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

FORM 10-K

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d)
OF THE SECURITIES EXCHANGE ACT OF 1934**

For the fiscal year ended December 31, 2011

Commission file number 0-20797

RUSH ENTERPRISES, INC.
(Exact name of registrant as specified in its charter)

Texas **(State or other jurisdiction of incorporation or organization)**	**74-1733016** **(I.R.S. Employer Identification No.)**
555 IH 35 South, New Braunfels, TX **(Address of principal executive offices)**	**78130** **(Zip Code)**

Registrant's telephone number, including area code: (830) 626-5200

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

Class A and Class B Common Stock, $.01 par value	NASDAQ Global Select Market
Title of each class	Name of each exchange on which registered

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ☐ No ☒

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Exchange Act. Yes ☐ No ☒

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes ☒ No ☐

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

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

Large accelerated filer ☐		Accelerated filer	☒
Non-accelerated filer ☐	(Do not check if a smaller reporting company.)	Smaller Reporting Company	☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes ☐ No ☒

The aggregate market value of common stock held by non-affiliates of the registrant as of June 30, 2011 was approximately $618,179,524 based upon the last sales price on June 30, 2011 on The NASDAQ Global Select Market℠ of $19.03 for the registrant's Class A common stock and $16.10 for the registrant's Class B common stock. Shares of common stock held by each executive officer and director and by each shareholder affiliated with a director or an executive officer have been excluded from this calculation because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The registrant had 27,713,888 shares Class A common stock and 10,779,674 shares of Class B common stock outstanding on March 8, 2012.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of registrant's definitive proxy statement for the registrant's 2012 Annual Meeting of Shareholders, to be filed with the Securities and Exchange Commission not later than April 30, 2012, are incorporated by reference into Part III of this Form 10-K.

RUSH ENTERPRISES, INC.

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Year ended December 31, 2011

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.

NOTE REGARDING INCORPORATION BY REFERENCE

The Securities and Exchange Commission ("SEC") allows us to disclose important information to you by referring you to other documents we have filed with the SEC. The information we refer to is "incorporated by reference" into this Form 10-K. Please read that information.

NOTE REGARDING TRADEMARKS USED IN THIS FORM 10-K

Peterbilt® is a registered trademark of Peterbilt Motors Company. PACCAR® is a registered trademark of PACCAR, Inc. GMC® is a registered trademark of General Motors Corporation. Hino® is a registered trademark of Hino Motors, Ltd. UD® is a registered trademark of UD Truck North America, Ltd. Isuzu® is a registered trademark of Isuzu Motors Limited. John Deere® is a registered trademark of Deere & Company. Kenworth® is a registered trademark of PACCAR, Inc. doing business as Kenworth Truck Company. Volvo® is a registered trademark of Volvo Trademark Holding AB. Freightliner® is a registered trademark of Freightliner Corporation. Mack® is a registered trademark of Mack Trucks, Inc. Navistar® is a registered trademark of Navistar International Corporation. Caterpillar® is a registered trademark of Caterpillar, Inc. PacLease® is a registered trademark of PACCAR Leasing Corporation. CitiCapital® is a registered trademark of Citicorp. Ford® is a registered trademark of Ford Motor Company. Cummins® is a registered trademark of Cummins Intellectual Property, Inc. Eaton® is a registered trademark of Eaton Corporation. Arvin Meritor® is a registered trademark of Meritor Technology, Inc. JPMorgan Chase® is a registered trademark of JP Morgan Chase & Co. SAP® is a registered trademark of SAP Aktiengesellschaft. International® is a registered trademark of Navistar International Transportation Corp. Blue Bird® is a registered trademark of Blue Bird Investment Corporation. Autocar® is a registered trademark of Shem, LLC. IC Bus® is a registered trademark of IC Bus, LLC. Collins Bus Corporation® is a registered trademark of Collins Bus Corporation. Fuso® is a registered trademark of Mitsubishi Fuso Truck and Bus Corporation. Workhorse® is a registered trademark of Workhorse Custom Chassis, LLC. Micro Bird® is a registered trademark of Blue Bird Body Company.

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PART I

Item 1. Business

References herein to “the Company,” “Rush Enterprises,” “Rush,” “we,” “our” or “us” mean Rush Enterprises, Inc., a Texas corporation, and its subsidiaries unless the context requires otherwise.

Access to Company Information

Rush electronically files annual reports, quarterly reports, and other reports with the SEC. You may read and copy any of the materials that we have filed with the SEC at the SEC’s Public Reference Room at 100 F Street NE, NW, Washington, DC 20549. You may obtain information about the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our filings are also available to you on the SEC’s website at www.sec.gov.

Rush makes certain of our SEC filings available, free of charge, through our website, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to these reports. These filings are available as soon as reasonably practicable after such material is electronically filed with or furnished to the SEC. Rush’s website address is www.rushenterprises.com. The information contained on our website, or on other websites linked to our website, is not part of this document.

General

Rush Enterprises, Inc. was incorporated in Texas in 1965 and consists of one reportable segment, the Truck Segment. The Company conducts business through numerous subsidiaries, all of which it wholly owns, directly or indirectly. Its principal offices are located at 555 IH 35 South, Suite 500, New Braunfels, Texas 78130.

The Company is a full-service, integrated retailer of commercial vehicles and related services. The Truck Segment operates a regional network of commercial vehicle dealerships under the name “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 strategically located network of Rush Truck Centers, the Company provides one-stop service for the needs of its commercial vehicle customers, including retail sales of new and used commercial vehicles, aftermarket parts sales, service and repair facilities, and financing, leasing and rental, and insurance products.

The Company’s Rush Truck Centers are principally located in high traffic areas throughout the United States. Since commencing operations as a Peterbilt heavy-duty truck dealer in 1966, the Company has grown to operate 70 Rush Truck Centers in 14 states.

Our business strategy consists of providing our customers with competitively priced products supported with timely and reliable service through our integrated dealer network. We intend to continue to implement our business strategy, reinforce customer loyalty and remain a market leader by continuing to develop our Rush Truck Centers as we extend our geographic focus through strategic acquisitions of new locations and expansions of our existing facilities and product lines.

The Construction Equipment Segment will no longer be reported as a separate business segment due to the Company’s disposition of its John Deere construction equipment business in September 2010. Operating results of the Construction Equipment Segment have been classified as discontinued operations in the financial statements and related discussion and analysis below.

Rush Truck Centers. Our Rush Truck Centers are located in Alabama, Arizona, California, Colorado, Florida, Georgia, Idaho, New Mexico, North Carolina, Oklahoma, Oregon, Tennessee, Texas and Utah. The following chart reflects our franchises and parts, service and body shop operations by location.

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Rush Truck Center Location	Heavy-Duty Franchise(s)	Medium-Duty, Light-Duty and Bus Franchise(s)	Parts	Service	Body Shop
Alabama:					
Mobile	Peterbilt	Peterbilt	Yes	Yes	Yes
Arizona:					
Flagstaff	None	None	Yes	Yes	No
Phoenix	Peterbilt	Peterbilt, Hino	Yes	Yes	Yes
Tucson	Peterbilt	Peterbilt, Hino	Yes	Yes	No
Yuma	Peterbilt	Peterbilt	Yes	Yes	No
California:					
Escondido	Peterbilt	Peterbilt, Hino	Yes	Yes	No
Fontana Heavy-Duty	Peterbilt	Peterbilt	Yes	Yes	Yes
Fontana Medium-Duty	None	Peterbilt, Hino, Isuzu, UD	Yes	Yes	No
Pico Rivera	Peterbilt	Peterbilt	Yes	Yes	Yes
San Diego	Peterbilt	Peterbilt, Hino	Yes	Yes	Yes
Sylmar	Peterbilt	Peterbilt, UD	Yes	Yes	No
Whittier	None	Ford, Isuzu	Yes	Yes	No
Colorado:					
Denver Heavy-Duty	Peterbilt	Peterbilt	Yes	Yes	Yes
Denver Medium-Duty	None	Ford, Isuzu	Yes	Yes	No
Greeley	Peterbilt	Peterbilt	Yes	Yes	No
Pueblo	Peterbilt	Peterbilt	Yes	Yes	No
Florida:					
Haines City	Peterbilt	Peterbilt	Yes	Yes	Yes
Jacksonville	Peterbilt	Peterbilt, Hino	Yes	Yes	Yes
Orlando Heavy-duty	Peterbilt	Peterbilt, Isuzu, UD	Yes	Yes	No
Orlando Ford	None	Ford	Yes	Yes	No
Orlando Isuzu	None	Isuzu	Yes	Yes	No
Tampa	Peterbilt	Peterbilt	Yes	Yes	No
Georgia:					
Smyrna	None	International, Hino, Isuzu, UD, IC Bus	Yes	Yes	No
Atlanta	International	International, Hino, Isuzu, UD, IC Bus, Workhorse	Yes	Yes	No
Atlanta Collision	None	None	No	No	Yes
Doraville	International	International, Hino, Isuzu, UD, IC Bus, Workhorse	Yes	Yes	No
Idaho:					
Boise	International	International, IC Bus, Autocar, Kalmar	Yes	Yes	Yes
Heyburn	International	International	Yes	Yes	No
Idaho Falls	International	International, IC Bus, Kalmar	Yes	Yes	Yes
Lewiston	International	International	Yes	Yes	No
Twin Falls	International	International	Yes	Yes	No
New Mexico:					
Albuquerque	Peterbilt	Peterbilt	Yes	Yes	Yes
Las Cruces	Peterbilt	Peterbilt	Yes	Yes	No

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Rush Truck Center Location	Heavy-Duty Franchise(s)	Medium-Duty, Light-Duty and Bus Franchise(s)	Parts	Service	Body Shop
North Carolina:					
Charlotte	Peterbilt	Peterbilt, Hino, Isuzu	Yes	Yes	No
Charlotte	International	International, Workhorse	Yes	Yes	Yes
Oklahoma:					
Ardmore	Peterbilt	Peterbilt	Yes	Yes	No
Oklahoma City	Peterbilt	Peterbilt, Hino, Ford, Isuzu	Yes	Yes	Yes
Tulsa	Peterbilt	Peterbilt, Hino	Yes	Yes	Yes
Oregon:					
Ontario	International	International	Yes	Yes	No
Tennessee:					
Nashville	Peterbilt	Peterbilt	Yes	Yes	Yes
Texas:					
Abilene	Peterbilt	Peterbilt	Yes	Yes	No
Alice	Peterbilt	Peterbilt, Blue Bird, Micro Bird, Elkhart	Yes	Yes	No
Amarillo	Peterbilt	Peterbilt	Yes	Yes	No
Austin	Peterbilt	Peterbilt, Hino, Isuzu, UD, Blue Bird, Micro Bird, Elkhart	Yes	Yes	No
Dalhart	Peterbilt	Peterbilt	Yes	Yes	No
Dallas Heavy-Duty	Peterbilt	Peterbilt, Blue Bird, Micro Bird, Elkhart	Yes	Yes	Yes
Dallas Medium-Duty	None	Peterbilt, Hino, UD, Blue Bird, Micro Bird, Elkhart	Yes	Yes	No
Dallas	None	Ford, Isuzu	Yes	Yes	No
El Paso	Peterbilt	Peterbilt, Hino, Isuzu	Yes	Yes	Yes
Fort Worth	Peterbilt	Peterbilt, UD, Blue Bird, Micro Bird, Elkhart	Yes	Yes	No
Hereford	Peterbilt	Peterbilt	Yes	No	No
Houston	Peterbilt	Peterbilt, Hino, Blue Bird, Micro Bird, Elkhart	Yes	Yes	Yes
Laredo	Peterbilt	Peterbilt, Blue Bird, Micro Bird, Elkhart	Yes	Yes	Yes
Lubbock	Peterbilt	Peterbilt	Yes	Yes	No
Lufkin	Peterbilt	Peterbilt, Blue Bird, Micro Bird, Elkhart	Yes	Yes	Yes
Odessa	Peterbilt	Peterbilt	Yes	Yes	No
Pharr	Peterbilt	Peterbilt, Hino, Blue Bird, Micro Bird, Elkhart	Yes	Yes	Yes
San Antonio	Peterbilt	Peterbilt, Hino, Blue Bird, Micro Bird, Elkhart	Yes	Yes	Yes
Sealy	Peterbilt	Peterbilt, Isuzu, Blue Bird, Micro Bird, Elkhart	Yes	Yes	No
Texarkana	Peterbilt	Peterbilt, Hino, Isuzu, Blue Bird, Micro Bird, Elkhart	Yes	Yes	No
Tyler	Peterbilt	Peterbilt, Blue Bird, Micro Bird, Elkhart	Yes	Yes	No
Waco	Peterbilt	Peterbilt, Hino, Isuzu, Blue Bird, Micro Bird, Elkhart	Yes	Yes	No

