RUSH ENTERPRISES, INC.

Service

Solutions

Success

2011 ANNUAL REPORT


MOBILE SERVICE



RIG TOUGH
TRUCK PARTS
RIG TOUGH
TRUCK PARTS

Moving beyond sales to service to solutions

When Rush Enterprises went public in 1996, it was a big step. But we were already looking to the future. We envisioned going beyond being a truck sales organization to becoming a national solutions provider.

Today, Rush Enterprises is fulfilling that vision. Our foresight and planning have paid off – we have earned our place as the premier solutions provider for the commercial vehicle industry. Despite the country's economic challenges, our proactive approach to providing customer solutions has allowed us to continue to grow and profit.

With an expanded range of aftermarket service solutions, the largest dealership network in the country and the widest range of commercial vehicle product offerings in the industry, we not only survive, but we thrive, despite the cyclical nature of the Class 8 truck market.

While the country's heavy-duty truck sales remained below normal replacement levels, we achieved record high revenue and profits. Today, we're not just a truck sales company. We have evolved into a commercial vehicle solutions provider, and will continue to strengthen our aftermarket service capabilities and expand our network.

OUR COMPANIES

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, Autocar, Hino, Isuzu, Kalmar, Ford, Mitsubishi Fuso, UD, Workhorse, IC Bus, Blue Bird and Elkhart.

OUR COVERAGE

The Company's 70 truck centers are strategically located in high traffic areas on or near major highways in 14 states, throughout the southern and western United States.

OUR SOLUTIONS

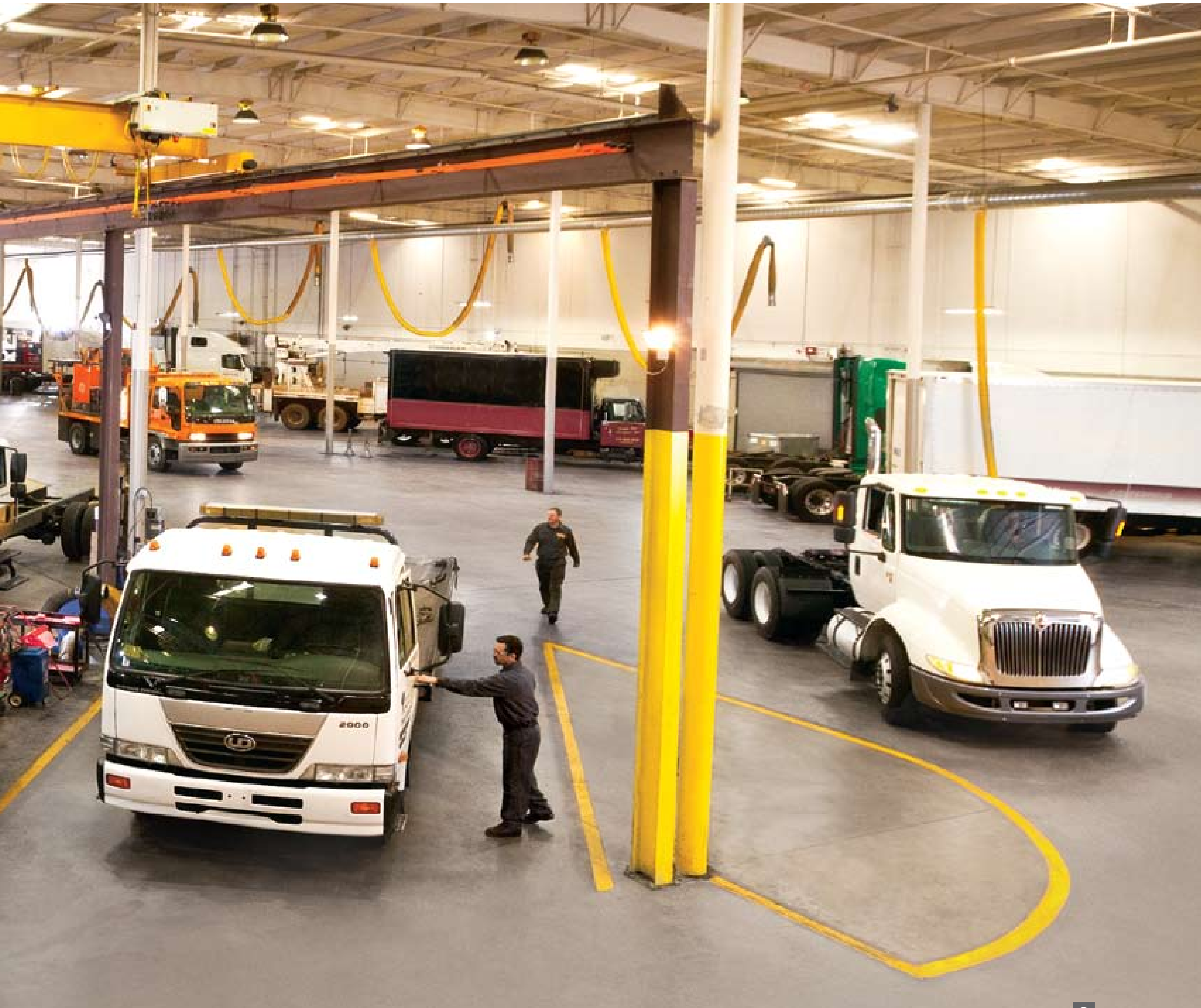
These one-stop centers offer an integrated approach to meeting customer needs – from sales of new and used vehicles to aftermarket parts, service and body shop

Rush Truck Centers' service network includes 70 locations in 14 states and is staffed by factory trained, ASE-certified technicians with access to the latest in diagnostic and repair technologies to provide service support for all makes and models of commercial vehicles.

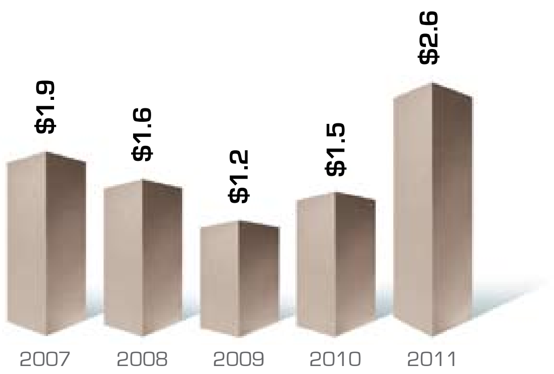
operations, plus a wide array of financial services including financing, insurance, leasing and rental. Rush Enterprises' operations also provide vehicle upfitting, modification and fabrication, chrome accessories and tires.

OUR CULTURE

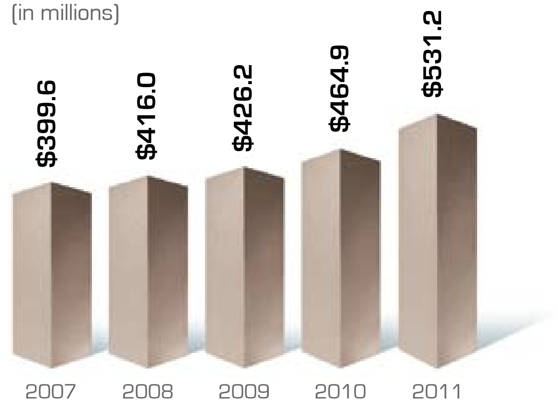
Every employee of Rush Enterprises receives a coin engraved with our company values: productivity, fairness, excellence and positive attitude. These are more than just words; they are the standards that set us apart. Rush employees know that the customer is the boss. We don't just ask what we can do for them; we ask what more we can do for them. We want our customers to expect more. That's 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 www.rushenterprises.com.



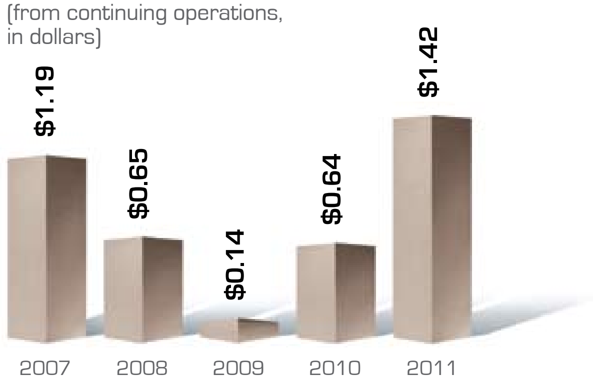
Revenue
(in billions)



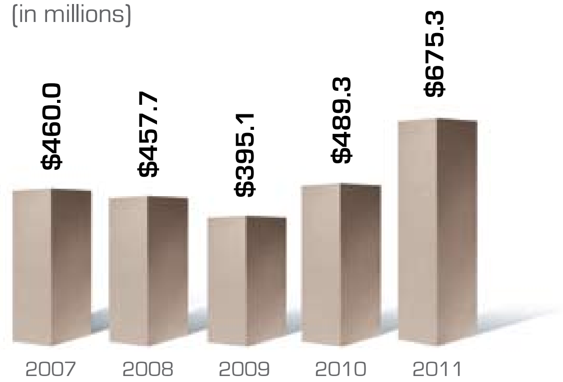
Shareholders' Equity
(in millions)



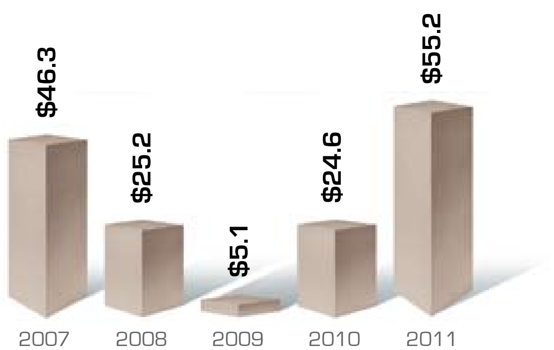
Earnings Per Share
(from continuing operations, in dollars)



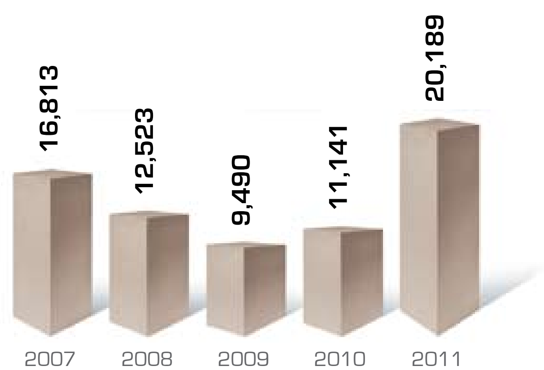
Parts & Service Revenue
(in millions)



Income
(from continuing operations, in millions)



New & Used Commercial Vehicle Sales



I could have never imagined that when we started this company more than 46 years ago, that we could diversify our operations in such a manner that would allow us to achieve record levels of revenues and profitability. But we accomplished that in 2011 – a year when truck sales were at less than historical replacement levels.

I have never been more proud of the performance of this company and the employees that work so hard to make it a success. Together, we had an outstanding year. We set records for revenues, profitability and our absorption rates. We integrated major acquisitions and opened new facilities in existing markets. We added a range of aftermarket services, increased our ancillary businesses and grew our network to 70 dealership locations. We ended the year with the company in the strongest financial position in its history. We are poised for continued growth and continued profitable success, especially as we head into an expected industry upturn over the next several years.

In 1965, I founded this company with a vision – to offer one-stop sales and service to trucking and equipment customers through a network of service across the southern United States. This vision helped us grow from a single location to the largest dealer network in North America and a company that offers a wide range of products and services to the commercial vehicle industry. While we have grown dramatically through the years, one thing has not changed – our commitment to the *"Customer is the Boss"* philosophy and operating values of productivity, fairness, excellence and positive attitude.

So no matter how big this company becomes, what brands of vehicles we sell, or what type of services we offer, our focus on the customer will remain our number one priority. That has always and will continue to make us successful.

W. Marvin Rush
Chairman and Founder

What a milestone year this has been for Rush Enterprises. This time last year, despite a then uncertain economy and a continued challenging truck sales market, I promised our shareholders that we would confidently move forward with our growth plans. We fulfilled that promise – increasing aftermarket capabilities, growing our network footprint and broadening the scope of our commercial vehicle product and service offerings. All of this effort was geared to diversify and expand our earnings base, allowing us to decrease the cyclicality of our business despite truck market and regional economic fluctuations.

The results speak for themselves. In 2011, we achieved a record $2.6 billion in revenues, delivered the highest pre-tax income in the company's history, improved our cash position, reached a 114% annual absorption rate – our highest ever, sold 20,189 new and used commercial vehicles, acquired new franchises and dealership locations, expanded existing facilities and introduced service solutions not traditionally offered by dealers.

All of this was achieved in a year in which U.S. truck sales were well below historical replacement levels.

The age of the truck population in 2011 remained one of the oldest on record, with pent-up demand finally giving way mid-year to replacement vehicle sales. Economic recovery remained slow in automotive, housing and manufacturing sectors and credit, though improving, remained tight. Additionally, the medium-duty market was challenged with supply issues from Japanese manufacturers.

Strong activity in the energy sector created demand for vocational trucks, specialty equipment needs and job site services. Aging vehicles in operation also drove increased demand for aftermarket services.

