

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

**FORM 10-K**

(Mark One)

- ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the fiscal year ended December 31, 2021
- TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934  
For the transition period from to

Commission file number 0-20797

**RUSH ENTERPRISES, INC.**

(Exact name of registrant as specified in its charter)

**Texas**

**74-1733016**

(State or other jurisdiction of incorporation or organization) (I.R.S. Employer Identification No.)

**555 IH 35 South, New Braunfels, TX**

**78130**

(Address of principal executive offices)

(Zip Code)

Registrant's telephone number, including area code: **(830) 302-5200**

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

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Class A Common Stock, \$0.01 par value	RUSHA	NASDAQ Global Select Market
Class B Common Stock, \$0.01 par value	RUSHB	NASDAQ Global Select Market

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

**None**

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

Yes  No

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

Yes  No

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

Yes  No

Indicate by check mark whether the registrant has submitted electronically, every Interactive Data File required to be submitted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit such files).

Yes  No

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller Reporting company   
Emerging growth company

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act.

Indicate by check mark if the registrant has filed a report on and attestation to its management's assessment of the effectiveness of its internal control over financial reporting under Section 404(b) of the Sarbanes-Oxley Act (15 U.S.C. 7262(b)) by the registered public accounting firm that prepared or issued its audit report.

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

Yes  No

The aggregate market value of common stock held by non-affiliates of the registrant as of June 30, 2021 was approximately \$2,091,623,197 based upon the last sales price on June 30, 2021 on The NASDAQ Global Select Market<sup>SM</sup> of \$43.24 for the registrant's Class A Common Stock and \$38.14 for the registrant's Class B Common Stock. Shares of Common Stock held by each executive officer and director and by each shareholder affiliated with a director or an executive officer have been excluded from this calculation because such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

The registrant had 43,049,158 shares Class A Common Stock and 12,344,153 shares of Class B Common Stock outstanding on February 15, 2022.

#### **DOCUMENTS INCORPORATED BY REFERENCE**

**Portions of registrant's definitive proxy statement for the registrant's 2022 Annual Meeting of Shareholders, to be filed with the Securities and Exchange Commission not later than 120 days after December 31, 2021, are incorporated by reference into Part III of this Form 10-K.**

**RUSH ENTERPRISES, INC.**

**Index to Form 10-K**

**Year ended December 31, 2021**

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## 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 ("SEC"), news releases, conferences, website postings or otherwise) that are not statements of historical fact constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995, Section 27A of the Securities Act of 1933, as amended (the "Securities Act"), 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 our 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. Please read Item 1A. "Risk Factors" for a discussion of certain of those risks. Other unknown or unpredictable factors could also have a material adverse effect on future results. Although the Company believes that its expectations are reasonable as of the date of this Form 10-K, it can give no assurance that such expectations will prove to be correct. The Company does not intend to update or revise any forward-looking statements unless securities laws require it to do so, and the Company undertakes no obligation to publicly release any revisions to forward-looking statements, whether because of new information, future events or otherwise.*

## NOTE REGARDING TRADEMARKS COMMONLY USED IN THE COMPANY'S FILINGS

*Peterbilt® is a registered trademark of Peterbilt Motors Company. PACCAR® is a registered trademark of PACCAR, Inc. PacLease® is a registered trademark of PACCAR Leasing Corporation. Navistar® is a registered trademark of Navistar International Corporation. International® is a registered trademark of Navistar International Transportation Corp. Idealease is a registered trademark of Idealease, Inc. aka Idealease of North America, Inc. Blue Bird® is a registered trademark of Blue Bird Investment Corporation. IC Bus® is a registered trademark of IC Bus, LLC. Hino® is a registered trademark of Hino Motors, Ltd. Isuzu® is a registered trademark of Isuzu Motors Limited. Ford Motor Credit Company® is a registered trademark of Ford Motor Company. Ford® is a registered trademark of Ford Motor Company. SAP® is a registered trademark of SAP Aktiengesellschaft. This report contains additional trade names or trademarks of other companies. Our use of such trade names or trademarks should not imply any endorsement or relationship with such companies.*

## PART I

### Item 1. Business

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

### Access to Company Information

We electronically file annual reports, quarterly reports, proxy statements and other reports and information statements with the SEC. You may read and copy any of the materials that we have filed with the SEC at the SEC's Public Reference Room at 100 F Street NE, Washington, DC 20549. You may obtain information about the Public Reference Room by calling the SEC at 1-800-SEC-0330. Our filings are also available to you on the SEC's website at [www.sec.gov](http://www.sec.gov).

We make certain of our SEC filings available, free of charge, through our website, including annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and all amendments to these reports. These filings are available as soon as reasonably practicable after such material is electronically filed with, or furnished to, the SEC. Our website address is [www.rushenterprises.com](http://www.rushenterprises.com). The information contained on our website, or on other websites linked to our website, is not incorporated into this report or otherwise made part of this report.

## General

Rush Enterprises, Inc. was incorporated in Texas in 1965 and consists of one reportable segment, the Truck Segment, and conducts business through its subsidiaries. Our principal offices are located at 555 IH 35 South, Suite 500, New Braunfels, Texas 78130.

We are a full-service, integrated retailer of commercial vehicles and related services. The Truck Segment includes the Company's operation of a network of commercial vehicle dealerships under the name "Rush Truck Centers." Rush Truck Centers primarily sell commercial vehicles manufactured by Peterbilt, International, Hino, Ford, Isuzu, IC Bus or Blue Bird. Through our strategically located network of Rush Truck Centers, we provide one-stop service for the needs of our commercial vehicle customers, including retail sales of new and used commercial vehicles, aftermarket parts sales, service and repair facilities, financing, leasing and rental, and insurance products.

Our Rush Truck Centers are principally located in high traffic areas throughout the United States. Since commencing operations as a Peterbilt heavy-duty truck dealer in 1966, we have grown to operate over 125 Rush Truck Centers in 23 states. In 2019, we purchased a 50% equity interest in an entity in Canada, Rush Truck Centres of Canada Limited ("RTC Canada"), which currently owns and operates 15 International locations in Ontario, Canada.

Our business strategy consists of providing solutions to the commercial vehicle industry through our network of commercial vehicle dealerships. We offer an integrated approach to meeting customer needs by providing service, parts and collision repairs in addition to new and used commercial vehicle sales and leasing, plus financial services, vehicle upfitting, CNG fuel systems and vehicle telematics products. We intend to continue to implement our business strategy, reinforce customer loyalty and remain a market leader by continuing to develop our Rush Truck Centers as we expand our product offerings and extend our dealership network through strategic acquisitions of new locations and opening new dealerships in existing areas of operations to enable us to better serve our customers.

*Rush Truck Centers.* Our Rush Truck Centers are located in Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky, Missouri, Nevada, New Mexico, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Utah and Virginia. The following chart reflects our franchises and parts, service and collision repair operations by location as of February 15, 2022:

<b>Rush Truck Center Location</b>	<b>Commercial Vehicle Franchise(s)</b>	<b>Truck Sales</b>	<b>Parts and Service</b>	<b>Collision Center</b>
<b>Alabama</b>				
Birmingham	None	Yes	Yes	No
Mobile	Peterbilt	Yes	Yes	Yes
<b>Arizona</b>				
Flagstaff	Peterbilt	No	Yes	No
Phoenix	Peterbilt, Hino	Yes	Yes	Yes
Phoenix East	Peterbilt	No	Yes	No
Tucson	Peterbilt, Hino	Yes	Yes	No
Yuma	Peterbilt	Yes	Yes	No
<b>Arkansas</b>				
Jonesboro	International, IC Bus	No	Yes	No
Lowell	International, Isuzu, IC Bus	Yes	Yes	Yes
North Little Rock	International, IC Bus	Yes	Yes	Yes
Pine Bluff	International, IC Bus	Yes	Yes	No
Russellville	International, IC Bus	Yes	Yes	No
<b>California</b>				
Ceres	Ford	Yes	Yes	No
Fontana Heavy-Duty	Peterbilt	Yes	Yes	Yes
Fontana Medium-Duty	Peterbilt, Hino, Isuzu	Yes	Yes	No
Fontana Vocational	None	No	Yes	No
Long Beach	Peterbilt	No	Yes	No
Los Angeles	Peterbilt	Yes	Yes	Yes
San Diego	Peterbilt, Hino, Ford	Yes	Yes	No

<b>Rush Truck Center Location</b>	<b>Commercial Vehicle Franchise(s)</b>	<b>Truck Sales</b>	<b>Parts and Service</b>	<b>Collision Center</b>
Sylmar	Peterbilt	Yes	Yes	No
Victorville	Peterbilt	Yes	Yes	No
Whittier	Ford, Isuzu	Yes	Yes	No
<b>Colorado</b>				
Colorado Springs	Peterbilt	Yes	Yes	No
Denver	Peterbilt, Ford, Isuzu	Yes	Yes	Yes
Greeley	Peterbilt	Yes	Yes	No
Pueblo	Peterbilt	Yes	Yes	No
<b>Florida</b>				
Haines City	Peterbilt	Yes	Yes	Yes
Jacksonville	Peterbilt, Hino	Yes	Yes	No
Jacksonville East	Peterbilt	Yes	Yes	No
Lake City	Peterbilt	Yes	Yes	No
Miami	None	No	Yes	No
Orlando Heavy-Duty	Peterbilt, Isuzu	Yes	Yes	No
Orlando Light & Medium-Duty	Ford	Yes	Yes	No
Orlando North	Isuzu	Yes	Yes	No
Orlando South	Isuzu	Yes	Yes	No
Tampa	Peterbilt	Yes	Yes	No
<b>Georgia</b>				
Atlanta	International, Hino, Isuzu, IC Bus	Yes	Yes	No
Atlanta Bus Center	IC Bus	Yes	Yes	Yes
Augusta	International, IC Bus	Yes	Yes	No
Columbus	International, Isuzu, IC Bus	Yes	Yes	No
Doraville	International, Hino, Isuzu, IC Bus	Yes	Yes	No
Gainesville	International, IC Bus	Yes	Yes	No
Macon	International	Yes	Yes	No
Smyrna	International, Hino, Isuzu, IC Bus	Yes	Yes	No
Tifton	International, IC Bus	Yes	Yes	No
Valdosta	International	Yes	Yes	No
<b>Idaho</b>				
Boise	International, Hino, IC Bus	Yes	Yes	Yes
Idaho Falls	International, IC Bus	Yes	Yes	Yes
Lewiston	International	Yes	Yes	No
Twin Falls	International	Yes	Yes	No
<b>Illinois</b>				
Bloomington	International, Hino	Yes	Yes	No
Carol Stream	International	Yes	Yes	No
Champaign	International	Yes	Yes	Yes
Chicago	International	Yes	Yes	Yes
Effingham	International	Yes	Yes	Yes
Elk Grove	Hino, Isuzu	Yes	Yes	No
Huntley	International	Yes	Yes	No
Joliet	International	Yes	Yes	No
Quincy	International	Yes	Yes	No
Springfield	International	Yes	Yes	Yes
<b>Indiana</b>				
Gary	International	Yes	Yes	No
Indianapolis	International	Yes	Yes	Yes
<b>Kansas</b>				
Kansas City	Hino, Isuzu	Yes	Yes	No
Salina	International	Yes	Yes	No
Topeka	International	Yes	Yes	No
Wichita	International	Yes	Yes	No
<b>Kentucky</b>				
Bowling Green	Peterbilt	Yes	Yes	No
<b>Missouri</b>				
Cape Girardeau	International	Yes	Yes	No

<b>Rush Truck Center Location</b>	<b>Commercial Vehicle Franchise(s)</b>	<b>Truck Sales</b>	<b>Parts and Service</b>	<b>Collision Center</b>
Joplin	International	Yes	Yes	No
Kansas City	International, Dennis Eagle	Yes	Yes	Yes
Kansas City Used Trucks	None	Yes	No	No
St. Joseph	International	Yes	Yes	No
St. Louis	International	Yes	Yes	No
St. Peters	International	Yes	Yes	No
Sedalia	International	No	Yes	No
Springfield	International, Isuzu	Yes	Yes	No
West Plains	International	Yes	Yes	No
<b>Nevada</b>				
Las Vegas	Peterbilt	Yes	Yes	No
<b>New Mexico</b>				
Albuquerque	Peterbilt	Yes	Yes	Yes
Farmington	Peterbilt	No	Yes	No
Las Cruces	Peterbilt	Yes	Yes	No
<b>North Carolina</b>				
Asheville	International	Yes	Yes	No
Charlotte	International, Hino, Isuzu	Yes	Yes	Yes
Hickory	International	Yes	Yes	No
<b>Ohio</b>				
Akron	International, IC Bus	Yes	Yes	No
Cincinnati	International, IC Bus, Isuzu, Ford	Yes	Yes	Yes
Cleveland	International, IC Bus	Yes	Yes	No
Columbus	International, IC Bus, Isuzu(1)	Yes	Yes	No
Dayton	International, IC Bus, Isuzu	Yes	Yes	No
Lima	International, IC Bus	Yes	Yes	No
<b>Oklahoma</b>				
Ardmore	Peterbilt	Yes	Yes	No
Oklahoma City	Peterbilt, Hino, Ford, Isuzu	Yes	Yes	Yes
Tulsa	Peterbilt, Hino	Yes	Yes	Yes
<b>Pennsylvania</b>				
Greencastle	None	Yes	Yes	No
<b>Tennessee</b>				
Memphis	International, Isuzu	Yes	Yes	Yes
Memphis Used Trucks	None	Yes	Yes	No
Nashville	Peterbilt	Yes	Yes	Yes
<b>Texas</b>				
Abilene	Peterbilt	Yes	Yes	No
Amarillo	Peterbilt	Yes	Yes	No
Arlington	Peterbilt, Blue Bird, Micro Bird, Elkhart	Yes	Yes	No
Austin	Peterbilt, Hino, Isuzu, Blue Bird, Micro Bird, Elkhart	Yes	Yes	No
Austin North	Peterbilt	No	Yes	No
Beaumont	Peterbilt	Yes	Yes	No
Brownsville	Peterbilt, Elkhart	Yes	Yes	No
College Station	Peterbilt	Yes	Yes	No
Corpus Christi	Peterbilt, Hino, Isuzu, Blue Bird, Elkhart	Yes	Yes	No
Cotulla	Peterbilt	No	Yes	No
Dalhart	Peterbilt	No	Yes	No
Dallas Heavy-Duty	Peterbilt, Blue Bird, Micro Bird, Elkhart	Yes	Yes	Yes
Dallas Medium-Duty	Peterbilt, Hino, Blue Bird, Micro Bird, Elkhart	Yes	Yes	No
Dallas Light & Medium-Duty	Ford, Isuzu	Yes	Yes	No
Dallas South	Peterbilt	Yes	Yes	No

(1) Our Isuzu franchise is operated out of our Rush Truck Leasing - Columbus location.

<b>Rush Truck Center Location</b>	<b>Commercial Vehicle Franchise(s)</b>	<b>Truck Sales</b>	<b>Parts and Service</b>	<b>Collision Center</b>
El Paso	Peterbilt, Hino, Isuzu	Yes	Yes	Yes
Fort Worth	Peterbilt, Blue Bird, Micro Bird, Elkhart	Yes	Yes	No
Houston	Peterbilt, Hino, Blue Bird, Micro Bird, Elkhart	Yes	Yes	Yes
Houston Medium-Duty	Peterbilt, Hino	Yes	Yes	No
Laredo	Peterbilt, Blue Bird, Micro Bird, Elkhart	Yes	Yes	Yes
Lubbock	Peterbilt	Yes	Yes	No
Lufkin	Peterbilt, Blue Bird, Micro Bird, Elkhart	Yes	Yes	Yes
Odessa	Peterbilt	Yes	Yes	No
Pharr	Peterbilt, Hino, Blue Bird, Micro Bird, Elkhart	Yes	Yes	Yes
Wichita Falls	Peterbilt	Yes	Yes	No
San Antonio	Peterbilt, Hino, Blue Bird, Micro Bird, Elkhart	Yes	Yes	Yes
Sealy	Peterbilt, Isuzu, Blue Bird, Micro Bird, Elkhart	Yes	Yes	No
Texarkana	Peterbilt, Hino, Isuzu, Blue Bird, Micro Bird, Elkhart	Yes	Yes	No
Tyler	Peterbilt, Blue Bird, Micro Bird, Elkhart	Yes	Yes	No
Victoria	Peterbilt	Yes	Yes	No
Waco	Peterbilt, Hino, Isuzu, Blue Bird, Micro Bird, Elkhart	Yes	Yes	No
Wichita Falls	Peterbilt	Yes	Yes	No
<b>Utah</b>				
Ogden	International, IC Bus	Yes	Yes	No
Salt Lake City	International, IC Bus	Yes	Yes	Yes
Springville	International	Yes	Yes	No
St. George	International	Yes	Yes	No
<b>Virginia</b>				
Chester	International, Hino	Yes	Yes	No
Richmond	International	Yes	Yes	Yes

*Leasing and Rental Services.* Through certain of our Rush Truck Centers and several stand-alone Rush Truck Leasing locations, we provide a broad line of product selections for lease or rent, including Class 4 through Class 8 commercial vehicles, heavy-duty cranes and refuse vehicles. Our lease and rental fleets are offered to customers on a daily, monthly or long-term basis. Substantially all of our long-term leases also contain a service provision, whereby we agree to service the vehicle through the life of the lease. The following chart reflects our leasing brands by location:

<b>Rush Truck Leasing Location</b>	<b>Brand</b>	<b>Standalone or in a Rush Truck Center</b>
<b>Alabama</b>		
Birmingham	PacLease	In RTC
<b>Arizona</b>		
Phoenix	PacLease	Standalone
<b>Arkansas</b>		
North Little Rock	Idealease	In RTC
Lowell	Idealease	Standalone
<b>California</b>		
Fontana	PacLease	Standalone
Pico Rivera	PacLease	Standalone
San Diego	PacLease	Standalone
Sylmar	PacLease	In RTC
<b>Colorado</b>		
Denver	PacLease	Standalone



<b>Rush Truck Leasing Location</b>	<b>Franchise</b>	<b>Standalone or in a Rush Truck Center</b>
<b>Florida</b>		
Orlando	PacLease	Standalone
Tampa	PacLease	In RTC
Jacksonville	PacLease	Standalone
<b>Georgia</b>		
Augusta	Idealease	In RTC
Macon	Idealease	In RTC
<b>Idaho</b>		
Boise	Idealease	In RTC
Idaho Falls	Idealease	In RTC
<b>Illinois</b>		
Carol Stream	Idealease	In RTC
Chicago	Idealease	In RTC
Effingham	Idealease	In RTC
Huntley	Idealease	In RTC
Joliet	Idealease	In RTC
Springfield	Idealease	In RTC
<b>Indiana</b>		
Indianapolis	Idealease	In RTC
Gary	Idealease	In RTC
<b>Kansas</b>		
Kansas City	Idealease	Standalone
Salina	Idealease	In RTC
Wichita	Idealease	In RTC
<b>Missouri</b>		
Joplin	Idealease	In RTC
St. Louis	Idealease	In RTC
St. Peters	Idealease	In RTC
Springfield	Idealease	In RTC
<b>New Mexico</b>		
Albuquerque	PacLease	Standalone
<b>Nevada</b>		
Las Vegas	PacLease	Standalone
<b>North Carolina</b>		
Asheville	Idealease	Standalone
Charlotte	Idealease	Standalone
<b>Ohio</b>		
Cincinnati	Idealease	Standalone
Cleveland	Idealease	Standalone
Columbus	Idealease	Standalone
Dayton	Idealease	In RTC
<b>Oklahoma</b>		
Oklahoma City	PacLease	In RTC
<b>Tennessee</b>		
Memphis	Idealease	Standalone
Nashville	PacLease	In RTC
<b>Texas</b>		
Austin	PacLease	Standalone
El Paso	PacLease	In RTC
Arlington	PacLease	In RTC
Houston	PacLease	Standalone
Houston NW	PacLease	Standalone
Odessa	PacLease	Standalone
San Antonio	PacLease	In RTC
Tyler	PacLease	Standalone
<b>Virginia</b>		
Richmond	Idealease	Standalone
Norfolk	Idealease	Standalone
<b>Utah</b>		
Salt Lake City	Idealease	Standalone

In addition to the locations in the above table, Rush Truck Leasing also provides full-service maintenance on customers' vehicles at several of our customers' facilities.

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

*Other Businesses.* Perfection Equipment offers installation of equipment, equipment repair, parts installation, and paint and body repair at our location in Oklahoma City. Perfection Equipment specializes in up-fitting trucks used by oilfield service providers and other specialized service providers.

Momentum Fuel Technologies manufactures compressed natural gas fuel systems and related component parts for commercial vehicles at its facility in Roanoke, Texas. Effective January 2022, we sold 50% of our equity interest in this entity to a subsidiary of Cummins, Inc. and now we are operating the business as a joint venture with Cummins.

Custom Vehicle Solutions operates at locations in Denton, Texas and Greencastle, Pennsylvania. Custom Vehicle Solutions provides new vehicle pre-delivery inspections, truck modifications, natural gas fuel system installations, body and chassis upfitting and component installation.

The House of Trucks operates at locations in Miami, Florida, Dallas, Texas and Chicago, Illinois. The House of Trucks sells used commercial vehicles, new and used trailers and offers third-party financing and insurance products.

World Wide Tires stores operate in two locations in Texas. World Wide Tires primarily sells tires for use on commercial vehicles.

## **Industry**

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

## **Our Business Strategy**

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

- Management by Dealership Units. At each of our dealerships, we operate one or more of the following departments: new commercial vehicle sales, used commercial vehicle sales, financial services, parts, service or a collision center. Our general managers measure and manage the operations of each dealership according to the specific departments operating at that location. We believe that this system enhances the profitability of all aspects of a dealership and increases our overall operating margins. Operating goals for each department at each of our dealerships are established annually and managers are rewarded for performance relative to these goals.
- One-Stop Centers. We have developed our larger commercial vehicle dealerships as "one-stop centers" that offer an integrated approach to meeting customer needs. We provide service, including collision repairs, parts, new and used commercial vehicles sales, leasing and rental, plus financial services including finance and insurance. We believe that this full-service strategy helps to mitigate cyclical economic fluctuations because our parts, service and collision center operations (referred to herein collectively as "Aftermarket Products and Services") at our dealerships generally tend to be less volatile than our new and used commercial vehicle sales.
- Aftermarket Products and Services. Our aftermarket capabilities include a wide range of services and products, including a fleet of mobile service units, mobile technicians who work in our customers' facilities, technology solutions, including vehicle telematics support, a proprietary line of parts and accessories, and factory-certified service for assembly services for specialized bodies and equipment. We believe that offering a variety of Aftermarket Products and Services at our dealerships and other

locations allows us to meet the expanding needs of our customers. We continually strive to leverage our dealership network to offer more products and services to our customers.

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

*Growth Strategy*. Through our strategic expansion and acquisition initiatives, we have grown to operate a large, multistate, full-service network of commercial vehicle dealerships. We also own a 50% equity interest in RTC Canada that owns and operates 15 International locations in Ontario, Canada. We have an option to purchase the remaining 50% through February 24, 2024. As described below, we intend to continue to grow our business by expanding our product and service offerings through acquisitions in new geographic areas and by opening new locations to enable us to better serve our customers.

- Expansion of Product and Service Offerings. We intend to continue to expand our product lines within our existing locations by adding product categories and service capabilities that are both complementary to our existing product lines and well suited to our operating model. We will continue to take advantage of technological advances that will provide us with the opportunity to offer vehicle owners more aftermarket options and the ability to maximize the performance of vehicles in their fleets using telematics and other technologies.
- Expansion Into New Geographic Areas. We plan to continue to expand our dealership network by acquiring existing dealerships or opening new locations in areas where we do not already have locations. We believe the geographic diversity of our Rush Truck Center network has significantly expanded our customer base while reducing the effects of local economic cycles.
- Open New Rush Truck Centers in Existing Areas of Operation. We continually evaluate opportunities to increase our market presence by adding new Rush Truck Centers within our current franchisees' areas of operation.

## Management of Our Dealerships

### *Rush Truck Centers*

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

Aftermarket Products and Services. Revenues from Aftermarket Products and Services accounted for approximately \$1,793.4 million, or 35.0%, of our total revenues for 2021, and 62.7% of our gross profit. Rush Truck Centers carry a wide variety of commercial vehicle parts in inventory. Certain Rush Truck Centers also feature fully equipped service and collision center facilities, the combination and configuration of which varies by location, capable of handling a broad range of repairs on most commercial vehicles. Each Rush Truck Center with a service department is a warranty service center for the commercial vehicle manufacturers represented at that location, if any, and most are also authorized service centers for other vehicle component manufacturers, including Cummins, Eaton, Caterpillar and Allison. We also have mobile service technicians and technicians who staff our customers' facilities upon request.

Our service departments perform warranty and non-warranty repairs on commercial vehicles. The cost of warranty work is generally reimbursed by the applicable manufacturer at retail commercial rates. Warranty-related parts and service revenues accounted for approximately \$111.8 million, or 2.2%, of our total revenues for 2021. Additionally, we provide a wide array of services, including assembly services for specialized commercial vehicle bodies and commercial vehicle mounted equipment. Our goal is to provide our customers with any service that they need related to their commercial vehicles.

As part of our leasing and rental operations, we also enter into contracts to provide full-service maintenance on certain customers' vehicles. We had 1,524 vehicles under contract maintenance as of December 31, 2021. The full-service maintenance revenues and retail service revenues are included as Aftermarket Products and Services revenues on our Consolidated Statements of Income.

New Commercial Vehicle Sales. New commercial vehicle sales represent the largest portion of our revenues, accounting for approximately \$2,609.6 million, or 50.9%, of our total revenues in 2021. Of this total, new Class 8 heavy-duty truck sales accounted for approximately \$1,661.9 million, or 32.4%, of our total revenues for 2021, and 63.7% of our new commercial vehicle revenues for 2021.

Our Rush Truck Centers that sell new and used Class 8 heavy-duty trucks manufactured by Peterbilt or International may also sell medium-duty and light-duty commercial vehicles. Certain Rush Truck Centers sell medium-duty commercial vehicles manufactured by Peterbilt, Hino, Isuzu, Ford, or International, buses manufactured by Blue Bird, IC Bus or Elkhart and light-duty commercial vehicles manufactured by Ford (see Part I, Item 1, “General – *Rush Truck Centers*” for information on which brands we sell at each Rush Truck Center). New medium-duty commercial vehicle sales, excluding new bus sales, accounted for approximately \$766.3 million, or 14.9%, of our total revenues for 2021, and 29.4% of our new commercial vehicle revenues for 2021. New bus sales accounted for approximately \$90.8 million, or 1.8%, of our total revenues for 2021, and 3.5% of our new commercial vehicle revenues for 2021. New light-duty commercial vehicle sales accounted for approximately \$79.4 million, or 1.5%, of our total revenues for 2021, and 3.0% of our new commercial vehicle revenues for 2021.

A significant portion of our new commercial vehicle sales are to customers with large fleets of commercial vehicles. Because of the size and geographic scope of our Rush Truck Center network, our strong relationships with our fleet customers and our ability to manage large quantities of used commercial vehicle trade-ins, we are able to successfully market and sell to fleet customers nationwide. We believe that we have a competitive advantage over many dealerships because we can absorb multi-unit trade-ins often associated with fleet sales and effectively disperse the used commercial vehicles for resale throughout our dealership network. We believe that the broad range of products and services we offer to purchasers of commercial vehicles at the time of purchase and post-purchase results in a high level of customer loyalty.

Used Commercial Vehicle Sales. Used commercial vehicle sales accounted for approximately \$430.4 million, or 8.4%, of our total revenues for 2021. We sell used commercial vehicles at most of our Rush Truck Centers and also at our non-franchised used commercial vehicle facilities. We believe that we are well positioned to market used commercial vehicles due to our ability to recondition them for resale utilizing the service and collision center departments of our Rush Truck Centers and our ability to move used commercial vehicles between our dealerships as customer demand warrants. The majority of our used commercial vehicle inventory consists of commercial vehicles taken as trade-ins from new commercial vehicle customers or retired from our lease and rental fleet, but we also supplement our used commercial vehicle inventory by purchasing used commercial vehicles from third parties for resale, as market conditions warrant.

Vehicle Leasing and Rental. Vehicle leasing and rental revenues accounted for approximately \$247.2 million, or 4.8%, of our total revenues for 2021. At our Rush Truck Leasing locations, we engage in full-service commercial vehicle leasing and rental through PacLease and Idealease. At December 31, 2021, we had 8,914 commercial vehicles in our lease and rental fleet, including cranes. Generally, we sell commercial vehicles that have been retired from our lease and rental fleet through our used commercial vehicles sales operations. Historically, we have realized gains on the sale of used lease and rental fleet inventory.

New and Used Commercial Vehicle Financing and Insurance. The sale of financial and insurance products accounted for approximately \$28.0 million, or 0.5%, of our total revenues for 2021. Finance and insurance revenues have minimal direct costs and therefore, contribute a disproportionate share to our operating profits.

Many of our Rush Truck Centers have personnel responsible for arranging third-party financing for our product offerings. Generally, commercial vehicle finance contracts involve an installment contract, which is secured by the commercial vehicle financed and requires a down payment, with the remaining balance generally financed over a two-year to seven-year period. The majority of these finance contracts are sold to third parties without recourse to us. We provide an allowance for repossession losses and early repayment penalties that we may incur under these finance contracts.

We sell, as agent, a complete line of property and casualty insurance to commercial vehicle owners. Our agency, which operates at locations around the United States outside of our Rush Truck Centers, is licensed to sell commercial vehicle liability, collision and comprehensive, workers’ compensation, cargo, and credit life insurance coverage offered by a number of leading insurance companies. Our renewal rate in 2021 was approximately 82%. We also have licensed insurance agents at several Rush Truck Centers.

## Human Capital Management

On December 31, 2021, we employed 7,166 people. Of these employees, less than 0.7% of the workforce was classified as part-time. We do not regularly use independent contractors in our business operations. We strive to provide our employees with the security of long-term employment, competitive compensation and benefits, a consistent work schedule and opportunities to improve their skills and advance within the Company.

*Core Values.* Our core values define our culture and reflect who we are and the way we interact with our customers, suppliers, co-workers and shareholders. Our core values are productivity, fairness, excellence and positive attitude and are described below.

- Productivity means constantly striving toward efficiency and success in all interactions and activities while working with a common purpose and sense of urgency.
- Fairness characterizes our honesty, integrity, truthfulness, dependability and reliability in everything we do.
- Excellence means doing it better than everyone else does. Excellence is reflected in our first-class facilities, quality products and services, motivated and talented employees, superior results for the customer and consistency throughout our organization.
- Positive Attitude means approaching every day with excitement and passion for the work and dedication to our customers with positive intensity.