Rush Truck Center Location	Heavy-Duty Franchise(s)	Medium-Duty, Light-Duty and Bus Franchise(s)	Parts	Service	Body Shop
Utah:					
Helper	International	International	Yes	Yes	No
Farr West	International	International, IC Bus	Yes	Yes	No
Salt Lake City	International	International, IC Bus, Autocar, Mitsubishi Fuso, Workhorse	Yes	Yes	Yes
Springville	International	International, Mitsubishi Fuso	Yes	Yes	No
St. George	International	International, Mitsubishi Fuso	Yes	Yes	No

Leasing and Rental Services. Through certain of our Rush Truck Centers and several stand-alone Rush Truck Leasing Centers, we provide a broad line of product selections for lease or rent, including Class 4, Class 5, Class 6, Class 7 and Class 8 trucks, heavy-duty cranes and refuse vehicles. Our lease and rental fleets are offered on a daily, monthly or long-term basis.

Financial and Insurance Products. At our dealerships, we offer third-party financing to assist customers in purchasing new and used commercial vehicles. Additionally, we sell, as agent, a complete line of property and casualty insurance, including collision and liability insurance on commercial vehicles, cargo insurance and credit life insurance.

Industry

See Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations – Industry" for a description of our industry and the markets in which we operate.

Our Business Strategy

Operating Strategy. Our strategy is to operate an integrated dealer network that provides service solutions to the commercial vehicle industry. Our strategy includes the following key elements:

- One-Stop Centers. We have developed our commercial vehicle dealerships as "one-stop centers" where, at one convenient location, our customers can do the following: purchase new and used commercial vehicles; finance, lease or rent commercial vehicles; purchase aftermarket parts and accessories; and have service performed by certified technicians. We believe that this full-service strategy also helps to mitigate cyclical economic fluctuations because the parts and service sales at our dealerships generally tend to be less volatile than our new and used commercial vehicle sales.

- Branding Program. We employ a branding program for our dealerships through distinctive signage and uniform marketing programs to take advantage of our existing name recognition and to communicate the standardized high quality of our products and reliability of our services throughout our dealership network.

- Management by Dealership Units. At each of our dealerships, we operate one or more of the following departments: new commercial vehicle sales, used commercial vehicle sales, financial services, parts, service or body shop. Our general managers measure and manage the operations of each of our dealerships according to the specific departments operating at that location. We believe that this system enhances the profitability of all aspects of a dealership and increases our overall operating margins. Operating goals for each department at each of our dealerships are established annually and managers are rewarded for performance.

- Aftermarket Services. 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.

Growth Strategy. Through our expansion and acquisition initiatives, we have grown to operate a large, multistate, full-service network of commercial vehicle dealerships. As described below, we intend to continue to grow our business internally and through acquisitions by expanding into new geographic areas, expanding our product and service offerings and opening new dealerships in existing markets.

- Expansion Into New Geographic Areas. We plan to continue to expand our dealership network by acquiring additional dealerships in geographic areas contiguous to our current operations. We have successfully expanded our presence from our Texas base into a coast-to-coast network of Rush Truck Centers. We believe the geographic diversity of our Rush Truck Center network has significantly expanded our customer base while reducing the effects of local economic cycles. Geographic diversification supports the sale of commercial vehicles and parts by allowing us to allocate our inventory among the geographic regions we serve based on market demand within these regions.

- Expansion of Product and Service Offerings. We intend to continue to expand our product lines within our dealerships by adding product categories and service capabilities that are both complementary to our existing product lines and well suited to our operating model such as truck mounted cranes, refuse vehicles and towing vehicles.

  We believe that there are many additional product and service offerings that would complement our primary product lines. We expect any product category expansion that we pursue to satisfy our requirements that the products serve a commercial customer base and the products provide opportunities for incremental income through related aftermarket sales, service or financing.

- Open New Rush Truck Centers in Existing Areas of Operation. We continually evaluate opportunities to increase our market share by adding new Rush Truck Centers to underserved markets within our current areas of operation.

Management of Our Dealerships

We manage our dealerships as described below.

Rush Truck Centers

Our Rush Truck Centers are responsible for sales of new and used commercial vehicles, as well as related parts and services.

Commercial Vehicle Parts and Service. Commercial vehicle related parts and service revenues accounted for approximately $675.3 million, or 26.2%, of our total revenues for 2011, but 63.0% of our gross profit. The parts and service business enhances our sales and service functions and is a source of recurring revenue. Rush Truck Centers carry a wide variety of commercial vehicle parts in inventory. Certain Rush Truck Centers also feature fully equipped service and body shop facilities, the combination and configuration of which varies by location, capable of handling a broad range of repairs on most makes and classes of commercial vehicles. Each Rush Truck Center is a warranty service center for the commercial vehicle manufacturers represented at that location and most are also authorized service centers for other manufacturers, including, Caterpillar, Cummins, Eaton and Allison. We have more than 1,000 service and body shop bays throughout our Rush Truck Center network. We also have approximately 180 field service trucks and technicians who make on-site repairs at our customers' locations.

We perform traditional warranty and non-warranty service work on commercial vehicles. The cost of warranty work is generally reimbursed by the applicable manufacturer at retail commercial rates. Additionally, we provide a wide array of services, including assembly service for specialized truck bodies and truck mounted equipment. Our goal is to provide our customer any service that they need related to their commercial vehicles.

As part of our leasing and rental operations, we enter into contracts with customers to provide full-service maintenance on their trucks. We had 637 units under contract maintenance as of December 31, 2011, and 825 units under contract maintenance as of December 31, 2010.

New Commercial Vehicle Sales. New heavy-duty truck sales represent the largest portion of our revenue, accounting for approximately $1,186.5 million, or 46.0%, of our total revenues in 2011. New Class 8 heavy-duty Peterbilt truck sales accounted for approximately 73.8% of our new commercial vehicle revenues for 2011.

Our Rush Truck Centers that sell new and used Class 8 heavy-duty trucks also sell medium-duty and light-duty commercial vehicles. Certain Rush Truck Centers sell medium-duty commercial vehicles manufactured by Peterbilt, Hino, Isuzu, Ford, International, Mitsubishi Fuso or UD and buses manufactured by Blue Bird, Diamond Coach, IC BUS and Elkhart and light-duty commercial vehicles manufactured by Ford (see Part I, Item 1, "General – *Rush Truck Centers*" for information on which brands we sell at each Rush Truck Center). New medium-duty commercial vehicle sales, excluding new bus sales, accounted for approximately $279.3 million, or 10.8% of our total revenues for 2011, and 17.4% of our new commercial vehicle revenues for 2011. New light-duty commercial vehicle sales accounted for approximately $33.3 million, or 1.3% of our total revenues for 2011, and 2.1% of our new commercial vehicle revenues for 2011. New bus sales accounted for approximately $101.4 million, or 3.9% of our total revenues for 2011, and 6.3% of our new commercial vehicle revenues for 2011.

A significant portion of our new commercial vehicle sales are to fleet customers (customers who purchase more than five commercial vehicles in any 12-month period). Because of the size of our Rush Truck Center network, our strong relationships with our fleet customers and our ability to handle large quantities of used commercial vehicle trade-ins, we are able to successfully market and sell to fleet customers nationwide. We believe that we have a competitive advantage over most other dealers in that we can absorb multi-unit trade-ins often associated with fleet sales and effectively disperse the used commercial vehicles for resale throughout our dealership network. We believe that our attention to customer service and our broad range of trucking services, including our ability to offer commercial vehicle financing and insurance to our customers, has resulted in a high level of customer loyalty.

Used Commercial Vehicle Sales. Used commercial vehicle sales accounted for approximately $193.3 million, or 7.5%, of our total revenues for 2011. We sell used commercial vehicles at most of our Rush Truck Centers. We believe that we are well positioned to market used commercial vehicles due to our ability to recondition them for resale utilizing the parts and service departments of our Rush Truck Centers and our ability to move used commercial vehicles between Rush Truck Centers to satisfy customer demand. The majority of our used commercial vehicle inventory consists of commercial vehicles taken as trade-ins from new customers, but we supplement our used commercial vehicle inventory by purchasing used commercial vehicles from third parties for resale.

Truck Leasing and Rental. Truck leasing and rental revenues accounted for approximately $83.4 million, or 3.2%, of our total revenues for 2011. At our Rush Truck Leasing locations, we engage in full-service truck leasing under the PacLease and Idealease trade names. Leasing and rental customers contribute to additional parts sales and service work at Rush Truck Centers because most of our leases require service and maintenance for the leased trucks to be performed at our facilities (or at facilities outside our service area, as we direct). Rented trucks are also generally serviced at our facilities. We had 3,363 units in our lease and rental fleet as of December 31, 2011 compared to 2,984 units as of December 31, 2010. Generally, we sell trucks that have been retired from our lease and rental fleet through the used sales operations at our Rush Truck Centers. Historically, we have realized gains on the sale of used lease trucks in excess of the cost of the purchase option contained in our leases or the book value of trucks owned by the Company.

Financial and Insurance Products

The sale of financial and insurance products accounted for approximately $10.9 million, or 0.4%, of our total revenue for 2011. Finance and insurance revenues have minimal direct costs and, therefore, contribute a disproportionate share of our operating profits.

Insurance Products. We sell, as agent, a complete line of property and casualty insurance to our commercial vehicle customers and other truck owners. Our agency is licensed to sell truck liability, collision and comprehensive, workers' compensation, cargo, credit life and occupational accident insurance coverage. We serve as sales representatives for a number of leading insurance companies including the Great American Insurance Companies, Sentry Insurance and Hartford Insurance Group. Our renewal rate in 2011 was 80%. We also have licensed insurance agents at a number of our dealerships who arrange insurance for our customers.

New and Used Commercial Vehicle Financing. Our Rush Truck Centers have personnel responsible for arranging third-party financing for our product offerings. We arranged customer financing through various commercial lending sources for approximately 21% of our new and used commercial vehicle sales in 2011 and approximately 24% in 2010. Generally, commercial vehicle finance contracts are memorialized through the use of installment contracts, which are secured by the commercial vehicles financed, and require a down payment of 10% to 30% of the selling price of the financed commercial vehicle, with the remaining balance financed over a two to five-year period. The majority of finance contracts are sold to third parties without recourse to the Company. The Company provides an allowance for repossession losses and early repayment penalties.

Sales and Marketing

Our established long history of operations in the commercial vehicle business has resulted in a strong customer base that is diverse in terms of geography, industry and scale of operations. Rush Truck Centers' customers include owner operators, regional and national truck fleets, corporations and local governments. During 2011, no single customer of our Rush Truck Centers accounted for more than 10% of our total commercial vehicle sales by dollar volume. We generally promote our products and related services through direct customer contact by our sales personnel, advertisements in trade magazines and attendance at industry shows.

