

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

FORM 10-Q

(Mark One)

QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(D) OF THE SECURITIES
EXCHANGE ACT OF 1934

FOR THE QUARTERLY PERIOD ENDED MARCH 31, 2001

OR

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
(State or other jurisdiction of
incorporation or organization)

74-1733016
(I.R.S. Employer
Identification No.)

555 I.H. 35 South Suite 500
New Braunfels, Texas 78130
(Address of principal executive offices)
(Zip Code)

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

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

Indicated below is the number of shares outstanding of the registrant's
only class of common stock, as of May 11, 2001.

Title Of Class	Number of Shares Outstanding
----- Common Stock, \$.01 Par Value	----- 7,002,044

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

INDEX

	PAGE
PART I. FINANCIAL INFORMATION	
Item 1. Financial Statements	
Consolidated Balance Sheets - March 31, 2001 (unaudited) and December 31, 2000	3
Consolidated Statements of Income - For the Three Months Ended March 31, 2001 and 2000 (unaudited)	4
Consolidated Statements of Cash Flows - For the Three Months Ended March 31, 2001 and 2000 (unaudited)	5
Notes to Consolidated Financial Statements (unaudited)	6
Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations	9
Item 3. Quantitative and Qualitative Disclosures about Market Risk	14
PART II. OTHER INFORMATION	15
SIGNATURES	16

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

	March 31, 2001 (UNAUDITED)	December 31, 2000 (AUDITED)
	-----	-----
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 19,535	\$ 18,892
Accounts receivable, net	21,841	20,350
Inventories	155,210	177,415
Prepaid expenses and other	1,624	3,800
	-----	-----
Total current assets	198,210	220,457
PROPERTY AND EQUIPMENT, net	128,095	130,532
OTHER ASSETS, net	37,488	37,885
	-----	-----
Total assets	\$363,793 =====	\$388,874 =====
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Floor plan notes payable	\$123,177	\$146,272
Current maturities of long-term debt	11,361	11,379
Advances outstanding under lines of credit	40,693	33,779
Trade accounts payable	11,228	14,157
Accrued expenses	12,636	17,409
	-----	-----
Total current liabilities	199,095	222,996
LONG-TERM DEBT, net of current maturities	77,720	79,607
DEFERRED INCOME TAXES, net	8,646	8,094
COMMITMENTS AND CONTINGENCIES (Note 2)		
SHAREHOLDERS' EQUITY:		
Preferred stock, par value \$.01 per share; 1,000 shares authorized; 0 shares outstanding in 2001 and 2000	--	--
Common stock, par value \$.01 per share; 25,000,000 shares authorized; 7,002,044 shares outstanding - 2001 and 2000	70	70
Additional paid-in capital	39,155	39,155
Retained earnings	39,107	38,952
	-----	-----
Total shareholders' equity	78,332	78,177
	-----	-----
Total liabilities and shareholders' equity	\$363,793 =====	\$388,874 =====

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)
(Unaudited)

	Three Months Ended March 31,	
	2001	2000
	-----	-----
REVENUES:		
New and used truck sales	\$126,041	\$133,645
Parts and service	46,922	41,586
Construction equipment sales	13,941	18,167
Retail sales	9,397	4,880
Lease and rental	6,256	6,894
Finance and insurance	1,117	3,395
Other	898	1,385
	-----	-----
Total revenues	204,572	209,952
COST OF PRODUCTS SOLD	167,636	173,207
	-----	-----
GROSS PROFIT	36,936	36,745
SELLING, GENERAL AND ADMINISTRATIVE	30,119	29,466
DEPRECIATION AND AMORTIZATION	2,657	2,068
	-----	-----
OPERATING INCOME	4,160	5,211
INTEREST EXPENSE, NET	3,902	3,418
	-----	-----
INCOME BEFORE INCOME TAXES	258	1,793
PROVISION FOR INCOME TAXES	103	717
	-----	-----
NET INCOME	\$ 155	\$ 1,076
	=====	=====
BASIC AND DILUTED INCOME PER SHARE	\$.02	\$.15
	=====	=====
Weighted average shares outstanding:		
Basic	7,002	7,002
	=====	=====
Diluted	7,013	7,036
	=====	=====

