

RUSH ENTERPRISES, INC.

Innovative
Solutions
Industry
Leader

2012 ANNUAL REPORT



Like our customers, Rush Enterprises has been on a journey. The road we travel is an evolution to reach a singular goal: to become the commercial vehicle industry's premier solutions provider. In 2012, we continued to advance our solutions model by continually striving to exceed our customers' expectations.

Focusing on customer solutions, and providing them proactively and effectively, fueled our growth. Our diversity of products and services has enabled us to find new avenues

SOLUTIONS THAT SET NEW INDUSTRY STANDARDS

of growth and deepen our relationships with customers. We expanded into new geographic markets, extending both our network footprint and our accessibility to new and existing customers.

These strategies have empowered us to succeed. In 2012 we set new performance records in several areas, even in a truck sales market that is just returning to historical levels of aging truck replacement.

By anticipating customer needs and market conditions, our evolution to solutions provider has made us the performance leader.

ABOUT THE COMPANY

Rush Enterprises, Inc. owns and operates the largest network of commercial vehicle dealerships in the United States, representing truck and bus manufacturers including Peterbilt, International, Hino, Isuzu, Ford, Mitsubishi Fuso, IC Bus, Blue Bird and Elkhart.

The Company's 78 truck centers are strategically located in high-traffic areas on or near major highways in 15 states from California to Florida, and as far north as Idaho and Ohio.

These one-stop centers offer an integrated approach to meeting customer needs – from sales of new and used vehicles to aftermarket parts, service and body shop operations plus a wide array of financial



INSIDE COVER: *A service technician from Rush Truck Center-Yuma undecks a Peterbilt Model 320 being delivered from the Peterbilt factory for pre-delivery inspection. All Peterbilt Model 320s are inspected at our Yuma, Arizona location before being delivered to customers.*

services including financing, insurance, leasing and rental. Rush Enterprises' operations also provide vehicle upfitting, chrome accessories and tires.

Every Rush employee receives a coin, engraved with our company values: Productivity, Fairness, Excellence and Positive Attitude. These are more than just words; they are the standards that set us apart. Rush employees know that the

customer is the boss. We do not just ask what we can do for them; we ask what more we can do for them. We want our customers to expect more. That is why we expect more from every employee. We count on them to deliver, so our customers know that they can count on us.

For more information, please visit our website: www.rushenterprises.com.



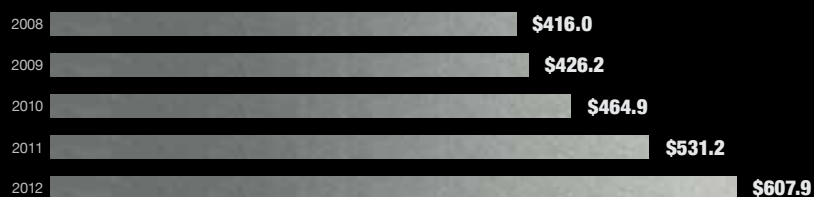
ABOVE: CUSTOM VEHICLE SOLUTIONS *Technicians prepare to install an oilfield winch bed body on a Peterbilt Model 367 chassis. CVS performs a range of custom body and component installations for customers around the country.*

HIGHLIGHTS

REVENUE (in billions)



SHAREHOLDERS' EQUITY (in millions)



EARNINGS PER SHARE (from continuing operations)



PARTS & SERVICE REVENUE (in millions)



INCOME (from continuing operations, in millions)



NEW & USED COMMERCIAL VEHICLE SALES



CHAIRMAN'S LETTER



I believe that when you surround yourself with good people, reward them well for their efforts and provide them with the tools they need to do their jobs, great results will follow.

Once again, we are pleased to share great results. The accomplishments of this year include achieving record revenues and profits, expanding our aftermarket solutions portfolio and increasing our network footprint. We also ended the year in a solid cash position.

Over the years, I have experienced my fair share of ups and downs due to the cyclical nature of the trucking business. In many of those years, I have also seen our profitability ebb and flow with the truck sales market. Through the vision and leadership of the executive team and their work to expand the Company's focus on less cyclical, innovative aftermarket solutions, market depth and network growth, I believe we have secured our position as a leader in the commercial vehicle industry. We are in excellent position to grow profitability, ensuring our financial stability and success well into the future.

While the Company's geographic footprint and product and services have changed significantly throughout the years, our core philosophy remains the same. We believe that "The Customer is the Boss" and subscribe to the values of productivity, fairness, excellence and positive attitude in how we conduct business daily around the country. Our long standing commitment to service sets us apart from our competitors.

Congratulations to our employees for their hard work and contributions to the Company's success this year. I am confident that we can all look forward to a prosperous 2013.

W. Marvin Rush
Chairman and Founder

CHIEF EXECUTIVE OFFICER'S LETTER



In 2012, we achieved a record \$3.1 billion in revenues, sold 23,171 new and used commercial vehicles – which included a 30 percent increase in medium-duty truck sales – set a new annual absorption ratio record of 116 percent, acquired new dealerships, upgraded facilities and continued to develop our aftermarket solutions portfolio. We were awarded Navistar's Circle of Excellence and named Peterbilt's Medium-Duty Dealer of the Year and PacLease North American Franchise of the Year.

None of these successes would be possible without the contributions and efforts of the Rush family of 4,400 employees. Many of our solutions and innovations come from the ideas of those working closest with our customers on a daily basis. It is through their dedication to serve customers and uphold company values that we can execute our strategy and maintain our reputation for quality service.

Our successes were accomplished in a year when economic and political uncertainty caused fleet decision makers to continue to delay replacing aged

vehicles, and U.S. Class 8 retail sales were just beginning to approach historical norms of previous replacement cycles. This is solid evidence that our decade-long strategy to transition from an organization focused on new vehicle sales to a premier solutions provider to the commercial vehicle industry is paying off.

Innovative solutions

Aftermarket parts, service and body shop revenues remained strong throughout the year, reaching record levels due to increased maintenance and repair of aged vehicles and incremental revenues from aftermarket products and services offerings. We expanded our mobile service fleet to 200 vehicles across the country with 100 more technicians on staff at customer operations. We equipped several dealerships in Texas, Georgia and Arizona with

“ OUR AFTERMARKET SOLUTIONS PORTFOLIO IS A KEY COMPONENT OF OUR GROWTH STRATEGY. ”

natural gas service capabilities, with other locations prepared to offer this service as the market requires. We employ 80 technicians certified to safely service natural gas vehicles with training scheduled to increase that number. We offer custom modification capabilities through our Custom Vehicle Solutions business in Texas. We added pre-delivery inspection capabilities for newly manufactured Peterbilt refuse trucks in Arizona. We invested in diagnostic technology in our shops to help provide early detection of potential problems before they arise and fast detection of existing problems to help expedite repairs. We have 28 collision centers and more than 1,600 technicians staffing our service bays. All of this contributed to achieving another record annual absorption ratio, a key metric in measuring the performance of our business. More importantly, offering a range of solutions strengthens our customer relationships, building them into long-term partnerships.

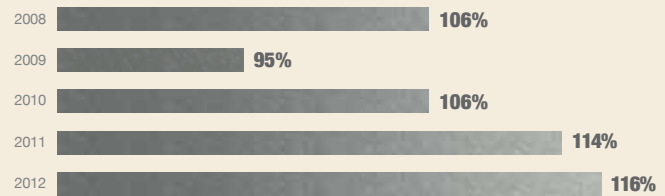
Continued network growth

Our network of Rush Truck Centers is unrivaled in the commercial vehicle industry, 78 dealership locations in 15 states, and we have plans in place to expand. This year, our Navistar Division grew to 25 locations, with 8 new dealerships in Ohio and an IC Bus service location in Georgia. Our Peterbilt Division continues to sell more than 30 percent of Peterbilt's manufacturing production. We remain the largest dealer group for Peterbilt, Navistar, Hino, and Isuzu and continue to grow with Ford. More importantly, we offer our customers a network of service points that spans the country to provide solutions when and where they are needed and the advantage of working through a single provider.

We also expanded our ancillary businesses. Rush Truck Leasing now operates 36 PacLease franchises and nine Idealease franchises. In 2012, they achieved 19 percent growth in leasing and rental units and 20 percent growth in revenues. Rush Bus Centers also expanded its IC Bus operations in Ohio and Georgia and added two Blue Bird locations in Texas.

With the reach of our network comes product breadth and the capability to serve virtually every segment of the commercial vehicle market. Rush Truck Centers now accounts for five percent of the U.S. Class 8 retail sales and 4.3 percent of the U.S. Class 4-7 retail sales market.

ABSORPTION RATIO



A vision for 2020

At our management conference, we focused on the future of the commercial vehicle industry and discussed what we need to do to meet the needs of our customers. We believe continuing to add innovative products and services to our aftermarket solutions portfolio will be critical to our future success. We expect that technology will play an important role in allowing us to communicate more effectively with our customers, anticipate and respond to their vehicle service needs more thoroughly, and provide faster, more accurate service from our shops. We are taking steps now to invest in the human resources, technology and business systems that will effectively prepare us for the coming years.

We ended the year with \$199 million in cash, in excellent financial position to implement our long-term strategic growth initiatives. As a result, we recently announced a \$40 million stock repurchase program. We believe this stock repurchase program represents confidence in our ability to successfully implement growth strategies while returning capital to our shareholders.

We have the talent to develop and implement innovative, relevant solutions to serve our customers and build stronger relationships – establishing our position as the premier solutions provider and industry leader. I am grateful to all of our employees for their continued dedication and am excited about what we can accomplish together in the future.

W. M. "Rusty" Rush
President and Chief Executive Officer

A passion for customer solutions

In 2012, we advanced our evolution as the industry's premier solutions provider. We proved that our solutions-focused business model would allow us to achieve record financial results, even in a commercial truck market where vehicle sales are just reaching historical normal replacement levels.

As the commercial vehicle industry's solutions leader, we remain committed to expanding Rush Enterprises' service offerings and aftermarket operations. By listening to our customers and serving them better, we developed solutions that helped bring us continued success.

A more powerful solutions portfolio

At Rush Enterprises, our dedication to innovative solutions that answer our customers' unique needs continues to drive record-setting aftermarket revenues. We are committed to partnering with our customers to identify opportunities to help them. This has resulted in competitive advantages such as custom vehicle upfitting and expanded pre-delivery services, a nationwide mobile service fleet and mobile technician program, preventive oil and coolant analysis, natural gas service with alternative fuel-certified technicians, and express diagnostic and service capabilities.

Taking excellent care of our customers is the cornerstone of our business. Our solutions-focused, service-first approach is reflected in our company slogan, "Expect more." This philosophy shapes our culture and builds our customer loyalty. We want our customers to expect more from us. That is what motivates us to deliver.

MOBILE SERVICE *Our fleet of mobile service trucks are fully equipped to handle virtually any roadside emergency, as well as perform needed service on the job site or customer yard.*

Custom Vehicle Solutions (CVS)

Launched in the Dallas area in 2011, with an expansion to a 237,000 square foot facility in Houston in 2012, CVS performs precise modifications for trucks in virtually every segment of the commercial vehicle industry. CVS centers offer services including custom cab, axle and steering conversions; body and component installations; frame modifications; alternative fuel system installation; pre-delivery vehicle inspections (PDIs); graphics and paint; and even custom builds. All of these services can be performed on new vehicles before delivery, saving our customers significant time and money. With experienced, certified engineers on staff, CVS offers expertise customers will not find anywhere else – without the wait involved in contracting a third-party source for transportation, modifications and inspections.

For example, when one of our major refuse fleets needed an option for dual drive steering capability on their Peterbilt Model 320s, CVS engineered and implemented this major modification. Because of our precision engineering and plans, customizations performed by CVS are reliable and

repeatable. They are also backed by a team that supports our customers, even after delivery. Whatever a customer's needs, CVS can design and implement a solution. That is why we will continue to look for areas of growth for this promising new service.

Mobile service

The need for mobile service is growing. What began as a solution to service oil and gas vehicles at customer job sites has now expanded into a fleet of more than 200 fully equipped mobile service trucks across the country. These mobile units, staffed by some of our most experienced technicians, are virtual “shops on wheels” equipped with on-board computer diagnostics, air and lube delivery, welding capabilities and even cranes. This is an important part of our solutions portfolio, and a major opportunity for expanding our services. It is also an important way for Rush Truck Centers to provide repairs our customers need – at their job sites, their yards and in over-the-road emergencies.

Oil and gas companies are still among the key customers for our mobile service operations, and we envision a strong future for this market. One of





GO GREEN Several Rush Truck Centers around the country are already equipped to safely perform service work on natural gas vehicles, expected to gain popularity within the next five years. More than 80 service technicians have been factory-trained and certified to work on these vehicles.



XPRESS SERVICE Repairs that can be performed in less than four hours are serviced in our dedicated XPress Service bays so customers get back on the road as quickly as possible.

our most successful mobile service locations started with six energy-vehicle service trucks. Now this location operates more than 30 mobile service trucks. About half of those trucks are dedicated to energy work while others provide service onsite at customer yards and a range of job sites.

Mobile technicians

In addition to the technicians who staff our mobile service trucks, we have more than 100 experienced, highly trained mobile service technicians working in customer operations. Some travel to provide service at remote job sites, while others work onsite at our customers' shops or in their yards. This helps meet requirements for customers who are short staffed, have a temporary increase in work or need assistance in managing overhead costs.

Oil and coolant analysis

These state-of-the-art diagnostic tools have now been installed at Rush Truck Centers in major markets across the U.S. They enable us to quickly analyze oil and coolant samples and allow our

technicians to spot potential problems for our customers before they become major issues.

Alternative fuel capability

At Rush Truck Centers, we are committed to leading the industry in service and parts for alternative fuel vehicles. We are specialists in natural gas, propane and hybrid vehicles.

Industry experts forecast that in five years, 8-10 percent of all trucks sold annually in the U.S. could be powered by natural gas. Several of our manufacturers – Peterbilt, International and Ford – are on the leading edge of alternative fuel technology, and our specialists assist customers in determining the right specification for their operational needs. We also have the capabilities to install natural gas and propane fuel systems in our Custom Vehicle Solutions operations. In addition, we continue to invest in training, plus facility modifications that include installing sophisticated ventilation systems, to make them capable of safely servicing both compressed natural gas (CNG) and liquid natural gas (LNG) vehicles. Currently, dealerships in Arizona, Georgia

and Texas have capabilities for servicing natural gas vehicles, and assessments have been completed to equip facilities in major markets as demands increase. In addition, all newly constructed facilities will be equipped to service natural gas. This will enable us to meet market demand as more customers run natural gas trucks in the coming years.

Because many of our customers are turning to alternative fuel systems, we remain committed to training technicians to service these vehicles.

By the end of 2012, we employed more than 80 technicians certified for natural gas and propane vehicle service. To help our customers' vehicles run cleaner, we also offer diesel particulate filter (DPF) retrofits, cleaning and parts. We retain the services of a green consultant/specialist for assistance with rebate programs and funding. In addition, we are an EPA SmartWay associate, which identifies us as a partner in stocking and specifying trucks that meet SmartWay criteria for interested fleets.



XPRESS LUBE *Our dedicated Xpress Lube bays provide the ability to quickly perform routine lube, oil and filter maintenance and inspections for customers.*

Pre-delivery inspections (PDIs)

At our Rush Truck Center in Yuma, Arizona, we now provide PDIs for Model 320 Peterbilt refuse trucks built in nearby Mexicali, Mexico. This enables us to ship inspected trucks directly to customers, instead of shipping them to dealership locations for inspection before delivery. Skipping this step saves our customers time and expense.

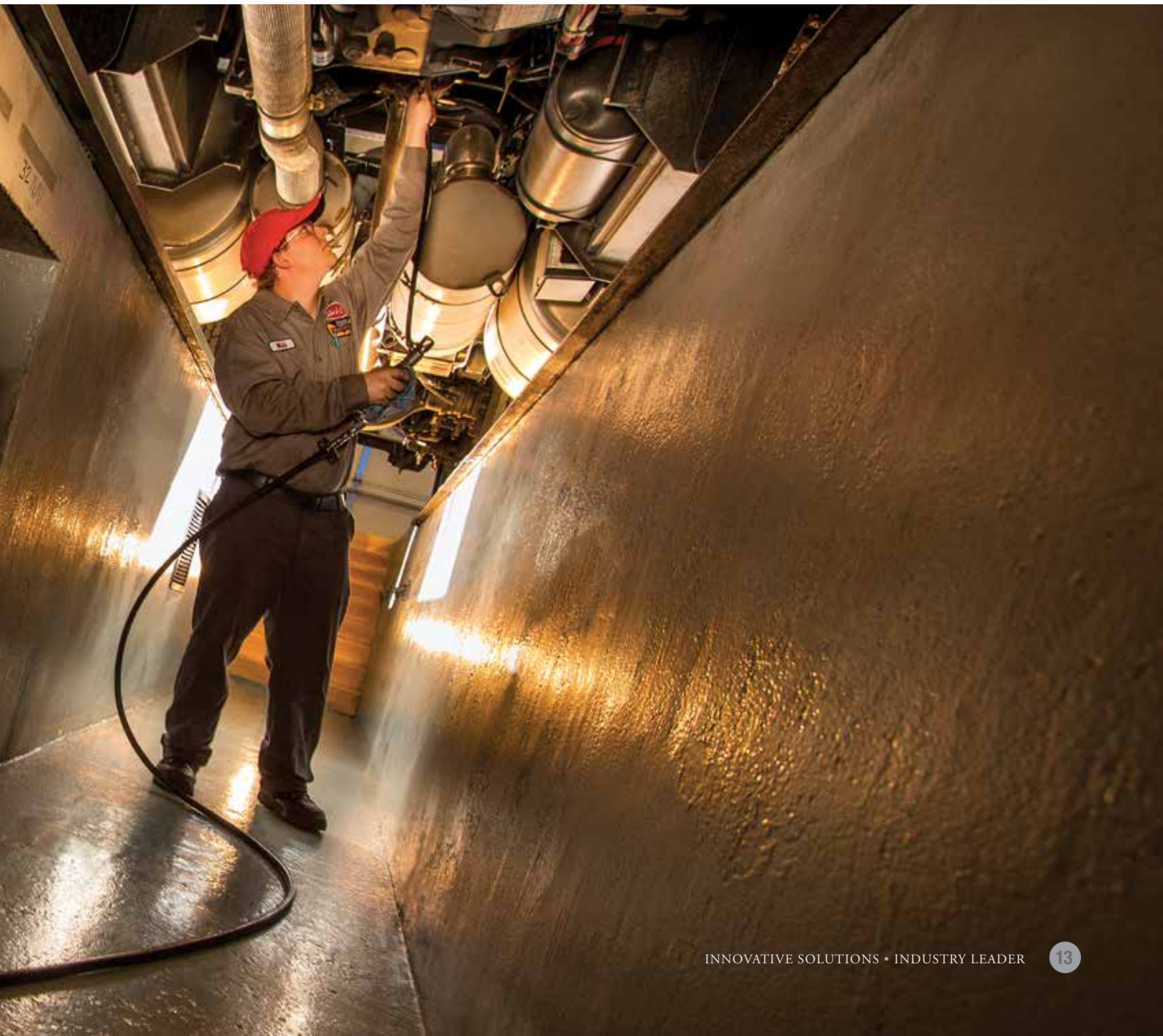
RushCare

Now in a pilot program for select fleet customers

is RushCare, a solution that provides a dedicated hotline and online portal for service and assistance. Our vision for RushCare is to offer call center capabilities, plus online services including vehicle service updates and alerts, Internet parts ordering, and access to other service tools and information.

More solutions make us stronger

Time has shown that the more we grow our diversity of our services, products and market segments, the stronger we become.





PARTS DEPARTMENTS *Rush Truck Centers around the country stock more than \$115 million in parts inventory so chances are we have the part a customer needs or can get it quickly.*



OIL & COOLANT ANALYSIS *Rush Truck Centers has made investments in technology to quickly analyze oil and coolant samples to provide early detection of any potential problems that could be developing in the vehicle's operating systems.*

We believe that “trucks don’t sell service; service sells trucks.” Our strong service network not only kept us strong in 2012; it enabled us to outpace our previous performance, setting new records for aftermarket parts, service and body shop revenues. Aftermarket services accounted for more than 62 percent of our 2012 gross profits – proof that our focus on solutions creates opportunities for growth.

We also achieved a record annual absorption ratio of 116 percent in 2012. Absorption measures gross profit from parts, service and body shop operations, divided by total overhead from all departments, exclusive of commissions on truck sales and floor plan interest. Absorption ratios are a key metric we use for evaluating the performance of Rush Truck Centers. Achieving an absorption ratio of 100 percent means that our dealership expenses are covered.

AFTERMARKET SOLUTIONS PORTFOLIO

CUSTOM VEHICLE SOLUTIONS (CVS) *We create and install quality, repeatable, custom modifications and fabrications to help get our customers’ trucks job-ready, whatever the requirements.*

DPF CLEANING *Our state-of-the-art diesel particulate filter (DPF) cleaning equipment helps customers’ trucks run cleaner and more efficiently.*

MOBILE SERVICE *Our fleet of more than 200 fully equipped trucks enable our technicians to provide essential repair and diagnostic services, at customers’ yards or job sites, or in roadside emergencies.*

MOBILE SERVICE TECHNICIANS *In addition to the technicians who operate our mobile service trucks, we have more than 100 experienced, highly trained technicians who are dispatched to serve our customers at their locations.*

NATURAL GAS/GREEN CAPABILITY *By upgrading our facilities, and adding technology and certified technicians throughout the Rush Truck Center network, we are increasing our capability to safely service compressed natural gas (CNG), liquid natural gas (LNG) and hybrid vehicles..*

PRE-DELIVERY INSPECTIONS (PDIs) *Though we perform PDIs at all of our dealerships, our Rush Truck Center*

in Yuma, Arizona, now specializes in providing timely and efficient PDIs for Peterbilt Model 320s built in nearby Mexicali, Mexico. .

OIL & COOLANT ANALYSIS *We quickly analyze oil and coolant using state-of-the-art diagnostic equipment to identify potential problems before they become major issues..*

RIG TOUGH TRUCK PARTS *We offer an extensive, competitively priced line of replacement parts and accessories for medium- and heavy-duty trucks, all backed by industry-standard manufacturers’ warranties..*

RUSHCARE *This solution is being piloted to provide efficient customer access to essential service and information, online and by phone.*

XPRESS LUBE *Several of our dealerships now feature Xpress Lube service. Our dedicated Xpress Lube bays enable efficient oil, lube and filter service, to get customers back on the job quickly.*

XPRESS SERVICE *Our new, dedicated Xpress Service bays are designed to enable repairs in shorter time periods, to get customers back on the road without waiting for a bay to become available.*

Growing to better serve our customers

The greatest asset of Rush Enterprises is the Rush Truck Center network. We are constantly expanding our footprint to take better care of our customers and to build their loyalty to the Rush brand.

