan Documents and to guarantee the other Guaranteed Obligations;

NOW, THEREFORE, in consideration of the premises and other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

SECTION 1.1. Terms in Credit Agreement. All capitalized terms used herein but not defined herein shall have the meaning set forth in the Credit Agreement.

SECTION 2.1. Representations and Warranties. The Guarantor represents and warrants (which representations and warranties shall be deemed to have been renewed upon the date of each Borrowing under the Credit Agreement) that:

(a) It is a corporation, partnership or limited liability company duly and properly incorporated or organized, as the case may be, validly existing and (to the extent such concept applies to such entity) in good standing under the laws of its jurisdiction of incorporation or organization and, except where the failure to do so would not be reasonably expected to have a Material Adverse Effect, has all requisite authority to conduct its business in each jurisdiction in which its business is conducted.

- (b) It has the power and authority and legal right to execute and deliver this

Guaranty and to perform its obligations hereunder. The execution and delivery by it of this Guaranty and the performance of its obligations hereunder have been duly authorized by proper corporate proceedings, and this Guaranty constitutes a legal, valid and binding obligation of the Guarantor enforceable against it in accordance with its terms, except as enforceability may be limited by bankruptcy, insolvency or similar laws affecting the enforcement of creditors' rights generally and except as enforceability may be limited by general principles of equity, regardless of whether considered in a proceeding in equity or at law.

(c) Neither the execution and delivery by it of this Guaranty, nor the consummation of the transactions herein contemplated, nor compliance with the provisions hereof will violate (i) any law, rule, regulation, order, writ, judgment, injunction, decree or award binding on it or any of its subsidiaries or (ii) its articles or certificate of incorporation, partnership agreement, certificate of partnership, articles or certificate of organization, by-laws, or operating or other management agreement, as the case may be, or (iii) the provisions of any indenture, instrument or agreement to which it or any of its subsidiaries is a party or is subject, or by which it, or its Property, is bound, or conflict with or constitute a default thereunder, or result in, or require, the creation or imposition of any Lien in, of or on the Property of the Guarantor or a subsidiary thereof pursuant to the terms of any such indenture, instrument or agreement. No order, consent, adjudication, approval, license, authorization, or validation of, or filing, recording or registration with, or exemption by, or other action in respect of any governmental or public body or authority, or any subdivision thereof, which has not been obtained by it or any of its subsidiaries, is required to be obtained by it or any of its subsidiaries in connection with the execution and delivery of this Guaranty or the performance by it of its obligations hereunder or the legality, validity, binding effect or enforceability of this Guaranty.

SECTION 2.2. Covenants. The Guarantor covenants that, so long as any Lender has any Commitment outstanding under the Credit Agreement, any transaction relating to any Swap Agreement Obligations or Banking Services Obligations remains in effect or any of the other Obligations shall remain unpaid, that it will fully comply with those covenants and agreements set forth in the Credit Agreement which are applicable to the Guarantor and, if it is necessary and the Guarantor is able to do so, the Guarantor will enable each Borrower and each Subsidiary of each Borrower (each, a "Debtor" and collectively, the "Debtors") to fully comply with such covenants and agreements.

SECTION 3. The Guaranty. Subject to Section 9 hereof, the Guarantor hereby absolutely and unconditionally guarantees, as primary obligor and not as surety, the full and punctual payment (whether at stated maturity, upon acceleration or early termination or otherwise, and at all times thereafter) and performance of the Guaranteed Obligations, including without limitation any such Guaranteed Obligations incurred or accrued during the pendency of any bankruptcy, insolvency, receivership or other similar proceeding, whether or not allowed or allowable in such proceeding. Upon failure by any Debtor to pay punctually any Guaranteed Obligation, the Guarantor agrees that it shall forthwith on demand pay to the Administrative Agent for the benefit of the Lenders and, if applicable, their Affiliates, the Guaranteed Obligation not so paid at the place and in the manner specified in the Credit Agreement, the relevant Loan Document or the relevant agreement relating to any Swap Agreement Obligations or Banking Services Obligations, as the case may be. This Guaranty is a guaranty of payment and not of collection. The Guarantor waives any right to require the Lender to sue any Debtor, any other guarantor, or any other person obligated for all or any part of the Guaranteed Obligations, or otherwise to enforce its payment against any collateral securing all or any part of the Guaranteed Obligations.