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

RUSH ENTERPRISES, INC., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(In Thousands)
(Unaudited)

	Three Months Ended March 31,	
	2001	2000
	-----	-----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	\$ 155	\$ 1,076
Adjustments to reconcile net income to net cash provided by (used in) operating activities		
Depreciation and amortization	3,920	2,983
Gain on sale of property and equipment	(182)	(136)
Provision for deferred income tax expense	552	580
Change in accounts receivable, net	(1,491)	5,497
Change in inventories	22,205	(19,760)
Change in prepaid expenses and other, net	2,176	(212)
Change in trade accounts payable	(2,929)	(923)
Change in accrued expenses	(4,773)	(4,467)
	-----	-----
Net cash provided by (used in) operating activities	19,633	(15,362)
	-----	-----
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(1,802)	(11,304)
Proceeds from the sale of property and equipment	915	902
Change in other assets	(17)	(108)
	-----	-----
Net cash used in investing activities	(904)	(10,510)
	-----	-----
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt issuance	861	9,607
Principal payments on debt	(2,766)	(591)
Draws (payments) on lines of credit, net	6,914	(4,434)
Draws (payments) on floor plan notes payable, net	(23,095)	11,174
	-----	-----
Net cash provided by (used in) financing activities	(18,086)	15,756
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	643	(10,116)
CASH AND CASH EQUIVALENTS, beginning of period	18,892	20,004
	-----	-----
CASH AND CASH EQUIVALENTS, end of period	\$ 19,535	\$ 9,888
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for-		
Interest	\$ 4,234	\$ 4,523
	=====	=====
Income taxes	\$ 45	\$ 960
	=====	=====

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

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

1 - PRINCIPLES OF CONSOLIDATION AND BASIS OF PRESENTATION

The interim consolidated financial statements included herein have been prepared by Rush Enterprises, Inc. and its subsidiaries (collectively referred to as the "Company"), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). All adjustments have been made to the accompanying interim consolidated financial statements, which, in the opinion of the Company's management, are necessary for a fair presentation of the Company's operating results. All adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. It is recommended that these interim consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2000. Results of operations for interim periods are not necessarily indicative of results that may be expected for any other interim periods on the full fiscal year.

2 - COMMITMENTS AND CONTINGENCIES

The Company is contingently liable to certain finance companies for certain promissory notes and finance contracts, related to the sale of trucks and construction equipment, sold to such finance companies. The Company's recourse liability related to sold finance contracts is limited to 15 to 25 percent of the outstanding balance of each note sold to a finance company, with the aggregate recourse liability, net of interest chargebacks, limited to \$1,250,000. In addition, the Company provides an allowance for repossession losses and early repayment penalties.

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

The Company has consulting agreements with individuals for an aggregate monthly payment of \$35,823. The agreements expire in December 2001.

3 - EARNINGS PER SHARE

The following table sets forth the computation of basic and diluted earnings per share:

	THREE MONTHS ENDED MARCH 31, 2001	MARCH 31, 2000
	-----	-----
Numerator:		
Net income- numerator for basic and diluted earnings per share	\$ 155,000	\$1,076,000
Denominator:		
Denominator for basic earnings per share-adjusted weighted average shares outstanding	7,002,044	7,002,044
Effect of dilutive securities:		
Employee and Director stock options	11,078	34,109
	-----	-----
Denominator for diluted earnings per share-adjusted weighted average shares outstanding	7,013,122	7,036,153
	=====	=====
Basic earnings per share	\$.02	\$.15
	=====	=====
Diluted earnings per share	\$.02	\$.15
	=====	=====

4 - SEGMENT INFORMATION

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information". This statement requires that public business enterprises report certain information about operating segments in complete sets of financial statements of the enterprise and in condensed financial statements of interim periods issued to shareholders. It also requires that public business enterprises report certain information about their products and services, the geographic areas in which they operate, and their major customers.

