



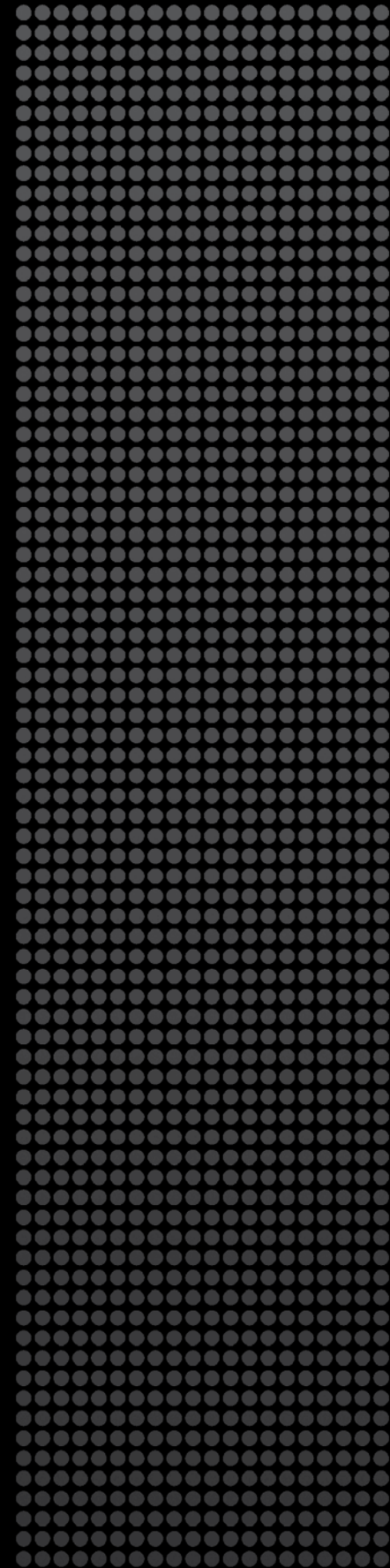
2010 ANNUAL REPORT

Moving forward
with confidence



Confidence

One of a company's most valuable assets, confidence carries a business in bad times and good. During economic turmoil, it creates trust, builds credibility, and leads to smart decision-making when it is most needed. Rush Enterprises exudes confidence – with a successful business model, exemplary service, and a well-trained workforce that allowed us to expand our footprint when others were shrinking theirs. The creation of a new Navistar Division, milestone acquisitions of International dealerships, expansion of medium-duty franchises, and the new Oklahoma City dealership signal a bold commitment to moving forward, putting more dots on an already-impressive map, and living up to our promise, "If you need anything, we'll be right here." Any company can stay positive in good times. A downturn puts true confidence to the test. Rush passed with flying colors.



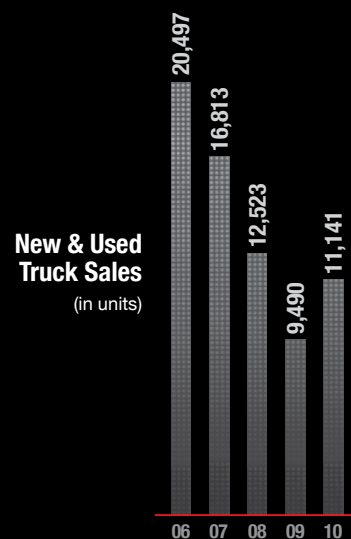
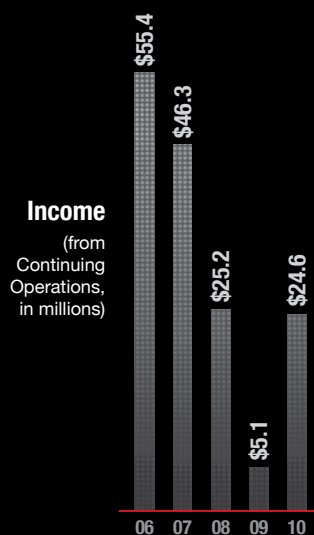
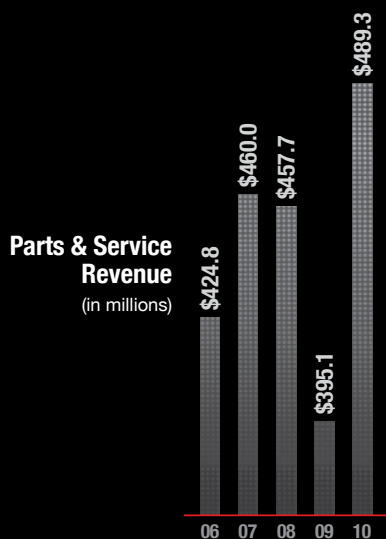
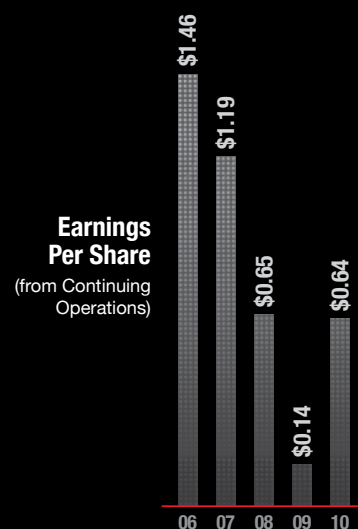
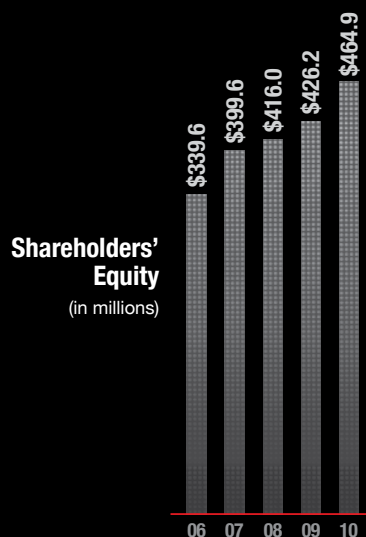
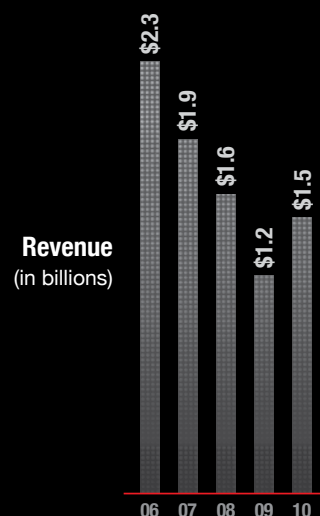
About the company

Rush Enterprises, Inc. (listed on NASDAQ® as RUSHA and RUSHB) owns and operates the largest network of commercial vehicle dealerships in the United States, representing truck and bus manufacturers including Peterbilt, International, Hino, Isuzu, Ford, Mitsubishi FUSO, UD, Blue Bird, IC Bus, Autocar, Workhorse, Diamond and Elkhart. The Company's vehicle centers are strategically located in high traffic areas on or near major highways in 14 states throughout the southern and western United States. These one-stop centers offer an integrated approach to meeting customer needs from sales of new and used vehicles to aftermarket parts, service and body shop operations plus a wide array of financial services, including financing, insurance, leasing and rental. Rush Enterprises' operations also provide vehicle up-fitting, chrome accessories and tires. For more information, please visit www.rushenterprises.com.

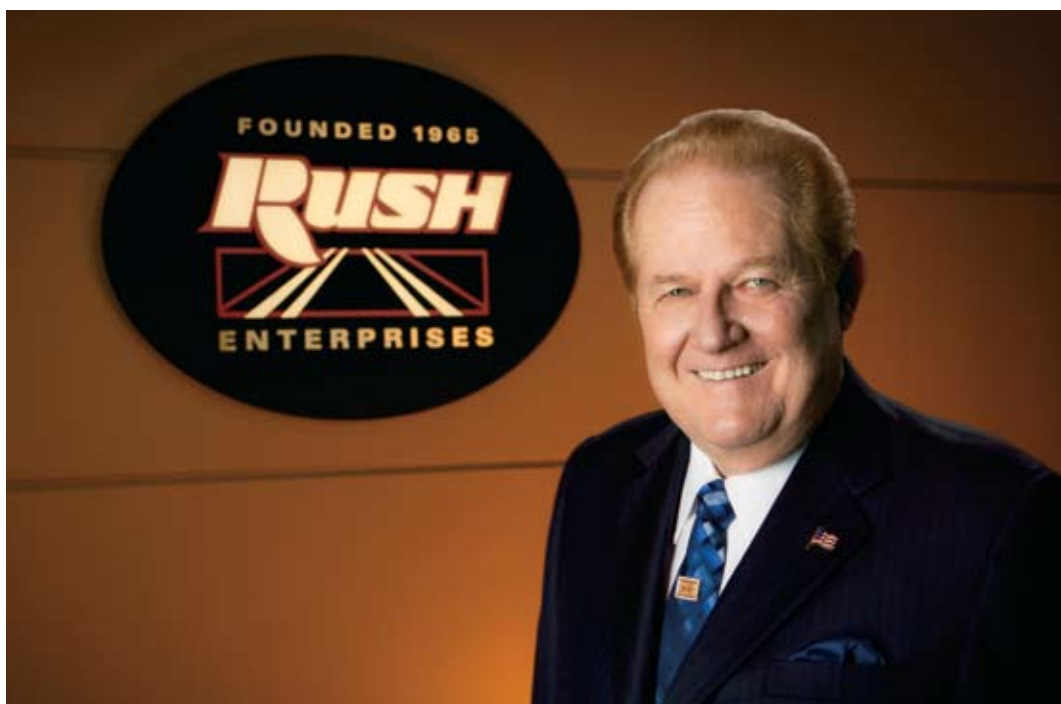




HIGHLIGHTS



CHAIRMAN'S LETTER



They say what doesn't kill you only makes you stronger. That is how we have come to view the severe downturn in the last four years. Rush Enterprises has emerged a much stronger organization. In 2010, we established a new record for our quarterly absorption rate, grew our cash position by \$20 million, formed a new Navistar Division, and extended the reach of the country's largest truck dealership network. This is due to our employees' ability to manage through the downturn, while continuing to provide high levels of customer service. In fact, we are currently rolling out a new Customer Satisfaction program to make sure we stay close to our customers and offer programs that exceed their expectations.

With the addition of 12 new dealerships in 2010 and recent acquisitions in Orlando and Atlanta in early 2011, we have welcomed many new employees. With that comes the integration of our well-known and effective culture: values of fairness, productivity, excellence and positive attitude, and the philosophy of "*The Customer is the Boss*" into every location, no matter how large or small, or what brand

of vehicle they sell or service. Our culture is the foundation of our success. I am proud that our culture not only survived, it thrived in these trying times, especially with so many new faces representing Rush.

I have witnessed many market cycles since founding this company more than 45 years ago. Thanks to our employees, we remain financially strong and profitable.

We enter 2011 with an experienced management team, an excellent workforce, and we are in the best financial position ever coming out of an industry downturn. In 2010, we successfully maneuvered through the challenges of a difficult market and built for the future. I am very proud of our peoples' accomplishments.

We aptly themed this year's annual report "Moving Forward with Confidence," and we will continue to do just that in the years to come.

W. Marvin Rush, Founder & Chairman

CHIEF EXECUTIVE OFFICER'S LETTER



It takes confidence to move forward with a vision for growth in an uncertain economy and a dismal truck sales market. But we believed that moving forward would not only put us in a better position to weather yet another difficult year, but allow us to grow our service network, form new alliances with key manufacturers, and position us well for the future.

Confidence definitely paid off. Rush Enterprises ended the year with revenues up 25% compared to 2009, an absorption rate that matched our high of 106%, a new Navistar Division, an expanded dealership service network, an increased number of medium-duty franchises, and an increase in our cash position.

We knew entering 2010 that it would be another challenging year. Annual truck sales were at their lowest in more than 25 years, used truck values were down, credit was tight, excess truck capacity allowed fleets to delay maintenance, and new emissions regulations were taking effect. Beyond that, the economy was uncertain at best, and many businesses were shutting their doors. Of significance was the wind-down of our 15 GMC franchises throughout the country, as GM

prepared to exit the commercial truck business.

Truck sales remained sluggish throughout 2010. U.S. retail sales of Class 8 trucks were 110,109 units and Class 4-7 were 117,572 units. Both segments were well below normal truck replacement levels.

By spring, we saw signs of recovery. Used truck values increased sharply as rising freight tonnage created an increase in demand for trucks. Used trucks were the preferred alternative to new technology but were in short supply due to years of reduced new truck sales. We expect used truck values will remain healthy throughout the anticipated Class 8 upcycle.

Our parts, service and body shop business also accelerated at the end of the first quarter and grew throughout the year. As excess truck capacity and freight demand equalized, more trucks were put into service, increasing the need for maintenance and repair. We expanded our mobile service fleet, primarily to support oil and gas activity in the south central U.S. This helped result in a 24% increase in parts, service and body shop revenues. Additionally, in the fourth quarter of 2010, we achieved a record absorption rate of

110%, increasing our annual absorption rate to 106%. As trucks in service continue to age, we expect parts, service and body shop operations to remain strong in 2011.

With evidence of aftermarket momentum underway, we knew this was the year to confidently seize available opportunities. So we boldly moved to acquire Lake City Trucks in Utah, Idaho, and Oregon, adding 11 International truck dealerships to our network, and established our new Navistar Division.

In June, we opened our new 115,000 square foot facility in Oklahoma City, replacing our existing Peterbilt and Hino dealership location with one of the largest in our network which is equipped with state-of-the-art capabilities and is intended to raise the bar on dealership service. We also added Ford and Isuzu franchises to the newly opened dealership to broaden our product lineup in this important market.

Acquisitions and expansion continued throughout 2010. We acquired a Ford and Isuzu truck dealership in Dallas, Texas and added Isuzu franchises in Orlando, Florida and Sealy, Texas. Even though we sold our John Deere franchise in Houston, we are seeking opportunities to re-enter the construction equipment market with a brand leader that we can support through our contiguous network of dealerships.