At Rush Enterprises, we believe that the purpose of growth is to improve access to the consistent, quality service our customers have come to trust. Today, convenience and efficiency are even more important than ever. Therefore, increasing our network to meet our customers and their needs, is a primary focus. Recognizing that we have new and existing customers to reach and expectations to exceed guides our growth and motivates our expansion goals.



THE RUSH SOLUTIONS NETWORK (as of December 31, 2012)



We currently have 78 dealerships in 15 states – up from 70 dealerships in 14 states in 2011.

It also fuels our sales success. Our Class 4-7 medium-duty truck sales increased 30 percent over 2011, outpacing the 14 percent growth rate achieved by the U.S. Class 4-7 market. We also sold more

light-duty trucks in 2012 than ever before. Our Class 8 truck sales increased 10 percent over the previous year. We are still the largest dealer group for Peterbilt, International, Hino and Isuzu and we continued to grow with Ford. We also saw strong performance in our leasing, refuse and crane divisions.

New markets, new growth

In 2012, Ohio became the newest market for our Navistar Division. This is a strong commercial vehicle market for our larger fleet customers, and an exciting opportunity, as International is one of the leading commercial vehicle brands in the state.

This acquisition brings our total number of employees to 4,400. More than 36 percent of our employees are service technicians – a testament to the importance we place on giving our customers the service they expect from us.

THE NEW PHOENIX FACILITY *opened in September 2012 and is now one of Rush Truck Center's flagship locations.*





MEDIUM-DUTY TRUCKS *Rush Truck Centers offer medium-duty trucks at locations across the country, including Peterbilt, International, Hino, Isuzu and Ford.*

Increasing our capacity

In 2012, we moved our Phoenix, Arizona dealership to one of our largest full-service facilities – a new 180,000 square foot campus featuring increased new and used truck inventory space, with triple the service and body shop capacity as our previous location. Among these bays are dedicated Xpress Service bays where vehicles can be diagnosed and serviced faster and more efficiently, Xpress Lube bays, and dedicated medium-duty and natural gas service bays.

In Texas, we completed a remodel of our Ford dealership in Dallas, improving the overall facility and expanding our service capabilities. We also converted an ancillary service location from Rush Truck Center – Houston into a dedicated CVS center.

In Orlando, Florida, we moved our Peterbilt dealership to a larger facility and have plans to continue that expansion by relocating our Ford dealership to the same campus in the near future.

In Georgia, we opened a new Rush Truck Center location in Columbus offering Isuzu truck sales and service and IC Bus service and parts.

We also relocated our Ardmore, Oklahoma, dealership to a newly constructed building that expands truck inventory space, doubles our parts warehouse and increases service capabilities with additional bays and natural gas service.

Future facility plans include a remodel and expansion at our Whittier, California, location along with 2014 expansion projects in Denver, Colorado, and San Antonio, Texas.



RUSH TRUCK LEASING operates 36 PacLease and nine Idealease franchises and had its most profitable year ever.

New locations, new opportunities

We broke ground for a new dealership in Corpus Christi, Texas, expected to be complete in 2013 and situated along IH 69. In addition, development of a new Dallas CVS service center is underway.

Bus customers in Houston and Dallas can now benefit from new Rush Bus Center locations in these cities. In Houston, our full-service, 26,000 square foot facility began offering parts, service and sales in July 2012. Our new Dallas location, which opened in early January 2013, offers parts, service and mobile service, as well as sales for Blue Bird and Elkhart buses.

Where customers go, we grow

As our commitment to customer solutions continues, so will our expansion and growth. Our goal is to make sure our network continues to meet our customers – and their needs – wherever they are.



OHIO DEALERSHIPS Newly acquired locations offer International and Isuzu trucks and school buses from IC Bus. Rush Truck Centers now has eight locations in seven Ohio cities.

Rush Enterprises at a glance



RUSH TRUCK CENTERS

As the largest heavy- and medium-duty dealer group in the U.S., we operate 78 full-service, state-of-the-art locations in 15 states, offering everything from sales and service to insurance and financial services.



RUSH CRANE SYSTEMS

Through Rush Truck Centers, we sell, rent and service National and Manitex crane and boom trucks, plus cranes, man-baskets and radio remote controls.



RUSH REFUSE SYSTEMS

We are the dependable source for a wide selection of new and used Peterbilt heavy- and medium-duty work-ready refuse trucks, plus leasing, rental and financing.



RUSH BUS CENTERS

We provide convenient, one-stop sales and service for IC Bus buses in Georgia, Idaho, Ohio and Utah, and Blue Bird and Elkhart buses in Texas.



PERFECTION TRUCK PARTS AND EQUIPMENT

As truck parts and equipment experts who specialize in up-fitting, we offer more than 120 lines of truck and industrial parts and more than 100 lines of equipment.



ATIS TRUCK INSURANCE

Through Rush Truck Centers, we offer a full line of insurance products, including liability, damage, cargo and accident insurance.



CHROME COUNTRY

Our Nashville, Tennessee, showroom offers more than 100,000 chrome and stainless steel parts and accessories, plus fast, dependable installation and custom chrome.

The Rush Enterprises brand is built on customer trust. Whatever their needs, our customers know that we are here to help solve their problems. We are more than equipment suppliers; we become our customers' trusted partners, offering a diversity of services and products that not only meet their needs, but also exceed their expectations.



RUSH TRUCK FINANCING

With an extensive network of third-party financial companies, we offer full-service financing for new and used truck purchases, or major repair services.



RUSH TRUCK LEASING

We provide full-service, finance, TRAC and walk-away leases on a broad range of work-ready trucks through PacLease and Idealease, plus contract maintenance and truck rentals.



RUSH TOWING SYSTEMS

We serve customers with a full line of Jerr-Dan bodies including wreckers and carriers, plus exceptional service for brands including Peterbilt, Ford, Hino and Isuzu.



CUSTOM VEHICLE SOLUTIONS

With extensive experience, precision engineering and an impressive list of services, we are the one-stop shop for customization in Dallas and Houston. We are ready to take on the most demanding truck modification jobs.



WORLD WIDE TIRES

We serve the commercial market with tires for Class 8, light truck, ATV, and passenger cars, and the wholesale market with ultra-high performance (UHP) and specialty tires.



RIG TOUGH TRUCK PARTS

Our extensive, competitively priced line of proprietary parts and accessories for heavy-duty trucks is backed by industry-standard manufacturers' warranties.



THE RUSH MISSION

Rush Enterprises is the premier solutions provider for commercial vehicle users. We are customer-focused, growth-oriented, and financially motivated to deliver excellent outcomes for our customers, shareholders, vendors and employees.

The culture of a leader

Our corporate culture encourages our employees to be leaders. This is one important reason our customers make Rush Enterprises their first choice.

Working for Rush Enterprises is much more than working at a job. It is an opportunity to be an essential part of a company, and a community, actively committed to giving customers better service and greater value. Our culture is key to employee fulfillment, as well as customer satisfaction. It is why many of our employees have been with Rush for decades – and many have been with us their entire careers.

The value of our values

The Rush values are: Productivity, Fairness, Excellence and Positive Attitude. These guidelines help us to remember who we are as a company.

They are the foundation of our success, because

they inspire each of our employees to grow and to lead. To help our employees in this pursuit, we provide ongoing training.

To motivate them to plan and build a career path with us, we proactively hire

from within. We also foster passion and

initiative by giving managers freedom of thought and action to determine the best ways to meet management's goals, and by encouraging and rewarding new ideas from employees at every level.

Showcasing our best

Through our Rush Technician Skills Rodeo, we demonstrate what can be achieved when professionals



Grand Champions in the 7th annual Rush Truck Centers Technician Skills Rodeo, from left to right: medium-duty champion John Dobberpuhl, and heavy-duty champion, Jason Swann.

take their skills and expertise beyond the expected.

The largest event of its kind in the industry, the Technician Rodeo continues to grow and evolve each year, giving our technicians the opportunity to test their skills in real-service situations, on the latest products, such as those featured in this year's new "Go Green" category. Each year this event receives increased industry support and media attention, which help us recruit the most talented service technicians in the industry.

From showcase events like the Rush Technician Skills Rodeo to the consistent, superior service customers receive at every Rush Truck Center location, the Rush culture lives on. Our values are alive and at work every day in every Rush employee.





Planning today to improve tomorrow

At our 2012 management conference, we focused on anticipating future customer needs. Our management team identified two important trends.

First, we see the role of dealerships increasing in importance, as they become single-source providers for an increasingly diverse range of complex solutions. Second, because of this expanded role, the relationship between customers and our dealerships will become more important.

More than ever, customers will expect more from Rush Truck Centers. We will be ready to

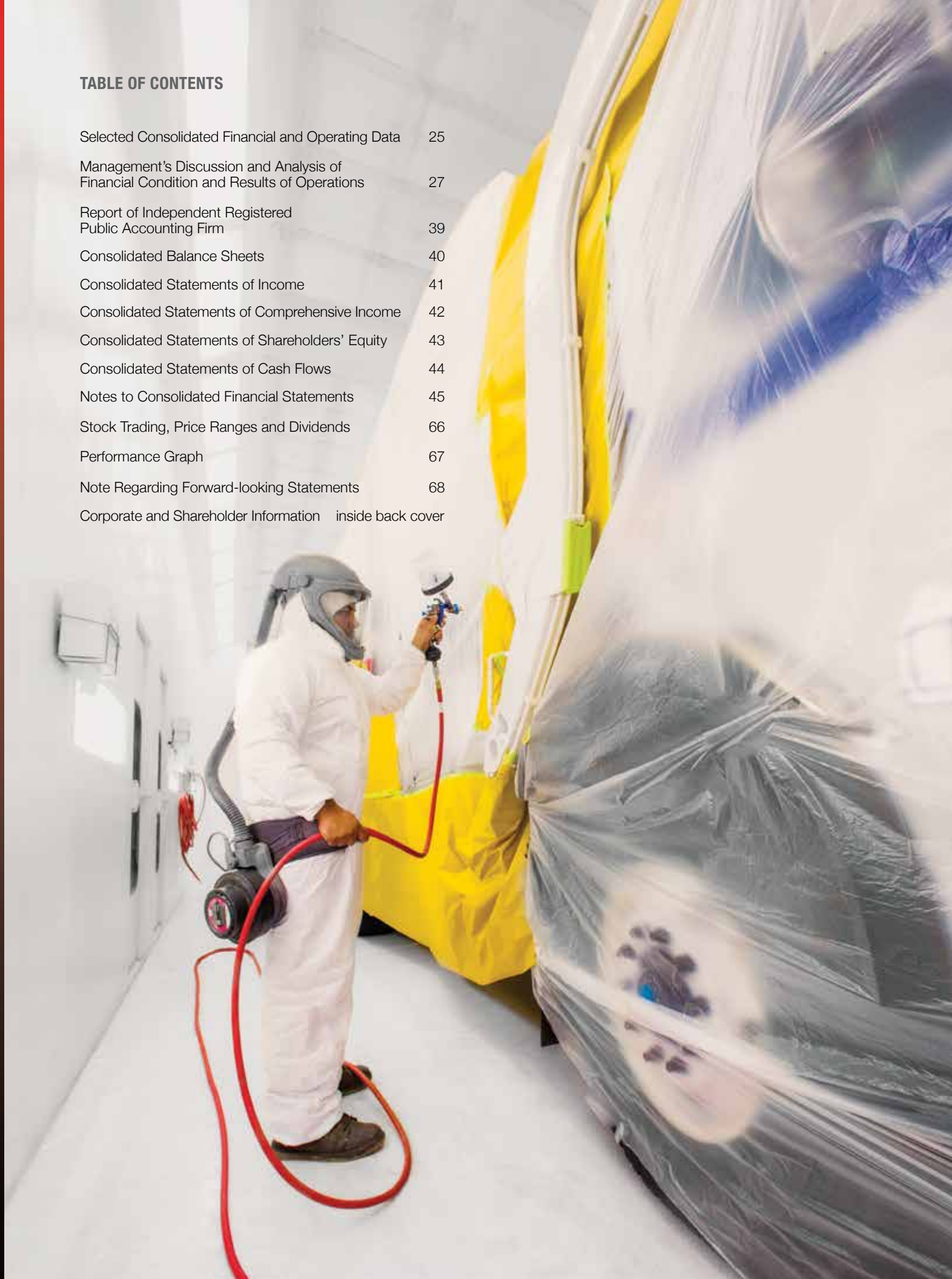
deliver, with more comprehensive solutions, where and when customers need them. To accomplish this, we plan to continue expanding our physical network. In current markets, we will also be focused on extending the breadth of our services and product offerings.

Our goal is to exceed our customers' expectations and meet the needs of tomorrow, while staying true to the values we have always held. Our culture will continue to enhance the strength of the Rush brand, as we build on the foundation of solid, customer-first solutions that has fueled our success.

AFTERMARKET SOLUTIONS *will continue to be a key element of the company's growth strategy into the future.*

TABLE OF CONTENTS

Selected Consolidated Financial and Operating Data	25
Management's Discussion and Analysis of Financial Condition and Results of Operations	27
Report of Independent Registered Public Accounting Firm	39
Consolidated Balance Sheets	40
Consolidated Statements of Income	41
Consolidated Statements of Comprehensive Income	42
Consolidated Statements of Shareholders' Equity	43
Consolidated Statements of Cash Flows	44
Notes to Consolidated Financial Statements	45
Stock Trading, Price Ranges and Dividends	66
Performance Graph	67
Note Regarding Forward-looking Statements	68
Corporate and Shareholder Information	inside back cover



SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

The information below was derived from the audited consolidated financial statements included in this report and reports we have previously filed with the SEC. This information should be read together with those consolidated financial statements and the notes to those consolidated financial statements. These historical results are not necessarily indicative of the results to be expected in the future. The selected financial data presented below may not be comparable between periods in all material respects or indicative of the Company's future financial position or results of operations due primarily to acquisitions and discontinued operations which occurred during the periods presented. See Note 15 to the Company's Consolidated Financial Statements for a discussion of such acquisitions. The selected financial data presented below should be read in conjunction with the Company's other financial information included elsewhere herein.

(in thousands, except per share amounts)	2012	2011	2010	2009	2008
SUMMARY OF INCOME STATEMENT DATA					
Revenues					
New and used commercial vehicle sales	\$ 2,149,335	\$ 1,801,964	\$ 926,584	\$ 738,705	\$ 1,041,189
Parts and service sales	817,280	675,277	489,259	395,133	457,669
Lease and rental	100,247	83,426	67,423	53,710	54,813
Finance and insurance	13,638	10,867	7,922	7,468	11,801
Other	10,067	9,077	6,739	5,437	5,721
Total revenues	3,090,567	2,580,611	1,497,927	1,200,453	1,571,193
Cost of products sold	2,589,800	2,157,334	1,213,037	984,812	1,291,001
Gross profit	500,767	423,277	284,890	215,641	280,192
Selling, general and administrative	361,727	306,273	227,467	192,296	218,775
Depreciation and amortization	25,016	20,084	15,720	15,890	15,273
Gain (loss) on sale of assets	176	418	(36)	162	128
Operating income	114,200	97,338	41,667	7,617	46,272
Interest expense, net	13,017	7,161	5,363	5,695	7,230
Income from continuing operations before income taxes	101,183	90,177	36,304	1,922	39,042
Provision (benefit) for income taxes	38,728	34,964	11,737	(3,173)	13,864
Income from continuing operations	62,455	55,213	24,567	5,095	25,178
Income from discontinued operations, net of taxes	—	—	6,715	789	3,687
Net income	\$ 62,455	\$ 55,213	\$ 31,282	\$ 5,884	\$ 28,865
Earnings per common share – Basic:					
Income from continuing operations	\$ 1.62	\$ 1.46	\$ 0.66	\$ 0.14	\$ 0.66
Net income	\$ 1.62	\$ 1.46	\$ 0.84	\$ 0.16	\$ 0.76
Earnings per common share – Diluted:					
Income from continuing operations	\$ 1.57	\$ 1.42	\$ 0.64	\$ 0.14	\$ 0.65
Net income	\$ 1.57	\$ 1.42	\$ 0.82	\$ 0.16	\$ 0.75
Weighted average shares outstanding:					
Basic	38,643	37,861	37,307	37,066	38,089
Diluted	39,688	39,014	38,218	37,597	38,587

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

The information below was derived from the audited consolidated financial statements included in this report and reports we have previously filed with the SEC. This information should be read together with those consolidated financial statements and the notes to those consolidated financial statements. These historical results are not necessarily indicative of the results to be expected in the future. The selected financial data presented below may not be comparable between periods in all material respects or indicative of the Company's future financial position or results of operations due primarily to acquisitions and discontinued operations which occurred during the periods presented. See Note 15 to the Company's Consolidated Financial Statements for a discussion of such acquisitions. The selected financial data presented below should be read in conjunction with the Company's other financial information included elsewhere herein.

(in thousands, except per share amounts)	2012	2011	2010	2009	2008
SUMMARY OF INCOME STATEMENT DATA					
Revenues					
New and used commercial vehicle sales	\$ 2,149,335	\$ 1,801,964	\$ 926,584	\$ 738,705	\$ 1,041,189
Parts and service sales	817,280	675,277	489,259	395,133	457,669
Lease and rental	100,247	83,426	67,423	53,710	54,813
Finance and insurance	13,638	10,867	7,922	7,468	11,801
Other	10,067	9,077	6,739	5,437	5,721
Total revenues	3,090,567	2,580,611	1,497,927	1,200,453	1,571,193
Cost of products sold	2,589,800	2,157,334	1,213,037	984,812	1,291,001
Gross profit	500,767	423,277	284,890	215,641	280,192
Selling, general and administrative	361,727	306,273	227,467	192,296	218,775
Depreciation and amortization	25,016	20,084	15,720	15,890	15,273
Gain (loss) on sale of assets	176	418	(36)	162	128
Operating income	114,200	97,338	41,667	7,617	46,272
Interest expense, net	13,017	7,161	5,363	5,695	7,230
Income from continuing operations before income taxes	101,183	90,177	36,304	1,922	39,042
Provision (benefit) for income taxes	38,728	34,964	11,737	(3,173)	13,864
Income from continuing operations	62,455	55,213	24,567	5,095	25,178
Income from discontinued operations, net of taxes	—	—	6,715	789	3,687
Net income	\$ 62,455	\$ 55,213	\$ 31,282	\$ 5,884	\$ 28,865
Earnings per common share – Basic:					
Income from continuing operations	\$ 1.62	\$ 1.46	\$ 0.66	\$ 0.14	\$ 0.66
Net income	\$ 1.62	\$ 1.46	\$ 0.84	\$ 0.16	\$ 0.76
Earnings per common share – Diluted:					
Income from continuing operations	\$ 1.57	\$ 1.42	\$ 0.64	\$ 0.14	\$ 0.65
Net income	\$ 1.57	\$ 1.42	\$ 0.82	\$ 0.16	\$ 0.75
Weighted average shares outstanding:					
Basic	38,643	37,861	37,307	37,066	38,089
Diluted	39,688	39,014	38,218	37,597	38,587

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

	Year Ended December 31,				
	2012	2011	2010	2009	2008
OPERATING DATA					
Unit vehicle sales –					
New vehicles	18,427	15,540	7,680	6,615	9,289
Used vehicles	4,744	4,649	3,461	2,875	3,234
Total unit vehicles sales	23,171	20,189	11,141	9,490	12,523
Truck lease and rental units (including units under contract maintenance)	5,359	4,000	3,809	3,033	2,570

	Year Ended December 31,				
(in thousands)	2012	2011	2010	2009	2008
BALANCE SHEET DATA					
Working capital	\$ 217,613	\$ 189,214	\$ 143,778	\$ 164,165	\$ 177,117
Inventories	690,953	649,626	321,933	252,219	343,032
Assets held for sale	—	—	—	22,719	24,479
Total assets	1,881,566	1,717,701	1,167,933	977,297	1,056,790
Floor plan notes payable	534,520	520,693	237,810	189,256	282,702
Long-term debt, including current portion	399,664	328,287	252,129	209,502	209,677
Capital lease obligations, including current portion	49,973	45,554	42,202	34,444	14,820
Total shareholders' equity	607,946	531,234	464,919	426,225	416,041

General

The Company's record results in 2012 validate our sustained efforts to build an organization with a diversified earnings base. The Company continues to work to position itself as a service solutions provider to the commercial vehicle industry by implementing our growth strategy to expand our portfolio of aftermarket services, broadening the diversity of our commercial vehicle product offerings and extending our network of service points across the United States. The Company's commitment to provide innovative solutions to service its customers' business needs continues to drive its strong parts, service and body shop revenues. The service needs of an aged fleet also contributed to the growth in our aftermarket revenues in 2012.

The Company's aftermarket capabilities include a wide range of services and products such as a fleet of mobile service units, mobile technicians who staff customers' facilities, a proprietary line of commercial vehicle parts and accessories, new diagnostic and analysis capabilities, factory certified service for alternative fuel vehicles and assembly service for specialized bodies and equipment. As a result of the Company's efforts to expand aftermarket capabilities, aftermarket operations now account for more than 60% of the Company's total gross profits.

The Company continues to offer a commercial vehicle product line to include medium-duty and light-duty trucks, buses and vocational specialty vehicles such as refuse trucks, tow trucks and truck-mounted cranes. The Company has developed relationships with a more diverse customer base across a wide range of market segments, resulting in our ability to offer a complete range of solutions from sales of new vehicles to aftermarket support for vehicles in operation.

The Company continues to invest in its infrastructure to better serve its customers operating natural gas vehicles in anticipation of continued adoption of this technology. Substantial investments have been made at six Rush Truck Center locations to enable technicians to perform certified CNG and LNG service, with plans in place to bring additional facilities online as needed in key markets. Approximately 85 technicians have been factory-certified to service natural gas fuel systems. The Company believes that natural gas-powered vehicles will grow in popularity and could represent up to 10% of the Class 8 new truck sales market by 2017.

The Company has a track record of growth through acquisitions and additions of dealerships within its current areas of responsibility. It now operates a contiguous network of 78 Rush Truck Centers across the United States. The Company believes that this geographic diversity will more effectively allow the Company to withstand regional economic downturns and expand service capabilities that better match the footprint of its customer base.