The Company has three reportable segments: the Heavy-Duty Truck segment, the Construction Equipment segment and the Retail Center segment. The Heavy-duty Truck segment operates a regional network of truck centers that provide an integrated one-stop source for the trucking needs of its customers, including retail sales of new Peterbilt and used heavy-duty trucks, after-market parts, service and body shop facilities, and a wide array of financial services, including the financing of new and used truck purchases, insurance products and truck leasing and rentals. The Construction Equipment segment, operates full-service John Deere dealerships that serve the Houston, Texas Metropolitan and surrounding areas and a majority of the counties in Michigan. Dealership operations include the retail sale of new and used equipment, after-market parts and service facilities, equipment rentals, and the financing of new and used equipment. The Retail Center segment (D&D) operates three farm and ranch retail locations in the San Antonio, Houston and Dallas/Fort Worth, Texas areas, and offers its products through both catalogue and online sales. D&D, a one-stop shopping center for farm and ranch supplies, sells inventory which includes hardware, lawn and garden tools and machines, tack, veterinary supplies, fencing, livestock feed, guards, gates, shoots and trailers, saddles, boots and designer western wear and jewelry as well as many other farm and ranch supplies.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies in the Company's Annual Report on Form 10-K for the year ended December 31, 2000. The Company evaluates performance based on income before income taxes not including extraordinary items.

The Company accounts for inter-segment sales and transfers as if the sales or transfers were to third parties, that is, at current market prices. There were no material inter-segment sales during the quarters ended March 31, 2001 and 2000.

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Business units were maintained through expansion and acquisitions. The following table contains summarized information about reportable segment profit or loss and segment assets, for the quarters ended March 31, 2001 and 2000 (in thousands):

	HEAVY-DUTY TRUCK SEGMENT	CONSTRUCTION EQUIPMENT SEGMENT	RETAIL CENTER SEGMENT	ALL OTHER	TOTALS
THREE MONTHS ENDED MARCH 31, 2001					
Revenues from external customers	\$172,772	\$ 20,347	\$ 9,397	\$ 2,056	\$204,572
Segment income (loss) before taxes	1,350	(520)	(800)	228	258
Segment assets	264,431	60,918	29,311	9,133	363,793
THREE MONTHS ENDED MARCH 31, 2000					
Revenues from external customers	\$177,188	\$ 25,919	\$ 4,880	\$ 1,965	\$209,952
Segment income (loss) before taxes	1,489	366	(231)	169	1,793
Segment assets	277,335	73,097	18,444	8,842	377,718

Revenues from segments below the reportable quantitative thresholds are attributable to three operating segments of the Company. Those segments include a tire company, an insurance company, and a hunting lease operation. None of these segments have ever met any of the quantitative thresholds for determining reportable segments.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements contained in this Form 10-Q are "forward-looking statements" within the meaning of the Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended. Specifically, all statements other than statements of historical fact included in this Form 10-K regarding the Company's financial position, business strategy and plans and objectives of management of the Company for future operations are forward-looking statements. These forward-looking statements are based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's management. When used in this report, the words "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. Such statements reflect the current view of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions related to certain factors including, without limitation, competitive factors, general economic conditions, cyclicalities, economic conditions in the new and used truck and equipment markets, customer relations, relationships with vendors, the interest rate environment, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, onetime events and other factors described herein and in the Company's Registration Statement on Form S-1 (File No. 333-03346) and in the Company's annual, quarterly and other reports filed with the Securities and Exchange Commission (collectively, "cautionary statements"). Although the Company believes that its expectations are reasonable, it can give no assurance that such expectations will prove to be correct. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described herein as anticipated, believed, estimated, expected, or intended. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the applicable cautionary statements. The Company does not intend to update these forward-looking statements.

The following comments should be read in conjunction with the Company's consolidated financial statements and related notes included elsewhere in this Quarterly Report on Form 10-Q.

GENERAL

Rush Enterprises, Inc. was incorporated in Texas in 1965 and currently consists of three reportable segments: the Heavy Duty Truck segment, the Construction Equipment segment and the Retail Center segment.