Our confidence continues into 2011. In February, we acquired Heintzelman's Ford in Orlando, Florida. In March, we completed an acquisition with Asbury Automotive's Nalley Motor Trucks in metro Atlanta that included International, IC Bus, Workhorse, Hino, Isuzu and UD franchises along with two dealership locations and a collision center. Atlanta is the largest truck market in the southeast, and we are thrilled to expand our capabilities there with these brand leaders. We are excited about the growth potential for our growing Navistar Division, now at 16 locations in five states, and we look forward to working together with Navistar as future opportunities develop.

Truck sales are expected to improve in 2011 as well. We believe the U.S. Class 8 truck market will reach about 180,000 units, which is a more normal replacement market. While it still does

not reflect growth, this year will be a definite improvement in the sales markets we have experienced over the past few years. We still believe that if economic conditions continue to improve, 2012 and 2013 will be strong markets for truck sales growth.

I am very pleased to be entering 2011 with a record high annual absorption rate of 106%. Just prior to the last market up cycle in 2003, our annual absorption rate was at 92%. I am confident that as we have demonstrated in the past, we will continue to challenge ourselves to reach for even better performance in this area over the next few years, and I look forward to what we can achieve.

The Company ended the year with \$169 million in cash and cash equivalents, an increase of \$20 million compared to year-end 2009. Given the economic uncertainty that plagued consumer confidence throughout the year, and hesitation by fleet customers to invest in major truck purchases, I am extremely proud of our financial performance this year and our strong financial position headed into the industry upturn.

I am proud of and truly grateful to our employees, who continue to make the difference in our business. Our employees have done an excellent job throughout these difficult times, and I look forward to what we can accomplish in the future.

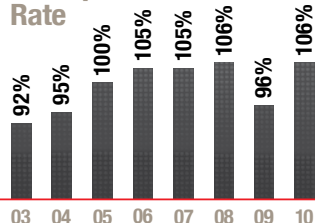
We chose to move forward with confidence despite the tough economic and industry conditions in 2010 and proved that we were up to the challenge. I

am confident that with the support of our exceptional family of employees, the new partnerships we have forged this year, and our long-standing relationships with industry leaders, we can continue to grow our network, expand the breadth of our product offerings, and continue to offer innovative solutions to our customers.



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

Absorption Rate



Absorption measures parts, service and body shop gross profit compared to all of a dealership's non-variable expenses.

The Rush Network (as of March 31, 2011)



We currently have 65 locations in 14 states – up from 48 in 2009.

Strengthening the foundation



We opened our new flagship facility in Oklahoma City – a 115,000 square foot dealership which sits on 21 acres and has a 20,000 square foot warehouse housing \$2.5 million in parts.

For more than four decades, our partnership with Peterbilt Motors Company and its parent PACCAR Inc. has been the core of our business and foundation of our dealership

The investment we made in Oklahoma City reflects our continued dedication to the Peterbilt brand.

– W. M. “Rusty” Rush
Chief Executive Officer

network. With a trusted line of premium products and a dedicated, experienced management team, we remain committed to setting new standards of service for our valued Peterbilt customers. We’re proud of our longtime association with Peterbilt, an industry leader that sets the standard for premium Class 8 and medium-duty trucks.

Rush continues to represent Peterbilt well in the markets

where we sell and service the brand. We consistently exceed Peterbilt’s historical market share of about 12%, operate from state-of-the-art facilities and provide the high levels of service expected by Peterbilt truck owners. Currently, Rush Truck Centers accounts for approximately one-third of all Peterbilt’s production.

A dealership like no other

In June, we opened a state-of-the-art

dealership offering sales and service for Peterbilt, Ford, Hino and Isuzu trucks in Oklahoma City. With three-deep service bays, ASE-certified technicians can service more than 100 trucks at a time. The new facility also has 20 body shop bays featuring frame straightening and alignment equipment, and heated paint booths.

Growth with PacLease

Rush Truck Leasing offers full-service leasing through its network of more than 30 PacLease locations across the southern U.S. Several of our leasing operations have successfully increased parts and service revenues by providing innovative maintenance outsourcing, now supporting a number of “captive” shops where Rush Truck Leasing manages all aspects of our customers’ service operations.

Supporting the PACCAR MX launch

Fifteen Rush Truck Centers hosted the Peterbilt North American Tour to promote the launch of the new heavy-duty PACCAR MX engine and the release of the new premium aerodynamic Model 587. Thousands of customers viewed the state-of-the-art PACCAR tour trailer showcasing technology and innovation with informative interactive displays while visiting our dealerships.



*With 43 franchises in
10 southern states, we are the
largest Peterbilt dealer group in
the United States.*



Rush Truck Centers now offer reliable, trusted International trucks for many applications through its Navistar Division formed in 2010.

Marking a milestone



Our 2010 acquisition of broadened Rush Truck Centers' product lineup to include International, Mitsubishi FUSO, Autocar and Kalmar trucks, Workhorse chassis and buses made by IC bus for customers in Utah, Idaho and Oregon.

Rush Enterprises keeps moving forward, even in uncertain times. In 2010, our acquisition of Lake City Trucks, an International dealer group with 11 locations in Utah, Idaho and Oregon, expanded the company's geographic network and represented a historic milestone in our company's journey: the formation of a new Navistar Division. Richard J. Ryan was named Senior Vice President, Navistar Dealerships, having successfully led the Company's dealerships in Colorado in his prior role as Regional General Manager.

A strategic move

The Navistar Division represents a significant step in our expansion strategy, providing exciting opportunities for growth in incremental new truck sales and parts and service revenues in new markets. With a market share of about 25% in U.S. Class 8 trucks and 35% in U.S. Class 6-7 trucks, Navistar is a respected industry leader, offering an outstanding lineup of leading brands including International, IC Bus, Workhorse and MaxxForce engines. Navistar's newly launched MaxxForce engine and Class 4/5 medium-duty TerraStar represent an excellent opportunity for Rush to increase sales, parts and service revenues.

Continued expansion

In 2011, Rush purchased certain assets of Asbury Automotive LLC, operating as Nalley Motor Trucks, including International, Hino, Isuzu, UD, IC Bus and Workhorse franchises in metro Atlanta, dealerships in Atlanta and Doraville, Georgia, and a collision center in Atlanta. We also expanded an existing truck center in Smyrna, Georgia, adding International heavy- and medium-duty trucks to the Hino, Isuzu and UD brands currently offered at that location.

Diversity for leasing, bus businesses

With the acquisition of Lake City Trucks, Rush Truck Leasing now offers full-service leasing through IdeaLease in Salt Lake City, Utah and Boise, Idaho, in addition to existing operations in Charlotte, North Carolina. Rush Bus Centers now sells and services IC Bus from locations in Utah, Idaho and Georgia.

We look forward to a successful and rewarding partnership with Navistar.

– Richard J. Ryan
Senior Vice President,
Navistar Dealerships

A versatile product lineup

Rush Truck Centers remains the largest medium-duty truck dealer organization in the United States with an impressive and diverse Class 4-7 product lineup that includes Peterbilt, International, Hino, Isuzu, Ford, Mitsubishi FUSO and UD brands. We are also the largest Peterbilt, Hino, Isuzu and UD dealerships in the U.S.

Because sales, parts and service of medium-duty trucks are integrated into our network of Class 8 dealerships, we are able to effectively leverage our presence in existing markets where we add medium-duty franchises. Our sales of 2,934 medium-duty trucks in 2010 represents a 2.6% share of the U.S. Class 4-7 truck market.

Franchise expansion

As GM completed its exit of the medium-duty market in 2010, our objective was to replace lost GMC truck sales revenues by expanding our medium-duty product lineup



Rush Truck Centers now operates four Ford franchises: Denver, Oklahoma City, Dallas and Orlando.

at these and other locations throughout the country. We made progress toward accomplishing this with our International acquisitions and by adding an Isuzu franchise in Sealy, Texas, and Ford and Isuzu franchises in Oklahoma

City, Dallas and Orlando. We continue to service our GMC truck owners through our 15 authorized Rush Truck Center GM service centers across the southern U.S.

Wide-reaching customer care

The medium-duty market is closely tied to the general economy, with our customers



Salt Lake City salesperson Matt Hood (shown above) was recognized as the top Mitsubishi FUSO salesperson in 2010.

engaged in a variety of everyday commercial and vocational applications: pickup/delivery, leasing/rental, food/beverage, government/municipal, towing/recovery, construction and landscaping.

To many of our medium-duty customers, trucks are a necessary tool to run their business, not the purpose of it. Working closely with our customers, our dedicated sales specialists understand how to deliver the right combination of truck and body to best fit customers' needs. Many of our sales experts actively participate in local and regional associations to help ensure we understand the latest issues facing our customers in their respective businesses.



Because of the local and regional nature of the customer base, medium-duty trucks are an excellent source of consistent parts and service revenue.



Specialists from Rush Refuse Systems work with private and municipal waste haulers to determine their equipment needs, like this Peterbilt Model 320 with a McNeilus front-end loader.

The working class



Every truck or bus sold by our specialty divisions is fully supported with parts and service throughout the Rush Truck Centers network.

Trucks and buses are an integral part of many complex businesses and operations. Rush understands those complexities. Our dedicated vocational and specialty market sales specialists provide expert assistance in defining unique specifications that perform well in specialized applications. These include refuse, towing, mixers, fire, school and commercial buses.

Industry leaders

In addition to respected truck manufacturers, we work with the top makers of specialty equipment: McNeilus refuse and mixer bodies; Jerr-Dan wreckers and carriers; National and Manitex cranes; Pierce fire trucks; IC Bus and Blue Bird school buses, and Diamond and Elkhart commercial buses.

Rush is collaborating with Oshkosh Corporation, a major manufacturer of heavy-duty specialty vehicles, by working together on sales and service agreements to support our mutual customer base across our network. Selected Rush Truck Centers are now factory-trained authorized parts and service outlets for

McNeilus bodies. This program, which provides incremental opportunity for parts and service revenues, was piloted in Denver, Colorado, and was extended to Tucson and Phoenix, Arizona; Austin and San Antonio, Texas; Greeley and Pueblo, Colorado, and Albuquerque, New Mexico.

Bus Center expansion

We expanded the Rush Bus Centers product lineup with the acquisition of Navistar dealerships in Salt Lake City, Utah; Boise, Idaho, and Atlanta, Georgia, where we now sell and service school and commercial buses manufactured by IC Bus. We are the largest Blue Bird school bus distributor in Texas, where we also sell and service Diamond and Elkhart commercial buses. We represent Diamond commercial buses in Florida and we operate dedicated parts and service centers in San Antonio, Texas and Salt Lake City, Utah.

Our specialty market business offers respected brands with the hardest working vehicles around.

Providing solutions

Our customers expect the ultimate solutions and we provide them – with parts, service, and body shop capabilities at 65 locations. We use state-of-the-art technology in over 1,100 service and body shop bays to diagnose and repair all makes and models of heavy- and medium-duty trucks and buses. Our 27 body shops include three dedicated collision centers, state-of-the-art heated paint booth technology, and alignment and frame straightening equipment.



Rig Tough truck parts, our proprietary line, continues to grow since its establishment in 2009.

Stellar performance

In 2010, parts and service revenues were \$489 million, up 24% from 2009. Our performance was excellent in this area – matching our 2008 record annual absorption rate of 106%. This was due to more aging trucks that required maintenance and repair being put back into service, as well as activity supporting oilfield service increasing dramatically.

We expanded our mobile service fleet to 125 units across the U.S., providing

full-service 24/7 assistance including onboard diagnostics, air, lube delivery and evacuation, and welding capabilities.

We continued to grow our line of Rig Tough truck parts. Extensive product categories for all makes and models of heavy-duty trucks feature hundreds of parts, supported by a coast-to-coast distribution network, convenient delivery options, and competitive pricing. Rig Tough increased its Internet presence with a new web site and online catalog at www.rigtough.com and added a National Sales Manager position.

Our response to an increasing need for outsourcing maintenance allows our customers to choose the level of service they need – from fully outsourcing all maintenance (in their shops or ours), to using our mobile technicians for vacation fill-ins or short- or long-term staffing. We continue to support new engine technologies with the latest in diesel particulate filter cleaning equipment and oil analysis machines at most Rush Truck Centers throughout the country.



As the only authorized outlet for genuine Peterbilt and International parts in our designated areas of responsibility, we offer an \$80 million inventory and efficient, well-trained parts specialists.



*Beyond service to solutions:
Our highly skilled workforce includes
1,000 service technicians and 175
body shop technicians.*

Building the brand

Rush Enterprises recognizes product diversification is essential to company stability and customer satisfaction. Our extensive array of products and services provides a foundation that we believe identifies us as a stable business that can be trusted to both stand and grow. For our diverse customer base, we focus on meeting and exceeding expectations as a comprehensive commercial vehicle solutions provider while remaining vigilant for new opportunities that will allow us to leverage our network. Defining and refining the Rush brand sends our customers one of our most important messages – if you need anything, we'll be right here.

Rush Truck Centers

We are the largest heavy- and medium-duty dealer organization in the U.S. Our 65 state-of-the-art locations in 14 states occupy almost two million square feet of showrooms, service bays, drivers' lounges, luxury amenities, and more.



Rush Bus Centers

Conveniently located one-stop sales and service support in Utah, Idaho and Georgia for IC Bus; Blue Bird school buses and Diamond and Elkhart commercial buses in Texas; Diamond commercial buses in Florida. 26 locations in five states.



Rush Towing Systems

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



Rush Refuse Systems

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



Rush Crane Systems

Sells, rents and services National and Manitex crane and boom trucks with Peterbilt chassis. Offers a wide selection of specs, plus custom fit available. Operates through Rush Truck Centers.



Rig Tough Truck Parts

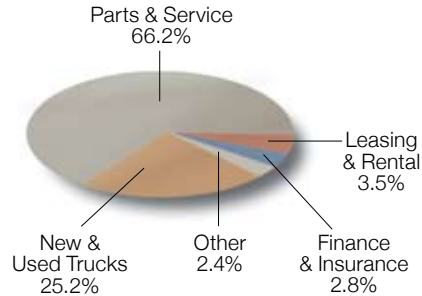
Our extensive, competitively priced proprietary line of parts and accessories for all makes and models of heavy-duty trucks, backed by industry-standard manufacturers' warranties. Available exclusively at Rush Truck Centers.