SOLUTIONS EQUAL SUCCESS

For more than a decade, we have worked to position ourselves as the premier service solutions provider to the commercial vehicle industry. We believe in helping our customers solve a problem, meet a unique need or deal with a demanding situation. Solutions drive efficiencies into our customers' business, thereby strengthening our relationships and long-term mutual success.

We expanded the size of our mobile service fleet and installed new, advanced diagnostic technologies in our shops. We added service locations and aftermarket vehicle upfitting to meet the needs of our vocational customers. We also answered the growing need for alternate fuel service and sales with natural gas-certified technicians and sales specialists.

As a result, parts, service and body shop revenues reached record highs in March and continued to climb throughout the year, eclipsing the $1 million per-day gross profit mark by mid-year and reaching a record $675.3 million in revenues by year-end.

A NETWORK FOOTPRINT LIKE NO OTHER

Our goal has always been to add dealerships in areas where our customers need us most. Not only is our dealership network the largest in the country, we have strategically built a contiguous footprint of 70 locations across major transportation corridors and cities. We have a successful track record of growth through acquisitions and dealership expansions in existing territories, which continued in 2011.

We expanded our Navistar Division by acquiring three locations in Atlanta, bringing the division to 17 locations. In its first full year of operation, our Navistar Division has become a solid contributor to our profitability and our financial performance. We are excited about our relationship with Navistar and our mutual commitment to growth.

We also expanded our Peterbilt Division, acquiring five locations in Texas and relocating existing dealerships to larger facilities. In light- and medium-duty, we acquired two Ford and Isuzu dealerships this year.

REACHING THE COMMERCIAL VEHICLE MARKET

We are not singularly focused on over-the-road truck sales. Our business now reaches virtually every segment of the commercial vehicle industry – trucks, bus, refuse, crane, towing, leasing and rental, finance and insurance, vehicle upfitting, parts and accessories and tires. This diversity expands our customer base and protects us from industry fluctuations.

Our leasing business, which now offers PacLease and Idealease franchises, added four locations and had a record year, with more than 3,300 lease and rental units in operation. Rush Bus Centers also achieved record sales in 2011 and expanded operations at three locations. Rush Refuse Systems' sales more than doubled as we supported major private haulers and municipalities with both diesel and natural gas trucks and service.

> Starting as a regional truck sales company, we are now the nation's largest commercial vehicle solutions provider.

OUTLOOK FOR 2012 AND BEYOND

I have no doubt we are on the front end of a multi-year growth cycle. The current age of fleet vehicles will continue to drive strong parts and service revenues, and sustained activity with vocational customers will support the demand for our new service solutions. We believe the heavy- and medium-duty truck sales markets will return to more normal replacement levels in 2012 and 2013.

With a proven track record of outstanding financial performance, a proven record of strategic growth and a dedicated and enthusiastic employee workforce, we are entering 2012 ready for continued success.

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

Rush Truck Center – San Antonio provides onsite mobile service to an oilfield frac unit in south Texas.

Service makes the difference

We have worked to build the reputation of Rush Enterprises as the premier service solutions provider to the commercial vehicle industry. Rusty Rush often says, *"Trucks don't sell service; service sells trucks."* Those words are even more meaningful in the current truck sales market. In fact, they are why 2011 was the most profitable year in the company's history.

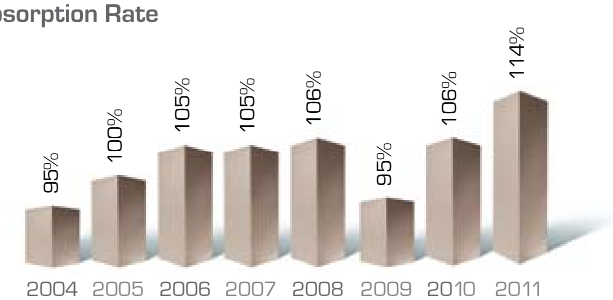
Our strategy has been to minimize our dependence on cyclical Class 8 truck sales for operating profits, while providing our customers with virtually any service they need. By helping drive efficiencies into our customers' businesses, we build partnerships and lasting relationships.

In 1999, only 37% of our profits came from parts and service. By 2005, 53% were derived from parts, service and body work. Although truck sales revenues were similar during both years, our total revenues grew significantly in that period – proof that expanding and upgrading service is a powerful profit opportunity, as well as an insulator against market fluctuations and the effects of recession.

In 2011, aftermarket operations accounted for more than 63% of our gross profit. Our parts, service and body shop revenue totaled a record $675.3 million – resulting from incremental business generated by service solutions, increased service and parts needs of aging vehicles, and strong activity in the energy sector.

This contributed to record absorption rates during four of the last five quarters and an annual absorption rate of 114%, our highest ever. Absorption is a key metric in evaluating the performance of our dealerships. It is 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. Maintaining an absorption rate of 100% or higher ensures that our dealership expenses are always covered. It is also our fastest path to financial growth as truck sales strengthen.

Absorption Rate



Absorption Rate is a key performance indicator that measures a dealership's quality of earnings.

STAYING FOCUSED ON SOLUTIONS

We continue to improve our ability to exceed our customers' service solutions needs by expanding our Rush Truck Centers capacity and capability.

Today our network operates from more than two million square feet of service and sales facilities. To meet our customers' service needs, we offer 1,300 service bays, staffed by more than 1,200 highly-trained technicians. Our parts inventories exceed $95 million, and we operate body shops at 27 locations.

Our mobile service fleet now includes more than 180 units operating nationwide. This enables us to service our customers' trucks where they are working, without taking them off the job. Our mobile service vehicles are "shops on wheels," fully-equipped with air, lube, crane and all the tools our mobile technicians need to get, and keep, our customers' trucks running, on the road or on the job site. We also have more than 200 mobile technicians working in customer facilities nationwide.

At many of our service centers, Rush Truck Center customers benefit from new oil and coolant analysis technologies, designed to warn them of potential problems before issues arise. These are preventive measures the average truck service shop doesn't offer. We also added frame straightening equipment for better vehicle repair to many of our body shops.

We are committed to leading the industry in offering green solutions.

SERVICE SOLUTIONS, DELIVERED

We continue to support our vocational customers with specialized upfitting and modification services at locations in Texas. In 2011, we leased a 237,000 square foot service facility in Houston to provide key oilfield customers with vehicle preparation, equipment installation and service. We offer similar service for oilfield customers in Dallas.

In 2011, we opened a new modification center also in the Dallas area called Custom Vehicle Solutions. This dedicated vehicle modification center provides alternate fuel installation, chassis modification, body and equipment installation and pre-delivery vehicle inspections (PDIs). This specialty equipment installation solution is unique to Rush Enterprises. Along with our expanded service centers, it will enable us to provide more services and vehicles our customers need, without the wait time involved in contracting a third-party supplier for modifications and inspections.

GREEN SERVICE EXPERTS

With increased numbers of alternate fuel vehicles in operation and a natural gas fueling infrastructure on the horizon, green technologies are important to our customers. Therefore, they are important to us. We are committed to leading the industry in offering green solutions – technology specialists, certified technicians, equipment and infrastructure – necessary to support today's alternate fuel vehicles. We have a Government Affairs consultant on staff to ensure that we are aware of all upcoming regulations, grants and other developments. We also offer state-of-the-art diesel particulate filter (DPF) cleaning equipment in major markets throughout our network, to keep our customers' trucks running cleaner and more efficiently. In every way possible, we are working to keep our customers running clean and green, in ways no other competitor can. Our customers know they can't get this kind of service anywhere else.

THE RUSH TECHNICIAN SKILLS RODEO: OUR SERVICE SHOWCASE

Another example of our commitment to service is the annual Rush Technician Skills Rodeo. The largest event of its kind in the industry, the Technician Rodeo continues to grow every year, in both participation and popularity. It has also garnered increasing attention from both industry and general media – positive

The 2011 Rush Technician Skills Rodeo Grand Champions: Michael Willoughby, medium-duty and Erick Lincoln, heavy-duty.

Rush Truck Centers parts capabilities include fully-stocked showrooms, sophisticated warehouse facilities, parts delivery, dedicated parts sales personnel, proprietary Rig Tough Truck Parts and Internet parts sales.

Custom Vehicle Solutions offers crane installation in addition to other modification and make-ready services.

coverage that helps us attract and recruit skilled service technicians.

Technicians who participate in the Technician Rodeo compete for cash and prizes totaling more than $100,000, in addition to pay raises. The competitions are designed to simulate real service situations. Every year, more industry suppliers are co-sponsoring the event because they recognize the value of the Technician Rodeo for training, testing and increased product visibility.

IT ALL COMES DOWN TO OUR CUSTOMERS

The service successes that we have achieved did not happen by accident. By going above and beyond, we are able to offer our customers service unmatched in the industry. Because our service is only as good as the people who provide it, we also instituted a Customer Satisfaction Program, to measure our performance as we strive for immediate problem resolution.

This is why our customers see Rush Truck Centers as more than a truck supplier. Through our unparalleled service, we become partners who earn the next service visit – and the next new truck sale. We anticipate that these business channels will continue to grow in 2012, and we are aggressively hiring skilled, experienced technicians to meet our customers' needs. To help us reach and attract these candidates, we have launched a Rush Enterprises site on careerbuilder.com.

All employees are empowered to carry on the Rush mission of providing more in ways that mean the most to their customers. This is a cornerstone of our employee education. We encourage our employees to think of creative ways to meet our customers' needs, while reaching company goals. We know that innovative ideas are not exclusive to senior management and encourage new thinking from everyone in our organization, at every level.

Our customers can expect more because we are confident that Rush Truck Centers can provide them with the efficiencies they want, and more of the solutions they need.

We offer the latest technology in Diesel Particulate Filter (DPF) cleaning in major markets across our service network.

Technicians are certified and equipped to install Liquefied Natural Gas (LNG) fuel system tanks.

Rush Bus Centers in Selma, Texas, has service bays dedicated to air conditioning and heating system installation and repair.

Coolant analysis technology helps identify potential truck system problems before they arise.

Expanding our geography and our network reach

Rush Truck Centers grew to 70 locations in 2011. While our competitors usually own a few local or regional dealerships, we are committed to reaching our customers where they do business. We're big for a reason – to take care of our customers in a way our competitors can't. Our contiguous network allows us to offer seamless service, and our geographic diversity allows us to withstand fluctuations in regional economies.

ADDING MORE LOCATIONS, IN MORE LOCATIONS

In the past two years, Rush Enterprises has invested more than $137 million in acquisitions.

In 2011, we added to our Navistar Division by acquiring certain assets of Asbury Automotive's Nalley Motor Trucks in Atlanta, Georgia, with two dealerships and a collision center. We also expanded our existing location in Smyrna, Georgia, to include International and Workhorse brands. This division now comprises 15 full-service dealerships and two collision centers in five states, and has become the country's largest Navistar dealer group. Our Navistar Division represents great potential for sales and service growth and network expansion.

In light- and medium-duty, we acquired Heintzelman's Truck Center in Orlando, Florida, and Peck Road Ford in Whittier, California, which both

OUR SOLUTIONS NETWORK (as of 12-31-11)

Rush Truck Center
Headquarters

offer Ford and Isuzu commercial vehicles. With these acquisitions, we now operate five Ford locations and 16 Isuzu locations. Our truck center in Whittier has already expanded to offer Peterbilt parts and service.

In December 2011, we acquired West Texas Peterbilt with five locations, expanding our representation of Peterbilt to include the entire state of Texas. We also purchased 27 acres in Corpus Christi, Texas, on new IH-69, for a Peterbilt dealership to be built in 2012.

We expanded in existing markets, relocating to newer, larger facilities. Our Winter Garden, Florida, dealership moved to Orlando, and our Fort Worth, Texas, operations moved into a newly-built facility. Additionally, used truck sales in Fontana, California, relocated from our Medium-Duty Truck Center to a separate facility, improving capabilities at both locations.

A NETWORK OF CONSISTENT QUALITY

Geographic diversity is about more than acquiring dealerships. It's about instilling our philosophy, culture, values and commitment to customer service into more operations. We also make sure that our acquired businesses have the tools, support and understanding to succeed. So at every Rush Truck Center, customers can expect a similar quality experience.

Newly acquired Rush Truck Center – Doraville offers International, Hino, Isuzu and UD trucks and IC Buses to the Atlanta market.

Doing more in more market segments

Rush Enterprises has proactively expanded its commercial vehicle product offerings. We have done more than add new product lines; we have also broadened our reach into more market segments in more areas. We have increased the viability of our commercial vehicle product line to include light- and medium-duty trucks, buses, vocational specialty vehicles such as refuse trucks, tow trucks, truck-mounted cranes, fire trucks and mixers. We also represent two lease and rental brands and offer a proprietary line of truck parts and accessories.

As a result of our recent Ford acquisitions, we delivered more than 1,000 light-duty trucks for the first time ever.

A MORE EXPANSIVE LINEUP

By acquiring new dealerships and focusing on sales at our existing dealerships, we have increased our Class 8 retail market share nearly 30% since 2009. We now represent approximately 5% of U.S. Class 8 retail sales. We remain the country's largest Peterbilt dealer group, accounting for more than 30% of production. In 2011, we formalized our Peterbilt Division and named Corey Lowe as Senior Vice President. Peterbilt remains the foundation of our product portfolio. We now offer Peterbilt in 47 markets nationwide.