On December 31, 2012, the Company acquired certain assets of MVI Group, which operated commercial truck and bus dealerships in Ohio under the names of Miami Valley International, Center City International, CCI North Coast and

Buckeye Truck Centers. The acquisition included International, IC Bus, and Isuzu franchise locations in Akron, Cincinnati, Cleveland, Columbus, Dayton, Findlay and Lima, Ohio. These dealerships now operate as Rush Truck Centers. Rush Truck Leasing now operates Idealease truck rental and leasing franchises in Cincinnati, Cleveland, Columbus, Dayton and Lima, Ohio. The transaction, including real estate, was valued at approximately \$104.5 million. The purchase price for the assets of the business was financed under the Company's floor plan and lease and rental truck financing arrangements with the remainder paid in cash. The Company now operates 24 full-service Navistar locations and one collision center in 6 states.

On February 1, 2013, the Company's Board of Directors approved a stock repurchase program authorizing the Company to repurchase, from time to time, up to an aggregate of \$40.0 million of its shares of Class A common stock and/or Class B common stock. Repurchases will be made at times and in amounts as the Company deems appropriate and will be made through open market transactions, privately negotiated transactions and other lawful means. The manner, timing and amount of any repurchases will be determined by the Company based on an evaluation of market conditions, stock price and other factors. The stock repurchase program expires on February 12, 2014 and may be suspended or discontinued at any time. While the stock repurchase program does not obligate the Company to acquire any particular amount or class of common stock, the Company anticipates that it will be repurchasing primarily shares of its Class B common stock.

Key Performance Indicator

Absorption Ratio. Management uses several performance metrics to evaluate the performance of its commercial vehicle dealerships, and considers Rush Truck Centers' "absorption ratio" to be of critical importance. Absorption ratio is calculated by dividing the gross profit from the parts, service and body shop departments by the overhead expenses of all of a dealership's departments, except for the selling expenses of the new and used commercial vehicle departments and carrying costs of new and used commercial vehicle inventory. When 100% absorption is achieved, all of the gross profit from the sale of a commercial vehicle, after sales commissions and inventory carrying costs, directly impacts operating profit. In 1999, the Company's commercial vehicle dealerships' absorption ratio was approximately 80%. The Company has made a concerted effort to increase its absorption ratio since 1999. The Company's commercial vehicle dealerships achieved a 115.9% absorption ratio for the year in 2012 and 113.9% absorption ratio for the year in 2011.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial condition and results of operations are based on the Company's consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles.

The preparation of these consolidated financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. There can be no assurance that actual results will not differ from those estimates. The Company believes the following accounting policies, which are also described in Note 2 of the Notes to the Consolidated Financial Statements, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined by specific identification of new and used commercial vehicles inventory and by the first-in, first-out method for tires, parts and accessories. As the market value of our inventory typically declines over time, reserves are established based on historical loss experience and market trends. These reserves are charged to cost of sales and reduce the carrying value of our inventory on hand. An allowance is provided when it is anticipated that cost will exceed net realizable value plus a reasonable profit margin.

Goodwill

Goodwill is not amortized but instead is tested at least annually by reporting unit for impairment, or more frequently when events or changes in circumstances indicate that the asset might be impaired.

Goodwill is reviewed for impairment utilizing a two-step process. The first step requires the Company to compare the fair value of the reporting unit, which is the same as the segment, to the respective carrying value. The Company considers its Truck Segment to be a reporting unit for purposes of this analysis. If the fair value of the reporting unit exceeds its carrying value, the goodwill is not considered impaired. If the carrying value is greater than the fair value, there is an indication that an impairment may exist and a second step is required. In the second step of the analysis, the implied fair value of the goodwill is calculated as the excess of the fair value of a reporting unit over the fair values assigned to its assets and liabilities. If the implied fair value of goodwill is less than the carrying value of the reporting unit's goodwill, the difference is recognized as an impairment loss.

The Company determines the fair value of its reporting unit using the discounted cash flow method. The discounted cash flow method uses various assumptions and estimates regarding revenue growth rates, future gross margins, future selling, general and administrative expenses and an estimated weighted average cost of capital. The analysis is based upon available information regarding expected future cash flows of each reporting unit discounted at rates consistent with the cost of capital specific to the reporting unit. This type of analysis contains uncertainties because it requires the Company to make assumptions and to apply judgment regarding

its knowledge of its industry, information provided by industry analysts, and its current business strategy in light of present industry and economic conditions. If any of these assumptions change, or fail to materialize, the resulting decline in its estimated fair value could result in a material impairment charge to the goodwill associated with the reporting unit.

The Company does not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions it used to test for impairment losses on goodwill. However, if actual results are not consistent with our estimates or assumptions, or certain events occur that might adversely affect the reported value of goodwill in the future, the Company may be exposed to an impairment charge that could be material. Such events may include, but are not limited to, strategic decisions made in response to economic and competitive conditions or the impact of the current economic environment.

Goodwill was tested for impairment during the fourth quarter of 2012 and no impairment write down was required. The fair value of our reporting unit exceeded the carrying value of its net assets. As a result, we were not required to conduct the second step of the impairment test. The Company does not believe its reporting unit is at risk of failing step one of the impairment test.

Insurance Accruals

The Company is partially self-insured for a portion of the claims related to its property and casualty insurance programs, requiring it to make estimates regarding expected losses to be incurred. The Company engages a third-party administrator to assess any open claims and the Company adjusts its accrual accordingly on an annual basis. The Company is also partially self-insured for a portion of the claims related to its worker's compensation and medical insurance programs. The Company uses actuarial information provided from third-party administrators to calculate an accrual for claims incurred, but not reported, and for the remaining portion of claims that have been reported.

Changes in the frequency, severity, and development of existing claims could influence the Company's reserve for claims and financial position, results of operations and cash flows. The Company does not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions it used to calculate its self-insured liabilities. However, if actual results are not consistent with our estimates or assumptions, the Company may be exposed to losses or gains that could be material. A 10% change in the Company's estimate would have changed its reserve for these losses at December 31, 2012 by \$0.6 million.

Accounting for Income Taxes

Management judgment is required to determine the provisions for income taxes and to determine whether deferred tax assets will be realized in full or in part. Deferred income tax assets and liabilities are measured using enacted tax rates expected to

apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. When it is more likely than not that all or some portion of specific deferred income tax assets will not be realized, a valuation allowance must be established for the amount of deferred income tax assets that are determined not to be realizable. Accordingly, the facts and financial circumstances impacting state deferred income tax assets are reviewed quarterly and management's judgment is applied to determine the amount of valuation allowance required, if any, in any given period.

The Company's income tax returns are periodically audited by tax authorities. These audits include questions regarding our tax filing positions, including the timing and amount of deductions. In evaluating the exposures associated with the Company's various tax filing positions, the Company adjusts its liability for unrecognized tax benefits and income tax provision in the period in which an uncertain tax position is effectively settled, the statute of limitations expires for the relevant taxing authority to examine the tax position, or when more information becomes available.

The Company's liability for unrecognized tax benefits contains uncertainties because management is required to make assumptions and to apply judgment to estimate the exposures associated with its various filing positions. The Company's effective income tax rate is also affected by changes in tax law, the level of earnings and the results of tax audits. Although the Company believes that the judgments and estimates are reasonable, actual results could differ, and the Company may be exposed to losses or gains that could be material. An unfavorable tax settlement generally would require use of the Company's cash and result in an increase in its effective income tax rate in the period of resolution. A favorable tax settlement would be recognized as a reduction in the Company's effective income tax rate in the period of resolution. The Company's income tax expense includes the impact of reserve provisions and changes to reserves that it considers appropriate, as well as related interest.

Derivative Instruments and Hedging Activities

The Company utilizes derivative financial instruments to manage its interest rate risk. The types of risks hedged are those relating to the variability of cash flows and changes in the fair value of the Company's financial instruments caused by movements in interest rates. The Company assesses hedge effectiveness at the inception and during the term of each hedge. Derivatives are reported at fair value on the accompanying Consolidated Balance Sheets.

The effective portion of the gain or loss on the Company's cash flow hedges are reported as a component of accumulated

other comprehensive loss. Hedge effectiveness will be assessed quarterly by comparing the changes in cumulative gain or loss from the interest rate swap with the cumulative changes in the present value of the expected future cash flows of the interest rate swap that are attributable to changes in the LIBOR rate. If the interest rate swaps become ineffective, portions of these interest rate swaps would be reported as a component of interest expense in the accompanying Consolidated Statements of Income.

New Accounting Standards

In June 2011, the Financial Accounting Standards Board ("FASB") issued an amendment to the existing guidance on the presentation of comprehensive income. Under the amended guidance, entities have the option to present the components of net income and other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Entities no longer have the option of presenting the components of other comprehensive income within the statement of changes in stockholders' equity. This amendment was effective on a retrospective basis for fiscal years, and interim periods within those years, beginning after December 15, 2011, which was the first quarter of 2012 for the Company. The adoption of this amendment resulted in a change to the Company's current presentation of comprehensive income, but did not have any impact on the Company's consolidated financial statements and related disclosures.

The FASB amended existing guidance by requiring that additional information be disclosed about items reclassified ("reclassification adjustments") out of accumulated other comprehensive income. The additional information includes separately stating the total change for each component of other comprehensive and separately disclosing both current-period other comprehensive income and reclassification adjustments. Entities are also required to present, either on the face of the income statement or in the notes to the financial statements, significant amounts reclassified out of accumulated other comprehensive income as separate line items of net income but only if the entire amount reclassified must be reclassified to net income in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity must cross-reference to other disclosures that provide additional detail about those amounts. This accounting standard will be effective for interim and annual periods beginning after December 15, 2012. The Company does not believe the adoption of this update will have a material impact on its financial statements.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

Results of Operations

The following discussion and analysis includes the Company's historical results of operations for 2012, 2011 and 2010.

The following table sets forth for the years indicated certain financial data as a percentage of total revenues:

	Year Ended December 31,		
	2012	2011	2010
New and used commercial vehicle sales	69.6 %	69.8 %	61.9 %
Parts and service sales	26.5	26.2	32.7
Lease and rental	3.2	3.2	4.5
Finance and insurance	0.4	0.4	0.5
Other	0.3	0.4	0.4
Total revenues	100.0	100.0	100.0
Cost of products sold	83.8	83.6	81.0
Gross profit	16.2	16.4	19.0
Selling, general and administrative	11.7	11.9	15.2
Depreciation and amortization	0.8	0.7	1.0
Operating income	3.7	3.8	2.8
Interest expense, net	0.4	0.3	0.4
Income from continuing operations before income taxes	3.3	3.5	2.4
Provision for income taxes	1.3	1.4	0.8
Income from continuing operations	2.0	2.1	1.6
Income from discontinued operations	0.0	0.0	0.4
Net income	2.0 %	2.1 %	2.0 %

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

The following table sets forth the unit sales and revenue for new heavy-duty, new medium-duty, new light-duty and used commercial vehicles and the absorption ratio for the years indicated (revenue in millions):

				% Change	
	2012	2011	2010	2012 vs 2011	2011 vs 2010
Vehicle unit sales:					
New heavy-duty vehicles	9,925	9,052	4,746	9.6%	90.7%
New medium-duty vehicles	7,126	5,469	2,820	30.3%	93.9%
New light-duty vehicles	1,376	1,019	114	35.0%	793.9%
Total new vehicle unit sales	18,427	15,540	7,680	18.6%	102.3%
Used vehicles sales	4,744	4,649	3,461	2.0%	34.3%
Vehicle revenue:					
New heavy-duty vehicles	\$ 1,410.3	\$ 1,186.5	\$ 595.4	18.9%	99.3%
New medium-duty vehicles	479.5	380.7	185.9	26.0%	104.8%
New light-duty vehicles	45.4	33.3	4.2	36.3%	692.9%
Total new vehicle revenue	\$ 1,935.2	\$ 1,600.5	\$ 785.5	20.9%	103.8%
Used vehicle revenue	\$ 197.6	\$ 193.3	\$ 139.0	2.2%	39.1%
Other vehicle revenue (1)	\$ 16.5	\$ 8.2	\$ 2.1	101.2%	290.5%
Dealership absorption ratio:	115.9%	113.9%	105.5%	1.8%	8.0%

(1) Includes sales of glider kits, truck bodies, trailers and other new equipment.

The following table sets forth for the periods indicated the percent of gross profit by revenue source:

	2012	2011	2010
Gross Profit:			
New and used			
commercial vehicle sales	28.7%	29.0%	25.2%
Parts and service sales	63.4%	63.0%	66.1%
Lease and rental	3.2%	3.3%	3.5%
Finance and insurance	2.7%	2.6%	2.8%
Other	2.0%	2.1%	2.4%
Total gross profit	100.0%	100.0%	100.0%

Industry

We currently operate in the commercial vehicle market. There has historically been a high correlation between new product sales in the commercial vehicle market and the rate of change in U.S. industrial production and the U.S. gross domestic product.

Heavy-Duty Truck Market

The U.S. retail heavy-duty truck market is affected by a number of factors relating to general economic conditions, including fuel prices, government regulation, interest rate fluctuations, economic recessions, other methods of transportation and customer business cycles. In addition, unit sales of new commercial vehicles have historically been subject to substantial cyclical variation based on

general economic conditions. According to data published by A.C.T. Research, in recent years total U.S. retail sales of new Class 8 trucks have ranged from a low of approximately 97,000 in 2009 to a high of approximately 291,000 in 2006. Class 8 trucks are defined by the American Automobile Association as trucks with a minimum gross vehicle weight rating above 33,000 pounds.

Typically, Class 8 trucks are assembled by manufacturers utilizing certain components that may be manufactured by other companies, including engines, transmissions, axles, wheels and other components. As commercial vehicles and commercial vehicle components have become increasingly complex, the ability to provide state-of-the-art service for commercial vehicles has become a competitive factor in the industry. The ability to provide such service requires a significant capital investment in diagnostic and other equipment, parts inventory and highly trained service personnel. Environmental Protection Agency ("EPA") and U.S. Department of Transportation ("DOT") regulatory guidelines for service processes, including body shop, paint work and waste disposal, require sophisticated operating and testing equipment to ensure compliance with environmental and safety standards. Additionally, in the future we believe that more of our customers will lease Class 8 trucks as fleets and seek to establish full-service leases or rental contracts, which provide for turnkey service including parts, maintenance and, potentially, fuel, fuel tax reporting and other services. Differentiation between commercial

vehicle dealers has become less dependent on price competition and is increasingly based on a dealer's ability to offer a wide variety of services to their clients in a timely manner to minimize vehicle downtime. Such services include the following: efficient, conveniently located and easily accessible commercial vehicle service centers with an adequate supply of replacement parts; financing for commercial vehicle purchases; leasing and rental programs; and the ability to accept multiple unit trade-ins related to large fleet purchases. We believe our one-stop center concept and the size and geographic diversity of our dealer network gives us a competitive advantage in providing these services.

A.C.T. Research currently estimates approximately 198,000 new Class 8 trucks will be sold in the United States in 2013, compared to approximately 198,700 new Class 8 trucks sold in 2012. A.C.T. Research currently forecasts sales of new Class 8 trucks in the U.S. to be approximately 228,000 in 2014.

Medium-Duty Truck Market

Many of our Rush Truck Centers sell medium-duty commercial vehicles manufactured by Peterbilt, International, Hino, Ford, Mitsubishi Fuso or Isuzu, and all of our Rush Truck Centers provide parts and service for medium-duty commercial vehicles. Medium-duty commercial vehicles are principally used in short haul, local markets as delivery vehicles. Medium-duty commercial vehicles typically operate locally and generally do not leave their service areas overnight. The Company also sells light-duty vehicles (Class 3 and under) at three of its Ford dealerships.

A.C.T. Research currently forecasts sales of new Class 4 through 7 commercial vehicles in the U.S. to be approximately 186,000 in 2013, compared to 164,000 in 2012. A.C.T. Research currently forecasts sales of new Class 4 through 7 commercial vehicles in the U.S. to be approximately 200,000 in 2014.

Year Ended December 31, 2012 Compared to Year Ended December 31, 2011

Revenues

Revenues increased \$510.0 million, or 19.8%, in 2012, compared to 2011.

Our parts, service and body shop revenues increased \$142.0 million, or 21.0%, in 2012, compared to 2011. This increase is the result of increased service needs of aging vehicles, continued service activity related to the energy sector, expanded product and service offerings and acquisitions that occurred in the fourth quarter of 2011. The Company expects parts, service and body shop sales to continue to remain strong through 2013 and remains focused on expanding aftermarket product and service offerings.

Revenues for the sale of new and used commercial vehicles increased \$347.4 million, or 19.3%, in 2012, compared to 2011. Demand for commercial vehicles increased as general economic conditions in the United States continued to improve and credit was being made available on reasonable terms to a wider range of buyers.

The Company sold 9,925 heavy-duty trucks in 2012, a 9.6% increase compared to 9,052 heavy-duty trucks in 2011. According to A.C.T. Research, the U.S. Class 8 truck market increased 14.0% in 2012, compared to 2011. The Company's share of the U.S. Class 8 truck sales market decreased to approximately 5.0% in 2012, from 5.2% in 2011. This decrease in market share is primarily the result of a decrease in International's U.S. Class 8 market share. Navistar was forced to change its Class 8 engine strategy in 2012, which had a significant negative impact on sales of Class 8 International trucks in the U.S. International's U.S. Class 8 market share decreased from 20.7% in 2011 to 17.5% in 2012. The Company anticipates International's new Class 8 truck market share to increase by 2014. The Company expects its market share to range between 5.2% and 5.5% of U.S. Class 8 truck sales in 2013. This market share percentage would result in the sale of approximately 10,300 to 10,800 of Class 8 trucks in 2013 based on A.C.T. Research's U.S. retail sales estimate of 198,000 units.

The Company sold 7,126 medium-duty commercial vehicles, including 597 buses, in 2012, a 30.3% increase compared to 5,469 medium-duty commercial vehicles, including 1,074 buses, in 2011. A.C.T. Research estimates that unit sales of Class 4 through 7 commercial vehicles in the U.S. increased approximately 14.0% in 2012, compared to 2011. In 2012, the Company achieved a 4.3% share of the Class 4 through 7 commercial vehicle sales market in the U.S. The Company expects its market share to range between 4.1% and 4.6% of U.S. Class 4 through 7 commercial vehicle sales in 2013. This market share percentage would result in the sale of approximately 7,500 to 8,500 of Class 4 through 7 commercial vehicles in 2012 based on A.C.T. Research's current U.S. retail sales estimates of 184,000 units.

The Company sold 1,376 light-duty vehicles in 2012, a 35.0% increase compared to 1,019 light-duty vehicles in 2011. The Company expects to sell approximately 1,500 light-duty vehicles in 2013.

The Company sold 4,744 used commercial vehicles in 2012, a 2.0% increase compared to 4,649 used commercial vehicles in 2011. The Company expects to sell approximately 4,800 to 5,300 used commercial vehicles in 2013. The volume of used commercial vehicle sales will be largely dependent upon our ability to acquire quality used commercial vehicles and maintain an adequate used commercial vehicle inventory throughout 2013.

Truck lease and rental revenues increased \$16.8 million, or 20.2%, in 2012, compared to 2011. The increase in lease and rental revenue is primarily due to the increased number of units put into service in our lease and rental fleet during 2011 and 2012. The Company expects lease and rental revenue to increase 20% to 25% during 2013, compared to 2012.

Finance and insurance revenues increased \$2.8 million, or 25.5%, in 2012, compared to 2011. The increase in finance and insurance revenue is primarily a result of the increase in finance penetration rates and increased activity in the Company's insurance business. The Company expects finance and insurance revenue to fluctuate proportionately with the Company's new and used commercial

vehicle sales in 2013. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of the Company's operating profits.

Other income increased \$1.0 million, or 10.9% in 2012, compared to 2011. Other income consists primarily of the gain on sale realized on trucks from the lease and rental fleet, document fees related to commercial vehicle sales and mineral royalties.

Gross Profit

Gross profit increased \$77.5 million, or 18.3%, in 2012, compared to 2011. Gross profit as a percentage of sales decreased slightly to 16.2% in 2012, from 16.4% in 2011. This decrease in gross profit as a percentage of sales is a result of a slight decrease in gross margins from commercial vehicle sales and parts and service revenue.

Gross margins from the Company's parts, service and body shop operations decreased to 38.8% in 2012, from 39.5% in 2011. Gross profit for the parts, service and body shop departments increased to \$317.4 million in 2012, from \$266.7 million in 2011. Historically, parts operations gross margins range from 27% to 28% and service and body shop operations range from 67% to 68%. Gross profits from parts sales represented 53% of total gross profit for parts, service and body shop operations in 2012, compared to 52% in 2011. Service and body shop operations represented 47% of total gross profit for parts, service and body shop operations in 2012, compared to 48% in 2011. The Company expects blended gross margins on parts, service and body shop operations to range 38.0% to 40.0% in 2013.

Gross margins on Class 8 truck sales decreased to 6.9% in 2012, from 7.1% in 2011. In 2013, the Company expects overall gross margins from Class 8 truck sales of approximately 6.5% to 7.0%. The Company recorded expense of \$3.3 million to increase its new heavy-duty truck valuation allowance in 2012 and \$1.6 million in 2011.

Gross margins on medium-duty commercial vehicle sales decreased to 4.6% in 2012, from 4.8% in 2011. Gross margins on medium-duty commercial vehicles are difficult to forecast accurately because gross margins vary significantly depending upon the mix of fleet and non-fleet purchasers and types of medium-duty commercial vehicles sold. For 2013, the Company expects overall gross margins from medium-duty commercial vehicle sales of approximately 4.5% to 5.0%, but this will largely depend upon general economic conditions and the mix of purchasers and types of vehicles sold. The Company recorded expense of \$3.9 million to increase its new medium-duty commercial vehicle valuation allowance in 2012, compared to \$1.9 million in 2011.

Gross margins on used commercial vehicle sales decreased to 8.3% in 2012, from 9.4% in 2011. The decrease in the margin is primarily due to a softening used truck market and the mix of products sold in 2012. The Company expects margins on used commercial vehicles to range between 8.0% and 10.0% during 2013 depending upon general economic conditions and

the availability of quality used vehicles. The Company recorded expense of \$5.7 million to increase its used commercial vehicle valuation allowance in 2012, compared to \$2.3 million in 2011.