We believe that the consistently reliable service received by our customers, our longevity and our geographic diversity have resulted in increased market recognition of the "Rush" brand name and have served to reinforce customer loyalty. In an effort to enhance our name recognition and to communicate the standardized high level of quality products and services provided at our Rush Truck Centers, we implement our "Rush" brand name concept at each of our dealerships.

Facility Management

Personnel. Each Rush Truck Center is typically managed by a general manager who oversees the operations, personnel and the financial performance of the location, subject to the direction of a regional manager and personnel at our corporate office. Additionally, each full-service Rush Truck Center is typically staffed by a sales manager, parts manager, service manager, body shop manager, sales representatives, parts employees, and other service and make-ready employees, as appropriate, given the services offered. The sales staff of each Rush Truck Center is compensated on a salary plus commission or a commission only basis, while managers receive a combination of salary and performance bonus. We believe that our employees are among the highest paid in their respective industry, which enables us to attract and retain qualified personnel.

On an annual basis, regional managers work with general managers to prepare detailed monthly profit and loss forecasts based upon historical information and projected trends. During the year, general managers regularly review their facility's progress with their regional manager and senior management and make appropriate adjustments as needed.

We have been successful in retaining our senior management, regional managers and general managers. To promote communication and efficiency in operating standards, regional managers and members of senior management attend company-wide strategy sessions each year. In addition, management personnel attend various industry sponsored leadership and management seminars and receive continuing education on the products we distribute, marketing strategies and management information systems.

Members of senior management and regional managers regularly travel to each Rush Truck Center to provide on-site management and support. Each Rush Truck Center is audited regularly for compliance with corporate policies and procedures. These routine unannounced internal audits, objectively measure dealership performance with respect to corporate expectations in the management and administration of sales, commercial vehicle inventory, parts inventory, parts sales, service sales, body shop sales, corporate policy compliance, human resources compliance, and environmental and safety compliance matters.

Purchasing and Suppliers. We believe that pricing is an important element of our marketing strategy. Because of our size, our Rush Truck Centers benefit from volume purchases at favorable prices that permit them to achieve a competitive pricing position in the industry. We purchase our commercial vehicle inventory and proprietary parts and accessories directly from the applicable vehicle manufacturer, wholesale distributors, or other sources that provide the most favorable pricing. Most purchasing commitments are negotiated by personnel at our corporate headquarters. Historically, we have been able to negotiate favorable pricing levels and terms, which enable us to offer competitive prices for our products.

Management Information Systems. We utilize our management information systems to monitor the inventory level of commercial vehicles and parts at each of our dealerships. From information assimilated from management information systems, management has developed a model reflecting historic sales levels of different product lines. This model enables management to identify the appropriate level and combination of inventory and forms the basis of our operating plan.

Information received from industry analysts allows us to determine market share statistics and gross volume sales numbers for our products as well as those of competitors. This information impacts ongoing operations because management remains aware of changes within the markets we service and is able to react accordingly by realigning product lines and by adding new product lines and models.

Distribution and Inventory Management. We utilize a real-time inventory tracking system that allows for the prompt transfer of inventory among various Rush Truck Centers. The transfer of inventory reduces delays in delivery, helps maximize inventory turns and assists in controlling problems created by overstock and understock situations. We are linked directly to our major suppliers, via real-time communication links for purposes of ordering and inventory management. These automated reordering and communication systems allow us to maintain proper inventory levels and permit us to have inventory delivered to our locations, or directly to customers, typically within 24 hours of an order being placed.

Recent Acquisitions and Disposition

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.

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 at five locations in Utah, five locations in Idaho and one location in Oregon. These locations are operating as Rush Truck Centers and offer a combination of International heavy- and medium-duty commercial vehicles, Autocar trucks, Mitsubishi Fuso medium-duty trucks, IC buses and Workhorse chassis in addition to parts, service, body shop, financing and insurance capabilities. Rush Truck Leasing operates Idealease truck rental and leasing franchises at locations in Salt Lake City, Utah, and Boise, Idaho. The transaction, including the real estate, was valued at approximately $70.0 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.

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.

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 Truck Center offering medium-duty trucks, parts and service. The transaction, including the real estate, was valued at approximately $5.6 million, with the purchase price paid in cash.

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.

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 locations are operating as Rush Truck Centers and offer commercial vehicles manufactured by International, Hino, Isuzu, UD, IC Bus and Workhorse Custom Chassis in addition to parts, service, body shop, financing and insurance capabilities. The transaction was valued at approximately $55.3 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.

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. This location also offers Peterbilt parts and service. The transaction, including real estate, was valued at approximately $10.0 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.

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 and service, a parts and service facility in Dalhart, Texas and a parts facility in Hereford, Texas. These dealerships operate as Rush Truck Centers. Rush Truck Leasing operates a PacLease truck rental and leasing franchise in Lubbock, Texas. The purchase price for the assets of West Texas Peterbilt, including real estate, was approximately $24.6 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.

See Note 15 of the Notes to Consolidated Financial Statements for a detailed discussion of the allocation of the purchase price of these acquisitions.

Competition

There is, and will continue to be, significant competition both within our current markets and in new markets we may enter. We anticipate that competition between us and other dealers will continue to increase in our current markets and on a national level based on the following:

- the accessibility of dealership locations;
- the number of dealership locations;
- price, value, quality and design of the products sold; and
- attention to customer service (including technical service).

Our dealerships compete with dealerships representing other manufacturers including commercial vehicles manufactured by Mack, Freightliner, Kenworth, Volvo, and Western Star. We believe that our dealerships are able to compete with manufacturer-owned dealers, independent dealers, independent service centers, parts wholesalers, commercial vehicle wholesalers, rental service companies and industrial auctioneers in distributing our products and providing service because of the following: the overall quality and reputation of the products we sell; "Rush" brand name recognition and reputation for quality service; and our ability to provide comprehensive parts and service support, as well as financing, insurance and other customer services.

Dealership Agreements

Peterbilt. We have entered into nonexclusive dealership agreements with Peterbilt which authorize us to act as a dealer of Peterbilt heavy- and medium-duty trucks. Our Peterbilt areas of responsibility currently encompass areas in the states of Alabama, Arizona, California, Colorado, Florida, New Mexico, North Carolina, Oklahoma, Tennessee and Texas. These dealership agreements currently have terms expiring between June 2012 and December 2014 and impose certain operational obligations and financial requirements upon us and our dealerships. The Company's dealership agreements with Peterbilt may be terminable by Peterbilt in the event the aggregate voting power of W. Marvin Rush, W.M. "Rusty" Rush, other members of the Rush family and certain executives of the Company decreases below 30%. These agreements also grant Peterbilt rights of first refusal under certain circumstances relating to any sale or transfer of our dealership locations or if certain Rush family members desire to sell more than 100,000 shares of our voting common stock within a 12-month period to anyone other than family members or certain other specified persons. Any termination or non-renewal of these dealership agreements by Peterbilt must follow certain guidelines established by both state and federal legislation designed to protect motor vehicle dealers from arbitrary termination or non-renewal of franchise agreements. The Automobile Dealers Day in Court Act and other similar state laws provide that the termination or non-renewal of a motor vehicle dealership agreement must be done in "good faith" and upon a showing of "good cause" by the manufacturer for such termination or non-renewal, as such terms have been defined by statute and interpreted in case law. Sales of new Peterbilt trucks accounted for approximately 46.2% of our total revenues for 2011.

Other Commercial Vehicle Suppliers. In addition to our dealership agreements with Peterbilt, various Rush Truck Centers have entered into dealership agreements with other commercial vehicle manufacturers including Autocar, Blue Bird, Ford, Hino, IC, International, Isuzu, Micro Bird, Mitsubishi and UD, which currently have terms expiring between March 2012 and March 2016. Any termination or non-renewal of these dealership agreements must follow certain guidelines established by both state and federal legislation designed to protect motor vehicle dealers from arbitrary termination or non-renewal of franchise agreements. The Automobile Dealers Day in Court Act and other similar state laws provide that the termination or non-renewal of a motor vehicle dealership agreement must be done in "good faith" and upon a showing of "good cause" by the manufacturer for such termination or non-renewal, as such terms have been defined by statute and interpreted in case law. These dealership agreements impose operating requirements upon us and require consent from the affected supplier for sale or transfer of such dealership agreement. Sales of non-Peterbilt commercial vehicles accounted for approximately 15.8% of our total revenues for 2011.

Floor Plan Financing

Commercial vehicles. During 2011, we financed substantially all of our new commercial vehicle inventory and the loan value of our used commercial vehicle inventory under a credit agreement with General Electric Capital Corporation ("GE Capital"). Interest under the credit agreement was at a rate of LIBOR plus 2.95% and was payable monthly. As of December 31, 2011, we had approximately $496.3 million outstanding under the credit agreement.

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.

Several commercial vehicle manufacturers offer floor plan programs with varying interest free finance periods. When offered, the Company will finance commercial vehicles under such programs. If the commercial vehicle financed under these interest free finance programs is not sold within the interest free finance period, the Company transfers the financed commercial vehicle to the GE Capital credit agreement.

Product Warranties

The manufacturers we represent provide retail purchasers of their products with a limited warranty against defects in materials and workmanship, excluding certain specified components that are separately warranted by the suppliers of such components. The Company provides a warranty on the Company's branded parts and related service. The Company also provides an extended warranty beyond the manufacturer's warranty on new school buses sold in the State of Texas, as required by state law.

We generally sell used commercial vehicles in "as is" condition without manufacturer's warranty, although manufacturers sometimes will provide a limited warranty on their used products if such products have been properly reconditioned prior to resale or if the manufacturer's warranty on such product is transferable and has not expired. We do not provide any warranty on used commercial vehicles.

Trademarks

The Peterbilt, Hino, Isuzu, Ford, International, Blue Bird, IC Bus, Autocar, Fuso and UD trademarks and trade names, which are used in connection with our marketing and sales efforts, are subject to limited licenses included in our dealership agreements with each manufacturer. The licenses are for the same periods as our dealership agreements. These trademarks and trade names are widely recognized and are important in the marketing of our products. Each licensor engages in a continuous program of trademark and trade name protection. We hold registered trademarks from the U.S. Patent and Trademark Office for the names "Rush Enterprises," "Rush Truck Center," "Associated Truck Insurance Services," "Chrome Country" and "Rig Tough."

Employees

On December 31, 2011, the Company had 3,865 employees. The Company has no contracts or collective bargaining agreements with labor unions and has never experienced work stoppages. The Company considers its relations with its employees to be good.

Seasonality

The Company's Truck Segment is moderately seasonal. Seasonal effects on new commercial vehicle sales related to the seasonal purchasing patterns of any single customer type are mitigated by the diverse geographic locations of our dealerships and the Company's diverse customer base, including regional and national fleets, local governments, corporations and owner operators. However, commercial vehicle parts and service operations historically have experienced higher sales volumes in the second and third quarters.

Backlog

On December 31, 2011, the Company's backlog of commercial vehicle orders was approximately $678.7 million as compared to a backlog of commercial vehicle orders of approximately $277.1 million on December 31, 2010. The Company includes only confirmed orders in its backlog. The delivery time for a custom-ordered commercial vehicle varies depending on the commercial vehicle specifications and demand for the particular model ordered, however, the Company expects to fill all of its backlog orders during 2012. The Company sells the majority of its new commercial vehicles by customer special order, with the remainder sold out of inventory. Orders from a number of the Company's major fleet customers are included in the Company's backlog as of December 31, 2011.

Environmental Standards and Other Governmental Regulations

The Company is subject to a wide range of federal, state and local environmental laws and regulations, including those governing discharges into the air and water; the operation and removal of underground and aboveground storage tanks; the use, handling, storage and disposal of hazardous substances, petroleum and other materials; and the investigation and remediation of contamination. As with commercial vehicle or construction equipment dealerships generally, and service, parts and body shop operations in particular, our business involves the generation, use, storage, handling and contracting for recycling or disposal of hazardous materials or wastes and other environmentally sensitive materials. The Company has incurred, and will continue to incur, capital and operating expenditures and other costs in complying with such laws and regulations.