Rush Truck Centers also offers the Navistar product line up, including International trucks, IC Bus and Workhorse chassis. In its first full year of operation, we became the largest Navistar dealer group in the country.

We operate the country's largest medium-duty dealer group, accounting for 3.8% of U.S. retail sales. We are also the largest dealer group for Peterbilt, International, Hino, Isuzu, and UD, and we are growing with Ford and Mitsubishi Fuso.

In the last 18 months, our U.S. Class 4 through 7 medium-duty market share expanded by nearly 45%. We anticipate continued growth, due in large part to the breadth of our medium-duty franchises and our continued focus to add franchises, improving our ability to service more customers and increase market share. We have added four Ford franchises in the last two years and are excited about the future of our relationship with Ford. These new Ford dealerships help us replace GMC business lost when GMC exited the medium-duty truck business in 2009.

All of our full-service dealerships offer a range of used vehicles. These vehicles go through a 27-point inspection and are road-ready before being sold. Used truck residual values remained strong throughout 2011.

In addition to more traditional offerings, Rush Truck Centers has become the industry leader in green vehicles. We're specialists in alternate fuel and hybrid vehicle sales, offering trucks powered by the latest technologies: natural gas, propane and diesel-electric hybrid. To date, we have sold nearly 1,300 liquefied (LNG) and compressed (CNG) natural gas trucks and more than 700 propane buses. We also worked with the Southern Alliance for Clean Energy to finance used trucks retrofitted with SmartWay®-approved emissions and idle reduction technology.

Moving beyond trucks, 2011 was also a year of growth for Rush Bus Centers. With our acquisition in Atlanta, we added sales and service of the IC Bus brand in Georgia to our existing representation in Utah and

Rush Bus Centers in Atlanta expanded capabilities by moving to larger facilities at the company's Atlanta Collision Center.

Sun Coast Resources, Inc. leases Peterbilt Model 388s for oil transport and delivery from Rush Truck Leasing's PacLease operations in Texas.

Rush Truck Center – Dallas Light-and Medium-Duty offers a complete range of new and pre-owned Isuzu and Ford trucks, including F-150 pick-ups, F-Series wagons and super duty F-Series trucks.

Idaho. Along with Blue Bird and Elkhart franchises in Texas, we now offer school and commercial bus sales from six locations in four states, along with service support throughout our network. In 2011, we also opened a new, 16,000 square foot Rush Bus Center in Selma, Texas, and plan to open a second location in Houston, Texas, in 2012. In Atlanta, Georgia, we increased our focus on IC Bus operations by centralizing them at our collision center.

The breadth of our product line also extends to specialty vocational market segments, including refuse, crane, fire, construction, mixers and towing. We remain a trusted source for private and municipal refuse fleets, and crane operators. Refuse sales continue to increase as a result of our dedicated sales specialists and technical support in the field, along with services we are able to provide through our dealership network. In 2011, we expanded our towing operation by adding Jerr-Dan towing sales specialists at dealership locations in four major markets. We currently offer sales and service of Jerr-Dan towing equipment in Texas, New Mexico, Oklahoma and California.

Rush Truck Leasing expanded its network to 25 PacLease locations, adding new franchises in Birmingham, Alabama; Oklahoma City, Oklahoma; El Paso, Texas, and Lubbock, Texas. Rush Truck Leasing also represents Idealease in Utah, Idaho and North Carolina. With more than 3,000 rental vehicles and 34 locations including six "captive maintenance" operations, Rush Truck Leasing had its most profitable year in 2011.

Our Rig Tough parts and accessories line now has room for continued growth. In 2011, we centralized warehousing operations to a 32,000 square foot building in San Antonio, Texas. This location offers easier access to Rig Tough parts and frees up warehouse space in our dealerships. Rig Tough also added two distributors in addition to its network of Rush Truck Centers dealership locations.

GROWING BIGGER AND BETTER

During the past year, Rush Enterprises has grown, in more ways than one. Every dimension of our expansion and growth is testament to our proactive approach, and our employees' dedicated efforts. Our reach and solutions extend well beyond the over-the-road truck market, touching virtually every segment of the commercial vehicle industry. This not only creates opportunity for growth, it provides us additional protection to profitably withstand the cyclicality of the U.S. truck market.

Rush Enterprises at a glance

RUSH TRUCK CENTERS

We are the largest heavy- and medium-duty truck dealer group in the U.S., with 70 state-of-the-art locations in 14 states. Our full-service dealerships offer service, parts and body shop repair in addition to new and used sales, insurance and financial services.

RUSH CRANE SYSTEMS

Sells, rents and services National and Manitex crane and boom trucks with Peterbilt chassis, plus cranes, man-baskets, and radio remote controls. Offers a wide selection of specifications, plus custom fit available. Operates through Rush Truck Centers.

RUSH BUS CENTERS

Conveniently located one-stop sales and service support in Texas for Blue Bird and Elkhart school and commercial buses; and IC Bus school and commercial buses in Utah, Idaho, and Georgia.

RUSH REFUSE SYSTEMS

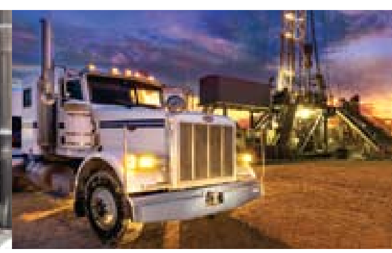
New and used Peterbilt heavy-and medium-duty work-ready refuse trucks including roll-offs, grapple trucks, and front, rear and automated sideloaders. Offers leasing, rental, and financing services through Rush Truck Centers.

ATIS TRUCK INSURANCE

ATIS offers transportation insurance services through the Rush Truck Center network. We offer a full line of insurance products: liability, damage, cargo, and accident insurance for most commodities.

CHROME COUNTRY

More than 100,000 chrome and stainless steel parts and accessories at its Nashville, Tennessee, showroom, plus fast, dependable installation. Custom chrome developed by a professional team available for most truck brands.



PERFECTION TRUCK PARTS AND EQUIPMENT

Specializes in upfitting oilfield trucks. We are truck parts and equipment specialists and offer more than 120 lines of truck and industrial parts and more than 100 lines of equipment. Located in Oklahoma City, Oklahoma.

CUSTOM VEHICLE SOLUTIONS

Established in late 2011, our new vehicle modification center provides alternate fuel system installation, chassis modification, body and equipment installation, pre-delivery vehicle inspections (PDIs), retrofitting and many other services.

RUSH TRUCK LEASING

Provides full-service, finance, TRAC, and walk-away leases on a broad range of work-ready trucks for lease or rent from highly respected PacLease and Idealease, as well as contract maintenance and truck rentals.

RUSH TOWING SYSTEMS

We offer a full line of Jerr-Dan bodies including wreckers and carriers, plus exceptional service support for truck brands including Peterbilt, Ford, Hino, Isuzu, and UD in Texas, Oklahoma, New Mexico and California.

RUSH TRUCK FINANCING

Working through an extensive network of third party financial companies, a full-service financing source for new and used truck purchases, construction equipment, or major repair services. On-site financing specialists.

WORLD WIDE TIRES

Provides commercial tires to Class 8, light truck, ATV, and passenger car market, along with ultra-high performance (UHP) and specialty tires to the wholesale market. Worldwide Tires has three locations in Texas.

RIG TOUGH TRUCK PARTS

Our extensive, competitively priced proprietary line of parts and accessories for all makes and models of heavy-duty trucks, backed by industry-standard manufacturers' warranties. Available at Rush Truck Centers and other distributors.

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 our employees.

THE SOLUTIONS KEEP COMING

While this list of company solutions is certainly comprehensive, at Rush Enterprises, we don't consider it complete. As long as our customers have needs, we're committed to finding the solutions to fulfill them. That's what drives every company, and every employee, of Rush Enterprises. Our goal is to provide more of the quality, effective, comprehensive answers our customers are looking for, to help them work smarter and better. Because the solutions that build our customers' businesses also build our relationships, and our business, making us stronger and more successful as well.

Rush Truck Center – Houston provides specialized equipment installation.

From solutions provider to solutions leader

In 2011, Rush Enterprises fulfilled its promise, leading the way to become the commercial vehicle industry's solutions provider.

Through our growth strategy, we are evolving into an organization with a strong portfolio of relevant aftermarket solutions, the largest contiguous network in the country and a broad offering of products and services that support the commercial vehicle market. We have invested well in our business segments, facilities, people and technology.

Our success in 2011 provided evidence that our strategy is working. Our profitability is significantly less reliant on Class 8 truck sales than it was just a few years ago.

Because of our approach, we have developed valuable customer partnerships. As always, we are looking ahead to doing more. Encouraging our customers to expect more, and doing more to exceed those expectations, is fundamental not only to our company culture, but also to our future. By upholding our standards, we have set the standard for service in the industry. Just as important, we have continued to earn our customers' business and their trust.

This is what has made us a leader. And in this way, we will continue to lead the industry, looking forward to achieving meaningful growth and even greater success for our company, our employees, our investors, and our shareholders.

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.

	Year Ended December 31,				
(in thousands, except per share amounts)	2011	2010	2009	2008	2007
SUMMARY OF INCOME STATEMENT DATA					
Revenues					
New and used commercial vehicle sales	$ 1,801,964	$ 926,584	$ 738,705	$ 1,041,189	$ 1,393,253
Parts and service sales	675,277	489,259	395,133	457,669	459,985
Lease and rental	83,426	67,423	53,710	54,813	52,103
Finance and insurance	10,867	7,922	7,468	11,801	20,921
Other	9,077	6,739	5,437	5,721	7,387
Total revenues	2,580,611	1,497,927	1,200,453	1,571,193	1,933,649
Cost of products sold	2,157,334	1,213,037	984,812	1,291,001	1,600,270
Gross profit	423,277	284,890	215,641	280,192	333,379
Selling, general and administrative	306,273	227,467	192,296	218,775	231,877
Depreciation and amortization	20,084	15,720	15,890	15,273	14,377
Gain (loss) on sale of assets	418	(36)	162	128	199
Operating income	97,338	41,667	7,617	46,272	87,324
Interest expense, net	7,161	5,363	5,695	7,230	14,049
Income from continuing operations before income taxes	90,177	36,304	1,922	39,042	73,275
Provision (benefit) for income taxes	34,964	11,737	(3,173)	13,864	26,984
Income from continuing operations	55,213	24,567	5,095	25,178	46,291
Income from discontinued operations, net of taxes	—	6,715	789	3,687	5,201
Net income	$ 55,213	$ 31,282	$ 5,884	$ 28,865	$ 51,492
Earnings per common share – Basic:					
Income from continuing operations	$ 1.46	$ 0.66	$ 0.14	$ 0.66	$ 1.22
Net income	$ 1.46	$ 0.84	$ 0.16	$ 0.76	$ 1.35
Earnings per common share – Diluted:					
Income from continuing operations	$ 1.42	$ 0.64	$ 0.14	$ 0.65	$ 1.19
Net income	$ 1.42	$ 0.82	$ 0.16	$ 0.75	$ 1.33
Weighted average shares outstanding:					
Basic	37,861	37,307	37,066	38,089	38,059
Diluted	39,014	38,218	37,597	38,587	38,746

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

	Year Ended December 31,				
	2011	2010	2009	2008	2007
OPERATING DATA					
Unit vehicle sales –					
New vehicles	15,540	7,680	6,615	9,289	12,712
Used vehicles	4,649	3,461	2,875	3,234	4,101
Total unit vehicles sales	20,189	11,141	9,490	12,523	16,813
Truck lease and rental units (including units under contract maintenance)	4,000	3,809	3,033	2,570	2,404

	Year Ended December 31,				
(in thousands)	2011	2010	2009	2008	2007
BALANCE SHEET DATA					
Working capital	$ 189,214	$ 143,778	$ 164,165	$ 177,117	$ 197,805
Inventories	649,626	321,933	252,219	343,032	345,568
Assets held for sale	—	—	22,719	24,479	25,881
Total assets	1,717,701	1,167,933	977,297	1,056,790	1,031,591
Floor plan notes payable	520,693	237,810	189,256	282,702	273,653
Long-term debt, including current portion	328,287	252,129	209,502	209,677	198,945
Capital lease obligations, including current portion	45,554	42,202	34,444	14,820	17,543
Shareholders' equity	531,234	464,919	426,225	416,041	399,577

General

The Company believes these record results validate our efforts to build an organization with a diversified earnings base that is less dependent on the highly cyclical Class 8 truck sales market. For 15 years, the Company has worked to position itself as a service solutions provider to the commercial vehicle industry. These efforts include focusing on expanding its capabilities in less cyclical aftermarket operations, broadening the depth of its commercial vehicle product offerings and expanding its network of Rush Truck Centers.

The Company's aftermarket capabilities now 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 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 currently account for more than 60% of the Company's total gross profits.

Once primarily focused on Class 8 truck sales, the Company has now expanded its 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 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 70 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.

The Company encourages its customers to "Expect More" because it is confident that it has built a network of Rush Truck Centers that can provide its customers with any service they need related to their commercial vehicles and help create efficiencies in their businesses. The Company's long-term goal has been to provide its customers with more services so that it can minimize its dependence on the cyclical Class 8 truck sales market for operating profits.