Gross margins from truck lease and rental sales decreased to 16.0% in 2012, from approximately 16.5% in 2011. The Company expects gross margins from lease and rental sales of approximately 16.0% to 18.0% during 2013, as it expects to continue to grow its lease and rental fleet. The Company's policy is to depreciate its lease and rental fleet using a straight line method over the customer's contractual lease term. The lease unit is depreciated to a residual value that approximates fair value at the expiration of the lease term. This policy results in the Company realizing reasonable gross margins while the unit is in service and a corresponding gain or loss on sale when the unit is sold at the end of the lease term.

Finance and insurance revenues and other income, as described above, have limited direct costs and, therefore, contribute a disproportionate share of gross profit.

Selling, General and Administrative Expenses

Selling, General and Administrative ("SG&A") expenses increased \$55.5 million, or 18.1%, in 2012, compared to 2011. SG&A expenses as a percentage of total revenue decreased to 11.7% in 2012, from 11.9% in 2011. SG&A expenses as a percentage of total revenue have historically ranged from 10.0% to 15.0%. In general, when new and used commercial vehicle revenue decreases as a percentage of total revenue, SG&A expenses as a percentage of total revenue will be at, or exceed, the higher end of this range. For 2013, the Company expects SG&A expenses as a percentage of total revenue to range from 11.0% to 12.0% and the selling portion of SG&A expenses to be approximately 25% to 30% of new and used commercial vehicle gross profit. In 2013, the Company expects the general and administrative portion of SG&A expenses to increase by approximately 10.0% to 15.0% compared to 2012 due primarily to the full year effect of the acquisition that occurred in 2012.

Depreciation and Amortization Expense

Depreciation and amortization expense increased \$4.9 million, or 24.6%, in 2012 compared to 2011. The Company incurred additional amortization expense related to the SAP software that was placed into service in August 2011.

Interest Expense, Net

Net interest expense increased \$5.9 million, or 81.8%, in 2012, compared to 2011. The increase in net interest expense is primarily due to increased truck inventory levels and the fixed interest rates on interest rate swap contracts. In January 2012, the Company's floor plan agreement with GE Capital was amended to decrease interest rates related to floor plan notes payable. Net interest expense in 2013 will depend on inventory levels and cash available for prepayment of floor plan financing.

Income from Continuing Operations before Income Taxes

Income from continuing operations before income taxes increased \$11.0 million in 2012, compared to 2011, as a result of the factors described above.

Income Taxes

Income taxes increased \$3.8 million in 2012, compared to 2011. The Company provided for taxes at a 38.3% effective rate in 2012 compared to an effective rate of 38.8% in 2011. The Company expects its effective tax rate to be approximately 37% to 39% of pretax income in 2013.

Year Ended December 31, 2011 Compared to Year Ended December 31, 2010**Revenues**

Revenues increased \$1,082.7 million, or 72.3%, in 2011, compared to 2010. Sales of new and used commercial vehicles increased \$875.4 million, or 94.5%, in 2011, compared to 2010. Our parts, service and body shop revenues increased \$186.0 million, or 38.0%, in 2011, compared to 2010, primarily due to continued aging of commercial vehicles in operation, strong activity by our energy sector customers and acquisitions that occurred during 2010 and 2011.

The Company sold 9,052 heavy-duty trucks in 2011, a 90.7% increase compared to 4,746 heavy-duty trucks in 2010. The U.S. Class 8 truck market increased 58.0% in 2011, compared to 2010. The Company's share of the U.S. Class 8 truck sales market was approximately 5.2% in 2011.

The Company sold 5,469 medium-duty commercial vehicles, including 1,074 buses, in 2011, a 93.9% increase compared to 2,820 medium-duty commercial vehicles, including 457 buses, in 2010. Unit sales of Class 4 through 7 commercial vehicles in the U.S. increased approximately 23.0% in 2011, compared to 2010. In 2011, the Company achieved a 3.8% share of the Class 4 through 7 commercial vehicle sales market in the U.S.

The Company sold 1,019 light-duty vehicles in 2011, a 793.9% increase compared to 114 light-duty vehicles in 2010.

The Company sold 4,649 used commercial vehicles in 2011, a 34.3% increase compared to 3,461 used commercial vehicles in 2010.

Truck lease and rental revenues increased \$16.0 million, or 23.7%, in 2011, compared to 2010. The increase in lease and rental revenue is consistent with management's expectations, which are based upon the increased number of units put into service in the lease and rental fleet during 2010 and 2011 and increasing rental fleet utilization.

Finance and insurance revenues increased \$2.9 million, or 37.2%, in 2011, compared to 2010. The increase in finance and insurance revenue is primarily a result of the increase in new and used commercial vehicle sales. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of the Company's operating profits.

Other income increased \$2.3 million, or 34.7% in 2011, compared to 2010. Other income consists primarily of the gain on sale realized on trucks from the lease and rental fleet, document fees related to commercial vehicle sales and mineral royalties.

Gross Profit

Gross profit increased \$138.4 million, or 48.6%, in 2011, compared to 2010. Gross profit as a percentage of sales decreased to 16.4% in 2011, from 19.0% in 2010. This decrease in gross profit as a percentage of sales is primarily a result of a change in our product sales mix. Commercial vehicle sales, a lower margin revenue item, increased as a percentage of total revenue to 69.8% in 2011, from 61.9% in 2010. Parts and service revenue, a higher margin revenue item, decreased as a percentage of total revenue to 26.2% in 2011, from 32.7% in 2010.

Gross margins from the Company's parts, service and body shop operations increased to 39.5% in 2011, from 38.5% in 2010. Gross profit for the parts, service and body shop departments increased to \$266.7 million in 2011, from \$188.5 million in 2010. Gross profits from parts sales represented 52% of total gross profit for parts, service and body shop operations in 2011, compared to 53% in 2010. Service and body shop operations represented 48% of total gross profit for parts, service and body shop operations in 2011, compared to 47% in 2010.

Gross margins on Class 8 truck sales decreased to 7.1% in 2011, from 7.4% in 2010. The Company recorded expense of \$1.6 million to increase its new heavy-duty truck valuation allowance in 2011, compared to \$1.9 million in 2010.

Gross margins on medium-duty commercial vehicle sales decreased to 4.8% in 2011, from 5.6% in 2010. Gross margins on medium-duty commercial vehicles are difficult to forecast accurately because gross margins vary significantly depending upon the mix of fleet and non-fleet purchasers and types of medium-duty commercial vehicles sold. The Company recorded expense of \$1.9 million to increase its new medium-duty commercial vehicle valuation allowance in 2011, compared to \$0.6 million in 2010.

Gross margins on used commercial vehicle sales decreased to 9.4% in 2011, from 12.2% in 2010. The Company recorded expense of \$2.3 million to increase its used commercial vehicle valuation allowance in 2011, compared to \$1.5 million in 2010.

Gross margins from truck lease and rental sales increased to 16.5% in 2011, from approximately 14.9% in 2010. The increase in lease and rental gross profit was primarily attributable to increased utilization of vehicles in the Company's rental fleet and increased variable rental revenue that is based on the miles that vehicles being leased are driven.

Selling, General and Administrative Expenses

SG&A expenses increased \$78.8 million, or 34.6%, in 2011, compared to 2010. SG&A expenses as a percentage of total revenue decreased to 11.9% in 2011, from 15.2% in 2010.

Depreciation and Amortization Expense

Depreciation and amortization expense increased \$4.4 million, or 27.8%, in 2011 compared to 2010. The increase in depreciation and amortization expense in 2011 was partially due to the acceleration of depreciation of the leasehold improvements related to the relocation of the Company's dealership in Orlando, Florida. The Company incurred additional amortization expense of approximately \$1.2 million during the third and fourth quarter of 2011 related to the SAP software that was placed into service in August 2011.

Interest Expense, Net

Net interest expense increased \$1.8 million, or 33.5%, in 2011, compared to 2010. The increase in net interest expense is primarily due to increased truck inventory levels and the Company entering into a new floor plan agreement with GE Capital at the end of 2010, which increased interest rates related to floor plan notes payable during 2011.

Income from Continuing Operations before Income Taxes

Income from continuing operations before income taxes increased \$53.9 million in 2011, compared to 2010, as a result of the factors described above.

Income Taxes

Income taxes increased \$23.2 million in 2011, compared to 2010. The Company provided for taxes at a 38.8% effective rate in 2011 compared to an effective rate of 39.0% in 2010, prior to the application of alternative fuel tax credits. In 2010, the Company received \$2.5 million in tax credits for sales of alternative fuel vehicles to tax-exempt entities.

Income from Discontinued Operations, Net

Income from discontinued operations, net of income taxes decreased \$6.7 million in 2011 compared to 2010. Income from discontinued operations during 2010 included operating results and a gain of \$10.1 million on the disposition for the Company's construction equipment business, which was sold in September 2010.

Effects of Inflation

Inflationary factors such as increases in the cost of products and overhead costs may adversely affect the Company's operating results. Although the Company does not believe that inflation had a material impact on its financial position or results of operations to date, a high rate of inflation in the future may have an adverse effect on its ability to maintain current levels of gross margin and selling, general and administrative expenses as a percentage of revenues if the selling prices of our products do not increase with these increased costs.

Liquidity and Capital Resources

The Company's short-term cash requirements are primarily for working capital, inventory financing, the improvement and expansion of existing facilities and the construction or purchase of new facilities. Historically, these cash requirements have been met through the retention of profits, borrowings under our floor plan arrangements and bank financings. As of December 31, 2012, the Company had working capital of approximately \$217.6 million, including \$198.8 million in cash available to fund our operations. The Company believes that these funds are sufficient to meet its operating requirements for at least the next twelve months.

The Company has a secured line of credit that provides for a maximum borrowing of \$10.0 million. There were no advances outstanding under this secured line of credit at December 31, 2012, however, \$7.6 million was pledged to secure various letters of credit related to self-insurance products, leaving \$2.4 million available for future borrowings as of December 31, 2012.

The Company's long-term real estate debt agreements require the Company to satisfy various financial ratios such as the debt to worth ratio, leverage ratio and the fixed charge coverage ratio and certain requirements for tangible net worth and GAAP net worth. As of December 31, 2012, the Company was in compliance with all debt covenants related to debt secured by real estate and lease and rental units and its floor plan credit agreement. The Company does not anticipate any breach of the covenants in the foreseeable future.

The Company expects to purchase or lease trucks worth approximately \$125.0 million for its leasing operations during 2013, depending on customer demand, all of which will be financed. The Company also expects to make capital expenditures for recurring items such as computers, shop tools and equipment and vehicles of approximately \$15.0 million to \$18.0 million during 2013.

The Company is currently under contract to construct a dealership facility in Ardmore, Oklahoma at an estimated cost of \$4.9 million. The construction project is estimated to continue through the first quarter of 2013.

The Company is currently under contract to construct a dealership facility in Corpus Christi, Texas at an estimated cost of \$6.6 million. The construction project is estimated to continue through the third quarter of 2013.

The Company currently anticipates funding its capital expenditures relating to the improvement and expansion of existing facilities and recurring expenses, as well as a portion of the construction or purchase of new facilities, through its operating cash flow. The Company may finance 70% to 80% of the appraised value of any newly constructed or purchased facilities, which would increase the Company's cash and cash equivalents by that amount.

On February 1, 2013, the Company's Board of Directors approved a stock repurchase program authorizing the Company to repurchase, from time to time, up to an aggregate of \$40.0 million of its shares of Class A common stock and/or Class B common stock. Repurchases will be made at times and in amounts as the Company deems appropriate and will be made through open market transactions, privately negotiated transactions and other lawful means. The manner, timing and amount of any repurchases will be determined by the Company based on an evaluation of market conditions, stock price and other factors. The stock repurchase program expires on February 12, 2014, and may be suspended or discontinued at any time. While the stock repurchase program does not obligate the Company to acquire any particular amount or class of common stock, the Company anticipates that it will be repurchasing primarily shares of its Class B common stock.

The Company has no other material commitments for capital expenditures as of December 31, 2012, except that the Company will continue to purchase vehicles for its lease and rental division and authorize capital expenditures for improvement and expansion of its existing dealership facilities and construction or purchase of new facilities based on market opportunities.

Cash Flows

Cash and cash equivalents decreased by \$9.0 million during the year ended December 31, 2012, and increased by \$38.8 million during the year ended December 31, 2011. The major components of these changes are discussed below. Cash flows from discontinued operations are included in the components of the statement of cash flows as described below.

Cash Flows from Operating Activities

Cash flows from operating activities include net income adjusted for non-cash items and the effects of changes in working capital. During 2012, operating activities resulted in net cash provided by operations of \$219.3 million. Cash provided by operating activities was primarily a result of the decreased levels of inventory, net of acquisitions, the decrease in accounts receivable, the increase in the provision for deferred taxes and the increase in floor plan notes payable, trade, offset by the decrease in accrued expenses. The majority of commercial vehicle inventory is financed through the Company's floor plan credit agreements.

In June 2012, the Company entered into a wholesale financing agreement with Ford Motor Credit Company that provides for the financing of, and is collateralized by, the Company's Ford new vehicle inventory. This wholesale financing agreement bears interest at a rate of Prime plus 150 basis points minus certain incentives and rebates; however, the prime rate is defined to be a minimum of 3.75%. As of December 31, 2012, the interest rate on the wholesale financing agreement was 5.25% before considering the applicable incentives. As of December 31, 2012, the Company had an outstanding balance of \$34.5 million under

the Ford Motor Credit Company wholesale financing agreement.

During 2011, operating activities resulted in net cash used in operations of \$81.4 million. Cash used in operating activities was primarily impacted by the increased levels of inventory and the increase in accounts receivable, offset by increases in accounts payable and accrued expenses.

Cash Flows from Investing Activities

During 2012, cash used in investing activities was \$274.3 million. Cash flows used in investing activities consist primarily of cash used for capital expenditures and a business acquisition. Capital expenditures of \$171.0 million consisted of purchases of property and equipment and improvements to our existing dealership facilities. Property and equipment purchases during 2012 consisted of \$128.1 million for additional units for the rental and leasing operations, which was directly offset by borrowings of long-term debt. The Company expects to purchase or lease trucks worth approximately \$125.0 million for its leasing operations in 2013, depending on customer demand, all of which will be financed. Cash used in the business acquisition was \$104.6 million during the year ended December 31, 2012. See Note 15 of the Notes to Consolidated Financial Statements for a detailed discussion of the business acquisition. During 2013, the Company expects to make capital expenditures for recurring items such as computers, shop equipment and vehicles of \$15.0 million to \$18.0 million.

During 2011, cash used in investing activities was \$231.8 million. Capital expenditures of \$148.5 million consisted of purchases of property and equipment and improvements to our existing dealership facilities. Property and equipment purchases during 2011 consisted of \$97.3 million for additional units for the rental and leasing operations, which was directly offset by borrowings of long-term debt. Cash used in business acquisitions was \$94.7 million during the year ended December 31, 2011. See Note 15 of the Notes to Consolidated Financial Statements for a detailed discussion of these acquisitions.

Cash Flows from Financing Activities

Cash flows used in financing activities include borrowings and repayments of long-term debt and net payments of floor plan notes payable. Cash provided by financing activities was \$46.0 million during 2012. The Company had borrowings of long-term debt of \$144.6 million and repayments of long-term debt and capital lease obligations of \$84.7 million during 2012. The Company had net payments of floor plan notes payable, non-trade of \$20.7 million during 2012. The borrowings of long-term debt were primarily related to units for the rental and leasing operations.

Cash provided by financing activities was \$352.0 million during 2011. The Company had borrowings of long-term debt of \$144.5 million and repayments of long-term debt and capital lease obligations of \$82.3 million during 2011. The Company had net borrowings of floor plan notes payable of \$282.9

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

million during 2011. The borrowings of long-term debt were primarily related to units for the rental and leasing operations and purchase and refinancing of real estate.

Substantially all of the Company's commercial vehicle purchases are made on terms requiring payment to the manufacturer within 15 days or less from the date the commercial vehicles are invoiced from the factory. On January 31, 2012, the Company entered into an amended and restated \$600.0 million credit agreement with GE Capital. The interest rate under the amended credit agreement is LIBOR plus 2.23% on inventory loans up to \$500.0 million and LIBOR plus 2.95% on inventory loans exceeding \$500.0 million. The amended credit agreement allows the Company to prepay inventory loans, provided that the prepayment does not exceed the sum of 38% of the aggregate inventory loans made up to \$500.0 million plus 100% of the inventory loans above \$500.0 million. GE Capital may terminate this credit agreement without cause upon 120 days notice. The Company makes monthly interest payments to GE Capital on the amount financed, but is not required to commence loan principal repayments on any vehicle until such vehicle has been financed for 12 months or was sold, whichever occurs first. On December 31, 2012, the Company had approximately \$500.0 million outstanding under its credit agreement with GE Capital.

Navistar Financial Corporation and Peterbilt offer trade terms that provide an interest free inventory stocking period for certain new commercial vehicles. If the commercial vehicle is not sold within the interest free period, the Company then finances the commercial vehicle under the GE Capital credit agreement.

Cyclicality

The Company's business is dependent on a number of factors relating to general economic conditions, including fuel prices, interest rate fluctuations, credit availability, economic recessions and customer business cycles. Unit sales of new commercial vehicles have historically been subject to substantial cyclical variation based on these general economic conditions and environmental and other government regulations. For example, according to data published by A.C.T. Research, in recent years total U.S. retail sales of new Class 8 trucks have ranged from a low of approximately 97,000 in 2009 to a high of approximately 291,000 in 2006. Through geographic expansion, concentration on higher margin parts and service operations and diversification of its customer base, the Company continues to try to reduce the negative impact that adverse general economic conditions or cyclical trends affecting the commercial vehicle industry could have.

Off-Balance Sheet Arrangements

Other than operating leases, the Company does not have any obligation under any transaction, agreement or other contractual arrangement to which an entity unconsolidated with the Company is a party, that has or is reasonably likely to have a material effect on the Company's financial condition,

changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors. A summary of our operating lease obligations by fiscal year is included in the "Contractual Obligations" section below.

Contractual Obligations

The Company has certain contractual obligations that will impact its short and long-term liquidity. At December 31, 2012, such obligations were as follows (in thousands):

Contractual Obligations	Total	Payments Due by Period			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations(1)	\$ 399,664	\$ 80,029	\$ 155,588	\$ 133,584	\$ 30,463
Capital lease obligations(2)	54,609	12,177	20,826	12,234	9,372
Operating lease obligations(3)	32,438	8,888	10,636	5,865	7,049
Floor plan debt obligation	534,520	534,520	—	—	—
Interest obligations(4)	53,719	27,084	19,027	6,977	631
Purchase obligations(5)	16,878	10,778	2,520	1,080	2,500
Total	\$1,091,828	\$ 673,476	\$ 208,597	\$ 159,740	\$ 50,015

- (1) Refer to Note 8 of Notes to Consolidated Financial Statements.
- (2) Refer to Note 10 of Notes to Consolidated Financial Statements. Amounts include interest.
- (3) Refer to Note 10 of Notes to Consolidated Financial Statements.
- (4) In computing interest expense, the Company used its weighted average interest rate outstanding on fixed rate debt to estimate its interest expense on fixed rate debt. The Company used its weighted average variable interest rate on outstanding variable rate debt at December 31, 2012, and added 0.25 percent per year to estimate its interest expense on variable rate debt.
- (5) Purchase obligations represent non-cancelable contractual obligations at December 31, 2012 related to the Company's construction contracts for facilities in Ardmore, Oklahoma and Corpus Christi, Texas, the Company's contract with Titan Technology Partners for integration and management services related to the SAP enterprise software and dealership management system implementation and SAP America, Inc. with respect to the Software License Agreement for the SAP enterprise software and dealership management system.

Quantitative and Qualitative Disclosures about Market Risk

Market risk represents the risk of loss that may impact the financial position, results of operations, or cash flows of the Company due to adverse changes in financial market prices, including interest rate risk, and other relevant market rate or price risks.

The Company is exposed to some market risk through interest rates related to our floor plan financing agreements, variable rate real estate debt and discount rates related to finance sales. The majority of the Company's floor plan debt and variable rate real estate debt is based on LIBOR. As of December 31, 2012, the Company had floor plan borrowings and variable interest rate real estate debt of approximately \$615.0 million. Assuming an increase or decrease in LIBOR of 100 basis points, annual interest expense could correspondingly increase or decrease by approximately \$6.2 million.

The Company submits all customer financing opportunities to various finance providers that offer financing to the Company's customers. The Company receives all finance charges in excess of a negotiated discount rate from the finance providers in the month following the date of the financing. The negotiated discount rate is variable, thus subject to interest rate fluctuations. This interest rate risk is mitigated by the Company's ability to pass discount rate increases to customers through higher financing rates.

The Company is exposed to some market risk through interest rate swaps on some of the Company's variable interest rate real estate debt. As of December 31, 2012, the Company had interest rate swaps with a total notional amount of \$41.7 million. The swaps were designed to provide a hedge against changes in interest rates on some of the Company's variable interest rate real estate debt. The swaps are collateralized by the underlying real estate. These interest rate swaps qualify for cash flow hedge accounting treatment and are considered effective. For additional information about the effect of the Company's derivative instruments on the accompanying consolidated financial statements, see Note 9 – Financial Instruments and Fair Value of the Notes to Consolidated Financial Statements.

The Company is also exposed to some market risk through interest rates related to the investment of our current cash and

cash equivalents which totaled \$198.8 million on December 31, 2012. These funds are generally invested in variable interest rate instruments in accordance with the Company's investment policy. As such instruments mature and the funds are reinvested, we are exposed to changes in market interest rates. This risk is mitigated by management's ongoing evaluation of the best investment rates available for current and noncurrent high quality investments. If market interest rates were to increase or decrease immediately and uniformly by 100 basis points, the Company's annual interest income could correspondingly increase or decrease by approximately \$2.0 million.

In the past, the Company invested in interest-bearing short-term investments consisting of investment-grade auction rate securities classified as available-for-sale. Auctions for investment grade securities held by the Company have failed. The auction rate securities continue to pay interest in accordance with the terms of the underlying security; however, liquidity will be limited until there is a successful auction or until such time as other markets for these investments develop.