Each of these core values is embodied in our code of conduct, which we call our Rush Driving Principles. Employees are required to attend training on the Rush Driving Principles and certify that they have read and understand such principles on an annual basis. We believe that our core values are the foundation of a strong culture that is a strength for us, and we intend to continue building upon that culture to improve performance across our business.

*Employee Recruitment.* We strive to attract the best talent from a variety of sources to meet the current and future needs of our business. We have established relationships with multiple trade schools and universities across the country, which we utilize as a source for entry-level talent. Additionally, we believe it is incumbent upon all our managers to continuously monitor their local markets for experienced individuals who might be successful additions to our organization.

*Compensation Programs and Employee Benefits.* Our compensation programs are designed to provide a compensation package that will attract, retain, motivate and reward employees who must operate in a highly competitive, fast-paced environment. In general, our compensation programs consist of a base salary or hourly rate, commissions for employees in front-line customer facing roles, cash performance bonuses for certain employees, equity incentive awards for senior leaders, vacation leave, sick leave and other forms of paid time off.

We are committed to fair pay. In 2020, the Company established a minimum hourly wage of \$15.00 an hour. Our employees receive a base level of monthly or hourly compensation that we believe is commensurate with their expertise, skills, knowledge and experience.

We provide our full-time employees with comprehensive benefit options that allow our employees and their families to live healthier and more secure lives. Some examples of our wide-ranging benefits offered are: Medical insurance, prescription drug benefits, dental insurance, vision insurance, hospital indemnity insurance, accident insurance, critical illness insurance, smoking cessation assistance program, life insurance, disability insurance, health savings accounts and flexible spending accounts.

*Training and Development.* Our training and development programs are designed to facilitate the development and advancement of talent from within our organization to ensure we continuously fill our ranks with qualified employees for critical positions in the organization. Members of our Learning and Development team collaborate with employees from our various operations teams to identify our strategic training needs and prioritize the development of appropriate training content.

Our Rush Foundational Leader Program is focused on developing key management and leadership skills. The Rush Foundational Leader Program consists of a series of courses ranging from basic management skills to

more advanced leadership concepts and skills that are designed for managers throughout our organization. We also have a New Graduate Management Trainee Program that identifies and recruits new talent from universities across the country and provides on-the-job training for them to fill various roles within our dealership network.

To enhance and develop the technical skills of entry-level service and body shop technicians, we established a formal mentorship program lead by experienced service and body shop technicians who serve as mentors to newly hired, entry level service and body shop technicians. We believe that this program increases the technicians' likelihood of career success. This formal mentorship program also helps us identify top performers and we believe it improves employee performance and retention for participants in the program.

*Ethics and Compliance.* We are committed to the highest standards of corporate conduct. We maintain an Ethics and Compliance Program that is designed to meet external requirements, as well as our core values and code of conduct embodied in the Rush Driving Principles. A central component of our Ethics and Compliance Program is the continuous training and education of our employees on general ethics and compliance training topics. We also regularly reinforce our commitment to ethics and integrity in communications with our employees.

*Employee Engagement and Retention.* We conduct an annual comprehensive employee engagement survey designed to measure organizational culture and engagement. The purpose of the survey is to monitor overall employee engagement with the goal of identifying actions that can be taken to continuously improve our employee engagement and lead to increased employee retention. Data collected in each annual employee engagement survey is maintained and used to track our progress against our internal goals.

Management continually monitors employee turnover data, which is supplemented with additional data from exit surveys to assist in determining the reasons for voluntary employee terminations. In 2021, our overall turnover rate was 27.49%, compared to 42.62% in 2020. Our turnover in 2020 was significantly higher than normal because of involuntary reductions in our workforce that were made at the onset of the COVID-19 pandemic. The turnover rate of our service and body shop technicians is also monitored closely by management, as the retention of skilled service and body shop technicians is critical to the success of the Company. Demand for service and body shop technicians across the country is very high, and turnover in this role is also traditionally high for commercial vehicle dealers. In 2021, our turnover rate for service and body shop technicians was 36.67%, compared to 39.24% in 2020.

*Health and Safety.* Promoting a safe and healthy workplace is our highest priority and is embodied in our core values. We utilize a mixture of leading and lagging indicators to assess the health and safety performance of our operations. Lagging indicators include the OSHA Total Recordable Incident Rate ("TRIR") and the Lost Time (or Lost Workday) Incident Rate ("LTIR") based upon the number of incidents per 100 employees (or per 200,000 work hours). Leading indicators include training completion rates, tracking of local safety committee meeting minutes, and recording of near misses, as well as other proactive actions taken to ensure employee safety. In 2021, we had a TRIR of 3.87, compared to 4.17 in 2020 and a LTIR of 0.71 in 2021, compared to 0.81 in 2020.

*Labor Relations.* We have entered into collective bargaining agreements covering certain employees in Chicago, Illinois, which will expire on May 10, 2025, Joliet, Illinois, which will expire on May 7, 2022 and Carol Stream, Illinois, which will expire on May 6, 2023. There have been no strikes, work stoppages or slowdowns during the negotiations of the foregoing collective bargaining agreements or at any time in the Company's history, although no assurances can be given that such actions will not occur. We believe that our relations with the labor unions that represent these employees are generally good.

## **Sales and Marketing**

Our established history of operations in the commercial vehicle business has resulted in a strong customer base that is diverse in terms of geography, industry and scale of operations. Our customers include national and regional truck fleets, corporations, local and state governments and owner-operators. During 2021, no single customer accounted for more than 10% of our sales by dollar volume. We generally promote our products and related services through direct customer contact by our sales personnel and advertising.

## Facility Management

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

*Compliance with Policies and Procedures.* Each Rush Truck Center is audited regularly for compliance with corporate policies and procedures. These internal audits objectively measure dealership performance with respect to corporate expectations in the management and administration of sales, commercial vehicle inventory, parts inventory, parts sales, service sales, collision center sales, corporate policy compliance and environmental and safety compliance matters.

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

*Commercial Vehicle Inventory Management.* We utilize our management information systems to monitor the inventory level of commercial vehicles at each of our dealerships and transfer new and used commercial vehicle inventory among Rush Truck Centers as needed.

*Parts Distribution and Inventory Management.* We utilize a parts inventory distribution and management system that allows for the prompt transfer of parts inventory among various Rush Truck Centers. The transfer of inventory reduces delays in delivery, helps maximize inventory turns and assists in controlling problems created by overstock and understock situations. Our network is linked to our major suppliers for purposes of ordering parts and managing parts inventory levels. Automated reordering and communication systems allow us to maintain proper parts inventory levels and permit us to have parts inventory delivered to our locations, or directly to customers, typically within 24 hours of an order being placed.

## Recent Acquisitions

On December 13, 2021, we completed the acquisition of certain of the assets of Summit Truck Group, LLC and certain of its subsidiaries and affiliates (collectively, "Summit"), which included full-service commercial vehicle dealerships and Idealease franchises in Arkansas, Kansas, Missouri, Tennessee and Texas. The acquisition included Summit's dealerships representing International, IC Bus, Idealease, Isuzu and other commercial vehicle manufacturers for a purchase price of approximately \$205.3 million, excluding the real property associated with the transaction. We financed approximately \$102.0 million of the purchase price under our floor plan and lease and rental truck financing arrangements and the remainder was paid in cash. In addition, we purchased certain real estate owned by Summit for a purchase price of approximately \$57.0 million, which was paid in cash.

On November 1, 2021, we acquired certain assets of Illinois Truck Centre, Inc., which included real estate in Elk Grove, Illinois, along with commercial vehicle parts inventory. The transaction was valued at approximately \$2.7 million, with the purchase price paid in cash. This location is operating as a full-service commercial vehicle dealership representing Hino and Isuzu.

On October 18, 2021, we acquired certain assets of Commercial Engine Service, Inc. located in Victorville, California, which included commercial vehicle parts inventory and a long-term lease of the facility. The transaction was valued at approximately \$4.3 million, with the purchase price paid in cash. This location is operating as a full-service commercial vehicle dealership representing Peterbilt.

## Competition

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

- the ability to keep customers' vehicles operational, which is dependent on the accessibility of dealership locations and the ability to attract and retain service technicians;
- the number of dealership locations representing the manufacturers that we represent and other manufacturers, which impacts manufacturers' ability to provide more consistent, higher quality service in a timely manner across their dealership networks;
- price, value, quality and design of the products sold; and
- our attention to customer service (including technical service).

Our dealerships compete with dealerships representing other manufacturers, including commercial vehicles manufactured by Mack, Freightliner, Kenworth and Volvo. We believe that our dealerships are able to compete with other franchised dealerships, independent service centers, parts wholesalers, commercial vehicle wholesalers, rental service companies and industrial auctioneers in distributing our products and providing service because of the following: the overall quality and reputation of the products we sell; the "Rush" brand name recognition and reputation for quality service; the geographic scope of our dealership network; the breadth of commercial vehicles offered in our dealership network; and our ability to provide comprehensive Aftermarket Products and Services, as well as financing, insurance and other customer services.

## Dealership Agreements

*Peterbilt.* We have entered into nonexclusive dealership agreements with Peterbilt that authorize us to act as a dealer of Peterbilt heavy- and medium-duty trucks. Our Peterbilt areas of responsibility currently encompass areas in the states of Alabama, Arizona, California, Colorado, Florida, Kentucky, Nevada, New Mexico, Oklahoma, Tennessee and Texas. These dealership agreements currently have terms expiring between March 2022 and September 2022. Our dealership agreements with Peterbilt may be terminated by Peterbilt in the event that the aggregate voting power of the estate of W. Marvin Rush, W.M. "Rusty" Rush, other members of the Rush family and certain executives of the Company decreases below 22%. Sales of new Peterbilt commercial vehicles accounted for approximately 31.8% of our total revenues for 2021.

*International.* We have entered into nonexclusive dealership agreements with Navistar that authorize us to act as a dealer of International heavy- and medium-duty trucks and, in certain markets, IC buses. Our Navistar areas of responsibility currently encompass areas in the states of Arkansas, Georgia, Idaho, Illinois, Indiana, Kansas, Missouri, North Carolina, Ohio, Tennessee, Utah and Virginia. These dealership agreements currently have terms expiring between December 2022 and December 2026. Sales of new International commercial vehicles accounted for approximately 10.3% of our total revenues for 2021.

*Other Commercial Vehicle Suppliers.* In addition to our dealership agreements with Peterbilt and Navistar, various Rush Truck Centers have entered into dealership agreements with other commercial vehicle manufacturers, including Blue Bird, and Micro Bird, which currently have terms expiring between August 2022 and August 2024 and Ford, Hino and Isuzu, which have perpetual terms. Sales of new non-Peterbilt and non-International commercial vehicles accounted for approximately 8.8% of our total revenues for 2021.

All of our dealership agreements impose certain operational obligations and financial requirements upon us and the relevant dealerships. In addition, each of our dealership agreements requires the consent of the relevant manufacturer for the sale or transfer of a franchise.

Any termination or nonrenewal of our dealership agreements must follow certain guidelines established by both state and federal legislation designed to protect motor vehicle dealers from arbitrary termination or nonrenewal of franchise agreements. The federal Automobile Dealers Day in Court Act and certain other similar state laws generally provide that the termination or nonrenewal of a motor vehicle dealership agreement must be done in "good faith" and upon a showing of "good cause" by the manufacturer for such termination or nonrenewal, as such terms have been defined by statute and interpreted in case law.



## **Floor Plan Financing**

Most of our commercial vehicle inventory purchases are made on terms requiring payment to the manufacturer within 15 days or less from the date the commercial vehicles are invoiced from the factory. We finance the majority of all new commercial vehicle inventory and the loan value of our used commercial vehicle inventory under our Fifth Amended and Restated credit agreement with BMO Harris Bank N.A. (“BMO Harris”) (the “Floor Plan Credit Agreement”). The Floor Plan Credit Agreement includes an aggregate loan commitment of \$1.0 billion. Borrowings under the Floor Plan Credit Agreement bear interest at an annual rate equal to (A) the greater of (i) zero and (ii) one month London Interbank Offered Rate (“LIBOR rate”), determined on the last day of the prior month, plus (B) 1.10% and are payable monthly. Loans under the Floor Plan Credit Agreement for the purchase of used inventory are limited to \$150.0 million and loans for working capital purposes are limited to \$200.0 million. The Floor Plan Credit Agreement expires on September 14, 2026, although BMO Harris has the right to terminate at any time upon 360 days written notice and we may terminate at any time, subject to specified limited exceptions. On December 31, 2021, we had approximately \$549.0 million outstanding under the Floor Plan Credit Agreement. The average daily outstanding borrowings under the Floor Plan Credit Agreement were \$381.0 million during the twelve months ended December 31, 2021. We utilize our excess cash on hand to pay down our outstanding borrowings under the Floor Plan Credit Agreement, and the resulting interest earned is recognized as an offset to our gross interest expense under the Floor Plan Credit Agreement.

## **Lease and Rental Fleet Financing**

On September 14, 2021, we entered into the WF Credit Agreement with the Lenders signatory thereto (the “WF Lenders”) and Wells Fargo Bank, National Association (“WF”), as Administrative Agent (in such capacity, the “WF Agent”). Pursuant to the terms of the WF Credit Agreement, the WF Lenders have agreed to make up to \$250.0 million of revolving credit loans for certain of our capital expenditures, including commercial vehicle purchases for our Idealease leasing and rental fleet, and general working capital needs. We expect to use the revolving credit loans available under the WF Credit Agreement primarily for the purpose of purchasing commercial vehicles for our Idealease lease and rental fleet. We may borrow, repay and reborrow amounts pursuant to the WF Credit Agreement from time to time until the maturity date. Borrowings under the WF Credit Agreement bear interest per annum, payable on each interest payment date, as defined in the WF Credit Agreement, at (A) the daily simple secured overnight financing rate (“SOFR”) rate plus (i) 1.25% or (ii) 1.5%, depending on our consolidated leverage ratio or (B) on or after the term SOFR transition date, the term SOFR rate plus (i) 1.25% or (ii) 1.5%, depending on our consolidated leverage ratio. The WF Credit Agreement expires on September 14, 2024, although, upon the occurrence and during the continuance of an event of default, the WF Agent has the right to, or upon the request of the required lenders must, terminate the commitments and declare all outstanding principal and interest due and payable. We may terminate the commitments at any time. On December 31, 2021, we had approximately \$149.9 million outstanding under the WF Credit Agreement.

On October 1, 2021, the Company entered into that certain Amended and Restated Inventory Financing and Purchase Money Security Agreement with PACCAR Leasing Company (“PLC”), a division of PACCAR Financial Corp. (the “PLC Agreement”). Pursuant to the terms of the PLC Agreement, PLC agreed to make up to \$300.0 million of revolving credit loans to finance certain of our capital expenditures, including commercial vehicle purchases and other equipment to be leased or rented through our PacLease franchises. We may borrow, repay and reborrow amounts pursuant to the PLC Agreement from time to time until the maturity date, provided, however, that the outstanding principal amount on any date shall not exceed the borrowing base. Advances under the PLC Agreement bear interest per annum, payable on the fifth day of the following month, at our option, at either (A) the prime rate, minus 1.55%, provided that the floating rate of interest is subject to a floor of 0%, or (B) a fixed rate, to be determined between us and PLC in each instance of borrowing at a fixed rate. The PLC Agreement expires on October 1, 2025, although either party has the right to terminate the PLC Agreement at any time upon 180 days written notice. If we terminate the PLC Agreement prior to October 1, 2025, then all payments will be deemed to be voluntary prepayments subject to a potential prepayment premium. On December 31, 2021, we had approximately \$185.0 million outstanding under the PLC Agreement.

## **Product Warranties**

The manufacturers we represent provide retail purchasers of their products with a limited warranty against defects in materials and workmanship, excluding certain specified components that are separately warranted by the suppliers of such components. We provide a warranty on our proprietary line of parts and related service and the

fuel systems manufactured by Momentum Fuel Technologies. We also provide an extended warranty beyond the manufacturer's warranty on new Blue Bird school buses that we sell in Texas, as required by state law.

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

## **Trademarks**

The trademarks and trade names of the manufacturers we represent, which are used in connection with our marketing and sales efforts, are subject to limited licenses included in our dealership agreements with each manufacturer. The licenses are for the same periods as our dealership agreements. These trademarks and trade names are widely recognized and are important in the marketing of our products. Each licensor engages in a continuous program of trademark and trade name protection. We hold registered trademarks from the U.S. Patent and Trademark Office for the following names used in this document: "Rush Enterprises," "Rush Truck Center" and "Momentum Fuel Technologies."

## **Seasonality**

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

## **Backlog**

On December 31, 2021, our backlog of commercial vehicle orders was approximately \$3,267.0 million, compared to a backlog of commercial vehicle orders of approximately \$1,247.2 million on December 31, 2020. This increase in our backlog is primarily due to production constraints experienced by the manufacturers we represent during 2021. Our backlog is determined quarterly by multiplying the number of new commercial vehicles for each particular type of commercial vehicle ordered by a customer at our Rush Truck Centers by the recent average selling price for that type of commercial vehicle. We include only confirmed orders in our backlog. However, such orders are subject to cancellation. In the event of order cancellation, we have no contractual right to the total revenues reflected in our backlog. The delivery time for a custom-ordered commercial vehicle varies depending on the truck specifications and demand for the particular model ordered. We sell the majority of our new heavy-duty commercial vehicles by customer special order and we sell the majority of our medium- and light-duty commercial vehicles out of inventory. Orders from a number of our major fleet customers are included in our backlog as of December 31, 2021, and we expect to fill the majority of our backlog orders during 2022.

## **Environmental Standards and Other Governmental Regulations**

We are subject to federal, state and local environmental laws and regulations governing the following: discharges into the air and water; the operation and removal of underground and aboveground storage tanks; the use, handling, storage and disposal of hazardous substances, petroleum and other materials; and the investigation and remediation of environmental impacts. As with commercial vehicle dealerships generally, and vehicle service, parts and collision center operations in particular, our business involves the generation, use, storage, handling and contracting for recycling or disposal of hazardous materials or wastes and other environmentally sensitive materials. We have incurred, and will continue to incur, capital and operating expenditures and other costs in complying with such laws and regulations.

Our operations involving the use, handling, storage and disposal of hazardous and nonhazardous materials are subject to the requirements of the federal Resource Conservation and Recovery Act, or RCRA, and comparable state statutes. Pursuant to these laws, federal and state environmental agencies have established approved methods for handling, storage, treatment, transportation and disposal of regulated substances with which we must comply. Our business also involves the operation and use of aboveground and underground storage tanks. These storage tanks are subject to periodic testing, containment, upgrading and removal under RCRA and comparable state statutes.

Furthermore, investigation or remediation may be necessary in the event of leaks or other discharges from current or former underground or aboveground storage tanks.

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

The federal Clean Water Act and comparable state statutes require containment of potential discharges of oil or hazardous substances, and require preparation of spill contingency plans. Water quality protection programs govern certain discharges from some of our operations. Similarly, the federal Clean Air Act and comparable state statutes regulate emissions of various air emissions through permitting programs and the imposition of standards and other requirements.

The Environmental Protection Agency (“EPA”) and the National Highway Traffic Safety Administration (“NHTSA”), on behalf of the U.S. Department of Transportation, issued rules associated with reducing greenhouse gas (“GHG”) emissions and improving the fuel efficiency of medium and heavy-duty trucks and buses for current model years through 2027. In addition, in August 2021, the President of the United States issued an executive order intended to increase fuel efficiency, further reduce GHG emissions and speed up the development of “zero-emission” vehicles. The executive order calls for the EPA and the Secretary of Transportation to adopt new rules and regulations for commercial vehicles starting as early as model year 2027. Similarly, in June 2020, the California Air Resources Board adopted a final rule that is intended to phase out the sale of diesel-powered commercial vehicles over time by requiring a certain percentage of each manufacturer’s commercial vehicles sold within the state to be “zero-emission vehicles,” or “near-zero emission vehicles,” starting in model year 2024. In addition, in July 2020, a group of fifteen U.S. states and the District of Columbia entered into a joint memorandum of understanding that commits each of them to work together to advance and accelerate the market for electric Class 3 through 8 commercial vehicles; one additional state signed in 2021. Four of the states that signed are states where we operate new commercial vehicle dealerships: California, Colorado, North Carolina and Virginia. The signatories to the memorandum all agreed on a goal of ensuring that 100% of new Class 3 through 8 commercial vehicles are zero emission by 2050, with an interim target of 30% zero emission by 2030. Attaining these goals would likely require the adoption of new laws and regulations and we cannot predict at this time whether such laws and regulations would have an adverse impact on our business. Additional regulations could result in increased compliance costs, additional operating restrictions or changes in demand for our products and services, which could have a material adverse effect on our business, financial condition and results of operations.

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

## Item 1A. Risk Factors

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

### Risks Related to Our Business Operations

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

At certain Rush Truck Centers, we operate as a dealer of Peterbilt trucks and parts pursuant to dealership agreements with Peterbilt, a division of PACCAR. We have no control over the management or operation of Peterbilt or PACCAR. During 2021, the majority of our revenues resulted from sales of trucks purchased from Peterbilt and parts purchased from PACCAR Parts. Due to our dependence on PACCAR and Peterbilt, we believe that our long-term success depends, in large part, on the following:

- our ability to maintain our dealership agreements with Peterbilt;
- the manufacture and delivery of competitively-priced, technologically current, high-quality Peterbilt trucks in quantities sufficient to meet our requirements;
- the overall success of PACCAR and Peterbilt;
- PACCAR's continuation of its Peterbilt division; and
- the maintenance of goodwill associated with the Peterbilt brand, which can be adversely affected by decisions made by PACCAR, Peterbilt and the owners of other Peterbilt dealerships.

A negative change in any of the preceding, or a change in control of PACCAR, could have a material adverse effect on our operations, revenues and profitability.

*We are dependent upon Navistar for the supply of International trucks and parts and IC buses and parts, the sale of which generate a significant portion of our revenues.*

At certain Rush Truck Centers, we operate as a dealer of International trucks and parts and IC buses and parts pursuant to dealership agreements with International and IC Bus, each of which are divisions of Navistar. We have no control over the management or operation of International, IC Bus or Navistar. During 2021, a significant portion of our revenues resulted from sales of trucks purchased from International, buses purchased from IC Bus and parts purchased from Navistar. Due to our dependence on Navistar, International and IC Bus, we believe that our long-term success depends, in large part, on the following:

- our ability to maintain our dealership agreements with International and IC Bus;
- the manufacture and delivery of competitively-priced, technologically current, high-quality International trucks and IC buses in quantities sufficient to meet our requirements;
- the overall success of Navistar; and
- the maintenance of goodwill associated with the International and IC Bus brands, which can be adversely affected by decisions made by Navistar and the owners of other International and IC Bus dealerships.

A negative change in any of the preceding, or a change in control of Navistar, could have a material adverse effect on our operations, revenues and profitability. On July 1, 2021, Navistar and Traton Group ("Traton"), a subsidiary of Volkswagen AG, closed on their previously announced merger agreement pursuant to which Traton

purchased all of Navistar's outstanding stock. We cannot predict how new ownership of Navistar might affect our business; provided, however, that at this time, our senior management is not aware of any circumstances associated with the change in ownership of Navistar that would result in a material adverse effect on our operations, revenues or profitability.

*COVID-19 has disrupted, and may continue to disrupt, our business, which could adversely affect our financial performance.*

In March 2020, the World Health Organization made the assessment that COVID-19 could be characterized as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. While our Rush Truck Centers have remained operational throughout the COVID-19 pandemic, the pandemic remains a fluid and evolving situation, and we cannot anticipate whether we may be forced to close any of our locations due to potential restrictions imposed by a governmental authority or due to a COVID-19 outbreak.

Some of the potential impacts to our business that we believe are directly related to the COVID-19 pandemic and that we are currently monitoring include, but are not limited to:

- The impact that the pandemic will have on our workforce availability. For example, in January 2022, as the number of COVID-19 cases increased throughout the country, we experienced our highest levels of pandemic-related employee absenteeism since the beginning of the pandemic, which directly impacted our ability to serve customers;
- The impact that the pandemic will have on the supply chains of the commercial vehicle manufacturers and parts manufacturers that we represent. For example, production shutdowns in 2021 for some of the manufacturers we represent led to supply constraints, which negatively impacted our results for 2021. We have been informed by the commercial vehicle manufacturers that we represent that production of commercial vehicles in 2022 will be allocated to all of their dealers based on historical purchases. While we do not expect our allocation of commercial vehicles to be less than the number of commercial vehicles we sold in 2021, there is still concern that component manufacturers' supply chain issues may limit certain of our commercial vehicle manufacturers' ability to meet demand throughout the year; and
- The impact of the pandemic on global capital markets, which depending on future developments, could impact our capital resources and liquidity in the future.

The potential impacts that we list above, and other impacts of the COVID-19 pandemic, are likely to also have the effect of heightening many of the other risk factors described herein.

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

We have entered into nonexclusive dealership agreements with Peterbilt that authorize us to act as a dealer of Peterbilt trucks. Peterbilt may terminate our dealership agreements in the event of a change of control of the Company or if we violate any number of provisions in the dealership agreements. Under our Peterbilt dealership agreements, the following constitute a change of control: (i) with respect to the election of directors, the aggregate voting power held by the estate of W. Marvin Rush, W. M. "Rusty" Rush, Scott Anderson, Derrek Weaver, Steven Keller and Corey Lowe, along with certain other persons who no longer work for the Company (collectively, the "Dealer Principals") decreases below 22% (the estate of W. Marvin Rush and such persons, excluding those who no longer work for the Company, controlled 42.5% of the aggregate voting power with respect to the election of directors as of December 31, 2021); or (ii) any person or entity other than the Dealer Principals and their respective associates, or any person or entity who has been approved in writing by PACCAR, owns common stock with a greater percentage of the voting power with respect to the election of our directors than the Dealer Principals and their respective associates, in the aggregate, or any person other than W. M. "Rusty" Rush, Robin M. Rush or any person who has been approved in writing by PACCAR holds the office of Chairman of the Board, President or Chief Executive Officer of the Company. We have no control over the transfer or disposition by the estate of W. Marvin Rush or W.M. "Rusty" Rush, or his estate, of their common stock. If the estate of W. Marvin Rush or W.M. "Rusty" Rush were to sell their Class B Common Stock or bequest their Class B Common Stock to a person or entity other than the Dealer Principals, or if their estates are required to liquidate their Class B Common Stock that they own, directly or indirectly, to pay estate taxes or otherwise, the change of control provisions of the Peterbilt dealership agreements may be triggered, which would give Peterbilt the right to terminate our dealership agreements. If our dealership agreements with Peterbilt are terminated, we will lose the right to purchase Peterbilt products and operate

as an authorized Peterbilt dealer, which would have a material adverse effect on our operations, revenues and profitability.

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

Our dealership agreements generally do not provide us with exclusive dealerships in any of the areas of responsibility assigned in each dealer agreement. The manufacturers we represent could elect to create additional dealers in our areas of responsibility in the future, subject to restrictions imposed by state laws. While dealership agreements typically restrict dealers from operating franchised sales or service facilities outside their areas of responsibility, such agreements do not restrict sales or marketing activity outside the areas of responsibility. Accordingly, we engage in sales and other marketing activities outside our assigned areas of responsibility and other dealers engage in similar activities within our areas of responsibility.

Our dealership agreements with the manufacturers we represent have current terms expiring between March 2022 and December 2026. Upon expiration of each agreement, we must negotiate a renewal. Management expects that, consistent with in some cases decades of past practice, each of our dealership agreements will be renewed or otherwise extended before its termination date, provided that we do not breach any of the material terms of such agreement.

Management attempts to mitigate the risk that any manufacturer would not renew a dealership agreement by providing superior representation of each brand that we represent in each of our areas of responsibility. We deliver superior representation to our manufacturers by continuously investing substantial capital into our dealership locations, marketing and personnel. Senior members of our management team also communicate with management of the manufacturers that we represent on a regular basis, which we believe allows us to identify any potentially problematic issues as early as possible so that we can begin working on mutually agreeable solutions. In addition to the proactive steps that management takes, the risks that our dealership agreements will not be renewed are also mitigated by dealer protection laws that exist in each of the states that our dealerships are located. Many of these state dealer franchise laws restrict manufacturers' ability to refuse to renew dealership agreements or to impose new terms upon renewal. However, to the extent such laws did allow for nonrenewal or the imposition of new terms, the relatively short terms would give manufacturers the opportunity to exercise such rights. Any nonrenewal or imposition of less favorable terms upon renewal could have an adverse impact on our business and in the case of the Peterbilt or Navistar dealership agreements, would have an adverse impact on our business.

*Our growth strategies may be unsuccessful if we are unable to successfully execute our strategic initiatives or identify and complete future acquisitions.*

Over the past few years, we have spent significant resources and efforts attempting to grow and enhance our Aftermarket Products and Services business and increase profitability through new business process management initiatives. These efforts require timely and continued investment in technology, facilities, personnel and financial and management systems and controls. We may not be successful in implementing all of the processes that are necessary to support any of our growth initiatives, which could result in our expenses increasing disproportionately to our incremental revenues, causing our operating margins and profitability to be adversely affected.

Historically, we have achieved a significant portion of our growth through acquisitions and we will continue to consider potential acquisitions on a selective basis. There can be no assurance that we will be able to identify suitable acquisition opportunities in the future or that we will be able to consummate any such transactions on terms and conditions acceptable to us. Moreover, there can be no assurance that we will obtain manufacturers' consents to acquisitions of additional franchises.

*In the long-term, technological advances in the commercial vehicle industry, including drivetrain electrification or other alternative fuel technologies, could have a material adverse effect on our business.*

The commercial vehicle industry is predicted to experience change over the long-term. We see these changes beginning to occur, as certain of the manufacturers we represent now have vehicles with electric drivetrains available for purchase. Technological advances, including with respect to drivetrain electrification or other alternative fuel technologies, could potentially have a material adverse effect on our parts and service business, as such vehicles are currently being described as potentially requiring less service and having fewer parts. The effect of these technological advances on our business is still uncertain, as there are many factors that are unknowable at this time, including when the infrastructure to support widespread adoption of such vehicles will be in place and

when such vehicles may be commercially available at price points that would lead to their widespread adoption. Regardless of where the industry goes with respect to alternative fuel vehicles, we believe that, due to the geographic reach of our dealership network, relationships with both the manufacturers we represent and our customers and our access to capital, we are well-positioned to serve our customers' evolving needs.