As used in this Guaranty:

"Guaranteed Obligations" means:

(i) All Obligations;

(ii) Any and all obligations of any Debtor, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor), under (a) any and all Swap Agreements permitted under the Credit Agreement (to the extent the provider of such Swap Agreement is a Lender or was a Lender (or an Affiliate of any such Lender) at the time such Swap Agreement is entered into), and (b) any and all cancellations, buy backs, reversals, terminations or assignments of any Swap Agreement transaction (collectively, the "Swap Agreement Obligations"); and

(iii) Any and all obligations of any Debtor, whether absolute or contingent and howsoever and whensoever created, arising, evidenced or acquired (including all renewals, extensions and modifications thereof and substitutions therefor) in connection with the following bank services (collectively, the "Bank Services") provided to any Debtor by any Lender or any of its Affiliates: (a) commercial credit cards, (b) stored value cards and (c) treasury management services (including, without limitation, controlled disbursement, automated clearinghouse transactions, return items, overdrafts and interstate depository network services) (collectively, the "Banking Services Obligations").

SECTION 4. Guaranty Unconditional. Subject to Section 9 hereof, the obligations of the Guarantor hereunder shall be unconditional and absolute and, without limiting the generality of the foregoing, shall not be released, discharged or otherwise affected by:

(i) any extension, renewal, settlement, compromise, waiver or release in respect of any of the Guaranteed Obligations, by operation of law or otherwise, or any obligation of any other guarantor of any of the Guaranteed Obligations, or any default, failure or delay, willful or otherwise, in the payment or performance of the Guaranteed Obligations;

(ii) any modification or amendment of or supplement to the Credit Agreement, any other Loan Document or any agreement relating to any Swap Agreement Obligations or Banking Services Obligations;

(iii) any release, nonperfection or invalidity of any direct or indirect security for any

Guaranteed Obligations or any obligations of any other guarantor of any of the Guaranteed Obligations, or any action or failure to act by the Administrative Agent, any Lender or any Affiliate of any Lender with respect to any collateral securing all or any part of the Guaranteed Obligations;

(iv) any change in the corporate existence, structure or ownership of any Debtor or any other guarantor of any of the Guaranteed Obligations, or any insolvency, bankruptcy, reorganization or other similar proceeding affecting any Debtor, or any other guarantor of the Guaranteed Obligations, or its assets or any resulting release or discharge of any obligation of any Debtor, or any other guarantor of any of the Guaranteed Obligations;

(v) the existence of any claim, setoff or other rights which the Guarantor may have at any time against any Debtor, any other guarantor of any of the Guaranteed Obligations, the Administrative Agent, any Lender or any other Person, whether in connection herewith or any unrelated transactions;

(vi) any invalidity or unenforceability relating to or against any Debtor, or any other guarantor of any of the Guaranteed Obligations, for any reason related to the Credit Agreement, any other Loan Document, any agreement relating to any Swap Agreement Obligations or Banking Services Obligations, or any provision of applicable law or regulation purporting to prohibit the payment by any Debtor, or any other guarantor of the Guaranteed Obligations, of the principal of or interest on any of the Guaranteed Obligations or any other amount payable by any Debtor under the Credit Agreement, any other Loan Document or any agreement relating to any Swap Agreement Obligations or Banking Services Obligations; or

(vii) any other act or omission to act or delay of any kind by any Debtor, any other guarantor of the Guaranteed Obligations, the Administrative Agent, any Lender or any other Person or any other circumstance whatsoever which might, but for the provisions of this paragraph, constitute a legal or equitable discharge of the Guarantor's obligations hereunder.