As of December 31, 2012, the Company holds auction rate securities, with underlying tax-exempt municipal bonds that mature in 2030, that have a fair value of \$6.6 million. Given the current market conditions in the auction rate securities market, if the Company determines that the fair value of these securities temporarily decreases by an additional 10%, the Company's equity could correspondingly decrease by approximately \$0.7 million. If it is determined that the fair value of these securities is other-than-temporarily impaired by 10%, the Company could record a loss on its Consolidated Statements of Operations of approximately \$0.7 million. For further discussion of the risks related to our auction rate securities, see Note 9 – Financial Instruments and Fair Value of the Notes to Consolidated Financial Statements.

The Board of Directors and Shareholders of Rush Enterprises, Inc.

We have audited the accompanying consolidated balance sheets of Rush Enterprises, Inc. and subsidiaries (“the Company”) as of December 31, 2012 and 2011, and the related consolidated statements of income, comprehensive income, shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2012. These financial statements are the responsibility of the Company’s management. Our responsibility is to express an opinion on these financial statements based on our audits.

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

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Rush Enterprises, Inc. and subsidiaries at December 31, 2012 and 2011, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2012, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Rush Enterprises, Inc.’s internal control over financial reporting as of December 31, 2012, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission and our report dated March 15, 2013 expressed an unqualified opinion thereon.

Ernst & Young LLP
San Antonio, Texas
March 15, 2013

CONSOLIDATED BALANCE SHEETS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

	Year Ended December 31,	
(In thousands, except shares and per share amounts)	2012	2011
Assets		
Current assets:		
Cash and cash equivalents	\$ 198,773	\$ 207,775
Accounts receivable, net	89,615	98,160
Inventories, net	690,953	649,626
Prepaid expenses and other	12,088	12,158
Deferred income taxes, net	14,630	12,286
Total current assets	1,006,059	980,005
Investments	6,628	6,628
Property and equipment, net	622,112	499,667
Goodwill, net	198,257	182,612
Other assets, net	48,510	48,789
Total assets	\$ 1,881,566	\$ 1,717,701
Liabilities and shareholders' equity		
Current liabilities:		
Floor plan notes payable	\$ 534,520	\$ 520,693
Current maturities of long-term debt	80,030	63,465
Current maturities of capital lease obligations	10,673	10,056
Trade accounts payable	62,270	62,299
Accrued expenses	100,953	134,278
Total current liabilities	788,446	790,791
Long-term debt, net of current maturities	319,634	264,822
Capital lease obligations, net of current maturities	39,300	35,498
Other long-term liabilities	2,484	2,233
Deferred income taxes, net	123,756	93,123
Shareholders' equity:		
Preferred stock, par value \$.01 per share; 1,000,000 shares authorized; 0 shares outstanding in 2012 and 2011	—	—
Common stock, par value \$.01 per share; 60,000,000 class A shares and 20,000,000 class B shares authorized; 27,999,068 class A shares and 10,792,223 class B shares outstanding in 2012; and 27,406,424 class A shares and 10,776,697 class B shares outstanding in 2011	404	398
Additional paid-in capital	222,627	208,569
Treasury stock, at cost: 1,639,843 class B shares	(17,948)	(17,948)
Retained earnings	404,619	342,164
Accumulated other comprehensive loss, net of tax	(1,756)	(1,949)
Total shareholders' equity	607,946	531,234
Total liabilities and shareholders' equity	\$ 1,881,566	\$ 1,717,701

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF INCOME

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

Year Ended December 31,

(In thousands, except shares and per share amounts)	2012	2011	2010
Revenues:			
New and used commercial vehicle sales	\$ 2,149,335	\$ 1,801,964	\$ 926,584
Parts and service sales	817,280	675,277	489,259
Lease and rental	100,247	83,426	67,423
Finance and insurance	13,638	10,867	7,922
Other	10,067	9,077	6,739
Total revenues	3,090,567	2,580,611	1,497,927
Cost of products sold:			
New and used commercial vehicle sales	2,005,776	1,679,170	854,879
Parts and service sales	499,850	408,544	300,783
Lease and rental	84,174	69,620	57,375
Total cost of products sold	2,589,800	2,157,334	1,213,037
Gross profit	500,767	423,277	284,890
Selling, general and administrative	361,727	306,273	227,467
Depreciation and amortization	25,016	20,084	15,720
Gain (loss) on sale of assets	176	418	(36)
Operating income	114,200	97,338	41,667
Interest income (expense):			
Interest income	21	20	127
Interest expense	(13,038)	(7,181)	(5,490)
Total interest expense, net	13,017	7,161	5,363
Income from continuing operations before taxes	101,183	90,177	36,304
Provision for income taxes	38,728	34,964	11,737
Income from continuing operations	62,455	55,213	24,567
Income from discontinued operations, net of tax	—	—	6,715
Net income	\$ 62,455	\$ 55,213	\$ 31,282
Earnings per common share - Basic:			
Income from continuing operations	\$ 1.62	\$ 1.46	\$ 0.66
Net income	\$ 1.62	\$ 1.46	\$ 0.84
Earnings per common share - Diluted:			
Income from continuing operations	\$ 1.57	\$ 1.42	\$ 0.64
Net income	\$ 1.57	\$ 1.42	\$ 0.82

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

	Year Ended December 31,		
(in thousands)	2012	2011	2010
Net income	\$ 62,455	\$ 55,213	\$ 31,282
Other comprehensive income (loss) before tax and net of reclassification adjustments:			
Change in fair value of interest rate swaps	317	(1,868)	(364)
Unrealized loss on available-for-sale securities	—	(947)	—
Other comprehensive income (loss), before tax	317	(2,815)	(364)
Income tax expense (benefit) related to components of other comprehensive income	124	(1,088)	(142)
Other comprehensive income (loss), net of tax	193	(1,727)	(222)
Comprehensive income	\$ 62,648	\$ 53,486	\$ 31,060

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

(in thousands)	Common Stock Shares Outstanding		\$.01 Par Value	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Class A	Class B						
Balance, December 31, 2009	26,438	10,689	\$ 388	\$ 188,116	\$ (17,948)	\$ 255,669	\$ —	\$ 426,225
Stock options exercised								
(including tax benefit of \$885)	212	11	2	2,486				2,488
Stock-based compensation related								
to stock options, restricted shares								
and employee stock purchase plan				4,468				4,468
Vesting of restricted share awards	83		1	(1)				—
Issuance of common stock under								
employee stock purchase plan	66			678				678
Other comprehensive income (loss)							(222)	(222)
Net income						31,282		31,282
Balance, December 31, 2010	26,799	10,700	391	195,747	(17,948)	286,951	(222)	464,919
Stock options exercised								
(including tax benefit of \$1,993)	455	77	5	6,303				6,308
Stock-based compensation related								
to stock options, restricted shares								
and employee stock purchase plan				5,683				5,683
Vesting of restricted share awards	90		1	(1)				—
Issuance of common stock under								
employee stock purchase plan	62		1	837				838
Other comprehensive income (loss)							(1,727)	(1,727)
Net income						55,213		55,213
Balance, December 31, 2011	27,406	10,777	398	208,569	(17,948)	342,164	(1,949)	531,234
Stock options exercised and stock								
awards (including tax								
benefit of \$1,668)	439	15	4	5,722				5,726
Stock-based compensation related								
to stock options, restricted shares								
and employee stock purchase plan				7,332				7,332
Vesting of restricted share awards	83		1	(62)				(61)
Issuance of common stock under								
employee stock purchase plan	71		1	1,066				1,067
Other comprehensive income (loss)							193	193
Net income						62,455		62,455
Balance, December 31, 2012	27,999	10,792	\$ 404	\$ 222,627	\$ (17,948)	\$ 404,619	\$(1,756)	\$ 607,946

The accompanying notes are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENTS OF CASH FLOWS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

	Year Ended December 31,		
(in thousands)	2012	2011	2010
Cash flows from operating activities:			
Net income	\$ 62,455	\$ 55,213	\$ 31,282
Adjustments to reconcile net income to net cash provided by (used in) operating activities-			
Depreciation and amortization	73,289	56,934	45,920
Gain on sale of property and equipment, net	(176)	(418)	(36)
Gain on disposition of equipment centers	—	—	(10,091)
Stock-based compensation expense related to employee stock options and employee stock purchases	7,332	5,683	4,468
Provision for deferred income tax expense	28,164	28,680	10,215
Excess tax benefits from stock-based compensation	(1,668)	(1,628)	(885)
Change in accounts receivable, net	14,184	(49,986)	(217)
Change in inventories	32,579	(268,178)	(48,548)
Change in prepaid expenses and other, net	558	1,999	(10,252)
Change in trade accounts payable	(29)	24,366	15,331
Draws on floor plan notes payable—trade, net	34,504	—	—
Change in accrued expenses	(31,856)	65,966	29,246
Net cash provided by (used in) operating activities	219,336	(81,369)	66,433
Cash flows from investing activities:			
Acquisition of property and equipment	(170,951)	(148,543)	(84,303)
Proceeds from the sale of property and equipment	1,249	10,692	305
Business acquisitions	(104,571)	(94,630)	(39,268)
Proceeds from disposition of equipment centers	—	—	26,234
Other	(24)	655	325
Net cash used in investing activities	(274,297)	(231,826)	(96,707)
Cash flows from financing activities:			
Draws (payments) on floor plan notes payable—non-trade, net	(20,677)	282,883	43,724
Proceeds from long-term debt	144,639	144,457	66,614
Principal payments on long-term debt	(73,151)	(68,299)	(55,575)
Principal payments on capital lease obligations	(11,584)	(14,048)	(7,595)
Proceeds from issuance of shares relating to employee stock options and employee stock purchases	5,064	5,518	2,281
Excess tax benefits (provision) from stock-based compensation	1,668	1,628	885
Debt issuance costs	—	(145)	(179)
Net cash provided by financing activities	45,959	351,994	50,155
Net (decrease) increase in cash and cash equivalents	(9,002)	38,799	19,881
Cash and cash equivalents, beginning of year	207,775	168,976	149,095
Cash and cash equivalents, end of year	\$ 198,773	\$ 207,775	\$ 168,976
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	\$ 23,275	\$ 15,237	\$ 13,264
Income taxes, net of refunds	\$ 7,122	\$ 2,032	\$ 7,544
Noncash investing and financing activities:			
Note receivable related to disposition of equipment centers	\$ —	\$ —	\$ 4,453
Assets acquired under capital leases	\$ 15,892	\$ 17,400	\$ 15,353

The accompanying notes are an integral part of these consolidated financial statements.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

NOTE 1. ORGANIZATION AND OPERATIONS:

Rush Enterprises, Inc. (the "Company") was incorporated in 1965 under the laws of the State of Texas. The Company operates a network of commercial vehicle dealerships that primarily sell commercial vehicles manufactured by Peterbilt, International, Hino, Ford, Isuzu, Mitsubishi Fuso, IC Bus or Blue Bird. Through its dealership network, the Company provides one-stop service for the needs of its customers, including retail sales of new and used commercial vehicles, aftermarket parts sales, service and repair facilities, financing, leasing and rental, and insurance products. The Company's Rush Truck Centers are located in Alabama, Arizona, California, Colorado, Florida, Georgia, Idaho, New Mexico, North Carolina, Ohio, Oklahoma, Oregon, Tennessee, Texas and Utah. See Note 19 of the Notes to Consolidated Financial Statements for segment information.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

The consolidated financial statements presented herein include the accounts of Rush Enterprises, Inc. together with our consolidated subsidiaries. All significant inter-company balances and transactions have been eliminated in consolidation.

Estimates in Financial Statements

The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates.

Cash and Cash Equivalents

Cash and cash equivalents generally consist of cash and other money market instruments. The Company considers all highly liquid investments with an original maturity of ninety days or less to be cash equivalents.

Allowance for Doubtful Receivables and Repossession Losses

The Company provides an allowance for doubtful receivables and repossession losses after considering historical loss experience and other factors that might affect the collection of accounts receivable and the ability of customers to meet their obligations on finance contracts sold by the Company.

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined by specific identification of new and used commercial vehicle inventory and by the first-in, first-out method for tires, parts and accessories. An allowance is provided when it is anticipated that cost will exceed net realizable value plus a reasonable profit margin.

Property and Equipment

Property and equipment are stated at cost and depreciated over their estimated useful lives. Leasehold improvements are amortized over the useful life of the improvement, or the term of

the lease, whichever is shorter. Provision for depreciation of property and equipment is calculated primarily on a straight-line basis. The Company capitalizes interest on borrowings during the active construction period of major capital projects. Capitalized interest, when incurred, is added to the cost of underlying assets and is amortized over the estimated useful life of such assets. The Company capitalized interest of approximately \$43,000 related to major capital projects during 2012. The cost, accumulated depreciation and amortization and estimated useful lives are summarized as follows (in thousands):

	2012	2011	Estimated Life (Years)
Land	\$ 69,965	\$ 68,147	—
Buildings and improvements	174,953	162,118	31 - 39
Leasehold improvements	24,710	21,734	2 - 39
Machinery and shop equipment	40,581	34,949	5 - 20
Furniture, fixtures and computers	39,993	30,321	3 - 15
Transportation equipment	40,103	35,126	2 - 15
Lease and rental vehicles	443,035	326,678	2 - 8
Construction in progress	6,605	2,441	
Accumulated depreciation and amortization	(217,833)	(181,847)	
Total	\$ 622,112	\$ 499,667	

As of December 31, 2012, the Company had \$48.6 million in lease and rental vehicles under various capital leases included in property and equipment, net of accumulated amortization of \$20.2 million. The Company recorded depreciation expense of \$62.3 million and amortization expense of \$11.0 million for the year ended December 31, 2012, and depreciation expense of \$48.3 million and amortization expense of \$8.6 million for the year ended December 31, 2011. Depreciation and amortization of vehicles related to lease and rental operations is included in lease and rental cost of products sold.

Goodwill and Other Intangible Assets

Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations accounted for under the purchase method. The Company does not amortize goodwill, but tests goodwill for impairment annually in the fourth quarter, or when indications of potential impairment exist. These indicators would include a significant change in operating performance, or a planned sale or disposition of a significant portion of the business, among other factors. The Company tests for goodwill impairment utilizing a fair value approach at the reporting unit level. A reporting unit is an operating segment, for which discrete financial information is prepared and regularly reviewed by segment management. The Company has deemed its reporting unit to be the Truck Segment, which is the level at which management regularly reviews operating results and makes resource allocation decisions.

The impairment test for goodwill involves comparing the fair value of a reporting unit to its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, a second step is required to measure the goodwill

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

impairment loss. The second step includes hypothetically valuing all the tangible and intangible assets of the reporting unit as if the reporting unit had been acquired in a business combination. Then, the implied fair value of the reporting unit's goodwill is compared to the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, the Company would recognize an impairment loss in an amount equal to the excess, not to exceed the carrying amount. The Company determines the fair values calculated in an impairment test using the discounted cash flow method, which requires assumptions and estimates regarding future revenue, expenses and cash flow projections. The analysis is based upon available information regarding expected future cash flows of its reporting unit discounted at rates consistent with the cost of capital specific to the reporting unit.

No impairment write down was required in the fourth quarter of 2012. However, the Company cannot predict the occurrence of certain events that might adversely affect the reported value of goodwill in the future.

The following table sets forth the change in the carrying amount of goodwill for the Company for the period ended December 31, 2012 (in thousands):

Balance January 1, 2012	\$ 182,612
Adjustment to acquisition of Peck Road Ford	36
Adjustment for franchise rights related to West Texas Peterbilt acquisition	(1,730)
Acquisition of MVI Group (See Note 15)	17,339
Balance December 31, 2012	\$ 198,257

On December 5, 2011, the Company acquired certain assets of West Texas Peterbilt, which consisted of dealerships in Amarillo, Lubbock and Odessa, Texas that offer Peterbilt trucks, parts, service, financing and insurance, a parts and service facility in Dalhart, Texas and a parts facility in Hereford, Texas. The final purchase price allocation includes an adjustment to goodwill of \$1.7 million due to the finalization of the franchise rights valuation during the second quarter of 2012.

Other Assets

The total capitalized costs of the SAP enterprise software and SAP dealership management system of \$40.9 million, including capitalized interest, are recorded on the Consolidated Balance Sheet in Other Assets, net of accumulated amortization of \$4.1 million. The SAP software will be amortized over a period of 15 years. The Company is currently operating most of its Rush Truck Centers in Texas and all of its leasing operations on the SAP enterprise software and SAP dealership management system. The Company plans to convert all of its Rush Truck Centers to the SAP enterprise software and SAP dealership management system by the end of 2014.

Other Assets on the Consolidated Balance Sheet include manufacturer franchise rights of \$4.5 million at December 31, 2012.

Amortization expense relating to intangible assets, primarily

the SAP software, was \$3.0 million for the year ended December 31, 2012, \$1.3 million for the year ended December 31, 2011, and \$0.5 million for the year ended December 31, 2010, and is recognized in depreciation and amortization expense in the Consolidated Statement of Income. The Company estimates that amortization expense relating to intangible assets will be \$3.0 million for each of the next five succeeding years.

The Company's only significant identifiable intangible assets, other than goodwill, are rights under franchise agreements with manufacturers. The fair market value of the Company's manufacturer franchise rights, which are included in Other Assets on the accompanying consolidated balance sheets, is determined at the acquisition date through discounting the projected cash flows specific to each franchise. The Company has determined that manufacturer franchise rights have an indefinite life as there are no economic or other factors that limit their useful lives, and they are expected to generate cash flows indefinitely due to the historically long lives of the manufacturers' brand names. Furthermore, to the extent that any agreements evidencing manufacturer franchise rights would expire, the Company expects that it would be able to renew those agreements in the ordinary course of business. Due to the fact that manufacturer franchise rights are specific to geographic region, the Company has determined that the geographic region is the appropriate level for purposes of testing franchise rights for impairment. The Company does not amortize manufacturer franchise rights.

Management reviews indefinite lived manufacturer franchise rights for impairment annually during the fourth quarter, or more often if events or circumstances indicate that impairment may have occurred. The Company is subject to financial statement risk to the extent that manufacturer franchise rights become impaired due to decreases in fair market value of its individual franchises.

The significant estimates and assumptions used by management in assessing the recoverability of manufacturer franchise rights are estimated future cash flows, present value discount rate, and other factors. Any changes in these estimates or assumptions could result in an impairment charge. The estimates of future cash flows, based on reasonable and supportable assumptions and projections, require management's subjective judgment. Depending on the assumptions and estimates used, the estimated future cash flows projected in the evaluations of manufacturer franchise rights can vary within a range of outcomes.

No impairment write down was required in the fourth quarter of 2012. However, the Company cannot predict the occurrence of certain events that might adversely affect the reported value of manufacturer franchise rights in the future.

Income Taxes

Significant management judgment is required to determine the provisions for income taxes and to determine whether deferred tax assets will be realized in full or in part. Deferred income tax

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. When it is more likely than not that all or some portion of specific deferred income tax assets will not be realized, a valuation allowance must be established for the amount of deferred income tax assets that are determined not to be realizable. Accordingly, the facts and financial circumstances impacting state deferred income tax assets are reviewed quarterly and management's judgment is applied to determine the amount of valuation allowance required, if any, in any given period.

In determining our provision for income taxes, the Company uses an annual effective income tax rate based on annual income, permanent differences between book and tax income, and statutory income tax rates. The effective income tax rate also reflects our assessment of the ultimate outcome of tax audits. The Company adjusts its annual effective income tax rate as additional information on outcomes or events becomes available. Discrete events such as audit settlements or changes in tax laws are recognized in the period in which they occur.

The Company's income tax returns, like those of most companies, are periodically audited by U.S. federal, state and local tax authorities. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions. At any one time, multiple tax years are subject to audit by the various tax authorities. In evaluating the tax benefits associated with the Company's various tax filing positions, it records a tax benefit for uncertain tax positions. A number of years may elapse before a particular matter, for which the Company has established a liability, is audited and effectively settled. The Company adjusts its liability for unrecognized tax benefits in the period in which it determines the issue is effectively settled with the tax authorities, the statute of limitations expires for the relevant taxing authority to examine the tax position, or when more information becomes available. The Company includes its liability for unrecognized tax benefits, including accrued interest, in accrued liabilities on the Company's Consolidated Balance Sheet and in income tax expense in the Company's Consolidated Statement of Income. Unfavorable settlement of any particular issue would require use of the Company's cash and a charge to income tax expense. Favorable resolution would be recognized as a reduction to income tax expense at the time of resolution.

Additionally, despite the Company's belief that its tax return positions are consistent with applicable tax law, management believes that certain positions may be challenged by taxing authorities. Settlement of any challenge can result in no change, a complete disallowance, or some partial adjustment reached through negotiations.

Revenue Recognition Policies

Income on the sale of a vehicle is recognized when the seller and customer execute a purchase contract, delivery has occurred and there are no significant uncertainties related to financing

or collectability. Finance income related to the sale of a vehicle is recognized over the period of the respective finance contract, based on the effective interest rate method, if the finance contract is retained by the Company. During 2012, 2011 and 2010, no finance contracts were retained for any significant length of time by the Company but were generally sold, with limited recourse, to certain finance companies concurrent with the sale of the related vehicle. Finance income is recognized by the Company upon the sale of such finance contracts to the finance companies, net of a provision for estimated repossession losses and early repayment penalties. Lease and rental income is recognized over the period of the related lease or rental agreement. Contingent rental income is recognized when it is earned. Parts and services revenue is earned at the time the Company sells the parts to its customers or at the time the Company completes the service work order related to service provided to the customer's vehicle. Payments received on prepaid maintenance plans are deferred as a component of accrued expenses and recognized as income when the maintenance is performed.

Cost of Sales

For the Company's new and used commercial vehicle operations and its parts operations, cost of sales consists primarily of the Company's actual purchase price, less manufacturer's incentives, for new and used commercial vehicles and parts. The Company is subject to a chargeback of manufacturer incentives for commercial vehicles that are not sold to the customer for which they were ordered. The Company records a liability for a potential chargeback of manufacturer incentives in its financial statements. For the Company's service and body shop operations, technician labor cost is the primary component of cost of sales. For the Company's rental and leasing operations, cost of sales consists primarily of depreciation and amortization, rent, and interest expense on the lease and rental fleet owned and leased by the Company, and the maintenance cost of the lease and rental fleet. There are no costs of sales associated with the Company's finance and insurance revenue or other revenue.

Taxes Assessed by a Governmental Authority

The Company accounts for sales taxes assessed by a governmental authority, that are directly imposed on a revenue-producing transaction, on a net (excluded from revenues) basis.

Selling, General and Administrative Expenses

Selling, general and administrative expenses consist primarily of incentive based compensation for sales, finance and general management personnel, salaries for administrative personnel and expenses for rent, marketing, insurance, utilities, shipping and handling costs and other general operating purposes.