The Company expects U.S. Class 8 retail sales will remain on pace to reach approximately 200,000 to 215,000 units in 2012, just slightly above historical replacement levels, an approximate 15% to 24% increase over 2011. U. S. retail sales for Class 4 through 7 are expected to reach 163,000 units in 2012, a 13% increase over 2011. The Company has been able to increase its share of Class 8 U.S. retail sales by nearly 30% since 2009 through acquisitions and increased sales at its existing dealerships. Likewise, the Company's Class 4 through 7 medium-duty market share has expanded by nearly 45% during this same time period.

A.C.T. Research Co., LLC ("A.C.T. Research"), a truck industry data and forecasting service provider, currently predicts 2012 U.S. Class 8 truck sales to reach 214,000 units, up from 174,000 units sold in 2011. A.C.T. Research currently predicts U.S. Class 4-7 retail sales in 2012 to be 163,000 units, up from 144,233 units in 2011.

The Company believes that it is in the beginning of a multi-year improving truck market as current sales levels of both Class 8 and medium-duty trucks have been below historical replacement levels for the last five years. In 2011, the Company's Class 8 retail sales increased by 91% over 2010, far outpacing the U.S. Class 8 truck market, which increased by 58%. The Company's Class 8 truck sales accounted for 5.2% of the U.S. Class 8 retail truck sales market in 2011. The increase in the Class 8 truck sales was primarily the result of continued strong demand by oilfield services customers and replacement purchases by large fleet customers.

Similarly, Rush's U.S. Class 4 through 7 medium-duty commercial vehicle sales were up 94% over 2010, significantly outpacing the U.S. Class 4 through 7 market, which increased by 23%. Rush's medium-duty retail sales accounted for 3.8% of U.S. Class 4 through 7 retail sales in 2011. The majority of our medium-duty growth was achieved through Navistar Division dealerships and Ford and Isuzu dealerships in Texas, Florida, Oklahoma and California that were acquired during 2010 and 2011.

The Company continues to pursue its acquisition strategy. In the fourth quarter, the Company purchased certain assets of West Texas Peterbilt, which included five locations in West Texas, and Peck Road Ford in Whittier, California. The Company now operates five Ford franchises and sixteen Isuzu franchises in its network of Rush Truck Centers. The acquisition of West Texas Peterbilt expanded the Company's representation of Peterbilt in Texas to include the entire state.

Improvements to the Company's existing network of Rush Truck Centers continue. The Company relocated its dealerships in Ft. Worth, Texas and Orlando, Florida at the end of 2011. In 2012, the Company plans to relocate its Phoenix, Arizona, open a new Rush Bus Center in Houston to better serve its bus customers in the Houston market and construct a new dealership facility in Corpus Christi, Texas.

In 2011, the Company also expanded operations to take advantage of strong demand for ancillary services not traditionally performed by truck dealerships. The Company leased a 237,000 square foot facility in Houston to support demand from several long-term oilfield services customers for oilfield vehicle preparation and service, and also established a new 50,000 square foot modification center in the Dallas area.

The Company continues to evaluate opportunities to expand its Navistar Division. The 17 locations in the Navistar Division have now become a solid contributor to the Company's overall profitability and represent a significant opportunity to enlarge the network of Rush Truck Centers. The Company remains committed to work with Navistar to expand its Navistar Division.

Key Performance Indicator

Absorption Rate. Management uses several performance metrics to evaluate the performance of its commercial vehicle dealerships, and considers Rush Truck Centers' "absorption rate" to be of critical importance. Absorption rate 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, then 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 rate was approximately 80%. The Company has made a concerted effort to increase its absorption rate since 1999. The Company's commercial vehicle dealerships achieved a 113.9% absorption rate for the year in 2011 and 105.5% absorption rate for the year in 2010.

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 and other intangible assets that have indefinite lives are not amortized but instead are 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 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 fails 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.

The Company has historically performed an annual impairment review of goodwill during the fourth quarter of each year, however, an interim evaluation of goodwill was required during the second quarter of 2009 due to General Motors' decision to terminate production of medium-duty GMC trucks, which resulted in the winding-down of the Company's medium-duty GMC truck franchises. The goodwill allocation was based on the relative fair values of the medium-duty GMC truck franchises and the portion of the Company's Truck Segment remaining. The Company's Truck Segment recorded a non-cash charge of $0.8 million related to the impairment of the goodwill of its medium-duty GMC truck franchises. See Note 17 for further discussion of the wind-down of the Company's medium-duty GMC truck franchise agreements.

Goodwill was tested for impairment during the fourth quarter of 2011 and no impairment write down was required. The fair value of each of our reporting units 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 any of its reporting units are 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, 2011 by $0.8 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 FASB issued an accounting standard update that requires the presentation of components of other comprehensive income with the components of net income in either (1) a continuous statement of comprehensive income that contains two sections, net income and other comprehensive income, or (2) two separate but consecutive statements. This accounting standard update eliminated the option to present components of other comprehensive income as part of the statement of shareholders' equity, and is effective for interim and annual periods beginning after December 15, 2011. In December 2011, this standard was amended to delay the proposed identification of reclassification adjustments in the consolidated statements of income. The adoption of this accounting standard update will not have an impact on our consolidated financial position, results of operations, or cash flows, as it only requires a change in the format of our current presentation of comprehensive income.

Results of Operations

The following discussion and analysis includes the Company's historical results of operations for 2011, 2010 and 2009.

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

	Year Ended December 31,		
	2011	2010	2009
New and used commercial vehicle sales	69.8 %	61.9 %	61.5 %
Parts and service sales	26.2	32.7	32.9
Lease and rental	3.2	4.5	4.5
Finance and insurance	0.4	0.5	0.6
Other	0.4	0.4	0.5
Total revenues	100.0	100.0	100.0
Cost of products sold	83.6	81.0	82.0
Gross profit	16.4	19.0	18.0
Selling, general and administrative	11.9	15.2	16.0
Depreciation and amortization	0.7	1.0	1.3
Operating income	3.8	2.8	0.7
Interest expense, net	0.3	0.4	0.5
Income from continuing operations before income taxes	3.5	2.4	0.2
Provision (benefit) for income taxes	1.4	0.8	(0.2)
Income from continuing operations	2.1	1.6	0.4
Income from discontinued operations	0.0	0.4	0.1
Net income	2.1 %	2.0 %	0.5 %

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 rate for the years indicated (revenue in millions):

				% Change	
	2011	2010	2009	2011 vs 2010	2010 vs 2009
Vehicle unit sales:					
New heavy-duty vehicles	9,052	4,746	3,972	90.7%	19.5%
New medium-duty vehicles	5,469	2,820	2,643	93.9%	11.0%
New light-duty vehicles	1,019	114	—	793.9%	100.0%
Total new vehicle unit sales	15,540	7,680	6,615	102.3%	16.1%
Used vehicles sales	4,649	3,461	2,875	34.3%	20.4%
Vehicle revenue:					
New heavy-duty vehicles	$ 1,186.5	$ 595.4	$ 467.1	99.3%	27.5%
New medium-duty vehicles	380.7	185.9	163.7	104.8%	16.1%
New light-duty vehicles	33.3	4.2	—	692.9%	100.0%
Total new vehicle revenue	$ 1,600.5	$ 785.5	$ 630.8	103.8%	24.5%
Used vehicle revenue	$ 193.3	$ 139.0	$ 106.5	39.1%	30.5%
Other vehicle revenue (1)	$ 8.2	$ 2.1	$ 1.4	290.5%	50.0%
Dealership absorption rate:	113.9%	105.5%	95.7%	8.0%	10.2%

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

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 Company serves the U.S. retail heavy-duty truck market, which 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. The Company's share of the U.S. Class 8 truck sales market increased to 5.2% in 2011, up from 4.3% in 2010.

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, 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 pure price competition and is increasingly based on a dealer's ability to offer a wide variety of services to their clients. 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 214,000 new Class 8 trucks will be sold in the United States in 2012, compared to approximately 174,000 new Class 8 trucks sold in 2011. A.C.T. Research currently forecasts sales of Class 8 trucks in the U.S. to be approximately 245,000 in 2013.

Medium-Duty Truck Market

Many of our Rush Truck Centers sell medium-duty commercial vehicles manufactured by Peterbilt, International, Hino, UD, 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 venture out of their service areas overnight. The Company also sells light-duty vehicles (Class 3 and under) at certain dealerships.

A.C.T. Research currently forecasts sales of Class 4 through 7 commercial vehicles in the U.S. to be approximately 163,000 in 2012 compared to 144,000 in 2011. A.C.T. Research currently forecasts sales of Class 4 through 7 commercial vehicles in the U.S. to be approximately 188,000 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. Demand for commercial vehicles has increased as general economic conditions in the United States have improved and credit is being made available on reasonable terms to a wider range of buyers. 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. As commercial vehicle utilization remains high, the Company expects parts, service and body shop sales to continue to remain strong through 2012 and remains focused on expanding aftermarket product and service offerings.

The Company sold 9,052 heavy-duty trucks in 2011, a 90.7% increase compared to 4,746 heavy-duty trucks in 2010. According to A.C.T. Research, 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 expects its market share to range between 4.8% and 5.2% of U.S. Class 8 truck sales in 2012. This market share percentage would result in the sale of approximately 10,000 to 10,800 of Class 8 trucks in 2012 based on A.C.T. Research's estimate that U.S. retail sales will increase to 214,000 units. Company's ability to sell this many trucks may be limited by manufacturer and component suppliers' ability to maintain or increase production over current levels to meet customer demand.

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. A.C.T. Research estimates that 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. As a result of acquisitions that occurred during 2011, the Company expects its market share to range between 4.2% and 4.6% of U.S. Class 4 through 7 commercial vehicle sales in 2012. This market share percentage would result in the sale of approximately 6,800 to 7,500 of Class 4 through 7 commercial vehicles in 2012 based on A.C.T. Research's current U.S. retail sales estimates of 163,000 units.

The Company sold 1,019 light-duty vehicles in 2011, a 793.9% increase compared to 114 light-duty vehicles in 2010. The Company expects to sell 1,200 light-duty vehicles in 2012.

The Company sold 4,649 used commercial vehicles in 2011, a 34.3% increase compared to 3,461 used commercial vehicles in 2010. The Company expects to sell approximately 5,200 to 6,000 used commercial vehicles in 2012. The Company expects used commercial vehicle sales to be largely dependent upon our ability to acquire quality used commercial vehicles and maintain an adequate used commercial vehicle inventory throughout 2012.

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. The Company expects lease and rental revenue to increase 20% to 25% during 2012, compared to 2011 based on the increase of units in the lease and rental fleet.

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. The Company expects finance and insurance revenue to fluctuate proportionately with the Company's new and used commercial vehicle sales in 2012. 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. The Company expects gross margins on parts, service and body shop operations to range 39.0% to 41.0% in 2012.

Gross margins on Class 8 truck sales decreased to 7.1% in 2011, from 7.4% in 2010. In 2012, the Company expects overall gross margins from Class 8 truck sales of approximately 6.5% to 7.5%. The Company recorded expense of $1.6 million to increase its new heavy-duty truck valuation allowance in 2011 and $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. For 2012, the Company expects overall gross margins from medium-duty commercial vehicle sales of approximately 4.5% to 5.5%, but this will largely depend upon general economic conditions and the mix of purchasers and types of vehicles sold. The Company recorded expense of $1.9 million to increase its new medium-duty commercial vehicle valuation allowance in 2011 and $0.6 million in 2010.

Gross margins on used commercial vehicle sales decreased to 9.4% in 2011, from 12.2% in 2010. In 2012, the Company expects margins on used commercial vehicles to remain between 8.0% and 10.0%, but this will largely depend upon general economic conditions and the availability of quality used vehicles. The Company recorded expense of $2.3 million to increase its used commercial vehicle valuation allowance in 2011 and $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 is 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. The Company expects gross margins from lease and rental sales of approximately 16.0% to 18.0% during 2012. 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 $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. 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 revenue, SG&A expenses as a percentage of total revenue will be at, or exceed, the higher end of this range. Historically low commercial vehicle revenue during 2009 and early 2010, caused SG&A expenses as a percentage of revenue to rise above this range. For 2012, the Company expects SG&A expenses as a percentage of total revenue to range from 11.0% to 13.0%. For 2012, the Company expects the selling portion of SG&A expenses to be approximately 25% to 30% of new and used commercial vehicle gross profit. In 2012, the Company expects the general and administrative portion of SG&A expenses to increase by approximately 13.0% to 17.0% primarily due to an expected increase in personnel costs related to increased parts and service business, the full year effect of acquisitions made in the first quarter of 2011, and the reinstatement of certain employee benefits. The Company will incur ongoing additional costs of approximately $0.3 million to $0.4 million per month related to implementation of SAP software which includes monthly maintenance fees and training expenses. The SAP software was placed into service in August 2011.

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. The Company expects that it will incur amortization expense of approximately $0.2 million per month related to the SAP software development going forward.