Rush Truck Leasing

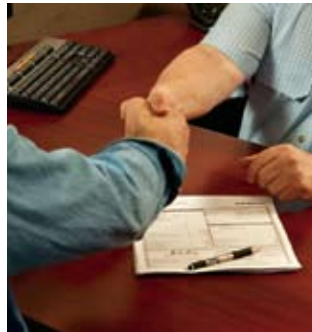
Provides full service, finance, TRAC, and walk-away leases on a broad range of work-ready trucks for lease or rent from highly respected PacLease and IdeaLease, as well as contract maintenance and truck rentals.

Gross Profit by Revenue Category



Rush Truck Financing

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



The Rush Mission

Rush Enterprises is a premier provider of quality products and services to commercial equipment users. We are customer-focused, growth-oriented, and financially motivated to deliver excellent outcomes for customers, shareholders, vendors and our employees.



ATIS Truck Insurance

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



Chrome Country

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

Perfection Equipment

Specializes in up-fitting oilfield trucks. We are truck parts and equipment specialists, offering more than 120 lines of truck and industrial parts, and more than 100 lines of equipment. Located in Oklahoma City.



World Wide Tires

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



Celebrating our people

The confidence we place in our employees pays off every day in valuable ways – motivating talented people to do their best, maximizing productivity in the workplace, and ensuring consistency throughout our organization.

By empowering our workforce to meet their goals by giving them freedom to make the best and smartest decisions, we give them the tools necessary to help them provide unparalleled customer service while continuously setting new and higher standards for problem-solving and communication.

Coining a philosophy

Every employee carries the Rush coin as a reminder of our core values – productivity, fairness, excellence, and positive attitude. To that we can add “passion” – for the work itself, our outstanding products and services, and for the fierce pride we take in a job well done. The coin never lets us forget rule one: The customer is the boss.



Rewarding employees

The quarterly Cultural Award and Recognition Program recognizes employees who exemplify the values of productivity, fairness, excellence, and positive attitude. It is a prestigious honor with company-wide recognition.

In 2010, improved market conditions allowed us to reward our hardworking employees after a difficult downturn.

Company matching funds to 401k were reinstated, and the 401k match contribution was increased in January 2011. We also reinstated our management trainee program, as these trainees are the next generation of Rush Truck Centers managers. Additionally, to help morale, company picnics are now back in place.

Satisfied customers

In 2010 we implemented a new Customer Satisfaction Program with a four-day training program in a staggered rollout that is scheduled for completion by year-end 2011.

Techs on deck

One of the most highly anticipated events of the year – and the largest event of its kind in the industry – is the annual Rush Truck Centers Technician Skills Rodeo, where the best of the best shine.

In 2010, 700 technicians took pre-qualifying written exams, with the top 65 traveling with their spouses to the Convention Center in San Antonio, Texas. As the 45-minute clock ticked, they went head-to-head, competing for more than \$100,000 in cash and prizes – along with a pay increase – by identifying and repairing “bugs” placed in trucks.

**Technicians
are the
heartbeat
of our
business.**

– W. M. “Rusty” Rush
Chief Executive Officer

RODEO STAR



It's not every day a Rush Truck Center technician gets to take home cash or prizes at the annual Technician Skills Rodeo held in San Antonio, Texas. But for El Paso lead technician **Chris Zweifel**, it's every year. In 2010 – his fifth consecutive year placing either first, second or third – Chris was named the Best All Around Champion in heavy-duty, winning \$19,000 in cash and prizes, including a trip for two to the Grand Caymans. "It's a challenge to be able to show what you're capable of, but you're really doing what you do every day. The competition is based on your foundation skills. No matter what they throw at you, you just do your job." Will he compete next year? "Of course. It's a blast, and it gets better every year."

Top techs are scored on procedure, time, and repair success, with two "Best All Around Champions" selected in heavy- and medium-duty categories. The fifth Tech Rodeo was the biggest and best yet – bringing unprecedented local and trade media coverage as Rush continues to build on the success of this exciting tradition. At this year's rodeo, 50 students from St. Phillip's College in San Antonio received \$50,000 in training in green diesel technology.

In the news and online

Our increased visibility in the media and the industry positioned Rush Enterprises as an expert voice

and a trusted source. President and CEO W. M. "Rusty" Rush appeared on Fox Business News, and he was interviewed throughout the year by major trade publications and industry blogs. He also participated in the 2010 Commercial Vehicle Summit and conducted a dealer workshop at the American Truck Dealers meeting. Chairman W. M. Marvin Rush serves on many industry and government boards, including the Texas Department of Motor Vehicles. In 2010, our marketing strategy expanded to include social media outlets: Facebook™, YouTube™, and a range of e-communications.



Rush is committed to providing many innovative service solutions to customers around the country, including ample service bays and the latest in diagnostic and repair technology.

Paving the way

In some ways, the road ahead looks much like the road back – back to increased activity, a better market, and a thriving parts and service business that brought our absorption rate to peak levels. Most importantly, we proved that our business model works, with solid performance regardless of economic conditions. We will continue to leverage the strength of our network and the diversity of our customer base to keep our company vibrant, stable, and profitable.

Challenges still loom: Credit remains tight, the automotive market is slowly gaining momentum, and construction is limited due to slow housing starts. Truck sales are expected to only reach historical replacement numbers in 2011. The anticipated industry up-cycle, however, finds us perfectly positioned for growth in 2012 and 2013.

For Rush Enterprises, all roads lead to confidence – in our core values, products and services, and best practices. Confidence is the competitive edge that helped us face some of the toughest market conditions in our 45 year history. In 2010 we did more than survive – we thrived. As a respected industry leader, we continue to move forward with confidence – toward a better, brighter, and more profitable future.

Confidence is our competitive edge. It helped us face some of the toughest market conditions in our 45 year history.

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SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

The information below was derived from the audited consolidated financial statements included in this report and reports we have previously filed with the SEC. This information should be read together with those consolidated financial statements and the notes to those consolidated financial statements. These historical results are not necessarily indicative of the results to be expected in the future. The selected financial data presented below may not be comparable between periods in all material respects or indicative of the Company's future financial position or results of operations due primarily to acquisitions and discontinued operations which occurred during the periods presented. See Note 16 to the Company's Consolidated Financial Statements for a discussion of such acquisitions. The selected financial data presented below should be read in conjunction with the Company's other financial information included elsewhere herein.

	Year Ended December 31,				
(in thousands, except per share amounts)	2010	2009	2008	2007	2006
SUMMARY OF INCOME STATEMENT DATA					
Revenues					
New and used commercial vehicle sales	\$ 926,584	\$ 738,705	\$ 1,041,189	\$ 1,393,253	\$ 1,780,418
Parts and service sales	489,259	395,133	457,669	459,985	424,766
Lease and rental	67,423	53,710	54,813	52,103	41,776
Finance and insurance	7,922	7,468	11,801	20,921	18,453
Other	6,739	5,437	5,721	7,387	7,294
Total revenues	1,497,927	1,200,453	1,571,193	1,933,649	2,272,707
Cost of products sold	1,213,037	984,812	1,291,001	1,600,270	1,936,164
Gross profit	284,890	215,641	280,192	333,379	336,543
Selling, general and administrative	227,467	192,296	218,775	231,877	220,704
Depreciation and amortization	15,720	15,890	15,273	14,377	12,522
Gain on sale of assets	(36)	162	128	199	5
Operating income	41,667	7,617	46,272	87,324	103,322
Interest expense, net	5,363	5,695	7,230	14,049	14,888
Income from continuing operations before income taxes	36,304	1,922	39,042	73,275	88,434
Provision (benefit) for income taxes	11,737	(3,173)	13,864	26,984	33,079
Income from continuing operations	24,567	5,095	25,178	46,291	55,355
Income from discontinued operations, net of taxes	6,715	789	3,687	5,201	3,431
Net income	\$ 31,282	\$ 5,884	\$ 28,865	\$ 51,492	\$ 58,786
Earnings per common share – Basic:					
Income from continuing operations	\$ 0.66	\$ 0.14	\$ 0.66	\$ 1.22	\$ 1.48
Net income	\$ 0.84	\$ 0.16	\$ 0.76	\$ 1.35	\$ 1.57
Earnings per common share – Diluted:					
Income from continuing operations	\$ 0.64	\$ 0.14	\$ 0.65	\$ 1.19	\$ 1.46
Net income	\$ 0.82	\$ 0.16	\$ 0.75	\$ 1.33	\$ 1.55
Weighted average shares outstanding:					
Basic	37,307	37,066	38,089	38,059	37,476
Diluted	38,218	37,597	38,587	38,746	37,890

SELECTED CONSOLIDATED FINANCIAL AND OPERATING DATA

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

	Year Ended December 31,				
	2010	2009	2008	2007	2006
OPERATING DATA					
Unit vehicle sales –					
New vehicles	7,680	6,615	9,289	12,712	16,492
Used vehicles	3,461	2,875	3,234	4,101	4,005
Total unit vehicles sales	11,141	9,490	12,523	16,813	20,497
Truck lease and rental units (including units under contract maintenance)	3,809	3,033	2,570	2,404	2,345

	Year Ended December 31,				
	2010	2009	2008	2007	2006
BALANCE SHEET DATA					
Working capital	\$ 143,778	\$ 164,165	\$ 177,117	\$ 197,805	\$ 156,297
Inventories	321,933	252,219	343,032	345,568	470,705
Assets held for sale	–	22,719	24,479	25,881	18,956
Total assets	1,167,933	977,297	1,056,790	1,031,591	1,128,410
Floor plan notes payable	237,810	189,256	282,702	273,653	446,354
Long-term debt, including current portion	252,129	209,502	209,677	198,945	192,124
Capital lease obligations, including current portion	42,202	34,444	14,820	17,543	17,732
Shareholders' equity	464,919	426,225	416,041	399,577	339,608

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

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

General

Despite another year of weak truck sales, 2010 was a very significant year for the Company. The Company matched its record high annual absorption rate of 105.5% – previously achieved in 2008, expanded its network of Rush Truck Centers, established a new Navistar Division, extended the breadth of our product offerings in existing areas of responsibility and ended the year in a strong financial position.

During the spring of 2010, the Company's parts, service and body shop business began accelerating from the depressed levels experienced throughout 2009, and continued to accelerate to record high levels at the end of the year. Parts, service and body shop revenues were up 23.8% in 2010 compared to 2009, primarily due to increased maintenance and repair on aging vehicles that were put back into service during the year as well as significant increases in oilfield services activity in the south central U.S. The Company expects parts, service and body shop operations to remain strong in 2011.

The Company completed the acquisition of the assets of Lake City International which added 11 International dealership locations in Utah, Idaho and Oregon. The Company opened a new flagship facility in Oklahoma City, replacing its existing Peterbilt and Hino dealership location there and added Isuzu and Ford commercial truck franchises to the newly opened location. The Company also added a Ford and Isuzu commercial truck dealership in Dallas, Texas and Isuzu commercial truck franchises to its Sealy, Texas and Orlando, Florida dealerships. Investment in the existing Rush Truck Centers network and the addition of medium-duty franchises allows the Company to better serve customers in its existing markets with more service capabilities and a broader medium-duty vehicle offering.

The Company is encouraged by the continuing improvement in Class 8 and medium-duty truck orders during the past several months. While U.S. Class 8 order intake has improved for three consecutive months, the Company does not expect retail sales of commercial vehicles to substantially increase until later in 2011, causing the new commercial vehicle sales market to remain competitive and challenging throughout the first half of the year. A.C.T. Research Co., LLC ("A.C.T. Research"), a truck industry data and forecasting service provider, currently predicts 2011 U.S. Class 8 truck sales to reach 179,000 units, up from 110,109 units sold in 2010. A.C.T. Research currently predicts U.S. Class 4-7 retail sales in 2011 to be 128,300 units, up from 117,572 units in 2010. If economic conditions continue to improve, the Company expects that activity will increase in automotive and capital goods manufacturing, as well as residential and commercial construction, which should result in strong truck sales markets in 2012 and 2013.

The Company earns federal income tax credits on the sale of alternative fuel vehicles to tax-exempt entities. These tax credits are reflected as tax benefits in the Company's Consolidated Statements of Income. A portion of these tax credits are passed back to the tax-exempt customer and are reflected as

SG&A expense to the Company in the quarter in which the commercial vehicles are sold. These alternative fuel tax credits and the amount passed back to the customers are directly attributable to the sale of a commercial vehicle. Accordingly, the Company believes the tax credits and the amounts passed back to customers should be considered operating items when analyzing the financial performance of the Company. The Company believes its history of serving municipalities and other tax-exempt customers that cannot claim these federal tax credits, its ability to utilize tax credits and pass back savings to these tax-exempt customers, and its position as a leading dealer of alternative fuel vehicles provide the Company with a distinct advantage over its competition when offering alternative fuel vehicles to tax-exempt entities.

Pending Acquisition

The Company has entered into agreements to purchase certain assets of Asbury Automotive Atlanta, LLC, a subsidiary of Asbury Automotive Group, Inc. (NYSE: ABG), which operates commercial truck and bus dealerships representing International, Peterbilt, Isuzu, Hino, UD, IC Bus, and Workhorse in Atlanta, Doraville and Kennesaw, Georgia and a collision center in Atlanta under the "Nalley Motor Trucks" name. Peterbilt exercised its statutory right of first refusal to acquire the Peterbilt assets and the Kennesaw location that are subject to the asset purchase agreement between Asbury Automotive Atlanta, LLC and the Company. The proposed acquisition would expand the Company's contiguous network of Rush Truck Centers in the southeast and would result in the Company operating 65 Rush Truck Center locations in 14 states. The Company anticipates that the purchase price for the assets of Asbury Automotive Atlanta, LLC will be paid in cash and partially financed under the Company's floor plan and accounts receivable financing arrangements and the incurrence of long-term debt for the real estate. The Company expects the transaction to be accretive to future earnings. The completion of the acquisition is subject to several closing conditions, including the approval of the non-Peterbilt manufacturers currently represented by Nalley Motor Trucks, and is expected to close in the first quarter of 2011.