Stock Based Compensation

The Company applies the provisions of ASC topic 718-10, "Compensation – Stock Compensation," which requires the measurement and recognition of compensation expense for all

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

share-based payment awards made to employees and directors including grants of employee stock options, restricted stock units and restricted stock awards as well as employee stock purchases under the Employee Stock Purchase Plan based on estimated fair values.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of share-based payment awards on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods.

Compensation expense for all share-based payment awards is recognized using the straight-line single-option method. Stock-based compensation expense recognized is based on awards ultimately expected to vest and it has been reduced for estimated forfeitures. Forfeitures are estimated at the time of grant and revised, if necessary, in subsequent periods if actual forfeitures differ from those estimates.

The Company's determination of fair value of share-based payment awards on the date of grant using an option-pricing model is affected by the Company's stock price as well as assumptions regarding a number of highly complex and subjective variables. These variables include the Company's expected stock price volatility over the term of the awards and actual and projected stock option exercise behaviors. Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions and are fully transferable. Because the Company's stock options have certain characteristics that are significantly different from traded options, and because changes in the subjective assumptions can materially affect the estimated value, in management's opinion, the existing valuation models may not provide an accurate measure of the fair value that value may not be indicative of the fair value observed in a market transaction between a willing buyer and a willing seller.

The following table reflects the weighted-average fair value of stock options granted during each period using the Black-Scholes option valuation model with the following weighted-average assumptions used:

	2012	2011	2010
Expected stock volatility	53.64%	51.5%	50.7%
Weighted-average stock volatility	53.64%	51.5%	50.7%
Expected dividend yield	0.0%	0.0%	0.0%
Risk-free interest rate	1.11%	2.00%	2.39%
Expected life (years)	5.0	5.0	5.0
Weighted-average fair value of stock options granted	\$ 10.95	\$ 8.68	\$ 5.80

The Company computes its historical stock price volatility in accordance with ASC topic 718-10. The risk-free interest rate for periods within the contractual life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. The dividend yield assumption is based on the Company's history and expectation of dividend payouts. The expected life

of stock options represents the weighted-average period the stock options are expected to remain outstanding.

Advertising Costs

Advertising costs are expensed as incurred. Advertising and marketing expense was \$4.4 million for 2012, \$3.7 million for 2011 and \$2.9 million for 2010. Advertising and marketing expense is included in selling, general and administrative expense.

Accounting for Internal Use Software

The Company's accounting policy with respect to accounting for computer software developed or obtained for internal use is consistent with ASC topic 350-40 which provides guidance on accounting for the costs of computer software developed or obtained for internal use and identifies characteristics of internal-use software. The Company has capitalized software costs, including capitalized interest, of approximately \$40.9 million at December 31, 2012, net of accumulated amortization of \$4.1 million, and \$41.9 million, net of accumulated amortization of \$1.2 million at December 31, 2011.

Insurance

The Company is partially self-insured for a portion of the claims related to its property and casualty insurance programs, requiring it to make estimates regarding expected losses to be incurred. The Company engages a third-party administrator to assess any open claims and the Company adjusts its accrual accordingly on an annual basis. The Company is also partially self-insured for a portion of the claims related to its worker's compensation and medical insurance programs. The Company uses actuarial information provided from third-party administrators to calculate an accrual for claims incurred, but not reported, and for the remaining portion of claims that have been reported.

Derivative Instruments and Hedging Activities

The Company utilizes derivative financial instruments to manage its interest rate risk. The types of risks hedged are those relating to the variability of cash flows and changes in the fair value of the Company's financial instruments caused by movements in interest rates. The Company assesses hedge effectiveness at the inception and during the term of each hedge. Derivatives are reported at fair value on the accompanying Consolidated Balance Sheets.

At December 31, 2012, the Company had an aggregate \$41.7 million notional amount of interest rate swap contracts, which have been designated as cash flow hedges, to pay fixed rates of interest and receive a floating interest rate based on LIBOR. The fixed interest rates specified in the interest rate swap contracts became effective on or about January 1, 2012.

Fair Value Measurements

The Company has various financial instruments that it must measure at fair value on a recurring basis, including certain available for sale securities and derivatives. See Note 9 – Financial Instruments and Fair Value of the Notes to Consolidated

Financial Statements, for further information. The Company also applies the provisions of fair value measurement to various nonrecurring measurements for its financial and nonfinancial assets and liabilities.

Applicable accounting standards define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (an exit price). The Company measures its assets and liabilities using inputs from the following three levels of the fair value hierarchy:

Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date.

Level 2 inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability (i.e., interest rates, yield curves, etc.), and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 includes unobservable inputs that reflect the Company's assumptions about what factors market participants would use in pricing the asset or liability. The Company develops these inputs based on the best information available, including its own data.

New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued an amendment to the existing guidance on the presentation of comprehensive income. Under the amended guidance, entities have the option to present the components of net income and other comprehensive income in either a single continuous statement of comprehensive income or in two separate but consecutive statements. Entities no longer have the option of presenting the components of other comprehensive income within the statement of changes in stockholders' equity. This amendment was effective on a retrospective basis for fiscal years, and interim periods within those years, beginning after December 15, 2011, which was the first quarter of 2012 for the Company. The adoption of this amendment resulted in a change to the Company's current presentation of comprehensive income, but did not have any impact on the Company's consolidated financial statements and related disclosures.

The FASB amended existing guidance by requiring that additional information be disclosed about items reclassified ("reclassification adjustments") out of accumulated other comprehensive income. The additional information includes separately stating the total change for each component of other comprehensive and separately disclosing both current-period other comprehensive income and reclassification adjustments. Entities are also required to present, either on the face of the income statement or in the notes to the financial statements, significant amounts reclassified out of accumulated other comprehensive income as separate line items of net income

but only if the entire amount reclassified must be reclassified to net income in the same reporting period. For amounts that are not required to be reclassified in their entirety to net income, an entity must cross-reference to other disclosures that provide additional detail about those amounts. This accounting standard will be effective for interim and annual periods beginning after December 15, 2012. The Company does not believe the adoption of this update will have a material impact on its financial statements.

NOTE 3. SUPPLIER AND CUSTOMER CONCENTRATION:

Major Suppliers and Dealership Agreements

The Company has entered into dealership agreements with various manufacturers of vehicles ("Manufacturers"). These agreements are nonexclusive agreements that allow the Company to stock, sell at retail and service commercial vehicles and products of the Manufacturers in the Company's defined market. The agreements allow the Company to use the Manufacturers' names, trade symbols and intellectual property and expire as follows:

Manufacturer	Expiration Dates
Peterbilt	March 2013 through August 2015
International	May 2015 through May 2018
Isuzu	Indefinite
Hino	Indefinite
Ford	Indefinite
Blue Bird	August 2013
IC Bus	May 2015 through December 2017

These agreements, as well as agreements with various other Manufacturers, impose a number of restrictions and obligations on the Company, including restrictions on a change in control of the Company and the maintenance of certain required levels of working capital. Violation of these restrictions could result in the loss of the Company's right to purchase the Manufacturers' products and use the Manufacturers' trademarks.

The Company purchases its new Peterbilt vehicles from Peterbilt and most of its parts from PACCAR, Inc., the parent company of Peterbilt, at prevailing prices charged to all franchised dealers. Sales of new Peterbilt trucks accounted for approximately 75.1% of the Company's new vehicle sales for the year ended December 31, 2012, and 74.1% of the Company's new vehicle sales for the year ended December 31, 2011.

Primary Lenders

The Company purchases its new and used commercial vehicle inventories with the assistance of floor plan financing programs. The Company's floor plan financing agreements provide that the occurrence of certain events will be considered events of default. There were no known events of default as of December 31, 2012. In the event that the Company's floor plan financing becomes insufficient, or its relationship with any of its current primary lenders terminates, the Company would need to obtain similar financing from other sources. Management believes it

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

can obtain additional floor plan financing or alternative financing if necessary.

The Company also acquires lease and rental vehicles with the assistance of financing agreements with PACCAR Leasing Company and Bank of America. The financing agreements are secured by a lien on the lease and rental vehicle. The terms of the financing agreements are similar to the corresponding lease agreements with the customers.

The Company's long-term real estate debt agreements and floor plan financing arrangements require the Company to satisfy various financial ratios such as the debt to worth ratio, leverage ratio, the fixed charge coverage ratio and certain requirements for tangible net worth and GAAP net worth. At December 31, 2012, the Company was in compliance with all debt covenants. The Company does not anticipate any breach of the covenants in the foreseeable future.

Concentrations of Credit Risks

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with what it considers to be quality financial institutions based on periodic assessments of such institutions. As of December 31, 2012, the Company did not have any deposits in excess of federal insurance protection.

The Company controls credit risk through credit approvals and by selling a majority of its trade receivables, other than vehicle accounts receivable, without recourse. Concentrations of credit risk with respect to trade receivables are reduced because a large number of geographically diverse customers make up the Company's customer base, thus spreading the trade credit risk. A majority of the Company's business, however, is concentrated in the United States commercial vehicle markets and related aftermarkets.

The Company generally sells finance contracts it enters into with customers to finance the purchase of commercial vehicles

to third parties. These finance contracts are sold both with and without recourse. A majority of the Company's finance contracts are sold without recourse. The Company provides an allowance for doubtful receivables and a reserve for repossession losses related to finance contracts sold. Historically, the Company's allowance and reserve have covered losses inherent in these receivables.

NOTE 4. ACCOUNTS RECEIVABLE:

The Company's accounts receivable, net, consisted of the following (in thousands):

	December 31,	
	2012	2011
Trade accounts receivable		
from sale of vehicles	\$ 40,840	\$ 58,741
Trade receivables other than vehicles	18,893	18,057
Warranty claims	8,762	7,079
Other accounts receivable	22,104	15,243
Less allowance for bad debt and		
warranty receivable	(984)	(960)
Total	\$ 89,615	\$ 98,160

NOTE 5. INVENTORIES:

The Company's inventories consisted of the following (in thousands):

	December 31,	
	2012	2011
New commercial vehicles	\$ 494,496	\$ 488,397
Used commercial vehicles	53,630	48,430
Parts and accessories	141,936	107,745
Other	11,073	10,084
Less allowance	(10,182)	(5,030)
Total	\$ 690,953	\$ 649,626

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

NOTE 6. VALUATION ACCOUNTS:

Valuation and allowance accounts include the following (in thousands):

	Balance Beginning of Year	Net Charged to Costs and Expenses	Acquisitions	Net Write-Offs	Balance End of Year
2012					
Reserve for accounts receivable	\$ 480	\$ 922		\$ (862)	\$ 540
Reserve for warranty receivable	480	334		(370)	444
Reserve for parts inventory	3,406	1,546		(1,609)	3,343
Reserve for commercial vehicle inventory	1,624	12,944		(7,729)	6,839
2011					
Reserve for accounts receivable	\$ 1,040	\$ 627		\$ (1,187)	\$ 480
Reserve for warranty receivable	279	336		(135)	480
Reserve for parts inventory	2,055	1,909	\$ 650	(1,208)	3,406
Reserve for commercial vehicle inventory	1,275	5,807		(5,458)	1,624
2010					
Reserve for accounts receivable	\$ 204	\$ 1,645		\$ (809)	\$ 1,040
Reserve for warranty receivable	553	794		(1,068)	279
Reserve for parts inventory	1,956	1,360	\$ 43	(1,304)	2,055
Reserve for construction equipment inventory	1,497	(1,497)		—	—
Reserve for commercial vehicle inventory	2,909	4,024		(5,658)	1,275

Allowance for Doubtful Receivables

The Company sells a majority of its customer accounts receivable on a non-recourse basis to a third-party that is responsible for qualifying the customer for credit at the point of sale. If the third-party approves the customer for credit, then the third-party assumes all credit risk related to the transaction. The Company provides an allowance for doubtful receivables after considering historical loss experience and other factors that might affect the collection of accounts receivable.

The Company provides an allowance for uncollectible warranty receivables. The Company evaluates the collectability of its warranty claims receivable based on a combination of factors, including aging and correspondence with the applicable manufacturer. Management reviews the warranty claims receivable aging and adjusts the allowance based on historical experience. The Company records charge-offs related to warranty receivables on an as-needed basis.

Inventory

The Company provides a reserve for obsolete and slow moving parts. The reserve is reviewed and, if necessary, adjustments are made on a quarterly basis. The Company relies on historical information to support its reserve. Once the inventory is written down, the Company does not adjust the reserve balance until the inventory is sold.

The valuation for new and used commercial vehicle inventory is based on specific identification. A detail of new and used commercial vehicle inventory is reviewed and, if necessary, adjustments to the value of specific vehicles are made on a quarterly basis.

NOTE 7. FLOOR PLAN NOTES PAYABLE AND LINES OF CREDIT:

Floor Plan Notes Payable

Floor plan notes are financing agreements to facilitate the Company's purchase of new and used commercial vehicles. These notes are collateralized by the inventory purchased and accounts receivable arising from the sale thereof. The Company's credit agreement with GE Capital has the interest rate benchmarked to LIBOR, as defined in the agreement.

The interest rate under the credit agreement is LIBOR plus 2.23% on inventory loans up to \$500.0 million and LIBOR plus 2.95% on inventory loans between \$500.0 million and \$600.0 million. The interest rate applicable to the GE Capital credit agreement was approximately 2.54% at December 31, 2012. The credit agreement allows the Company to prepay inventory loans, provided that the prepayment does not exceed the sum of 38% of the aggregate inventory loans made up to \$500.0 million plus 100% of the inventory loans above \$500.0 million. GE Capital may terminate this credit agreement without cause upon 120 days notice.

The Company finances substantially all of the purchase price of its new commercial vehicle inventory, and the loan value of its used commercial vehicle inventory under the credit agreement with GE Capital, under which GE Capital pays the manufacturer directly with respect to new commercial vehicles. Amounts borrowed under the agreement are due when the related commercial vehicle inventory (collateral) is sold and the sales proceeds are collected by the Company. This agreement may be modified, suspended or terminated by the lender as described in Note 3 – Supplier and Customer Concentration. On December 31, 2012, the Company

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

had approximately \$500.0 million outstanding under its credit agreement with GE Capital.

In June 2012, the Company entered into a wholesale financing agreement with Ford Motor Credit Company that provides for the financing of, and is collateralized by, the Company's Ford new vehicle inventory. This wholesale financing agreement bears interest at a rate of Prime plus 150 basis points minus certain incentives and rebates; however, the prime rate is defined to be a minimum of 3.75%. As of December 31, 2012, the interest rate on the wholesale financing agreement was 5.25% before considering the applicable incentives. On December 31, 2012, the Company had an outstanding balance of \$34.5 million under the Ford Motor Credit Company wholesale financing agreement.

The Company's weighted average interest rate for floor plan notes payable was 1.42% for the year ended December 31, 2012, and 1.00% for the year ended December 31, 2011, which is net of interest income earned from GE Capital.

Assets pledged as collateral were as follows (in thousands):

	December 31,	
	2012	2011
Inventories, new and used vehicles		
at cost based on specific		
identification, net of allowance	\$ 541,287	\$ 536,827
Vehicle sale related accounts receivable	40,840	58,741
Total	\$ 582,127	\$ 595,568
Floor plan notes payable related to vehicles	\$ 534,520	\$ 520,693

Lines of Credit

The Company has a secured line of credit that provides for a maximum borrowing of \$10.0 million. There were no advances outstanding under this secured line of credit at December 31, 2012; however, \$7.4 million was pledged to secure various letters of credit related to self-insurance products, leaving \$2.6 million available for future borrowings as of December 31, 2012.

NOTE 8. LONG-TERM DEBT:

Long-term debt was comprised of the following (in thousands):

	December 31,	
	2012	2011
Variable interest rate term note	\$ 80,463	\$ 130,092
Fixed interest rate term notes	319,201	198,195
Total debt	399,664	328,287
Less: current maturities	(80,030)	(63,465)
Total	\$ 319,634	\$ 264,822

As of December 31, 2012, debt maturities were as follows (in thousands):

2013	80,030
2014	70,693
2015	84,895
2016	86,199
2017	47,385
Thereafter	30,462
Total	\$ 399,664

The interest rates on the Company's variable interest rate notes are based on LIBOR. The interest rates on the notes range from approximately 1.7% to 3.1% on December 31, 2012. Payments on the notes range from \$1,910 to \$80,000 per month, plus interest. Maturities of these notes range from May 2013, to December 2017.

The Company's fixed interest rate notes are with financial institutions and had interest rates that ranged from approximately 3.11% to 8.50% on December 31, 2012. Payments on the notes range from \$233 to \$94,697 per month, plus interest. Maturities of these notes range from January 2013, to November 2021.

The proceeds from the issuance of the notes were used primarily to acquire land, buildings and improvements, transportation equipment and leasing vehicles. The notes are secured by the assets acquired with the proceeds of such notes.

The Company's long-term real estate debt agreements and floor plan arrangement require the Company to satisfy various financial ratios such as the debt to worth ratio, leverage ratio, the fixed charge coverage ratio and certain requirements for tangible net worth and GAAP net worth. At December 31, 2012, the Company was in compliance with all debt covenants related to debt secured by real estate. The Company does not anticipate any breach of the covenants in the foreseeable future.

NOTE 9. FINANCIAL INSTRUMENTS AND FAIR VALUE:

The Company measures certain financial assets and liabilities at fair value on a recurring basis. Financial instruments consist primarily of cash, accounts receivable, accounts payable and floor plan notes payable. The carrying values of the Company's financial instruments approximate fair value due either to their short-term nature or existence of variable interest rates, which approximate market rates. Certain methods and assumptions were used by the Company in estimating the fair value of financial instruments at December 31, 2012 and 2011. The carrying value of current assets and current liabilities approximates the fair value due to the short maturity of these items.

The fair value of the Company's long-term debt is based on secondary market indicators. Since the Company's debt is not quoted, estimates are based on each obligation's characteristics, including remaining maturities, interest rate, credit rating, collateral and liquidity. Accordingly, the Company concluded the valuation measurement inputs of its long-term debt to represent, at its lowest level, current market interest rates available to the Company for similar debt and the Company's current credit standing and has categorized such debt within Level 2 of the hierarchy framework.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

The carrying amount approximates fair value.

If investments are deemed to be impaired, the Company determines whether the impairment is temporary or other than temporary. If the impairment is deemed to be temporary, the Company records an unrealized loss in other comprehensive income. If the impairment is deemed other than temporary, the Company records the impairment in the Company's consolidated statement of income.

In prior years, the Company invested in interest-bearing short-term investments primarily consisting of investment-grade auction rate securities classified as available-for-sale and reported at fair value. These types of investments were designed to provide liquidity through an auction process that reset the applicable interest rates at predetermined periods ranging from 1 to 35 days. This reset mechanism was intended to allow existing investors to continue to own their respective interest in the auction rate security or to gain immediate liquidity by selling their interests at par.

Auctions for investment grade securities held by the Company have failed. However, a failed auction does not represent a default by the issuer. The auction rate securities continue to pay interest in accordance with the terms of the underlying security; however, liquidity will be limited until there is a successful auction or until such time as other markets for these investments develop. The Company has the intent and ability to hold these auction rate securities until liquidity returns to the market. The Company does not believe that the lack of liquidity relating to its auction rate securities will have a material impact on its ability to fund operations.

As of December 31, 2012 and 2011, the Company held auction rate securities with underlying tax-exempt municipal bonds that mature in 2030 that have a fair value of \$6.6 million and a cost basis of \$7.6 million. These bonds have credit wrap insurance and a credit rating of Aa3 by a major credit rating agency.

The Company valued the auction rate securities at December 31, 2012 using a discounted cash flow model based on the characteristics of the individual securities, which the Company believes yields the best estimate of fair value. The first step in the valuation included a credit analysis of the security which considered various factors including the credit quality of the issuer, the instrument's position within the capital structure of the issuing authority, and the composition of the authority's assets including the effect of insurance and/or government guarantees. Next, the future cash flows of the instruments were projected based on certain assumptions regarding the auction rate market significant to the valuation including the auction rate market will remain illiquid and auctions will continue to fail causing the interest rate to be the maximum applicable rate. This assumption resulted in discounted cash flow analysis being performed through 2019, the point at which the Company estimates the securities will be redeemed by the municipality. The projected cash flows were then discounted using the applicable yield curve plus a 225 basis point liquidity premium added to the applicable discount rate.

The Company recorded a pre-tax impairment charge of \$1.0 million on these investments in 2011. The Company believes that

the impairment is temporary and has included the impairment in accumulated other comprehensive loss.

The table below presents disclosures about the auction rate securities measured at fair value on a recurring basis in the Company's financial statements as follows (in thousands):

At December 31, 2012				
	Fair Value Estimated Using			
	Cost Basis Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investment in auction rate securities	\$ 7,575	\$ —	\$ —	\$ 6,628
At December 31, 2011				
	Fair Value Estimated Using			
	Cost Basis Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investment in auction rate securities	\$ 7,575	\$ —	\$ —	\$ 6,628

Interest Rate Swap Agreements

The Company has entered into swap agreements to hedge against the potential impact of increases in interest rates on its floating-rate debt instruments. Swap agreements that hedge exposures to changes in interest rates expose us to credit risk and market risk. Credit risk is the potential failure of the counterparty to perform under the terms of the swap agreement. The Company attempts to minimize this risk by entering into transactions with high-quality counterparties. Market risk is the potential adverse effect on the value of the swap agreement that results from a decline in interest rates. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

At December 31, 2012, the Company had an aggregate \$41.7 million notional amount of interest rate swap contracts, which have been designated as cash flow hedges, to pay fixed rates of interest and receive a floating interest rate based on LIBOR. The fixed interest rates specified in the interest rate swap contracts became effective on or about January 1, 2012. The Company's interest rate swaps qualify for cash flow hedge accounting treatment. Unrealized gains or losses are recorded in accumulated other comprehensive income. Realized gains and losses will be recognized in interest expense, if they occur. Amounts to be received or paid under the contracts will be recognized as interest expense over the life of the contracts. There was no ineffectiveness for these swaps during the years ended December 31, 2012 and December 31, 2011.