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. 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 2012 will depend on inventory levels and cash available for prepayment of floor plan financing. Interest expense will increase by approximately $0.1 million per month because the Company discontinued the capitalization of interest on the costs related to the SAP software implementation when the software was placed in service in August 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. The Company expects its effective tax rate to be approximately 37% to 39% of pretax income in 2012. In 2010, the Company received $2.5 million in tax credits for sales of alternative fuel vehicles to tax-exempt entities. The federal tax law that extended tax credits for alternative fuel vehicles expired on December 31, 2010.

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.

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

Revenues

Revenues increased $297.5 million, or 24.8%, in 2010, compared to 2009. Sales of new and used commercial vehicles increased $187.9 million, or 25.4%, in 2010, compared to 2009. Our parts, service and body shop revenues increased in 2010 compared to 2009, primarily due to increased maintenance and repair as commercial vehicle utilization continues to increase.

The Company sold 4,746 heavy-duty trucks in 2010, a 19.5% increase compared to 3,972 heavy-duty trucks in 2009. According to A.C.T. Research, the U.S. Class 8 truck market increased 13.5% in 2010, compared to 2009. The Company's share of the U.S. Class 8 truck sales market was approximately 4.3% in 2010.

The Company sold 2,820 medium-duty commercial vehicles, including 457 buses, in 2010, an 11.0% increase compared to 2,643 medium-duty commercial vehicles, including 368 buses, in 2009.

The Company sold 3,461 used commercial vehicles in 2010, a 20.4% increase compared to 2,875 used commercial vehicles in 2009.

Parts and service sales increased $94.1 million, or 23.8%, in 2010, compared to 2009. Aftermarket parts, service and body shop sales remained strong throughout 2010 as freight movement increased and aging commercial vehicles were put back into service. The Company's acquisition of Lake City International contributed $25.1 million of the increase.

Truck lease and rental revenues increased $13.7 million, or 25.5%, in 2010, compared to 2009. The Company's acquisition of Lake City International contributed $5.9 million of the increase. The remainder of 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 2009 and 2010 and increasing rental fleet utilization.

Finance and insurance revenues increased $0.5 million, or 6.1%, in 2010, compared to 2009. The increase in finance and insurance revenue is a direct 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 $1.3 million, or 23.9% in 2010, compared to 2009. 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, mineral royalties, an adjustment of a liability related to retail finance contracts sold with recourse.

Gross Profit

Gross profit increased $69.2 million, or 32.1%, in 2010, compared to 2009. Gross profit as a percentage of sales increased to 19.0% in 2010, from 18.0% in 2009. This increase is primarily a result of a change in our product sales mix.

Gross margins on Class 8 truck sales increased to 7.4% in 2010, from 5.8% in 2009. Gross margins on Class 8 truck sales in 2010 were impacted by a change in our product sales mix that included an increased demand for vocational trucks, which typically are higher margin sales, and a lower percentage of large fleet sales, which are typically lower margin sales. The Company recorded expense of $1.9 million to increase its new heavy-duty truck valuation allowance in 2010 and $5.8 million in 2009.

Gross margins on medium-duty commercial vehicle sales increased to 5.6% in 2010, from 5.5% in 2009. The Company recorded expense of $0.6 million to increase its new medium-duty commercial vehicle valuation allowance in 2010 and $2.5 million in 2009.

Gross margins on used commercial vehicle sales increased to 12.2% in 2010, from 6.9% in 2009. This increase is primarily a result of increased demand for quality used commercial vehicles and a decrease in the supply of quality used commercial vehicles. The Company recorded expense of $1.5 million to increase its used commercial vehicle valuation allowance in 2010 and $5.0 million in 2009.

Gross margins from the Company's parts, service and body shop operations decreased to 38.5% in 2010, from 38.8% in 2009. Gross profit for the parts, service and body shop departments increased to $188.5 million in 2010, from $153.2 million in 2009.

Gross margins from truck lease and rental sales increased to 14.9% in 2010, from approximately 11.5% in 2009. The increase in lease and rental revenue is 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. 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 $35.2 million, or 18.3%, in 2010, compared to 2009. SG&A expenses as a percentage of sales decreased to 15.2% in 2010, from 16.0% in 2009. Prior to 2009, SG&A expenses as a percentage of total revenue historically ranged from 10.0% to 15.0%. In general, when new and used commercial vehicle revenue decreases as a percentage of revenue, SG&A expenses as a percentage of total revenue will be at, or exceed, the higher end of this range. Extremely low commercial vehicle revenue during 2009 and early 2010, caused SG&A expenses as a percentage of sales to fall outside this range.

Interest Expense, Net

Net interest expense decreased $0.3 million, or 5.8%, in 2010, compared to 2009.

Income from Continuing Operations before Income Taxes

Income from continuing operations before income taxes increased $34.4 million in 2010, compared to 2009, as a result of the factors described above.

Income Taxes

Income taxes increased $14.9 million in 2010, compared to 2009. Prior to the application of alternative fuel tax credits, the Company's tax rate during 2010 was 39%. In 2010, the Company received $2.5 million in tax credits for sales of alternative fuel vehicles to tax-exempt entities, compared to $5.3 million in 2009. The federal tax law that extended tax credits for alternative fuel vehicles expired on December 31, 2010.

Income from Discontinued Operations, Net

Income from discontinued operations, net of income taxes increased $5.9 million in 2010 compared to 2009. Income from discontinued operations includes operating results and a gain of $10.1 million on the disposition for the Company's construction equipment business.

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 has 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, the development and implementation of SAP enterprise software and dealership management system, 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. The Company does not expect the absence of cash flows from discontinued operations to materially affect future liquidity and capital resources. As of December 31, 2011, the Company had working capital of approximately $189.2 million, including $207.8 million in cash available to fund our operations. The Company believes that these funds are sufficient to meet our operating requirements for at least the next twelve months.

Available cash is generally invested in variable interest rate instruments in accordance with the Company's investment policy which is to invest excess funds in a manner that will provide maximum preservation and safety of principal. The portfolio is maintained to meet anticipated liquidity needs of the Company in order to ensure the availability of cash to meet the Company's obligations and to minimize potential liquidation losses. As of December 31, 2011, the majority of excess cash is maintained in a depository account or invested in a money market fund that invests exclusively in U.S. Treasury bills, notes and other obligations issued or guaranteed by the U.S. Treasury, and repurchase agreements collateralized by such obligations.

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, 2011, however, $7.7 million was pledged to secure various letters of credit related to self-insurance products, leaving $2.3 million available for future borrowings as of December 31, 2011.

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. At December 31, 2011, the Company was in compliance with all debt covenants related to debt secured by real estate and its floor plan credit agreement. The Company does not anticipate any breach of the covenants in the foreseeable future.

Titan Technology Partners implemented the SAP enterprise software and a new SAP dealership management system for the Company. The total cost of the SAP software and implementation placed in service in August 2011 was $42.5 million.

The Company is currently operating several Rush Truck Centers in Texas and a majority 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 and leasing operations to the SAP enterprise software and SAP dealership management system over the next three years.

The Company expects to purchase or lease trucks worth approximately $95.0 million for its leasing operations in 2012, 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 $10.0 million to $12.0 million during 2012.

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 expects to finance 70% to 80% of the appraised value of any newly constructed or purchased facilities, which will increase the Company's cash and cash equivalents by that amount.

The Company has no other material commitments for capital expenditures as of December 31, 2011, 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 increased by $38.8 million during the year ended December 31, 2011, and increased by $19.9 million during the year ended December 31, 2010. 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 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. The majority of commercial vehicle inventory is financed through the Company's floor plan credit agreement.

During 2010, operating activities resulted in net cash provided by operations of $66.4 million.

Cash flows from operating activities as adjusted for all draws and (payments) on floor plan notes ("Adjusted Cash Flows from Operating Activities") was $188.3 million for the year ended December 31, 2011, and $110.2 million for the year ended December 31, 2010. Generally, all vehicle dealers finance the purchase of vehicles with floor plan borrowings, and our agreements with our floor plan providers require us to repay amounts borrowed for the purchase of such vehicles immediately after they are sold. As a result, changes in floor plan notes payable are directly linked to changes in vehicle inventory. However, as reflected in our consolidated statements of cash flows, changes in inventory are recorded as cash flows from operating activities, and draws and (payments) on floor plan notes are recorded as cash flows from financing activities.

Management believes that information about Adjusted Cash Flows from Operating Activities provides investors with a relevant measure of liquidity and a useful basis for assessing the Company's ability to fund its activities and obligations from operating activities. Floor plan notes payable is classified as a current liability and, therefore, is included in the working capital amounts discussed above.

Adjusted Cash Flows from Operating Activities is a non-GAAP financial measure and should be considered in addition to, and not as a substitute for, cash flows from operating activities as reported in our consolidated statements of cash flows in accordance with U.S. GAAP. Additionally, this measure may vary among other companies; thus, Adjusted Cash Flows from Operating Activities as presented herein may not be comparable to similarly titled non-GAAP financial measures of other companies. Set forth below is a reconciliation of cash flow from operating activities as reported in our consolidated statement of cash flows, as if all changes in floor plan notes payable were classified as an operating activity (in thousands).

	Year ended December 31, 2011	2010
Net cash (used in) operating activities (GAAP)	$ (81,369)	$ 66,433
Draws on floor plan notes payable	$ 282,883	$ 43,724
Less: draws on floor plan notes payable related to inventory acquired in business acquisitions	(13,250)	—
Adjusted Cash Flows from Operating Activities (Non-GAAP)	$ 188,264	$ 110,157

Cash Flows from Investing Activities

During 2011, cash used in investing activities was $231.8 million. Cash flows used in investing activities consist primarily of cash used for capital expenditures and business acquisitions. 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. The Company expects to purchase or lease trucks worth approximately $95.0 million for its leasing operations in 2012, depending on customer demand, all of which will be financed. 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. During 2012, the Company expects to make capital expenditures for recurring items such as computers, shop equipment and vehicles of approximately $10.0 to $12.0 million.

During 2010, cash used in investing activities was $96.7 million. Cash flows used in investing activities consist primarily of cash used for capital expenditures and business acquisitions offset by proceeds from the sale of Rush Equipment Centers. Capital expenditures of $84.3 million consisted of purchases of property and equipment, improvements to our existing dealerships and the purchase of a dealership facility in Phoenix, Arizona. Property and equipment purchases during 2010 consisted of $47.5 million for additional units for the rental and leasing operations, which was directly offset by borrowings of long-term debt.

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 $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 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.

Cash provided by financing activities was $50.2 million during 2010. The Company had borrowings of long-term debt of $66.6 million and repayments of long-term debt and capital lease obligations of $63.2 million during 2010. The Company had net borrowings of floor plan notes payable of $43.7 million during 2010. The borrowings of long-term debt were primarily related to units for the rental and leasing operations and refinancing of existing real estate.

Substantially all of the Company's commercial vehicle purchases are made on terms requiring payment within 15 days or less from the date the commercial vehicles are invoiced from the factory. During 2011, we financed substantially all of the purchases of commercial vehicle inventory under our $450.0 million credit agreement with GE Capital. Under our $450.0 million credit agreement, all principal amounts outstanding bore interest at a rate per annum equal to the sum of the LIBOR rate plus 2.95%, which was payable monthly. The credit agreement allowed for prepayment of the inventory loans, up to 65% of the aggregate inventory loans outstanding, with monthly adjustments to the interest due. The Company made monthly interest payments to GE Capital on the amount financed, but was not required to commence loan principal repayments on any vehicle until such vehicle had been financed for 12 months or was sold. On December 31, 2011, the Company had approximately $496.3 million outstanding under its credit agreement with GE Capital.

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.

Navistar Financial Corporation offers a floor plan program that provides an interest free financing period, which varies depending on the commercial vehicle purchased. If the commercial vehicle financed by Navistar is not sold within the interest free finance period, the Company transfers the financed commercial vehicle to the GE Capital credit agreement. On December 31, 2011, the Company had approximately $24.4 million outstanding under the floor plan program with Navistar Financial Corporation.

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, environmental and other government regulations and customer business cycles. Unit sales of new commercial vehicles have historically been subject to substantial cyclical variation based on these 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. Through geographic expansion, concentration on higher margin parts and service operations and diversification of its customer base, the Company believes it has reduced the negative impact on the Company's earnings of adverse general economic conditions or cyclical trends affecting the heavy-duty truck industry.

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, 2011, such obligations were as follows (in thousands):

		Payments Due by Period			
Contractual Obligations	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations(1)	$328,287	$63,465	$113,635	$129,957	$21,230
Capital lease obligations(2)	49,351	11,517	19,183	12,694	5,957
Operating lease obligations(3)	39,738	8,782	11,845	7,526	11,585
Floor plan debt obligations	520,693	520,693	—	—	—
Interest obligations(4)	52,547	26,971	17,660	7,396	520
Purchase obligations(5)	7,756	3,264	4,492	—	—
Total	$998,372	$634,692	$166,815	$157,573	$39,292

(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, 2011 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, 2011 related to the Company's contract with Titan Technology Partners.