SECTION 5. Discharge Only Upon Payment In Full: Reinstatement In Certain Circumstances. The Guarantor's obligations hereunder shall remain in full force and effect until all Guaranteed Obligations shall have been indefeasibly paid in full, the Commitments under the Credit Agreement shall have terminated or expired and all agreements relating to any Swap Agreement Obligations or Banking Services Obligations have terminated or expired. If at any time any payment of the principal of or interest on any Guaranteed Obligation or any other amount payable by any Debtor or any other party under the Credit Agreement, any other Loan Document or any agreement relating to any Swap Agreement Obligations or Banking Services Obligations is rescinded or must be otherwise restored or returned upon the insolvency, bankruptcy or reorganization of any Debtor or otherwise, the Guarantor's obligations hereunder with respect to such payment shall be reinstated as though such payment had been due but not made at such time.

SECTION 6. Waivers. The Guarantor irrevocably waives acceptance hereof, presentment, demand, protest and, to the fullest extent permitted by law, any notice not provided for herein, as well as any requirement that at any time any action be taken by any Person against any Debtor, any other guarantor of any of the Guaranteed Obligations, or any other Person.

SECTION 7. Subrogation. The Guarantor hereby agrees not to assert any right, claim or cause of action, including, without limitation, a claim for subrogation, reimbursement, indemnification or otherwise, against any Debtor arising out of or by reason of this Guaranty or the obligations hereunder, including, without limitation, the payment or securing or purchasing of any of the Guaranteed Obligations by the Guarantor unless and until the Guaranteed Obligations are indefeasibly paid in full, any commitment to lend under the Credit Agreement and any other Loan Documents is terminated and all agreements relating to any Swap Agreement Obligations or Banking Services Obligations have terminated or expired.

SECTION 8. Stay of Acceleration. If acceleration of the time for payment of any of the Guaranteed Obligations is stayed upon the insolvency, bankruptcy or reorganization of any Debtor, all such amounts otherwise subject to acceleration under the terms of the Credit Agreement, any other Loan Document or any agreement relating to any Swap Agreement Obligations or Banking Services Obligations shall nonetheless be payable by the Guarantor hereunder forthwith on demand by the Administrative Agent made at the request of the Required Lenders.

SECTION 9. Limitation on Obligations. (a) The provisions of this Guaranty are severable, and in any action or proceeding involving any state corporate law, or any state, federal or foreign bankruptcy, insolvency, reorganization or other law affecting the rights of creditors generally, if the obligations of the Guarantor under this Guaranty would otherwise be held or determined to be avoidable, invalid or unenforceable on account of the amount of the Guarantor's liability under this Guaranty, then, notwithstanding any other provision of this Guaranty to the contrary, the amount of such liability shall, without any further action by the Guarantor, the Administrative Agent or any Lender, be automatically limited and reduced to the highest amount that is valid and enforceable as determined in such action or proceeding (such highest amount determined hereunder being the relevant Guarantor's "Maximum Liability"). This Section 9(a) with respect to the Maximum Liability of the Guarantor is intended solely to preserve the rights of the Administrative Agent hereunder to the maximum extent not subject to avoidance under applicable law, and neither the Guarantor nor any other person or entity shall have any right or claim under this Section 9(a) with respect to the Maximum Liability, except to the extent necessary so that the obligations of the Guarantor hereunder shall not be rendered voidable under applicable law.

(iv) The Guarantor agrees that the Guaranteed Obligations may at any time and from time to time exceed the Maximum Liability of the Guarantor, and may exceed the aggregate Maximum Liability of all other guarantors, without impairing this Guaranty or affecting the rights and remedies of the Administrative Agent hereunder. Nothing in this Section 9(b) shall be construed to increase the Guarantor's obligations hereunder beyond its Maximum Liability.