Similarly, although we are aware of ongoing efforts to facilitate the development of autonomous commercial vehicles, the eventual timing of the availability of autonomous commercial vehicles is uncertain due to regulatory requirements and additional technological requirements. The effect of autonomous commercial vehicles on the commercial vehicle industry is uncertain and could include changes in the level of new and used commercial vehicles sales, the price of new commercial vehicles, and the role of franchised dealers, any of which could materially adversely affect our business, financial condition and results of operations.

*Climate change concerns may impact our business in the future; natural disasters and adverse weather events can disrupt our business.*

The concerns over climate change may impact our business in the future. Our current business model depends on our ability to sell, and provide services to, commercial vehicles primarily powered by diesel and gasoline internal combustion engines, which result in greenhouse gas emissions. While the manufacturers we represent have made substantial progress in reducing the amount of greenhouse gas emissions that result from internal combustion engines, it is widely accepted that alternative fuel vehicles are necessary to address climate change. Reductions in the sale and use of commercial vehicles powered by internal combustion engines creates risks to our historical business operations and we cannot predict the future costs to our business resulting from these developments. However, we also believe that an industry transition away from internal combustion engines presents significant opportunities for us. Due in large part to the geographic reach of our dealership network, relationships with both the manufacturers we represent and our customers and our access to capital, we believe we are well-positioned to serve our customers' evolving needs and help them reduce their greenhouse gas emissions by helping them integrate more alternative fuel vehicles into their fleets and providing various services related thereto.

Scientific evidence suggests that a warming climate potentially results in an environment more prone to natural disasters, such as hurricanes and flooding. To date, we have seen increases in our cost to insure against such risks, which costs could continue to increase should this trend continue. Some of our dealerships are located in regions of the United States where natural disasters and severe weather events (such as hurricanes, earthquakes, fires, floods, tornadoes and hail storms) may disrupt our operations, which may adversely impact our business, results of operations, financial condition and cash flows. In addition to business interruption, our business is subject to substantial risk of property loss due to the significant concentration of property at dealership locations. Although we have substantial insurance to cover this risk, we may be exposed to uninsured or underinsured losses that could have a material adverse effect on our business, financial condition, results of operations or cash flows.

## **Risks Related to Financial and Economic Matters**

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

Our business requires new and used commercial vehicle inventories held for sale to be maintained at dealer locations in order to facilitate immediate sales to customers on demand. We generally purchase new and used commercial vehicle inventories with the assistance of floor plan financing agreements. Our primary floor plan financing agreement, the Floor Plan Credit Agreement, expires on September 14, 2026, and may be terminated without cause upon 360 days' notice. In the event that our floor plan financing becomes insufficient to satisfy our future requirements or our floor plan providers are unable to continue to extend credit under our floor plan agreements, we would need to obtain similar financing from other sources. There is no assurance that such additional floor plan financing or alternate financing could be obtained on commercially reasonable terms.

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

Our Floor Plan Credit Agreement and some of our other debt are subject to variable interest rates. Therefore, our interest expense would rise with any increase in interest rates. Currently, our outstanding borrowings under our Floor Plan Credit Agreement and certain other loan agreements are borrowed at LIBOR plus an applicable margin. Although LIBOR is no longer being used to price new loans, it is anticipated at this time that LIBOR quotes will be available for existing credit agreements until at least mid-2023. In the event that LIBOR quotes are no longer available, SOFR will replace LIBOR in certain of our credit agreements which currently use LIBOR, including our Floor Plan Credit Agreement. It is unclear how increased regulatory oversight and changes in the method for

determining benchmark interest rates may affect our results of operations or financial conditions. However, any rise in interest rates generally may also have the effect of depressing demand in the interest rate sensitive aspects of our business, particularly new and used commercial vehicle sales, because many of our customers finance such purchases. As a result, a rise in interest rates may have the effect of simultaneously increasing our costs and reducing our revenues, which could negatively affect our business, financial condition and results of operations. See “Quantitative and Qualitative Disclosures about Market Risk” for a discussion regarding our interest rate sensitivity.

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

We have a substantial amount of goodwill on our balance sheet as a result of acquisitions we have completed. Approximately 99% of this goodwill is concentrated in our Truck Segment. The carrying value of goodwill represents the fair value of an acquired business in excess of identifiable assets and liabilities as of the acquisition date. Goodwill is not amortized, but instead is evaluated for impairment at least annually, or more frequently if potential interim indicators exist that could result in impairment. In testing for impairment, if the carrying value of a reporting unit exceeds its current fair value as determined based on the discounted future cash flows of the reporting unit, the goodwill is considered impaired and is reduced to fair value via a non-cash charge to earnings. Events and conditions that could result in impairment include weak economic activity, adverse changes in the regulatory environment, any matters that impact the ability of the manufacturers we represent to provide us with commercial vehicles or parts, issues with our franchise rights, or other factors leading to reductions in expected long-term sales or profitability. Determination of the fair value of a reporting unit includes developing estimates that are highly subjective and incorporate calculations that are sensitive to minor changes in underlying assumptions. Changes in these assumptions or a change in the Company’s reportable segments could result in an impairment charge in the future, which could have a significant adverse impact on our reported earnings. See “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Critical Accounting Policies and Estimates — Goodwill” for more information regarding the potential impact of changes in assumptions.

*Our business is subject to a number of economic risks.*

New and used commercial vehicle retail sales tend to experience periods of decline when general economic conditions worsen. We may experience sustained periods of decreased commercial vehicle sales in the future. Any decline or change of this type could materially affect our business, financial condition and results of operations. In addition, adverse regional economic and competitive conditions in the geographic markets in which we operate could materially adversely affect our business, financial condition and results of operations. Our commercial vehicle sales volume therefore may differ from industry sales fluctuations.

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

*We depend on relationships with the manufacturers we represent and component suppliers for sales incentives, discounts and similar programs which are material to our operations.*

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

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

The success of each of our dealerships is dependent on the manufacturers represented at each dealership. Our ability to sell new vehicles that satisfy our customers’ demands and replacement parts is dependent on the ability of the manufacturers we represent to produce and deliver new vehicles and replacement parts to our dealerships. Additionally, our dealerships perform warranty work for vehicles under manufacturer product warranties, which are billed to the appropriate vehicle manufacturer or component supplier as opposed to invoicing our customer. We generally have significant receivables from vehicle manufacturers and component suppliers for warranty and service work performed for our customers. In addition, we rely on vehicle manufacturers and component suppliers to varying extents for product training, marketing materials, and other items for our stores. Our business, results of operations,



and financial condition could be materially adversely affected as a result of any event that has a material adverse effect on the vehicle manufacturers or component suppliers we represent.

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

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

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

As of December 31, 2021, our backlog of new commercial vehicle orders was approximately \$3,267.0 million. Our backlog is determined quarterly by multiplying the number of new commercial vehicles for each particular type of commercial vehicle ordered by a customer at our Rush Truck Centers by the recent average selling price for that type of commercial vehicle. We only include confirmed orders in our backlog. However, such orders are subject to cancellation. In the event of order cancellation, we have no contractual right to the total revenues reflected in our backlog.

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

### **Risks Related to Legal and Regulatory Matters**

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

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

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

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

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

Further, environmental laws and regulations are complex and subject to change. For example, in August 2021, the President of the United States issued an executive order intended to increase fuel efficiency, further reduce GHG emissions and speed up the development of “zero-emission” vehicles. The executive order calls for the EPA and the Secretary of Transportation to adopt new rules and regulations for commercial vehicles starting as early as model year 2027. Similarly, in July 2020, a group of fifteen U.S. states and the District of Columbia entered into a joint memorandum of understanding that commits each of them to work together to advance and accelerate the market for electric Class 3 through 8 commercial vehicles; one additional state signed in 2021. Four of the states that signed are states where we sell new commercial vehicles: California, Colorado, North Carolina and Virginia. The signatories to the memorandum all agreed on a goal of ensuring that 100% of new Class 3 through 8 commercial vehicles are zero emission by 2050, with an interim target of 30% zero emission by 2030. Attaining these goals would likely require the adoption of new laws and regulations and we cannot predict at this time whether such laws and regulations would have an adverse impact on our business. Compliance with current or amended, or new or more stringent, laws or regulations, stricter interpretations of existing laws or the future discovery of environmental conditions could require additional expenditures by us which could materially adversely affect our results of operations, financial condition or cash flows. In addition, such laws could affect demand for the products that we sell.

*Disruptions to our information technology systems and breaches in data or system security could adversely affect our business.*

We rely upon our information technology systems to manage all aspects of our business, including processing and recording sales to, and payments from, customers, managing inventory, communicating with manufacturers and vendors, processing employee payroll and benefits and financial reporting. Any inability to manage these systems, including with respect to matters related to system and data security, privacy, reliability, compliance, performance and access, as well as any inability of these systems to fulfill their intended purpose within our business, could have an adverse effect on our business. In addition, in the ordinary course of business, we collect and store sensitive data and information, including our proprietary business information and that of our customers, suppliers and business partners, as well as personally identifiable information about our employees and customers. Despite the security measures we have in place, our facilities and systems, and those of our third-party service providers, could be vulnerable to cyberattacks and other security breaches, computer viruses, lost or misplaced data, programming errors, human errors or other events, and such incidents can remain undetected for a period of time despite our best efforts to detect and respond to them in a timely manner. We routinely monitor our systems for cyber threats and have processes in place to detect and remediate vulnerabilities. Nevertheless, we have experienced occasional cyberattacks and attempted breaches, including phishing emails and ransomware infections. We detected and remediated all of these incidents, all of which we categorized as “commodity threats,” or general attacks common to companies connected to the internet and communicating via email. No known leakage of financial, technical or customer data occurred and none of the incidents had a material adverse effect on our business, operations, reputation, or consolidated results of operations or consolidated financial condition.

Any cyberattack, security breach or other event resulting in the misappropriation, loss, or other unauthorized disclosure of confidential information or personal identifiable information of employees or customers, whether by us directly or our third-party service providers, could adversely affect our business operations, sales, reputation with current and potential customers, associates or vendors and employees and result in litigation or regulatory actions, all of which could have a material adverse effect on our business and reputation.

*We are exposed to a variety of claims relating to our business and the liability associated with such claims may exceed the level of our insurance coverage.*

In the course of our business, we are exposed to claims for personal injury, death or property damage resulting from: (i) our customers’ use of commercial vehicles that we sell, service, lease or rent; (ii) our customers’ purchase of other products that we design, manufacture, sell or install, such as commercial vehicle parts, custom

vehicle modifications and CNG fuel systems; and (iii) injuries caused by motor vehicle accidents that our service or delivery personnel are involved in. In addition, we have employees who work remotely from time to time at certain customers' locations that are considered inherently dangerous, such as oil or gas well drilling sites, commercial construction sites and manufacturing facilities. We could also be subject to potential litigation associated with compliance with various laws and governmental regulations at the federal, state or local levels, such as those relating to vehicle and highway safety, health and workplace safety, security and employment-related claims.

We carry comprehensive liability insurance, subject to deductibles, at levels we believe are sufficient to cover existing and future claims. However, we may be exposed to claims for which coverage is not afforded or the damages exceed the limits of our insurance coverage or multiple claims causing us to incur significant out-of-pocket costs before reaching the deductible amount, all of which could adversely affect our financial condition and results of operations. In addition, the cost of such insurance policies may increase significantly upon renewal of those policies as a result of general rate increases for the type of insurance we carry as well as our historical experience and experience in our industry. Although we have not experienced any material losses that were not covered by insurance, our existing or future claims may exceed the coverage level of our insurance, and such insurance may not continue to be available on economically reasonable terms, or at all. If we are required to pay significantly higher premiums for insurance, are not able to maintain insurance coverage at affordable rates or if we must pay amounts in excess of claims covered by our insurance, we could experience higher costs that could adversely affect our financial condition and results of operations.

### **Risks Related to Our Common Stock**

*We are controlled by two shareholders and their affiliates.*

Collectively, the estate of W. Marvin Rush and W. M. "Rusty" Rush and their affiliates own approximately 0.5% of our issued and outstanding shares of Class A Common Stock and 50.0% of our issued and outstanding Class B Common Stock. The estate of W. Marvin Rush and W.M. "Rusty" Rush collectively control approximately 39.0% of the aggregate voting power of our outstanding shares, which is substantially more than any other person or group. The interests of the estate of W. Marvin Rush and W.M. "Rusty" Rush may not be consistent with the interests of all shareholders, or each other. As a result of such ownership, the estate of W. Marvin Rush and W.M. "Rusty" Rush have the ability to exercise substantial control over the Company, including with respect to the election of directors, the determination of matters requiring shareholder approval and other matters pertaining to corporate governance.

*Our dealership agreements could discourage another company from acquiring us.*

Our dealership agreements with Peterbilt impose ownership requirements on certain officers of the Company. All of our dealership agreements include restrictions on the sale or transfer of the underlying franchises. These ownership requirements and restrictions may prevent or deter prospective acquirers from acquiring control of us and, therefore, may adversely impact the value of our common stock.

Additionally, W. Marvin Rush and W.M. "Rusty" Rush granted Peterbilt a right of first refusal to purchase their respective shares of common stock in the event that they desire to transfer in excess of 100,000 shares in any 12-month period to any person other than an immediate family member, an associate or another Dealer Principal. However, in the case of the estate of W. Marvin Rush, certain shares of his Class B Common Stock of the Company are exempt from his rights of first refusal agreement. These rights of first refusal, the number of shares owned by the estate of W. Marvin Rush and W.M. "Rusty" Rush and their affiliates, the requirement in our dealership agreements that the Dealer Principals retain a controlling interest in us and the restrictions on the sale or transfer of our franchises contained in our dealer agreements, combined with the ability of the Board of Directors to issue shares of preferred stock without further vote or action by the shareholders, may discourage, delay or prevent a change in control without further action by our shareholders, which could adversely affect the market price of our common stock or prevent or delay a merger or acquisition that our shareholders may consider favorable.

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

*Our Class A Common Stock has limited voting power.*

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

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

The volume of trading in our Class B Common Stock varies greatly and may often be light. As of December 31, 2021, the three-month average daily trading volume of our Class B Common Stock was approximately 14,600 shares, with thirty days having a trading volume below 10,000 shares. If any large shareholder were to begin selling shares in the market, the added available supply of shares could cause the market price of our Class B Common Stock to drop. In addition, the lack of a robust resale market may require a shareholder to sell a large number of shares of our Class B Common Stock in increments over time to mitigate any adverse impact of the sales on the market price of our Class B Common Stock.

#### **Item 1B. Unresolved Staff Comments**

None.

#### **Item 2. Properties**

Our corporate headquarters are located in New Braunfels, Texas. As of December 2021, we also own or lease numerous facilities used in our operations in the following states: Alabama, Arizona, Arkansas, California, Colorado, Florida, Georgia, Idaho, Illinois, Indiana, Kansas, Kentucky, Missouri, New Mexico, Nebraska, Nevada, North Carolina, Ohio, Oklahoma, Pennsylvania, Tennessee, Texas, Utah and Virginia.

We lease a hangar in New Braunfels, Texas for the corporate aircraft. We also own and operate a guest ranch of approximately 10,500 acres near Cotulla, Texas, which is used for client development purposes.

#### **Item 3. Legal Proceedings**

From time to time, we are involved in litigation arising out of our operations in the ordinary course of business. We maintain liability insurance, including product liability coverage, in amounts deemed adequate by management. To date, aggregate costs to us for claims, including product liability actions, have not been material. However, an uninsured or partially insured claim, or claim for which indemnification is not available, could have a material adverse effect on our financial condition or results of operations. We believe that there are no claims or litigation pending, the outcome of which could have a material adverse effect on our financial position or results of operations. However, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on our financial condition or results of operations for the fiscal period in which such resolution occurred.

#### **Item 4. Mine Safety Disclosures**

Not applicable.

## PART II

### Item 5. Market for Registrant’s Common Equity, Related Shareholder Matters, and Issuer Purchases of Equity Securities

Our common stock trades on The NASDAQ Global Select Market<sup>SM</sup> under the symbols RUSHA and RUSHB. During 2021, our Board of Directors approved four quarterly cash dividends on all outstanding shares of common stock totaling \$0.74 per share. We expect to continue paying cash dividends on a quarterly basis. However, there is no assurance as to the payment of future dividends because the declaration and payment of such dividends is subject to the business judgment of our Board of Directors and will depend on historic and projected earnings, capital requirements, covenant compliance, financial conditions and such other factors as the Board of Directors deems relevant.

The following table sets forth the high and low sales prices for our Class A Common Stock and Class B Common Stock for the fiscal periods indicated and as quoted on The NASDAQ Global Select Market<sup>SM</sup> and dividends declared.

	2021			2020		
	Dividends Declared	High	Low	Dividends Declared	High	Low
<b><i>Class A Common Stock</i></b>						
First Quarter	\$ .18	\$ 51.92	\$ 39.21	\$ .09	\$ 31.22	\$ 18.17
Second Quarter	.18	51.98	41.06	.09	31.23	18.85
Third Quarter	.19	48.76	40.95	.09	34.65	26.45
Fourth Quarter	.19	57.66	45.00	.14	43.08	33.37
<b><i>Class B Common Stock</i></b>						
First Quarter	\$ .18	\$ 47.10	\$ 36.40	\$ .09	\$ 32.11	\$ 14.43
Second Quarter	.18	46.81	36.20	.09	27.30	17.40
Third Quarter	.19	47.40	36.21	.09	29.90	22.09
Fourth Quarter	.19	57.40	45.78	.14	38.38	28.67

As of February 4, 2022, there were approximately 20 record holders of Class A Common Stock and approximately 28 record holders of Class B Common Stock. On October 12, 2020, we effected a three-for-two stock split with respect to both our Class A and Class B Common Stock in the form of a stock dividend. The foregoing stock prices and the following share amounts have been adjusted to give retroactive effect to the stock split for all periods presented.

As of December 31, 2021, we have not sold any securities in the last three years that were not registered under the Securities Act.

A summary of our stock repurchase activity for the fourth quarter of 2021 is as follows:

Period	Total Number of Shares Purchased (1)(2)(3)	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (3)
October 1 – October 31, 2021	76,606	\$ 49.17 (4)	76,606	\$ 72,464,620
November 1 – November 30, 2021	63,273	54.02 (5)	63,273	69,044,644
December 1 – December 31, 2021	92,125	53.48 (6)	92,125	95,070,232
Total	232,004		232,004	

- (1) The calculation of the average price paid per share does not give effect to any fees, commissions or other costs associated with the repurchase of such shares.
- (2) The shares represent Class A and Class B Common Stock repurchased by us.

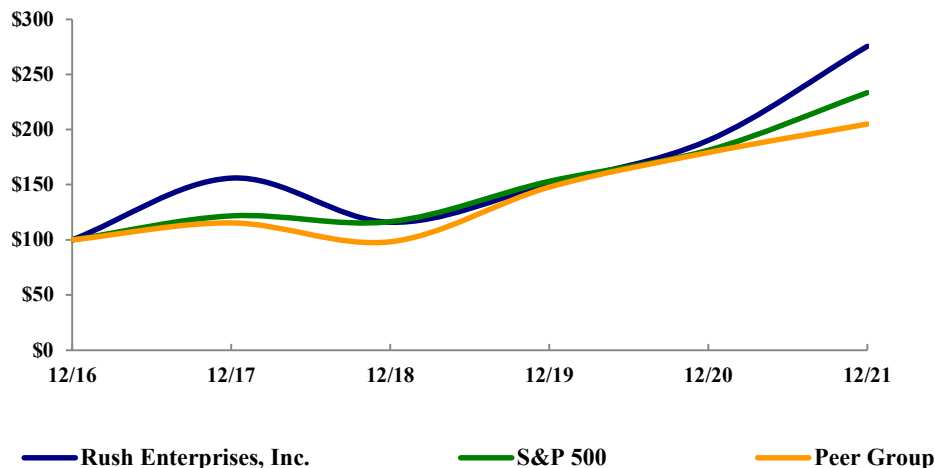
- (3) We repurchased shares in 2021 under a stock repurchase program announced on December 8, 2020, which authorized the repurchase of up to \$100.0 million of our shares of Class A Common Stock and/or Class B Common Stock. This plan was terminated effective December 1, 2021; we repurchased \$31.0 million shares of our Class A and Class B Common Stock under the plan prior to its termination. On November 30, 2021, we announced the approval of a new stock repurchase program, effective December 2, 2021, authorizing management to repurchase, from time to time, up to an aggregate of \$100.0 million of our shares of Class A Common Stock and/or Class B Common Stock.
- (4) Represents 43,331 shares of Class A Common Stock at an average price paid per share of \$49.20 and 33,275 shares of Class B Common Stock at an average price paid per share of \$49.14.
- (5) Represents 60,500 shares of Class A Common Stock at an average price paid per share of \$54.16 and 2,773 shares of Class B Common Stock at an average price paid per share of \$50.97.
- (6) Represents 52,190 shares of Class A Common Stock at an average price paid per share of \$54.09 and 39,935 shares of Class B Common Stock at an average price paid per share of \$52.69.

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

*Performance Graph*

The following graph shows the cumulative 5-Year total return as of December 31, 2021, of a \$100 investment in the Company’s common stock made on December 31, 2016 (with dividends reinvested), as compared with similar investments based on (i) the cumulative total returns of the S&P 500 Index (with dividends reinvested) and (ii) the cumulative total returns of a market-weighted Peer Group Index composed of the common stock of PACCAR, Inc., Werner Enterprises, Inc., Penske Automotive Group, Inc. and Lithia Motors, Inc., assuming reinvestment of dividends. The market-weighted Peer Group Index values were calculated from the beginning of the performance period. The historical stock price performance shown below is not necessarily indicative of future stock price performance.

**COMPARISON OF 5 YEAR CUMULATIVE TOTAL RETURN\***  
Among Rush Enterprises, Inc., the S&P 500 Index,  
and a Peer Group



\*\$100 invested on 12/31/16 in stock or index, including reinvestment of dividends. Fiscal year ending December 31.

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	December 31,					
	2016	2017	2018	2019	2020	2021
Rush Enterprises, Inc.	\$ 100.00	\$ 156.17	\$ 116.01	\$ 150.73	\$ 190.24	\$ 275.47
S&P 500	100.00	121.83	116.49	153.17	181.35	233.41
Peer Group	100.00	115.49	98.40	147.82	179.35	205.05

The foregoing performance graph shall not be deemed “soliciting material” or to be “filed” with the SEC for purposes of Section 18 of the Exchange Act, or otherwise subject to the liabilities under that Section, and shall not be deemed to be incorporated by reference into any filing of the Company under the Securities Act or the Exchange Act. The stock price performance included in this graph is not necessarily indicative of future stock price performance.

## Item 6. Selected Financial Data

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

	Year Ended December 31,		
	2021	2020	2019
<b>SUMMARY OF INCOME STATEMENT DATA</b>			
<b>(in thousands, except per share amounts)</b>			
<b>Revenues</b>			
New and used commercial vehicle sales	\$ 3,039,953	\$ 2,863,309	\$ 3,757,584
Aftermarket products and services sales	1,793,363	1,600,445	1,762,510
Lease and rental	247,234	236,223	247,549
Finance and insurance	27,964	21,949	24,443
Other	17,628	14,014	17,761
Total revenues	5,126,142	4,735,940	5,809,847
<b>Cost of products sold</b>	4,033,844	3,860,473	4,784,219
<b>Gross profit</b>	1,092,298	875,467	1,025,628
Selling, general and administrative	731,340	665,258	753,749
Depreciation and amortization	53,354	57,456	55,372
Gain (loss) on sale of assets	1,432	1,852	(102)
<b>Operating income</b>	309,036	154,605	216,405
Other income	6,417	6,132	1,925
Interest expense, net	1,770	9,014	28,807
<b>Income before income taxes</b>	313,683	151,723	189,523
Provision (benefit) for income taxes	72,268	36,836	47,940
<b>Net income</b>	\$ 241,415	\$ 114,887	\$ 141,583
<b>Net income per common share:</b>			
Basic	\$ 4.32	\$ 2.09	\$ 2.57
Diluted	\$ 4.17	\$ 2.04	\$ 2.51
<b>Cash dividends declared per share</b>	\$ 0.74	\$ 0.41	\$ 0.34
<b>Weighted average shares outstanding:</b>			
Basic	55,892	54,866	54,988
Diluted	57,878	56,242	56,356

	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>OPERATING DATA</b>			
Unit vehicle sales –			
New vehicles	23,259	23,113	31,675
Used vehicles	<u>7,527</u>	<u>7,400</u>	<u>7,741</u>
Total unit vehicles sales	30,786	30,513	39,416
Commercial vehicle lease and rental units	8,914	8,104	8,506

	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>(in thousands)</b>			
<b>BALANCE SHEET DATA</b>			
Working capital	\$ 320,950	\$ 330,932	\$ 205,162
Inventories	1,020,136	858,291	1,326,080
Total assets	3,119,977	2,985,393	3,407,329
Floor plan notes payable	630,731	511,786	996,336
Long-term debt, including current portion	334,926	529,654	627,678
Finance lease obligations, including current portion	116,530	117,113	92,370
Total shareholders' equity	1,466,749	1,268,037	1,159,493

## **Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**

### **Overview**

We are a full-service, integrated retailer of commercial vehicles and related services. We operate one segment - the Truck Segment. The Truck Segment operates a network of commercial vehicle dealerships primarily under the name "Rush Truck Centers." Most Rush Truck Centers are a franchised dealer for commercial vehicles manufactured by Peterbilt, International, Hino, Ford, Isuzu, IC Bus or Blue Bird. Through our strategically located network of Rush Truck Centers, we provide one-stop service for the needs of our commercial vehicle customers. We offer an integrated approach to meeting customer needs by providing service, parts and collision repair (collectively, "Aftermarket Products and Services") in addition to new and used commercial vehicle sales and leasing, insurance and financial services, vehicle upfitting, CNG fuel systems and vehicle telematics products.

Our goal is to continue to serve as the premier service solutions provider to the end-users of commercial vehicles. Our strategic efforts to achieve this goal include continuously expanding our portfolio of Aftermarket Products and Services, broadening the diversity of our commercial vehicle product offerings and extending our network of Rush Truck Centers. Our commitment to provide innovative solutions to service our customers' needs continues to drive our strong Aftermarket Products and Services revenues.

Our Aftermarket Products and Services include a wide range of capabilities and products such as providing parts, service and collision repairs at certain of our Rush Truck Centers, a fleet of mobile service units, technicians who work in our customers' facilities, a proprietary line of commercial vehicle parts and accessories, vehicle upfitting, a broad range of diagnostic and analysis capabilities, a suite of telematics products and assembly services for specialized bodies and equipment. Aftermarket Products and Services accounted for 62.7% of our total gross profits in 2021.

### **Stock Split**

On September 15, 2020, our Board of Directors declared a 3-for-2 stock split of our Class A common stock and Class B common stock, which was effected in the form of a stock dividend. On October 12, 2020, we distributed one additional share of stock for every two shares of Class A common stock, par value \$0.01 per share, and Class B common stock, par value \$0.01 per share, held by shareholders of record as of September 28, 2020. All share and per share data in this Form 10-K have been adjusted and restated to reflect the stock split as if it occurred on the first day of the earliest period presented.



## **The COVID-19 Pandemic and Its Impact on Our Business**

Our dealership network has remained operational since the beginning of the COVID-19 pandemic. While the COVID-19 pandemic is not over, business conditions have improved significantly since the second quarter of 2020. However, our industry continues to be impacted by supply chain issues generally believed to be attributable to the COVID-19 pandemic that are negatively affecting new commercial vehicle production and the availability of aftermarket parts.

### ***Commercial Vehicle Sales***

All of the commercial vehicle manufacturers that we represent resumed operations following any COVID-19 related shutdowns in 2020. However, supply chain delays related to commercial vehicle components have forced some of the manufacturers we represent to temporarily cease production at times and will limit the commercial vehicle industry's ability to meet demand for commercial vehicles throughout 2022. The decrease in the supply of new commercial vehicles has resulted in increased demand for used commercial vehicles.

### ***Aftermarket Products and Services***

With respect to our Aftermarket Products and Services departments, with some minor exceptions, our parts supply chain remained relatively uninterrupted during 2021 and our parts sales are back to pre-pandemic levels. We believe that the investments we made over the years with respect to our aftermarket strategic initiatives enabled us to mitigate some of the impact of the COVID-19 pandemic on our Aftermarket Products and Service business. However, with respect to parts availability going forward, we are dependent on our manufacturers and future production levels of certain parts and components are uncertain at this time. Although the supply chain disruptions are only impacting a small percentage of the parts we sell, any delay we experience in receiving a part has a corresponding delay in our completion of services on the commercial vehicle for which the part was ordered.

### ***Rental and Leasing Operations***

With respect to our rental and leasing operations, in 2020, we allowed certain credit-worthy customers serving industries that were dramatically impacted by the COVID-19 pandemic to skip up to three months of lease payments and either extend the lease term by three months or increase the remaining payments to keep the same lease term. These customers have resumed payments. Revenues from our rental and leasing operations are back to pre-pandemic levels.

### ***Liquidity***

As of December 31, 2021, we had \$148.1 million in cash. For further discussion of our liquidity, see the Liquidity and Capital Resources discussion set forth herein.

## **Summary of 2021**

Our results of operations for the year ended December 31, 2021 are summarized below as follows:

- Our gross revenues totaled \$5,126.1 million, an 8.2% increase from gross revenues of \$4,735.9 million in 2020.
- Gross profit increased \$216.8 million, or 24.8%, compared to 2020. Gross profit as a percentage of sales increased to 21.3% in 2021, from 18.5% in 2020.
- Our new Class 8 heavy-duty unit sales, which accounted for 4.9% of the total U.S. market, increased 3.6%, compared to 2020.
- Our new Class 4-7 medium-duty unit sales, including buses, which accounted for 4.2% of the total U.S. market, decreased 7.3%, compared to 2020.
- New light-duty truck unit sales increased 52.1% in 2021, compared to 2020.

- Used truck unit sales increased 1.7%, compared to 2020, however, used truck revenue increased 47.7%, compared to 2020 due to a sharp increase in used truck values.
- Aftermarket Products and Services revenues increased \$192.9 million, or 12.1%, to \$1,793.4 million, compared to \$1,600.4 million in 2020.
- Lease and rental revenues increased \$11.0 million, or 4.7%, to \$247.2 million, compared to 2020.
- Selling, General and Administrative (“SG&A”) expenses increased \$66.1 million, or 9.9%, to 731.3 million, compared to \$665.3 million in 2020.
- In October 2021, we acquired an independent parts and service facility in Victorville, California that has been converted into a full service Peterbilt dealership.
- In November 2021, we acquired a full-service Hino and Isuzu dealership in Elk Grove, Illinois.
- In December 2021, we acquired certain assets of The Summit Truck Group (“Summit”). The acquisition included full-service commercial vehicle dealerships and Idealease franchises in Arkansas, Kansas, Missouri, Tennessee and Texas. The acquisition included Summit’s dealerships representing International, IC Bus, Idealease, Isuzu and certain other commercial vehicle manufacturers.