The fair value of cash flow hedges is calculated as the present value of expected future cash flows, determined on the basis of forward interest rates and present value factors. As such, the carrying amounts for these swaps are designated to be Level 2 fair values and totaled \$1.9 million as of December 31, 2012. The carrying value of these swaps is included in Other Long-Term Liabilities on the accompanying Consolidated Balance Sheet as of December 31, 2012.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

As of December 31, 2012 the Company was party to derivative financial instruments, as described in the following table (in thousands):

Agreement	Current Notional Amount	Fixed Interest Rate	Underlying Rate	Expiration Date	Fair Value
Interest Rate Swap	\$ 2,033	5.075%	3 month LIBOR	July 1, 2015	\$ (99)
Interest Rate Swap	4,200	5.075%	3 month LIBOR	July 1, 2015	(205)
Interest Rate Swap	7,294	5.39%	1 month LIBOR	December 31, 2014	(288)
Interest Rate Swap	1,410	5.39%	1 month LIBOR	December 31, 2014	(56)
Interest Rate Swap	2,509	5.39%	1 month LIBOR	December 31, 2014	(99)
Interest Rate Swap	5,678	5.39%	1 month LIBOR	December 31, 2014	(224)
Interest Rate Swap	5,200	5.38%	1 month LIBOR	June 29, 2015	(272)
Interest Rate Swap	800	5.29%	1 month LIBOR	June 30, 2015	(40)
Interest Rate Swap	1,533	5.29%	1 month LIBOR	June 30, 2015	(77)
Interest Rate Swap	7,733	5.29%	1 month LIBOR	June 30, 2015	(388)
Interest Rate Swap	667	5.29%	1 month LIBOR	June 30, 2015	(33)
Interest Rate Swap	2,680	5.29%	1 month LIBOR	June 30, 2015	(134)

Fair values of derivative instruments are on the accompanying Consolidated Balance Sheet as follows (in thousands):

Derivative Liabilities Designated as Hedging Instruments	Balance Sheet Location	Fair Value at December 31, 2012 2011	
	Other Long-Term Liabilities		
Interest Rate Swaps		\$1,915	\$2,233

The following table summarizes the pre-tax effect of the Company's interest rate swaps on its consolidated statements of comprehensive income (in thousands):

	December 31, 2012	December 31, 2011
Gain (loss) recognized in other comprehensive income (loss) on interest rate swaps	\$317	\$(1,868)

NOTE 10. LEASING ACTIVITIES:

Vehicle Leases as Lessee

The Company leases vehicles, as lessee, primarily over periods ranging from one to ten years under operating lease and capital lease arrangements. Generally, the Company is required to incur all operating costs and pay a minimum rental. The Company guarantees the residual value of vehicles under operating lease and capital lease arrangements. At December 31, 2012, the Company guaranteed vehicle residual values of \$5.0 million under operating lease arrangements and \$19.8 million under capital lease arrangements. Historically, the Company purchases these vehicles at the end of the lease term and recognizes a gain on the subsequent sale of the vehicle. The residual values are not reflected in the future minimum lease payments for operating leases. Vehicle lease expenses were approximately \$2.8 million for the year ended December 31, 2012, \$2.8 million for the year ended December 31, 2011, and \$3.8 million for the year ended December 31, 2010.

As discussed below, these vehicles are then subleased by the Company to customers under various agreements. Future minimum sublease rentals to be received by the Company under non-cancelable subleases, as described below, are \$50.5 million.

Future minimum lease payments under capital and non-cancelable vehicle leases as of December 31, 2012, are as follows (in thousands):

	Capital Leases	Operating Leases
2013	\$ 12,177	\$ 1,755
2014	11,274	730
2015	9,552	284
2016	7,233	70
2017	5,001	27
Thereafter	9,372	—
Total minimum lease payments	\$ 54,609	\$ 2,866
Less amount representing interest	(4,636)	
Present value of net minimum capital lease payments	49,973	
Less current portion	(10,673)	
Obligations under capital leases less current portion	\$ 39,300	

Customer Vehicle Leases as Lessor

The Company leases both owned and leased trucks to customers primarily over periods of one to ten years under operating lease arrangements. These leases require a minimum rental payment and a contingent rental payment based on mileage. Rental income during the year ended December 31, 2012, consisted of minimum rental payments of approximately \$86.3 million and contingent rental payments of \$13.8 million. Rental income during the year ended December 31, 2011, consisted of minimum rental payments of approximately \$68.3 million and contingent rental payments of \$10.6 million. Rental income during the year ended December 31, 2010, consisted of minimum rental payments of

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

approximately \$53.4 million and contingent rental payments of \$7.5 million. Minimum rental payments to be received for non-cancelable leases and subleases in effect at December 31, 2012, are as follows (in thousands):

2013	\$ 69,551
2014	59,688
2015	50,823
2016	37,212
2017	23,848
Thereafter	16,232
Total	\$ 257,354

As of December 31, 2012, the Company had \$327.4 million of lease vehicles included in property and equipment, net of accumulated depreciation of \$115.6 million. As of December 31, 2011, the Company had \$229.3 million of lease vehicles included in property and equipment, net of accumulated depreciation of \$97.4 million.

Other Leases - Land and Buildings

The Company leases various assets under operating leases with expiration dates ranging from May 2013, through April 2027. Monthly rental payments range from approximately \$325 per month to \$60,000 per month. Rental expense was \$6.8 million for the year ended December 31, 2012, \$5.7 million for the year ended December 31, 2011, and \$4.6 million for the year ended December 31, 2010. Future minimum lease payments under non-cancelable leases at December 31, 2012, are as follows (in thousands):

2013	\$ 7,133
2014	5,254
2015	4,368
2016	3,527
2017	2,241
Thereafter	7,049
Total	\$ 29,572

NOTE 11. SHARE BASED COMPENSATION AND EMPLOYEE BENEFIT PLANS:

Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan that allows eligible employees to contribute up to 10% of their base earnings toward the semi-annual purchase of the Company's Class A common stock. The employee's purchase price is 85% of the lesser of the closing price of the Class A common stock on the first business day or the last business day of the semi-annual offering period, as reported by The NASDAQ Global Select MarketSM. Employees may purchase shares having a fair market value of up to \$25,000 (measured as of the first day of each semi-annual offering period) for each

calendar year. Under the Employee Stock Purchase Plan, there are approximately 394,000 shares remaining of the 900,000 shares of the Company's Class A common stock that have been reserved for issuance. The Company issued 70,998 shares under the Employee Stock Purchase Plan during the year ended December 31, 2012 and 62,405 shares during the year ended December 31, 2011. Of the 4,372 employees eligible to participate, 537 were participants in the plan as of December 31, 2012.

Non-Employee Director Stock Option Plan

On May 16, 2006, the Board of Directors and shareholders adopted the Rush Enterprises, Inc. 2006 Non-Employee Director Stock Option Plan (the "Director Plan"), reserving 1,500,000 shares of Class A common stock for issuance upon exercise of any awards granted under the plan. This Director Plan was Amended and Restated on May 20, 2008 to expand the type of award that may be granted under the plan to include Class A common stock awards. The Director Plan was also amended on May 18, 2010 to reduce the number of shares reserved for issuance under the plan by 1,000,000 shares of Class A common stock.

The Director Plan is designed to attract and retain highly qualified non-employee directors. Prior to 2008, each non-employee director received options to purchase 20,000 shares of the Company's Class A common stock upon their respective date of appointment and each year on the date that they are elected or reelected by the shareholders to serve on the Board of Directors. Each option has a ten year term from the grant date and vested immediately. Beginning in 2008, each non-employee director received a grant of the Company's Class A common stock equivalent to a compensation value of \$125,000, in 2009 the compensation value was reduced to \$100,000, and in 2011 the compensation value was increased back to \$125,000. In 2011, three non-employee directors received a grant of 6,309 shares of the Company's Class A common stock and one non-employee directors received a grant of 3,785 shares of the Company's Class A common stock and \$50,000 cash, for total compensation equivalent to \$125,000. In 2012, the non-employee directors each received a grant of 7,901 shares of the Company's Class A common, for total compensation equivalent to \$125,000. Under the Director Plan, there are approximately 256,000 shares remaining for issuance of the 500,000 shares of the Company's Class A common stock that have been reserved for issuance. The Company granted 31,604 shares of Class A common stock under the Director Plan during the year ended December 31, 2012 and 22,712 shares of Class A common stock under the Director Plan during the year ended December 31, 2011.

Employee Incentive Plans

In May 2007, the Board of Directors and shareholders adopted the Rush Enterprises, Inc. 2007 Long-Term Incentive Plan (the "2007

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

Incentive Plan”). The 2007 Incentive Plan provides for the grant of stock options (which may be nonqualified stock options or incentive stock options for tax purposes), stock appreciation rights issued independent of or in tandem with such options (“SARs”), restricted stock awards and performance awards. The 2007 Incentive Plan replaced the Rush Enterprises, Inc. Long-Term Incentive Plan (“Incentive Plan”) effective May 22, 2007. The 2007 Incentive Plan was amended and restated on May 18, 2010 to increase the number of shares available for issuance under the plan to 4,550,000 shares of Class A common stock.

The aggregate number of shares of common stock subject to stock options or SARs that may be granted to any one participant in any year under the 2007 Incentive Plan is 100,000 shares of Class A common stock or 100,000 shares of Class B common stock. Each option, granted pursuant to the 2007 Incentive Plan, has a ten year term from the grant date and vests in three equal annual installments beginning on the third anniversary of the grant date. The Company has 4,550,000 shares of Class A common stock and 450,000 shares of Class B common stock reserved for issuance upon exercise of any awards granted under the Company’s 2007 Incentive Plan. As of December 31, 2012, approximately 1,129,000

shares of Class A common stock and 450,000 shares of Class B common stock are available for issuance upon exercise of any awards granted under the Company’s 2007 Incentive Plan. During the year ended December 31, 2012, the Company granted 636,320 options to purchase Class A common stock and 129,635 restricted Class A common stock awards under the 2007 Incentive Plan. During the year ended December 31, 2011, the Company granted 647,145 options to purchase Class A common stock and 103,985 restricted Class A common stock units under the 2007 Incentive Plan.

Valuation and Expense Information

Stock-based compensation expense related to stock options, restricted stock awards, restricted stock units and employee stock purchases was \$7.3 million for the year ended December 31, 2012, \$5.7 million for the year ended December 31, 2011, and \$4.5 million for the year ended December 31, 2010.

Cash received from options exercised and shares purchased under all share-based payment arrangements was \$5.1 million for the year ended December 31, 2012, \$5.5 million for the year ended December 31, 2011, and \$2.3 million for the year ended December 31, 2010.

A summary of the Company’s stock option activity and related information for the year ended December 31, 2012, follows:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Balance of Outstanding Options at January 1, 2012	3,848,472	\$ 12.48		
Granted	636,320	23.48		
Exercised	(426,976)	9.51		
Forfeited	(20,550)	14.83		
Balance of Outstanding Options at December 31, 2012	4,037,266	\$ 14.52	6.13	\$ 26,607,758
Expected to vest after December 31, 2012	2,276,753	\$ 16.42	7.73	\$ 11,383,235
Vested and exercisable at December 31, 2012	1,613,658	\$ 11.74	3.75	\$ 14,413,812

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on the weighted-average of the closing price as of December 31, 2012, of the Company's Class A common stock of \$20.67. The total intrinsic value of options exercised was \$5.6 million during the year ended December 31, 2012, \$5.2 million during the year ended December 31, 2011, and \$2.3 million during the year ended December 31, 2010.

A summary of the status of the number of shares underlying the Company's non-vested stock options as of December 31, 2012, and changes during the year ended December 31, 2012, follows:

Non-vested Shares	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2012	2,322,792	\$ 5.88
Granted	636,320	10.95
Vested	(515,920)	4.62
Forfeited	(19,584)	6.72
Non-vested at December 31, 2012	2,423,608	\$ 7.48

The total fair value of vested options was \$2.4 million during the year ended December 31, 2012, \$2.5 million during the year ended December 31, 2011, and \$2.4 million during the year ended December 31, 2010. The weighted-average grant date fair value of options granted was \$10.95 during the year ended December 31, 2012, \$8.68 during the year ended December 31, 2011, and \$5.80 during the year ended December 31, 2010.

Stock Awards

The Company granted restricted stock units to its employees under the 2007 Incentive Plan and unrestricted stock awards to its non-employee directors under the Director Plan during the year ended December 31, 2012. The shares granted to employees vest in three equal installments on the first, second and third anniversary of the grant date and are forfeited in the event the recipient's employment or relationship with the Company is terminated prior to vesting. The fair value of the restricted stock awards and units to the Company's employees is amortized to expense on a straight-line basis over the restricted stock's vesting period. The shares granted to non-employee directors are expensed on the grant date.

The following table presents a summary of the Company's non-vested restricted stock awards and non-vested restricted stock units outstanding at December 31, 2012:

Stock Awards and Units	Shares	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value	Weighted Average Grant Date Fair Value
Outstanding Non-vested shares at January 1, 2012	203,887			\$ 14.89
Granted	161,239			21.98
Vested	(133,012)			13.70
Forfeited	—			
Outstanding Non-vested at December 31, 2012	232,114	8.62	\$ 4,797,796	\$ 20.50
Expected to vest after December 31, 2012	227,066	8.62	\$ 4,693,454	

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

The total fair value of the shares issued upon the vesting of stock awards during the year ended December 31, 2012 was \$1.8 million. The weighted-average grant date fair value of stock awards and units granted was \$21.98 during the year ended December 31, 2012, \$18.93 during the year ended December 31, 2011, and \$13.08 during the year ended December 31, 2010.

As of December 31, 2012, there was \$10.4 million of total unrecognized compensation cost related to unvested share-based compensation arrangements granted under the Incentive Plan and the 2007 Incentive Plan. That cost is expected to be recognized over a weighted-average period of 2.0 years.

Defined Contribution Plan

The Company has a defined contribution plan (the "Rush 401k Plan"), which is available to all Company employees and the employees of certain affiliates. Each employee who has completed 90 days of continuous service is entitled to enter the Rush 401k Plan on the first day of the following month. Participating employees may contribute from 1% to 50% of total gross compensation. However, certain highly compensated employees are limited to a maximum contribution of 15% of total gross compensation. In March 2009, the Company discontinued its matching contributions to the Rush 401k plan. On April 1, 2010 the Company reinstated its matching contributions. For the first 10% of an employee's contribution, the Company contributed an amount equal to 5% of the employees' contributions for those employees with less than five years of service and an amount equal to 10% of the employees' contributions for those employees with more than five years of service. Effective January 1, 2011, for the first 10% of an employee's contribution, the Company contributed an amount equal to 15% of the employees' contributions for those employees with less than five years of service and an amount equal to 30% of the employees' contributions for those employees with more than five years of service. Effective February 1, 2012, for the first 10% of an employee's contribution, the Company contributed an amount equal to 20% of the employees' contributions for those employees with less than five years of service and an amount equal to 40% of the employees' contributions for those employees with more than five years of service. The Company incurred expenses related to the Rush 401k Plan of approximately \$3.7 million during the year ended December 31, 2012, \$2.2 million during the year ended December 31, 2011, and \$0.4 million during the year ended December 31, 2010.

Deferred Compensation Plan

On November 6, 2010 the Board of Directors of the Company adopted the Rush Enterprises, Inc. Deferred Compensation Plan (the "Deferred Compensation Plan") wherein selected employees and directors may elect to defer a portion of their annual

compensation. The Deferred Compensation Plan also provides the Company with the discretion to make matching contributions to participants' accounts. The Company has established a rabbi trust to finance obligations under the Deferred Compensation Plan with corporate-owned variable life insurance contracts. Participants are 100% vested in their respective deferrals and the earnings thereon. The first deferral election period began on January 1, 2011. The Company's liability related to the Deferred Compensation Plan was \$0.6 million at December 31, 2012 and \$0.1 million at December 31, 2011.

The Company currently does not provide any post retirement benefits nor does it provide any post employment benefits.

NOTE 12. EARNINGS PER SHARE:

Basic earnings per share ("EPS") were computed by dividing income from continuing operations by the weighted average number of shares of common stock outstanding during the period. Diluted EPS differs from basic EPS due to the assumed conversions of potentially dilutive options and restricted shares that were outstanding during the period. The Company's Class A common stock and Class B common stock have equal claims on earnings of the Company. The following is a reconciliation of the numerators and the denominators of the basic and diluted per share computations for income from continuing operations:

	2012	2011	2010
Numerator-			
Numerator for basic and diluted earnings per share-			
Income from continuing operations available to common shareholders	\$ 62,455,000	\$ 55,213,000	\$ 24,567,000
Denominator-			
Denominator for basic earnings per share, weighted average shares	38,643,189	37,860,551	37,307,453
Effect of dilutive securities-			
Stock options and restricted shares	1,045,254	1,153,846	910,727
Denominator for diluted earnings per share, adjusted weighted average shares and assumed conversions	39,688,443	39,014,397	38,218,180
Basic earnings per common share	\$ 1.62	\$ 1.46	\$ 0.66
Diluted earnings per common share and common share equivalents	\$ 1.57	\$ 1.42	\$ 0.64

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

Options to purchase shares of common stock that were outstanding for the years ended December 31, 2012, 2011 and 2010 that were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive are as follows:

	2012	2011	2010
Options	1,123,795	533,100	504,830
Total anti-dilutive securities	1,123,795	533,100	504,830

NOTE 13. INCOME TAXES:

Provision for Income Taxes

The tax provisions are summarized as follows (in thousands):

	Year ended December 31,		
	2012	2011	2010
Current provision-			
Federal	\$ 8,647	\$ 3,081	\$ 3,850
State	1,917	3,203	1,965
	10,564	6,284	5,815
Deferred provision-			
Federal	25,752	27,495	9,962
State	2,412	1,185	253
	28,164	28,680	10,215
Provision (benefit) for income taxes	\$ 38,728	\$ 34,964	\$ 16,030

A reconciliation of taxes based on the federal statutory rates and the provisions (benefits) for income taxes are summarized as follows (in thousands):

	Year Ended December 31,		
	2012	2011	2010
Income taxes at the federal statutory rate	\$ 35,414	\$ 31,562	\$ 16,559
State income taxes, net of federal benefit	2,753	2,795	1,418
Tax effect of permanent differences	766	621	542
Alternative fuel tax credit	—	—	(2,461)
Other, net	(205)	(14)	(28)
Provision for income taxes	\$ 38,728	\$ 34,964	\$ 16,030

Following is a summary of the Company's income tax provision for the years ended December 31, 2012, 2011 and 2010 (in thousands):

	2012	2011	2010
Income tax provision on continuing operations	\$ 38,728	\$ 34,964	\$ 11,737
Income tax provision from discontinued operations	—	—	4,293
Provision for income taxes	\$ 38,728	\$ 34,964	\$ 16,030

The components of income taxes for other than continuing operations consisted of the following (in thousands):

	2012	2011	2010
Income tax expense (benefit) related to components of other comprehensive income:			
Change in fair value of cash flow swaps	\$ 133	\$ (728)	\$ (142)
Change in fair value of available-for-sale securities	(9)	(360)	—
Total	\$ 124	\$ (1,088)	\$ (142)
Paid in capital – stock based compensation	\$(1,668)	\$(1,993)	\$ (885)

The following summarizes the components of deferred tax assets and liabilities included in the balance sheet (in thousands):

	December 31,	
	2012	2011
Current:		
Deferred tax assets:		
Inventory	\$ 4,424	\$ 2,944
Accounts receivable	164	178
Capital lease obligations	4,604	4,217
Stock options	1,409	1,145
Accrued liabilities	2,337	2,453
State net operating loss carry forward	905	393
State tax credit	477	527
Other	310	429
Current deferred tax asset	\$ 14,630	\$ 12,286
Non-Current:		
Deferred tax assets:		
Capital lease obligations	\$ 13,811	\$ 12,651
Stock options	5,635	4,579
Other	1,679	1,231
	21,125	18,461
Deferred tax liabilities:		
Difference between book and tax basis-		
Depreciation	(144,881)	(111,584)
Net non-current tax liability	\$ (123,756)	\$ (93,123)

The Company's various state net operating loss carry forwards expire from 2012 through 2024.

The Company included accruals for unrecognized income tax benefits totaling \$1.4 million as a component of accrued liabilities as of December 31, 2012, and \$1.3 million as of December 31, 2011. The unrecognized tax benefits of \$1.0 million at December 31, 2012, and \$1.3 million as of December 31, 2011, if recognized, would impact the Company's effective tax rate.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

An unfavorable settlement would require a charge to income tax expense and a favorable resolution would be recognized as a reduction to income tax expense. The Company records interest and penalties related to unrecognized income tax benefits in income tax expense. The Company had accrued interest of \$49,000 at December 31, 2012 and \$51,000 at December 31, 2011 related to unrecognized tax benefits. During the years 2012, 2011 and 2010, the Company recognized approximately (\$2,294), (\$78,748), and (\$4,348) in interest. No amounts were accrued for penalties.

The Company does not anticipate a significant change in the amount of unrecognized tax benefits in the next 12 months. As of December 31, 2012, the tax years ended December 31, 2009 through 2012 remained subject to audit by federal tax authorities and the tax years ended December 31, 2008 through 2012, remained subject to audit by state tax authorities.

A reconciliation of the change in the unrecognized tax benefits is as follows (in thousands):

	2012	2011	2010
Unrecognized tax benefits at beginning of period	\$ 1,337	\$ 1,466	\$ 1,761
Gross increases – tax positions in current year	358	290	177
Gross increases – tax positions in a prior year	267	119	—
Reductions due to lapse of statute of limitations	(553)	(538)	(472)
Unrecognized tax benefits at end of period	\$ 1,409	\$ 1,337	\$ 1,466

NOTE 14. COMMITMENTS AND CONTINGENCIES:

The Company is involved in various claims and legal actions arising in the ordinary course of business. The Company believes it is unlikely that the final outcome of any of the claims or proceedings to which the Company is a party would have a material adverse effect on the Company's financial position or results of operations; however, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's results of operations for the fiscal period in which such resolution occurred.

NOTE 15. ACQUISITIONS:

All of the following acquisitions, unless otherwise noted, were considered business combinations accounted for under ASC 805 "Business Combinations." Pro forma information is not included in accordance with ASC 805 since no acquisitions were considered material individually or in the aggregate.

On December 31, 2012, the Company acquired certain assets of MVI Group, which operated commercial truck and bus dealerships in Ohio under the names of Miami Valley International, Center City International, CCI North Coast and Buckeye Truck Centers. The acquisition included International, IC Bus, and Isuzu franchise locations in Akron, Cincinnati, Cleveland, Columbus, Dayton, Findlay and Lima, Ohio. These dealerships now operate as Rush Truck Centers. Rush Truck Leasing now operates Idealease truck rental and leasing franchises in Cincinnati, Cleveland, Columbus, Dayton and Lima, Ohio. The transaction, including real estate, was valued at approximately \$104.5 million. The purchase price for the assets of the business was financed under the Company's floor plan and lease and rental truck financing arrangements with the remainder paid in cash.