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 floor plan debt and variable rate real estate debt is based on LIBOR. As of December 31, 2011, the Company had floor plan borrowings and variable interest rate real estate debt of approximately $650.8 million. Assuming an increase or decrease in LIBOR of 100 basis points, annual interest expense could correspondingly increase or decrease by approximately $6.5 million. The Company provides all customer financing opportunities to various finance providers. 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, 2011, the Company has interest rate swaps with a total notional amount of $45.0 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 $207.8 million on December 31, 2011. 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 $2.1 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. As a result of the recent liquidity issues experienced in the global credit and capital markets, 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, 2011, 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, 2011 and 2010, and the related consolidated statements of income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2011. 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, 2011 and 2010, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2011, 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, 2011, 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, 2012 expressed an unqualified opinion thereon.

Ernst & Young LLP
San Antonio, Texas
March 15, 2012

(in thousands, except per share amounts)	Year Ended December 31, 2011	2010
Assets		
Current assets:		
Cash and cash equivalents	$ 207,775	$ 168,976
Accounts receivable, net	98,160	43,513
Inventories, net	649,626	321,933
Prepaid expenses and other	12,158	14,104
Deferred income taxes, net	12,286	10,281
Total current assets	980,005	558,807
Investments	6,628	7,575
Property and equipment, net	499,667	445,919
Goodwill, net	182,612	150,388
Other assets, net	48,789	5,244
Total assets	$ 1,717,701	$ 1,167,933
Liabilities and shareholders' equity		
Current liabilities:		
Floor plan notes payable	$ 520,693	$ 237,810
Current maturities of long-term debt	63,465	62,279
Current maturities of capital lease obligations	10,056	7,971
Trade accounts payable	62,299	37,933
Accrued expenses	134,278	69,036
Total current liabilities	790,791	415,029
Long-term debt, net of current maturities	264,822	189,850
Capital lease obligations, net of current maturities	35,498	34,231
Other long-term liabilities	2,233	364
Deferred income taxes, net	93,123	63,540
Shareholders' equity:		
Preferred stock, par value $.01 per share; 1,000,000 shares authorized; 0 shares outstanding in 2011 and 2010	—	—
Common stock, par value $.01 per share; 60,000,000 class A shares and 20,000,000 class B shares authorized; 27,406,424 class A shares and 10,776,697 class B shares outstanding in 2011; and 26,798,707 class A shares and 10,700,044 class B shares outstanding in 2010	398	391
Additional paid-in capital	208,569	195,747
Treasury stock, at cost: 1,639,843 class B shares	(17,948)	(17,948)
Retained earnings	342,164	286,951
Accumulated other comprehensive loss, net of tax	(1,949)	(222)
Total shareholders' equity	531,234	464,919
Total liabilities and shareholders' equity	$ 1,717,701	$ 1,167,933

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 per share amounts)	2011	2010	2009
Revenues:			
New and used commercial vehicle sales	$ 1,801,964	$ 926,584	$ 738,705
Parts and service sales	675,277	489,259	395,133
Lease and rental	83,426	67,423	53,710
Finance and insurance	10,867	7,922	7,468
Other	9,077	6,739	5,437
Total revenues	2,580,611	1,497,927	1,200,453
Cost of products sold:			
New and used commercial vehicle sales	1,679,170	854,879	695,334
Parts and service sales	408,544	300,783	241,933
Lease and rental	69,620	57,375	47,545
Total cost of products sold	2,157,334	1,213,037	984,812
Gross profit	423,277	284,890	215,641
Selling, general and administrative	306,273	227,467	192,296
Depreciation and amortization	20,084	15,720	15,890
Gain (loss) on sale of assets	418	(36)	162
Operating income	97,338	41,667	7,617
Interest income (expense):			
Interest income	20	127	54
Interest expense	(7,181)	(5,490)	(5,749)
Total interest expense, net	7,161	5,363	5,695
Income from continuing operations before taxes	90,177	36,304	1,922
Provision (benefit) for income taxes	34,964	11,737	(3,173)
Income from continuing operations	55,213	24,567	5,095
Income from discontinued operations, net of tax	—	6,715	789
Net income	$ 55,213	$ 31,282	$ 5,884
Earnings per common share - Basic:			
Income from continuing operations	$ 1.46	$ 0.66	$ 0.14
Net income	$ 1.46	$ 0.84	$ 0.16
Earnings per common share - Diluted:			
Income from continuing operations	$ 1.42	$ 0.64	$ 0.14
Net income	$ 1.42	$ 0.82	$ 0.16

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 Class A	Class B	$.01 Par Value	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
Balance, December 31, 2008	26,256	10,685	$ 386	$ 183,818	$ (17,948)	$ 249,785	$ —	$ 416,041
Stock options exercised (including tax effect of ($191))	23	4	—	(55)				(55)
Stock-based compensation related to stock options, restricted shares and employee stock purchase plan	—	—	—	3,664				3,664
Vesting of restricted share awards	68		1	(1)				—
Issuance of common stock under employee stock purchase plan	91	—	1	690				691
Net income						5,884		5,884
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
Fair value adjustment of interest rate swaps, net of tax							(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 $1,628)	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
Fair value adjustment of interest rate swaps, net of tax							(1,140)	(1,140)
Unrealized loss on available-for-sale securities, net of tax							(587)	(587)
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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

(in thousands)	Year Ended December 31, 2011	2010	2009
Cash flows from operating activities:			
Net income	$ 55,213	$ 31,282	$ 5,884
Adjustments to reconcile net income to net cash used in operating activities, net of acquisitions-			
Depreciation and amortization	56,934	45,920	40,698
Gain on sale of property and equipment, net	(418)	(36)	(160)
Gain on disposition of equipment centers	—	(10,091)	—
Stock-based compensation expense related to employee stock options and employee stock purchases	5,683	4,468	3,664
Provision (benefit) for deferred income tax expense	28,680	10,215	(2,980)
Excess tax (benefits) provision from stock-based compensation	(1,628)	(885)	191
Change in accounts receivable, net	(49,986)	(217)	16,405
Change in inventories	(268,178)	(48,548)	104,450
Change in prepaid expenses and other, net	1,999	(10,252)	(281)
Change in trade accounts payable	24,366	15,331	(9,103)
Change in accrued expenses	65,966	29,246	(8,473)
Net cash (used in) provided by operating activities	(81,369)	66,433	150,295
Cash flows from investing activities:			
Acquisition of property and equipment	(148,543)	(84,303)	(50,485)
Proceeds from the sale of property and equipment	10,692	305	481
Business acquisitions	(94,630)	(39,268)	—
Proceeds from disposition of equipment centers	—	26,234	—
Other	655	325	246
Net cash used in investing activities	(231,826)	(96,707)	(49,758)
Cash flows from financing activities:			
Draws (payments) on floor plan notes payable, net	282,883	43,724	(93,446)
Proceeds from long-term debt	144,457	66,614	50,417
Principal payments on long-term debt	(68,299)	(55,575)	(50,591)
Principal payments on capital lease obligations	(14,048)	(7,595)	(4,693)
Proceeds from issuance of shares relating to employee stock options and employee stock purchases	5,518	2,281	827
Excess tax benefits (provision) from stock-based compensation	1,628	885	(191)
Debt issuance costs	(145)	(179)	(176)
Net cash provided by (used in) financing activities	351,994	50,155	(97,853)
Net increase in cash and cash equivalents	38,799	19,881	2,684
Cash and cash equivalents, beginning of year	168,976	149,095	146,411
Cash and cash equivalents, end of year	$ 207,775	$ 168,976	$ 149,095
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	$ 15,237	$ 13,264	$ 14,298
Income taxes, net of refunds	$ 2,032	$ 7,544	$ 2,392
Noncash investing and financing activities:			
Note receivable related to disposition of equipment centers	$ —	$ 4,453	$ —
Assets acquired under capital leases	$ 17,400	$ 15,353	$ 24,317

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

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 Rush Truck Centers. Rush Truck Centers primarily sell commercial vehicles manufactured by Peterbilt, International, Hino, UD, Ford, Isuzu, Mitsubishi Fuso, IC Bus or Blue Bird. Through its network of Rush Truck Centers, 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, Oklahoma, Oregon, Tennessee, Texas and Utah. See Note 20 of the Notes to Consolidated Financial Statements for segment information.

Amounts in the accompanying Consolidated Statements of Income for the year ended December 31, 2009, have been reclassified to reflect the results of the equipment center business sold during 2010, as if the Company had classified the equipment center business as discontinued operations.

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 $.06 million related to major capital projects during 2011. The cost, accumulated depreciation and amortization and estimated useful lives are summarized as follows (in thousands):

	2011	2010	Estimated Life (Years)
Land	$ 68,147	$ 60,032	—
Buildings and improvements	162,118	143,989	31 - 39
Leasehold improvements	21,734	21,164	2 - 39
Machinery and shop equipment	34,949	31,287	5 - 20
Furniture, fixtures and computers	30,321	29,812	3 - 15
Transportation equipment	35,126	31,611	2 - 15
Lease and rental vehicles	326,678	258,847	2 - 8
Construction in progress	2,441	37,513	
Accumulated depreciation and amortization	(181,847)	(168,336)	
Total	$ 499,667	$ 445,919	

As of December 31, 2011, the Company had $44.4 million in lease and rental vehicles under various capital leases included in property and equipment, net of accumulated amortization of $15.8 million. The Company recorded depreciation expense of $48.3 million and amortization expense of $8.6 million for the year ended December 31, 2011, and depreciation expense of $39.6 million and amortization expense of $6.3 million for the year ended December 31, 2010. 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 or other indefinite-lived intangible assets, 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 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 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 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 2011. However, the Company cannot predict the occurrence of certain events that might adversely affect the reported value of goodwill or manufacturer franchise rights 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, 2011 (in thousands):

Balance January 1, 2011	$ 150,388
Acquisition of Asbury Automotive Atlanta, L.L.C. (See Note 15)	22,022
Acquisition of Heintzelman's Truck Center (See Note 15)	1,050
Acquisition of Peck Road Ford (See Note 15)	54
Acquisition of West Texas Peterbilt (See Note 15)	9,031
Other	67
Balance December 31, 2011	$ 182,612

Other Assets

In August 2011, the Company determined that the SAP enterprise software and SAP dealership management system were ready for their intended use, placed them in service and began amortization of the capitalized costs of the software. The total capitalized costs of $41.9 million, including capitalized interest, are recorded on the Consolidated Balance Sheet in Other Assets, net of accumulated amortization of $1.2 million. Amortization expense of $1.2 million is included in depreciation and amortization expense. The Company capitalized interest of $0.7 million related to the SAP enterprise software and SAP dealership management system during 2011. The SAP software will be amortized over a period of 15 years resulting in amortization expense of $2.8 million per year. The Company is currently operating several Rush Truck Centers in Texas and a majority 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 and leasing operations to the SAP enterprise software and SAP dealership management system over the next three years.

Other Assets on the Consolidated Balance Sheet include manufacturer franchise rights of $2.8 million at December 31, 2011.

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 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 (a "unit") is recognized when the seller and customer execute a purchase contract, delivery has occurred and there are no significant uncertainties related to financing or collectibility. Finance income related to the sale of a unit 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 2011, 2010 and 2009, 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 unit. Gain or loss 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 unit. 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 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 in the Company's Consolidated Statements of Income.

Stock-based compensation expense recognized is based on the fair value of the portion of share-based payment awards that is ultimately expected to vest during the period. Compensation expense for all share-based payment awards is recognized using the straight-line single-option method. As stock-based compensation expense recognized in the Consolidated Statements of Income is based on awards ultimately expected to vest, 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, without limitation, to 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 of the Company's stock options. Although the fair value of stock options is determined in accordance with ASC topic 718-10 using an option-pricing model, 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:

	2011	2010	2009
Expected stock volatility	51.5%	50.7%	46.3%
Weighted-average stock volatility	51.5%	50.7%	46.3%
Expected dividend yield	0.0%	0.0%	0.0%
Risk-free interest rate	2.00%	2.39%	1.87%
Expected life (years)	5.0	5.0	5.0
Weighted-average fair value of stock options granted	$ 8.68	$ 5.80	$ 3.25

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 $3.7 million for 2011, $2.9 million for 2010 and $2.1 million for 2009. 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 $41.9 million at December 31, 2011, net of accumulated amortization of $1.2 million, and $36.7 million at December 31, 2010.

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, 2011, the Company had an aggregate $45.0 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 become effective on or about January 1, 2012.

New Accounting Pronouncements

In June 2011, the FASB issued an accounting standard update that requires the presentation of components of other comprehensive income with the components of net income in either (1) a continuous statement of comprehensive income that contains two sections, net income and other comprehensive income, or (2) two separate but consecutive statements. This accounting standard update eliminated the option to present components of other comprehensive income as part of the statement of shareholders' equity, and is effective for interim and annual periods beginning after December 15, 2011. In December 2011, this standard was amended to delay the proposed identification of reclassification adjustments in the consolidated statements of income. The adoption of this accounting standard update will not have an impact on our consolidated financial position, results of operations, or cash flows, as it only requires a change in the format of our current presentation of comprehensive income.