Our operations involving the management of hazardous and nonhazardous materials are subject to the requirements of the federal Resource Conservation and Recovery Act, or RCRA, and comparable state statutes. Pursuant to these laws, federal and state environmental agencies have established approved methods for handling, storage, treatment, transportation and disposal of regulated substances and wastes with which the Company must comply. Our business also involves the operation and use of above ground and underground storage tanks. These storage tanks are subject to periodic testing, containment, upgrading and removal under RCRA and comparable state statutes. Furthermore, investigation or remediation may be necessary in the event of leaks or other discharges from current or former underground or aboveground storage tanks.

The Company may also have liability in connection with materials that were sent to third-party recycling, treatment, or disposal facilities under the federal Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, and comparable state statutes. These statutes impose liability for investigation and remediation of contamination without regard to fault or the legality of the conduct that contributed to the contamination. Responsible parties under these statutes may include the owner or operator of the site where contamination occurred and companies that disposed or arranged for the disposal of the hazardous substances released at these sites. These responsible parties also may be liable for damages to natural resources. In addition, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances or other pollutants into the environment.

The federal Clean Water Act and comparable state statutes prohibit discharges of pollutants into regulated waters without the necessary permits, require containment of potential discharges of oil or hazardous substances, and require preparation of spill contingency plans. Water quality protection programs govern certain discharges from some of our operations. Similarly, the federal Clean Air Act and comparable state statutes regulate emissions of various air pollutants through air emissions permitting programs and the imposition of other requirements. In addition, the U.S. Environmental Protection Agency, or EPA, has developed, and continues to develop, stringent regulations governing emissions of toxic air pollutants from specified sources.

In 2010, the EPA and the U.S. Department of Transportation (DOT) announced the first national standards to reduce greenhouse gas (GHG) emissions and improve fuel efficiency of heavy-duty trucks and buses beginning in model year 2014. The final rules, which were issued on September 15, 2011, begin to apply in 2014 and are fully implemented in model year 2017.

It is not possible at this time to accurately predict how the foregoing proposed standards, future legislation or other new regulations that may be adopted to address greenhouse gas emissions will impact our business. Any regulations will likely result in increased compliance costs, additional operating restrictions or changes in demand for our products and services, which could have a material adverse effect on our business, financial condition and results of operation.

The Company believes that it does not currently have any material environmental liabilities and that compliance with environmental laws and regulations will not, individually or in the aggregate, have a material adverse effect on our results of operations, financial condition or cash flows. However, soil and groundwater contamination is known to exist at some of our current properties. Further, environmental laws and regulations are complex and subject to change. In addition, in connection with acquisitions, it is possible that the Company will assume or become subject to new or unforeseen environmental costs or liabilities, some of which may be material. In connection with our dispositions, or prior dispositions made by companies we acquire, the Company may retain exposure for environmental costs and liabilities, some of which may be material. Compliance with current or amended, or new or more stringent, laws or regulations, stricter interpretations of existing laws or the future discovery of environmental conditions could require additional expenditures by us, and those expenditures could be material.

Item 1A. Risk Factors

An investment in our common stock is subject to risks inherent to our business. In addition to the other information contained in this Form 10-K, we recommend that you carefully consider the following risk factors in evaluating our business. If any of the following risks actually occur, our financial condition and results of operations could be materially and adversely affected. If this were to happen, the value of our common stock could decline significantly, and you could lose all or part of your investment. This report is qualified in its entirety by these risk factors.

Risks Related to Our Business

We are substantially dependent upon PACCAR for the supply of Peterbilt trucks and parts, the sale of which generates the majority of our revenues.

We currently operate as a dealer of Peterbilt trucks and parts pursuant to dealership agreements with Peterbilt, a division of PACCAR. During 2011, a significant portion of our revenues resulted from sales of trucks purchased from Peterbilt and parts purchased from PACCAR. Due to our dependence on PACCAR and Peterbilt, we believe that the long-term success of our Rush Truck Centers depends, in large part, on the following:

- maintaining our relationship with PACCAR;
- the manufacture and delivery of competitively-priced, high quality Peterbilt trucks and parts by PACCAR in quantities sufficient to meet our requirements;
- the overall success of PACCAR and Peterbilt;
- PACCAR's continuation of its Peterbilt division;
- the goodwill associated with the Peterbilt trademark, which can be adversely affected by decisions made by PACCAR and the owners of other Peterbilt dealerships; and
- PACCAR and Peterbilt's ability to offer vehicles that meet federal and state emissions requirements.

We have no control over the management or operation of PACCAR or Peterbilt dealerships that we do not own and a significant decline in any of these factors could have a material adverse affect on our operations, revenues and profitability.

Our dealership agreements may be terminable upon a change of control and we cannot control whether our controlling shareholder and management maintain their current positions.

We have entered into nonexclusive dealership agreements with Peterbilt that authorize us to act as a dealer of Peterbilt trucks. Peterbilt may terminate our dealership agreements in the event of a change of control of the Company or if we violate any number of provisions in the dealership agreements. Under our Peterbilt dealership agreements, a change of control occurs if (i) with respect to the election of directors, the aggregate voting power held by W. Marvin Rush, W. M. "Rusty" Rush, W. Marvin Rush's family members and other executives of the Company decreases below 30% (such persons currently control 33.9% of the aggregate voting power with respect to the election of directors); or (ii) any person or entity other than W. Marvin Rush, W. M. "Rusty" Rush and other Rush executives or any person or entity who has been approved in writing by PACCAR, owns common stock with a greater percentage of the voting power with respect to the election of our directors than W. Marvin Rush and W. M. "Rusty" Rush and other executives of the Company, in the aggregate, or any person other than W. Marvin Rush, W. M. "Rusty" Rush, Robin M. Rush or any person who has been approved in writing by PACCAR holds the office of Chairman of the Board, President or Chief Executive Officer of the Company. We have no control over the transfer or disposition by W. Marvin Rush or by his estate of his common stock. If W. Marvin Rush were to sell his Class B common stock or bequest his Class B common stock to nonfamily members or if his estate is required to liquidate his Class B common stock to pay estate taxes or otherwise, the change of control provisions of the Peterbilt dealership agreements may be triggered and cause us to lose our critical right to sell Peterbilt products. Some of our medium-duty truck dealership agreements are also terminable if the aggregate voting power of W. Marvin Rush and his family members falls below certain percentages, typically 25%. If our dealership agreements with any manufacturer are terminated, we will lose the right to purchase such manufacturer's products, which would have a material adverse effect on our operations, revenues and profitability.

If state dealer laws are repealed or weakened, our dealerships will be more susceptible to termination, nonrenewal or renegotiation of their dealership agreements.

We depend on our vehicle dealership agreements for a substantial portion of our revenues and profitability. State dealer laws generally provide that a manufacturer may not terminate or refuse to renew a dealership agreement unless it has first provided the dealer with written notice setting forth good cause and stating the grounds for termination or nonrenewal. Manufacturers' lobbying efforts may lead to the repeal or revision of state motor vehicle dealer laws. If motor vehicle dealer laws are repealed in the states in which we operate dealerships, our manufacturers may be able to terminate our vehicle dealership agreements without providing advance notice, an opportunity to cure or a showing of good cause. Without the protection of state dealer laws, or if such laws are weakened, we will be subject to higher risk of termination or non-renewal of our vehicle dealership agreements. Termination or non-renewal of our vehicle dealership agreements could have a material adverse effect on our operations, revenues and profitability.

We may be required to obtain additional financing to maintain adequate inventory levels.

Our business requires inventories held for sale to be maintained at dealer locations in order to facilitate immediate sales to customers on demand. We generally purchase inventories with the assistance of floor plan financing agreements. Our primary floor plan financing agreement may be terminated without cause upon 120 days notice. In the event that our floor plan financing becomes insufficient to satisfy our future requirements or our floor plan providers are unable to continue to extend credit under our floor plan agreements, we would need to obtain similar financing from other sources. There is no assurance that such additional floor plan financing or alternate financing could be obtained or, if obtained, that it will be on commercially reasonable terms.

A significant percentage of our revenues come from customers in the oil and gas exploration and production industry, a historically cyclical industry.

Several of our large customers provide oil and gas production services. The oil and gas exploration and production industry is a historically cyclical industry characterized by significant changes in the levels of exploration and development activities. Oil and gas prices, and market expectations of potential changes in those prices, significantly affect the levels of those activities. Any reduction in the overall level of exploration and development activities, whether resulting from changes in oil and gas prices or otherwise, could materially and adversely affect our business, financial condition and results of operations.

Impairment in the carrying value of goodwill and other indefinite-lived intangible assets could negatively affect our operating results.

We have a substantial amount of goodwill on our balance sheet as a result of acquisitions we have completed. Approximately 98% of this goodwill is concentrated in our Truck Segment. The carrying value of goodwill represents the fair value of an acquired business in excess of identifiable assets and liabilities as of the acquisition date. Goodwill is not amortized, but instead is evaluated for impairment at least annually, or more frequently if potential interim indicators exist that could result in impairment. In testing for impairment, if the carrying value of a reporting unit exceeds its current fair value as determined based on the discounted future cash flows of the reporting unit, the goodwill is considered impaired and is reduced to fair value via a non-cash charge to earnings. Events and conditions that could result in impairment include a prolonged weak economic recovery, adverse changes in the regulatory environment, any matters that impact manufacturers' ability to provide trucks to us, issues with our franchise rights, or other factors leading to reductions in expected long-term sales or profitability. Determination of the fair value of a reporting unit includes developing estimates that are highly subjective and incorporate calculations that are sensitive to minor changes in underlying assumptions. Management's assumptions are subject to change as more information becomes available. Changes in these assumptions could result in an impairment charge in the future, which could have a significant adverse impact on our reported earnings. See "Management's Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Estimates — Goodwill" for more information regarding the potential impact of changes in assumptions.

Changes in interest rates could have a material adverse effect on our profitability.

Our primary floor plan financing agreements and some of our other debt are subject to variable interest rates. Therefore, our interest expense would rise with any increase in interest rates. A rise in interest rates may also have the effect of depressing demand in the interest rate sensitive aspects of our business, particularly new and used commercial vehicle sales, because many of our customers finance these large purchases. As a result, a rise in interest rates may have the effect of simultaneously increasing our costs and reducing our revenues, which could materially affect our business, financial condition and results of operations. See "Quantitative and Qualitative Disclosures about Market Risk" for a discussion regarding our interest rate sensitivity.

Our growth is subject to a number of economic risks.

New and used commercial vehicle retail sales tend to experience periods of decline characterized by oversupply and weak demand. The commercial vehicle retail industries may experience sustained periods of decline in commercial vehicle sales in the future. Any decline or change of this type could materially affect our business, financial condition and results of operations.

Adverse regional economic and competitive conditions in the geographic markets in which we operate could materially affect our business, financial condition and results of operations. Our new commercial vehicle sales volume therefore may differ from industry sales fluctuations.

Economic conditions and the other factors described above also may materially adversely impact our sales of finance and insurance products, and parts and repair services.

If we lose key personnel or are unable to attract additional qualified personnel, our business could be adversely affected because we rely on the industry knowledge and relationships of our key personnel.

We believe that our success depends significantly upon the efforts and abilities of our executive management and key employees. Additionally, our business is dependent upon our ability to continue to attract and retain qualified personnel, such as executive officers, managers and dealership personnel. The loss of the services of one or more members of our senior management team could have a material adverse effect on us and materially impair the efficiency and productivity of our operations. In addition, the loss of any of our key employees or the failure to attract additional qualified executive officers, managers and dealership personnel could have a material adverse effect on our business and may materially impact the ability of our dealerships to conduct their operations in accordance with our business strategy.

We depend on relationships with suppliers for sales incentives, discounts and similar programs which are material to our operations.