## 2022 Outlook

According to A.C.T. Research Co., LLC (“A.C.T. Research”), a commercial vehicle industry data and forecasting service provider, new U. S. Class 8 truck retail sales are estimated to total 247,500 truck units in 2022, an 8.9% increase compared to 227,374 units sold in 2021. While demand for new commercial vehicles is currently strong, we believe that component supply chain issues will continue to delay production. In addition, we have been informed by the Class 8 manufacturers we represent that production of commercial vehicles in 2022 will be allocated to all of their dealers based on historical purchases. We believe that our allocation of commercial vehicles in 2022 will not be less than the number of commercial vehicles we sold in 2021.

We expect our market share of new Class 8 truck sales to range between 5.5% and 5.9% in 2022. This market share percentage would result in the sale of approximately 13,500 to 14,500 of new Class 8 trucks in 2022, based on A.C.T. Research’s current U.S. retail sales estimate of 247,500 units. This projected increase in market share in 2022, compared to 2021, is partially related to the December 2021 Summit acquisition.

According to A.C.T. Research, new U. S. Class 4 through 7 commercial vehicle retail sales are estimated to total 263,700 units in 2022, a 5.6% increase compared to 249,753 units sold in 2021. We expect our market share of new Class 4 through 7 commercial vehicle sales to range between 4.6% and 4.9% in 2022. This market share percentage would result in the sale of approximately 12,000 to 13,000 of new Class 4 through 7 commercial vehicles in 2022, based on A.C.T. Research’s current U.S. retail sales estimates of 263,700 units. This projected increase in market share in 2022, compared to 2021, is partially related to the December 2021 Summit acquisition.

We expect to sell approximately 1,700 light-duty vehicles and approximately 7,100 to 7,400 used commercial vehicles in 2022.

We expect lease and rental revenue to increase 25% to 30% during 2022, compared to 2021. This projected increase in lease and rental revenue in 2022, compared to 2021, is primarily related to the acquisition of the Summit Idealease locations in December 2021.

We continue to make progress on our strategic initiatives to increase our Aftermarket Products and Services revenues. We believe our Aftermarket Products and Services revenues will increase 15% to 20% in 2022, compared to 2021. This projected increase in Aftermarket Products and Services revenues in 2022, compared to 2021, is related to price increases by the manufacturers of parts we sell and the December 2021 Summit acquisition.

## **Key Performance Indicator**

*Absorption Ratio.* Management uses several performance metrics to evaluate the performance of our commercial vehicle dealerships and considers Rush Truck Centers' "absorption ratio" to be of critical importance. Absorption ratio is calculated by dividing the gross profit from our Aftermarket Products and Services departments by the overhead expenses of all of a dealership's departments, except for the selling expenses of the new and used commercial vehicle departments and carrying costs of new and used commercial vehicle inventory. When 100% absorption is achieved, all of the gross profit from the sale of a commercial vehicle, after sales commissions and inventory carrying costs, directly impacts operating profit. Our commercial vehicle dealerships achieved a 129.8% absorption ratio for the year ended December 31, 2021 and 118.7% absorption ratio for the year ended December 31, 2020.

## **Critical Accounting Policies and Estimates**

Our discussion and analysis of our financial condition and results of operations are based on our consolidated financial statements, which have been prepared in accordance with U.S. generally accepted accounting principles. The preparation of these consolidated financial statements requires us 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. We believe the following accounting policies affect our more significant judgments and estimates used in the preparation of our consolidated financial statements.

### ***Inventories***

Inventories are stated at the lower of cost or net realizable value. Cost is determined by specific identification of new and used commercial vehicle inventory and by the first-in, first-out method for tires, parts and accessories. 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 less a reasonable profit margin.

### ***Purchase Price Allocation, Intangible Assets and Goodwill***

The purchase price allocation for business combinations and asset acquisitions requires the use of accounting estimates and judgments to allocate the purchase price to the identifiable tangible and intangible assets acquired and liabilities assumed based on their respective fair values. We determine whether substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this threshold is met, the single asset or group of assets, as applicable, is not a business. If it is not met, we determine whether the single asset or group of assets, as applicable, meets the definition of a business.

In connection with our business combinations, we recorded certain intangible assets, including franchise rights. We periodically review the estimated useful lives and fair values of our identifiable intangible assets, taking into consideration any events or circumstances that might result in a diminished fair value or revised useful life.

The excess purchase price over the fair value of assets acquired is recorded as goodwill. We test goodwill for impairment annually in the fourth quarter, or whenever events or changes in circumstances indicate an impairment may have occurred. Because we operate a single reporting unit, the Truck Segment, the impairment test is performed at that level by comparing the estimated fair value of the reporting unit to the carrying value of the reporting unit. We estimate the fair value of the reporting unit using a "step one" analysis using a fair-value-based approach based on a discounted cash flow analysis of projected future results to determine if it is more likely than not that the fair value of a reporting unit is less than its carrying amount. Determining the fair value of goodwill is subjective in nature and often involves the use of estimates and assumptions including, without limitation, use of estimates of future prices and volumes for our products, capital needs, economic trends and other factors which are inherently difficult to forecast. If actual results, or the plans and estimates used in future impairment analyses are lower than the original estimates used to assess the recoverability of these assets, we could incur impairment charges in a future period. The annual impairment test was performed in the fourth quarter of 2021. No impairment of goodwill was identified during 2021.

### ***Insurance Accruals***

We are partially self-insured for a portion of the claims related to our property and casualty insurance programs, which requires us to make estimates regarding expected losses to be incurred. We engage a third-party administrator to assess any open claims and we adjust our accrual accordingly on a periodic basis. We are also partially self-insured for a portion of the claims related to our workers' compensation and medical insurance programs. We use 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 our reserve for claims and financial position, results of operations and cash flows. We do not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions we used to calculate our self-insured liabilities. However, if actual results are not consistent with our estimates or assumptions, we may be exposed to losses or gains that could be material.

### ***Accounting for Income Taxes***

Management's 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 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.

Our 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 our various tax filing positions, we adjust our 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.

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

### ***Revenue Recognition***

We recognize revenue when our customer obtains control of promised goods or services, in an amount that reflects the consideration which we expect to receive in exchange for those goods or services. To determine revenue recognition for arrangements that we determine are within the scope of ASU 2014-09, "*Revenue from Contracts with Customers*" ("*Topic 606*"), we perform the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) we satisfy a performance obligation. We only apply the five-step model to contracts when it is probable that we will collect the consideration we are entitled to in exchange for the goods or services we transfer to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, we assess the goods or services promised within each contract and determine those that are performance obligations. We then assess whether each promised good or service is distinct and recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied.

### ***Leases***

We lease commercial vehicles and real estate under finance and operating leases. We determine whether an arrangement is a lease at its inception. For leases with terms greater than twelve months, we record a lease asset and liability at the present value of lease payments over the term. Many of our leases include renewal options and termination options that are factored into our determination of lease payments when appropriate.

When available, we use the rate implicit in the lease to discount lease payments to present value; however, most of our leases do not provide a readily determinable implicit rate. Therefore, we must estimate our incremental borrowing rate to discount the lease payments based on information available at lease commencement.

We lease commercial vehicles that we own to customers. Lease and rental revenue is recognized over the period of the related lease or rental agreement. Variable rental revenue is recognized when it is earned.

### ***Allowance for Credit Losses***

All trade receivables are reported on the consolidated balance sheet at their cost basis adjusted for any write-offs and net of allowances for credit losses. We maintain allowances for credit losses, which represent an estimate of expected losses over the remaining contractual life of our receivables after considering current market conditions and estimates for supportable forecasts, when appropriate. The estimate is a result of our ongoing assessments and evaluations of collectability, historical loss experience, and future expectations in estimating credit losses in each of our receivable portfolios (commercial vehicle receivables, manufacturers' receivables, parts and service receivables, leasing receivables and other trade receivables). For trade receivables, we use the probability of default and our historical loss experience rates by portfolio and apply them to a related aging analysis while also considering customer and economic risk where appropriate. Determination of the proper amount of allowances by portfolio requires us to exercise our judgment about the timing, frequency and severity of credit losses that could materially affect the provision for credit losses and, as a result, net earnings. The allowances take into consideration numerous quantitative and qualitative factors that include receivable type, historical loss experience, collection experience, current economic conditions, estimates for supportable forecasts (when appropriate) and credit risk characteristics.

### **Results of Operations**

The following discussion and analysis includes our historical results of operations for 2021, 2020 and 2019. The following table sets forth for the years indicated certain financial data as a percentage of total revenues:

	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
New and used commercial vehicle sales	59.3 %	60.5 %	64.7 %
Aftermarket Products and Services sales	35.0	33.8	30.3
Lease and rental	4.8	5.0	4.3
Finance and insurance	0.6	0.4	0.4
Other	0.3	0.3	0.3
Total revenues	<u>100.0</u>	<u>100.0</u>	<u>100.0</u>
Cost of products sold	<u>78.7</u>	<u>81.5</u>	<u>82.3</u>
Gross profit	21.3	18.5	17.7
Selling, general and administrative	14.3	14.0	13.0
Depreciation and amortization	1.0	1.2	1.0
Gain (loss) on sale of assets	<u>0.0</u>	<u>0.0</u>	<u>0.0</u>
Operating income	6.0	3.3	3.7
Other income	0.1	0.1	0.0
Interest expense, net	0.0	0.2	0.5
Income from continuing operations before income taxes	6.1	3.2	3.2
Provision (benefit) for income taxes	<u>1.4</u>	<u>0.8</u>	<u>0.8</u>
Net income	<u>4.7 %</u>	<u>2.4 %</u>	<u>2.4 %</u>

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

	2021	2020	2019	% Change	
				2021 vs 2020	2020 vs 2019
<b>Vehicle unit sales:</b>					
New heavy-duty vehicles	11,052	10,670	14,986	3.6%	-28.8%
New medium-duty vehicles	10,485	11,311	14,470	-7.3%	-21.8%
New light-duty vehicles	1,722	1,132	2,219	52.1%	-49.0%
Total new vehicle unit sales	23,259	23,113	31,675	0.6%	-27.0%
Used vehicles sales	7,527	7,400	7,741	1.7%	-4.4%
<b>Vehicle revenue:</b>					
New heavy-duty vehicles	\$ 1,661.9	\$ 1,587.9	\$ 2,192.3	4.7%	-27.6%
New medium-duty vehicles	857.1	919.7	1,124.0	-6.8%	-18.2%
New light-duty vehicles	79.4	50.1	90.6	58.5%	-44.7%
Total new vehicle revenue	\$ 2,598.4	\$ 2,557.7	\$ 3,406.9	1.6%	-24.9%
Used vehicle revenue	\$ 430.4	\$ 291.5	\$ 330.3	47.7%	-11.7%
Other vehicle revenue:(1)	\$ 11.2	\$ 14.1	\$ 20.4	-20.6%	-30.9%
<b>Dealership absorption ratio:</b>	129.8%	118.7%	120.2%	9.4%	-1.2%

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

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

	2021	2020	2019
Gross Profit:			
New and used commercial vehicle sales	27.7 %	25.3 %	27.0 %
Aftermarket products and services sales	62.7	66.7	64.9
Lease and rental	5.4	3.9	4.0
Finance and insurance	2.6	2.5	2.4
Other	1.6	1.6	1.7
Total gross profit	100.0 %	100.0 %	100.0 %

## Industry

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

### *Heavy-Duty Truck Market*

The U.S. retail heavy-duty truck market is affected by a number of factors, including general economic conditions, fuel prices, other methods of transportation, environmental and other government regulation, interest rate fluctuations and customer business cycles. According to data published by A.C.T. Research, total U.S. retail sales of new Class 8 trucks have ranged from a low of approximately 110,000 in 2010 to a high of approximately 281,440 in 2019. Class 8 trucks are defined by the American Automobile Association as trucks with a minimum gross vehicle weight rating above 33,000 pounds.

Typically, Class 8 trucks are assembled by manufacturers utilizing certain components that may be manufactured by other companies, including engines, transmissions, axles, wheels and other components. As commercial vehicles and certain commercial vehicle components have become increasingly complex, the ability to provide service for commercial vehicles has become an increasingly 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. EPA and Department of Transportation regulatory guidelines for service

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

A.C.T. Research currently estimates approximately 247,500 new Class 8 trucks will be sold in the United States in 2022, compared to approximately 227,374 new Class 8 trucks sold in 2021. A.C.T. Research currently forecasts sales of new Class 8 trucks in the U.S. to be approximately 287,000 in 2023.

#### *Medium-Duty Truck Market*

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

A.C.T. Research currently forecasts sales of new Class 4 through 7 commercial vehicles in the U.S. to be approximately 263,700 units in 2022, compared to 249,753 units in 2021. A.C.T. Research currently forecasts sales of new Class 4 through 7 commercial vehicles in the U.S. to be approximately 279,100 in 2023.

### **Year Ended December 31, 2021 Compared to Year Ended December 31, 2020**

#### *Revenues*

Total revenues increased \$390.2 million, or 8.2%, in 2021, compared to 2020.

Our Aftermarket Products and Services revenues increased \$192.9 million, or 12.1%, in 2021, compared to 2020. This increase was primarily due to the continued recovery of the national economy and strong demand for aftermarket parts and services.

Our revenues from sales of new and used commercial vehicles increased \$176.6 million, or 6.2%, in 2021, compared to 2020. This increase was also primarily due to the continued recovery of the national economy, which has led to strong freight rates throughout the country and strong demand for commercial vehicles and aftermarket parts and services.

We sold 11,052 new heavy-duty trucks in 2021, a 3.6% increase compared to 10,670 new heavy-duty trucks in 2020. Our share of the new U.S. Class 8 commercial vehicle sales market decreased to approximately 4.9% in 2021, from 5.5% in 2020. Our new Class 8 truck sales were negatively impacted by commercial vehicle production constraints that affected the manufacturers we represent.

We sold 10,485 new medium-duty commercial vehicles, including 959 buses, in 2021, a 7.3% decrease compared to 11,311 new medium-duty commercial vehicles, including 1,097 buses, in 2020. In 2021, we achieved a 4.2% share of the Class 4 through 7 commercial vehicle market in the U.S., compared to 4.9% in 2020. Our new Class 4 through 7 commercial vehicle sales were negatively impacted by new commercial vehicle production constraints that affected the manufacturers we represent.

We sold 1,722 new light-duty vehicles in 2021, a 52.1% increase compared to 1,132 new light-duty vehicles in 2020. Our light-duty vehicle sales benefited from the increased demand for light-duty vehicles in the U.S.

We sold 7,527 used commercial vehicles in 2021, a 1.7% increase compared to 7,400 used commercial vehicles in 2020. Demand for used commercial vehicles remained strong in 2021, driven in large part by production constraints for new Class 8 trucks. However, the number of used commercial vehicles we will be able to sell depends on our ability to acquire quality used commercial vehicle inventory. We believe used truck demand and values will decrease when new truck production increases to a level adequate to meet customer demand; however, we believe demand for used trucks will remain strong throughout 2022.

Commercial vehicle lease and rental revenues increased \$11.0 million, or 4.7%, in 2021, compared to 2020. The increase is primarily due to increased rental fleet utilization and strong demand for vehicles to lease, which is partly due to the limited supply of new commercial vehicles.

Finance and insurance revenues increased \$6.0 million, or 27.4%, in 2021, compared to 2020. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of our operating profits. We expect finance and insurance revenues to fluctuate proportionately with our new and used commercial vehicle sales in 2022.

Other revenues increased \$3.6 million, or 25.8% in 2021, compared to 2020. Other revenues consist primarily of document fees related to commercial vehicle sales.

### *Gross Profit*

Gross profit increased \$216.8 million, or 24.8%, in 2021, compared to 2020. Gross profit as a percentage of sales increased to 21.3% in 2021, from 18.5% in 2020. This increase in gross profit as a percentage of sales is a result of increased gross margins across our operations.

Gross margins from our Aftermarket Products and Services operations increased to 38.1% in 2021, from 36.5% in 2020. This increase is primarily related to the increase in parts rebates from parts suppliers and increases in parts list pricing by the manufacturers we represent, which lead to increased margins on parts sales with respect to inventory acquired prior to the manufacturers' price increases, compared to 2020. Gross profit for Aftermarket Products and Services increased to \$684.1 million in 2021, from \$583.9 million in 2020. Historically, parts operations' gross margins range from 28% to 30% and service and collision center operations range from 66% to 68%. Gross profits from parts sales represented 61.4% of total gross profit for Aftermarket Products and Services operations in 2021 and 59.4% in 2020. Service and collision center operations represented 38.6% of total gross profit for Aftermarket Products and Services operations in 2021 and 40.6% 2020. We expect blended gross margins on Aftermarket Products and Services operations to range from 37.5% to 38.5% in 2022.

Gross margins on new Class 8 truck sales increased to 9.0% in 2021, from 8.2% in 2020. This increase is primarily due to strong demand for Class 8 trucks and the mix of purchasers during 2021. In 2022, we expect overall gross margins from new heavy-duty truck sales of approximately 8.0% to 9.0%.

Gross margins on new Class 4 through 7 commercial vehicle sales increased to 7.8% in 2021, from 6.3% in 2020. This increase is primarily due to the mix of purchasers during 2021. For 2022, we expect overall gross margins from new medium-duty commercial vehicle sales of approximately 7.0% to 8.0%, but this will largely depend upon the mix of purchasers and types of vehicles sold.

Gross margins on used commercial vehicle sales increased to 18.7% in 2021, from 9.9% in 2020. This increase in margins in 2021 was primarily due to the increase in used truck values due to strong demand for used commercial vehicles. The lower margins that we recognized in 2020 were due to weak demand for used trucks in early 2020 caused by the beginning of the COVID-19 pandemic and the write-down of used truck inventory values to account for extremely weak market conditions at that time. We expect margins on used commercial vehicles to gradually decrease throughout 2022 and reach their historical range between 8.0% and 10.0% by the end of 2022.

Gross margins from commercial vehicle lease and rental sales increased to 23.9% in 2021, from 14.3% in 2020. This increase is primarily related to increased rental fleet utilization and changes to the way we finance commercial vehicles for our lease and rental fleet. In the third quarter of 2021, we entered into the WF Credit Agreement that allows us to finance a portion of our Idealease lease and rental fleet through a general borrowing facility. In October of 2021, we entered into the PLC Agreement with PLC in the amount of \$300.0 million to be used in connection with the acquisition of PacLease lease and rental fleet vehicles. The interest associated with the WF Credit Agreement and the PLC Agreement is recorded in interest expense on the Consolidated Statement of Income and was \$2.4 million during 2021. Prior to the WF Credit Agreement and the PLC Agreement, interest expense associated with our lease and rental fleet purchases was recorded in cost of sales because each borrowing was directly related to each lease and rental vehicle purchased. This change in the structure of financing of our lease and rental fleet results in increased gross margins from our commercial vehicle lease and rental sales. We expect gross margins from lease and rental sales of approximately 31.0% to 33.0% during 2022. Our policy is to depreciate our lease and rental fleet using a straight-line method over each 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



us 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 revenues, as described above, have limited direct costs and, therefore, contribute a disproportionate share of gross profit.

#### *Selling, General and Administrative Expenses*

SG&A expenses increased \$66.1 million, or 9.9%, in 2021, compared to 2020. This increase resulted primarily from increased personnel expense and increased selling expense, compared to 2020. SG&A expenses as a percentage of total revenues increased to 14.3% in 2021, from 14.0% in 2020. Annual SG&A expenses as a percentage of total revenues have ranged from approximately 12.4% to 14.3% over the last five years. In general, when new and used commercial vehicle revenues decrease as a percentage of total revenues, SG&A expenses as a percentage of total revenues will be at the higher end of this range. For 2022, we expect SG&A expenses as a percentage of total revenues to range from 13.0% to 14.0%, due to the increase in revenues from sales of new and used commercial vehicle and Aftermarket Products and Services. For 2022, we expect the selling portion of SG&A expenses to be approximately 25.0% to 30.0% of new and used commercial vehicle gross profit.

#### *Depreciation and Amortization Expense*

Depreciation and amortization expense decreased \$4.1 million, or 7.1%, in 2021, compared to 2020.

#### *Interest Expense, Net*

Net interest expense decreased \$7.2 million, or 80.4%, in 2021, compared to 2020. This decrease was primarily attributable to the decrease in floorplan liability due to lower commercial vehicle inventory levels, the product mix of our commercial vehicle inventory and reduced real estate debt. During 2021, a higher portion of our vehicle inventory was from commercial vehicle manufacturers that were offering more favorable floorplan terms than in 2020. We expect net interest expense in 2022 to increase due to interest related to lease and rental borrowings, but the amount of the increase will depend on inventory levels, interest rate fluctuations and the amount of cash available to make prepayments on our floor plan arrangements.

#### *Income before Income Taxes*

Income before income taxes increased \$162.0 million, or 106.7%, in 2021, compared to 2020, as a result of the factors described above.

#### *Income Taxes*

Income tax expense increased \$35.4 million, or 96.2%, in 2021, compared to 2020, as a result of the factors described above. We provided for taxes at a 23.0% effective rate in 2021, compared to an effective rate of 24.3% in 2020. We expect our effective tax rate to be approximately 23.0% to 24.0% of pretax income in 2022.

### **Year Ended December 31, 2020 Compared to Year Ended December 31, 2019**

For a discussion of information on the year ended December 31, 2020, refer to Part II Item 7 in the 2020 Annual Report on Form 10-K.

[https://www.sec.gov/ix?doc=/Archives/edgar/data/1012019/000143774921003966/rusha20201231\\_10k.htm](https://www.sec.gov/ix?doc=/Archives/edgar/data/1012019/000143774921003966/rusha20201231_10k.htm)

### **Liquidity and Capital Resources**

Our short-term cash requirements are primarily for working capital, inventory financing, the renovation and expansion of existing facilities and the construction or purchase of new facilities. Historically, these cash requirements have been met through the retention of profits, borrowings under our floor plan arrangements and bank financings. As of December 31, 2021, we had working capital of approximately \$321.0 million, including \$148.1 million in cash, available to fund our operations. From time to time, we utilize our excess cash on hand to pay down our outstanding borrowings under our Floor Plan Credit Agreement, and the resulting interest earned is recognized as an offset to our gross interest expense under the Floor Plan Credit Agreement.

We continually evaluate our liquidity and capital resources based upon: (i) our cash and cash equivalents on hand; (ii) the funds that we expect to generate through future operations; (iii) current and expected borrowing availability under our secured line of credit, working capital lines of credit available under certain of our credit agreements and our Floor Plan Credit Agreement; and (iv) the potential impact of our capital allocation strategy and any contemplated or pending future transactions, including, but not limited to, acquisitions, equity repurchases, dividends, or other capital expenditures. We believe we will have sufficient liquidity to meet our debt service and working capital requirements, commitments and contingencies, debt repayments, acquisitions, capital expenditures and any operating requirements for at least the next twelve months.

We have a secured line of credit that provides for a maximum borrowing of \$15.0 million. There were no advances outstanding under this secured line of credit at December 31, 2021, however, \$14.3 million was pledged to secure various letters of credit related to self-insurance products, leaving \$0.7 million available for future borrowings as of December 31, 2021.

Our long-term debt, floor plan financing agreements and the WF Credit Agreement require us to satisfy various financial ratios such as the leverage ratio, the asset coverage ratio and the fixed charge coverage ratio. As of December 31, 2021, we were in compliance with all debt covenants related to debt secured by lease and rental units, our floor plan credit agreements and the WF Credit Agreement. We do not anticipate any breach of the covenants in the foreseeable future.

We expect to purchase or lease commercial vehicles worth approximately \$150.0 million to \$170.0 million for our leasing operations during 2022, depending on customer demand, most of which will be financed. We also expect to make capital expenditures for the purchase of recurring items such as computers, shop tools and equipment and Company vehicles of approximately \$30.0 million to \$35.0 million during 2022.

During the fourth quarter of 2021, we paid a cash dividend of \$10.6 million. Additionally, on February 15, 2022, our Board of Directors declared a cash dividend of \$0.19 per share of Class A and Class B Common Stock, to be paid on March 15, 2022, to all shareholders of record as of February 28, 2022. The total dividend disbursement is estimated to be approximately \$10.6 million. We expect to continue paying cash dividends on a quarterly basis. However, there is no assurance as to future dividends because the declaration and payment of such dividends is subject to the business judgment of our Board of Directors and will depend on historic and projected earnings, capital requirements, covenant compliance and financial conditions and such other factors as our Board of Directors deem relevant.

On November 30, 2021, we announced that our Board of Directors approved a new stock repurchase program authorizing management to repurchase, from time to time, up to an aggregate of \$100.0 million of our shares of Class A Common Stock and/or Class B Common Stock. In connection with the adoption of the new stock repurchase plan, we terminated the prior stock repurchase plan, which was scheduled to expire on December 31, 2021. Repurchases, if any, will be made at times and in amounts as we deem appropriate and may be made through open market transactions at prevailing market prices, privately negotiated transactions or by other means in accordance with federal securities laws. The actual timing, number and value of repurchases under the stock repurchase program will be determined by management at its discretion and will depend on a number of factors, including market conditions, stock price and other factors, including those related to the ownership requirements of our dealership agreements with Peterbilt. As of December 31, 2021, we had repurchased \$4.9 million of our shares of common stock under the current stock repurchase program. The current stock repurchase program expires on December 31, 2022, and may be suspended or discontinued at any time.

We anticipate funding the capital expenditures for the improvement and expansion of existing facilities and recurring expenses through our operating cash flows. We have the ability to fund the construction or purchase of new facilities through our operating cash flows or by financing.

We have no other material commitments for capital expenditures as of December 31, 2021. However, we will continue to purchase vehicles for our lease and rental operations and authorize capital expenditures for the improvement or expansion of our existing dealership facilities and construction or purchase of new facilities based on market opportunities.

## **Cash Flows**

Cash and cash equivalents decreased by \$163.9 million during the year ended December 31, 2021, compared to the year ended December 31, 2020, and increased by \$130.4 million during the year ended December

31, 2020, compared to the year ended December 31, 2019. The major components of these changes are discussed 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 2021, operating activities resulted in net cash provided by operations of \$422.3 million. Net cash provided by operating activities primarily consisted of \$241.4 million in net income, as well as non-cash adjustments related to depreciation and amortization of \$169.5 million, deferred income tax of \$13.7 million and stock-based compensation of \$22.2 million. Cash used in operating activities included an aggregate of \$17.4 million net change in operating assets and liabilities. Included in the net change in operating assets and liabilities were cash inflows of \$32.3 million from a decrease in accounts receivable, \$12.1 million from the increase in accounts payable and \$3.0 million from the increase in customer deposits, which were offset by cash outflows of \$33.6 million from an increase in inventory and \$31.0 million from the decrease in accrued liabilities. The majority of commercial vehicle inventory is financed through our floor plan credit agreements.

During 2020, operating activities resulted in net cash provided by operations of \$763.0 million. Net cash provided by operating activities primarily consisted of \$114.9 million in net income, as well as non-cash adjustments related to depreciation and amortization of \$177.3 million, deferred income tax of \$37.9 million and stock-based compensation of \$19.4 million. Cash used in operating activities included an aggregate of \$495.9 million net change in operating assets and liabilities. Included in the net change in operating assets and liabilities were cash inflows of \$11.2 million from a decrease in accounts receivable, \$536.7 million from a decrease in inventory, \$5.8 million from the decrease in other current assets, \$31.5 million from the increase in customer deposits and \$49.0 million from the increase in accrued liabilities, which were offset by cash outflows of \$23.3 million from the decreases in accounts payable and \$115.0 million from the net payments on floor plan (trade).

#### *Cash Flows from Investing Activities*

During 2021, cash used in investing activities totaled \$432.9 million. Cash flows used in investing activities consist primarily of cash used for capital expenditures and business acquisitions. Cash used for business acquisitions was \$269.3 million during the year ended December 31, 2021. See Note 15 of the Notes to Consolidated Financial Statements for a detailed discussion of the business acquisitions. Capital expenditures totaled \$167.2 million during 2021 and consisted primarily of purchases of property and equipment, improvements to our existing dealership facilities and \$164.6 million for purchases of rental and lease vehicles for the rental and leasing operations.

During 2020, cash used in investing activities totaled \$127.5 million. Cash flows used in investing activities consist primarily of cash used for capital expenditures. Capital expenditures totaled \$136.2 million during 2020 and consisted primarily of purchases of property and equipment, improvements to our existing dealership facilities and \$93.0 million for purchases of rental and lease vehicles for the rental and leasing operations, which were 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. During 2021, our financing activities resulted in net cash used in financing of \$153.3 million. The cash outflows consisted primarily of \$468.8 million used for principal repayments of long-term debt and capital lease obligations and \$33.6 million used to purchase 329,451 shares of Rush Class A common stock and 418,615 shares of Rush Class B common stock during 2021. Additionally, during 2021, we paid cash dividends of \$41.1 million. These cash outflows were partially offset by \$118.9 million from net draws on floor plan notes payable (non-trade), borrowings of \$260.3 million of long-term debt related to the lease and rental fleet and \$10.9 million from the issuance of shares related to equity compensation plans.

During 2020, our financing activities resulted in net cash used in financing of \$505.1 million. The cash outflows consisted primarily of \$266.5 million used for principal repayments of long-term debt and capital lease obligations, \$369.6 million from net payments on floor plan notes payable (non-trade), and \$24.9 million used to purchase 843,020 shares of Rush Class A common stock and 225,444 shares of Rush Class B common stock during 2020. Additionally, during 2020, we paid cash dividends of \$22.5 million. These cash outflows were partially offset by borrowings of \$157.3 million of long-term debt for the purchase of additional units for our rental and leasing operations and \$21.0 million from the issuance of shares related to equity compensation plans.