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

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

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

inventory carrying costs, directly impacts operating profit. In 1999, the Company's truck dealerships' absorption rate was approximately 80%. The Company has made a concerted effort to increase its absorption rate since 1999. The Company's truck dealerships achieved a 105.5% absorption rate for the year in 2010 and 95.7% absorption rate for the year in 2009.

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 18 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 2010 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.

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

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

Finance and Insurance Revenue Recognition

Finance income related to the sale of a unit is recognized when the finance contract is sold to a finance company. During 2010, 2009 and 2008, finance contracts were not retained by the Company for any significant length of time because finance contracts are generally sold to finance companies concurrent with the sale of the related unit. The Company arranges financing for customers through various institutions and receives financing fees from the lender equal to either the difference between the interest rates charged to customers over the predetermined interest rates set by the financing institution or a commission for the placement of contracts. The Company also receives commissions from the sale of various insurance products to customers.

The Company may be charged back for unearned financing or insurance contract fees in the event of early termination of the contracts by customers. In the case of finance contracts, a customer may prepay, or fail to pay, thereby terminating the underlying contract. Revenues from these fees are recorded at the time of the sale of a unit and a reserve for future amounts which might be charged back is established based on historical chargeback results and the termination provisions of the applicable contracts, including the impact of refinance and default rates on retail finance contracts and cancellation rates on other insurance products. The Company's finance and insurance revenue recognition accounting methodology contains uncertainties because it requires management to make assumptions and to apply judgment to estimate future charge-backs. The Company's estimate of future charge-backs is based primarily on historical experience. The actual amount of historical charge-backs has not been significantly different than the Company's estimates.

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, 2010 by \$0.4 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.

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

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

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.

Results of Operations

The following discussion and analysis includes the Company's historical results of operations for 2010, 2009 and 2008.

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

	Year Ended December 31,		
	2010	2009	2008
New and used commercial vehicle sales	61.9 %	61.5 %	66.3 %
Parts and service sales	32.7	32.9	29.1
Lease and rental	4.5	4.5	3.5
Finance and insurance	0.5	0.6	0.8
Other	0.4	0.5	0.3
Total revenues	100.0	100.0	100.0
Cost of products sold	81.0	82.0	82.2
Gross profit	19.0	18.0	17.8
Selling, general and administrative	15.2	16.0	13.9
Depreciation and amortization	1.0	1.3	1.0
Operating income	2.8	0.7	2.9
Interest expense, net	0.4	0.5	0.4
Income from continuing operations before income taxes	2.4	0.2	2.5
Provision (benefit) for income taxes	0.8	(0.2)	0.9
Income from continuing operations	1.6	0.4	1.6
Income from discontinued operations	0.4	0.1	0.2
Net income	2.0 %	0.5 %	1.8 %

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

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

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

				% Change	
	2010	2009	2008	2010 vs 2009	2009 vs 2008
Vehicle unit sales:					
New heavy-duty vehicles	4,746	3,972	5,516	19.5%	-28.0%
New medium-duty vehicles	2,934	2,643	3,773	11.0%	-29.8%
Total new vehicle unit sales	7,680	6,615	9,289	16.1%	-28.8%
Used vehicles sales	3,461	2,875	3,234	20.4%	-11.1%
Vehicle revenue:					
New heavy-duty vehicles	\$ 595.4	\$ 467.1	\$ 665.5	27.5%	-29.8%
New medium-duty vehicles	190.1	163.7	222.1	16.1%	-26.3%
Total new vehicle revenue	\$ 785.5	\$ 630.8	\$ 887.6	24.5%	-28.9%
Used vehicle revenue	\$ 139.0	\$ 106.5	\$ 149.9	30.5%	-29.0%
Other vehicle revenue (1)	\$ 2.1	\$ 1.4	\$ 3.7	50.0%	-62.2%
Truck dealership absorption rate:	105.5%	95.7%	105.5%	10.2%	-9.3%

(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 4.3% in 2010, up from 4.1% in 2009.

Typically, Class 8 trucks are assembled by manufacturers utilizing certain components 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.

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

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

A.C.T. Research currently estimates approximately 179,000 new Class 8 trucks will be sold in the United States in 2011, compared to approximately 110,000 new Class 8 trucks sold in 2010. The Company believes that demand for new Class 8 trucks will gradually increase throughout 2011 due to the age of vehicles in operation and improving general economic conditions. A.C.T. Research currently forecasts sales of Class 8 trucks in the U.S. to be approximately 235,000 in 2012.

Medium-Duty Truck Market

Many of our Rush Truck Centers sell medium-duty trucks 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 trucks. Medium-duty trucks are principally used in short haul, local markets as delivery vehicles. Medium-duty trucks typically operate locally and generally do not venture out of their service areas overnight.

A.C.T. Research currently forecasts sales of Class 4 through 7 commercial vehicles in the U.S. to be approximately 128,000 in 2011 compared to 117,000 in 2010. A.C.T. Research currently forecasts sales of Class 4 through 7 commercial vehicles in the U.S. to be approximately 160,000 in 2012.

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. The Company believes that demand for its products and services will increase if general economic conditions in the United States continue to improve and credit is made available on reasonable terms to a wider range of buyers. 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 expects its market share to range between 4.1% and 4.4% of U.S. Class 8 truck sales in 2011. This market share percentage would result in the sale of approximately 7,300 to 7,700 of Class 8 trucks in 2011 based on A.C.T. Research's estimate that U.S. retail sales will increase to 179,000 units.

The Company sold 2,934 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. A.C.T. Research estimates that unit sales of

Class 4 through 7 commercial vehicles in the U.S. increased approximately 5.6% in 2010, compared to 2009. In 2010, the Company achieved a 2.5% share of the Class 4 through 7 commercial vehicle sales market in the U.S. As a result of acquisitions that occurred during 2010, the Company expects its market share to range between 2.8% and 3.0% of U.S. Class 4 through 7 commercial vehicle sales in 2011. This market share percentage would result in the sale of approximately 3,600 to 3,900 of Class 4 through 7 commercial vehicles in 2011 based on A.C.T. Research's current U.S. retail sales estimates of 128,000 units.

The Company sold 3,461 used commercial vehicles in 2010, a 20.4% increase compared to 2,875 used commercial vehicles in 2009. The Company expects to sell approximately 3,500 to 3,700 used commercial vehicles in 2011. For 2011, the Company expects used truck sales to be largely dependent upon our ability to acquire quality used commercial vehicles and maintain an adequate used commercial vehicle inventory.

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 trucks were put back into service. The Company's acquisition of Lake City International contributed \$25.1 million of the increase. As commercial vehicle utilization remains high, the Company expects parts, service and body shop sales to continue to remain strong through 2011.

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. The Company expects lease and rental revenue to increase 10% to 13% during 2011, compared to 2010 based on the increase of units in the lease and rental fleet and the acquisition of Lake City International.

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 use commercial vehicle sales. The Company expects finance and insurance revenue to fluctuate proportionately with the Company's new and use commercial vehicle sales in 2011. 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 and purchase discounts.

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

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

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. In 2011, the Company expects overall gross margins from Class 8 truck sales to return to historic levels of approximately 6.5% to 7.5%, but this will largely depend upon general economic conditions and the availability of credit to retail customers. 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. For 2011, the Company expects overall gross margins from medium-duty commercial vehicle sales of approximately 5.5% to 6.2%, but this will largely depend upon general economic conditions and the availability of credit to retail customers. 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 expects margins on used commercial vehicles will return to the historical range of approximately 8.0% to 10.0% during 2011, but this will largely depend upon general economic conditions and the availability of credit to retail customers. 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. The Company expects gross margins on parts, service and body shop operations to range 38.0% to 40.0% in 2011.

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 expects gross margins from lease and rental sales of approximately 15.0% to 20.0% during 2011. 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. For 2011, the Company expects the selling portion of SG&A expenses to be approximately 25% to 30% of new and used commercial vehicle gross profit. The Company expects the general and administrative portion of SG&A expenses to increase approximately 10.0% to 15.0% primarily due to an expected increase in personnel costs related to increased parts and service business, the full year effect of acquisitions made in 2010, and the reinstatement of certain employee benefits. For 2011, the Company expects SG&A expenses as a percentage of total revenue to range from 13.0% to 15.0%.

Interest Expense, Net

Net interest expense decreased \$0.3 million, or 5.8%, in 2010, compared to 2009. The Company's floor plan agreement with GE Capital was modified at the end of 2010, which increased interest rates related to floor plan notes payable, however, net interest expense in 2011 will vary based on inventory levels and cash available for prepayment of floor plan financing.

Income from Continuing Operations before Income Taxes

Income from continuing operations before income taxes increased \$34.4 million in 2010, compared to 2009, as a result of the factors described above. The Company believes that income from continuing operations before income taxes in 2011 will increase compared to 2010 based on 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%. The Company expects its effective tax rate to be approximately 36% to 39% of pretax income in 2011. 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

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

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

that extended tax credits for alternative fuel vehicles expired on December 31, 2010, therefore, the Company does not expect to receive tax benefits related to these credits in the future.

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.

Year Ended December 31, 2009 Compared to Year Ended December 31, 2008

Revenues

Revenues decreased \$370.7 million, or 23.6%, in 2009, compared to 2008. Sales of new and used commercial vehicles decreased \$302.5 million, or 29.1%, in 2009, compared to 2008. Uncertain economic conditions, the weak freight environment, slowing construction markets and tight credit markets contributed to decreased demand for commercial vehicles and construction equipment as well as aftermarket service in 2009.

The Company sold 3,972 heavy-duty trucks in 2009, a 28.0% decrease compared to 5,516 heavy-duty trucks in 2008. According to A.C.T. Research, the U.S. Class 8 truck market decreased 30.6% in 2009, compared to 2008. The Company's share of the U.S. Class 8 truck sales market was approximately 4.1% in 2009.

The Company sold 2,643 medium-duty commercial vehicles, including 368 buses, in 2009, a 29.9% decrease compared to 3,773 medium-duty commercial vehicles, including 239 buses, in 2008. A.C.T. Research estimates that unit sales of Class 4 through 7 commercial vehicles in the U.S. decreased approximately 33.2% in 2009, compared to 2008. In 2009, the Company achieved a 2.4% share of the Class 4 through 7 commercial vehicle sales market in the U.S.

The Company sold 2,875 used commercial vehicles in 2009, an 11.1% decrease compared to 3,234 used commercial vehicles in 2009.

Parts and service sales decreased \$62.5 million, or 13.7%, in 2009, compared to 2008. Aftermarket parts, service and body shop sales were negatively impacted by excess capacity during 2009, as many customers were able to put their excess new vehicle capacity into service, allowing them to delay repair and maintenance and use trucks not being utilized for replacement parts needs.

Truck lease and rental revenues decreased \$1.1 million, or 2.0%, in 2009, compared to 2008. The decrease in lease and rental revenue is primarily attributable to decreased utilization of vehicles in the Company's rental fleet and decreased variable lease revenue that is based on the miles that vehicles being leased are driven.

Finance and insurance revenues decreased \$4.3 million, or 36.7%, in 2009, compared to 2008.

Other income decreased \$0.3 million, or 5.0% in 2009, compared to 2008.

Gross Profit

Gross profit decreased \$64.6 million, or 23.0%, in 2009, compared to 2008. Gross profit as a percentage of sales increased to 18.0% in 2009, from 17.8% in 2008. This increase was primarily a result of a change in our product sales mix. Commercial vehicle sales, a lower margin revenue item, decreased as a percentage of total revenue to 59.6% in 2009, from 62.9% in 2008. Parts and service revenue, a higher margin revenue item, increased as a percentage of total revenue to 32.9% in 2009, from 29.1% in 2008.

Gross margins on Class 8 truck sales decreased to 5.8% in 2009, from 7.7% in 2008. Gross margins on Class 8 truck sales during 2009 were negatively impacted by a decreased demand for new trucks and a change in our product sales mix that included a higher percentage of large fleet sales, which are typically lower margin sales. The Company recorded expense of \$5.8 million to increase its new heavy-duty truck valuation allowance in 2009 and \$5.2 million in 2008.

Gross margins on medium-duty commercial vehicle sales increased to 5.5% in 2009, from 5.1% in 2008. The Company recorded expense of \$2.5 million to increase its new medium-duty commercial vehicle valuation allowance in 2009 and \$1.7 million in 2008.

Gross margins on used commercial vehicle sales increased to 6.9% in 2009, from 3.6% in 2008. This increase is primarily a result of write-downs of used commercial vehicle inventory values that caused gross margins on used commercial vehicle sales to decrease below normal levels in 2008. The Company recorded expense of \$5.0 million to increase its used commercial vehicle valuation allowance in 2009 and \$8.5 million in 2008.

Gross margins from the Company's parts, service and body shop operations decreased to 38.8% in 2009, from 40.8% in 2008. Gross profit for the parts, service and body shop departments decreased to \$153.2 million in 2009, from \$186.9 million in 2008.

Gross margins from truck lease and rental sales decreased to 11.5% in 2009, from approximately 14.5% in 2008. The decrease in lease and rental revenue is primarily attributable to decreased utilization of vehicles in the Company's rental fleet and decreased variable rental revenue that is based on the miles that vehicles being leased are driven.

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

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

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

Selling, General and Administrative Expenses

Selling, General and Administrative ("SG&A") expenses decreased \$26.5 million, or 12.1%, in 2009, compared to 2008. SG&A expenses as a percentage of sales increased to 16.0% in 2009, from 13.9% in 2008. In 2009, the selling portion of SG&A expenses, which consists primarily of commissions on commercial vehicle sales, decreased 26.6% and the general and administrative portion of SG&A expenses decreased 10.7% compared to 2008.

Interest Expense, Net

Net interest expense decreased \$1.5 million, or 21.2%, in 2009, compared to 2008.

Income from Continuing Operations before Income Taxes

Income before income taxes decreased \$37.1 million, or 95.1%, in 2009, compared to 2008, as a result of the factors described above.

Income Taxes

Income taxes decreased \$17.0 million, or 122.9%, in 2009, compared to 2008. In 2009, the Company received \$5.3 million in tax credits for sales of alternative fuel vehicles to tax-exempt entities, compared to \$0.7 million in 2008.