The Heavy Duty Truck segment operates a regional network of 38 truck centers that provide an integrated one-stop source for the trucking needs of its customers, including retail sales of new Peterbilt and used heavy-duty trucks; after-market parts, service and body shop facilities; and a wide array of financial services, including the financing of new and used truck purchases, insurance products and truck leasing and rentals. The Company's truck centers are strategically located in high truck traffic areas on or near major highways in Texas, California, Oklahoma, Colorado, Louisiana, Arizona and New Mexico. The Company is the largest Peterbilt truck dealer in the United States, representing approximately 17.8% of all new Peterbilt truck sales in 2000, and is the sole authorized vendor for new Peterbilt trucks and replacement parts in its market areas. The Company was named Peterbilt Dealer of the Year for North America for the 1993-1994 and 2000-2001 years. The criteria used to determine the recipients of this award include, among others, image, customer satisfaction, sales activity and profitability.

Since commencing operations as a John Deere dealer in 1997, the Company has grown to operate seven Rush Equipment Centers located in Texas and Michigan. The Company provides a full line of construction equipment for light to medium sized applications, with the primary products including John Deere backhoe loaders, hydraulic excavators, crawler dozers and four wheel drive loaders. Dealership operations include the retail sale of new and used construction equipment, after-market parts and service facilities, equipment rentals, and the financing of new and used construction equipment. The Company believes the construction equipment industry is highly-fragmented and offers opportunities for consolidation. As a result, the Company's growth strategy is to realize economies of scale, favorable purchasing power, and cost savings by developing a network of John Deere dealerships through acquisitions and growth inside existing territories. There can be no assurance that, as the Company continues to develop a network of

construction equipment dealerships, that it will realize economies of scale, favorable purchasing power or cost savings.

Since acquiring D & D Farm and Ranch Supermarket, Inc. in 1998, the Company has grown to operate three Rush Retail Centers located in the greater San Antonio, Houston and Dallas/Fort Worth, Texas areas, as well as offering its products through both catalogue and online sales. D&D, a one-stop shopping center for farm and ranch supplies, sells inventory which includes hardware, lawn and garden tools and machines, tack, veterinary supplies, fencing, livestock feed, guards, gates, shoots and trailers, saddles, boots and designer western wear and jewelry as well as many other farm and ranch supplies.

In September 2000, the Company purchased the assets of Smith Brothers Catalogs, Inc., and its' online western superstore located at Smithbros.com (collectively "Smithbros"). The acquisition provides Rush with Smith Brothers' inventory, fixed assets, current list of over 120,000 customers and the technology to offer D&D's expansive inventory through a catalogue and online sales. Smith Brothers is located on IH 35 in Denton, Texas. The transaction was valued at approximately \$2.3 million with the purchase price paid in cash.

RESULTS OF OPERATIONS

The following discussion and analysis includes the Company's historical results of operations for the three months ended March 31, 2001 and 2000.

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

	THREE MONTHS ENDED MARCH 31,	
	2001	2000
New and used truck sales	61.6%	63.7%
Parts and service	22.9	19.8
Construction equipment sales	6.8	8.6
Retail sales	4.6	2.3
Lease and rental	3.1	3.3
Finance and insurance	0.6	1.6
Other	0.4	0.7
	-----	-----
Total revenues	100.0	100.0
Cost of products sold	81.9	82.5
	-----	-----
Gross profit	18.1	17.5
Selling, general and administrative	14.7	14.0
Depreciation and amortization	1.3	1.0
	-----	-----
Operating income	2.1	2.5
Interest expense, net	1.9	1.6
	-----	-----
Income before income taxes	0.2%	0.2%
	=====	=====

REVENUES

Revenues decreased by approximately \$5.4 million, or 2.6%, from \$210.0 million to \$204.6 million from the first quarter of 2000 to the first quarter of 2001. Sales of new and used trucks decreased by approximately \$7.6 million, or 5.7%, from \$133.6 million to \$126.0 million from the first quarter of 2000 to the first quarter of 2001. Unit sales of new trucks increased by 3.6% and the new truck average revenue per unit decreased by 5.2%. Average revenue per new unit decreased due to the Company selling a higher percentage of oil and gas, refuse and construction trucks, which are typically lesser equipped and lower priced than over-the-road sleeper trucks. Unit sales of used trucks decreased 13.3%, and used truck average revenue per unit decreased by 15.9%. Average used truck prices decreased due to an excess supply of used inventory in the market.