On September 14, 2021, we entered into the WF Credit Agreement with the WF Lenders and the WF Agent. Pursuant to the terms of the WF Credit Agreement, the WF Lenders have agreed to make up to \$250.0 million of revolving credit loans for certain of our capital expenditures, including commercial vehicle purchases for our Idealease leasing and rental fleet, and general working capital needs. We expect to use the revolving credit loans available under the WF Credit Agreement primarily for the purpose of purchasing commercial vehicles for our Idealease lease and rental fleet. We may borrow, repay and reborrow amounts pursuant to the WF Credit Agreement from time to time until the maturity date. Borrowings under the WF Credit Agreement bear interest per annum, payable on each interest payment date, as defined in the WF Credit Agreement, at (A) the daily SOFR rate plus (i) 1.25% or (ii) 1.5%, depending on our consolidated leverage ratio or (B) on or after the term SOFR transition date, the term SOFR rate plus (i) 1.25% or (ii) 1.5%, depending on our consolidated leverage ratio. The WF Credit Agreement expires on September 14, 2024, although, upon the occurrence and during the continuance of an event of default, the WF Agent has the right to, or upon the request of the required lenders must, terminate the commitments and declare all outstanding principal and interest due and payable. We may terminate the commitments at any time. On December 31, 2021, we had approximately \$149.9 million outstanding under the WF Credit Agreement.

On October 1, 2021, we entered into the PLC Agreement. Pursuant to the terms of the PLC Agreement, PLC agreed to make up to \$300.0 million of revolving credit loans to finance certain of our capital expenditures, including commercial vehicle purchases and other equipment to be leased or rented through our PacLease franchises. We may borrow, repay and reborrow amounts pursuant to the PLC Agreement from time to time until the maturity date, provided, however, that the outstanding principal amount on any date shall not exceed the borrowing base. Advances under the PLC Agreement bear interest per annum, payable on the fifth day of the following month, at our option, at either (A) the prime rate, minus 1.55%, provided that the floating rate of interest is subject to a floor of 0%, or (B) a fixed rate, to be determined between us and PLC in each instance of borrowing at a fixed rate. The PLC Agreement expires on October 1, 2025, although either party has the right to terminate the PLC Agreement at any time upon 180 days written notice. If we terminate the PLC Agreement prior to October 1, 2025, then all payments will be deemed to be voluntary prepayments subject to a potential prepayment premium. On December 31, 2021, we had approximately \$185.0 million outstanding under the PLC Agreement.

Most of our commercial vehicle purchases are made on terms requiring payment to the manufacturer within 15 days or less from the date the commercial vehicles are invoiced from the factory. On September 14, 2021, we entered into Floor Plan Credit Agreement with BMO Harris and the lenders signatory thereto. Prior to the Floor Plan Credit Agreement, we financed the majority of all new commercial vehicle inventory and the loan value of our used commercial vehicle inventory under the Fourth Amended and Restated Floor Plan Credit Agreement with BMO Harris and the majority of such financings will continue to occur under the Floor Plan Credit Agreement. The Floor Plan Credit Agreement includes an aggregate loan commitment of \$1.0 billion. Borrowings under the Floor Plan Credit Agreement bear interest at an annual rate equal to (A) the greater of (i) zero and (ii) one month LIBOR rate, determined on the last day of the prior month, plus (B) 1.10% and are payable monthly. Loans under the Floor Plan Credit Agreement for the purchase of used inventory are limited to \$150.0 million and loans for working capital purposes are limited to \$200.0 million. The Floor Plan Credit Agreement expires September 14, 2026, although BMO Harris has the right to terminate at any time upon 360 days written notice and we may terminate at any time, subject to specified limited exceptions. On December 31, 2021, we had approximately \$549.0 million outstanding under the Floor Plan Credit Agreement. The average daily outstanding borrowings under the Floor Plan Credit Agreement were \$381.0 million during the twelve months ended December 31, 2021. We utilize our excess cash on hand to pay down our outstanding borrowings under the Floor Plan Credit Agreement, and the resulting interest earned is recognized as an offset to our gross interest expense under the Floor Plan Credit Agreement.

Navistar Financial Corporation and Peterbilt offer trade terms that provide an interest-free inventory stocking period for certain new commercial vehicles. This interest-free period is generally 15 to 60 days. If the commercial vehicle is not sold within the interest-free period, we then finance the commercial vehicle under the Floor Plan Credit Agreement.

## **Cyclicality**

Our business is dependent on a number of factors including general economic conditions, fuel prices, interest rate fluctuations, credit availability, 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, total U.S. retail sales of new Class 8 commercial vehicles have ranged from a low of approximately 110,000 in 2010, to a high of approximately 281,440 in 2019. Through geographic expansion, concentration on higher margin Aftermarket Products and Services and diversification of our customer base, we have attempted to reduce the negative impact of

adverse general economic conditions or cyclical trends affecting the Class 8 commercial vehicle industry on our earnings.

#### **Item 7A. Quantitative and Qualitative Disclosures about Market Risk**

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

We are exposed to market risk through interest rates related to our floor plan financing agreements, the WF Credit Agreement, the PLC Agreement and discount rates related to finance sales. Our floor plan debt is based on LIBOR, the WF Credit Agreement is based on SOFR and the PLC Agreement is based on the prime rate. As of December 31, 2021, we had floor plan borrowings and borrowings from WF and PLC in the amount of \$965.7 million. Assuming an increase or decrease in LIBOR, SOFR or the prime rate of 100 basis points, annual interest expense could correspondingly increase or decrease by approximately \$9.7 million.

**Item 8. Financial Statements and Supplementary Data**

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## **Report of Independent Registered Public Accounting Firm**

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

### **Opinion on the Financial Statements**

We have audited the accompanying consolidated balance sheets of Rush Enterprises, Inc. and subsidiaries (the Company) as of December 31, 2021 and 2020, and the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes (collectively referred to as the "consolidated financial statements"). In our opinion, the consolidated financial statements present fairly, in all material respects, the financial position of the Company at December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the three years in the period ended December 31, 2021, 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) (PCAOB), the Company's internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 Framework), and our report dated February 24, 2022, expressed an unqualified opinion thereon.

### **Basis for Opinion**

These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on the Company's financial statements based on our audits. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audits in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether due to error or fraud. Our audits included performing procedures to assess the risks of material misstatement of the financial statements, whether due to error or fraud, and performing procedures that respond to those risks. Such procedures included examining, on a test basis, evidence regarding the amounts and disclosures in the financial statements. Our audits also included evaluating the accounting principles used and significant estimates made by management, as well as evaluating the overall presentation of the financial statements. We believe that our audits provide a reasonable basis for our opinion.

### **Critical Audit Matter**

The critical audit matter communicated below is a matter arising from the current period audit of the financial statements that was communicated or required to be communicated to the audit committee and that: (1) relates to accounts or disclosures that are material to the financial statements and (2) involved our especially challenging, subjective, or complex judgments. The communication of the critical audit matter does not alter in any way our opinion on the consolidated financial statements, taken as a whole, and we are not, by communicating the critical audit matter below, providing a separate opinion on the critical audit matter or on the account or disclosures to which it relates.

### *New and Used Commercial Vehicle Inventory Reserves*

*Description of the Matter*

At December 31, 2021, the Company's new and used commercial vehicle inventory balance is approximately \$711.4 million, which is net of management's estimate of inventory reserves. As described in Note 6 to the consolidated financial statements, management adjusts the value of its inventory to net realizable value to the extent it determines inventory cost cannot be recovered. Management estimates future demand and sales prices to calculate the inventory reserves and to make corresponding adjustments to the carrying value of these inventories to reflect the lower of cost or net realizable value.

Auditing management's estimate of the inventory excess reserves involved auditor subjective judgment because the estimate is sensitive to changes in management's assumptions for forecasted product demand and future sales prices.

*How We Addressed the Matter in Our Audit*

We evaluated and tested the design and operating effectiveness of controls over the Company's processes to estimate the inventory reserves, which included management's review of the underlying significant assumptions.

Our substantive audit procedures included, among others, evaluating the significant assumptions described above, and we tested the completeness and accuracy of underlying data used in the estimation calculations and evaluating significant assumptions. We also compared the cost of on-hand inventories to customer demand forecasts and historical sales. We assessed the historical accuracy of management's estimates and performed sensitivity analyses of significant assumptions to evaluate the changes in the inventory reserves that would result from changes in the assumptions.

/s/ Ernst & Young LLP

We have served as the Company's auditor since 2002.

San Antonio, Texas  
February 24, 2022



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

	<b>December 31,</b>	<b>December 31,</b>
	<b>2021</b>	<b>2020</b>
	(unaudited)	
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 148,146	\$ 312,048
Accounts receivable, net	140,186	172,481
Inventories, net	1,020,136	858,291
Prepaid expenses and other	15,986	14,906
Total current assets	1,324,454	1,357,726
Property and equipment, net	1,278,207	1,203,719
Operating lease right-of-use assets, net	69,008	60,577
Goodwill, net	370,331	292,142
Other assets, net	77,977	71,229
<b>Total assets</b>	<b>\$ 3,119,977</b>	<b>\$ 2,985,393</b>
<b>Liabilities and shareholders' equity</b>		
Current liabilities:		
Floor plan notes payable	\$ 630,731	\$ 511,786
Current maturities of long-term debt	–	141,672
Current maturities of finance lease obligations	26,695	26,373
Current maturities of operating lease obligations	12,096	10,196
Trade accounts payable	122,291	110,728
Customer deposits	80,561	74,209
Accrued expenses	131,130	151,830
Total current liabilities	1,003,504	1,026,794
Long-term debt, net of current maturities	334,926	387,982
Finance lease obligations, net of current maturities	89,835	90,740
Operating lease obligations, net of current maturities	57,976	51,155
Other long-term liabilities	26,514	34,246
Deferred income taxes, net	140,473	126,439
Shareholders' equity:		
Preferred stock, par value \$.01 per share; 1,000,000 shares authorized; 0 shares outstanding in 2021 and 2020	–	–
Common stock, par value \$.01 per share; 60,000,000 Class A shares and 20,000,000 Class B shares authorized; 43,107,867 Class A shares and 12,398,606 Class B shares outstanding in 2021; and 42,503,925 Class A shares and 12,470,308 Class B shares outstanding in 2020	563	551
Additional paid-in capital	470,750	437,646
Treasury stock, at cost: 339,786 Class A shares and 492,052 Class B shares in 2021; and 10,335 Class A shares and 73,437 Class B shares in 2020	(36,933)	(2,879)
Retained earnings	1,031,582	831,850
Accumulated other comprehensive income	787	869
Total shareholders' equity	1,466,749	1,268,037
<b>Total liabilities and shareholders' equity</b>	<b>\$ 3,119,977</b>	<b>\$ 2,985,393</b>

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

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

	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Revenues</b>			
New and used commercial vehicle sales	\$ 3,039,953	\$ 2,863,309	\$ 3,757,584
Aftermarket products and services sales	1,793,363	1,600,445	1,762,510
Lease and rental	247,234	236,223	247,549
Finance and insurance	27,964	21,949	24,443
Other	17,628	14,014	17,761
Total revenue	5,126,142	4,735,940	5,809,847
<b>Cost of products sold</b>			
New and used commercial vehicle sales	2,736,502	2,641,487	3,480,682
Aftermarket products and services sales	1,109,249	1,016,574	1,097,337
Lease and rental	188,093	202,412	206,200
Total cost of products sold	4,033,844	3,860,473	4,784,219
<b>Gross profit</b>	1,092,298	875,467	1,025,628
Selling, general and administrative	731,340	665,258	753,749
Depreciation and amortization	53,354	57,456	55,372
Gain (loss) on sale of assets	1,432	1,852	(102)
<b>Operating income</b>	309,036	154,605	216,405
Other income	6,417	6,132	1,925
Interest income (expense):			
Interest income	657	713	1,680
Interest expense	(2,427)	(9,727)	(30,487)
Total interest expense, net	1,770	9,014	28,807
<b>Income before taxes</b>	313,683	151,723	189,523
Income tax provision	72,268	36,836	47,940
<b>Net income</b>	\$ 241,415	\$ 114,887	\$ 141,583
 <b>Earnings per common share</b>			
Basic	\$ 4.32	\$ 2.09	\$ 2.57
Diluted	\$ 4.17	\$ 2.04	\$ 2.51
 <b>Dividends declared per common share</b>	\$ 0.74	\$ 0.41	\$ 0.34

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

**RUSH ENTERPRISES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME**  
(In Thousands)

	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Net income</b>	\$ 241,415	\$ 114,887	\$ 141,583
Other comprehensive income net of tax and net of reclassification adjustments:			
Change in currency translation	(82)	532	337
<b>Comprehensive income</b>	<b>\$ 241,333</b>	<b>\$ 115,419</b>	<b>\$ 141,920</b>

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

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

	Common Stock Shares Outstanding		\$0.01 Par Value	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income(Loss)	Total
	Class A	Class B						
<b>Balance, December 31, 2018</b>	<b>43,065</b>	<b>12,435</b>	<b>\$ 458</b>	<b>\$370,025</b>	<b>\$ (245,842)</b>	<b>\$ 942,287</b>	<b>\$ —</b>	<b>\$1,066,928</b>
Stock options exercised and stock awards	586	—	4	7,585	—	—	—	7,589
Stock-based compensation related to stock options, restricted shares and employee stock purchase plan	—	—	—	19,005	—	—	—	19,005
Vesting of restricted share awards	—	339	2	(2,834)	—	—	—	(2,832)
Issuance of common stock under employee stock purchase plan	175	—	1	3,486	—	—	—	3,487
Common stock repurchases	(1,896)	(414)	—	—	(58,287)	—	—	(58,287)
Cash dividends declared on Class A common stock	—	—	—	—	—	(14,037)	—	(14,037)
Cash dividends declared on Class B common stock	—	—	—	—	—	(4,280)	—	(4,280)
Other comprehensive income	—	—	—	—	—	—	337	337
Net income	—	—	—	—	—	141,583	—	141,583
<b>Balance, December 31, 2019</b>	<b>41,930</b>	<b>12,360</b>	<b>\$ 465</b>	<b>\$397,267</b>	<b>\$ (304,129)</b>	<b>\$1,065,553</b>	<b>\$ 337</b>	<b>\$1,159,493</b>
Stock options exercised and stock awards	1,247	—	10	19,582	—	—	—	19,592
Stock-based compensation related to stock options, restricted shares and employee stock purchase plan	—	—	—	19,356	—	—	—	19,356
Vesting of restricted share awards	—	339	2	(2,459)	—	—	—	(2,457)
Issuance of common stock under employee stock purchase plan	177	—	2	3,900	—	—	—	3,902
Common stock repurchases	(843)	(225)	—	—	(24,807)	—	—	(24,807)
Cancellation of treasury stock	(7)	(4)	72	—	326,057	(326,129)	—	—
Cash dividends declared on Class A common stock	—	—	—	—	—	(17,062)	—	(17,062)
Cash dividends declared on Class B common stock	—	—	—	—	—	(5,399)	—	(5,399)
Other comprehensive income	—	—	—	—	—	—	532	532
Net income	—	—	—	—	—	114,887	—	114,887
<b>Balance, December 31, 2020</b>	<b>42,504</b>	<b>12,470</b>	<b>\$ 551</b>	<b>\$437,646</b>	<b>\$ (2,879)</b>	<b>\$ 831,850</b>	<b>\$ 869</b>	<b>\$1,268,037</b>
Stock options exercised and stock awards	784	—	8	14,157	—	—	—	14,165
Stock-based compensation related to stock options, restricted shares and employee stock purchase plan	—	—	—	22,246	—	—	—	22,246
Vesting of restricted share awards	—	347	3	(7,447)	—	—	—	(7,444)
Issuance of common stock under employee stock purchase plan	149	—	1	4,148	—	—	—	4,149
Common stock repurchases	(329)	(418)	—	—	(34,054)	—	—	(34,054)
Cash dividends declared on Class A common stock	—	—	—	—	—	(31,816)	—	(31,816)
Cash dividends declared on Class B common stock	—	—	—	—	—	(9,867)	—	(9,867)
Other comprehensive loss	—	—	—	—	—	—	(82)	(82)
Net income	—	—	—	—	—	241,415	—	241,415
<b>Balance, December 31, 2021</b>	<b>43,108</b>	<b>12,399</b>	<b>\$ 563</b>	<b>\$470,750</b>	<b>\$ (36,933)</b>	<b>\$ 1,031,582</b>	<b>\$ 787</b>	<b>\$1,466,749</b>

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

**RUSH ENTERPRISES, INC. AND SUBSIDIARIES**  
**CONSOLIDATED STATEMENTS OF CASH FLOWS**  
(In Thousands)

	<b>Year Ended December 31,</b>		
	<b>2021</b>	<b>2020</b>	<b>2019</b>
<b>Cash flows from operating activities:</b>			
Net income	\$ 241,415	\$ 114,887	\$ 141,583
Adjustments to reconcile net income to net cash provided by operating activities			
Depreciation and amortization	169,497	177,347	175,484
(Gain) loss on sale of property and equipment, net	(1,432)	(1,852)	102
Stock-based compensation expense related to employee stock options and employee stock purchases	22,246	19,356	19,005
Provision (benefit) for deferred income tax expense	14,034	(37,858)	22,989
Change in accounts receivable, net	32,312	11,223	19,831
Change in inventories	(33,572)	536,682	81,722
Change in prepaid expenses and other, net	(252)	5,822	(10,237)
Change in trade accounts payable	12,053	(23,336)	2,241
Payments on floor plan notes payable – trade, net	–	(114,958)	(26,579)
Change in customer deposits	2,993	31,514	6,512
Change in accrued expenses	(31,337)	48,974	(12,757)
Other, net	(5,611)	(4,819)	1,376
Net cash provided by operating activities	<u>422,346</u>	<u>762,982</u>	<u>421,272</u>
<b>Cash flows from investing activities:</b>			
Acquisition of property and equipment	(167,177)	(136,200)	(293,493)
Proceeds from the sale of property and equipment	3,447	5,783	2,310
Business acquisitions	(269,332)	–	(10,168)
Purchase of equity method investment and call option	–	–	(22,499)
Other	157	2,960	3,394
Net cash used in investing activities	<u>(432,905)</u>	<u>(127,457)</u>	<u>(320,456)</u>
<b>Cash flows from financing activities:</b>			
Draws (payments) on floor plan notes payable – non-trade, net	118,945	(369,592)	(104)
Proceeds from long-term debt	260,336	157,255	210,043
Principal payments on long-term debt	(455,064)	(255,279)	(183,538)
Principal payments on finance lease obligations	(13,774)	(11,192)	(8,331)
Draws on line of credit	–	–	135,000
Payments on line of credit	–	–	(135,000)
Proceeds from issuance of shares relating to employee stock options and employee stock purchases	10,870	21,037	8,244
Payments of cash dividends	(41,060)	(22,461)	(18,317)
Common stock repurchased	(33,596)	(24,865)	(58,188)
Debt issuance costs	–	–	(731)
Net cash used in financing activities	<u>(153,343)</u>	<u>(505,097)</u>	<u>(50,922)</u>
<b>Net (decrease) increase in cash and cash equivalents</b>	<u>(163,902)</u>	<u>130,428</u>	<u>49,894</u>
Cash and cash equivalents, beginning of year	<u>312,048</u>	<u>181,620</u>	<u>131,726</u>
<b>Cash and cash equivalents, end of year</b>	<u>\$ 148,146</u>	<u>\$ 312,048</u>	<u>\$ 181,620</u>
<b>Supplemental disclosure of cash flow information:</b>			
Cash paid during the year for:			
Interest	\$ 22,224	\$ 38,806	\$ 57,373
Income taxes paid, net	\$ 101,987	\$ 36,364	\$ 42,440
Noncash investing and financing activities:			
Assets acquired under finance leases	\$ 29,044	\$ 49,523	\$ 44,904
Guaranty agreement	–	–	\$ 5,025

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

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

1. ORGANIZATION AND OPERATIONS:

Rush Enterprises, Inc. (the “Company”) was incorporated in 1965 under the laws of the State of Texas. The Company operates a network of commercial vehicle dealerships that primarily sell commercial vehicles manufactured by Peterbilt, International, Hino, Ford, Isuzu, IC Bus or Blue Bird. Through its strategically located network of Rush Truck Centers, the Company provides one-stop service for the needs of its commercial vehicle customers, including retail sales of new and used commercial vehicles, aftermarket parts sales, service and repair facilities, financing, leasing and rental, and insurance products.

*Stock Split*

On September 15, 2020, the Board of Directors of the Company declared a 3-for-2 stock split of the Company’s Class A common stock and Class B common stock, which was effected in the form of a stock dividend. On October 12, 2020, the Company distributed one additional share of stock for every two shares of Class A common stock, par value \$0.01 per share, and Class B common stock, par value \$0.01 per share, held by shareholders of record as of September 28, 2020. All share and per share data in this Form 10-K have been adjusted and restated to reflect the stock split as if it occurred on the first day of the earliest period presented.

*COVID-19 Risks and Uncertainties*

In March 2020, the World Health Organization made the assessment that COVID-19 could be characterized as a pandemic, and the President of the United States declared the COVID-19 outbreak a national emergency. The Company’s nationwide network of commercial vehicle dealerships are classified as “essential businesses” and have remained operational across the Company’s dealership network. While the COVID-19 pandemic is not over, business conditions have improved significantly since the second quarter of 2020. The Company is unable to predict the impact that the COVID-19 pandemic will have on its future business and operating results due to numerous uncertainties, including the duration and severity of the outbreak.

*Joint Venture*

On January 3, 2022, Cummins Inc. (“Cummins”) and the Company closed on Cummins’ acquisition of a 50% equity interest in Momentum Fuel Technologies from the Company. The joint venture between the Company and Cummins will seek to enhance production of near-zero emissions natural gas powertrains by manufacturing Cummins-branded natural gas fuel delivery systems for the commercial vehicle market in North America. The joint venture will offer aftermarket support through Rush Truck Centers’ dealerships and Cummins’ distributors that will be able to service both the engine and the fuel delivery system.

2. SIGNIFICANT ACCOUNTING POLICIES:

Principles of Consolidation

The consolidated financial statements presented herein include the accounts of Rush Enterprises, Inc. together with its 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 Credit Losses and Repossession Losses

The Company maintains an allowance for credit losses based on the probability of default, its historical rate of losses, aging and current economic conditions. Accounts receivable consists primarily of commercial vehicle sales receivables, manufacturers' receivables, leasing and parts and service receivables and other trade receivables. The Company writes off account balances when it has exhausted reasonable collection efforts and determined that the likelihood of collection is remote. These write-offs are charged against the allowance for credit losses.

The Company provides an allowance for repossession losses after considering historical loss experience and other factors that might affect the ability of customers to meet their obligations on finance contracts sold by the Company when the Company has a potential liability.

### Inventories

Inventories are stated at the lower of cost or net realizable value. Cost is determined by specific identification of new and used commercial vehicle inventory and by the first-in, first-out method for tires, parts and accessories. As the market value of the Company's 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 the Company's inventory on hand. An allowance is provided when it is anticipated that cost will exceed net realizable value less 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 the underlying assets and is amortized over the estimated useful life of such assets. The cost, accumulated depreciation and amortization and estimated useful lives of the Company's property and equipment are summarized as follows (in thousands):

	2021	2020	Estimated Life (Years)
Land	\$ 156,169	\$ 136,024	–
Buildings and improvements	552,965	495,808	10 – 39
Leasehold improvements	39,665	38,767	2 – 39
Machinery and shop equipment	92,762	87,090	5 – 20
Furniture, fixtures and computers	84,728	81,834	3 – 15
Transportation equipment	103,611	96,319	3 – 15
Lease and rental vehicles	947,318	905,465	1 – 8
Construction in progress	6,664	2,989	
Accumulated depreciation and amortization	<u>(705,675)</u>	<u>(640,577)</u>	
Total	<u>\$ 1,278,207</u>	<u>\$ 1,203,719</u>	

The Company recorded depreciation expense of \$148.3 million and amortization expense of \$21.2 million for the year ended December 31, 2021, depreciation expense of \$157.8 million and amortization expense of \$19.5 million for the year ended December 31, 2020, and depreciation expense of \$158.7 million and amortization expense of \$16.8 million for the year ended December 31, 2019.

As of December 31, 2021, the Company had \$108.5 million in lease and rental vehicles under various finance leases included in property and equipment, net of accumulated amortization of \$43.5 million. The Company recorded depreciation and amortization expense of \$116.1 million related to lease and rental vehicles in lease and rental cost of products sold for the

year ended December 31, 2021, \$119.9 million for the year ended December 31, 2020 and \$120.1 million for the year ended December 31, 2019.

### 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 tests goodwill for impairment annually during 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. The Company has deemed its reporting unit to be the Truck Segment, as all components of the Truck Segment are similar.

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 and comparing the hypothetical implied fair value of the reporting unit's goodwill to the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the hypothetical implied fair value of the goodwill, the Company would recognize an impairment loss in an amount equal to the excess, not to exceed the carrying amount. The Company determines the fair values calculated in an impairment test using the discounted cash flow method, which requires assumptions and estimates regarding future revenue, expenses and cash flow projections. The analysis is based upon available information regarding expected future cash flows of its reporting unit discounted at rates consistent with the cost of capital specific to the reporting unit.

The annual impairment test was performed in the fourth quarter of 2021. No impairment of goodwill was identified during 2021. However, the Company cannot predict the occurrence of certain events that might adversely affect the reported value of goodwill in the future.

The following table sets forth the change in the carrying amount of goodwill for the Company for the year ended December 31, 2021 (in thousands):

Balance December 31, 2020	\$	292,142
Acquisitions During 2021		<u>78,189</u>
Balance December 31, 2021	\$	<u>370,331</u>

### Other Assets

#### *ERP Platform*

Total capitalized costs of the Company's SAP enterprise resource planning software platform ("the ERP Platform") of \$5.5 million are recorded on the Consolidated Balance Sheet in Other Assets. Amortization expense relating to the ERP Platform, which is recognized in depreciation and amortization expense in the Consolidated Statements of Income and Comprehensive Income, was \$1.5 million for the year ended December 31, 2021 and \$1.9 million for the year ended December 31, 2020. The Company estimates that amortization expense relating to the ERP Platform will be approximately \$1.2 million for each of the next four years.

#### *Franchise Rights*

The Company's only significant identifiable intangible assets, other than goodwill, are rights under franchise agreements with manufacturers. The fair value of the franchise right is determined at the acquisition date by discounting the projected cash flows specific to each acquisition. The carrying value of the Company's manufacturer franchise rights was \$8.6 million at December 31, 2021 and \$7.0 million at December 31, 2020, and is included in Other Assets on the accompanying Consolidated Balance Sheet. The Company has determined that manufacturer franchise rights have an indefinite life, as there are no economic or other factors that limit their useful lives and they are expected to generate cash flows indefinitely due to the historically long lives of the manufacturers' brand names. Furthermore, to the extent that any agreements evidencing manufacturer franchise rights have expiration dates, the Company expects that it will be able to renew those agreements in the ordinary course of business. Accordingly, the Company does not amortize manufacturer franchise rights.



Due to the fact that manufacturer franchise rights are specific to a geographic region, the Company has determined that evaluating and including all locations acquired in the geographic region is the appropriate level for purposes of testing franchise rights for impairment. Management reviews indefinite-lived manufacturer franchise rights for impairment annually during the fourth quarter, or more often if events or circumstances indicate that an impairment may have occurred. The Company is subject to financial statement risk to the extent that manufacturer franchise rights become impaired due to decreases in the fair market value of its individual franchises.

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

No impairment write-down was required in the period presented. The Company cannot predict the occurrence of certain events that might adversely affect the reported value of manufacturer franchise rights in the future.

#### *Equity Method Investment and Call Option*

On February 25, 2019, the Company acquired 50% of the equity interest in Rush Truck Centres of Canada Limited ("RTC Canada"), which acquired the operating assets of Tallman Group, the largest International Truck dealer in Canada. The Company was also granted a call option in the purchase agreement that provides the Company with the right to acquire the remaining 50% equity interest in RTC Canada until the close of business on February 25, 2024. The value of the Company's call option was \$3.6 million as of December 31, 2021, and is reported in Other Assets on the Consolidated Balance Sheet.

On April 25, 2019, the Company entered into a Guaranty Agreement ("Guaranty") with Bank of Montreal ("BMO"), pursuant to which the Company agreed to guaranty up to CAD250 million (the "Guaranty Cap") of certain credit facilities entered into by and between Tallman Truck Centre Limited ("TTCL") and BMO. The Company owned a 50% equity interest in TTCL, which was the sole owner of RTC Canada. Later in 2019, RTC Canada and TTCL were amalgamated into RTC Canada. Interest, fees and expenses incurred by BMO to enforce its rights with respect to the guaranteed obligations and its rights against the Company under the Guaranty are not subject to the Guaranty Cap. In exchange for the Guaranty, RTC Canada is receiving a reduced rate of interest on its credit facilities with BMO. The Guaranty was valued at \$5.2 million as of December 31, 2021 and December 31, 2020, and is included in the investment in RTC Canada. As of December 31, 2021, the Company's investment in RTC Canada is \$36.7 million. The Company's equity income in RTC Canada is included in Other income on the Consolidated Statements of Income.

#### Income Taxes

Management's 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 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 its 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 its 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 are periodically audited by tax authorities. These audits include questions regarding the Company's tax filing positions, including the timing and amount of deductions. In evaluating the exposures associated with its 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 would generally 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.

### Revenue Recognition Policies

The Company recognizes revenue when its customer obtains control of promised goods or services, in an amount that reflects the consideration which the Company expects to receive in exchange for those goods or services. To determine revenue recognition for arrangements that the Company determines are within the scope of ASU 2014-09, "*Revenue from Contracts with Customers* ("*Topic 606*"), the Company performs the following five steps: (i) identify the contract with a customer; (ii) identify the performance obligations in the contract; (iii) determine the transaction price; (iv) allocate the transaction price to the performance obligations in the contract; and (v) recognize revenue when (or as) the Company satisfies a performance obligation. The Company only applies the five-step model to contracts when it is probable that it will collect the consideration it is entitled to in exchange for the goods or services it transfers to the customer. At contract inception, once the contract is determined to be within the scope of Topic 606, the Company assesses the goods or services promised within each contract and determines those that are performance obligations. The Company then assesses whether each promised good or service is distinct and recognize as revenue the amount of the transaction price that is allocated to the respective performance obligation when (or as) the performance obligation is satisfied. For a complete discussion of accounting for revenue, see Note 17 – Revenue of the Notes to Consolidated Financial Statements.

### Cost of Sales

For the Company's new and used commercial vehicle operations, cost of sales consists primarily of the Company's actual purchase price, plus make-ready expenses, less any applicable manufacturers' incentives. For the Company's parts operations, cost of sales consists primarily of the Company's actual purchase price, less any applicable manufacturers' incentives. For the Company's service and collision center 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, maintenance costs, license costs and interest expense considered direct and incremental on the lease and rental fleet owned and leased by the Company. There are no costs of sales associated with the Company's finance and insurance revenue or other revenue.