We depend on suppliers for sales incentives, discounts, warranties and other programs that are intended to promote our use of their components. Most of the incentives and discounts are individually negotiated and not always the same as those made available to our competitors. These incentives and discounts are material to our operations. A reduction or discontinuation of a component supplier's incentive program could have a material adverse effect on our profitability.

We are dependent on the ongoing success of the manufacturers we represent and adverse conditions affecting the manufacturers we represent may negatively impact our revenues and profitability.

The success of our dealerships is dependent on the manufacturers represented at such dealerships in several ways. Our ability to sell new vehicles and replacement parts is dependent on the ability of the manufacturers we represent to produce and deliver new vehicles and replacement parts to our dealerships. Additionally, our dealerships perform warranty work for vehicles under manufacturer product warranties, which are billed to the appropriate vehicle manufacturer or component supplier as opposed to invoicing the store customer. We generally have significant receivables from manufacturers for warranty and service work performed for customers. In addition, we rely on manufacturers to varying extents for product training, marketing materials, and other items for our stores. Our business, results of operations, and financial condition could be materially adversely affected as a result of any event that has a material adverse effect on the manufacturers we represent.

The manufacturers we represent may be adversely impacted by economic downturns, significant declines in the sales of their new vehicles, labor strikes or similar disruptions (including within their major suppliers), rising raw materials costs, rising employee benefit costs, adverse publicity that may reduce consumer demand for their products (including due to bankruptcy), product defects, vehicle recall campaigns, litigation, poor product mix or unappealing vehicle design, governmental laws and regulations, or other adverse events. Our results of operations, financial condition or cash flows could be adversely affected if one or more of the manufacturers we represent are impacted by any of the foregoing adverse events.

Actions taken in response to continued operational losses by manufacturers we represent, including bankruptcy or reorganizations, could have a material adverse effect on our sales volumes and profitability. In addition, such actions could lead to the impairment of one or more of our franchise rights, inventories, fixed assets and other related assets, which in turn could have a material adverse effect on our financial condition and results of operations. For example, 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 significant pre-tax asset impairment charge in the second quarter of 2009. Actions taken in response to continued operational losses by manufacturers we represent, including bankruptcy or reorganizations, could also eliminate or reduce such manufacturers' indemnification obligations to our dealerships, which could increase our risk in products liability actions.

Our dealership agreements are non-exclusive and have relatively short terms which could result in non-renewal or imposition of less favorable terms upon renewal.

Our dealership agreements generally do not contractually provide us with exclusive dealerships in any territory. Manufacturers we represent could elect to create additional dealers in our market areas in the future, subject to restrictions imposed by state laws. While dealership agreements typically restrict dealers from operating sales or service facilities outside their assigned territory, such agreements do not restrict fleet or other sales or marketing activity outside the assigned territory. Accordingly, we engage in fleet sales and other marketing activities outside our assigned territories and other dealers engage in similar activities within our territories.

Our Peterbilt dealership agreements have current terms expiring between June 2012 and December 2014. Our International dealership agreements have current terms expiring May 2013 and May 2015. Our dealership agreements with Autocar, Mitsubishi, Hino, UD, Ford, Isuzu, Diamond, Elkhart, Blue Bird, IC Bus and Workhorse for the sale of medium-duty commercial vehicles have current terms expiring between May 2013 and March 2016. Upon expiration of each agreement, we must negotiate a renewal. In many states, state dealer franchise laws restrict the manufacturer's ability to refuse to renew dealership agreements or to impose new terms upon renewal. To the extent such laws do permit non-renewal or imposition of new terms, the relatively short terms will give the manufacturers the opportunity to exercise such rights. Any non-renewal or imposition of less favorable terms upon renewal could have an adverse impact on our business.

The dollar amount of our backlog, as stated at any given time, is not necessarily indicative of our future earnings.

As of December 31, 2011, our backlog of new commercial vehicle orders was approximately $678.7 million. Our backlog is determined quarterly by multiplying the number of new commercial vehicles for each particular type of commercial vehicle ordered by a customer at our Rush Truck Centers by the recent average selling price for that type of commercial vehicle. We only include confirmed orders in our backlog. However, such orders are subject to cancellation. In the event of order cancellation, we have no contractual right to the total revenues reflected in our backlog.

Reductions in backlog due to cancellation by a customer or for other reasons adversely affect, potentially to a material extent, the revenue and profit we actually receive from orders projected in our backlog. If we were to experience significant cancellations of orders in our backlog, our financial condition could be adversely affected.

Our dealerships are subject to federal, state and local environmental regulations that may result in claims and liabilities, which could be material.

We are subject to a wide range of federal, state and local environmental laws and regulations, including those governing discharges into the air and water; the operation and removal of underground and aboveground storage tanks; the use, handling, storage and disposal of hazardous substances, petroleum and other materials; and the investigation and remediation of contamination. As with commercial vehicle dealerships generally, and service, parts and body shop operations in particular, our business involves the generation, use, storage, handling and contracting for recycling or disposal of hazardous materials or wastes and other environmentally sensitive materials. Any non-compliance with these laws and regulations could result in significant fines, penalties and remediation costs which could adversely affect our results of operations, financial condition or cash flows.

We may also have liability in connection with materials that were sent to third-party recycling, treatment, or disposal facilities under federal and state statutes. In that case, laws and regulations may make us responsible for liability relating to the investigation and remediation of contamination without regard to fault or the legality of the conduct that contributed to the contamination. In connection with our acquisitions, it is possible that we will assume or become subject to new or unforeseen environmental costs or liabilities, some of which may be material. In connection with dispositions of businesses, or dispositions previously made by companies we acquire, we may retain exposure for environmental costs and liabilities, some of which may be material.

Further, environmental laws and regulations are complex and subject to change. Compliance with current or amended, or new or more stringent, laws or regulations, stricter interpretations of existing laws or the future discovery of environmental conditions could require additional expenditures by us which could materially adversely affect our results of operations, financial condition or cash flows.

Natural disasters and adverse weather events can disrupt our business.

Our dealerships are concentrated in states and regions in the United States in which actual or threatened natural disasters and severe weather events (such as hurricanes, earthquakes, fires, floods and hail storms) may disrupt our operations, which may adversely impact our business, results of operations, financial condition and cash flows. In addition to business interruption, our business is subject to substantial risk of property loss due to the significant concentration of property at dealership locations. Although we have, subject to certain limitations and exclusions, substantial insurance, we may be exposed to uninsured or underinsured losses that could have a material adverse effect on our business, financial condition, results of operations or cash flows.

Climate change legislation or regulations restricting emissions of "greenhouse gases" could result in increased costs and reduced demand for our products and services.

The EPA and the DOT's National Highway Traffic Safety Administration ("NHTSA") recently announced proposed rules to reduce greenhouse gas emissions and improve fuel efficiency of medium and heavy-duty vehicles. The EPA and NHTSA are attempting to create a "heavy-duty national program," designed to reduce oil consumption and address global climate change by each proposing complementary standards to reduce fuel use and greenhouse gas emissions from on-highway transportation sources. The emissions and fuel consumption standards in the proposed rules would phase in with increasing stringency in each model year from 2014 to 2017. The proposed rules are likely to increase the production costs of the manufacturers we represent. Our manufacturers are likely to pass such costs on to us, which could increase the cost of the new vehicles we sell and, accordingly, reduce demand for such products. Increased costs and reduced demand could materially adversely affect our ability to sell new vehicles, which would materially adversely affect our business, results of operations, and financial condition.

Our investments in auction rate securities may be further impaired.

Auction rate securities ("ARS") are long-term debt instruments with interest rates that reset through periodic short-term auctions. Holders of ARS can either sell into the auction, or bid, based on a desired interest rate, or hold and accept the reset rate. If there are insufficient buyers, then the auction fails and holders are unable to liquidate their investment through the auction. A failed auction is not a default of the debt instrument, but does set a new interest rate in accordance with the original terms of the debt instrument. The result of a failed auction is that the ARS continues to pay interest in accordance with its terms; however, liquidity for holders is limited until there is a successful auction or until such time as another market for ARS develops. ARS are generally callable at any time by the issuer. Auctions continue to be held as scheduled until the ARS matures or until it is called.

As a result of the conditions in the global credit markets, we have been unable to liquidate our holdings of certain ARS because the auctions for the ARS we hold have failed. As of December 31, 2011, the Company held ARS 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. This decrease in fair value is considered temporary and the impairment charge is recorded as other comprehensive income, a component of shareholder equity. We continue to earn interest on these investments at the contractual rate. In the event we need to access these funds, we will not be able to do so until a future auction is successful, the issuer redeems the securities, a buyer is found outside of the auction process or the securities mature. If these ARS are unable to successfully clear at future auctions or issuers do not redeem the securities, we may be required to further adjust the carrying value of the securities and record additional impairment charges. If we determine that the fair value of these ARS is further impaired, we will record a temporary impairment within other comprehensive income, a component of stockholders' equity. If it is determined that the fair value of these securities is other than temporarily impaired, we would recognize the credit loss portion of the other than temporary impairment in earnings, which could materially adversely impact our results of operations and financial condition. Any noncredit loss would be recognized in other comprehensive income. 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 and Item 7A – Quantitative and Qualitative Disclosures about Market Risk.

Risks Related to Our Common Stock

We are controlled by a single shareholder and his affiliates.

W. Marvin Rush and W. M. “Rusty” Rush own approximately 0.23% of our issued and outstanding shares of Class A common stock and 38.1% of our issued and outstanding Class B common stock. W. Marvin Rush and W. M. “Rusty” Rush collectively control more than 33.9% of the aggregate voting power of our outstanding shares and voting power which is superior to that of any other person or group. The interests of W. Marvin Rush and W.M. “Rusty” Rush may not be consistent with your interests as a shareholder. As a result of such ownership, W. Marvin Rush and W. M. “Rusty” Rush have the power to effectively control the Company, including the election of directors, the determination of matters requiring shareholder approval and other matters pertaining to corporate governance.

Our dealership agreements could discourage another company from acquiring us and impede our ability to issue additional stock to raise capital or as consideration for future acquisitions.

A number of our dealership agreements impose ownership requirements on W. Marvin Rush, W.M. “Rusty” Rush and other officers of the Company and restrictions on the sale or transfer of the underlying franchises. These ownership requirements and restrictions may prevent or deter prospective acquirers from acquiring control of us and, therefore, may adversely impact the value of our common stock. For example, under the Peterbilt dealership agreements, except as may be otherwise approved from time to time by Peterbilt, W. Marvin Rush, W. M. “Rusty” Rush, W. Marvin Rush’s family members and other of our executives, in the aggregate, are required to retain control of at least 30% of the aggregate voting power of our outstanding shares and voting power equal or superior to that of any other person or group.

In addition, W. Marvin Rush and members of his immediate family have granted Peterbilt a right of first refusal to purchase their respective shares of common stock in the event that any of such individuals desire to transfer in excess of 100,000 shares in any 12-month period to any person other than an immediate family member, an associate or a Dealer Principal (as defined in the Peterbilt dealership agreements). This right of first refusal, the number of shares owned by W. Marvin Rush and W.M. “Rusty” Rush and the requirement in our dealership agreements that certain officers of the Company and Rush family members retain a controlling interest in us, combined with the ability of the Board of Directors to issue shares of preferred stock without further vote or action by the shareholders, may discourage, delay or prevent a change in control without further action by our shareholders, which could adversely affect the market price of our common stock or prevent or delay a merger or acquisition that our shareholders may consider favorable. We do not have the right to waive the right of first refusal or the terms of its dealership agreements in order to accept a favorable offer.

Actions by our shareholders or prospective shareholders that would violate any of the above restrictions on our dealership agreements are generally outside our control. If we are unable to renegotiate these restrictions, we may be forced to terminate or sell one or more of our dealerships, which could have a material adverse effect on us. These restrictions may also inhibit our ability to raise required capital or to issue our stock as consideration for future acquisitions.