Income from Discontinued Operations, Net

Income from discontinued operations, net of income taxes decreased \$2.9 million in 2009 compared to 2008. Income from discontinued operations includes operating results 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 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, 2010, the Company had working capital of approximately \$143.8 million, including \$169.0 million in cash available to fund our operations. The Company believes that these funds are sufficient to meet any 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, 2010, 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 \$8.0 million. There were no advances outstanding under this secured line of credit at December 31, 2010, however, \$7.1 million was pledged to secure various letters of credit related to self-insurance products, leaving \$0.9 million available for future borrowings as of December 31, 2010.

The Company's long-term real estate debt agreements and floor plan credit agreement 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, 2010, 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 is currently implementing SAP enterprise software and a new SAP dealership management system for the Company. The total cost of the SAP software and implementation is estimated to be approximately \$39.0 million. As of December 31, 2010, the Company had cumulative expenditures of \$36.2 million related to the SAP project. The Company expects to spend approximately \$2.5 million to \$3.0 million related to the SAP project during 2011.

The Company also expects to make capital expenditures for recurring items such as computers, shop tools and equipment and vehicles of approximately \$15.0 million during 2011.

The Company currently anticipates funding its capital expenditures relating to the implementation of the SAP enterprise software and SAP dealership management system, improvement and expansion of existing facilities, construction of new facilities, recurring expenses and any stock repurchases 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.

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RUSH ENTERPRISES, INC. AND SUBSIDIARIES

On February 21, 2011, the Company acquired certain assets of Heintzelman's Truck Center, Inc., 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 medium-duty trucks, parts and service. The transaction was valued at approximately \$4.7 million, with the purchase price paid in cash.

The Company is currently under contract to construct a dealership facility in Fort Worth, Texas at an estimated cost of \$4.8 million. The construction project will continue throughout 2011.

As previously mentioned, the Company has entered into agreements to purchase certain assets of Asbury Automotive Atlanta, LLC. The Company anticipates that the purchase price for the assets of Asbury Automotive Atlanta, LLC, will be paid in cash and partially financed under the Company's floor plan and accounts receivable financing arrangements and the incurrence of long-term debt for the real estate. The completion of the acquisition is subject to several closing conditions, including the approval of the non-Peterbilt manufacturers currently represented by Nalley Motor Trucks, and is expected to close in the first quarter of 2011.

The Company has no other material commitments for capital expenditures as of December 31, 2010, 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 of new facilities based on market opportunities. The Company expects to purchase or lease trucks worth approximately \$55.0 million for its leasing operations in 2011, depending on customer demand, all of which will be financed.

Cash Flows

Cash and cash equivalents increased by \$19.9 million during the year ended December 31, 2010, and decreased by \$2.7 million during the year ended December 31, 2009. 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 2010, operating activities resulted in net cash provided by operations of \$66.4 million. Cash provided by operating activities was primarily impacted by the increased levels of inventory and the increase in other current assets, 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 2009, operating activities resulted in net cash provided by operations of \$150.3 million.

Cash flows from operating activities as adjusted for all draws and (payments) on floor plan notes ("Adjusted Cash

Flows from Operating Activities") was \$110.2 million for the year ended December 31, 2010, and \$56.8 million for the year ended December 31, 2009. 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,	
	2010	2009
Net cash provided by operating activities (GAAP)	\$ 66,433	\$ 150,293
(Payments) draws on floor plan notes payable	43,724	(93,446)
Adjusted Cash Flows from Operating Activities (Non-GAAP)	\$ 110,157	\$ 56,847

Cash Flows from Investing Activities

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. The Company expects to purchase or

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

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

lease trucks worth approximately \$55.0 million for its leasing operations in 2011, depending on customer demand, all of which will be financed. Cash proceeds from the disposition of Rush Equipment Centers were \$26.2 million. Cash used in business acquisitions was \$39.3 million during the year ended December 31, 2010. During 2011, the Company expects to make capital expenditures for recurring items such as computers, shop equipment and vehicles of approximately \$15.0 million, in addition to \$2.5 million to \$3.0 million for the SAP project described above. See Note 16 of the Notes to Consolidated Financial Statements for a detailed discussion of these acquisitions.

During 2009, cash used in investing activities was \$49.8 million. Cash flows used in investing activities consist primarily of cash used for capital expenditures. Capital expenditures of \$50.5 million consisted of purchases of property and equipment, improvements to our existing dealership facilities and construction of our new facility in Oklahoma City, Oklahoma. Property and equipment purchases during 2009 consisted of \$21.2 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 \$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, refinancing existing real estate.

Cash used in financing activities was \$97.9 million during 2009. The Company had borrowings of long-term debt of \$50.4 million and repayments of long-term debt and capital lease obligations of \$55.3 million during 2009. The Company had net payments of floor plan notes payable of \$93.4 million during 2009. The borrowings of long-term debt were primarily related to units for the rental and leasing operations, refinancing existing real estate and financing the new Rush Truck Center in Oklahoma City.

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. We financed substantially all of the purchases of commercial vehicle inventory under our wholesale security

agreement with GE Capital. Interest under the wholesale security agreement was payable monthly and the rate varied from LIBOR plus 1.15% to LIBOR plus 1.50%, depending on the month-end average aggregate amount outstanding under our GE Capital floor plan financing agreement. The Company makes monthly interest payments to GE Capital on the amount financed, but is not required to commence loan principal repayments on any vehicle until such vehicle has been financed for 12 months or is sold.

On December 31, 2010 the Company entered into a \$450.0 million credit agreement with GE Capital to replace the wholesale security agreement. All principal amounts outstanding bear interest at a rate per annum equal to the sum of the LIBOR rate plus 2.95% which is payable monthly. The credit agreement allows for prepayment of the inventory loans, up to 65% of the aggregate inventory loans outstanding, with monthly adjustments to the interest due. On December 31, 2010, the Company had approximately \$229.9 million outstanding under its credit agreement with GE Capital.

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.

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

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

Contractual Obligations

The Company has certain contractual obligations that will impact its short and long-term liquidity. At December 31, 2010, such obligations were as follows (in thousands):

Contractual Obligations	Total	Payments Due by Period			
		Less than 1 year	1-3 years	3-5 years	More than 5 years
Long-term debt obligations(1)	\$252,129	\$ 62,279	\$ 95,582	\$ 81,668	\$12,600
Capital lease obligations(2)	46,548	9,186	18,470	13,836	5,056
Operating lease obligations(3)	34,493	7,233	10,088	5,621	11,551
Floor plan debt obligations	237,810	237,810	—	—	—
Interest obligations(4)	40,848	20,158	14,551	5,782	357
Purchase obligations(5)	6,062	5,126	936	—	—
Total	\$617,890	\$341,792	\$139,627	\$106,907	\$29,564

- (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, 2010 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, 2010 related to the Company's SAP implementation and the construction contract for the dealership in Fort Worth, Texas.

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, 2010, the Company had floor plan borrowings and variable rate real estate debt of approximately \$320.5 million. Assuming an increase or decrease in LIBOR of 100 basis points, annual interest expense could correspondingly increase or decrease by approximately \$3.1 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 real estate debt. As of December 31, 2010, 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 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 thereto.

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 \$169.0 million on December 31, 2010. 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 \$1.7 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 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, 2010, the Company holds \$7.6 million of auction rate securities with underlying tax-exempt municipal bonds that mature in 2030. Given the current market conditions in the auction rate securities market, if the Company determines that the fair value of these securities has temporarily decreased by 10%, the Company's equity could correspondingly decrease by approximately \$0.8 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 \$0.8 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.

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

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, 2010 and 2009, and the related consolidated statements of income, shareholders’ equity, and cash flows for each of the three years in the period ended December 31, 2010. 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, 2010 and 2009, and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2010, 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, 2010, 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 11, 2011 expressed an unqualified opinion thereon.

Ernst & Young LLP
San Antonio, Texas
March 11, 2011

CONSOLIDATED BALANCE SHEETS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

	Year Ended December 31,	
(in thousands, except per share amounts)	2010	2009
Assets		
Current assets:		
Cash and cash equivalents	\$ 168,976	\$ 149,095
Accounts receivable, net	43,513	38,869
Inventories, net	321,933	252,219
Prepaid expenses and other	14,104	3,650
Assets held for sale	—	22,719
Deferred income taxes, net	10,281	11,414
Total current assets	558,807	477,966
Investments	7,575	7,575
Property and equipment, net	445,919	353,841
Goodwill, net	150,388	136,761
Other assets, net	5,244	1,154
Total assets	\$ 1,167,933	\$ 977,297
Liabilities and shareholders' equity		
Current liabilities:		
Floor plan notes payable	\$ 237,810	\$ 189,256
Current maturities of long-term debt	62,279	55,545
Current maturities of capital lease obligations	7,971	5,730
Trade accounts payable	37,933	22,427
Accrued expenses	69,036	40,843
Total current liabilities	415,029	313,801
Long-term debt, net of current maturities	189,850	153,957
Capital lease obligations, net of current maturities	34,231	28,714
Other long-term liabilities	364	—
Deferred income taxes, net	63,540	54,600
Shareholders' equity:		
Preferred stock, par value \$.01 per share; 1,000,000 shares authorized; 0 shares outstanding in 2010 and 2009	—	—
Common stock, par value \$.01 per share; 60,000,000 class A shares and 20,000,000 class B shares authorized; 26,798,707 class A shares and 10,700,044 class B shares outstanding in 2010; and 26,437,848 class A shares and 10,689,375 class B shares outstanding in 2009	391	388
Additional paid-in capital	195,747	188,116
Treasury stock, at cost: 1,639,843 class B shares	(17,948)	(17,948)
Retained earnings	286,951	255,669
Accumulated other comprehensive loss, net of tax	(222)	—
Total shareholders' equity	464,919	426,225
Total liabilities and shareholders' equity	\$ 1,167,933	\$ 977,297

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

CONSOLIDATED STATEMENTS OF INCOME

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

Year Ended December 31,

(in thousands, except per share amounts)

	2010	2009	2008
Revenues:			
New and used commercial vehicle sales	\$ 926,584	\$ 738,705	\$ 1,041,189
Parts and service sales	489,259	395,133	457,669
Lease and rental	67,423	53,710	54,813
Finance and insurance	7,922	7,468	11,801
Other	6,739	5,437	5,721
Total revenues	1,497,927	1,200,453	1,571,193
Cost of products sold:			
New and used commercial vehicle sales	854,879	695,334	973,404
Parts and service sales	300,783	241,933	270,754
Lease and rental	57,375	47,545	46,843
Total cost of products sold	1,213,037	984,812	1,291,001
Gross profit	284,890	215,641	280,192
Selling, general and administrative	227,467	192,296	218,775
Depreciation and amortization	15,720	15,890	15,273
(Loss) gain on sale of assets	(36)	162	128
Operating income	41,667	7,617	46,272
Interest income (expense):			
Interest income	127	54	2,636
Interest expense	(5,490)	(5,749)	(9,866)
Total interest expense, net	5,363	5,695	7,230
Income from continuing operations before taxes	36,304	1,922	39,042
Provision (benefit) for income taxes	11,737	(3,173)	13,864
Income from continuing operations	24,567	5,095	25,178
Income from discontinued operations, net of tax	6,715	789	3,687
Net income	\$ 31,282	\$ 5,884	\$ 28,865
Earnings per common share - Basic:			
Income from continuing operations	\$ 0.66	\$ 0.14	\$ 0.66
Net income	\$ 0.84	\$ 0.16	\$ 0.76
Earnings per common share - Diluted:			
Income from continuing operations	\$ 0.64	\$ 0.14	\$ 0.65
Net income	\$ 0.82	\$ 0.16	\$ 0.75

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

CONSOLIDATED STATEMENTS OF SHAREHOLDERS' EQUITY

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

<i>(in thousands)</i>	Common Stock Shares Outstanding		\$.01 Par Value	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Loss	Total
	Class A	Class B						
Balance, December 31, 2007	26,071	12,265	\$ 383	\$ 178,274	\$ —	\$ 220,920	\$ —	\$ 399,577
Stock options exercised (including tax benefit of \$791)	130	60	2	1,295				1,297
Stock-based compensation related to stock options and employee stock purchase plan	—	—	—	3,632				3,632
Issuance of common stock under employee stock purchase plan	55	—	1	617				618
Common stock repurchases		(1,640)			(17,948)			(17,948)
Net income						28,865		28,865
Balance, December 31, 2008	26,256	10,685	386	183,818	(17,948)	249,785	—	416,041
Stock options exercised (including tax benefit 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 effect 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

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

CONSOLIDATED STATEMENTS OF CASH FLOWS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

Year Ended December 31,

(in thousands)	2010	2009	2008
Cash flows from operating activities:			
Net income	\$ 31,282	\$ 5,884	\$ 28,865
Adjustments to reconcile net income to net cash used in operating activities, net of acquisitions-			
Depreciation and amortization	45,920	40,698	38,508
Gain on sale of property and equipment, net	(36)	(160)	(276)
Gain on disposition of equipment centers	(10,091)	—	—
Stock-based compensation expense related to employee stock options and employee stock purchases	4,468	3,664	3,632
Provision (benefit) for deferred income tax expense	10,215	(2,980)	9,944
Excess tax provision (benefits) from stock-based compensation	(885)	191	(791)
Change in accounts receivable, net	(217)	16,405	(4,821)
Change in inventories	(48,548)	104,450	30,057
Change in prepaid expenses and other, net	(10,252)	(281)	(1,670)
Change in trade accounts payable	15,331	(9,103)	(8,922)
Change in accrued expenses	29,246	(8,473)	(11,467)
Net cash provided by operating activities	66,433	150,295	83,059
Cash flows from investing activities:			
Purchase of investments	—	—	(355,575)
Proceeds from the sale of investments	—	—	348,000
Acquisition of property and equipment	(84,303)	(50,485)	(68,160)
Proceeds from the sale of property and equipment	305	481	1,487
Business acquisitions	(39,268)	—	(37,397)
Proceeds from disposition of equipment centers	26,234	—	—
Other	325	246	602
Net cash used in investing activities	(96,707)	(49,758)	(111,043)
Cash flows from financing activities:			
(Payments) draws on floor plan notes payable, net	43,724	(93,446)	5,864
Proceeds from long-term debt	66,614	50,417	46,728
Principal payments on long-term debt	(55,575)	(50,591)	(43,344)
Principal payments on capital lease obligations	(7,595)	(4,693)	(5,672)
Proceeds from issuance of shares relating to employee stock options and employee stock purchases	2,281	827	1,124
Excess tax (provision) benefits from stock-based compensation	885	(191)	791
Purchase of treasury stock	—	—	(17,948)
Debt issuance costs	(179)	(176)	(157)
Net cash provided by (used in) financing activities	50,155	(97,853)	(12,614)
Net increase (decrease) in cash and cash equivalents	19,881	2,684	(40,598)
Cash and cash equivalents, beginning of year	149,095	146,411	187,009
Cash and cash equivalents, end of year	\$ 168,976	\$ 149,095	\$ 146,411
Supplemental disclosure of cash flow information:			
Cash paid during the year for:			
Interest	\$ 13,264	\$ 14,298	\$ 16,605
Income taxes, net of refunds	\$ 7,544	\$ 2,392	\$ 6,387
Noncash investing and financing activities:			
Note receivable related to disposition of equipment centers	\$ 4,453	\$ —	\$ —
Assets acquired under capital leases	\$ 15,353	\$ 24,317	\$ 2,949

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

NOTE 1. ORGANIZATION AND OPERATIONS:

Rush Enterprises, Inc. (the "Company") was incorporated in 1965 under the laws of the State of Texas. The Company operates a Truck Segment. The Truck Segment operates a regional 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 strategically located 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 areas on or near major highways in Alabama, Arizona, California, Colorado, Florida, Georgia, Idaho, New Mexico, North Carolina, Oklahoma, Oregon, Tennessee, Texas and Utah. See Note 21 of the Notes to Consolidated Financial Statements for segment information.