### Leases

The Company leases commercial vehicles and real estate under finance and operating leases. The Company determines whether an arrangement is a lease at its inception. For leases with terms greater than twelve months, the Company records a lease asset and liability at the present value of lease payments over the term. Many of the Company's leases include renewal options and termination options that are factored into its determination of lease payments when appropriate.

When available, the Company uses the rate implicit in the lease to discount lease payments to present value; however, most of its leases do not provide a readily determinable implicit rate. Therefore, the Company must estimate its incremental borrowing rate to discount the lease payments based on information available at lease commencement.

The Company leases commercial vehicles that the Company owns to customers. Lease and rental revenue is recognized over the period of the related lease or rental agreement. Variable rental revenue is recognized when it is earned.

### 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, research and development and other general operating purposes.

### Stock Based Compensation

The Company applies the provisions of ASC topic 718-10, "*Compensation – Stock Compensation*," which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors, including grants of employee stock options, restricted stock units, restricted stock awards 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.

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

The Company determines the fair value of share-based payment awards on the date of grant using an option-pricing model that is affected by the Company's stock price, as well as assumptions regarding a number of highly complex and subjective variables. These variables include the Company's expected stock price volatility over the term of the awards and actual and projected stock option exercise behaviors. Option-pricing models were developed for use in estimating the value of traded options that have no vesting or hedging restrictions and are fully transferable. Because the Company's stock options have 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 fair value and it 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:

	2021	2020	2019
Expected stock volatility	36.03%	33.11%	31.29%
Weighted-average stock volatility	36.03%	33.11%	31.29%
Expected dividend yield	1.65%	1.20%	1.13%
Risk-free interest rate	1.07%	0.80%	2.45%
Expected life (years)	6.0	6.0	6.0
Weighted-average fair value of stock options granted	\$ 14.77	\$ 6.36	\$ 8.37

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 \$7.5 million for 2021, \$7.9 million for 2020 and \$11.5 million for 2019. 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 (*Internal Use Software*), 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 \$5.5 million as of December 31, 2021, net of accumulated amortization of \$13.6 million, and had \$7.0 million as of December 31, 2020, net of accumulated amortization of \$12.1 million.

### Insurance

The Company is partially self-insured for a portion of the claims related to its property and casualty insurance programs. Accordingly, the Company is required to estimate 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.

### Fair Value Measurements

The Company has various financial instruments that it must measure at fair value on a recurring basis. See Note 9 – Financial Instruments and Fair Value of the Notes to Consolidated Financial Statements, for further information. The Company also applies the provisions of fair value measurement to various nonrecurring measurements for its financial and nonfinancial assets and liabilities.

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

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

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

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

### Acquisitions

The Company uses the acquisition method of accounting for the recognition of assets acquired and liabilities assumed through acquisitions at their estimated fair values as of the date of acquisition. The purchase price allocation for business combinations and asset acquisitions requires the use of accounting estimates and judgments to allocate the purchase price to the identifiable tangible and intangible assets acquired and liabilities assumed based on their respective fair values. The Company determines whether substantially all the fair value of the gross assets acquired is concentrated in a single identifiable asset or a group of similar identifiable assets. If this threshold is met, the single asset or group of assets, as applicable, is not a business. If it is not met, the Company determines whether the single asset or group of assets, as applicable, meets the definition of a business. As a result, during the measurement period, which is not to exceed one year from the date of acquisition, any changes in the

estimated fair values of the net assets recorded for the acquisitions will result in an adjustment to goodwill. Upon the conclusion of the measurement period or final determination of the values of assets acquired or liabilities assumed, whichever comes first, any subsequent adjustments are recorded to the Consolidated Statements of Income.

### Recent Accounting Pronouncements

In March 2020, the FASB issued ASU 2020-04, “*Reference Rate Reform (Topic 848)*,” which provides temporary optional guidance to ease the potential financial reporting burden of the expected market transition away from LIBOR. The new guidance provides optional expedients and exceptions for applying U.S. GAAP to contract modifications, hedge accounting, and other transactions affected by reference rate reform if certain criteria are met through December 31, 2022. The Company does not expect this standard to have a material effect on its financial position, results of operations and related disclosures.

### 3. SUPPLIER CONCENTRATION:

#### Major Suppliers and Dealership Agreements

The Company has entered into dealership agreements with various manufacturers of commercial vehicles and buses (“Manufacturers”). These agreements are nonexclusive agreements that allow the Company to stock, sell at retail and service commercial vehicles and sell parts from the Manufacturers in the Company’s defined area of responsibility. The agreements allow the Company to use the Manufacturers’ names, trade symbols and intellectual property and expire as follows:

<u>Manufacturer</u>	<u>Expiration Dates</u>
Peterbilt	March 2022 through September 2022
International	December 2022 through December 2026
Isuzu	Indefinite
Hino	Indefinite
Ford	Indefinite
Blue Bird	August 2024
IC Bus	December 2022 through October 2026

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

The Company purchases its new Peterbilt vehicles from Peterbilt and most of the parts sold at its Peterbilt dealerships from PACCAR, Inc, the parent company of Peterbilt, at prevailing prices charged to all franchised dealers. Sales of new Peterbilt commercial vehicles accounted for approximately 62.5% of the Company’s new vehicle sales revenue for the year ended December 31, 2021, 59.0% of the Company’s new vehicle sales revenue for the year ended December 31, 2020, and 61.6% of the Company’s new vehicle sales revenue for the year ended December 31, 2019.

#### Primary Lenders

The Company purchases its new and used commercial vehicle inventories with the assistance of floor plan financing programs as described in Note 7 to these Notes to Consolidated Financial Statements. The Company finances the majority of all new commercial vehicle inventory and the loan value of its used commercial vehicle inventory under the Floor Plan Credit Agreement with BMO Harris. The Floor Plan Credit Agreement includes an aggregate loan commitment of \$1.0 billion. The Company’s floor plan financing agreements provide that the occurrence of certain events will be considered events of default. 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.

On September 14, 2021, the Company entered into a credit agreement (“the WF Credit Agreement”) with the lenders signatory thereto (the “WF Lenders”) and Wells Fargo Bank, National Association (“WF”), as administrative agent (in such capacity, the “WF Agent”). Pursuant to the terms of the WF Credit Agreement, the WF Lenders have agreed to make up to \$250.0 million of revolving credit loans for certain of the Company’s capital expenditures, including commercial vehicle purchases for the Company’s Idealease lease and rental fleet, and general working capital needs. The Company expects to

use the revolving credit loans available under the WF Credit Agreement primarily for the purpose of purchasing commercial vehicles for the Company's Idealease lease and rental fleet.

On October 1, 2021, the Company entered into that certain Amended and Restated Inventory Financing and Purchase Money Security Agreement with PLC, a division of PACCAR Financial Corp. (the "PLC Agreement"). Pursuant to the terms of the PLC Agreement, PLC agreed to make up to \$300.0 million of revolving credit loans to finance certain of our capital expenditures, including commercial vehicle purchases and other equipment to be leased or rented through the Company's PacLease franchises.

#### Concentrations of Credit Risks

Financial instruments that potentially subject the Company to significant concentrations of credit risk consist principally of cash and cash equivalents and accounts receivable. The Company places its cash and cash equivalents with what it considers to be quality financial institutions based on periodic assessments of such institutions. The Company's cash and cash equivalents may be uninsured or in deposit accounts that exceed the Federal Deposit Insurance Corporation insurance limit.

The Company controls credit risk through credit approvals and by selling a majority of its trade receivables, other than vehicle accounts receivable, without recourse. Concentrations of credit risk with respect to trade receivables are reduced because a large number of geographically diverse customers make up the Company's customer base; however, substantially all of the Company's business 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 by the Company 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 with recourse. Historically, the Company's allowances and reserves have covered losses inherent in these receivables.

#### 4. ACCOUNTS RECEIVABLE:

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

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Trade accounts receivable from sale of vehicles	\$ 37,599	\$ 82,338
Trade receivables other than vehicles	68,884	58,689
Warranty claims	9,290	9,032
Other accounts receivable	26,003	24,027
Less allowance for credit losses	<u>(1,590)</u>	<u>(1,605)</u>
Total	<u>\$ 140,186</u>	<u>\$ 172,481</u>

#### 5. INVENTORIES:

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

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
New commercial vehicles	\$ 617,225	\$ 563,097
Used commercial vehicles	95,051	56,214
Parts and accessories	290,007	238,195
Other	26,232	16,175
Less allowance	<u>(8,379)</u>	<u>(15,390)</u>
Total	<u>\$ 1,020,136</u>	<u>\$ 858,291</u>

6. VALUATION ACCOUNTS:

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

	Balance Beginning of Year	Net Charged to Costs and Expenses	Net Write- Offs	Balance End of Year
<b>2021</b>				
Reserve for parts inventory	\$ 9,315	\$ 3,520	\$ (5,375)	\$ 7,460
Reserve for commercial vehicle inventory	6,075	(536)	(4,620)	919
<b>2020</b>				
Reserve for parts inventory	\$ 7,661	\$ 4,501	\$ (2,847)	\$ 9,315
Reserve for commercial vehicle inventory	9,602	9,598	(13,125)	6,075
<b>2019</b>				
Reserve for accounts receivable	\$ 987	\$ 2,065	\$ (2,038)	\$ 1,014
Reserve for warranty receivables	429	1,661	(1,680)	410
Reserve for parts inventory	7,050	4,460	(3,849)	7,661
Reserve for commercial vehicle inventory	4,587	12,489	(7,474)	9,602

*Accounts Receivable and Allowance for Credit Losses*

The Company establishes an allowance for credit losses to present the net amount of accounts receivable expected to be collected. Under Topic 326, the Company is required to remeasure expected credit losses for financial instruments held on the reporting date based on historical experience, current conditions and reasonable forecasts.

Accounts receivable consists primarily of commercial vehicle sales receivables, manufacturers' receivables and leasing, parts and service sales receivables and other trade receivables. The Company maintains an allowance for credit losses based on the probability of default, its historical rate of losses, aging and current economic conditions. The Company's assessment of future losses in 2021 considered the impact of the COVID-19 pandemic on forecasted economic trends. The Company writes off account balances when it has exhausted reasonable collection efforts and determined that the likelihood of collection is remote. These write-offs are charged against the allowance for credit losses.

The following table summarizes the changes in the allowance for credit losses (in thousands):

	Balance December 31, 2020	Provision for the Year Ended December 31, 2021	Write offs Against Allowance, net of Recoveries	Balance December 31, 2021
Commercial vehicle receivables	\$ 172	\$ (96)	\$ -	\$ 76
Manufacturers' receivables	136	1,158	(875)	419
Leasing, parts and service receivables	1,278	1,335	(1,544)	1,069
Other receivables	19	7	-	26
Total	\$ 1,605	\$ 2,404	\$ (2,419)	\$ 1,590

*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 reverse any reserve balance until the inventory is sold.

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

## 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 vehicle inventory. These notes are collateralized by the inventory purchased and accounts receivable arising from the sale thereof. The Company's Floor Plan Credit Agreement provides for a loan commitment of up to \$1.0 billion and has the interest rate benchmarked to LIBOR, as defined in the agreement. The interest rate under the Company's Floor Plan Credit Agreement is the one month LIBOR rate plus 1.10%. The effective interest rate applicable to the Company's Floor Plan Credit Agreement was approximately 1.2% as of December 31, 2021. The Company utilizes its excess cash on hand to pay down its outstanding borrowings under its Floor Plan Credit Agreement, and the resulting interest earned is recognized as an offset to the Company's gross interest expense under the Floor Plan Credit Agreement.

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 its Floor Plan Credit Agreement, under which BMO Harris pays the manufacturer directly with respect to new commercial vehicles. Amounts borrowed under the Company's Floor Plan Credit Agreement are due when the related commercial vehicle inventory (collateral) is sold. The Company's Floor Plan Credit Agreement expires September 14, 2026, although BMO Harris has the right to terminate the Floor Plan Credit Agreement at any time upon 360 days written notice and the Company may terminate at any time, subject to specified limited exceptions. On December 31, 2021, the Company had approximately \$549.0 million outstanding under its Floor Plan Credit Agreement.

The Company's weighted average interest rate for floor plan notes payable was 0.42% for the year ended December 31, 2021, and 1.26% for the year ended December 31, 2020, which is net of interest related to prepayments of new and used inventory loans.

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

	<u>December 31,</u>	
	<u>2021</u>	<u>2020</u>
Inventories, new and used vehicles at cost based on specific identification, net of allowance	\$ 711,358	\$ 613,236
Vehicle sale related accounts receivable	37,599	82,338
Total	<u>\$ 748,957</u>	<u>\$ 695,574</u>
Floor plan notes payable related to vehicles	<u>\$ 630,731</u>	<u>\$ 511,786</u>

### Lines of Credit

The Company has a secured line of credit that provides for a maximum borrowing of \$15.0 million. There were no advances outstanding under this secured line of credit as of December 31, 2021; however, \$14.3 million was pledged to secure various letters of credit related to self-insurance products, leaving \$0.7 million available for future borrowings as of December 31, 2021.



8. LONG-TERM DEBT:

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

	December 31,	
	2021	2020
Variable interest rate term notes	\$ 334,926	\$ 40,975
Fixed interest rate term notes	—	488,679
Total debt	334,926	529,654
Less: current maturities	—	(141,672)
Total long-term debt, net of current maturities	<u>\$ 334,926</u>	<u>\$ 387,982</u>

As of December 31, 2021, long-term debt maturities were as follows (in thousands):

2022	\$ —
2023	—
2024	149,902
2025	185,024
2026	—
Thereafter	—
Total	<u>\$ 334,926</u>

On September 14, 2021, the Company entered into the WF Credit Agreement with the WF Lenders and the WF Agent. Pursuant to the terms of the WF Credit Agreement, the WF Lenders have agreed to make up to \$250.0 million of revolving credit loans for certain of the Company's capital expenditures, including commercial vehicle purchases for the Company's Idealease lease and rental fleet, and general working capital needs. Borrowings under the WF Credit Agreement bear interest per annum, payable on each interest payment date, as defined in the WF Credit Agreement, at (A) the daily simple secured overnight financing rate ("SOFR") rate plus (i) 1.25% or (ii) 1.5%, depending on the Company's consolidated leverage ratio or (B) on or after the term SOFR transition date, the term SOFR rate plus (i) 1.25% or (ii) 1.5%, depending on the Company's consolidated leverage ratio. The WF Credit Agreement expires on September 14, 2024, although, upon the occurrence and during the continuance of an event of default, the WF Agent has the right to, or upon the request of the required lenders must, terminate the commitments and declare all outstanding principal and interest due and payable. The Company may terminate the commitments at any time. The Company expects to use the revolving credit loans available under the WF Credit Agreement primarily for the purpose of purchasing commercial vehicles for the Company's Idealease lease and rental fleet.

On October 1, 2021, the Company entered into the PLC Agreement. Pursuant to the terms of the PLC Agreement, PLC agreed to make up to \$300.0 million of revolving credit loans to finance certain of the Company's capital expenditures, including commercial vehicle purchases and other equipment to be leased or rented through the Company's PacLease franchises. Advances under the PLC Agreement bear interest per annum, payable on the fifth day of the following month, at the Company's option, at either (A) the prime rate, minus 1.55%, provided that the floating rate of interest is subject to a floor of 0%, or (B) a fixed rate, to be determined between the Company and PLC in each instance of borrowing at a fixed rate. The PLC Agreement expires on October 1, 2025, although either party has the right to terminate the PLC Agreement at any time upon 180 days written notice.

The interest associated with the WF Credit Agreement and the PLC Agreement is recorded in interest expense on the Consolidated Statement of Income. The WF Credit Agreement and the PLC Agreement are general borrowing facilities, whereas prior to the WF Credit Agreement and PLC Agreement, interest expense associated with the Company's lease and rental fleet was recorded in cost of sales as the borrowings were directly related to each lease and rental vehicle.

The Company's long-term debt, floor plan financing agreements and the WF Credit Agreement require us to satisfy various financial ratios such as the leverage ratio, the asset coverage ratio and the fixed charge coverage ratio. As of December 31, 2021, the Company was in compliance with all debt covenants related to debt secured by lease and rental units, its floor plan credit agreements and the WF Credit Agreement. The Company does not anticipate any breach of the covenants in the foreseeable future.

9. FINANCIAL INSTRUMENTS AND FAIR VALUE:

The Company measures certain financial assets and liabilities at fair value on a recurring basis. Financial instruments consist primarily of cash, accounts receivable, accounts payable and floor plan notes payable. The carrying values of the Company's financial instruments approximate fair value due either to their short-term nature or existence of variable interest rates, which approximate market rates. Certain methods and assumptions were used by the Company in estimating the fair value of financial instruments as of December 31, 2021, and 2020. 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. Because the Company's debt is not quoted, estimates are based on each obligation's characteristics, including remaining maturities, interest rate, credit rating, collateral and liquidity. Accordingly, the Company concluded that the valuation measurement inputs of its long-term debt represent, at its lowest level, current market interest rates available to the Company for similar debt and the Company's current credit standing. The Company has categorized such debt within Level 2 of the hierarchy framework. The carrying amount approximates fair value.

10. LEASES:

In February 2016, the FASB issued ASU No. 2016-02, "*Leases ("Topic 842")*," which was intended to increase the transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The standard requires lessees to record assets and liabilities on the balance sheet for all leases with terms longer than twelve months. Leases are classified as either finance or operating, with classification affecting the pattern of expense recognition in the income statement.

A lease is classified as a finance lease if any of the following conditions exist on the date of lease commencement:

- The lease transfers ownership of the underlying asset to the lessee by the end of the lease term.
- The lease provides the lessee an option to purchase the underlying asset, and that option is reasonably certain to be exercised.
- The lease term is for the major part of the remaining economic life of the underlying asset.
- The present value of the lease payments equals or exceeds substantially all of the fair value of the underlying asset.
- The underlying asset is of such a specialized nature that only the lessee can use it without major modifications.
- The lessor expects to have no alternative use for the leased asset at the end of the lease.

The Company adopted Topic 842 on January 1, 2019 and applied the practical expedients permitted, which among other things, allowed it to retain its existing assessment of whether an arrangement is, or contains, a lease and whether such lease is classified as an operating or finance lease. The Company made an accounting policy election that keeps leases with an initial term of twelve months or less off of the balance sheet and results in recognizing those lease payments in the Consolidated Statements of Income and Comprehensive Income on a straight-line basis over the lease term.

The Company leases commercial vehicles and real estate under finance and operating leases. The Company determines whether an arrangement is a lease at its inception. For leases with terms greater than twelve months, the Company records the related asset and obligation at the present value of lease payments over the term. Many of the Company's leases include renewal options and/or termination options that are factored into its determination of lease payments when appropriate. The Company has elected not to account for lease and nonlease components as a single combined lease component as lessee. When available, the Company uses the rate implicit in the lease to discount lease payments to present value; however, most of its leases do not provide a readily determinable implicit rate. Therefore, the Company must estimate its incremental borrowing rate to discount the lease payments based on information available at lease commencement.

### *Lease of Vehicles as Lessee*

The Company leases commercial vehicles as the lessee under finance leases and operating leases. The lease terms vary from one month to ten years. Commercial vehicle finance leases have always been reported on the Consolidated Balance Sheet, while operating leases were added to the Consolidated Balance Sheet in 2019 with the adoption of Topic 842. These vehicles are then subleased or rented by the Company to customers under various agreements. The Company received sublease income under non-cancelable subleases of \$33.0 million for the year ended December 31, 2021 and \$26.9 million for the year ended December 31, 2020.

The Company usually guarantees the residual value of vehicles under operating lease and finance lease arrangements. As of December 31, 2021, the Company guaranteed commercial vehicle residual values of approximately \$59.6 million under operating lease and finance lease arrangements.

### *Lease of Facilities as Lessee*

The Company's facility leases are classified as operating and finance leases and primarily reflect its use of dealership facilities and office space. The lease terms vary from one year to 83 years, some of which include options to extend the lease term, and some of which include options to terminate the lease within one year. The Company considers these options in determining the lease term used to establish its right-of-use assets and lease liabilities.

### *Lease Costs and Supplemental Information*

Components of lease cost are as follows (in thousands):

Component	Classification	Twelve Months Ended	
		December 31, 2021	December 31, 2020
Operating lease cost	SG&A expense	\$ 9,826	\$ 9,986
Operating lease cost	Lease and rental cost of products sold	4,449	4,654
Finance lease cost – amortization of right-of-use assets	Lease and rental cost of products sold	19,138	16,791
Finance lease cost – interest on lease liabilities	Lease and rental cost of products sold	5,749	4,678
Short-term lease cost	SG&A expense	135	66

Supplemental cash flow information and non-cash activity related to operating and finance leases are as follows (in thousands):

	Twelve Months Ended	
	December 31, 2021	December 31, 2020
Operating cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities	\$ 20,024	\$ 19,318
Financing cash flow information:		
Cash paid for amounts included in the measurement of lease liabilities	\$ 13,774	\$ 11,192
Non-cash activity:		
Operating lease right-of-use assets obtained in exchange for lease	\$ 24,802	\$ 16,545

Weighted-average remaining lease term and discount rate for operating and finance leases as of December 31, 2021 are as follows:

Weighted-average remaining lease term	72 months
Weighted-average discount rate	4.4%

Maturities of lease liabilities by fiscal year for finance leases and operating leases as of December 31, 2021 are as follows (in thousands):

	Finance Leases	Operating Leases
2022	\$ 31,484	\$ 14,484
2023	25,671	11,955
2024	27,641	12,065
2025	19,734	8,330
2026	14,398	7,435
2027 and beyond	11,745	33,522
Total lease payments	\$ 130,673	\$ 87,791
Less: Imputed interest	(14,143)	(17,719)
Present value of lease liabilities	<u>\$ 116,530</u>	<u>\$ 70,072</u>

#### *Lease of Vehicles as Lessor*

The Company leases commercial vehicles that the Company owns to customers primarily over periods of one to ten years. The Company applied the practical expedient permitted within Topic 842 that allows it not to separate lease and nonlease components. Nonlease components typically consist of maintenance and licensing for the commercial vehicle. The variable nonlease components are generally based on mileage. Some leases contain an option for the lessee to purchase the commercial vehicle.

The Company's policy is to depreciate its lease and rental fleet using a straight-line method over each 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.

Sales-type leases are recognized by the Company as lease receivables. The lessee obtains control of the underlying asset and the Company recognizes sales revenue upon lease commencement. The receivable for sales-type leases as of December 31, 2021 in the amount of \$5.4 million is reflected in Other Assets on the Consolidated Balance Sheet.

Minimum rental payments to be received for non-cancelable leases and subleases in effect as of December 31, 2021, are as follows (in thousands):

2022	\$	126,844
2023		99,774
2024		72,594
2025		43,753
2026		20,264
Thereafter		6,021
Total	\$	<u>369,250</u>

Rental income during the year ended December 31, 2021, and 2020, consisted of the following (in thousands):

	2021	2020
Minimum rental	\$ 214,400	\$ 205,640
Nonlease payments	32,834	30,583
Total	<u>\$ 247,234</u>	<u>\$ 236,223</u>

11. SHARE BASED COMPENSATION AND EMPLOYEE BENEFIT PLANS:

*Employee Stock Purchase Plan*

The Company's 2004 Employee Stock Purchase Plan, as amended and restated (the "Employee Stock Purchase Plan") allows eligible employees to contribute up to \$10,625 of their base earnings every six months toward the semi-annual purchase of the Company's Class A Common Stock. The employee's purchase price is 85% of the lesser of the closing price of the Class A Common Stock on the first business day or the last business day of the semi-annual offering period, as reported by The NASDAQ Global Select Market. Employees may purchase shares having a fair market value of up to \$25,000 (measured as of the first day of each semi-annual offering period) for each calendar year. Under the Employee Stock Purchase Plan, there are approximately 594,717 shares remaining of the 2,700,000 shares of the Company's Class A Common Stock that were reserved for issuance. The Company issued 148,999 shares under the Employee Stock Purchase Plan during the year ended December 31, 2021 and 176,807 shares during the year ended December 31, 2020. Of the 7,166 employees eligible to participate, approximately 1,854 elected to participate in the plan as of December 31, 2021.

*Non-Employee Director Stock Option Plan*

The Rush Enterprises, Inc. 2006 Non-Employee Director Stock Option Plan, as amended and restated (the "Director Plan"), reserved 750,000 shares of Class A Common Stock for issuance upon exercise of any awards granted under the plan. The Director Plan is designed to attract and retain highly qualified non-employee directors. Currently, each non-employee director receives a grant of the Company's Class A Common Stock equivalent to a compensation value of \$145,000; provided however, that directors may elect to receive up to 40% of the value of such grant in cash. In 2021, three non-employee directors each received a grant of 2,875 shares of the Company's Class A Common Stock and two non-employee directors each received a grant of 2,013 shares of the Company's Class A Common Stock and \$43,500 cash and one non-employee director received a grant of 1,725 shares of the Company's Class A Common Stock and \$58,000 cash for total compensation equivalent to \$145,000 each. One director who was appointed to the Company's Board of Directors in October of 2021 received 1,350 shares of the Company's Class A Common Stock, for total compensation equivalent to \$72,500. In 2020, three non-employee directors each received a grant of 5,235 shares of the Company's Class A Common Stock and three non-employee directors each received a grant of 3,141 shares of the Company's Class A Common Stock and \$50,000 cash, for total compensation equivalent to \$125,000 each. Under the Director Plan, there are approximately 148,152 shares remaining for issuance of the 750,000 shares of the Company's Class A Common Stock that were reserved for issuance. The Company granted 15,726 shares of Class A Common Stock under the Director Plan during the year ended December 31, 2021 and 25,128 shares of Class A Common Stock under the Director Plan during the year ended December 31, 2020.

*Employee Incentive Plans*

In May 2007, the Board of Directors and shareholders adopted the Rush Enterprises, Inc. 2007 Long-Term Incentive Plan (the "2007 Incentive Plan"). The 2007 Incentive Plan provides for the grant of stock options (which may be nonqualified stock options or incentive stock options for tax purposes), stock appreciation rights issued independent of or in tandem with such options ("SARs"), restricted stock awards and performance awards. The 2007 Incentive Plan was amended and restated on May 20, 2014, May 16, 2017 and again on May 12, 2020, to increase the number of shares available for issuance under the plan to 13,200,000 shares of Class A Common Stock and 4,800,000 shares of Class B Common Stock and to make certain other changes intended to bring the 2007 Incentive Plan into conformance with current best practices.

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 150,000 shares of Class A Common Stock or 150,000 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 13,200,000 shares of Class A Common Stock and 4,800,000 shares of Class B Common Stock reserved for issuance under the Company's 2007 Incentive Plan. As of December 31, 2021, approximately 2,243,779 shares of Class A Common Stock and 1,308,825 shares of Class B Common Stock are available for issuance under the Company's 2007 Incentive Plan. The Company issues new shares of its Class A or Class B Common Stock upon the exercise of stock options or vesting of restricted stock units and upon the issuance of restricted stock awards. During the year ended December 31, 2021, the Company granted to employees 498,700 options to purchase Class A Common Stock and 340,650 restricted Class B Common Stock awards under the 2007 Incentive Plan. Restricted stock awards are issued when granted, but are subject to vesting requirements. During the year ended December 31, 2020, the Company granted to employees 753,600 options to purchase Class A Common Stock and 518,400 restricted Class B Common Stock awards under the 2007 Incentive Plan.

### Valuation and Expense Information

Stock-based compensation expense related to stock options, restricted stock awards, restricted stock units and employee stock purchases was \$22.2 million for the year ended December 31, 2021, \$19.4 million for the year ended December 31, 2020, and \$19.0 million for the year ended December 31, 2019. Cash received from options exercised and shares purchased under all share-based payment arrangements was \$18.3 million for the year ended December 31, 2021, \$23.5 million for the year ended December 31, 2020, and \$11.1 million for the year ended December 31, 2019.

The following table presents a summary of the Company's stock option activity and related information for the year ended December 31, 2021:

Options	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value
Balance of Outstanding Options at January 1, 2021	4,080,944	\$ 22.01		
Granted	498,700	49.47		
Exercised	(768,668)	18.43		
Forfeited	(6,000)	37.16		
Balance of Outstanding Options at December 31, 2021	<u>3,804,976</u>	<u>\$ 26.31</u>	<u>6.3</u>	<u>\$111,599,381</u>
Expected to vest after December 31, 2021	<u>2,549,712</u>	<u>\$ 29.93</u>	<u>7.5</u>	<u>\$ 65,546,772</u>
Vested and exercisable at December 31, 2021	<u>1,228,362</u>	<u>\$ 18.54</u>	<u>3.8</u>	<u>\$ 45,572,873</u>

The aggregate intrinsic value in the preceding table represents the total pretax intrinsic value, based on the closing price of the Company's Class A Common Stock on December 31, 2021, which was \$55.64. The total intrinsic value of options exercised was \$23.4 million during the year ended December 31, 2021, \$20.8 million during the year ended December 31, 2020, and \$8.7 million during the year ended December 31, 2019.

The following table presents a summary of the status of the number of shares underlying the Company's non-vested stock options as of December 31, 2021, and changes during the year ended December 31, 2021:

Non-vested Shares	Number of Shares	Weighted Average Grant Date Fair Value
Non-vested at January 1, 2021	2,737,757	\$ 7.95
Granted	498,700	14.77
Vested	(653,843)	7.60
Forfeited	<u>(6,000)</u>	11.07
Non-vested at December 31, 2021	<u>2,576,614</u>	\$ 9.35

The total fair value of vested options was \$5.0 million during the year ended December 31, 2021, \$4.5 million during the year ended December 31, 2020, and \$5.0 million during the year ended December 31, 2019. The weighted-average grant date fair value of options granted was \$14.77 per share during the year ended December 31, 2021, \$6.36 per share during the year ended December 31, 2020, and \$8.37 per share during the year ended December 31, 2019.

### Stock Awards

The Company granted restricted stock awards to certain of 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, 2021. The restricted stock awards and previously granted restricted stock units 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, except as a result of retirement or under certain circumstances associated with a

change of control or involuntary termination, as further described in the Company’s executive transition plan. The fair value of the restricted stock awards and restricted stock unit awards granted to the Company’s employees is amortized to expense on a straight-line basis over the restricted stock’s vesting period. The shares granted to non-employee directors are expensed on the grant date.