Parts and service sales increased by approximately \$5.3 million, or 12.7%, from \$41.6 million to \$46.9 million. The increase was primarily related to same store growth.

Sales of new and used construction equipment decreased approximately \$4.3 million or 23.6%, from \$18.2 million to \$13.9 million from the first quarter of 2000 to the first quarter of 2001. The decrease is primarily due to the construction equipment market declines in Texas and Michigan. John Deere's year-to-date market share in the Company's areas of responsibility for new construction equipment sales increased from 16.7% to 17.4% from 2000 to 2001.

Lease and rental revenues decreased by approximately \$0.6 million, or 8.7% from \$6.9 million to \$6.3 million. The decrease is related to the Company's planned rental fleet reduction in its construction equipment operations. Rental sales for the construction equipment stores decreased approximately \$1.0 million from the first quarter of 2000.

Finance and insurance revenues decreased by approximately \$2.3 million, or 67.6%, from \$3.4 million to \$1.1 million from the first quarter of 2000 to the first quarter of 2001. The majority of the decrease resulted from tighter lending policies from the Company's finance providers and the reduction in sales to owner operators. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of operating profits.

Retail sales increased \$4.5 million or 91.8% from \$4.9 million to \$9.4 million from the first quarter of 2000 to the first quarter of 2001. New stores in Hockley and Denton, Texas, recorded sales of approximately \$5.4 million during the first quarter of 2001, while the existing store in Seguin, Texas experienced a decrease of \$0.9 million in sales. The Company believes that a portion of the new store revenues, and a majority of the decrease in Seguin store revenues, were a result of a shift in customer shopping locations and not a loss of existing customers.

GROSS PROFIT

Gross profit increased by approximately \$0.2 million, or 0.5%, from \$36.7 million to \$36.9 million from the first quarter of 2000 to the first quarter of 2001. Gross profit as a percentage of sales increased from 17.5% in the first quarter of 2000 to 18.1% in the first quarter of 2001.

SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses increased by approximately \$0.6 million, from \$29.5 million to \$30.1 million, or 2.0%, from the first quarter of 2000 to the first quarter of 2001. Approximately \$3.0 million of 2001 SG&A expenses are directly related to new stores and facility expansions made subsequent to the first quarter of 2000. SG&A expenses, net of new store openings and facility expansions, decreased \$2.4 million or 8.1% from the first quarter of 2000 due to expense reduction actions taken in the latter half of 2000. Selling, general and administrative expenses as a percentage of sales increased from 14.0% to 14.7% from the first quarter of 2000 to the first quarter of 2001.

INTEREST EXPENSE

Interest expense increased by approximately \$0.5 million or 14.7%, from \$3.4 million to \$3.9 million, from the first quarter of 2000 to the first quarter of 2001, primarily as the result of increased levels of indebtedness due to the financing of dealership properties and lease units.

INCOME BEFORE INCOME TAXES

Income before income taxes decreased by \$1.5 million, or 83.3%, from \$1.8 million to \$0.3 million from the first quarter of 2000 to the first quarter of 2001, as a result of the factors described above.

INCOME TAXES

The Company has provided for taxes at a 40% effective rate.

LIQUIDITY AND CAPITAL RESOURCES

The Company's short-term cash needs are primarily for working capital, including inventory requirements, expansion of existing facilities and the acquisition of new facilities. The Company currently has no plans to expand its existing facilities or acquire any new facilities. These short-term cash needs have historically been financed with retained earnings and borrowings under credit facilities available to the Company.