(v) In the event the Guarantor or any other guarantor of the Guaranteed Obligations (a "Paying Guarantor") shall make any payment or payments under this Guaranty or any other guaranty executed in connection with the Credit Agreement or shall suffer any loss as a result of any realization upon any collateral granted by it to secure its obligations under this Guaranty, each other guarantor of the Guaranteed Obligations (each a "Non-Paying Guarantor") shall contribute to such Paying Guarantor an amount equal to such Non-Paying Guarantor's "Pro Rata Share" of such payment or payments made, or losses suffered, by such Paying Guarantor. For the purposes hereof, each Non-Paying Guarantor's "Pro Rata Share" with respect to any such payment or loss by a Paying Guarantor shall be determined as of the date on which such payment or loss was made by reference to the ratio of (i) such Non-Paying Guarantor's Maximum Liability as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder) or, if such Non-Paying Guarantor's Maximum Liability has not been determined, the aggregate amount of all monies received by such Non-Paying Guarantor from the Debtors after the date hereof (whether by loan, capital infusion or by other means) to (ii) the aggregate Maximum Liability of all guarantors (including such Paying Guarantor) as of such date (without giving effect to any right to receive, or obligation to make, any contribution hereunder), or to the extent that a Maximum Liability has not been determined for the guarantors, the aggregate amount of all monies received by the guarantors from the Debtors after the date hereof (whether by loan, capital infusion or by other means). Nothing in this Section 9(c) shall affect the Guarantor's several liability for the entire amount of the Guaranteed Obligations (up to the Guarantor's Maximum Liability). The Guarantor covenants and agrees that its right to receive any contribution under this Guaranty from a Non-Paying Guarantor shall be subordinate and junior in right of payment to all the Guaranteed Obligations. The provisions of this Section 9(c) are for the benefit of both the Administrative Agent and the Guarantor and may be enforced by any one, or more, or all of them in accordance with the terms hereof.

SECTION 10. Application of Payments. All payments received by the Administrative Agent hereunder shall be applied by the Administrative Agent to payment of the Guaranteed Obligations, on a pro rata basis, unless a court of competent jurisdiction shall otherwise direct.

SECTION 11. Notices. All notices, requests and other communications to any party hereunder shall be given or made by telecopier or other writing and telecopied, or mailed or delivered to the intended recipient at its address or telecopier number set forth on the signature pages hereof or such other address or telecopy number as such party may hereafter specify for such purpose by notice to the Administrative Agent in accordance with the provisions of the Credit Agreement. Except as otherwise provided in this Guaranty, all such communications shall be deemed to have been duly given when transmitted by telecopier, or personally delivered or, in the case of a mailed notice sent by certified mail return-receipt requested, on the date set forth on the receipt (provided, that any refusal to accept any such notice shall be deemed to be notice thereof as of the time of any such refusal), in each case given or addressed as aforesaid.

SECTION 12. No Waivers. No failure or delay by the Administrative Agent or any Lenders in exercising any right, power or privilege hereunder shall operate as a waiver thereof nor shall any single or partial exercise thereof preclude any other or further exercise thereof or the exercise of any other right, power or privilege. The rights and remedies provided in this Guaranty, the other Loan Documents and any agreements relating to the other Guaranteed Obligations shall be cumulative and not exclusive of any rights or remedies provided by law.

SECTION 13. No Duty to Advise. The Guarantor assumes all responsibility for being and keeping itself informed of each Debtor's financial condition and assets, and of all other circumstances bearing upon the risk of nonpayment of the Guaranteed Obligations and the nature, scope and extent of the risks that the Guarantor assumes and incurs under this Guaranty, and agrees that neither the Administrative Agent nor any Lender has any duty to advise the Guarantor of information known to it regarding those circumstances or risks.

SECTION 14. Successors and Assigns. This Guaranty is for the benefit of the Administrative Agent and the Lenders and their respective successors and permitted assigns and in the event of an assignment of any amounts payable under the Credit Agreement, any of the other Loan Documents, or any agreements relating to the other Guaranteed Obligations, the rights hereunder, to the extent applicable to the indebtedness so assigned, shall be transferred with such indebtedness. This Guaranty shall be binding upon the Guarantor and its successors and permitted assigns.

SECTION 15. Changes in Writing. Neither this Guaranty nor any provision hereof may be changed, waived, discharged or terminated orally, but only in writing signed by the Guarantor and the Administrative Agent with the consent of the Required Lenders.

SECTION 16. Costs of Enforcement. The Guarantor agrees to pay all costs and expenses including, without limitation, all court costs and attorney's fees and expenses paid or incurred by the Administrative Agent or any Lender or any Affiliate of any Lender in endeavoring to collect all or any part of the Guaranteed Obligations from, or in prosecuting any action against, any Debtor, the Guarantor or any other guarantor of all or any part of the Guaranteed Obligations.