The following table presents a summary of the Company’s non-vested restricted stock awards at December 31, 2021:

Stock Awards and Units	Shares	Weighted Average Remaining Contractual Life (in Years)	Aggregate Intrinsic Value	Weighted Average Grant Date Fair Value
Outstanding non-vested shares at January 1, 2021	987,728			\$ 24.28
Granted	356,376			44.86
Vested	(499,084)			25.94
Forfeited	<u>(1,200)</u>			44.59
Outstanding non-vested at December 31, 2021	<u>843,820</u>	<u>8.4</u>	<u>\$45,540,965</u>	31.97
Expected to vest after December 31, 2021	<u>842,423</u>	<u>8.4</u>	<u>\$45,465,553</u>	

The total fair value of the shares issued upon the vesting of restricted and unrestricted stock awards and restricted stock unit awards during the year ended December 31, 2021 was \$12.9 million. The weighted-average grant date fair value of stock awards granted was \$44.86 per share during the year ended December 31, 2021, \$21.98 per share during the year ended December 31, 2020 and \$26.91 per share during the year ended December 31, 2019.

As of December 31, 2021, the Company had \$9.3 million of unrecognized compensation expense related to non-vested employee stock options to be recognized over a weighted-average period of 2.2 years and \$9.2 million of unrecognized compensation cost related to non-vested restricted stock awards to be recognized over a weighted-average period of 1.3 years.

#### *Defined Contribution Plan*

The Company has a defined contribution plan (the “Rush 401k Plan”) that is available to all employees. Each employee who has completed 30 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 their total gross compensation. However, certain highly compensated employees are limited to a maximum contribution of 15% of total gross compensation. Effective February 1, 2012, for the first 10% of an employee’s contribution, the Company contributed an amount equal to 20% of the employees’ contributions for those employees with less than five years of service and an amount equal to 40% of the employees’ contributions for those employees with more than five years of service. Effective June 16, 2020, as part of the Company’s expense reductions due to the Covid-19 pandemic, for the first 10% of an employee’s contribution, the Company contributed an amount equal to 5% of the employees’ contributions for those employees with less than five years of service and an amount equal to 10% of the employees’ contributions for those employees with more than five years of service. Effective March 15, 2021, for the first 10% of an employee’s contribution, the Company contributed an amount equal to 20% of the employees’ contributions for those employees with less than five years of service and an amount equal to 40% of the employees’ contributions for those employees with more than five years of service. The Company incurred expenses related to the Rush 401k Plan of approximately \$8.2 million during the year ended December 31, 2021, \$6.0 million during the year ended December 31, 2020 and \$9.4 million during the year ended December 31, 2019.

#### *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”) pursuant to which certain employees and directors may elect to defer a portion of their annual compensation. The Deferred Compensation Plan was amended and restated effective May 18, 2021 in order to bring the plan into conformance with current “best” practices. The Deferred Compensation Plan also provides the Company with the discretion to make matching contributions to participants’ accounts. The Company established a rabbi trust to finance obligations under the Deferred Compensation Plan with corporate-owned variable life insurance contracts. Participants are 100% vested in their respective deferrals and the earnings thereon. The first deferral election period began on January 1, 2011. The Company’s liability related to the Deferred Compensation Plan was \$21.3 million on December 31,

2021 and \$19.5 million on December 31, 2020. The related cash surrender value of the life insurance contracts was \$12.7 million on December 31, 2021 and \$11.5 million on December 31, 2020.

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

12. EARNINGS PER SHARE:

Basic earnings per share (“EPS”) were computed by dividing income from continuing operations by the weighted average number of shares of common stock outstanding during the period. Diluted EPS differs from basic EPS due to the assumed conversions of potentially dilutive options, restricted shares awards and restricted stock unit awards that were outstanding during the period.

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

The following is a reconciliation of the numerators and the denominators of the basic and diluted per share computations for income from continuing operations (in thousands, except per share amounts):

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Numerator-			
Numerator for basic and diluted earnings per share –			
Net income available to common shareholders	\$ <u>241,415</u>	\$ <u>114,887</u>	\$ <u>141,583</u>
Denominator-			
Denominator for basic earnings per share –			
weighted average shares	55,892	54,866	54,988
Effect of dilutive securities–			
Employee and director stock options and restricted share awards	<u>1,986</u>	<u>1,376</u>	<u>1,368</u>
Denominator for diluted earnings per share – adjusted weighted average			
shares outstanding and assumed conversions	<u>57,878</u>	<u>56,242</u>	<u>56,356</u>
Basic earnings per common share	\$ <u>4.32</u>	\$ <u>2.09</u>	\$ <u>2.57</u>
Diluted earnings per common share and common share equivalents	\$ <u>4.17</u>	\$ <u>2.04</u>	\$ <u>2.51</u>

Options to purchase shares of common stock that were outstanding for the years ended December 31, 2021, 2020 and 2019 that were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive are as follows (in thousands):

	<u>2021</u>	<u>2020</u>	<u>2019</u>
Anti-dilutive options – weighted average	437	1,349	1,663



13. INCOME TAXES:

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

	Year Ended December 31,		
	2021	2020	2019
Income before income taxes:			
Domestic	\$ 307,260	\$ 146,055	\$ 188,174
Foreign	6,423	5,668	1,349
Total	<u>313,683</u>	<u>151,723</u>	<u>189,523</u>
Current provision			
Federal	\$ 47,475	\$ 67,988	\$ 20,303
State	10,759	6,706	4,648
Total	<u>58,234</u>	<u>74,694</u>	<u>24,951</u>
Deferred provision (benefit)			
Federal	13,809	(37,683)	20,925
State	(631)	(1,254)	2,064
Foreign	856	1,079	-
Total	<u>14,034</u>	<u>(37,858)</u>	<u>22,989</u>
Provision (benefit) for income taxes	<u>\$ 72,268</u>	<u>\$ 36,836</u>	<u>\$ 47,940</u>

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,		
	2021	2020	2019
Income taxes at the federal statutory rate	\$ 65,694	\$ 31,862	\$ 39,530
State income taxes, net of federal benefit	7,874	4,487	5,303
Tax effect of permanent differences	(2,502)	283	1,562
Foreign tax rate differential	(313)	(111)	-
Other, net	1,515	315	1,545
Provision (benefit) for income taxes	<u>\$ 72,268</u>	<u>\$ 36,836</u>	<u>\$ 47,940</u>

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

	December 31,	
	2021	2020
Deferred income tax (assets) liabilities:		
Inventory	\$ (2,704)	\$ (4,329)
Accounts receivable	(349)	(168)
Finance lease obligations	(27,242)	(27,522)
Finance and operating leases	(16,379)	(13,607)
Stock options	(6,993)	(7,463)
Accrued liabilities	(5,768)	(7,680)
State net operating loss carry forward	(1,438)	(1,101)
State tax credit	(120)	(193)
Other	(2,765)	(3,302)
Difference between book and tax basis- Operating lease assets	16,132	13,444
Difference between book and tax basis- Depreciation and amortization	188,099	178,360
Net deferred income tax liability	<u>\$ 140,473</u>	<u>\$ 126,439</u>

As of December 31, 2021, the Company had approximately \$30.8 million in state net operating loss carry forwards that expire from 2021 to 2040, which result in a deferred tax asset of approximately \$1.4 million. The Company has evaluated whether its state net operating losses are realizable and has not recorded a valuation allowance against them. The valuation allowance did not change over the prior year ending December 31, 2020.

The Company had unrecognized income tax benefits totaling \$4.3 million as a component of accrued liabilities as of December 31, 2021, and \$3.3 million at December 31, 2020, the total of which, 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. The Company recognizes interest accrued related to unrecognized tax benefits in income tax expense. During the years ended December 31, 2020, 2019 and 2018, the Company recognized approximately \$129,660, \$6,150, and \$5,220 in interest expense (income). No amounts were accrued for penalties. The Company had approximately \$279,000, \$150,000 and \$144,000 of interest accrued as of December 31, 2021, 2020 and 2019, respectively.

Undistributed earnings of certain of the Company's foreign subsidiaries amounted to approximately \$13.4 million at December 2021. Those earnings are considered to be indefinitely reinvested. Upon repatriation of those earnings in the form of dividends or otherwise, the Company may be subject to state and local taxes, and/or withholding taxes payable to the various foreign countries. The Company expects to be able to take a 100% dividends received deduction to offset any U.S. federal income tax liability on the distribution of untaxed earnings and profits.

The Company does not anticipate a significant change in the amount of unrecognized tax benefits in the next 12 months. As of December 31, 2021, the tax years ended December 31, 2018 through 2021 remained subject to audit by federal tax authorities and the tax years ended December 31, 2017 through 2021, remained subject to audit by state tax authorities.

The table below presents the reconciliation of the change in the unrecognized tax benefits (in thousands):

	2021	2020	2019
Unrecognized tax benefits at beginning of period	\$ 3,306	\$ 3,007	\$ 2,389
Gross increases – tax positions in current year	1,512	651	1,188
Reductions due to lapse of statute of limitations	(509)	(352)	(570)
Unrecognized tax benefits at end of period	\$ 4,309	\$ 3,306	\$ 3,007

#### 14. COMMITMENTS AND CONTINGENCIES:

From time to time, the Company is involved in litigation arising out of its operations in the ordinary course of business. The Company maintains liability insurance, including product liability coverage, in amounts deemed adequate by management. To date, aggregate costs to the Company for claims, including product liability actions, have not been material. However, an uninsured or partially insured claim, or claim for which indemnification is not available, could have a material adverse effect on the Company's financial condition or results of operations. The Company believes that there are no claims or litigation pending, the outcome of which could have a material adverse effect on its financial position or results of operations. However, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's financial condition or results of operations for the fiscal period in which such resolution occurred.

#### 15. ACQUISITIONS

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

On December 13, 2021, the Company completed the acquisition of certain of the assets of the of Summit Truck Group, LLC and certain of its subsidiaries and affiliates (collectively, "Summit") which included full-service commercial vehicle dealerships and Idealease franchises in Arkansas, Kansas, Missouri, Tennessee and Texas. The acquisition included Summit's dealerships representing International, IC Bus, Idealease, Isuzu and other commercial vehicle manufacturers for a purchase price of approximately \$205.3 million, excluding the real property associated with the transaction. The Company financed approximately \$102.0 million of the purchase price under its floor plan and lease and rental truck financing arrangements and the remainder of the purchase price was paid in cash. In addition, the Company purchased certain real property owned by Summit for a purchase price of approximately \$57.0 million, which was paid in cash.

The purchase price allocation has not yet been finalized related to the Summit acquisition as additional information is expected to be obtained that needs to be evaluated by management, that existed at the time of the acquisition related to

property and equipment, inventory and valuation of intangible assets. Management has recorded the purchase price allocations based upon acquired company information that is currently available.

The operations of these acquired locations are included in the accompanying consolidated financial statements from the date of the acquisition. The preliminary purchase price was allocated based on the fair values of the assets and liabilities at the date of acquisition as follows (in thousands):

Goodwill	\$ 73,710
Franchise rights	1,581
Inventory	76,078
Property and equipment, including real estate	113,161
Customer deposits	(3,359)
Other	<u>1,156</u>
Total	<u>\$ 262,327</u>

The goodwill acquired in the Summit acquisition will be amortized over 15 years for tax purposes.

On November 1, 2021, the Company acquired certain assets of Illinois Truck Centre, Inc., which included real estate and a full-service Hino and Isuzu commercial vehicle dealership in Elk Grove, Illinois. The transaction was valued at approximately \$2.7 million, with the purchase price paid in cash. The goodwill acquired in the Illinois Truck Centre, Inc. acquisition, which was valued at \$1.0 million, will be amortized over 15 years for tax purposes.

On October 18, 2021, the Company acquired certain assets of Commercial Engine Service, Inc., which included a long-term lease for a commercial vehicle facility in Victorville, California, along with commercial vehicle parts inventory. The transaction was valued at approximately \$4.3 million, with the purchase price paid in cash. The goodwill acquired in the Commercial Engine Service, Inc. acquisition, which was valued at \$3.5 million, will be amortized over 15 years for tax purposes.

16. SEGMENTS:

The Company currently has one reportable business segment - the Truck Segment. The Truck Segment includes the Company's operation of a nationwide 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 collision center facilities; and financial services, including the financing of new and used commercial vehicle purchases, insurance products and truck leasing and rentals. The commercial vehicle dealerships are deemed a single reporting unit because they have similar economic characteristics. The Company's chief operating decision maker considers the entire Truck Segment, not individual dealerships or departments within its dealerships, when making decisions about resources to be allocated to the segment and assessing its performance.

The Company also has revenues attributable to three other operating segments. These segments include a retail tire company, an insurance agency and a guest ranch operation and are included in the All Other column below. None of these segments has ever met any of the quantitative thresholds for determining reportable segments.

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 operating income.

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, 2021, 2020 or 2019. 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, 2021, 2020 and 2019 (in thousands):

	<b>Truck Segment</b>	<b>All Other</b>	<b>Totals</b>
<b>2021</b>			
Revenues from external customers	\$ 5,109,070	\$ 17,072	\$ 5,126,142
Interest income	657	-	657
Interest expense	2,119	308	2,427
Depreciation and amortization	53,096	258	53,354
Segment operating income	307,394	1,642	309,036
Segment income from continuing operations before taxes	312,350	1,333	313,683
Segment assets	3,068,365	51,612	3,119,977
Goodwill	367,771	2,560	370,331
Expenditures for segment assets	163,624	3,553	167,177
<b>2020</b>			
Revenues from external customers	\$ 4,721,058	\$ 14,882	\$ 4,735,940
Interest income	713	-	713
Interest expense	9,444	283	9,727
Depreciation and amortization	57,162	294	57,456
Segment operating income	153,841	764	154,605
Segment income from continuing operations before taxes	151,222	501	151,723
Segment assets	2,939,390	46,003	2,985,393
Goodwill	289,582	2,560	292,142
Expenditures for segment assets	135,956	244	136,200
<b>2019</b>			
Revenues from external customers	\$ 5,794,155	\$ 15,692	\$ 5,809,847
Interest income	1,680	-	1,680
Interest expense	30,201	286	30,487
Depreciation and amortization	55,036	336	55,372
Segment operating income (loss)	216,691	(286)	216,405
Segment income from continuing operations before taxes	188,122	1,401	189,523
Segment assets	3,369,517	37,812	3,407,329
Goodwill	289,582	2,560	292,142
Expenditures for segment assets	292,980	513	293,493

17. **REVENUE:**

The Company's revenues are primarily generated from the sale of finished products to customers. Those sales predominantly contain a single delivery element and revenue from such sales is recognized when the customer obtains control, which is typically when the finished product is delivered to the customer. The Company's material revenue streams have been identified as the following: the sale of new and used commercial vehicles, arrangement of associated commercial vehicle financing and insurance contracts, the performance of commercial vehicle repair services and the sale of commercial vehicle parts. Taxes collected from customers relating to product sales and remitted to governmental authorities are excluded from revenues.

The following table summarizes the Company's disaggregated revenue by revenue source, excluding lease and rental revenue, for the years ended December 31, 2021, December 31, 2020 and December 31, 2019 (in thousands):

	2021	2020	2019
Commercial vehicle sales revenue	\$ 3,039,953	\$ 2,863,309	\$ 3,757,584
Parts revenue	1,059,382	911,102	993,288
Commercial vehicle repair service	733,981	689,343	769,222
Finance revenue	16,385	12,047	14,618
Insurance revenue	11,579	9,902	9,825
Other revenue	17,628	14,014	17,761
Total	<u>\$ 4,878,908</u>	<u>\$ 4,499,717</u>	<u>\$ 5,562,298</u>

All of the Company's performance obligations are generally transferred to customers at a point in time. The Company did not have any material contract assets or contract liabilities on the balance sheet as of December 31, 2021 or December 31, 2020. Revenues related to commercial vehicle sales, parts sales, commercial vehicle repair service, finance and the majority of other revenues are related to the Truck Segment.

For the sale of new and used commercial vehicles, revenue is recognized at a point in time when control is transferred to the customer, which is when delivery of the commercial vehicle occurs. Revenue is measured as the amount of consideration the Company expects to receive in exchange for transferring the commercial vehicle. When control is transferred to the customer, the Company has an unconditional right to payment and a receivable is recorded for any consideration not received.

The Company controls the commercial vehicle before it is transferred to the customer and it obtains all of the remaining benefits from the commercial vehicle relating to the sale, ability to pledge the asset or hold the asset. The Company is a principal in all commercial vehicle transactions. The Company retains inventory risk, determines the selling price to the customer and delivers the commercial vehicle to the customer. The Company generally pays a commission to internal sales representatives for the sale of a commercial vehicle. The Company will continue to expense the commission and recognize it concurrently with the respective commercial vehicle sale revenue upon delivery of the commercial vehicle to a customer.

Revenue from the sale of parts is recognized when the Company transfers control of the goods to the customer and consideration has been received in the form of cash or a receivable from the customer. The Company provides its customers the right to return certain eligible parts, estimates the expected returns based on an analysis of historical experience and records an allowance for estimated returns, which has historically not been material.

Revenue from the sale of commercial vehicle repair service is recognized when the service performed by the Company on a customer's vehicle is complete and the customer accepts the repair. Because the Company does not have an enforceable right to payment while the repair is being performed, revenue is recognized when the repair is complete. After a customer's acceptance, the Company has no remaining obligations to transfer goods or services to the customer and consideration has been received in the form of cash or a receivable from the customer.

Any remaining performance obligations represent service orders for which work has not been completed. The Company's service contracts are predominantly short-term in nature with a contract term of one month or less. For those contracts, the Company has utilized the practical expedient in Topic 606 exempting the Company from disclosure of the transaction price allocated to remaining performance obligations if the performance obligation is part of a contract that has an original expected duration of one year or less.

The Company receives commissions from third-party lenders for arranging customer financing for the purchase of commercial vehicles. The receipt of such commissions is deemed to be a single performance obligation that is satisfied when a financing agreement is executed and accepted by the financing provider. Once the contract has been accepted by the financing provider, the Company's performance obligation has been satisfied and the Company generally has no further obligations under the contract. The Company is the agent in this transaction, as it does not have control over the acceptance of the customer's financing arrangement by the financing provider. Consideration paid to the Company by the financing provider is based on the agreement between the Company and the financing provider.

The Company receives commissions from third-party insurance companies for arranging insurance coverage for customers. The receipt of such commissions is deemed to be a single performance obligation that is satisfied when the insurance coverage is bound. The Company has no further obligations under the contract. The Company is the agent in this transaction because it does not have control over the insurance coverage provided by the insurance carrier. Consideration paid to the Company by the insurance provider is based on the agreement between the Company and the insurance provider.

The Company records revenues from finance and insurance products at the net commission amount, which includes estimates of chargebacks that can occur if the underlying contract is not fulfilled. Chargeback amounts for commissions from financing companies are estimated assuming financing contracts are terminated before the customer has made six monthly payments. Chargeback amounts for commissions from insurance companies are estimated assuming insurance contracts are terminated before the underlying insurance contractual term has expired. Chargeback reserve amounts are based on historical chargebacks and have historically been immaterial. The Company does not have any right to retrospective commissions based on future profitability of finance and insurance contracts arranged.

Other revenue consist mostly of documentation fees that are charged to customers in connection with the sale of a commercial vehicle and recognized as other revenue when a truck is sold. The Company recognizes the documentation fees at the point in time when the commercial vehicle is delivered to the customer.

18. ACCUMULATED OTHER COMPREHENSIVE INCOME:

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

Balance as of December 31, 2020	\$	869
Foreign currency translation adjustment		<u>(82)</u>
Balance as of December 31, 2021	\$	<u>787</u>

The equity method investment in RTC Canada was valued using the exchange rate of one US Dollar to 1.27 Canadian dollars as of December 31, 2021. The adjustment is reflected in Other Assets on the Consolidated Balance Sheet.

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

None.

### **Item 9A. Controls and Procedures**

#### *Evaluation of Disclosure Controls and Procedures*

In accordance with Exchange Act Rules 13a-15 and 15d-15, the Company carried out an evaluation, under the supervision and with the participation of management, including its Chief Executive Officer and Chief Financial Officer, of the effectiveness of its disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Company's Chief Executive Officer and Chief Financial Officer concluded that its disclosure controls and procedures were effective as of December 31, 2021, to ensure that information required to be disclosed in its reports filed or submitted under the Exchange Act is (1) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms and (2) accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure.

#### *Changes in Internal Control Over Financial Reporting*

There were no changes in the Company's internal control over financial reporting during the quarter ended December 31, 2021, that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

#### *Management's Annual Report on Internal Control over Financial Reporting*

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

As of December 31, 2021, management assessed the effectiveness of the Company's internal control over financial reporting based on the criteria for effective internal control over financial reporting established in "Internal Control – Integrated Framework," issued by the Committee of Sponsoring Organizations (COSO) of the Treadway Commission (2013 Framework). On December 13, 2021, we consummated our acquisition of certain of the assets of Summit Truck Group, LLC ("Summit"). As permitted by the SEC rules and regulations, management's assessment did not include the internal controls of Summit's acquired operations, which are included in our consolidated financial statements as of December 31, 2021 and for the period from the acquisition date through December 31, 2021. In accordance with our integration efforts, we plan to incorporate Summit's acquired operations into our internal control over financial reporting program within the time period provided by applicable SEC rules and regulations. The assets of Summit's acquired operations constituted approximately 6.6% of our total assets as of December 31, 2021. Operating results of Summit's acquired operations comprised approximately 0.3% of our total consolidated revenues and less than 0.02% of our consolidated net income for the year ended December 31, 2021. Based on the assessment, management determined that the Company maintained effective internal control over financial reporting as of December 31, 2021, based on those criteria.

Ernst & Young LLP, the independent registered public accounting firm that audited the consolidated financial statements of the Company included in this annual report on Form 10-K, has issued an attestation report on the effectiveness of the Company's internal control over financial reporting as of December 31, 2021. The report, which expresses an unqualified opinion on the effectiveness of the Company's internal control over financial reporting as of December 31, 2021, is included in this Item 9A under the heading "Attestation Report of Independent Registered Public Accounting Firm."

## **Report of Independent Registered Public Accounting Firm**

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

### **Opinion on Internal Control over Financial Reporting**

We have audited Rush Enterprises, Inc. and subsidiaries' internal control over financial reporting as of December 31, 2021, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). In our opinion, Rush Enterprises, Inc. and subsidiaries (the Company) maintained, in all material respects, effective internal control over financial reporting as of December 31, 2021, based on the COSO criteria.

As indicated in the accompanying Management's Report on Internal Control Over Financial Reporting, management's assessment of and conclusion on the effectiveness of internal control over financial reporting did not include the internal controls of Summit Truck Group, LLC, which is included in the 2021 consolidated financial statements of the Company and constituted approximately 6.6% of total assets as of December 31, 2021 and approximately 0.3% and 0.0% of total revenues and net income, respectively, for the year ended December 31, 2021. Our audit of internal control over financial reporting of the Company also did not include an evaluation of the internal control over financial reporting of Summit Truck Group, LLC.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States) (PCAOB), the consolidated balance sheets of the Company as of December 31, 2021 and 2020 the related consolidated statements of income, comprehensive income, shareholders' equity, and cash flows for each of the three years in the period ended December 31, 2021, and the related notes and our report dated February 24, 2022, expressed an unqualified opinion thereon.

### **Basis for Opinion**

The Company's management is responsible for maintaining effective internal control over financial reporting and for its assessment of the effectiveness of internal control over financial reporting included in the accompanying Management's Annual Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on the Company's internal control over financial reporting based on our audit. We are a public accounting firm registered with the PCAOB and are required to be independent with respect to the Company in accordance with the U.S. federal securities laws and the applicable rules and regulations of the Securities and Exchange Commission and the PCAOB.

We conducted our audit in accordance with the standards of the PCAOB. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether effective internal control over financial reporting was maintained in all material respects.

Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

### **Definition and Limitations of Internal Control over Financial Reporting**

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and



that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use or disposition of the company's assets that could have a material effect on the financial statements.

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

/s/ Ernst & Young LLP

San Antonio, Texas  
February 24, 2022

#### **Item 9B. Other Information**

None.

### **PART III**

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

The information called for by Item 10 of Form 10-K is incorporated herein by reference to such information included in the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders.

#### **Item 11. Executive Compensation**

The information called for by Item 11 of Form 10-K is incorporated herein by reference to such information included in the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders.

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

The information called for by Item 12 of Form 10-K, other than the equity compensation plan information set forth herein, is incorporated herein by reference to such information included in the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders.

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

The information called for by Item 13 of Form 10-K is incorporated herein by reference to such information included in the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders.

#### **Item 14. Principal Accountant Fees and Services**

The information called for by Item 14 of Form 10-K is incorporated herein by reference to such information included in the Company's Proxy Statement for the 2022 Annual Meeting of Shareholders.

## PART IV

### Item 15. Exhibits, Financial Statement Schedules

#### (a)(1) Financial Statements

Included in Item 8 of Part II of this annual report on Form 10-K are the following:

Report of Independent Registered Public Accounting Firm;  
Consolidated Balance Sheets as of December 31, 2021, and 2020;  
Consolidated Statements of Income for the years ended December 31, 2021, 2020, and 2019;  
Consolidated Statements of Comprehensive Income for the years ended December 31, 2021, 2020, and 2019;  
Consolidated Statements of Shareholders' Equity for the years ended December 31, 2021, 2020, and 2019;  
Consolidated Statements of Cash Flows for the years ended December 31, 2021, 2020, and 2019; and  
Notes to Consolidated Financial Statements.

#### (a)(2) Financial Statement Schedules

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

#### (a)(3) Exhibits

##### Index to Exhibits:

<u>Exhibit No.</u>	<u>Identification of Exhibit</u>
3.1	Restated Articles of Incorporation of Rush Enterprises, Inc. (incorporated herein by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q (File No. 000-20797) for the quarter ended June 30, 2008) <a href="https://www.sec.gov/Archives/edgar/data/1012019/000110465908051789/a08-18770_1ex3d1.htm">https://www.sec.gov/Archives/edgar/data/1012019/000110465908051789/a08-18770_1ex3d1.htm</a>
3.2	Rush Enterprises, Inc. Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed May 21, 2013) <a href="https://www.sec.gov/Archives/edgar/data/1012019/000143774913006455/rusha20130517_8kex3-1.htm">https://www.sec.gov/Archives/edgar/data/1012019/000143774913006455/rusha20130517_8kex3-1.htm</a>
3.3	First Amendment to Amended and Restated Bylaws of Rush Enterprises, Inc. (incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed May 24, 2021) <a href="https://www.sec.gov/ix?doc=/Archives/edgar/data/1012019/000143774921013172/rusha20210524_8k.htm">https://www.sec.gov/ix?doc=/Archives/edgar/data/1012019/000143774921013172/rusha20210524_8k.htm</a>
4.1	Specimen of certificate representing Common Stock (now Class B Common Stock), \$.01 par value, of Rush Enterprises, Inc. (incorporated herein by reference to Exhibit 4.1 of the Company's Registration Statement No. 333-03346 on Form S-1 filed April 10, 1996) <a href="https://www.sec.gov/Archives/edgar/data/1012019/0000950129-96-000812-index.html">https://www.sec.gov/Archives/edgar/data/1012019/0000950129-96-000812-index.html</a>
4.2	Specimen of certificate representing Class A Common Stock, \$.01 par value, of the Registrant (incorporated herein by reference to Exhibit 4.1 of the Company's Registration Statement on Form 8-A filed July 9, 2002) <a href="https://www.sec.gov/Archives/edgar/data/1012019/000091205702026743/a2083861zex-4_1.htm">https://www.sec.gov/Archives/edgar/data/1012019/000091205702026743/a2083861zex-4_1.htm</a>
4.3	Description of the Registrant's Securities Registered Pursuant to Section 12 of the Securities Exchange Act of 1934 (incorporated herein by reference to Exhibit 4.3 of the Company's Form 10-K filed February 26, 2020 (File No. 000-20797) for the year ended December 31, 2019) <a href="https://www.sec.gov/Archives/edgar/data/1012019/000143774912013051/ex10-2.htm">ex_174053.htm (sec.gov)</a>
10.1	Right of First Refusal dated December 19, 2012 between Peterbilt Motors Company and W. Marvin Rush (incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K (File No. 000-20797) filed December 20, 2012) <a href="https://www.sec.gov/Archives/edgar/data/1012019/000143774912013051/ex10-2.htm">https://www.sec.gov/Archives/edgar/data/1012019/000143774912013051/ex10-2.htm</a>