At March 31, 2001, the Company had negative working capital of approximately \$0.9 million, including \$19.5 million in cash and cash equivalents, \$21.9 million in accounts receivable, \$155.2 million in inventories, and \$1.6 million in prepaid expenses, less \$23.9 million of accounts payable and accrued expenses, \$52.0 million of current maturities on long-term debt and advances outstanding under lines of credit, and \$123.2 million outstanding under floor plan financing. The aggregate maximum borrowing limits under working capital lines of credit with its primary truck lender are approximately \$13.5 million. The Company has four separate secured lines-of-credit that provide for an aggregate maximum borrowing of \$10 million, \$9.0 million, \$8.0 million and \$3.5 million. Advances outstanding under these secured lines-of-credit were \$10.0 million, \$7.1 million, \$7.5 million and \$2.5 million, respectively, leaving \$0.0 million, \$1.9 million \$0.5 million and \$1.0 million available for future borrowings as of March 31, 2001.

For the first three months of 2001, operating activities resulted in net cash provided by operations of approximately \$19.6 million. Net income of \$0.2 million, decreases in inventory and other current assets of \$22.2 million and \$2.2 million, respectively, coupled with provisions for depreciation, amortization and deferred taxes totaling \$4.4 million more than offset an increase in accounts receivable of \$1.5 million, decreases in trade accounts payable and accrued expenses totaling \$7.7 million and a gain on sale of property and equipment of \$0.2 million.

During the first three months of 2001, the Company used \$0.9 million in investing activities, including purchases of property, plant and equipment of \$1.8 million offset by proceeds from the sale of property, and equipment totaling \$0.9 million.

Net cash used in financing activities in the first three months of 2001 amounted to \$18.1 million. Proceeds from additional notes payable of \$0.9 million and advances on lines of credit of \$6.9 million was more than offset by a decrease in floor plan notes payable of \$23.1 million and principal payments on notes payable of \$2.8 million.

Substantially all of the Company's truck purchases from PACCAR are made on terms requiring payment within 15 days or less from the date of shipment of the trucks from the factory. The Company finances all, or substantially all, of the purchase price of its new truck inventory, and 75% of the loan value of its used truck inventory, under a floor plan arrangement with GMAC under which GMAC pays PACCAR directly with respect to new trucks. The Company makes monthly interest payments on the amount financed but is not required to commence loan principal repayments prior to sale on new vehicles to GMAC for a period of 12 months and for used vehicles for a period of three months. At March 31, 2001, the Company had approximately \$81.9 million outstanding under its floor plan financing arrangement with GMAC. GMAC permits the Company to earn, for up to 15.0% of the amount borrowed under its floor plan financing arrangement with GMAC, interest at the prime rate, less 0.95%, on overnight funds deposited by the Company with GMAC.

Substantially all of the Company's new equipment purchases are financed by John Deere and Associates Commercial Corporation. The Company finances all, or substantially all, of the purchase price of its new equipment inventory, under its floor plan facilities. The agreement with John Deere provides interest free financing for four months after which time the amount financed is required to be paid in full, or an immediate 2.25% discount with payment due in 30 days. When the equipment is sold prior to the expiration of the four month period, the Company is required to repay the principal within approximately 10 days of the sale. Should the equipment financed by John Deere not be sold within the four month period, it is transferred to the John Deere or the Associates Commercial Corporation floor plan arrangements. The Company makes principal payments to Associates Commercial Corporation, for sold inventory, on the 15th day of each month. Used and rental equipment, to a maximum of book value, is financed under a floor plan arrangement with Associates Commercial Corporation. The Company makes monthly interest payments on the amount financed and is required to commence loan principal repayments on rental equipment as book value reduces. Principal payments, for sold used equipment, are made the 15th day of each month following the sale. The loans are collateralized by a lien on the equipment. The Company's floor plan agreements limit the aggregate amount of borrowings based on the book value of new and used equipment units. As of March 31, 2001, the Company's floor plan arrangement with Associates Commercial Corporation permits the financing of up to \$20 million in construction equipment. At March 31, 2001, the Company had \$29.0 million and \$12.3 million outstanding under its floor plan financing arrangements with John Deere and Associates Commercial Corporation, respectively.