SECTION 17. GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL. THIS GUARANTY SHALL BE GOVERNED BY AND CONSTRUED IN ACCORDANCE WITH THE LAW OF THE STATE OF MICHIGAN (WITHOUT GIVING EFFECT TO ANY CONFLICTS OF LAWS RULES). THE GUARANTOR HEREBY SUBMITS TO THE NONEXCLUSIVE JURISDICTION OF ANY FEDERAL OR STATE COURT IN MICHIGAN AND FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS GUARANTY (INCLUDING, WITHOUT LIMITATION, ANY OF THE OTHER LOAN DOCUMENTS) OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE GUARANTOR IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY LAW, ANY OBJECTION WHICH ANY OF THEM MAY NOW OR HEREAFTER HAVE TO THE LAYING OF THE VENUE OF ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING BROUGHT IN SUCH A COURT HAS BEEN BROUGHT IN AN INCONVENIENT FORUM. THE GUARANTOR, AND THE AGENT AND THE LENDERS ACCEPTING THIS GUARANTY, HEREBY IRREVOCABLY WAIVES ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS GUARANTY OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 18. Taxes, etc. All payments required to be made by the Guarantor hereunder shall be made without setoff or counterclaim and free and clear of and without deduction or withholding for or on account of, any present or future taxes, levies, imposts, duties or other charges of whatsoever nature imposed by any government or any political or taxing authority thereof (but excluding Excluded Taxes), provided, however, that if the Guarantor is required by law to make such deduction or withholding, the Guarantor shall forthwith (i) pay to the Administrative Agent or any Lender, as applicable, such additional amount as results in the net amount received by the Administrative Agent or any Lender, as applicable, equaling the full amount which would have been received by the Administrative Agent or any Lender, as applicable, had no such deduction or withholding been made, (ii) pay the full amount deducted to the relevant authority in accordance with applicable law, and (iii) furnish to the Administrative Agent or any Lender, as applicable, certified copies of official receipts evidencing payment of such withholding taxes within 30 days after such payment is made.

SECTION 19. Setoff. Without limiting the rights of the Administrative Agent or the Lenders under applicable law, if all or any part of the Guaranteed Obligations is then due, whether pursuant to the occurrence of a Default or otherwise, then the Guarantor authorizes the Administrative Agent and the Lenders to apply any sums standing to the credit of the Guarantor with the Administrative Agent or any Lender or any Affiliate of the Administrative Agent or any Lender toward the payment of the Guaranteed Obligations.

SECTION 20. Foreign Currency. The specification of payment in a specific currency at a specific place and time pursuant to the documentation relating to the Guaranteed Obligations is essential. That currency or those currencies are also the currency of account and payment under this Guaranty. If any Guarantor is unable for any reason to effect payment of a specific currency (other than Dollars) as required by the preceding sentence or if any Guarantor defaults in the payment when due of any amount of a specific currency (other than Dollars) under this Guaranty, the Lenders may, at the option of the Administrative Agent, require such payment to be made to the office of the Administrative Agent in London, England (or such other office as the Administrative Agent may direct in a notice to the Guarantors) in the equivalent amount in Dollars at the Exchange Rate. In the event that any payment, whether pursuant to a judgment or otherwise, does not result in payment of the amount of currency due under this Guaranty, upon conversion to the currency of account and transfer to the place specified for payment, the Administrative Agent and the other Lenders have an independent cause of action against the Guarantors for the deficiency.

IN WITNESS WHEREOF, the Guarantor has caused this Guaranty to be duly executed, under seal, by its authorized officer as of the day and year first above written.

By: _____

Its: _____

Address for notice:

Exhibit B

EXHIBIT C

FORM OF TAX CERTIFICATES

C-1

[FORM OF]

U.S. TAX CERTIFICATE

(For Foreign Lenders That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Amended and Restated Credit Agreement dated as of December 16, 2011 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement") by and among Spartan Motors, Inc., a Michigan corporation (the "Company"), certain Subsidiaries of the Company also Borrowers from time to time party thereto (together with the Company, the "Borrowers"), the Lenders (together with their respective successors and assigns, the "Lenders"), Wells Fargo Bank, N.A., as Administrative Agent (in such capacity, the "Administrative Agent").