Certain amounts reflected in the accompanying Consolidated Balance Sheet as of December 31, 2009, have been classified as Assets Held for Sale related to the sale of the construction equipment business in September 2010. Amounts in the accompanying Consolidated Statements of Income for the years ended December 31, 2009 and 2008, 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 for all years presented.

NOTE 2. SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

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

Estimates in Financial Statements

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

Cash and Cash Equivalents

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

Allowance for Doubtful Receivables and Repossession Losses

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

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined by specific identification of new and used truck and construction equipment 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 \$0.5 million related to major capital projects during 2010. The cost, accumulated depreciation and amortization and estimated useful lives are summarized as follows (in thousands):

	2010	2009	Estimated Life (Years)
Land	\$ 60,032	\$ 45,432	—
Buildings and improvements	143,989	93,755	31 - 39
Leasehold improvements	21,164	20,584	2 - 39
Machinery and shop equipment	31,287	27,337	5 - 20
Furniture, fixtures and computers	29,812	26,037	3 - 15
Transportation equipment	31,611	28,464	2 - 15
Lease and rental vehicles	258,847	207,820	2 - 8
Construction in progress	37,513	46,082	
Accumulated depreciation and amortization	(168,336)	(141,670)	
Total	\$ 445,919	\$ 353,841	

As of December 31, 2010, the Company had \$53.5 million in lease and rental vehicles under various capital leases included in property and equipment, net of accumulated depreciation of \$12.6 million. The Company recorded depreciation expense of \$39.6 million and amortization expense of \$6.3 million for the year ended December 31, 2010, and depreciation expense of \$36.1 million and amortization expense of \$4.6 million for the year ended December 31, 2009. Depreciation and amortization of vehicles related to lease and rental operations is included in lease and rental cost of products sold.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

Goodwill

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

The impairment test for goodwill involves comparing the fair value of a reporting unit to its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, a second step is required to measure the goodwill 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 each reporting unit discounted at rates consistent with the cost of capital specific to the reporting unit.

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 18 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 2010 and no impairment write down was required. However, the Company cannot predict the occurrence of certain events that might adversely affect the reported value of goodwill in the

future. Such events may include, but are not limited to, strategic decisions made in response to economic and competitive conditions or another significant decrease in general economic conditions in the United States.

The following table sets forth the change in the carrying amount of goodwill for the Company for the period ended December 31, 2010:

Balance January 1, 2010	\$ 136,761
Acquisition of Lake City International (See Note 16)	9,231
Acquisition of Joe Cooper Truck Center, LLC (See Note 16)	1,100
Acquisition of Metro Ford Truck Sales (See Note 16)	2,957
Other	339
Balance December 31, 2010	\$ 150,388

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

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.

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.

Effective January 1, 2007, the Company adopted ASC topic 740-10, "Income Taxes." ASC topic 740-10 clarified the accounting for uncertainty in income taxes recognized in the financial statements by prescribing a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return. ASC topic 740-10 provides guidance regarding the recognition, measurement, presentation and disclosure in the financial statements of tax positions taken or expected to be taken on a tax return. ASC topic 740-10 requires that only income tax benefits that meet the "more likely than not" recognition threshold be recognized or continue to be recognized on its effective date. 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. 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.

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 2010, 2009 and 2008, 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 and restricted stock and 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

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, but are not limited 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:

	2010	2009	2008
Expected stock volatility	50.7%	46.3%	35.7-36.7%
Weighted-average stock volatility	50.7%	46.3%	36.7%
Expected dividend yield	0.0%	0.0%	0.0%
Risk-free interest rate	2.39%	1.87%	2.41%
Expected life (years)	5.0	5.0	5.0
Weighted-average fair value of stock options granted	\$ 5.80	\$ 3.25	\$ 5.62

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 \$2.9 million for 2010, \$2.1 million for 2009 and \$3.6 million for 2008. 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 \$36.7 million at December 31, 2010, and \$28.5 million at December 31, 2009.

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, 2010, 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.

NOTE 3. SUPPLIER AND CUSTOMER CONCENTRATION:

Major Suppliers and Dealership Agreements

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

Distributor	Expiration Dates
Peterbilt	April 2011 through July 2013
International	May 2013 through May 2015
Autocar	June 2011
Mitsubishi Fuso	May 2015
Isuzu	Indefinite
Hino	Indefinite
UD	Indefinite
Ford	Indefinite
Blue Bird	August 2013
IC Bus	May 2015

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 77.1% of the Company's new vehicle sales for the year ended December 31, 2010, and 80.5% of the Company's new vehicle sales for the year ended December 31, 2009.

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, 2010. 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'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, 2010, 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, 2010, the Company had deposits in excess of federal insurance protection totaling approximately \$42.5 million.

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

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

NOTE 4. ACCOUNTS RECEIVABLE:

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

	December 31,	
	2010	2009
Trade accounts receivable		
from sale of vehicles	\$ 16,425	\$ 14,419
Trade receivables other than vehicles	13,450	10,073
Warranty claims	4,283	5,505
Other accounts receivable	10,674	9,629
Less allowance for bad debt and		
warranty receivable	(1,319)	(757)
Total	\$ 43,513	\$ 38,869

NOTE 5. INVENTORIES:

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

	December 31,	
	2010	2009
New commercial vehicles	\$ 209,969	\$ 147,213
Used commercial vehicles	27,002	24,918
Parts and accessories	83,215	80,550
Other	5,078	4,403
Less allowance	(3,331)	(4,865)
Total	\$ 321,933	\$ 252,219

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

NOTE 6. VALUATION ACCOUNTS:

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

	Balance Beginning of Year	Net Charge to Costs and Expenses	Acquisitions	Net Write-Offs	Balance End of Year
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
2008					
Reserve for accounts receivable	\$ 40	\$ 109		\$ (39)	\$ 110
Reserve for warranty receivable	287	360		(246)	401
Reserve for parts inventory	1,603	933	\$ 315	(1,238)	1,613
Reserve for construction equipment inventory	328	911		(516)	723
Reserve for commercial vehicle inventory	3,138	15,413		(15,088)	3,463

Allowance for Doubtful Receivables

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

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

Inventory

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

The valuation for new and used commercial vehicle inventory is based on specific identification. A detail of new and used

commercial vehicle is reviewed and, if necessary, adjustments to the value of specific units are made on a quarterly basis.

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

Floor Plan Notes Payable

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

The interest rate applicable to the GE Capital wholesale security agreement was approximately 1.41% as of December 31, 2010. The Company's weighted average interest rate for floor plan notes payable was 1.09% for the year ended December 31, 2010, and 1.28% for the year ended December 31, 2009. The wholesale security agreement allowed for prepayments with monthly adjustments to the interest due on outstanding advances, which reduced the Company's weighted average interest rate.

On December 31, 2010, the Company entered into a new credit agreement with GE Capital. The interest rate under the new credit agreement is LIBOR plus 2.95%. The GE Capital credit agreement allows for prepayment of the inventory loans, up to 65% of the aggregate inventory loans outstanding, with

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monthly adjustments to the interest due. 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.

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. On December 31, 2010, the Company had approximately \$229.9 million outstanding under its credit agreement with GE Capital.

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, 2010, the Company had approximately \$7.9 million outstanding under its floor plan program with Navistar Financial Corporation.

Pursuant to the disposition of Rush Equipment Centers, the Company's floor plan agreement with Chase and the dealership agreement John Deere were terminated. At December 31, 2010, there was not a balance outstanding under the floor plan agreement with Chase or the dealership agreement John Deere.

Assets pledged as collateral as of December 31, 2010 and 2009 were as follows (in thousands):

	December 31,	
	2010	2009
Inventories, new and used vehicles		
at cost based on specific		
identification, net of allowance	\$ 235,429	\$ 168,606
Inventories, new and used equipment at		
cost based on specific identification,		
net of allowance included		
in assets held for sale	—	16,440
Vehicle and equipment		
sale related accounts receivable	16,425	14,419
Total	\$ 251,854	\$ 199,465
Floor plan notes payable related		
to vehicles and equipment(1)	\$ 237,810	\$ 189,256

(1) Floor plan notes payable include construction equipment inventory which is included in assets held for sale for the year ended December 31, 2009.

Lines of Credit

The Company has a secured line of credit that provides for a maximum borrowing of \$8.0 million. There were no advances

outstanding under this secured line of credit at December 31, 2010; however, \$7.1 million was pledged to secure various letters of credit related to self-insurance products, leaving \$0.9 million available for future borrowings as of December 31, 2010.

NOTE 8. LONG-TERM DEBT:

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

	December 31,	
	2010	2009
Variable interest rate term note	\$ 82,707	\$ 44,543
Fixed interest rate term notes	169,422	164,959
Total debt	252,129	209,502
Less- current maturities	(62,279)	(55,545)
Total	\$ 189,850	\$ 153,957

As of December 31, 2010, debt maturities were as follows (in thousands):

2011	\$ 62,279
2012	47,754
2013	47,828
2014	36,005
2015	45,663
Thereafter	12,600
Total	\$ 252,129

The interest rates on the Company's variable interest rate notes are based on LIBOR. The interest rates on the notes range from approximately 1.55% to 3.375% on December 31, 2010. Payments on the notes range from \$1,910 to \$50,300 per month, plus interest. Maturities of these notes range from December 2012 to September 2015.

The Company's fixed interest rate notes are with financial institutions and had interest rates that ranged from approximately 3.04% to 8.60% on December 31, 2010. Payments on the notes range from \$302 to \$76,196 per month, plus interest. Maturities of these notes range from January 2011, to May 2019.

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, 2010, 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.

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NOTE 9. FINANCIAL INSTRUMENTS AND FAIR VALUE:

Certain methods and assumptions were used by the Company in estimating the fair value of financial instruments at December 31, 2010. 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, 2010 and December 31, 2009, the Company held \$7.6 million of auction rate securities with underlying tax-exempt municipal bonds that mature in 2030. These bonds have credit wrap insurance and a credit rating of A by Standard & Poor's.

The Company believes that the credit quality and fair value of the auction rate securities it holds has not been negatively impacted; therefore, no impairment charges have been recorded

as of December 31, 2010. As of December 31, 2010, the Company has valued these investments at fair value, which approximates cost. The Company used observable inputs to determine fair value, including consideration of broker quotes, the overall quality of the underlying municipality, the credit quality of the insurance company, as well as successful subsequent auctions. Accordingly, the Company has considered this fair value to be a Level 2 valuation under ASC 820-10, "Fair Value Measurements and Disclosures." If the credit quality of these investments deteriorates, or adverse developments occur in the bond insurance market, the Company may be required to record an impairment charge on these investments in the future.

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, 2010, 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. The Company did not have any interest rate swap contracts in place as of December 31, 2009. There was no ineffectiveness for these swaps during the year ended December 31, 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 \$0.4 million as of December 31, 2010. The carrying value of these swaps is included in Other Long-Term Liabilities on the accompanying Consolidated Balance Sheet as of December 31, 2010.

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As of December 31, 2010 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	\$ (2)
Interest Rate Swap	4,536	5.075%	3 month LIBOR	July 1, 2015	(4)
Interest Rate Swap	7,847	5.39%	1 month LIBOR	December 31, 2014	(63)
Interest Rate Swap	1,517	5.39%	1 month LIBOR	December 31, 2014	(12)
Interest Rate Swap	2,700	5.39%	1 month LIBOR	December 31, 2014	(22)
Interest Rate Swap	6,109	5.39%	1 month LIBOR	December 31, 2014	(49)
Interest Rate Swap	5,616	5.38%	1 month LIBOR	June 29, 2015	(71)
Interest Rate Swap	864	5.29%	1 month LIBOR	June 30, 2015	(9)
Interest Rate Swap	1,656	5.29%	1 month LIBOR	June 30, 2015	(16)
Interest Rate Swap	8,352	5.29%	1 month LIBOR	June 30, 2015	(81)
Interest Rate Swap	720	5.29%	1 month LIBOR	June 30, 2015	(7)
Interest Rate Swap	2,894	5.29%	1 month LIBOR	June 30, 2015	(28)

As of December 31, 2010 the Company was party to derivative financial instruments, as described in the following table (in thousands):

Asset Derivatives			Liability Derivatives	
Derivatives Designated as Hedging Instruments	Balance Sheet Location	Fair Value	Balance Sheet Location	Fair Value
Interest Rate Swaps	—	—	Other Long-Term Liabilities	\$ 364

NOTE 10. LEASING ACTIVITIES:

Vehicle Leases as Lessee

The Company leases vehicles, as lessee, primarily over periods ranging from one to ten years under operating lease and capital lease arrangements. Generally, the Company is required to incur all operating costs and pay a minimum rental. The Company guarantees the residual value of vehicles under operating lease and capital lease arrangements. At December 31, 2010, the Company guaranteed vehicle residual values of \$4.9 million under operating lease arrangements and \$17.4 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 \$3.8 million for the year ended December 31, 2010, \$3.8 million for the year ended December 31, 2009, and \$4.4 million for the year ended December 31, 2008.