BACKLOGS

The Company enters firm orders into its backlog at the time the order is received. Currently, customer orders are being filled in approximately one month and customers have historically placed orders expecting delivery within three to six months. However, certain customers, including fleets and governments, typically place orders up to one year in advance of their desired delivery date. The Company in the past has typically allowed customers to cancel orders at any time prior to delivery, and the Company's level of cancellations is affected by general economic conditions, economic recessions and customer business cycles. As a percentage of orders, cancellations historically have ranged from 5% to 12% of annual order volume. The Company's backlogs as of March 31, 2001 and 2000, were approximately \$75 million and \$150 million, respectively. Backlogs decreased principally due to the above noted weaker demand for trucks.

SEASONALITY

The Company's heavy-duty truck business is moderately seasonal. Seasonal effects on new truck sales related to the seasonal purchasing patterns of any single customer type are mitigated by the Company's diverse customer base, which includes small and large fleets, governments, corporations and owner operators. However, truck, parts and service operations historically have experienced higher volumes of sales in the second and third quarters. The Company has historically received benefits from volume purchases and meeting vendor sales targets in the form of cash rebates, which are typically recognized when received. Approximately 40% of such rebates are typically received in the fourth quarter, resulting in a seasonal increase in gross profit.

Seasonal effects in the construction equipment business are primarily driven by the weather. Seasonal effects on construction equipment sales related to the seasonal purchasing patterns of any single customer type are mitigated by the Company's diverse customer base that includes contractors, for both residential and commercial construction, utility companies, federal, state and local government agencies, and various petrochemical, industrial and material supply type businesses that require construction equipment in their daily operations.

CYCLICALITY

The Company's business, as well as the entire retail heavy-duty truck industry, is dependent on a number of factors relating to general economic conditions, including fuel prices, interest rate fluctuations, economic recessions and customer business cycles. In addition, unit sales of new trucks have historically been subject to substantial cyclical variation based on such general economic conditions. According to R.L. Polk, industry-wide domestic retail sales of heavy-duty trucks exceeded 200,000 units for only the fifth time, recording approximately 231,000 new truck registrations in 2000. The industry forecasts a decrease ranging from 50% to 60% in heavy-duty new truck sales in 2001. Although the Company believes that its geographic expansion and diversification into truck-related services, including financial services, leasing, rentals and service and parts, will reduce the overall impact to the Company resulting from general economic conditions affecting heavy-duty truck sales, the Company's operations will continue to be adversely affected by any continuation or renewal of general downward economic pressures or adverse cyclical trends.

EFFECTS OF INFLATION

The Company believes that the relatively moderate inflation over the last few years has not had a significant impact on the Company's revenue or profitability. The Company does not expect inflation to have any near-term material effect on the sales of its products, although there can be no assurance that such an effect will not occur in the future.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

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

The Company is exposed to some market risk through interest rates, related to its floor plan borrowing arrangements, variable rate debt and discount rates related to finance sales. Floor plan borrowings are based on the prime rate of interest and are used to meet working capital needs. As of March 31, 2001, the Company had floor plan borrowings of approximately \$123,177,000. Assuming an increase in the prime rate of interest of 100 basis points, interest expense could increase by \$1,231,770. The interest rate variability on all other debt would not have a material adverse effect on the Company's financial statements. The Company provides all customer financing opportunities to various finance providers. The Company receives all finance charges, in excess of a negotiated discount rate, from the finance providers within 30 days. The negotiated discount rate is variable, thus subject to interest rate fluctuations. This interest rate risk is mitigated by the Company's ability to pass discount rate increases to customers through higher financing rates.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable

Item 2. Changes in Securities

Not Applicable

Item 3. Defaults upon Senior Securities

Not Applicable

Item 4. Submission of Matters to a Vote of Security Holders

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

None

b) Reports on Form 8-K

None

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, as amended, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

RUSH ENTERPRISES, INC.

Date: May 11, 2001

By: /s/ W. MARVIN RUSH

Name: W. Marvin Rush
Title: Chairman and Chief Executive
Officer (Principal Executive
Officer)

Date: May 11, 2001

By: /s/ MARTIN A. NAEGELIN, JR.

Name: Martin A. Naegelin, Jr.
Title: Vice President and Chief
Financial Officer (Principal
Financial and Accounting Officer)