Pursuant to the provisions of Section 2.17(e) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of any applicable Borrower within the meaning of Section 871(h)(3)(B) of the Code, (iv) it is not a controlled foreign corporation related to any applicable Borrower as described in Section 881(c)(3)(C) of the Code and (v) the interest payments in question are not effectively connected with the undersigned's conduct of a U.S. trade or business.

The undersigned has furnished the Administrative Agent and the Borrowers with a certificate of its non-U.S. person status on IRS Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrowers and the Administrative Agent and (2) the undersigned shall have at all times furnished the Borrowers and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____

Name:

Title:

Date: _____, 20[]

[FORM OF]

U.S. TAX CERTIFICATE

(For Foreign Lenders That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Amended and Restated Credit Agreement dated as of December 16, 2011 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement") by and among Spartan Motors, Inc., a Michigan corporation (the "Company"), certain Subsidiaries of the Company also Borrowers from time to time party thereto (together with the Company, the "Borrowers"), the Lenders (together with their respective successors and assigns, the "Lenders"), Wells Fargo Bank, N.A., as Administrative Agent (in such capacity, the "Administrative Agent").

Pursuant to the provisions of Section 2.17(e) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the Loan(s) (as well as any Note(s) evidencing such Loan(s)) in respect of which it is providing this certificate, (ii) its partners/members are the sole beneficial owners of such Loan(s) (as well as any Note(s) evidencing such Loan(s)), (iii) with respect to the extension of credit pursuant to this Credit Agreement, neither the undersigned nor any of its partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its partners/members is a ten percent shareholder of any applicable Borrower within the meaning of Section 871(h)(3)(B) of the Code, (v) none of its partners/members is a controlled foreign corporation related to any applicable Borrower as described in Section 881(c)(3)(C) of the Code, and (vi) the interest payments in question are not effectively connected with the undersigned's or its partners/members' conduct of a U.S. trade or business.

The undersigned has furnished the Administrative Agent and the Borrowers with IRS Form W-8IMY accompanied by an IRS Form W-8BEN from each of its partners/members claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform the Borrowers and the Administrative Agent and (2) the undersigned shall have at all times furnished the Borrowers and the Administrative Agent with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____

Name:

Title:

Date: _____, 20[]

[FORM OF]

U.S. TAX CERTIFICATE

(For Non-U.S. Participants That Are Not Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Amended and Restated Credit Agreement dated as of December 16, 2011 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement") by and among Spartan Motors, Inc., a Michigan corporation (the "Company"), certain Subsidiaries of the Company also Borrowers from time to time party thereto (together with the Company, the "Borrowers"), the Lenders (together with their respective successors and assigns, the "Lenders"), Wells Fargo Bank, N.A., as Administrative Agent (in such capacity, the "Administrative Agent").

Pursuant to the provisions of Section 2.17(e) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record and beneficial owner of the participation in respect of which it is providing this certificate, (ii) it is not a bank within the meaning of Section 881(c)(3)(A) of the Code, (iii) it is not a ten percent shareholder of any applicable Borrower within the meaning of Section 871(h)(3)(B) of the Code, (iv) it is not a controlled foreign corporation related to any applicable Borrower as described in Section 881(c)(3)(C) of the Code, and (v) the interest payments in question are not effectively connected with the undersigned's conduct of a U.S. trade or business.

The undersigned has furnished its participating Lender with a certificate of its non-U.S. person status on IRS Form W-8BEN. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender in writing and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF LENDER]

By: _____

Name:

Title:

Date: _____, 20[]

[FORM OF]

U.S. TAX CERTIFICATE

(For Non-U.S. Participants That Are Partnerships For U.S. Federal Income Tax Purposes)

Reference is hereby made to the Amended and Restated Credit Agreement dated as of December 16, 2011 (as amended, supplemented or otherwise modified from time to time, the "Credit Agreement") by and among Spartan Motors, Inc., a Michigan corporation (the "Company"), certain Subsidiaries of the Company also Borrowers from time to time party thereto (together with the Company, the "Borrowers"), the Lenders (together with their respective successors and assigns, the "Lenders"), Wells Fargo Bank, N.A., as Administrative Agent (in such capacity, the "Administrative Agent").