The Class A common stock has limited voting power.

Each share of Class A common stock ranks substantially equal to each share of Class B common stock with respect to receipt of any dividends or distributions declared on shares of common stock and the right to receive proceeds on liquidation or dissolution of us after payment of our indebtedness and liquidation preference payments to holders of any preferred shares. However, holders of Class A common stock have 1/20th of one vote per share on all matters requiring a shareholder vote, while holders of Class B common stock have one full vote per share.

Our Class B common stock has a low average daily trading volume. As a result, sales of our Class B common stock could cause the market price of our Class B common stock to drop, and it may be difficult for a stockholder to liquidate its position in our Class B common stock quickly without adversely affecting the market price of such shares.

The market price of our Class B common stock has historically been lower than the market price of our Class A common stock. The volume of trading in our Class B common stock varies greatly and may often be light. As of December 31, 2011, the three-month average daily trading volume of our Class B common stock was approximately 14,000 shares, with several days having a trading volume below 1,000 shares. W. Marvin Rush, our Chairman, owns approximately 38.1% of our Class B common stock. If any large shareholder, including W. Marvin Rush, were to begin selling shares in the market rather than holding such shares over a longer term, the added available supply of shares could cause the market price of our Class B common stock to drop. In addition, the lack of a robust resale market may require a shareholder to sell a large number of shares of our Class B common stock in increments over time to mitigate any adverse impact of the sales on the market price of our Class B common stock.

Item 1B. Unresolved Staff Comments

None

Item 2. Properties

The Company's corporate headquarters are located in New Braunfels, Texas. As of December 2011, the Company also owns or leases numerous facilities used in our operations in the following states: Alabama, Arizona, California, Colorado, Florida, Georgia, Idaho, New Mexico, North Carolina, Oklahoma, Oregon, Tennessee, Texas and Utah. A Rush Truck Center may be comprised of one or more locations, generally in close proximity, in the same metropolitan area. These facilities consist primarily of office space, display lots, service facilities and parking lots.

The Company's truck leasing operations lease additional space in Alabama, Arizona, California and Florida.

The Company's insurance agency leases space in California, Florida, Oklahoma and Texas.

The Company leases a hangar in New Braunfels, Texas for the corporate aircraft. The Company also owns and operates a guest ranch of approximately 9,500 acres near Cotulla, Texas. The Company uses the ranch for client development purposes and sells hunting trips on the ranch.

Item 3. Legal Proceedings

From time to time, we are involved in litigation arising out of the Company's operations in the ordinary course of business. We maintain liability insurance, including product liability coverage, in amounts deemed adequate by management. To date, aggregate costs to us for claims, including product liability actions, have not been material. However, an uninsured or partially insured claim, or claim for which indemnification is not available, could have a material adverse effect on the Company's financial condition. We believe that there are no claims or litigation pending, the outcome of which could 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.

Item 4. Mine Safety Disclosures

Not applicable.

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PART II

Item 5. 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℠ 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℠.

	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.

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

Item 6. Selected Financial Data

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,				
	2011	2010	2009	2008	2007
	(in thousands, except per share amounts)				
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

	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

	December 31,				
	2011	2010	2009	2008	2007
			(in thousands)		
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

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

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 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% to5.5%, 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):

Contractual Obligations	Payments Due by Period				
	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(in thousands)		
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 obligation	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.

Item 7A. 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.

Item 8. Financial Statements and Supplementary Data

Report of Independent Registered Public Accounting Firm

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.

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

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RUSH ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
(In Thousands, Except Shares and Per Share Amounts)

	December 31, 2011	December 31, 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.

RUSH ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(In Thousands, Except Per Share Amounts)

	Year Ended December 31, 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 revenue	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.

RUSH ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY
(In Thousands)

	Common Stock Shares Outstanding Class A	Common Stock Shares Outstanding Class B	$0.01 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.

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RUSH ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS
(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.

RUSH ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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.

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.

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.

4. ACCOUNTS RECEIVABLE:

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

	December 31, 2011	December 31, 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

5. INVENTORIES:

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

	December 31, 2011	December 31, 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

6. VALUATION ACCOUNTS:

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

	Balance Beginning of Year	Net Charged to Costs and Expenses	Acquisitions	Net Write-Offs	Balance End of Year
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.

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	December 31, 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.

8. LONG-TERM DEBT:

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

	December 31, 2011	December 31, 2010
Variable interest rate term notes	$ 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.

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):

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

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

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℠. 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)	9.20		
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 and Units	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.

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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

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)
(Benefit) provision 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 credits	—	(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):

	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):

	December 31, 2011	December 31, 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

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.

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):

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

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

On February 21, 2011, the Company acquired certain assets of Heintzelman's Truck Center, which consisted of a Ford commercial vehicle dealership in Orlando, Florida. The Company 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.

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,		
	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

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.

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

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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

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.

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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):

	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 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.

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

There were no changes or disagreements on any matters of accounting principles or financial statement disclosure between the Company and its independent registered public accounting firm during the two most recent fiscal years or any subsequent interim period.

Item 9A. Controls and Procedures

Evaluation of Disclosure Controls and Procedures

In accordance with Exchange Act Rules 13a-15 and 15d-15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2011, to ensure that information required to be disclosed in our reports filed or submitted under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (2) accumulated and communicated to the Company's management, including our Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

Changes in Internal Control Over Financial Reporting

During the quarter ended December 31, 2011, the Company continued its implementation of the SAP enterprise software and dealership management system. As appropriate, the Company is modifying the documentation of its internal control processes and procedures relating to this change in dealer management systems to supplement and complement existing internal controls over financial reporting. Other than the above, there were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Management's Report on Internal Control over Financial Reporting

The Company's management is responsible for establishing and maintaining adequate internal control over financial reporting for the Company. The Company's internal control over financial reporting is a process designed under the supervision of the Company's President and Chief Executive Officer and Chief Financial Officer to provide reasonable assurance regarding the reliability of financial reporting and the preparation of the Company's financial statements for external purposes in accordance with generally accepted accounting principles.

As of December 31, 2011, management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in "Internal Control – Integrated Framework," issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission. Based on the assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2011, based on those criteria.

Ernst & Young LLP, the independent registered public accounting firm that audited the consolidated financial statements of the Company included in this annual report on Form 10-K, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2011. The report, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2011, is included in this Item 9A under the heading "Attestation Report of Independent Registered Public Accounting Firm."

Attestation Report of Independent Registered Public Accounting Firm

Report of Independent Registered Public Accounting Firm

To the Board of Directors and Shareholders of Rush Enterprises, Inc.

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

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

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

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

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

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets of Rush Enterprises, Inc. and subsidiaries 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, of Rush Enterprises, Inc. and subsidiaries and our report dated March 15, 2012, expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

San Antonio, Texas
March 15, 2012

Item 9B. Other Information

None.

PART III

Item 10. Directors and Executive Officers of the Registrant

The information called for by Item 10 of Form 10-K is incorporated herein by reference to such information included in the Company's Proxy Statement for the 2011 Annual Meeting of Shareholders.

Code of Ethics

We maintain a code of ethics applicable to our principal executive officer, principal financial officer, principal accounting officer or controller, and other persons performing similar functions. To view this code of ethics free of charge, please visit our website at www.rushenterprises.com (This website address is not intended to function as a hyperlink, and the information contained in our website is not intended to be a part of this filing). We intend to satisfy the disclosure requirements under Item 5.05 of Form 8-K regarding an amendment to, or waiver from, a provision of this code of ethics, if any, by posting such information on our website set forth above.

Item 11. Executive Compensation

The information called for by Item 11 of Form 10-K is incorporated herein by reference to such information included in the Company's Proxy Statement for the 2012 Annual Meeting of Shareholders.

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

The information called for by Item 12 of Form 10-K, other than the equity compensation plan information set forth below, is incorporated herein by reference to such information included in the Company's Proxy Statement for the 2012 Annual Meeting of Shareholders.

Equity Compensation Plan Information

The Equity Compensation Plan Information Table provides information as of December 31, 2011, with respect to shares of Class A and Class B Common Stock that may be issued under our existing equity compensation plans, including the Rush Enterprises, Inc. 2006 Non-Employee Director Stock Plan, the Rush Enterprises, Inc. 2007 Long-Term Incentive Plan, The Rush Enterprises, Inc. Long-Term Incentive Plan, as amended (adopted by the Company's shareholders in May 1996), and the Rush Enterprises, Inc. 1997 Non-Employee Director Stock Option Plan, as amended.

Class A Common Stock:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights as of December 31, 2011 (a)	Weighted-average exercise price of outstanding options, warrants and rights as of December 31, 2011 (b)	Number of securities remaining available for future issuance under equity compensation plans as of December 31, 2011 (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	3,759,950	$ 12.68	2,162,529
Equity compensation plans not approved by security holders	—	—	—
Total	3,759,950	—	2,162,529(1)

(1) Includes 2,162,529 shares that may be issued in the form of restricted stock under the Rush Enterprises, Inc. 2006 Non-Employee Director Stock Plan and the Rush Enterprises, Inc. 2007 Long-Term Incentive Plan.

Class B Common Stock:

Plan Category	Number of securities to be issued upon exercise of outstanding options, warrants and rights as of December 31, 2011 (a)	Weighted-average exercise price of outstanding options, warrants and rights as of December 31, 2011 (b)	Number of securities remaining available for future issuance under equity compensation plans as of December 31, 2011 (excluding securities reflected in column (a)) (c)
Equity compensation plans approved by security holders	88,523	$ 4.32	450,000
Equity compensation plans not approved by security holders	—	—	—
Total	88,523	—	450,000(1)

(1) Includes 450,000 shares that may be issued in the form of restricted stock under the Rush Enterprises, Inc. 2007 Long-Term Incentive Plan.

Item 13. Certain Relationships and Related Transactions

The information called for by Item 13 of Form 10-K is incorporated herein by reference to such information included in the Company's Proxy Statement for the 2012 Annual Meeting of Shareholders.

Item 14. Principal Accountant Fees and Services

The information called for by Item 14 of Form 10-K is incorporated herein by reference to such information included in the Company's Proxy Statement for the 2012 Annual Meeting of Shareholders.

PART IV

Item 15. Exhibits and Financial Statement Schedules

(a)(1) Financial Statements

Included in Item 8 of Part II of this annual report on Form 10-K are the following: Report of Independent Registered Public Accounting Firm; Consolidated Balance Sheets as of December 31, 2011, and 2010; Consolidated Statements of Income for the years ended December 31, 2011, 2010, and 2009; Consolidated Statements of Shareholders' Equity for the years ended December 31, 2011, 2010, and 2009; Consolidated Statements of Cash Flows for the years ended December 31, 2011, 2010, and 2009; and Notes to Consolidated Financial Statements.

(a)(2) Financial Statement Schedules

These schedules are omitted as the required information is inapplicable or the information is presented in the consolidated financial statements or related notes.