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 \$48.5 million.

Future minimum lease payments under capital and non-cancelable vehicle leases as of December 31, 2010, are as follows (in thousands):

	Capital Leases	Operating Leases
2011	\$ 9,186	\$ 2,607
2012	10,741	2,106
2013	7,729	1,404
2014	8,320	649
2015	5,516	208
Thereafter	5,056	61
Total minimum lease payments	\$ 46,548	\$ 7,035
Less amount representing interest	(4,346)	
Present value of net minimum capital lease payments	42,202	
Less current portion	(7,971)	
Obligations under capital leases less current portion	\$ 34,231	

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, 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. Rental income during the year ended December 31, 2008, consisted of minimum rental payments of approximately \$41.9 million and

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

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contingent rental payments of \$6.9 million. Minimum rental payments to be received for non-cancelable leases and subleases in effect at December 31, 2010, are as follows (in thousands):

2011	\$ 43,789
2012	36,234
2013	26,356
2014	18,544
2015	10,681
Thereafter	7,200
Total	\$ 142,804

As of December 31, 2010, the Company had \$258.8 million of lease vehicles included in property and equipment, net of accumulated depreciation of \$81.3 million. As of December 31, 2009, the Company had \$207.8 million of lease vehicles included in property and equipment, net of accumulated depreciation of \$65.4 million.

Other Leases - Land and Buildings

The Company leases various assets under operating leases with expiration dates ranging from January 2011, through November 2027. Monthly rental payments range from approximately \$375 per month to \$36,926 per month. Rental expense was \$4.6 million for the year ended December 31, 2010, \$4.2 million for the year ended December 31, 2009, and \$4.8 million for the year ended December 31, 2008. Future minimum lease payments under non-cancelable leases at December 31, 2010, are as follows (in thousands):

2011	\$ 4,626
2012	3,521
2013	3,057
2014	2,515
2015	2,249
Thereafter	11,490
Total	\$ 27,458

NOTE 11. SHARE BASED COMPENSATION AND EMPLOYEE BENEFIT PLANS:

Employee Stock Purchase Plan

The Company has an Employee Stock Purchase Plan that allows eligible employees to contribute up to 10% of their base earnings toward the semi-annual purchase of the Company's Class A common stock. The employee's purchase price is 85% of the lesser of the closing price of the Class A common stock on the first business day or the last business day of the semi-annual offering period, as reported by The NASDAQ Global Select MarketSM. Employees may purchase shares having a fair market value of up to \$25,000 (measured as of the first day of each semi-annual offering period) for each calendar year. Under the Employee Stock Purchase Plan, there are approximately 527,000

shares remaining of the 900,000 shares of the Company's Class A common stock that have been reserved for issuance. The Company issued 65,757 shares under the Employee Stock Purchase Plan during the year ended December 31, 2010 and 91,355 shares during the year ended December 31, 2009. Of the 3,010 employees eligible to participate, 315 were participants in the plan as of December 31, 2010.

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 and in 2009 the compensation value was reduced to \$100,000. Each non-employee director received a grant of 8,756 shares of the Company's Class A common stock in 2009. 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. Under the Director Plan, there are approximately 310,000 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 25,780 shares of Class A common stock under the Director Plan during the year ended December 31, 2010 and 43,780 shares of Class A common stock under the Director Plan during the year ended December 31, 2009.

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"),

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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, 2010, approximately 2,625,000 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, 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. During the year ended December 31, 2009, the Company granted 617,430 options to purchase Class A common stock and 100,775 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 and employee stock purchases was \$4.5 million for the year ended December 31, 2010, \$3.7 million for the year ended December 31, 2009, and \$3.6 million for the year ended December 31, 2008.

Cash received from options exercised and shares purchased under all share-based payment arrangements was \$2.3 million for the year ended December 31, 2010, \$0.8 million for the year ended December 31, 2009, and \$1.1 million for the year ended December 31, 2008.

A summary of the Company's stock option activity and related information for the year ended December 31, 2010, follows:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Balance of Outstanding Options at January 1, 2010	3,309,327	\$ 11.04		
Granted	627,045	7.67		
Exercised	(222,495)	4.97		
Forfeited	(4,000)	13.24		
Balance of Outstanding Options at December 31, 2010	3,709,877	\$ 10.94	6.28	\$ 34,823,889
Vested and exercisable at December 31, 2010	1,575,178	\$ 9.78	4.25	\$ 16,610,401

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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, 2010, of the Company's Class A common stock and Class B common stock of \$20.33. The total intrinsic value of options exercised was \$2.3 million during the year ended December 31, 2010, \$0.2 million during the year ended December 31, 2009, and \$1.7 million during the year ended December 31, 2008.

A summary of the status of the number of shares underlying Company's non-vested options as of December 31, 2010, and changes during the year ended December 31, 2010, follows:

Non-vested Shares	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2010	1,980,585	\$ 4.69
Granted	627,045	5.80
Vested	(468,931)	5.09
Forfeited	(4,000)	4.80
Non-vested at December 31, 2010	2,134,699	\$ 4.92

The total fair value of vested options was \$2.4 million during the year ended December 31, 2010, \$1.8 million during the year ended December 31, 2009, and \$1.4 million during the year ended December 31, 2008. The weighted-average grant date fair value of options granted was \$5.80 during the year ended December 31, 2010, \$3.25 during the year ended December 31, 2009, and \$5.62 during the year ended December 31, 2008.

Stock Awards

The Company granted restricted stock awards 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, 2010. 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 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 stock awards outstanding at December 31, 2010:

Non-Vested Stock Awards	Number of Shares	Weighted Average Grant Date Fair Value
Outstanding, January 1, 2010	148,610	\$ 10.24
Granted	125,245	13.08
Vested	(83,296)	12.33
Forfeited	—	—
Outstanding, December 31, 2010	190,559	\$ 11.19

The total fair market value of the shares issued upon the vesting of stock awards during the year ended December 31, 2010 was \$1.0 million. The weighted-average grant date fair value of stock awards granted was \$13.08 during the year ended December 31, 2010, \$8.81 during the year ended December 31, 2009, and \$15.90 during the year ended December 31, 2008.

As of December 31, 2010, there was \$5.1 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 3.0 years.

Defined Contribution Plan

The Company has a defined contribution plan (the "Rush 401k Plan"), which is available to all Company employees and the employees of certain affiliates. Each employee who has completed 90 days of continuous service is entitled to enter the Rush 401k Plan on the first day of the following month. Participating employees may contribute from 1% to 50% of total gross compensation. However, certain higher paid 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, at its discretion, may contribute 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. The Company incurred expenses related to the Rush 401k Plan of approximately \$0.4 million during the year ended December 31, 2010, \$0.6 million during the year ended December 31, 2009, and \$3.4 million during the year ended December 31, 2008.

Deferred Compensation Plan

On November 6, 2010 the Board of Directors of the Company adopted the Rush Enterprises, Inc. Deferred Compensation Plan (the "Deferred Compensation Plan") wherein selected employees and directors may elect to defer a portion of their annual compensation. The Deferred Compensation Plan also provides the Company with the discretion to make matching contributions to participants' accounts. The Company has established a rabbi trust to finance obligations under the Deferred Compensation Plan with corporate-owned variable life insurance contracts. Participants are 100% vested in their respective deferrals and the earnings thereon. The first deferral election period began on January 1, 2011.

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

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NOTE 12. STOCK REPURCHASE PLAN:

Stock Repurchase Plan

On July 22, 2008, the Company's Board of Directors approved a stock repurchase program authorizing the Company to repurchase, from time to time, up to an aggregate of \$20,000,000 of its shares of Class A common stock and/or Class B common stock. Repurchases will be made at times and in amounts as the Company deems appropriate and will be made through open market transactions, privately negotiated transactions and other lawful means. The manner, timing and amount of any repurchases will be determined by the Company based on an evaluation of market conditions, stock price and other factors, including those related to the ownership requirements of its dealership agreements with manufacturers it represents. The stock repurchase program has no expiration date and may be suspended or discontinued at any time. While the stock repurchase program does not obligate the Company to acquire any particular amount or class of common stock, the Company anticipates that it will be repurchasing primarily shares of its Class B common stock.

During the year ended December 31, 2008, the Company repurchased 1,639,843 shares of Class B common stock at a cost of \$17.9 million. The Company is holding the repurchased shares of the common stock as treasury stock and is accounting for the treasury stock pursuant to the cost method. The Company includes treasury stock as a component of stockholders' equity. On November 6, 2010, the Board of Directors of the Company approved the termination of the stock repurchase program.

NOTE 13. 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.

	2010	2009	2008
Numerator-			
Numerator for basic and diluted earnings per share-			
Income from continuing operations available to common shareholders	\$ 24,567,000	\$ 5,095,000	\$ 25,178,000
Denominator-			
Denominator for basic earnings per share, weighted average shares	37,307,453	37,065,654	38,088,687
Effect of dilutive securities- Stock options and restricted shares	910,727	530,853	498,263
Denominator for diluted earnings per share, adjusted weighted average shares and assumed conversions	38,218,180	37,596,507	38,586,950
Basic earnings per common share	\$ 0.66	\$ 0.14	\$ 0.66
Diluted earnings per common share and common share equivalents	\$ 0.64	\$ 0.14	\$ 0.65

Options to purchase shares of common stock that were outstanding for the years ended December 31, 2010, 2009 and 2008 that were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive are as follows:

	2010	2009	2008
Options	504,830	1,557,356	545,215
Total anti-dilutive securities	504,830	1,557,356	545,215

NOTE 14. INCOME TAXES:

Provision for Income Taxes

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

	Year ended December 31,		
	2010	2009	2008
Current provision-			
Federal	\$ 3,850	\$ (688)	\$ 4,468
State	1,965	889	1,805
	5,815	201	6,273
Deferred provision-			
Federal	9,962	(2,614)	9,809
State	253	(255)	140
	10,215	(2,869)	9,949
Provision for income taxes	\$ 16,030	\$ (2,668)	\$ 16,222

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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,		
	2010	2009	2008
Income taxes at the federal statutory rate	\$ 16,559	\$ 1,126	\$ 15,781
State income taxes, net of federal benefit	1,418	422	1,236
Tax effect of permanent differences	542	540	(684)
Alternative fuel tax credit	(2,461)	(5,304)	—
Federal tax settlement	—	700	—
Other, net	(28)	(152)	(111)
Provision (benefit) for income taxes	\$ 16,030	\$ (2,668)	\$ 16,222

Following is a summary of the Company's income tax provision for the years ended December 31, 2010, 2009 and 2008 (in thousands):

	Year Ended December 31,		
	2010	2009	2008
Income tax provision (benefit) on continuing operations	\$ 11,737	\$ (3,173)	\$ 13,864
Income tax provision from discontinued operations	4,293	505	2,358
Provision (benefit) for income taxes	\$ 16,030	\$ (2,668)	\$ 16,222

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

	Year Ended December 31,	
	2010	2009
Current:		
Deferred tax assets:		
Inventory	\$ 2,222	\$ 3,915
Accounts receivable	72	204
Capital lease obligations	3,896	3,179
Stock options	958	770
Alternative fuel tax credits	160	933
Accrued liabilities	1,671	1,129
State net operating loss carry forward	529	600
State tax credit	572	587
Other	201	97
Current deferred tax asset	\$ 10,281	\$ 11,414
Non-Current:		
Deferred tax assets:		
Capital lease obligations	\$ 11,687	\$ 9,538
Stock options	3,833	3,079
Other	142	—
	15,662	12,617
Deferred tax liabilities:		
Difference between book and tax basis-Depreciation	(78,793)	(66,399)
LIFO inventory valuation	(409)	(818)
Net non-current tax liability	\$ (63,540)	\$ (54,600)

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 \$1.5 million as a component of accrued liabilities as of December 31, 2010, and \$1.8 million as of December 31, 2009. The unrecognized tax benefits of \$1.5 million at December 31, 2010, and \$1.8 million as of December 31, 2009, 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, 2010, the Company accrued interest of \$130,000 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, 2010, the tax years ended December 31, 2008 through 2010 remained subject to audit by federal tax authorities and the tax years ended December 31, 2006 through 2010, remained subject to audit by state tax authorities.

A reconciliation of the change in the unrecognized tax benefits from January 1, 2008, to December 31, 2010, is as follows:

Unrecognized tax benefits at January 1, 2008	\$ 1,965,428
Gross increases – tax positions in current year	426,590
Reductions due to lapse of statute of limitations	(453,334)
Unrecognized tax benefits at December 31, 2008	1,938,684
Gross increases – tax positions in prior year	345,863
Gross increases – tax positions in current year	94,053
Decreases related to settlements with taxing authorities	(344,737)
Reductions due to lapse of statute of limitations	(272,468)
Unrecognized tax benefits at December 31, 2009	1,761,395
Gross increases – tax positions in current year	177,236
Reductions due to lapse of statute of limitations	(472,689)
Unrecognized tax benefits at December 31, 2010	\$ 1,465,942

NOTE 15. COMMITMENTS AND CONTINGENCIES:

The Company is contingently liable to finance companies for certain notes initiated on behalf of such finance companies related to the sale of commercial vehicles. The majority of finance contracts are sold without recourse against the Company. A majority of the Company's liability related to finance contracts sold with recourse is generally limited to 5% to 20% of the outstanding amount of each note initiated on behalf of the finance company. The Company provides for an allowance for repossession losses and early repayment penalties that it may be liable for under finance contracts sold without recourse.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

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.