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:

Distributor	Expiration Dates
Peterbilt	June 2012 through December 2014
International	May 2013 through May 2015
Autocar	June 2012
Mitsubishi Fuso	May 2015
Isuzu	Indefinite
Hino	Indefinite
UD	Indefinite
Ford	Indefinite
Blue Bird	August 2013
Micro Bird	August 2013
IC Bus	March 2016
Elkhart	August 2012

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 and most of its parts from PACCAR, the maker of Peterbilt trucks and parts, at prevailing prices charged to all franchised dealers. Sales of new Peterbilt trucks accounted for approximately 74.1% of the Company's new vehicle sales for the year ended December 31, 2011, and 77.1% of the Company's new vehicle sales for the year ended December 31, 2010.

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, 2011. 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 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. 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, 2011, 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. As of December 31, 2011, 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,	
	2011	2010
Trade accounts receivable from sale of vehicles	$ 58,741	$ 16,425
Trade receivables other than vehicles	18,057	13,450
Warranty claims	7,079	4,283
Other accounts receivable	15,243	10,674
Less allowance for bad debt and warranty receivable	(960)	(1,319)
Total	$ 98,160	$ 43,513

NOTE 5. INVENTORIES:

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

	December 31,	
	2011	2010
New commercial vehicles	$ 488,397	$ 209,969
Used commercial vehicles	48,430	27,002
Parts and accessories	107,745	83,215
Other	10,084	5,078
Less allowance	(5,030)	(3,331)
Total	$ 649,626	$ 321,933

NOTE 6. VALUATION ACCOUNTS:

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

	Balance Beginning of Year	Net Charge to Costs and Expenses	Acquisitions	Net Write-Offs	Balance End of Year
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
2009					
Reserve for accounts receivable	$ 110	$ 535		$ (441)	$ 204
Reserve for warranty receivable	401	512		(360)	553
Reserve for parts inventory	1,613	1,638		(1,295)	1,956
Reserve for construction equipment inventory	723	900		(126)	1,497
Reserve for commercial vehicle inventory	3,463	13,277		(13,831)	2,909

Allowance for Doubtful Receivables

The Company provides an allowance for uncollectible warranty receivables. The Company evaluates the collectibility 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.

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.

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 is reviewed and, if necessary, adjustments to the value of specific units 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 with GE Capital was LIBOR plus 2.95%. The interest rate applicable to the GE Capital credit agreement was approximately 3.48% at December 31, 2011. The Company's weighted average interest rate for floor plan notes payable was 1.00% for the year ended December 31, 2011, and 1.09% for the year ended December 31, 2010, which is net of interest income earned from GE Capital. The GE Capital credit agreement allowed for prepayment of the inventory loans, up to 65% of the aggregate inventory loans outstanding, with monthly adjustments to the interest due, which reduced the Company's weighted average interest rate.

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. On December

31, 2011, the Company had approximately $496.3 million outstanding under its credit agreement with GE Capital.

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 between $500.0 million and $600.0 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.

Navistar Financial Corporation offers a floor plan program that provides an interest free financing period, which varies depending on the commercial vehicle purchased. If the commercial vehicle financed by Navistar is not sold within the interest free finance period, the Company transfers the financed commercial vehicle to the GE Capital credit agreement. On December 31, 2011, the Company had approximately $24.4 million outstanding under its floor plan program with Navistar Financial Corporation.

Assets pledged as collateral as of December 31, 2011 and 2010 were as follows (in thousands):

	December 31,	
	2011	2010
Inventories, new and used vehicles at cost based on specific identification, net of allowance	$ 536,827	$ 235,429
Vehicle sale related accounts receivable	58,741	16,425
Total	$ 595,568	$ 251,854
Floor plan notes payable related to vehicles	$ 520,693	$ 237,810

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, 2011; however, $7.7 million was pledged to secure various letters of credit related to self-insurance products, leaving $2.3 million available for future borrowings as of December 31, 2011.

NOTE 8. LONG-TERM DEBT:

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

	December 31,	
	2011	2010
Variable interest rate term note	$ 130,092	$ 82,707
Fixed interest rate term notes	198,195	169,422
Total debt	328,287	252,129
Less- current maturities	(63,465)	(62,279)
Total	$ 264,822	$ 189,850

As of December 31, 2011, debt maturities were as follows (in thousands):

2012	$ 63,465
2013	61,090
2014	52,545
2015	64,039
2016	65,918
Thereafter	21,230
Total	$ 328,287

The interest rates on the Company's variable interest rate notes are based on LIBOR. The interest rates on the notes range from approximately 1.78% to 3.28% on December 31, 2011. Payments on the notes range from $1,910 to $80,000 per month, plus interest. Maturities of these notes range from December 2012 to December 2016.

The Company's fixed interest rate notes are with financial institutions and had interest rates that ranged from approximately 3.24% to 8.50% on December 31, 2011. Payments on the notes range from $186 to $44,021 per month, plus interest. Maturities of these notes range from January 2012, 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, 2011, 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:

Certain methods and assumptions were used by the Company in estimating the fair value of financial instruments at December 31, 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, amortization schedule and liquidity. 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 operations.

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.

As a result of the liquidity issues experienced in the global capital markets, auctions for investment grade securities held by the Company have failed. An auction fails when there is insufficient demand. 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, 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.

As of December 31, 2011, the Company determined that the auction-rate securities should be transferred out of Level 2 and into Level 3 of the fair value hierarchy, as quoted prices were unavailable since these auction rate securities have failed auction and have not traded since April 2011. Level 3 assets and liabilities include financial instruments whose value is determined using pricing models, discounted cash flow methodologies, or similar techniques, as well as instruments for which the determination of fair value requires significant management judgment or estimation.

The Company valued the auction rate securities at December 31, 2011 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. The Company believes that the impairment is temporary and has recognized 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 of December 31, 2011 and 2010 (in thousands):

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

At December 31, 2010				
		Fair Value Estimated Using		
	Cost Basis Amount	Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investment in auction rate securities	$ 7,575	$ —	$ 7,575	$ —

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, 2011, the Company had an aggregate $45.0 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 become 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 year ended December 31, 2011 and 2010.

The fair value of cash flow swaps 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 $2.2 million as of December 31, 2011. The carrying value of these swaps is included in Other Long-Term Liabilities on the accompanying Consolidated Balance Sheet as of December 31, 2011.

As of December 31, 2011 the Company was party to derivative financial instruments, as described in the following table (in thousands):

Agreement	Notional Amount	Fixed Interest Rate	Underlying Rate	Expiration Date	Fair Value
Interest Rate Swap	$ 2,196	5.075%	3 month LIBOR	July 1, 2015	$ (98)
Interest Rate Swap	4,536	5.075%	3 month LIBOR	July 1, 2015	(202)
Interest Rate Swap	7,847	5.39%	1 month LIBOR	December 31, 2014	(350)
Interest Rate Swap	1,517	5.39%	1 month LIBOR	December 31, 2014	(68)
Interest Rate Swap	2,700	5.39%	1 month LIBOR	December 31, 2014	(120)
Interest Rate Swap	6,109	5.39%	1 month LIBOR	December 31, 2014	(273)
Interest Rate Swap	5,616	5.38%	1 month LIBOR	June 29, 2015	(326)
Interest Rate Swap	864	5.29%	1 month LIBOR	June 30, 2015	(47)
Interest Rate Swap	1,656	5.29%	1 month LIBOR	June 30, 2015	(91)
Interest Rate Swap	8,352	5.29%	1 month LIBOR	June 30, 2015	(459)
Interest Rate Swap	720	5.29%	1 month LIBOR	June 30, 2015	(40)
Interest Rate Swap	2,894	5.29%	1 month LIBOR	June 30, 2015	(159)

Fair values of derivative instruments are on the accompanying Consolidated Balance Sheet as of December 31, 2011 (in thousands):

	Asset Derivatives		Liability Derivatives	
Derivatives Designated as Hedging Instruments	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest Rate Swaps	—	—	Other Long-Term Liabilities	$ 2,233

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, 2011, the Company guaranteed vehicle residual values of $5.7 million under operating lease arrangements and $18.5 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, 2011, $3.8 million for the year ended December 31, 2010, and $3.8 million for the year ended December 31, 2009.

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 $48.2 million.

Future minimum lease payments under capital and non-cancelable vehicle leases as of December 31, 2011, are as follows (in thousands):

	Capital Leases	Operating Leases
2012	$ 11,517	$ 2,579
2013	9,304	1,808
2014	9,879	790
2015	7,538	251
2016	5,156	66
Thereafter	5,957	27
Total minimum lease payments	$ 49,351	$ 5,521
Less amount representing interest	(3,797)	
Present value of net minimum capital lease payments	45,554	
Less current portion	(10,056)	
Obligations under capital leases less current portion	$ 35,498	

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, 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 approximately $53.4 million and contingent rental payments of $7.5 million. Rental income during the year ended December 31, 2009, consisted of minimum rental payments of approximately $47.2 million and contingent rental payments of $6.3 million. Minimum rental payments to be received for non-cancelable leases and subleases in effect at December 31, 2011, are as follows (in thousands):

2012	$ 48,567
2013	40,515
2014	32,267
2015	23,834
2016	14,179
Thereafter	9,980
Total	$ 169,342

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. As of December 31, 2010, the Company had $177.5 million of lease vehicles included in property and equipment, net of accumulated depreciation of $81.3 million.

Other Leases - Land and Buildings

The Company leases various assets under operating leases with expiration dates ranging from February 2012, through November 2027. Monthly rental payments range from approximately $325 per month to $45,000 per month. Rental expense was $5.7 million for the year ended December 31, 2011, $4.6 million for the year ended December 31, 2010, and $4.2 million for the year ended December 31, 2009. Future minimum lease payments under non-cancelable leases at December 31, 2011, are as follows (in thousands):

2012	$ 6,203
2013	5,041
2014	4,206
2015	3,610
2016	3,599
Thereafter	11,558
Total	$ 34,217

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 Market[sm]. 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 465,000 shares remaining of the 900,000 shares of the Company's Class A common stock that have been reserved for issuance. The Company issued 62,405 shares under the Employee Stock Purchase Plan during the year ended December 31, 2011 and 65,757 shares during the year ended December 31, 2010. Of the 3,865 employees eligible to participate, 443 were participants in the plan as of December 31, 2011.

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 2010, two non-employee directors received a grant of 6,527 shares of the Company's Class A common stock and three non-employee directors received a grant of 4,242 shares of the Company's Class A common stock and $35,000 cash, for total compensation equivalent to $100,000. 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. Under the Director Plan, there are approximately 287,000 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 22,712 shares of Class A common stock under the Director Plan during the year ended December 31, 2011 and 25,780 shares of Class A common stock under the Director Plan during the year ended December 31, 2010.

Employee Incentive Plans

In May 2007, the Board of Directors and shareholders adopted the Rush Enterprises, Inc. 2007 Long-Term Incentive Plan (the "2007 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, 2011, approximately 1,875,000 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, 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. During the year ended December 31, 2010, the Company granted 627,045 options to purchase Class A common stock and 99,465 restricted Class A common stock awards 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 $5.7 million for the year ended December 31, 2011, $4.5 million for the year ended December 31, 2010, and $3.7 million for the year ended December 31, 2009.

Cash received from options exercised and shares purchased under all share-based payment arrangements was $5.5 million for the year ended December 31, 2011, $2.3 million for the year ended December 31, 2010, and $0.8 million for the year ended December 31, 2009.

A summary of the Company's stock option activity and related information for the year ended December 31, 2011, follows:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Balance of Outstanding Options at January 1, 2011	3,709,877	$ 10.94		
Granted	647,145	18.74		
Exercised	(508,549)	9.2		
Forfeited	—	—		
Balance of Outstanding Options at December 31, 2011	3,848,473	$ 12.48	6.23	$ 31,809,360
Vested and exercisable at December 31, 2011	1,525,594	$ 11.17	3.89	$ 14,617,587

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, 2011, of the Company's Class A common stock and Class B common stock of $20.75. The total intrinsic value of options exercised was $5.2 million during the year ended December 31, 2011, $2.3 million during the year ended December 31, 2010, and $0.2 million during the year ended December 31, 2009.

A summary of the status of the number of shares underlying Company's non-vested options as of December 31, 2011, and changes during the year ended December 31, 2011, follows:

Non-vested Shares	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2011	2,134,699	$ 4.92
Granted	647,145	8.68
Vested	(458,965)	5.37
Forfeited	—	—
Non-vested at December 31, 2011	2,322,879	$ 5.88

The total fair value of vested options was $2.5 million during the year ended December 31, 2011, $2.4 million during the year ended December 31, 2010, and $1.8 million during the year ended December 31, 2009. The weighted-average grant date fair value of options granted was $8.68 during the year ended December 31, 2011, $5.80 during the year ended December 31, 2010, and $3.25 during the year ended December 31, 2009.

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, 2011. 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, 2011:

Non-Vested Stock Awards	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding, January 1, 2011	190,559	$ 11.19
Granted	126,697	18.93
Vested	(113,379)	13.20
Forfeited	—	—
Outstanding, December 31, 2011	203,877	$ 14.89

The total fair value of the shares issued upon the vesting of stock awards during the year ended December 31, 2011 was $1.5 million. The weighted-average grant date fair value of stock awards and units granted was $18.93 during the year ended December 31, 2011, $13.08 during the year ended December 31, 2010, and $8.81 during the year ended December 31, 2009.

As of December 31, 2011, there was $7.5 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 3.1 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. The Company incurred expenses related to the Rush 401k Plan of approximately $2.2 million during the year ended December 31, 2011, $0.4 million during the year ended December 31, 2010, and $0.6 million during the year ended December 31, 2009.