Pursuant to the provisions of Section 2.17(e) of the Credit Agreement, the undersigned hereby certifies that (i) it is the sole record owner of the participation in respect of which it is providing this certificate, (ii) its partners/members are the sole beneficial owners of such participation, (iii) with respect such participation, neither the undersigned nor any of its partners/members is a bank extending credit pursuant to a loan agreement entered into in the ordinary course of its trade or business within the meaning of Section 881(c)(3)(A) of the Code, (iv) none of its partners/members is a ten percent shareholder of any applicable Borrower within the meaning of Section 871(h)(3)(B) of the Code, (v) none of its partners/members is a controlled foreign corporation related to any applicable Borrower as described in Section 881(c)(3)(C) of the Code, and (vi) the interest payments in question are not effectively connected with the undersigned's or its partners/members' conduct of a U.S. trade or business.

The undersigned has furnished its participating Lender with IRS Form W-8IMY accompanied by an IRS Form W-8BEN from each of its partners/members claiming the portfolio interest exemption. By executing this certificate, the undersigned agrees that (1) if the information provided on this certificate changes, the undersigned shall promptly so inform such Lender and (2) the undersigned shall have at all times furnished such Lender with a properly completed and currently effective certificate in either the calendar year in which each payment is to be made to the undersigned, or in either of the two calendar years preceding such payments.

Unless otherwise defined herein, terms defined in the Credit Agreement and used herein shall have the meanings given to them in the Credit Agreement.

[NAME OF PARTICIPANT]

By: _____

Name:

Title:

Date: _____, 20[]

EXHIBIT 21

SUBSIDIARIES OF SPARTAN MOTORS, INC.

<u>Name of Subsidiary</u>	<u>Jurisdiction of Incorporation</u>
Spartan Motors Chassis, Inc.	Michigan, United States
Crimson Fire, Inc.*	South Dakota, United States
Classic Fire, LLC	Michigan, United States
Crimson Fire Aerials, Inc.	Pennsylvania, United States
Utilimaster Holdings, Inc.	Delaware, United States
-Utilimaster Corporation (100% owned by Utilimaster Holdings, Inc.)	Delaware, United States
-Utilimaster Canada Limited (100% owned by Utilimaster Holdings, Inc.)	Ontario, Canada
Road Rescue, Inc. **	South Carolina, United States

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

**On September 20, 2011 the Company sold substantially all of the assets and related liabilities of Road Rescue, Inc.

EXHIBIT 23

CONSENT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Shareholders
Spartan Motors, Inc.
Charlotte, Michigan

We hereby consent to the incorporation by reference in the Registration Statements on Form S-3 (No. 333-25357) and Form S-8 (Nos. 333-69028, 333-98083, 333-111887, 333-111888, 333-126269, 033-80980, 333-145674 and 333-177088) of Spartan Motors, Inc. of our reports dated March 14, 2012, relating to the consolidated financial statements and the financial statement schedule, and the effectiveness of Spartan Motors, Inc.'s internal control over financial reporting, which appear in this Form 10-K.

/s/ BDO USA, LLP

Grand Rapids, Michigan

March 14, 2012

EXHIBIT 24

POWER OF ATTORNEY

The undersigned, in his or her capacity as a director or officer, or both, as the case may be, of Spartan Motors, Inc., does hereby appoint John E. Szykiel, Joseph M. Nowicki, and Thomas T. Kivell, and each of them, his attorney, with full power of substitution and resubstitution, for such individual and in his name, place and stead, in any and all capacities, to sign the Form 10-K of Spartan Motors, Inc. for its fiscal year ended December 31, 2011, together with any and all amendments thereto, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission.

Signature: /s/ Hugh W. Sloan

Print Name: Hugh W. Sloan

Title: Director

Date: February 22, 2012

POWER OF ATTORNEY

The undersigned, in his or her capacity as a director or officer, or both, as the case may be, of Spartan Motors, Inc., does hereby appoint John E. Szykiel, Joseph M. Nowicki, and Thomas T. Kivell, and each of them, his attorney, with full power of substitution and resubstitution, for such individual and in his name, place and stead, in any and all capacities, to sign the Form 10-K of Spartan Motors, Inc. for its fiscal year ended December 31, 2011, together with any and all amendments thereto, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission.