Property and equipment, including real estate	\$ 29,768
Inventory	51,501
Accounts receivable	5,638
Prepaid expenses	488
Accrued expenses	(200)
Goodwill	17,340
Total	\$ 104,535

As the values of these assets and liabilities are preliminary in nature, they are subject to adjustment as additional information is obtained about the facts and circumstances that existed at the acquisition date. When the valuation is final, any changes to the preliminary valuation of acquired assets and liabilities could result in adjustments to identified intangibles and goodwill. All of the goodwill acquired in the MVI Group acquisition will be amortized over 15 years for tax purposes.

On December 5, 2011, the Company acquired certain assets of West Texas Peterbilt, which consisted of dealerships in Amarillo, Lubbock and Odessa, Texas that offer Peterbilt trucks, parts, service, financing and insurance, a parts and service facility in Dalhart,

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

Texas and a parts facility in Hereford, Texas. These dealerships now operate as Rush Truck Centers. Rush Truck Leasing operates a PacLease truck rental and leasing franchise in Lubbock, Texas. The transaction was valued at approximately \$24.6 million, with the purchase price paid in cash. The operations of West Texas Peterbilt are included in the accompanying consolidated financial statements from the date of the acquisition. The purchase price was allocated based on the fair values of the assets at the date of acquisition as follows (in thousands):

Property and equipment, including real estate	\$ 5,302
Inventory	7,017
Accounts receivable	3,626
Accrued expenses	(357)
Franchise rights	1,730
Goodwill	7,301
Total	\$ 24,619

The final purchase price allocation reflects an adjustment of \$1.7 million from the purchase allocation due to the finalization of the franchise rights valuation. All of the goodwill acquired in the West Texas Peterbilt acquisition will be amortized over 15 years for tax purposes.

On November 5, 2011, the Company acquired certain assets of Peck Road Ford, which consisted of a Ford and Isuzu commercial vehicle dealership in Whittier, California. The Company is operating the facility as a full-service Rush Truck Center offering Ford and Isuzu trucks, parts, service, financing and insurance. The transaction was valued at approximately \$10.0 million, with the purchase price paid in cash. The operations of Peck Road Ford are included in the accompanying consolidated financial statements from the date of the acquisition. The purchase price was allocated based on the fair values of the assets at the date of acquisition as follows (in thousands):

Property and equipment, including real estate	\$ 6,680
Inventory	2,525
Accounts receivable	771
Other	8
Accrued expenses	(79)
Goodwill	90
Total	\$ 9,995

All of the goodwill acquired in the Peck Road Ford acquisition will be amortized over 15 years for tax purposes.

On March 14, 2011, the Company acquired certain assets of Asbury Automotive Atlanta L.L.C., a subsidiary of Asbury Automotive Group, Inc., which operated commercial truck and bus dealerships in the metro Atlanta area under the "Nalley Motor Trucks" name. The acquisition included dealership locations in Atlanta and Doraville and a collision center in Atlanta. These locations are

now operating as Rush Truck Centers. The transaction was valued at approximately \$55.3 million, with the purchase price paid in cash. The operations of Nalley Motor Trucks are included in the accompanying consolidated financial statements from the date of the acquisition. The purchase price was allocated based on the fair values of the assets at the date of acquisition as follows (in thousands):

Inventory	\$ 21,004
Property and equipment	9,871
Prepaid expenses	41
Accrued expenses	(453)
Franchise rights	2,802
Goodwill	22,022
Total	\$ 55,287

The final purchase price allocation reflects an adjustment of \$2.8 million from the preliminary purchase allocation due to the finalization of the franchise rights valuation and \$1.97 million due to the completion of real estate appraisals for property acquired. All of the goodwill acquired in the Nalley Motor Trucks acquisition will be amortized over 15 years for tax purposes.

On February 21, 2011, the Company acquired certain assets of Heintzelman's Truck Center, which consisted of a Ford commercial vehicle dealership in Orlando, Florida. The Company now operates the facility as a full-service Rush Truck Center offering Ford trucks, parts, service, leasing, financing and insurance. The transaction was valued at approximately \$4.7 million, with the purchase price paid in cash. The operations of Heintzelman's Truck Center are included in the accompanying consolidated financial statements from the date of the acquisition. The purchase price was allocated based on the fair values of the assets at the date of acquisition as follows (in thousands):

Inventory	\$ 3,125
Accounts receivable	264
Property and equipment	221
Prepaid expenses	6
Accrued expenses	(2)
Goodwill	1,050
Total	\$ 4,664

All of the goodwill acquired in the Heintzelman's Truck Center acquisition will be amortized over 15 years for tax purposes.

On October 12, 2010, the Company acquired certain assets of Metro Ford Truck Sales, Inc., which consisted of a Ford and Isuzu commercial vehicle dealership in Dallas, Texas. The Company now operates the facility as a full-service Rush Medium-Duty Truck Center offering Ford and Isuzu medium-duty trucks, parts, service, financing and insurance. The transaction was

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

valued at approximately \$5.6 million, with the purchase price paid in cash. The operations of Metro Ford Truck Sales, Inc. are included in the accompanying consolidated financial statements from the date of the acquisition. The purchase price was allocated based on the fair values of the assets at the date of acquisition as follows (in thousands):

Property and equipment, including real estate	\$ 1,645
Inventory	974
Accounts receivable	30
Accrued expenses	(14)
Goodwill	2,957
Total	\$ 5,592

All of the goodwill acquired in the Metro Ford Truck Sales, Inc. acquisition will be amortized over 15 years for tax purposes.

On July 12, 2010, the Company acquired certain assets of Joe Cooper Truck Center, LLC, which consisted of a Ford franchise in Oklahoma City, Oklahoma. The newly acquired Ford franchise was added to the Company's existing dealership in Oklahoma City, Oklahoma. The transaction was valued at approximately \$1.2 million, with the purchase price paid in cash, and \$1.1 million of the purchase price was allocated to goodwill based on the fair value of the assets at the date of acquisition. The operations of Joe Cooper Truck Center, LLC are included in the accompanying consolidated financial statements from the date of the acquisition. All of the goodwill acquired in the Joe Cooper Truck Center, LLC acquisition will be amortized over 15 years for tax purposes.

On May 24, 2010, the Company acquired certain assets of Lake City Companies, LLC and certain of its subsidiaries and affiliates (collectively, "Lake City International"). Lake City International operated a commercial truck and bus sales, service, parts, finance and leasing business representing multiple brands. The newly acquired dealerships include five locations in Utah, five locations in Idaho and one location in Oregon. These locations are now operating as Rush Truck Centers. Rush Truck Leasing operates Idealease truck rental and leasing franchises at existing locations in Salt Lake City, Utah, and Boise, Idaho. The transaction, including the real estate, was valued at approximately \$71.0 million. The purchase price for the assets of the business was paid in cash and the purchase price for the real estate was partially paid in cash with the remainder financed with long-term debt.

The operations of Lake City International are included in the accompanying consolidated financial statements from the date of the acquisition. The purchase price has been allocated based on the fair values of the assets at the date of acquisition as follows (in thousands):

Prepaid expenses	205
Accounts and notes receivable	5,955
Inventories	10,722
Property and equipment, including real estate	48,790
Other assets	309
Accounts payable	(175)
Accrued expenses	(3,622)
Floor plan notes payable	(275)
Notes payable	(178)
Goodwill	9,298
Total	\$ 71,029

The Company financed approximately \$37.5 million of the purchase price under its floor plan, accounts receivable, lease and rental truck financing arrangements and a real estate loan. As part of the Lake City International acquisition, the Company assumed certain contingent liabilities for notes initiated on behalf of Lake City International related to the sale of commercial vehicles. The contingent liability had an estimated fair value of \$2.0 million and was recorded as an accrued liability. For federal tax purposes the goodwill will be amortized over 15 years.

NOTE 16. DISCONTINUED OPERATIONS:

On September 9, 2010, the Company sold the assets of its John Deere construction equipment business, including its Rush Equipment Centers in Houston and Beaumont, Texas, to Doggett Heavy Machinery Services, LLC. The total purchase price for the Rush Equipment Centers was \$31.0 million. The Company received cash of \$26.2 million at closing and a \$4.8 million note receivable to be paid over four years. Before closing, the Company paid liabilities, related to the assets sold, of approximately \$14.6 million. The Company recorded a gain on the transaction of \$10.1 million. The Construction Equipment segment will no longer be reported as a separate business segment.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

At closing, Doggett Heavy Machinery Services, LLC entered into a lease agreement to lease the facility where Rush Equipment Center, Houston was located from an affiliate of the Company. The lease provides for an initial three year term with the option for the lessee to terminate the lease with 30 days notice. The Company's continuing involvement in the operations of the

construction equipment business is not significant and will be limited to the facility lease agreement.

The results of operations of the construction equipment business have been classified as discontinued operations in the Company's consolidated statements of operations for all periods presented, and excluded from business segment information.

Net sales and earnings before income taxes related to the discontinued business were as follows (in thousands):

	Year Ended December 31,		
	2012	2011	2010
Net Sales	\$ —	\$ —	\$ 25,819
Earnings before income taxes:			
Results of operations from discontinued operations before income taxes	—	—	917
Gain on disposition	—	—	10,091
Income tax (expense)	—	—	(4,293)
Net income from discontinued operations	\$ —	\$ —	\$ 6,715
Basic earnings per common share from discontinued operations, net of tax	\$ —	\$ —	\$ 0.18
Diluted earnings per common share and common share equivalents from discontinued operations, net of tax	\$ —	\$ —	\$ 0.18

NOTE 17. ACCUMULATED OTHER COMPREHENSIVE (LOSS):

The following table shows the components of accumulated other comprehensive (loss) (in thousands):

	Cash Flow Swaps	Available for Sale Securities	Total
Balance at January 1, 2011	\$ (222)	\$ —	\$ (222)
Changes in value	(1,868)	(947)	(2,815)
Tax effect	728	360	1,088
Balance at December 31, 2011	(1,362)	(587)	(1,949)
Changes in value	317		317
Tax effect	(133)	9	(124)
Balance at December 31, 2012	\$ (1,178)	\$ (578)	\$ (1,756)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

NOTE 18. UNAUDITED QUARTERLY FINANCIAL DATA:

(in thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2012				
Revenues	\$777,329	\$835,844	\$ 745,133	\$732,261
Gross Profit	128,260	129,636	125,171	117,700
Operating income	29,380	31,966	27,627	25,227
Income before income taxes	26,076	28,559	24,244	22,304
Net income	\$ 15,906	\$ 17,422	\$ 14,909	\$ 14,218
Earnings per share:				
Basic	\$ 0.41	\$ 0.45	\$ 0.38	\$ 0.37
Diluted	\$ 0.40	\$ 0.44	\$ 0.38	\$ 0.36
2011				
Revenues	\$446,104	\$661,982	\$ 696,445	\$776,080
Gross Profit	82,390	105,510	113,788	121,589
Operating income	12,821	21,789	28,328	34,400
Income before income taxes	11,620	20,190	26,434	31,933
Net income	\$ 7,267	\$ 12,518	\$ 16,045	\$ 19,383
Earnings per share:				
Basic	\$ 0.19	\$ 0.33	\$ 0.42	\$ 0.51
Diluted	\$ 0.19	\$ 0.32	\$ 0.41	\$ 0.50

NOTE 19. SEGMENTS:

The Company currently has one reportable business segment, the Truck Segment. The Truck Segment operates a network of commercial vehicle dealerships that provide an integrated one-stop source for the commercial vehicle needs of its customers, including retail sales of new and used commercial vehicles; aftermarket parts, service and body shop facilities; and a wide array of financial services, including the financing of new and used commercial vehicle purchases, insurance products and truck leasing and rentals. The commercial vehicle dealerships are deemed a single reporting unit because they have similar economic characteristics. The Company's chief operating decision maker considers the entire Truck Segment, not individual dealerships, when making decisions

about resources to be allocated to the segment and assess its performance.

The Construction Equipment segment is no longer reported as a separate business segment due to the sale of Company's construction equipment business. See Note 16 for further discussion of the sale of the construction equipment business.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies. The Company evaluates performance based on income from continuing operations before income taxes not including extraordinary items.

The Company accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices. There were no material intersegment sales during the years ended December 31, 2012, 2011 and 2010.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

The following table contains summarized information about reportable segment revenue, segment income or loss from continuing operations and segment assets for the periods ended December 31, 2012, 2011 and 2010 (in thousands):

	Truck Segment	All Other	Totals
2012			
Revenues from external customers	\$ 3,072,092	\$ 18,475	\$ 3,090,567
Interest income	21	—	21
Interest expense	12,830	208	13,038
Depreciation and amortization	24,482	534	25,016
Segment income (loss) from continuing operations before taxes	102,392	(1,209)	101,183
Segment assets	1,855,431	26,135	1,881,566
Goodwill	195,697	2,560	198,257
Expenditures for segment assets	170,436	515	170,951
2011			
Revenues from external customers	\$ 2,562,740	\$ 17,871	\$ 2,580,611
Interest income	20	—	20
Interest expense	6,876	305	7,181
Depreciation and amortization	19,471	613	20,084
Segment income (loss) from continuing operations before taxes	91,820	(1,643)	90,177
Segment assets	1,691,938	25,763	1,717,701
Goodwill	180,052	2,560	182,612
Expenditures for segment assets	148,384	159	148,543
2010			
Revenues from external customers	\$ 1,482,742	\$ 15,185	\$ 1,497,927
Interest income	127	—	127
Interest expense	5,092	398	5,490
Depreciation and amortization	15,019	701	15,720
Segment income (loss) from continuing operations before taxes	37,690	(1,386)	36,304
Segment assets	1,143,385	24,548	1,167,933
Goodwill	147,828	2,560	150,388
Expenditures for segment assets	83,670	633	84,303

STOCK TRADING, PRICE RANGES AND DIVIDENDS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

Revenues from segments below the quantitative thresholds are attributable to three operating segments of the Company and are included in the All Other column. Those segments include a retail tire company, an insurance agency and a guest ranch operation. None of those segments has ever met any of the quantitative thresholds for determining reportable segments.

Market for Registrant's Common Equity, Related Shareholder Matters, and Issuer Purchases of Equity Securities

Our common stock trades on The NASDAQ Global Select Marketsm under the symbols RUSHA and RUSHB.

The following table sets forth the high and low sales prices for the Class A common stock and Class B common stock for the fiscal periods indicated and as quoted on The NASDAQ Global Select Marketsm.

	2012		2011	
	High	Low	High	Low
Class A Common Stock				
First Quarter	\$ 24.66	\$ 20.47	\$ 21.25	\$ 17.82
Second Quarter	21.70	15.01	21.99	17.43
Third Quarter	19.58	14.05	21.77	14.14
Fourth Quarter	20.75	15.98	21.47	12.76
Class B Common Stock				
First Quarter	\$ 21.01	\$ 16.48	\$ 18.33	\$ 15.60
Second Quarter	17.68	12.37	19.05	14.75
Third Quarter	17.00	11.58	17.89	11.67
Fourth Quarter	17.61	14.81	17.41	10.58

As of March 1, 2013, there were approximately 39 record holders of the Class A common stock and approximately 50 record holders of the Class B common stock.

The Company did not pay dividends during the fiscal year ended December 31, 2012, or the fiscal year ended December 31, 2011. The Board of Directors intends to retain any earnings of the Company to support operations and to finance expansion. Any future determination as to the payment of dividends will be at the discretion of the Board of Directors of the Company and will depend on the Company's financial condition, results of operations, capital requirements and such other factors as the Board of Directors deems relevant.

The Company has not sold any securities in the last three years that were not registered under the Securities Act.

The Company did not repurchase any shares of its Class A Common Stock or Class B Common Stock during the fourth quarter of 2012.

Information regarding the Company's equity compensation plans is incorporated by reference from Item 12, "Security Ownership of Certain Beneficial Owners and Management and Related Shareholder Matters," of this annual report on Form 10-K, and should be considered an integral part of this Item 5.

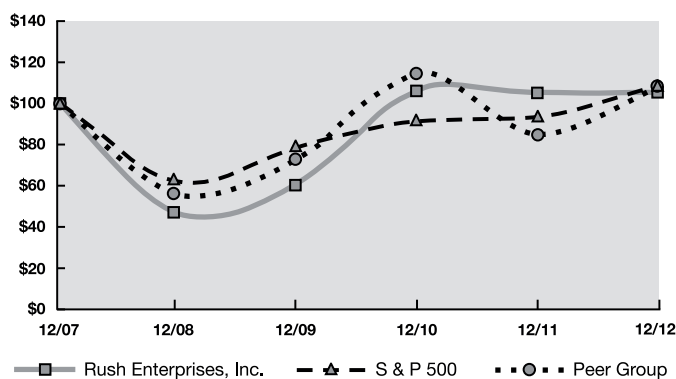
PERFORMANCE GRAPH

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

The charts set forth below show the value of an investment of \$100 on December 31, 2007 in the Company's Common Stock, the Standard & Poor's 500 Stock Index and a peer group of other public companies. The peer group is comprised of the following companies: Lithia Motors, Inc.; Paccar, Inc.; Penske Automotive Group formerly known as United Auto Group, Inc.; and Werner Enterprises, Inc.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

Among Rush Enterprises, Inc., The S & P 500 Index and a Peer Group



*\$100 invested on 12/31/07 in stock or index, including reinvestment of dividends.
Fiscal year ending December 31.

Copyright© 2013 S&P, a division of The McGraw-Hill Companies Inc. All rights reserved.

Cumulative Total Return

	Rush Enterprises, Inc.	S & P 500	Peer Group
12/31/07	\$ 100.00	\$ 100.00	\$ 100.00
12/31/08	46.58	63.00	56.10
12/31/09	62.26	79.67	74.58
12/31/10	107.03	91.67	114.44
12/31/11	105.39	93.61	85.18
12/31/12	105.48	108.59	108.22

NOTE REGARDING FORWARD-LOOKING STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

Certain statements contained in this Form 10-K (or otherwise made by the Company or on the Company's behalf from time to time in other reports, filings with the Securities and Exchange Commission, news releases, conferences, website postings or otherwise) that are not statements of historical fact constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended (the "Exchange Act"), notwithstanding that such statements are not specifically identified. Forward-looking statements include statements about the Company's financial position, business strategy and plans and objectives of management of the Company for future operations. These forward-looking statements reflect the best judgments of the Company about the future events and trends based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's management. Use of the words "may," "should," "continue," "plan," "potential," "anticipate," "believe," "estimate," "expect" and "intend" and words or phrases of similar import, as they relate to the Company or its subsidiaries or Company management, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements reflect the current view of the Company with respect to future events and are subject to risks and uncertainties that could cause actual results to differ materially from those in such statements. Important factors that could cause actual results to

differ materially from those in the forward-looking statements include, but are not limited to, those set forth under Item 1A—Risk Factors as well as future growth rates and margins for certain of our products and services, future supply and demand for our products and services, competitive factors, general economic conditions, cyclicalities, market conditions in the new and used commercial vehicle markets, customer relations, relationships with vendors, the interest rate environment, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, one-time events and other factors described herein and in the Company's quarterly and other reports filed with the Securities and Exchange Commission (collectively, "Cautionary Statements"). Although the Company believes that its expectations are reasonable, it can give no assurance that such expectations will prove to be correct. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described in any forward-looking statements. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the applicable Cautionary Statements. All forward-looking statements speak only as the date on which they are made and the Company undertakes no duty to update or revise any forward-looking statements.

CORPORATE AND SHAREHOLDER INFORMATION

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

Board of Directors

W. Marvin Rush
Chairman

W. M. "Rusty" Rush
President
and Chief Executive Officer

Thomas A. Akin
Audit Committee Chairman
Partner
Akin, Doherty, Klein and Feuge, P.C.

Harold D. Marshall
Compensation Committee
Chairman
Former President and
Chief Operating Officer
Associates First Capital Corporation

Gerald R. Szczepanski
Former Chairman and
Chief Executive Officer
Gadzooks, Inc.

James C. Underwood
Nominating and Governance
Committee Chairman
Former Vice Chairman of
Isuzu Commercial Truck of
America, Inc.

FORWARD-LOOKING STATEMENTS

Certain statements in this Annual Report are "forward-looking statements" as defined in the Private Securities Litigation Reform Act of 1995. Important factors that could cause actual results to differ materially from those in the forward-looking statements are described in the forward-looking statements section on page 68.

Executive Officers Rush Enterprises, Inc.

W. Marvin Rush
Chairman

W. M. "Rusty" Rush
President
and Chief Executive Officer

Martin A. Naegelin, Jr.
Executive Vice President

Steven L. Keller
Senior Vice President
Chief Financial Officer
and Treasurer

Michael J. McRoberts
Senior Vice President
Dealer Operations

David C. Orf
Senior Vice President
Marketing, Fleets and
Specialized Equipment

James E. Thor
Senior Vice President
Retail Sales

Corey H. Lowe
Senior Vice President
Peterbilt Dealerships

Richard J. Ryan
Senior Vice President
Navistar Dealerships

Scott Anderson
Senior Vice President
Finance, Insurance and Leasing

Richard D. Hall
Vice President
Insurance

Derrek Weaver
Senior Vice President
General Counsel and Secretary

Shareholder Information

Executive Offices
Rush Enterprises, Inc.
555 IH 35 South
Suite 500
New Braunfels, Texas 78130
830.626.5200

Independent Public
Accountants
Ernst & Young LLP
San Antonio, Texas

Corporate and
Securities Counsel
Fulbright & Jaworski L.L.P.
San Antonio, Texas

Annual Meeting
The annual meeting of
shareholders of the Company
will be held at 10:00 AM local time on
May 21, 2013 at
Rush Enterprises, Inc.
Executive Offices
555 IH 35 South, Suite 500
New Braunfels, Texas 78130

Availability of 10-K Report
Steven L. Keller
Rush Enterprises, Inc.
P.O. Box 34630
San Antonio, Texas 78265
830.626.5200

Shares Listed
Rush Enterprises, Inc.'s common
stock trades on the NASDAQ Global
Select Marketsm under the symbols
RUSHA and RUSHB.

Website
www.rushenterprises.com



Rush Enterprises, Inc.
555 IH 35 South, Suite 500
New Braunfels, Texas 78130
830.626.5200
www.rushenterprises.com

SERVICE