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(a)(3) Exhibits

Index to Exhibits:

Exhibit No.	Identification of Exhibit
2.1	Asset Purchase Agreement, dated March 19, 2010 (incorporated herein by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed March 25, 2010)
2.2	Amendment #1, dated as of May 24, 2010, to Asset Purchase Agreement, dated March 19, 2010 (incorporated herein by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed May 26, 2010)
3.1	Restated Articles of Incorporation of Rush Enterprises, Inc. (incorporated herein by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q (File No. 000-20797) for the quarter ended June 30, 2008)
3.2	Rush Enterprises, Inc. Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q (File No. 000-20797) filed for the quarter ended June 30, 2009)
4.1	Specimen of certificate representing Common Stock (now Class B Common Stock), $.01 par value, of Rush Enterprises, Inc. (incorporated herein by reference to Exhibit 4.1 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996)
4.2	Specimen of certificate representing Class A Common Stock, $.01 par value, of the Registrant (incorporated herein by reference to Exhibit 4.1 of the Company's Registration Statement on Form 8-A filed July 9, 2002)
10.1	Right of First Refusal dated April 1, 1996 between Peterbilt Motors Company and W. Marvin Rush (incorporated herein by reference to Exhibit 10.76 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996)
10.2	Right of First Refusal dated April 1, 1996 between Peterbilt Motors Company and Barbara Rush (incorporated herein by reference to Exhibit 10.77 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996)
10.3	Right of First Refusal dated April 1, 1996 between Peterbilt Motors Company and W.M. "Rusty" Rush (incorporated herein by reference to Exhibit 10.78 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996)
10.4	Right of First Refusal dated April 1, 1996 between Peterbilt Motors Company and Robin Rush (incorporated herein by reference to Exhibit 10.79 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996)
10.5+	Rush Enterprises, Inc. Long-Term Incentive Plan, as amended (incorporated herein by reference to Exhibit 4.1 of the Company's Registration Statement No. 333-117305 on Form S-8 filed July 12, 2004)
10.6+	Form of Rush Enterprises, Inc. Long-Term Incentive Plan Stock Option Agreement (incorporated herein by reference to Exhibit 10.85 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996)
10.7+	Rush Enterprises, Inc. Amended and Restated 1997 Non-Employee Director Stock Option Plan, as amended (incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q (File No. 000-20797) for the quarter ended September 30, 2010)
10.8+	Form of Rush Enterprises, Inc. 1997 Non-Employee Director Stock Option Agreement (incorporated herein by reference to Exhibit 4.4 of the Company's Registration Statement No. 333-117305 on Form S-8 filed July 12, 2004)

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Exhibit No.	Identification of Exhibit
10.9+	Rush Enterprises, Inc. 2004 Employee Stock Purchase Plan, as amended (incorporated herein by reference to Exhibit 4.1 of the Company's Registration Statement No. 333-121355 on Form S-8 filed December 17, 2004)
10.10+	Rush Enterprises, Inc. Amended and Restated 2006 Non-Employee Director Stock Plan(incorporated herein by reference to Exhibit 10.10 of the Company's Form 10-K (File No. 000-20797) for the year ended December 31, 2010)
10.11+	Form of Rush Enterprises, Inc. 2006 Non-Employee Director Stock Option Agreement (incorporated herein by reference to Exhibit 4.4 of the Company's Registration Statement No. 333-138556 on Form S-8 filed November 9, 2006)
10.12+	Rush Enterprises, Inc. 2007 Long-Term Incentive Plan (incorporated herein by reference to Appendix A to the Company's Definitive Proxy Statement on Schedule 14A filed April 6, 2010)
10.13+	Form of Rush Enterprises Inc. 2007 Long-Term Incentive Plan Restricted Stock Agreement (incorporated herein by reference to Exhibit 10.13 of the Company's Form 10-K (File No. 000-20797) for the year ended December 31, 2008)
10.14+	Form of Rush Enterprises, Inc. 2007 Long-Term Incentive Plan Restricted Stock Unit Agreement (incorporated herein by reference to Exhibit 10.1 of the Company's Current report on Form 8-K (File No. 000-20797) filed March 14, 2012)
10.15+	Form of Rush Enterprises, Inc. 2007 Long-Term Incentive Plan Stock Option Agreement (incorporated herein by reference to Exhibit 4.4 of the Company's Form S-8 (File No. 333-144821) filed July 24, 2007)
10.16	Form of dealer agreement between Peterbilt Motors Company and Rush Truck Centers (incorporated herein by reference to Exhibit 10.18 of the Company's Form 10-K (File No. 000-20797) for the year ended December 31, 1999)
10.17	Amended and Restated Amendment to Dealer Sales and Service Agreements, dated June 15, 2006, by and among Peterbilt Motors Company, a division of PACCAR, Inc., Rush Enterprises, Inc. and the subsidiaries of Rush Enterprises, Inc. set forth therein (incorporated herein by reference to Exhibit 10.2 of the Company's Form 8-K (File No. 000-20797) filed June 16, 2006).
10.18	Credit Agreement, dated December 31, 2010, by and among Rush Truck Centers of Alabama, Inc., Rush Truck Centers of Arizona, Inc., Rush Truck Centers of California, Inc., Rush Medium Duty Truck Centers of Colorado, Inc., Rush Truck Centers of Colorado, Inc., Rush Truck Centers of Florida, Inc., Rush Truck Centers of Georgia, Inc., Rush Truck Centers of New Mexico, Inc., Rush Truck Centers of Oklahoma, Inc., Rush Truck Centers of Tennessee, Inc., Rush Truck Centers of North Carolina, Inc., Rush Truck Centers of Idaho, Inc., Rush Truck Centers of Utah, Inc., Rush Truck Centers of Oregon, Inc., Rush Truck Centers of Texas, L.P., Rush Enterprises, Inc. and General Electric Capital Corporation (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed January 6, 2011)
10.19	Guaranty Agreement, dated December 31, 2010, by Rush Enterprises, Inc. and each other Guarantor party thereto in favor of General Electric Capital Corporation. (incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K (File No. 000-20797) filed January 6, 2011)
10.20	First Amendment to Credit Agreement, dated December 29, 2011, among Rush Truck Centers of Alabama, Inc., Rush Truck Centers of Arizona, Inc., Rush Truck Centers of California, Inc., Rush Medium Duty Truck Centers of Colorado, Inc., Rush Truck Centers of Colorado, Inc., Rush Truck Centers of Florida, Inc., Rush Truck Centers of Georgia, Inc., Rush Truck Centers of New Mexico, Inc., Rush Truck Centers of Oklahoma, Inc., Rush Truck Centers of Tennessee, Inc., Rush Truck Centers of North Carolina, Inc., Rush Truck Centers of Idaho, Inc., Rush Truck Centers of Utah, Inc., and Rush Truck Centers of Oregon, Inc., Rush Truck Centers of Texas, L.P., Rush Enterprises, Inc., General Electric Capital Corporation and the other lenders party thereto (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed January 3, 2012)

Exhibit No.	Identification of Exhibit
10.21	Amended and Restated Credit Agreement, dated January 31, 2012, among Rush Truck Centers of Alabama, Inc., Rush Truck Centers of Arizona, Inc., Rush Truck Centers of California, Inc., Rush Medium Duty Truck Centers of Colorado, Inc., Rush Truck Centers of Colorado, Inc., Rush Truck Centers of Florida, Inc., Rush Truck Centers of Georgia, Inc., Rush Truck Centers of New Mexico, Inc., Rush Truck Centers of Oklahoma, Inc., Rush Truck Centers of Tennessee, Inc., Rush Truck Centers of North Carolina, Inc., Rush Truck Centers of Idaho, Inc., Rush Truck Centers of Utah, Inc., and Rush Truck Centers of Oregon, Inc., Rush Truck Centers of Texas, L.P., Rush Enterprises, Inc., the Lenders party thereto, and General Electric Capital Corporation (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed January 6, 2011)
10.22	Rush Enterprises, Inc. Deferred Compensation Plan (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed November 12, 2010)
10.23+	Form of Indemnity Agreement (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed February 27, 2007)
10.24+	Rush Enterprises, Inc. Executive Transition Plan (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed July 25, 2008)
21.1*	Subsidiaries of the Company
23.1*	Consent of Ernst & Young LLP
31.1*	Certification of President and Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Vice President and Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*++	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*++	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101+++	The following materials from Rush Enterprises, Inc.'s Annual Report on Form 10-K for the year ended December 31, 2011, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of December 31, 2011 and December 31, 2010; (ii) Consolidated Statements of Income for the years ended December 31, 2011, 2010, and 2009; (iii) Consolidated Statements of Shareholders' Equity for the years ended December 31, 2011, 2010 and 2009; (iv) Consolidated Statements of Cash Flows for the year ended December 31, 2011, 2010 and 2009; and (v) Notes to Consolidated Financial Statements (tagged as blocks of text).

* Filed herewith.

\+ Management contract or compensatory plan or arrangement.

++ This exhibit shall not be deemed "filed" for purposes of Section 18 of the Securities Exchange Act of 1934, or otherwise subject to the liability of that section, and shall not be deemed to be incorporated by reference into any filing under the Securities Act of 1933 or the Securities Exchange Act of 1934.

+++ Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

SIGNATURES

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

RUSH ENTERPRISES, INC.

By: /s/ W. M.”RUSTY” RUSH   Date: March 15, 2012
W. M. “Rusty” Rush
President and Chief Executive Officer

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

Signature	Capacity	Date
/s/ W. MARVIN RUSH W. Marvin Rush	Chairman of the Board and Director	March 15, 2012
/s/ W. M. “RUSTY” RUSH W. M. “Rusty” Rush	President and Chief Executive Officer, Director (Principal Executive Officer)	March 15, 2012
/s/ STEVEN L. KELLER Steven L. Keller	Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)	March 15, 2012
/s/ THOMAS A. AKIN Thomas A. Akin	Director	March 15, 2012
/s/ HAROLD D. MARSHALL Harold D. Marshall	Director	March 15, 2012
/s/ JAMES C. UNDERWOOD James C. Underwood	Director	March 15, 2012
/s/ GERALD R. SZCZEPANSKI Gerald R. Szczepanski	Director	March 15, 2012

EXHIBIT 21.1

SUBSIDIARIES OF THE COMPANY

Name	State of Incorporation	Names Under Which Subsidiary Does Business
Rush Truck Centers of Alabama, Inc.	Delaware	Rush Truck Center, Mobile Rush Peterbilt Truck Center, Mobile
Rush Truck Centers of Arizona, Inc.	Delaware	Rush Truck Center, Phoenix Rush Peterbilt Truck Center, Phoenix Rush Truck Center, Chandler Rush Peterbilt Truck Center, Chandler Rush Truck Center, Flagstaff Rush Peterbilt Truck Center, Flagstaff Rush Truck Center, Tucson Rush Peterbilt Truck Center, Tucson Rush Truck Center, Yuma Rush Peterbilt Truck Center, Yuma
Rush Truck Centers of California, Inc.	Delaware	Complete Rush Truck Centers Rush Peterbilt Truck Center, Pico Rivera Rush Truck Center, Pico Rivera Rush Peterbilt Truck Center, Fontana Rush Truck Center, Fontana Rush Peterbilt Medium Duty Truck Center, Fontana Rush Isuzu Trucks, Fontana Rush Medium Duty Truck Center, Fontana Rush Truck Center, Fontana Used Trucks Rush Truck Center, Sylmar Rush Peterbilt Truck Center, Sylmar Rush Truck Center, Escondido Rush Peterbilt Truck Center, Escondido Rush Truck Center, San Diego Rush Peterbilt Truck Center, San Diego Rush Truck Center, San Luis Obispo Rush Peterbilt Truck Center, San Luis Obispo Rush Truck Center, Whittier Rush Isuzu Truck, Whittier Rush Peterbilt Truck Center, Whittier
Rush Medium Duty Truck Centers of Colorado, Inc.	Delaware	Rush Medium Duty Truck Center, Denver Rush Medium Duty Ford Trucks, Denver Rush Isuzu Trucks, Denver
Rush Truck Centers of Colorado, Inc.	Delaware	Rush Truck Centers, Inc. Rush Peterbilt Truck Center, Denver Rush Truck Center, Denver Rush Peterbilt Truck Center, Greeley Rush Truck Center, Greeley Rush Peterbilt Truck Center, Pueblo Rush Truck Center, Pueblo
Rush Truck Centers of Florida, Inc.	Delaware	Rush Isuzu Trucks, Orlando Rush Truck Center, Orlando Rush Isuzu Truck Center, Orlando Rush Peterbilt Truck Center, Orlando Rush Truck Center, Orlando Light and Medium Duty Rush Truck Center, Orlando South Rush Truck Center, Winter Garden Rush Peterbilt Truck Center, Winter Garden Rush Isuzu Trucks, Winter Garden Rush Truck Center, Haines City Rush Peterbilt Truck Center, Haines City Rush Truck Center, Tampa Rush Peterbilt Truck Center, Tampa Rush Truck Center, Jacksonville Rush Peterbilt Truck Center, Jacksonville Rush Peterbilt Truck Center