Signature: /s/ Andrew Rooke

Print Name: Andrew Rooke

Title: Director

Date: February 22, 2012

POWER OF ATTORNEY

The undersigned, in his or her capacity as a director or officer, or both, as the case may be, of Spartan Motors, Inc., does hereby appoint John E. Szytkiel, Joseph M. Nowicki, and Thomas T. Kivell, and each of them, his attorney, with full power of substitution and resubstitution, for such individual and in his name, place and stead, in any and all capacities, to sign the Form 10-K of Spartan Motors, Inc. for its fiscal year ended December 31, 2011, together with any and all amendments thereto, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission.

Signature: /s/ Kenneth Kaczmarek
Print Name: Kenneth Kaczmarek
Title: Director
Date: February 22, 2012

POWER OF ATTORNEY

The undersigned, in his or her capacity as a director or officer, or both, as the case may be, of Spartan Motors, Inc., does hereby appoint John E. Szytkiel, Joseph M. Nowicki, and Thomas T. Kivell, and each of them, his attorney, with full power of substitution and resubstitution, for such individual and in his name, place and stead, in any and all capacities, to sign the Form 10-K of Spartan Motors, Inc. for its fiscal year ended December 31, 2011, together with any and all amendments thereto, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission.

Signature: /s/ Ronald E. Harbour
Print Name: Ronald E. Harbour
Title: Director
Date: February 22, 2012

POWER OF ATTORNEY

The undersigned, in his or her capacity as a director or officer, or both, as the case may be, of Spartan Motors, Inc., does hereby appoint John E. Szykiel, Joseph M. Nowicki, and Thomas T. Kivell, and each of them, his attorney, with full power of substitution and resubstitution, for such individual and in his name, place and stead, in any and all capacities, to sign the Form 10-K of Spartan Motors, Inc. for its fiscal year ended December 31, 2011, together with any and all amendments thereto, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission.

Signature: /s/ Richard R. Current
Print Name: Richard R. Current
Title: Director
Date: February 22, 2012

POWER OF ATTORNEY

The undersigned, in his or her capacity as a director or officer, or both, as the case may be, of Spartan Motors, Inc., does hereby appoint John E. Szykiel, Joseph M. Nowicki, and Thomas T. Kivell, and each of them, his attorney, with full power of substitution and resubstitution, for such individual and in his name, place and stead, in any and all capacities, to sign the Form 10-K of Spartan Motors, Inc. for its fiscal year ended December 31, 2011, together with any and all amendments thereto, and to file the same, with all exhibits thereto, and all documents in connection therewith, with the Securities and Exchange Commission.

Signature: /s/ Richard F. Dauch
Print Name: Richard F. Dauch
Title: Director
Date: February 22, 2012

EXHIBIT 31.1

CEO CERTIFICATION

I, John E. Szykiel, certify that:

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

Date: March 14, 2012

/s/ John E. Szykiel

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

EXHIBIT 31.2

CFO CERTIFICATION

I, Joseph M. Nowicki, certify that:

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

Date: March 14, 2012

/s/ Joseph M. Nowicki

Joseph M. Nowicki
Chief Financial Officer, Treasurer, and
Chief/Corporate Compliance Officer
Spartan Motors, Inc.

EXHIBIT 32

CERTIFICATION

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

1. The Annual Report on Form 10-K of the Company for the fiscal year ended December 31, 2011 (the "Report") fully complies with the requirements of Section 13(a) of the Securities and Exchange Act of 1934 (15 U.S.C. 78m); and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company for such period.

Date: March 14, 2012

/s/ John E. Szykiel

John E. Szykiel

President and Chief Executive Officer

Date: March 14, 2012

/s/ Joseph M. Nowicki

Joseph M. Nowicki

Chief Financial Officer, Treasurer, and
Chief/Corporate Compliance Officer

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