In 2006, the Company signed an agreement with Titan Technology Partners to implement SAP enterprise software and a new SAP dealership management system. The cost of the SAP software and implementation is estimated at approximately \$39.0 million, of which \$36.2 million was expended at December 31, 2010.

NOTE 16. 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 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 medium-duty trucks, parts and service. 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 and 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 capabilities. 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 \$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.

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	47,802
Other assets	309
Accounts payable	(175)
Accrued expenses	(3,622)
Floor plan notes payable	(275)
Notes payable	(178)
Goodwill	9,231
Total	\$ 69,974

As the value of certain 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. 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.

In June 2008, the Company acquired certain assets of Capital Bus Sales and Service of Texas, Inc., which included a

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

Blue Bird bus franchise for the majority of Texas. As a result, the Company now sells and provides factory service for Blue Bird buses at most Rush Truck Centers in Texas. The transaction was valued at approximately \$5.6 million, with the purchase price paid in cash.

The Capital Bus Sales and Service of Texas, Inc. acquisition was accounted for as a purchase; operations of the business acquired are included in the accompanying consolidated financial statements from the date of the acquisition. The purchase price was allocated based on the fair values of the assets at the date of acquisition as follows (in thousands):

Inventories	\$ 3,645
Accrued expenses	(27)
Goodwill	2,020
Total	\$ 5,638

All of the goodwill acquired in the Capital Bus Sales and Service of Texas, Inc. acquisition will be amortized over 15 years for tax purposes.

In May 2008, the Company acquired certain assets of Peterbilt Carolina, Inc. which consisted of a Peterbilt, Hino and Isuzu heavy- and medium-duty truck dealership in Charlotte, North Carolina. The Company is operating the facility as a full-service Rush Truck Center offering Peterbilt heavy- and medium-duty trucks as well as medium-duty trucks manufactured by Hino and Isuzu, and parts and service. The transaction was valued at approximately \$13.4 million, with the purchase price paid in cash.

The operations of Peterbilt Carolina, 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):

Cash	\$ 1
Inventories	8,529
Property and equipment	99
Accrued expenses	(626)
Goodwill	5,383
Total	\$ 13,386

All of the goodwill acquired in the Peterbilt Carolina, Inc. acquisition will be amortized over 15 years for tax purposes.

In May 2008, the Company executed agreements to acquire the common stock of Adams International Trucks, Inc., an International heavy- and medium-duty truck dealership in Charlotte, North Carolina. The Company is operating the facility as a full-service Rush Truck Center offering International heavy- and medium-duty trucks, parts and service as well as leasing. The transaction was valued at approximately \$20.1 million, with the purchase price paid in cash.

The operations of Adams International Trucks, 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):

Cash	\$ 3,225
Prepaid expenses	44
Accounts receivable	1,672
Inventories	6,313
Property and equipment	3,071
Other assets	10
Accrued expenses	(2,587)
Floor plan notes payable	(3,185)
Notes payable	(2,379)
Goodwill	13,918
Total	\$ 20,102

The portion of goodwill related to the stock purchase of Adams International Trucks, Inc. will not be amortized for tax purposes, while the portion of goodwill related to the acquisition of the International franchise rights will be amortized over 15 years for tax purposes.

In May 2008, in addition to the stock and asset purchases described above, the Company purchased the real estate of the North Carolina dealership operations for \$6.2 million. The real estate transaction was financed by a financial institution with a \$5.0 million note payable.

NOTE 17. 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 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.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

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

	Year Ended December 31,		
(in thousands)	2010	2009	2008
Net Sales	\$ 25,819	\$ 38,836	\$ 83,763
Earnings before income taxes:			
Results of operations from discontinued operations before income taxes	917	1,294	6,045
Gain on disposition	10,091	—	—
Income tax (expense)	(4,293)	(505)	(2,358)
Net income from discontinued operations	\$ 6,715	\$ 789	\$ 3,687
Basic earnings per common share from discontinued operations, net of tax	\$ 0.18	\$ 0.02	\$ 0.10
Diluted earnings per common share and common share equivalents from discontinued operations, net of tax	\$ 0.18	\$ 0.02	\$ 0.10

The major classes of assets of the discontinued operations classified as held for sale and included in the consolidated balance sheet were as follows (in thousands):

	December 31,	
	2010	2009
Inventories	\$ —	\$ 17,736
Goodwill	—	4,075
Property and equipment, net	—	908
Assets held for sale	\$ —	\$ 22,719

NOTE 18. MEDIUM-DUTY GMC TRUCK FRANCHISES:

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

NOTE 19. COMPREHENSIVE INCOME:

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

	For the Year Ended December 31,	
	2010	2009
Net income	\$ 31,282	\$ 5,884
Other comprehensive income:		
Change in fair value of cash flow swaps	(364)	—
Income tax benefit associated with cash flow swaps	142	—
Comprehensive income	\$ 31,060	\$ 5,884

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

NOTE 20. UNAUDITED QUARTERLY FINANCIAL DATA:

(in thousands, except per share amounts)

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
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
2009				
Revenues	\$ 317,491	\$ 302,571	\$ 293,941	\$ 286,450
Gross Profit	58,754	50,571	55,121	51,195
Operating income (loss) from continuing operations	4,785	(2,822)	1,145	4,509
Income (loss) from continuing operations before income taxes	3,202	3,237	(4,234)	(283)
Income (loss) from continuing operations	2,335	(1,689)	2,988	1,461
Income from discontinued operations, net of taxes	528	168	20	73
Net income	\$ 2,863	\$ (1,521)	\$ 3,008	\$ 1,534
Earnings per share – Basic:				
Income from continuing operations	\$ 0.06	\$ (0.05)	\$ 0.08	\$ 0.04
Net income	\$ 0.08	\$ (0.04)	\$ 0.08	\$ 0.04
Earnings per share – Diluted:				
Income from continuing operations	\$ 0.06	\$ (0.05)	\$ 0.08	\$ 0.04
Net income	\$ 0.08	\$ (0.04)	\$ 0.08	\$ 0.04

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

NOTE 21. 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 as 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 17 for further discussion of the sale of the construction equipment business. The assets of the construction equipment business have been included in the All Other segment assets in the table below for 2009 and 2008.

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

The Company accounts for intersegment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices. There were no material intersegment sales during the years ended December 31, 2010, 2009 and 2008.

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, 2010, 2009 and 2008 (in thousands):

<i>(in thousands)</i>	Truck Segment	All Other	Totals
2010			
Revenues from external customers	\$ 1,482,742	\$ 15,185	\$ 1,497,927
Interest income	127	—	127
Interest expense	5,092	398	5,490
Depreciation and amortization	15,019	701	15,720
Segment income (loss) from continuing operations before taxes	37,690	(1,386)	36,304
Segment assets	1,143,385	24,548	1,167,933
Goodwill	147,828	2,560	150,388
Expenditures for segment assets	98,853	633	99,486
2009			
Revenues from external customers	\$ 1,184,400	\$ 16,053	\$ 1,200,453
Interest income	54	—	54
Interest expense	5,315	434	5,749
Depreciation and amortization	15,143	747	15,890
Segment income (loss) from continuing operations before taxes	3,962	(2,040)	1,922
Segment assets	924,703	52,594	977,297
Goodwill	134,352	2,409	136,761
Expenditures for segment assets	74,519	78	74,597
2008			
Revenues from external customers	\$ 1,553,298	\$ 17,895	\$ 1,571,193
Interest income	2,636	—	2,636
Interest expense	9,359	507	9,866
Depreciation and amortization	14,483	790	15,273
Segment income from continuing operations before taxes	38,549	493	39,042
Segment assets	1,000,470	56,320	1,056,790
Goodwill	135,191	2,638	137,829
Expenditures for segment assets	70,474	312	70,786

STOCK TRADING, PRICE RANGES AND DIVIDENDS

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

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

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

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

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

	2010		2009	
	High	Low	High	Low
Class A Common Stock				
First Quarter	\$ 13.34	\$ 10.67	\$ 10.80	\$ 6.00
Second Quarter	16.94	13.21	14.91	8.27
Third Quarter	15.59	12.40	14.88	10.16
Fourth Quarter	21.22	14.21	13.04	10.24
Class B Common Stock				
First Quarter	\$ 12.30	\$ 9.17	\$ 10.08	\$ 5.55
Second Quarter	14.84	10.91	12.84	7.44
Third Quarter	14.04	10.45	12.71	8.65
Fourth Quarter	20.21	12.80	10.93	8.41

As of March 2, 2011, there were approximately 39 record holders of the Class A common stock and approximately 47 record holders of the Class B common stock.

The Company did not pay dividends during the fiscal year ended December 31, 2010, or the fiscal year ended December 31, 2009. 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 2010.

	Period		
	Oct. 1-31, 2010	Nov. 1-6, 2010	4th Quarter Total
Total number of shares purchased	—	—	—
Average price paid per share	\$ 0.00	\$ 0.00	\$ 0.00
Total number of shares purchased as part of publicly announced plans or programs	—	—	—
Maximum Number (or approximate dollar value) of shares that may yet be purchased under the plans or programs (1)	—	—	—

(1) On November 6, 2010, the Company's Board of Directors terminated its \$20,000,000 share repurchase program initially approved by the Company's Board of Directors on July 22, 2008. No share repurchases occurred in 2010 prior to the termination of this program. From the inception of the share repurchase program, the Company acquired 1,639,843 shares of its Class B common stock at a cost of \$17.9 million pursuant to the program.

PERFORMANCE GRAPH AND NOTE REGARDING FORWARD-LOOKING STATEMENTS

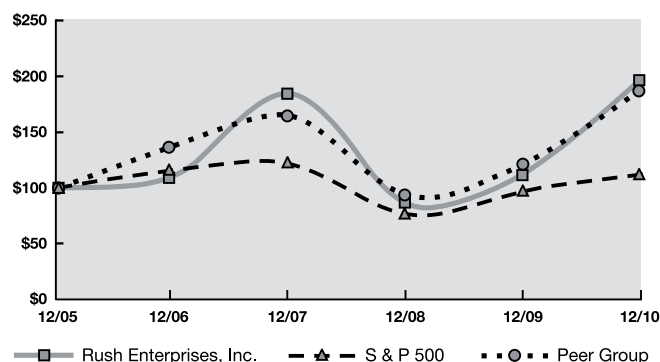
RUSH ENTERPRISES, INC. AND SUBSIDIARIES

Performance Graph

The chart set forth below shows the value of an investment of \$100 on December 31, 2005 in the Company's Common Stock, the Standard & Poor's 500 Stock Index and a peer group of other public companies. The peer group is comprised of the following companies: Lithia Motors, Inc.; Paccar, Inc.; Penske Automotive Group formerly known as United Auto Group, Inc.; and Werner Enterprises, Inc.

COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN*

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



*\$100 invested on 12/31/05 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

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	Cumulative Total Return		
	Rush Enterprises, Inc.	S & P 500	Peer Group
12/31/05	\$ 100.00	\$ 100.00	\$ 100.00
12/31/06	111.68	115.80	136.88
12/31/07	184.32	122.16	164.17
12/31/08	85.86	76.96	92.10
12/31/09	114.75	97.33	122.44
12/31/10	197.28	111.99	187.88

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, cyclical, market conditions in the new and used commercial vehicle markets, customer relations, relationships with vendors, the interest rate environment, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, one-time events and other factors described herein and in the Company's quarterly and other reports filed with the Securities and Exchange Commission (collectively, "Cautionary Statements"). Although the Company believes that its expectations are reasonable, it can give no assurance that such expectations will prove to be correct. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described in any forward-looking statements. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the applicable Cautionary Statements. All forward-looking statements speak only as the date on which they are made and the Company undertakes no duty to update or revise any forward-looking statements.

CORPORATE AND SHAREHOLDER INFORMATION

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

Board of Directors

W. Marvin Rush

Chairman

W. M. “Rusty” Rush

President
and Chief Executive Officer

Thomas A. Akin

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

Harold D. Marshall

Compensation Committee
Chairman
Former President and
Chief Operating Officer
Associates First Capital Corporation

Gerald R. Szczepanski

Former Chairman and
Chief Executive Officer
Gadzooks, Inc.

James C. Underwood

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

Executive Officers Rush Enterprises, Inc.

W. Marvin Rush

Chairman

W. M. “Rusty” Rush

President
and Chief Executive Officer

Martin A. Naegelin, Jr.

Executive Vice President

Steven L. Keller

Vice President
Chief Financial Officer
and Treasurer

Daryl J. Gorup

Senior Vice President
Dealership Operations

David C. Orf

Senior Vice President
Marketing, Fleets and
Specialized Equipment

James E. Thor

Senior Vice President
Retail Sales

Richard J. Ryan

Senior Vice President
Navistar Dealerships

Scott Anderson

Senior Vice President
Finance and Insurance

Richard D. Hall

Vice President
Insurance

Derrek Weaver

Vice President
General Counsel and Secretary

Shareholder Information

Executive Offices

Rush Enterprises, Inc.
555 IH 35 South
Suite 500
New Braunfels, TX 78130
(830) 626-5200

Independent Public Accountants

Ernst & Young LLP
San Antonio, TX

Corporate and Securities Counsel

Fulbright & Jaworski L.L.P.
San Antonio, TX

Annual Meeting

The annual meeting of shareholders
of the Company will be held at
10:00 AM local time on
May 17, 2011 at
JW Marriott San Antonio
23808 Resort Parkway
San Antonio, TX 78261

Availability of 10-K Report

Steven L. Keller
Rush Enterprises, Inc.
P.O. Box 34630
San Antonio, TX 78265
(830) 626-5200

Shares Listed

Rush Enterprises, Inc.’s common
stock trades on the NASDAQ Global
Select MarketSM under the symbols
RUSHA and RUSHB.

Website

www.rushenterprises.com

Forward-looking Statements

Certain statements in this Annual Report are “forward-looking statements” as defined in the Private Securities Litigation Reform Act of 1995. Important factors that could cause actual results to differ materially from those in the forward-looking statements are described in the forward-looking statements section on page 64.



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