Name	State of Incorporation	Names Under Which Subsidiary Does Business
Rush Truck Centers of Georgia, Inc.	Delaware	Rush Medium Duty Truck Center, Atlanta Rush Isuzu Trucks, Atlanta Rush Truck Center, Atlanta Rush International Truck Center, Atlanta Rush Collision Center, Atlanta Rush Truck Center, Doraville Rush International Truck Center, Doraville Rush Isuzu Trucks, Doraville Rush Truck Center, Kennesaw Rush Peterbilt Truck Center, Kennesaw Rush Truck Center, Smyrna Rush Bus Center, Atlanta Rush Bus Center, Tifton
Rush Truck Centers of Idaho, Inc.	Delaware	Rush International Truck Center, Boise Rush International Truck Center, Twin Falls Rush International Truck Center, Idaho Falls Rush International Truck Center, Heyburn Rush International Truck Center, Lewiston Rush Truck Center, Boise Rush Truck Center, Twin Falls Rush Truck Center, Idaho Falls Rush Truck Center, Heyburn Rush Truck Center, Lewiston
Rush Truck Centers of New Mexico, Inc.	Delaware	Rush Truck Center, Albuquerque Rush Peterbilt Truck Center, Albuquerque Rush Truck Center, Las Cruces Rush Peterbilt Truck Center, Las Cruces
Rush Truck Centers of North Carolina, Inc.	Delaware	Rush Collision Center, Charlotte Rush International Truck Center, Charlotte Rush Isuzu Trucks, Charlotte Rush Peterbilt Truck Center, Charlotte Rush Truck Center, Charlotte Rush Truck Center Body Shop, Charlotte
Rush Medium Duty Truck Centers of Oklahoma, Inc.	Delaware	Rush Medium Duty Truck Center, Oklahoma City
Rush Truck Centers of Oklahoma, Inc.	Delaware	Rush Peterbilt Truck Center, Ardmore Rush Peterbilt Truck Center, Oklahoma City Rush Peterbilt Truck Center, Tulsa Rush Truck Center, Ardmore Rush Truck Center, Oklahoma City Rush Truck Center, Tulsa Rush Volvo Truck Center, Oklahoma City Rush Volvo Truck Center, Tulsa Rush Isuzu Trucks, Oklahoma City Rush Used Truck Center, Tulsa Rush Truck Rigging Perfection Equipment Perfection Truck Parts & Equipment, Oklahoma City Perfection Truck Parts & Equipment, Tulsa Translease Oklahoma Trucks, Inc. Tulsa Trucks, Inc.

Name	State of Incorporation	Names Under Which Subsidiary Does Business
Rush Truck Centers of Oregon, Inc.	Delaware	Rush International Truck Center, Ontario
		Rush Truck Center, Ontario
Rush Truck Centers of Tennessee, Inc.	Delaware	Rush Truck Center, Nashville
		Rush Peterbilt Truck Center, Nashville
Rush Truck Centers of Texas, L.P.	Texas	Custom Vehicle Solutions
		Houston Peterbilt, Inc.
		Laredo Peterbilt, Inc.
		Lufkin Peterbilt, Inc.
		Rush Bus Center, Alice
		Rush Bus Center, Austin
		Rush Bus Center, Corpus Christi
		Rush Bus Center, Dallas
		Rush Bus Center, Dallas, Number 2
		Rush Bus Center, Fort Worth
		Rush Bus Center, Houston
		Rush Bus Center, Laredo
		Rush Bus Center, Lufkin
		Rush Bus Center, Pharr
		Rush Bus Center, San Antonio
		Rush Bus Center, San Antonio, Number 2
		Rush Bus Center, Sealy
		Rush Bus Center, Texarkana
		Rush Bus Center, Tyler
		Rush Bus Center, Waco
		Rush GMC Truck Center of El Paso, Inc.
		Rush Isuzu Trucks, Austin
		Rush Isuzu Trucks, Dallas
		Rush Isuzu Trucks, Texarkana
		Rush Isuzu Trucks, El Paso
		Rush Isuzu Trucks, Sealy
		Rush Isuzu Trucks, Waco
		Rush Isuzu Trucks, Dallas
		Rush Medium Duty Truck Center, Dallas
		Rush Medium Duty Truck Center, San Antonio
		Rush Medium Duty Truck Center, Waco
		Rush Peterbilt Truck Center, Abilene
		Rush Peterbilt Truck Center, Alice
		Rush Peterbilt Truck Center, Amarillo
		Rush Peterbilt Truck Center, Austin
		Rush Peterbilt Truck Center, Corpus Christi
		Rush Peterbilt Truck Center, Dalhart
		Rush Peterbilt Truck Center, Dallas
		Rush Peterbilt Truck Center, El Paso
		Rush Peterbilt Truck Center, Fort Worth
		Rush Peterbilt Truck Center, Hereford
		Rush Peterbilt Truck Center, Houston
		Rush Peterbilt Truck Center, Laredo
		Rush Peterbilt Truck Center, Lubbock
		Rush Peterbilt Truck Center, Lufkin
		Rush Peterbilt Truck Center, Odessa
		Rush Peterbilt Truck Center, Pharr
		Rush Peterbilt Truck Center, San Antonio
		Rush Peterbilt Truck Center, Sealy

Name	State of Incorporation	Names Under Which Subsidiary Does Business
		Rush Peterbilt Truck Center, Texarkana
		Rush Peterbilt Truck Center, Tyler
		Rush Peterbilt Truck Center, Waco
		Rush Towing Systems
		Rush Truck Center
		Rush Truck Center, Abilene
		Rush Truck Center, Alice
		Rush Truck Center, Amarillo
		Rush Truck Center, Austin
		Rush Truck Center, Corpus Christi
		Rush Truck Center, Dalhart
		Rush Truck Center, Dallas
		Rush Truck Center, Denton
		Rush Truck Center, El Paso
		Rush Truck Center, Fort Worth
		Rush Truck Center, Hereford
		Rush Truck Center, Houston
		Rush Truck Center, Laredo
		Rush Truck Center, Lubbock
		Rush Truck Center, Lufkin
		Rush Truck Center, Odessa
		Rush Truck Center, Pharr
		Rush Truck Center, San Antonio
		Rush Truck Center, Sealy
		Rush Truck Center, Texarkana
		Rush Truck Center, Tyler
		Rush Truck Center, Waco
		Rush Crane and Refuse Systems International
		San Antonio Peterbilt, Inc.
		San Antonio Peterbilt-GMC Truck, Inc.
		World Wide Tires
Rush Truck Centers of Utah, Inc.	Delaware	Rush International Truck Center, Salt Lake City
		Rush International Truck Center, Helper
		Rush International Truck Center, Springville
		Rush International Truck Center, St. George
		Rush International Truck Center, Ogden
		Rush Truck Center, Salt Lake City
		Rush Truck Center, Helper
		Rush Truck Center, Springville
		Rush Truck Center, St. George
		Rush Truck Center, Ogden
Rig Tough, Inc.	Delaware	None
Rush Truck Center of Albuquerque, Inc.	New Mexico	None
Rush GMC Truck Center of El Paso, Inc.	Delaware	None
Rush GMC Truck Center of Phoenix, Inc.	Delaware	None
Rush GMC Truck Center of San Diego, Inc.	Delaware	None
Rush GMC Truck Center of Tucson, Inc.	Delaware	None
Rush Accessories Corporation	Delaware	Chrome Country, Inc.
Rush Truck Leasing, Inc.	Delaware	Rush Crane Systems
		Rush Idealease, Charlotte
		Boise Idealease
		Salt Lake City Idealease
		Charlotte Idealease
Rush Equipment Centers of Texas, Inc.	Delaware	Rush Equipment Center, Houston
Rushtex, Inc.	Delaware	None

Name	State of Incorporation	Names Under Which Subsidiary Does Business
Rushco, Inc.	Delaware	None
Rush Administrative Services, Inc.	Delaware	None
Rush Idealease, Inc.	Delaware	None
Rush Real Estate Holdings, Inc.	Delaware	None
International General Agency	Texas	None
Los Cuernos, Inc.	Delaware	Los Cuernos Ranch
AiRush, Inc.	Delaware	None
Rush Retail Centers, Inc.	Delaware	None
Associated Acceptance, Inc.	Texas	Associated Insurance Services Automotive Industry Insurance Associated Truck Insurance Services
Associated Acceptance of Florida, Inc.	Delaware	None
Associated Acceptance of Oklahoma, Inc.	Delaware	None
Advance Premium Finance, Inc.	California	None
Adams International Trucks, Inc.	Delaware	None

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the following Registration Statements:

1. Registration Statement (Form S-8 No. 333-170732) pertaining to the Rush Enterprises, Inc. Deferred Compensation Plan;

2. Registration Statement (Form S-8 No. 333-168231) pertaining to the Rush Enterprises, Inc. 2007 Long-Term Incentive Plan;

3. Registration Statement (Form S-8 No. 333-144821) pertaining to the Rush Enterprises, Inc. 2007 Long-Term Incentive Plan;

4. Registration Statement (Form S-8 No. 333-138557) pertaining to the Rush Enterprises, Inc. Amended and Restated 1997 Non-Employee Director Stock Option Plan;

5. Registration Statement (Form S-8 No. 333-138556) pertaining to the Rush Enterprises, Inc. 2006 Non-Employee Director Stock Option Plan;

6. Registration Statement (Form S-8 No. 333-121355) pertaining to the Rush Enterprises, Inc. Long-Term Incentive Plan, the Rush Enterprises, Inc. 2004 Employee Stock Purchase Plan and Certain Non-Plan Options;

7. Registration Statement (Form S-8 No. 333-117305) pertaining to the Rush Enterprises, Inc. Amended and Restated 1997 Non-Employee Director Stock Option Plan and the Rush Enterprises, Inc. Long-Term Incentive Plan;

8. Registration Statement (Form S-8 No. 333-70451) pertaining to the Rush Enterprises, Inc. 1997 Non-Employee Director Stock Option Plan; and

9. Registration Statement (Form S-8 No. 333-07043) pertaining to the Rush Enterprises, Inc. Long-Term Incentive Plan.

of our reports dated March 15, 2012, with respect to the consolidated financial statements of Rush Enterprises, Inc. and subsidiaries and the effectiveness of Rush Enterprises, Inc.'s internal control over financial reporting, included in this Annual Report (Form 10-K) of Rush Enterprises, Inc. for the year ended December 31, 2011.

/s/ Ernst & Young LLP

San Antonio, Texas
March 15, 2012

EXHIBIT 31.1

CERTIFICATION

I, W. M. “Rusty” Rush, certify that:

1. I have reviewed this annual report on Form 10-K of Rush Enterprises, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and

5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: March 15, 2012

By: /S/ W. M. “RUSTY” RUSH
W. M. “Rusty” Rush
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Steven L. Keller, certify that:

1. I have reviewed this annual report on Form 10-K of Rush Enterprises, Inc.;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):

a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 15, 2012

By: /S/ STEVEN L. KELLER
Steven L. Keller
Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this annual report of Rush Enterprises, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, W. M. “Rusty” Rush, Chairman and Chief Executive Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /S/ W. M. “RUSTY” RUSH
Name: W. M. “Rusty” Rush
Title: President and Chief Executive Officer
Date: March 15, 2012

EXHIBIT 32.2

CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002

In connection with this annual report of Rush Enterprises, Inc. (the "Company") on Form 10-K for the year ended December 31, 2011 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven L. Keller, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /S/ STEVEN L. KELLER
Name: Steven L. Keller
Title: Vice President and Chief Financial Officer
Date: March 15, 2012