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. As of December 31, 2011, the Company recorded deferred compensation liability related to the Deferred Compensation Plan of $0.1 million.

The Company currently does not provide any postretirement 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.

	2011	2010	2009
Numerator-			
Numerator for basic and diluted earnings per share-Income from continuing operations available to common shareholders	$55,213,000	$24,567,000	$ 5,095,000
Denominator-			
Denominator for basic earnings per share, weighted average shares	37,860,551	37,307,453	37,065,654
Effect of dilutive securities-Stock options and restricted shares	1,153,846	910,727	530,853
Denominator for diluted earnings per share, adjusted weighted average shares and assumed conversions	39,014,397	38,218,180	37,596,507
Basic earnings per common share	$ 1.46	$ 0.66	$ 0.14
Diluted earnings per common share and common share equivalents	$ 1.42	$ 0.64	$ 0.14

Options to purchase shares of common stock that were outstanding for the years ended December 31, 2011, 2010 and 2009 that were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive are as follows:

	2011	2010	2009
Options	533,100	504,830	1,557,356
Total anti-dilutive securities	533,100	504,830	1,557,356

NOTE 13. INCOME TAXES:

Provision for Income Taxes

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

	Year ended December 31,		
	2011	2010	2009
Current provision (benefit)-			
Federal	$ 3,081	$ 3,850	$ (688)
State	3,203	1,965	889
	6,284	5,815	201
Deferred provision (benefit)-			
Federal	27,495	9,962	(2,614)
State	1,185	253	(255)
	28,680	10,215	(2,869)
Provision (benefit) for income taxes	$ 34,964	$ 16,030	$ (2,668)

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,		
	2011	2010	2009
Income taxes at the federal statutory rate	$ 31,562	$ 16,559	$ 1,126
State income taxes, net of federal benefit	2,795	1,418	422
Tax effect of permanent differences	621	542	540
Alternative fuel tax credit	—	(2,461)	(5,304)
Federal tax settlement	—	—	700
Other, net	(14)	(28)	(152)
Provision (benefit) for income taxes	$ 34,964	$ 16,030	$ (2,668)

Following is a summary of the Company's income tax provision for the years ended December 31, 2011, 2010 and 2009 (in thousands):

	Year Ended December 31,		
	2011	2010	2009
Income tax provision (benefit) on continuing operations	$ 34,964	$ 11,737	$ (3,173)
Income tax provision from discontinued operations	—	4,293	505
Provision (benefit) for income taxes	$ 34,964	$ 16,030	$ (2,668)

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

	Year Ended December 31,	
	2011	2010
Current:		
Deferred tax assets:		
Inventory	$ 2,944	$ 2,222
Accounts receivable	178	72
Capital lease obligations	4,217	3,896
Stock options	1,145	958
Alternative fuel tax credits	—	160
Accrued liabilities	2,453	1,671
State net operating loss carry forward	393	529
State tax credit	527	572
Other	429	201
Current deferred tax asset	$ 12,286	$ 10,281
Non-Current:		
Deferred tax assets:		
Capital lease obligations	$ 12,651	$ 11,687
Stock options	4,579	3,833
Other	1,231	142
	18,461	15,662
Deferred tax liabilities:		
Difference between book and tax basis- Depreciation	(111,584)	(78,793)
LIFO inventory valuation	—	(409)
Net non-current tax liability	$ (93,123)	$ (63,540)

The Company's various state net operating loss carry forwards expire from 2011 through 2024.

The Company included accruals for unrecognized income tax benefits totaling $1.3 million as a component of accrued liabilities as of December 31, 2011, and $1.5 million as of December 31, 2010. The unrecognized tax benefits of $1.3 million at December 31, 2011, and $1.5 million as of December 31, 2010, if recognized, would impact the Company's effective tax rate. 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. As of December 31, 2011, the Company accrued interest of $51,000 related to unrecognized tax benefits in the current provision for income taxes. 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, 2011, the tax years ended December 31, 2008 through 2011 remained subject to audit by federal tax authorities and the tax years ended December 31, 2007 through 2011, remained subject to audit by state tax authorities.

A reconciliation of the change in the unrecognized tax benefits from January 1, 2009, to December 31, 2011, is as follows (in thousands):

Unrecognized tax benefits at January 1, 2009	$ 1,939
Gross increases – tax positions in prior year	346
Gross increases – tax positions in current year	94
Decreases related to settlements with taxing authorities	(345)
Reductions due to lapse of statute of limitations	(273)
Unrecognized tax benefits at December 31, 2009	1,761
Gross increases – tax positions in current year	177
Reductions due to lapse of statute of limitations	(472)
Unrecognized tax benefits at December 31, 2010	1,466
Gross increases – tax positions in current year	290
Gross increases – tax positions in a prior year	119
Reductions due to lapse of statute of limitations	(538)
Unrecognized tax benefits at December 31, 2011	$ 1,337

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 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. 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 preliminary 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)
Goodwill	9,031
Total	$ 24,619

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 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 preliminary 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	2,561
Accounts receivable	771
Other	8
Accrued expenses	(79)
Goodwill	54
Total	$ 9,995

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 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 operates commercial truck and bus dealerships in the metro Atlanta area under the "Nalley Motor Trucks" name. The acquisition includes the International, Hino, Isuzu, UD, IC Bus and Workhorse franchises in metro Atlanta, dealership locations in Atlanta and Doraville and a collision center in Atlanta.

These dealership locations are operating as Rush Truck Centers that offer commercial vehicles manufactured by International, Hino, Isuzu, UD, IC Bus and Workhorse Custom Chassis in addition to parts, service, financing and insurance. 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):

Inventories	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 is operating 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 preliminary 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 is operating 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 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 operating as Rush Truck Centers that offer commercial vehicles manufactured by International, Autocar, Mitsubishi Fuso, IC Bus and now Workhorse Custom Chassis in addition to parts, service, body shop, financing and insurance. 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 preliminary 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.

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,		
(in thousands)	2011	2010	2009
Net Sales	$ —	$ 25,819	$ 38,836
Earnings before income taxes:			
Results of operations from discontinued operations before income taxes	—	917	1,294
Gain on disposition	—	10,091	—
Income tax (expense)	—	(4,293)	(505)
Net income from discontinued operations	$ —	$ 6,715	$ 789
Basic earnings per common share from discontinued operations, net of tax	$ —	$ 0.18	$ 0.02
Diluted earnings per common share and common share equivalents from discontinued operations, net of tax	$ —	$ 0.18	$ 0.02

NOTE 17. MEDIUM-DUTY GMC TRUCK FRANCHISES:

During the second quarter of 2009, General Motors made the decision to terminate its medium-duty GMC truck production and wind-down the Company's medium-duty GMC truck franchises, which forced the Company to take a $6.7 million pre-tax asset impairment charge. The impairment charge was offset by $1.8 million in assistance from General Motors. In the second quarter of 2009, this impairment charge resulted in a net charge to cost of sales of $4.0 million, a net charge to SG&A expense of $0.1 million and a charge to amortization expense of $0.8 million. During the third and fourth quarters of 2009, the Company adjusted the estimated impairment charge related to the medium-duty GMC truck and parts inventories, which resulted in a net credit to cost of sales of $1.9 million.

NOTE 18. COMPREHENSIVE INCOME:

The following table provides a reconciliation of net income to comprehensive income (in thousands):

	For the Year Ended December 31,	
	2011	2010
Net income	$ 55,213	$ 31,282
Other comprehensive loss:		
Change in fair value of cash flow swaps, net of tax	(1,140)	(222)
Unrealized loss on available-for-sale securities, net of tax	(587)	—
Comprehensive income	$ 53,486	$ 31,060

NOTE 19. UNAUDITED QUARTERLY FINANCIAL DATA:

(in thousands, except per share amounts)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
2011				
Revenues	$ 446,104	$ 661,982	$ 696,445	$ 776,080
Gross Profit	82,390	105,510	113,788	121,589
Operating income from continuing operations	12,821	21,789	28,328	34,400
Income from continuing operations before income taxes	11,620	20,190	26,434	31,933
Income from continuing operations	7,267	12,518	16,045	19,383
Income from discontinued operations, net of taxes	—	—	—	—
Net income	$ 7,267	$ 12,518	$ 16,045	$ 19,383
Earnings per share – Basic:				
Income from continuing operations	$ 0.19	$ 0.33	$ 0.42	$ 0.51
Net income	$ 0.19	$ 0.33	$ 0.42	$ 0.51
Earnings per share – Diluted:				
Income from continuing operations	$ 0.19	$ 0.32	$ 0.41	$ 0.50
Net income	$ 0.19	$ 0.32	$ 0.41	$ 0.50
2010				
Revenues	$ 299,288	$ 329,839	$ 405,841	$ 462,959
Gross Profit	58,063	69,179	78,197	79,451
Operating income from continuing operations	4,368	10,362	13,732	13,205
Income from continuing operations before income taxes	3,071	8,965	12,375	11,893
Income from continuing operations	1,922	5,416	8,031	9,198
Income from discontinued operations, net of taxes	315	272	6,128	—
Net income	$ 2,237	$ 5,688	$ 14,159	$ 9,198
Earnings per share – Basic:				
Income from continuing operations	$ 0.05	$ 0.15	$ 0.22	$ 0.25
Net income	$ 0.06	$ 0.15	$ 0.38	$ 0.25
Earnings per share – Diluted:				
Income from continuing operations	$ 0.05	$ 0.14	$ 0.21	$ 0.24
Net income	$ 0.06	$ 0.15	$ 0.37	$ 0.24

NOTE 20. 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 assets of the construction equipment business have been included in the All Other segment assets in the table below for 2009 and 2008.

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, 2011, 2010 and 2009.

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, 2011, 2010 and 2009 (in thousands):

(in thousands)	Truck Segment	All Other	Totals
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	98,853	633	99,486
2009			
Revenues from external customers	$ 1,184,400	$ 16,053	$ 1,200,453
Interest income	54	—	54
Interest expense	5,315	434	5,749
Depreciation and amortization	15,143	747	15,890
Segment income (loss) from continuing operations before taxes	3,962	(2,040)	1,922
Segment assets	924,703	52,594	977,297
Goodwill	134,352	2,409	136,761
Expenditures for segment assets	74,519	78	74,597

Revenues from segments below the quantitative thresholds are attributable to three operating segments of the Company. Those segments include a tire retailing company, an insurance company 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 Market^{sm} 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 Market^{sm}.

	2011		2010	
	High	Low	High	Low
Class A Common Stock				
First Quarter	$ 21.25	$ 17.82	$ 13.34	$ 10.67
Second Quarter	21.99	17.43	16.94	13.21
Third Quarter	21.77	14.14	15.59	12.40
Fourth Quarter	21.47	12.76	21.22	14.21
Class B Common Stock				
First Quarter	$ 18.33	$ 15.60	$ 12.30	$ 9.17
Second Quarter	19.05	14.75	14.84	10.91
Third Quarter	17.89	11.67	14.04	10.45
Fourth Quarter	17.41	10.58	20.21	12.80

As of March 2, 2012, there were approximately 39 record holders of the Class A common stock and approximately 46 record holders of the Class B common stock.

The Company did not pay dividends during the fiscal year ended December 31, 2011, or the fiscal year ended December 31, 2010. The Board of Directors intends to retain any earnings of the Company to support operations and to finance expansion and does not intend to pay cash dividends in the foreseeable future. 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.

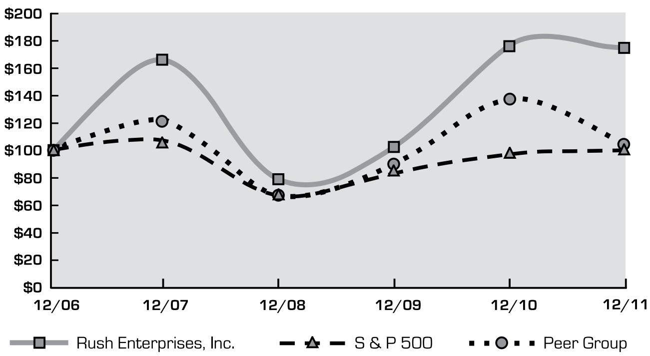
The Company has not sold any securities in the last three years that were not registered under the Securities Act.

The Company did not repurchase any shares of its Class A Common Stock or Class B Common Stock during the fourth quarter of 2011.

Performance Graph

The chart set forth below shows the value of an investment of $100 on December 31, 2006 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 12/31/06 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

	Cumulative Total Return		
	Rush Enterprises, Inc.	S & P 500	Peer Group
12/31/06	$ 100.00	$ 100.00	$ 100.00
12/31/07	165.05	105.49	119.94
12/31/08	76.88	66.46	67.28
12/31/09	102.75	84.05	89.45
12/31/10	176.65	96.71	137.25
12/31/11	173.94	98.75	102.16

NOTE REGARDING FORWARD-LOOKING STATEMENTS

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 demand for our products and services, competitive factors, general economic conditions, cyclicality, 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.

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 64.

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

Daryl J. Gorup
Senior Vice President
Dealership 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 15, 2012 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 Market[sm] 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