- 10.2 Right of First Refusal dated December 19, 2012 between Peterbilt Motors Company and W.M. “Rusty” Rush (incorporated herein by reference to Exhibit 10.3 of the Company’s Current Report on Form 8-K (File No. 000-20797) filed December 20, 2012)  
<https://www.sec.gov/Archives/edgar/data/1012019/000143774912013051/ex10-3.htm>
- 10.3+ Rush Enterprises, Inc. 2004 Employee Stock Purchase Plan (Amended and Restated on May 12, 2020) (incorporated herein by reference to Exhibit 10.2 of the Company’s Current Report on Form 8-K (File No. 000-20797) filed May 15, 2020)  
[ex\\_186990.htm](ex_186990.htm) (sec.gov)
- 10.4+ First Amendment to Rush Enterprises, Inc. Amended and Restated Employee Stock Purchase Plan (incorporated herein by reference to Exhibit 10.3 of the Company’s Current Report on Form 8-K (File No. 000-20797) filed February 22, 2021)  
[https://www.sec.gov/ix?doc=/Archives/edgar/data/1012019/000143774921003645/rusha20210222\\_8k.htm](https://www.sec.gov/ix?doc=/Archives/edgar/data/1012019/000143774921003645/rusha20210222_8k.htm)
- 10.5+ Rush Enterprises, Inc. Amended and Restated 2006 Non-Employee Director Stock Plan (incorporated herein by reference to Exhibit 10.10 of the Company’s Form 10-K (File No. 000-20797) for the year ended December 31, 2010)  
<https://www.sec.gov/Archives/edgar/data/1012019/000095012311024520/c13928exv10w10.htm>
- 10.6+ Form of Rush Enterprises, Inc. 2006 Non-Employee Director Stock Option Agreement (incorporated herein by reference to Exhibit 4.4 of the Company’s Registration Statement No. 333-138556 on Form S-8 filed November 9, 2006)  
[https://www.sec.gov/Archives/edgar/data/1012019/000110465906073551/a06-23617\\_2ex4d4.htm](https://www.sec.gov/Archives/edgar/data/1012019/000110465906073551/a06-23617_2ex4d4.htm)
- 10.7+ Form of Rush Enterprises, Inc. 2006 Non-Employee Director Stock Plan Restricted Stock Unit Award Agreement (incorporated herein by reference to Exhibit 10.1 of the Company’s Form 10-Q (File No. 000-20797) for the quarter ended June 30, 2012)  
<https://www.sec.gov/Archives/edgar/data/1012019/000143774912008036/ex10-1.htm>
- 10.8+ Rush Enterprises, Inc. Amended and Restated 2007 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K (File No. 000-20797) filed May 15, 2020)  
[ex\\_186989.htm](ex_186989.htm) (sec.gov)
- 10.9+ First Amendment to Rush Enterprises, Inc. Amended and Restated 2007 Long-Term Incentive Plan (incorporated herein by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K (File No. 000-20797) filed February 22, 2021)  
[https://www.sec.gov/ix?doc=/Archives/edgar/data/1012019/000143774921003645/rusha20210222\\_8k.htm](https://www.sec.gov/ix?doc=/Archives/edgar/data/1012019/000143774921003645/rusha20210222_8k.htm)
- 10.10+ Form of Rush Enterprises, Inc. 2007 Long-Term Incentive Plan Restricted Stock Unit Agreement (incorporated herein by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K (File No. 000-20797) filed March 14, 2012)  
<https://www.sec.gov/Archives/edgar/data/1012019/000119312512114188/d315042dex101.htm>
- 10.11+ Form of Rush Enterprises, Inc. 2007 Long-Term Incentive Plan Stock Option Agreement (incorporated herein by reference to Exhibit 4.4 of the Company’s Form S-8 (File No. 333-144821) filed July 24, 2007)  
[https://www.sec.gov/Archives/edgar/data/1012019/000110465907055737/a07-20147\\_1ex4d4.htm](https://www.sec.gov/Archives/edgar/data/1012019/000110465907055737/a07-20147_1ex4d4.htm)
- 10.12+ Form of Rush Enterprises, Inc. Amended and Restated 2007 Long-Term Incentive Plan Stock Option Agreement (incorporated herein by reference to Exhibit 10.1 of the Company’s Current Report on Form 8-K (File No. 000-20797) filed March 8, 2019)  
[https://www.sec.gov/Archives/edgar/data/1012019/000143774919004483/ex\\_137075.htm](https://www.sec.gov/Archives/edgar/data/1012019/000143774919004483/ex_137075.htm)
- 10.13+ Form of Rush Enterprises, Inc. Amended and Restated 2007 Long-Term Incentive Plan Stock Option Award Agreement (incorporated herein by reference to Exhibit 10.4 of the Company’s Current Report on Form 8-K (File No. 000-20797) filed February 22, 2021)  
[https://www.sec.gov/ix?doc=/Archives/edgar/data/1012019/000143774921003645/rusha20210222\\_8k.htm](https://www.sec.gov/ix?doc=/Archives/edgar/data/1012019/000143774921003645/rusha20210222_8k.htm)
- 10.14+ Form of Rush Enterprises, Inc. Amended and Restated 2007 Long-Term Incentive Plan Restricted Stock Award Agreement (incorporated herein by reference to Exhibit 10.2 of the Company’s Current Report on Form 8-K (File No. 000-20797) filed March 8, 2019)  
[https://www.sec.gov/Archives/edgar/data/1012019/000143774919004483/ex\\_137076.htm](https://www.sec.gov/Archives/edgar/data/1012019/000143774919004483/ex_137076.htm)

- 10.15+ Form of Rush Enterprises, Inc. Amended and Restated 2007 Long-Term Incentive Plan Restricted Stock Award Agreement (incorporated herein by reference to Exhibit 10.5 of the Company's Current Report on Form 8-K (File No. 000-20797) filed February 22, 2021)  
[https://www.sec.gov/ix?doc=/Archives/edgar/data/1012019/000143774921003645/rusha20210222\\_8k.htm](https://www.sec.gov/ix?doc=/Archives/edgar/data/1012019/000143774921003645/rusha20210222_8k.htm)
- 10.16+ Rush Enterprises, Inc. Deferred Compensation Plan (Amended and Restated Effective as of May 18, 2021) (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed May 24, 2021)  
[https://www.sec.gov/Archives/edgar/data/0001012019/000143774921013172/ex\\_252721.htm](https://www.sec.gov/Archives/edgar/data/0001012019/000143774921013172/ex_252721.htm)
- 10.17+ Form of Indemnity Agreement (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed January 7, 2015)  
<https://www.sec.gov/Archives/edgar/data/1012019/000143774915000385/ex10-1.htm>
- 10.18+ Rush Enterprises, Inc. Executive Transition Plan (as Amended and Restated Effective as of February 20, 2018) (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed February 26, 2018)  
[https://www.sec.gov/Archives/edgar/data/1012019/000110465908047652/a08-20031\\_1ex10d1.htm](https://www.sec.gov/Archives/edgar/data/1012019/000110465908047652/a08-20031_1ex10d1.htm)
- 10.19+ First Amendment to Rush Enterprises, Inc. Amended and Restated Executive Transition Plan (incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K (File No. 000-20797) filed February 22, 2021)  
[https://www.sec.gov/ix?doc=/Archives/edgar/data/1012019/000143774921003645/rusha20210222\\_8k.htm](https://www.sec.gov/ix?doc=/Archives/edgar/data/1012019/000143774921003645/rusha20210222_8k.htm)
- 10.20 Form of dealer agreement between Peterbilt Motors Company and Rush Truck Centers (incorporated herein by reference to Exhibit 10.18 of the Company's Form 10-K (File No. 000-20797) for the year ended December 31, 1999)  
<https://www.sec.gov/Archives/edgar/data/1012019/000095013400002832/0000950134-00-002832.txt>
- 10.21 Amended and Restated Amendment to Dealer Sales and Service Agreements, dated December 19, 2012, by and among Peterbilt Motors Company, a division of PACCAR, Inc., Rush Enterprises, Inc. and the subsidiaries of Rush Enterprises, Inc. named a party therein (incorporated herein by reference to Exhibit 10.1 of the Company's Form 8-K (File No. 000-20797) filed December 20, 2012)  
<https://www.sec.gov/Archives/edgar/data/1012019/000143774912013051/ex10-1.htm>
- 10.22 Guaranty Agreement, dated December 31, 2010, by Rush Enterprises, Inc. and each other Guarantor party thereto in favor of General Electric Capital Corporation. (incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K (File No. 000-20797) filed January 6, 2011)  
<https://www.sec.gov/Archives/edgar/data/1012019/000095012311001052/c10658exv10w2.htm>
- 10.23 Guaranty Agreement, dated as of April 25, 2019 between Rush and the Bank of Montreal (incorporated herein by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K (File No. 000-20797) filed May 1, 2019)  
[https://www.sec.gov/Archives/edgar/data/1012019/000143774919008424/ex\\_142494.htm](https://www.sec.gov/Archives/edgar/data/1012019/000143774919008424/ex_142494.htm)
- 10.24 Fifth Amended and Restated Credit Agreement, dated as of September 14, 2021 by and among Rush Enterprises, Inc., the subsidiaries of Rush party thereto as borrowers, the Lenders signatory thereto and BMO Harris Bank N.A., as Administrative Agent and Collateral Agent (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed September 20, 2021)  
[https://www.sec.gov/Archives/edgar/data/1012019/000143774921022435/ex\\_285039.htm](https://www.sec.gov/Archives/edgar/data/1012019/000143774921022435/ex_285039.htm)
- 10.25 Credit Agreement, dated as of September 14, 2021 by and among Rush Enterprises, Inc., the subsidiaries of Rush party thereto as borrowers, the Lenders signatory thereto and Wells Fargo Bank, National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K (File No. 000-20797) filed September 20, 2021)  
[https://www.sec.gov/Archives/edgar/data/1012019/000143774921022435/ex\\_285040.htm](https://www.sec.gov/Archives/edgar/data/1012019/000143774921022435/ex_285040.htm)

10.26	Collateral Agreement, dated as of September 14, 2021, executed by Rush Enterprises, Inc. and the subsidiaries of Rush party thereto as borrowers in favor of Wells Fargo Bank, National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K (File No. 000-20797) filed September 20, 2021) <a href="https://www.sec.gov/Archives/edgar/data/1012019/000143774921022435/ex_285041.htm">https://www.sec.gov/Archives/edgar/data/1012019/000143774921022435/ex_285041.htm</a>
10.27	Guaranty Agreement, dated as of September 14, 2021, executed by Rush Enterprises, Inc. in favor of Wells Fargo Bank, National Association, as Administrative Agent (incorporated herein by reference to Exhibit 10.4 of the Company's Current Report on Form 8-K (File No. 000-20797) filed September 20, 2021) <a href="https://www.sec.gov/Archives/edgar/data/1012019/000143774921022435/ex_285042.htm">https://www.sec.gov/Archives/edgar/data/1012019/000143774921022435/ex_285042.htm</a>
10.28	Amended and Restated Inventory Financing and Purchase Money Security Agreement, dated as of October 1, 2021 by and between Rush Truck Leasing, Inc. and PACCAR Leasing Company (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed October 7, 2021) <a href="https://www.sec.gov/Archives/edgar/data/1012019/000143774921023441/ex_289969.htm">https://www.sec.gov/Archives/edgar/data/1012019/000143774921023441/ex_289969.htm</a>
10.29	Promissory Note dated October 1, 2021 issued by Rush Truck Leasing, Inc. in favor of PACCAR Leasing Company (incorporated herein by reference to Exhibit 10.2 of the Company's Current Report on Form 8-K (File No. 000-20797) filed October 7, 2021) <a href="https://www.sec.gov/Archives/edgar/data/1012019/000143774921023441/ex_289970.htm">https://www.sec.gov/Archives/edgar/data/1012019/000143774921023441/ex_289970.htm</a>
10.30	Corporate Guarantee dated November 1, 2002, issued by Rush Enterprises, Inc. in favor of PACCAR Leasing Company (incorporated herein by reference to Exhibit 10.3 of the Company's Current Report on Form 8-K (File No. 000-20797) filed October 7, 2021) <a href="https://www.sec.gov/Archives/edgar/data/1012019/000143774921023441/ex_290053.htm">https://www.sec.gov/Archives/edgar/data/1012019/000143774921023441/ex_290053.htm</a>
21.1*	Subsidiaries of the Company
23.1*	Consent of Ernst & Young LLP
31.1*	Certification of President and Chief Executive Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Chief Financial Officer pursuant to Rules 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1++	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2++	Certification Pursuant to 18 U.S.C. Section 1350, as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS	XBRL Instance Document – The instance document does not appear in the Interactive Data File because its XBRL tags are embedded within the inline XBRL document
101.SCH*	Inline XBRL Taxonomy Extension Schema Document.
101.CAL*	Inline XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF*	Inline XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB*	Inline XBRL Taxonomy Extension Label Linkbase Document
101.PRE*	Inline XBRL Taxonomy Extension Presentation Linkbase Document
104	Cover Page Interactive Data File (formatted as iXBRL and contained in Exhibit 101)

\* Filed herewith.

+ Management contract or compensatory plan or arrangement.

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

## Item 16. Form 10-K Summary

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## SIGNATURES

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

RUSH ENTERPRISES, INC.

By: /s/ W. M. "RUSTY" RUSH  
W. M. "Rusty" Rush  
President, Chief Executive Officer and  
Chairman of the Board

Date: February 24, 2022

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

<u>Signature</u>	<u>Capacity</u>	<u>Date</u>
<u>/s/ W. M. "RUSTY" RUSH</u> W. M. "Rusty" Rush	President, Chief Executive Officer and Chairman of the Board (Principal Executive Officer)	February 24, 2022
<u>/s/ STEVEN L. KELLER</u> Steven L. Keller	Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)	February 24, 2022
<u>/s/ THOMAS A. AKIN</u> Thomas A. Akin	Director	February 24, 2022
<u>/s/ JAMES C. UNDERWOOD</u> James C. Underwood	Director	February 24, 2022
<u>/s/ RAYMOND J. CHESS</u> Raymond J. Chess	Director	February 24, 2022
<u>/s/ DR. KENNON GUGLIELMO</u> Dr. Kennon Guglielmo	Director	February 24, 2022
<u>/s/ WILLIAM H. CARY</u> William H. Cary	Director	February 24, 2022
<u>/s/ ELAINE MENDOZA</u> Elaine Mendoza	Director	February 24, 2022
<u>/s/ TROY A. CLARKE</u> Troy A. Clarke	Director	February 24, 2022

## SUBSIDIARIES OF THE COMPANY

<u>Name</u>	<u>State of Incorporation</u>	<u>Names Under Which Subsidiary Does Business</u>
Rush Truck Centers of Alabama, Inc.	Delaware	Rush Truck Center, Mobile
Rush Truck Centers of Arizona, Inc.	Delaware	Rush Peterbilt Truck Center, Mobile
		Rush Truck Center, Flagstaff
		Rush Peterbilt Truck Center, Flagstaff
		Rush Truck Center, Phoenix
		Rush Peterbilt Truck Center, Phoenix
		Rush Truck Center, Phoenix East
		Rush Peterbilt Truck Center, Phoenix East
		Rush Truck Center, Tucson
		Rush Peterbilt Truck Center, Tucson
		Rush Truck Center, Yuma
		Rush Peterbilt Truck Center, Yuma
Rush Truck Centers of Arkansas, Inc.	Delaware	Rush Truck Center, Jonesboro
		Rush Truck Center, Lowell
		Rush Isuzu Trucks, Springdale
		Rush Truck Center, North Little Rock
		Rush Truck Center, Pine Bluff
		Rush Truck Center, Russellville
Rush Medium Duty Truck Centers of California, Inc.	Delaware	Rush Truck Center, Ceres
Rush Truck Centers of California, Inc.	Delaware	Rush Truck Center, Fontana
		Rush Peterbilt Truck Center, Fontana
		Rush Truck Center, Fontana Collision Center
		Rush Medium Duty Truck Center, Fontana
		Rush Peterbilt Medium Duty Truck Center, Fontana
		Rush Isuzu Trucks, Fontana
		Rush Towing Systems, Fontana
		Rush Truck Center, Fontana Used Trucks
		Rush Truck Center, Fontana Vocational Service
		Rush Truck Center, Long Beach
		Rush Peterbilt Truck Center, Long Beach
		Rush Peterbilt Truck Center, Pico Rivera
		Rush Truck Center, Pico Rivera
		Rush Peterbilt Truck Center, Los Angeles
		Rush Truck Center, Los Angeles
		Rush Truck Center, San Diego
		Rush Peterbilt Truck Center, San Diego
		Rush Truck Center, Sylmar
		Rush Peterbilt Truck Center, Sylmar
		Rush Truck Center, Victorville
		Rush Peterbilt Truck Center, Victorville
		Rush Truck Center, Whittier
		Rush Isuzu Trucks, Whittier
		Rush Peterbilt Truck Center, Whittier
Rush Medium Duty Truck Centers of Colorado, Inc.	Delaware	Rush Medium Duty Truck Center, Denver
		Rush Medium Duty Ford Trucks, Denver
		Rush Towing Systems, Denver

Rush Truck Centers of Colorado, Inc.	Delaware	Rush Truck Center, Colorado Springs Rush Peterbilt Truck Center, Colorado Springs Rush Truck Center, Denver Rush Peterbilt Truck Center, Denver Rush Isuzu Trucks, Denver Rush Truck Center, Greeley Rush Peterbilt Truck Center, Greeley Rush Truck Center, Pueblo Rush Peterbilt Truck Center, Pueblo
Rush Truck Centers of Florida, Inc.	Delaware	House of Trucks, Miami Rush Truck Center, Haines City Rush Peterbilt Truck Center, Haines City Rush Truck Center, Jacksonville Rush Peterbilt Truck Center, Jacksonville Rush Truck Center, Jacksonville East Rush Peterbilt Truck Center, Jacksonville East Rush Truck Center, Lake City Rush Peterbilt Truck Center, Lake City Rush Truck Center, Miami Rush Truck Center, Orlando Rush Peterbilt Truck Center, Orlando Rush Isuzu Trucks, Orlando Rush Isuzu Truck Center, Orlando Rush Truck Center, Orlando Light & Medium Duty Rush Truck Center, Orlando North Rush Isuzu Trucks, Orlando North Rush Truck Center, Orlando South Rush Peterbilt Truck Center, Orlando South Rush Truck Center, Orlando Used Trucks Rush Truck Center, Tampa Rush Peterbilt Truck Center, Tampa
Rush Truck Centers of Georgia, Inc.	Delaware	Rush Bus Center, Atlanta Rush Truck Center, Atlanta Collision Center Rush Truck Center, Atlanta Rush Isuzu Trucks, Atlanta Rush Medium Duty Truck Center, Atlanta Rush Truck Center, Augusta Rush Truck Center, Columbus Rush Truck Center, Doraville Rush Isuzu Trucks, Doraville Rush Truck Center, Gainesville Rush Truck Center, Macon Rush Truck Center, Smyrna Rush Truck Center, Tifton Rush Bus Center, Tifton Rush Truck Center, Valdosta
Rush Truck Centers of Idaho, Inc.	Delaware	Rush International Truck Center, Boise Rush Truck Center, Boise Rush International Truck Center, Idaho Falls Rush Truck Center, Idaho Falls Rush International Truck Center, Lewiston Rush Truck Center, Lewiston Rush International Truck Center, Twin Falls Rush Truck Center, Twin Falls
Rush Truck Centers of Illinois, Inc.	Delaware	House of Trucks, Willowbrook Rush Truck Center, Bloomington Rush Truck Center, Carol Stream



		Rush Truck Center, Champaign
		Rush Truck Center, Chicago
		Rush Truck Center, Effingham
		Rush Truck Center, Elk Grove
		Rush Truck Center, Huntley
		Rush Truck Center, Joliet
		Rush Truck Center, Quincy
		Rush Truck Center, Springfield
Rush Truck Centers of Indiana, Inc.	Delaware	Rush Truck Center, Gary
		Rush Truck Center, Indianapolis
Rush Truck Centers of Kansas, Inc.	Delaware	Rush Truck Center, Kansas City
		Rush Truck Center, Salina
		Rush Truck Center, Topeka
		Rush Truck Center, Wichita
Rush Truck Centers of Kentucky, Inc.	Delaware	Rush Truck Center, Bowling Green
Rush Truck Centers of Missouri, Inc.	Delaware	Rush Truck Center, Cape Girardeau
		Rush Truck Center, Joplin
		Rush Truck Center, Kansas City
		Rush Truck Center, Kansas City Used Truck
		Rush Truck Center, St. Joseph
		Rush Truck Center, St. Louis
		Rush Truck Center, St. Peters
		Rush Truck Center, Sedalia
		Rush Truck Center, Springfield
		Rush Truck Center, West Plains
Rush Truck Centers of Nebraska, Inc.	Delaware	Rush Truck Center, Omaha
Rush Truck Centers of Nevada, Inc.	Delaware	Rush Truck Center, Las Vegas
		Rush Peterbilt Truck Center, Las Vegas
Rush Truck Centers of New Mexico, Inc.	Delaware	Rush Truck Center, Albuquerque
		Rush Peterbilt Truck Center, Albuquerque
		Rush Truck Center, Farmington
		Rush Peterbilt Truck Center, Farmington
		Rush Truck Center, Las Cruces
		Rush Peterbilt Truck Center, Las Cruces
		None
Rush Truck Centers of Mississippi, Inc.	Delaware	Rush Truck Center, Asheville
Rush Truck Centers of North Carolina, Inc.	Delaware	Rush Truck Center, Charlotte
		Rush International Truck Center, Charlotte
		Rush Isuzu Trucks, Charlotte
		Rush Truck Center, Charlotte Collision Center
		Rush Truck Center, Hickory
Rush Truck Centers of Ohio, Inc.	Delaware	Rush Truck Center, Akron
		Rush Bus Center, Akron
		Rush Truck Center, Cincinnati
		Rush Bus Center, Cincinnati
		Rush Isuzu Trucks, Cincinnati
		Rush Truck Center, Cleveland
		Rush Bus Center, Cleveland
		Rush Truck Center, Columbus
		Rush Bus Center, Columbus
		Rush Truck Center, Columbus West
		Rush Isuzu Trucks, Columbus West
		Rush Truck Center, Dayton
		Rush Bus Center, Dayton
		Rush Isuzu Trucks, Dayton
		Rush Truck Center, Lima
		Rush Bus Center, Lima

Rush Truck Centers of Oklahoma, Inc.	Delaware	Perfection Equipment Perfection Truck Parts & Equipment, Oklahoma City Perfection Crane Repair Rush Truck Center, Ardmore Rush Peterbilt Truck Center, Ardmore Rush Truck Center, Oklahoma City Rush Peterbilt Truck Center, Oklahoma City Rush Isuzu Trucks, Oklahoma City Rush Truck Center, Tulsa Rush Peterbilt Truck Center, Tulsa Rush Truck Rigging Rush Used Truck Center, Tulsa
Rush Truck Centers of Pennsylvania, Inc.	Delaware	Custom Vehicle Solutions Rush Truck Center, Greencastle
Rush Truck Centers of Tennessee, Inc.	Delaware	Rush Truck Center, Memphis Rush Truck Center, Memphis Collision Center Rush Truck Center, Memphis Used Trucks Rush Truck Center, Nashville Rush Peterbilt Truck Center, Nashville Rush Towing Systems, Nashville
Rush Truck Centers of Texas, L.P.	Texas	Custom Vehicle Solutions Rig Tough Used Trucks, Dallas House of Trucks, Dallas Rush Crane and Refuse Systems International Rush Truck Center, Abilene Rush Peterbilt Truck Center, Abilene Rush Truck Center, Amarillo Rush Peterbilt Truck Center, Amarillo Rush Truck Center, Arlington Rush Peterbilt Truck Center, Arlington Rush Bus Center, Arlington Rush Truck Center, Austin Rush Peterbilt Truck Center, Austin Rush Isuzu Trucks, Austin Rush Bus Center, Austin Rush Truck Center, Austin North Rush Truck Center, Beaumont Rush Truck Center, Brownsville Rush Peterbilt Truck Center, Beaumont Rush Peterbilt Truck Center, Brownsville Rush Truck Center, Bryan Rush Truck Center, College Station Rush Peterbilt Truck Center, College Station Rush Isuzu Trucks, College Station Rush Truck Center, Corpus Christi Rush Peterbilt Truck Center, Corpus Christi Rush Isuzu Trucks, Corpus Christi Rush Bus Center, Corpus Christi Rush Truck Center, Cotulla Rush Peterbilt Truck Center, Cotulla Rush Truck Center, Dalhart Rush Peterbilt Truck Center, Dalhart Rush Truck Center, Dallas Rush Peterbilt Truck Center, Dallas Rush Medium Duty Truck Center, Dallas Rush Isuzu Trucks, Dallas Rush Bus Center, Dallas

Rush Truck Center, Dallas Light and Medium Duty  
Rush Truck Center, Dallas Medium Duty  
Rush Truck Center, Dallas South  
Rush Peterbilt Truck Center, Dallas South  
Rush Truck Center, Denton  
Rush Truck Center, El Paso  
Rush Peterbilt Truck Center, El Paso  
Rush Isuzu Trucks, El Paso  
Rush Truck Center, Fort Worth  
Rush Peterbilt Truck Center, Fort Worth  
Rush Bus Center, Fort Worth  
Rush Truck Center, Houston  
Rush Peterbilt Truck Center, Houston  
Rush Bus Center, Houston  
Rush Towing Systems, Houston  
Rush Truck Center, Houston Medium Duty  
Rush Truck Center, Houston Northwest  
Rush Peterbilt Truck Center, Houston Northwest  
Rush Truck Center, Laredo  
Rush Peterbilt Truck Center, Laredo  
Rush Bus Center, Laredo  
Rush Truck Center, Lubbock  
Rush Peterbilt Truck Center, Lubbock  
Rush Truck Center, Lufkin  
Rush Peterbilt Truck Center, Lufkin  
Rush Bus Center, Lufkin  
Rush Truck Center, Odessa  
Rush Peterbilt Truck Center, Odessa  
Rush Truck Center, Pharr  
Rush Peterbilt Truck Center, Pharr  
Rush Bus Center, Pharr  
Rush Truck Center, San Antonio  
Rush Peterbilt Truck Center, San Antonio  
Rush Bus Center, San Antonio  
Rush Refuse Systems  
Rush Towing Systems, San Antonio  
Rush Truck Center, Sealy  
Rush Peterbilt Truck Center, Sealy  
Rush Isuzu Trucks, Sealy  
Rush Bus Center, Sealy  
Rush Truck Center, Texarkana  
Rush Peterbilt Truck Center, Texarkana  
Rush Bus Center, Texarkana  
Rush Truck Center, Tyler Rush Peterbilt Truck  
Center, Tyler  
Rush Bus Center, Tyler  
Rush Truck Center, Victoria  
Rush Peterbilt Truck Center, Victoria  
Rush Truck Center, Waco  
Rush Medium Duty Truck Center, Waco  
Rush Peterbilt Truck Center, Waco  
Rush Isuzu Trucks, Waco  
Rush Bus Center, Waco  
Rush Truck Center, Wichita Falls  
Rush Bus Center, Wichita Falls  
Rush Peterbilt Truck Center, Wichita Falls  
World Wide Tires

Rush Truck Centers of Utah, Inc.	Delaware	Rush International Truck Center, Ogden Rush Truck Center, Ogden Rush Truck Center, Farr West Rush International Truck Center, Salt Lake City Rush Truck Center, Salt Lake City Rush International Truck Center, Springville Rush Truck Center, Springville Rush International Truck Center, St. George Rush Truck Center, St. George
Rush Truck Centers of Virginia, Inc.	Delaware	Rush Truck Center, Chester Rush Truck Center, Richmond
Rush Truck Leasing, Inc.	Delaware	Rush Crane Systems Rush Idealease, Charlotte Rush Refuse Systems Augusta Idealease Asheville Idealease Boise Idealease Champaign Idealease Charlotte Idealease Chicago Idealease Cincinnati Idealease Cleveland Idealease Columbus Idealease Dayton Idealease Effingham Idealease Hickory Idealease Indianapolis Idealease Indy Idealease Joplin Idealease Kansas City Idealease Lima Idealease Lowell Idealease Macon Idealease Memphis Idealease Norfolk Idealease North Little Rock Idealease Quincy Idealease Richmond Idealease Salina Idealease Salt Lake City Idealease Springfield Idealease St. Louis Idealease Wichita Idealease
Advance Premium Finance, Inc.	California	None
AiRush, Inc.	Delaware	None
Associated Acceptance, Inc.	Texas	Automotive Industry Insurance Associated Truck Insurance Services Rush Truck Insurance Services
Associated Acceptance of Florida, Inc.	Delaware	None
Associated Acceptance of Georgia, Inc.	Delaware	None
Associated Acceptance of Illinois, Inc.	Delaware	None
Associated Acceptance of Oklahoma, Inc.	Delaware	None
Commercial Fleet Technologies, Inc.	Delaware	Partsriver, Inc.
Idealease of Chicago LLC	Illinois	None
International General Agency, Inc.	Texas	None
Los Cuernos, Inc.	Delaware	Los Cuernos Ranch
Rig Tough, Inc.	Delaware	Rush Truck Center, Birmingham

RTC Nevada, LLC	Delaware	None
Rush Accessories Corporation	Delaware	Chrome Country
Rush Administrative Services, Inc.	Delaware	None
Rush Momentum Holdings, Inc.	Delaware	None
Rushcare, Inc.	Delaware	None
Rushco, Inc.	Delaware	None
Rush Logistics, Inc.	Delaware	None
Rush Real Estate Holdings, Inc.	Delaware	None
Rush Retail Centers, Inc.	Delaware	None
Rushtex, Inc.	Delaware	None
Truck & Trailer Finance, Inc.	Delaware	None
1187394B.C. Ltd.	Canada	None

**Consent of Independent Registered Public Accounting Firm**

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

1. Form S-8 No. 333-242488 pertaining to the Rush Enterprises, Inc. Amended and Restated 2007 Long-Term Incentive Plan and Rush Enterprises, Inc. Amended and Restated 2004 Employee Stock Purchase Plan,
2. Form S-8 No. 333-219878 pertaining to the Rush Enterprises, Inc. Amended and Restated 2007 Long-Term Incentive Plan,
3. Form S-8 No. 333-198080 pertaining to the Rush Enterprises, Inc. 2007 Long-Term Incentive Plan,
4. Form S-8 No. 333-170732 pertaining to the Rush Enterprises, Inc. Deferred Compensation Plan,
5. Form S-8 No. 333-138556 pertaining to the Rush Enterprises, Inc. 2006 Non-Employee Director Stock Plan, and
6. Form S-8 No. 333-121355 pertaining to the Rush Enterprises, Inc. Long-Term Incentive Plan, the Rush Enterprises, Inc. 2004 Employee Stock Purchase Plan and Certain Non-Plan Options

of our reports dated February 24, 2022, with respect to the consolidated financial statements of Rush Enterprises, Inc. and subsidiaries and the effectiveness of internal control over financial reporting of Rush Enterprises, Inc. and subsidiaries, included in this Annual Report (Form 10-K) of Rush Enterprises, Inc. for the year ended December 31, 2021.

/s/ Ernst & Young LLP

San Antonio, Texas  
February 24, 2022

**CERTIFICATION**

I, W. M. “Rusty” Rush, certify that:

1. I have reviewed this annual report on Form 10-K of Rush Enterprises, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant’s other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant’s disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant’s internal control over financial reporting that occurred during the registrant’s most recent fiscal quarter (the registrant’s fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant’s internal control over financial reporting; and
5. The registrant’s other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant’s auditors and the audit committee of registrant’s board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant’s ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant’s internal control over financial reporting.

Date: February 24, 2022

By: /S/ W. M. “RUSTY” RUSH  
W. M. “Rusty” Rush

President, Chief Executive Officer and  
Chairman of the Board  
(Principal Executive Officer)

**CERTIFICATION**

I, Steven L. Keller, certify that:

1. I have reviewed this annual report on Form 10-K of Rush Enterprises, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
  - a) designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
  - b) designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
  - c) evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
  - d) disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
  - a) all significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
  - b) any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: February 24, 2022

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



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

In connection with this annual report of Rush Enterprises, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, W. M. “Rusty” Rush, President, Chief Executive Officer and Chairman of the Board of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /S/ W. M. “RUSTY” RUSH  
Name: W. M. “Rusty” Rush  
Title: President, Chief Executive Officer and  
Chairman of the Board  
Date: February 24, 2022

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

In connection with this annual report of Rush Enterprises, Inc. (the “Company”) on Form 10-K for the year ended December 31, 2021 as filed with the Securities and Exchange Commission on the date hereof (the “Report”), I, Steven L. Keller, Chief Financial Officer and Treasurer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /S/ STEVEN L. KELLER  
Name: Steven L. Keller  
Title: Chief Financial Officer and  
Treasurer  
Date: February 24, 2022