

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 SEPTEMBER 30, 1996

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 333-3346

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

Texas 74-1733016
(State or other jurisdiction of I.R.S. Employer
incorporation or organization) Identification No.)

8810 I.H. 10 East
San Antonio, Texas 78219
(Address of principal executive offices)
(Zip Code)

(210) 661-4511
(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 X No
----- -----

Indicated below is the number of shares outstanding of the registrant's only class of common stock, as of November 11, 1996.

Title of Class -----	Number of Shares Outstanding -----
Common Stock, \$.01 Par Value	6,643,730

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

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RUSH ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
(In thousands)

ASSETS -----	September 30, 1996 (Unaudited) -----	December 31, 1995 (Audited) -----
CURRENT ASSETS:		
Cash and cash equivalents	\$ 21,671	\$ 2,149
Accounts receivable, net	16,549	16,411
Inventories	42,093	36,517
Prepaid expenses and other	437	266
	-----	-----
Total current assets	80,750	55,343
PROPERTY AND EQUIPMENT, net	21,608	17,560
OTHER ASSETS, net	3,269	3,176
	-----	-----
Total assets	\$ 105,627 =====	\$ 76,079 =====
LIABILITIES AND SHAREHOLDERS' EQUITY -----		
CURRENT LIABILITIES:		
Floorplan notes payable	\$ 39,664	\$ 34,294
Current maturities of long-term debt	2,375	3,600
Advances outstanding under lines of credit	20	10
Trade accounts payable	9,115	7,591
Dividends payable	-0-	1,615
Accrued expenses	4,520	7,607
	-----	-----
Total current liabilities	55,694	54,717
DEFERRED INCOME TAX LIABILITY, net	583	-0-
LONG-TERM DEBT, net of current maturities	14,269	13,677
SHAREHOLDERS' EQUITY:		
Rush Enterprises, Inc., common stock, par value \$.01 per share; 25,000,000 shares authorized; 3,750,000 and 6,643,730 outstanding at December 31, 1995 and September 30, 1996, respectively.	66	38
Associated Acceptance, Inc., common stock, par value \$1.00 per share; 750,000 shares authorized; 451,000 shares outstanding at December 31, 1995.	-0-	6
Additional paid-in capital	33,338	729
Retained earnings	1,677	6,912
	=====	=====
Total shareholders' equity	35,081	7,685
	-----	-----
Total liabilities and shareholders' equity	\$ 105,627 =====	\$ 76,079 =====

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

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT EARNINGS PER SHARE - UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
REVENUES:				
New and used truck sales	\$ 65,427	\$ 47,276	\$ 186,751	\$ 142,747
Parts and service	16,414	13,422	48,359	39,492
Lease and rental	3,490	2,690	10,056	7,258
Finance and insurance	1,513	966	4,371	2,920
Other	772	319	1,393	918
Total revenues	87,616	64,673	250,930	193,335
COST OF PRODUCTS SOLD	72,926	54,069	209,870	162,892
GROSS PROFIT	14,690	10,604	41,060	30,443
SELLING, GENERAL AND ADMINISTRATIVE	10,595	7,890	30,283	22,972
DEPRECIATION AND AMORTIZATION	610	467	1,789	1,302
OPERATING INCOME	3,485	2,247	8,988	6,169
INTEREST EXPENSE	1,038	692	3,083	1,921
MINORITY INTEREST	-0-	49	-0-	162
INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	2,447	1,506	5,905	4,086
PROVISION FOR INCOME TAXES	910	-0-	1,310	-0-
INCOME FROM CONTINUING OPERATIONS	1,537	1,506	4,595	4,086
DISCONTINUED OPERATIONS:				
Operating income(loss)	-0-	-0-	-0-	(224)
Gain on disposal	-0-	-0-	-0-	1,785
NET INCOME	\$ 1,537	\$ 1,506	\$ 4,595	\$ 5,647
UNAUDITED PRO FORMA DATA:				
Income from continuing operations before income taxes	\$ 2,447	\$ 1,506	\$ 5,905	\$ 4,086
Pro forma adjustments to reflect federal and state income taxes	910	572	2,244	1,553
Proforma income from continuing operations after provision for income taxes	\$ 1,537	\$ 934	\$ 3,661	\$ 2,533
Pro forma income from continuing operations per share	\$.23	\$.22	\$.70	\$.59
Weighted average shares outstanding used in the pro forma income from continuing operations per share calculation	6,640	4,297	5,237	4,297

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)

	NINE MONTHS ENDED SEPTEMBER 30,	
	----- 1996 -----	----- 1995 -----
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income from continuing operations	\$ 4,595	\$ 4,086
Adjustments to reconcile net income to cash provided by (used in) continuing operations		
Depreciation and amortization	1,789	1,302
Provision for deferred income tax expense	583	-0-
Minority interest	-0-	162
Change in receivables	(138)	(7,983)
Change in inventories	(5,576)	(6,833)
Change in other current assets	(171)	(49)
Change in accounts payable	1,524	1,639
Change in accrued liabilities	(3,090)	(833)
	-----	-----
Net cash provided by (used in) continuing operations	(484)	(8,509)
Net cash provided by (used in) discontinued operations	-0-	785
	-----	-----
Net cash provided by (used in) operating activities	(484)	(7,724)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(6,200)	(3,195)
Proceeds from the sale of property and equipment	503	970
Proceeds from the sale of discontinued operations	-0-	3,601
Investment by (purchase of) minority interest	-0-	(435)
Change in other assets	(233)	-0-
	-----	-----
Net cash provided by (used in) investing activities	(5,930)	941
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from the sale of common stock	31,364	-0-
Proceeds from notes payable	2,984	4,884
Principal payments on notes payable	(3,617)	(2,161)
Draws (payments) on floor plan financing, net	5,370	9,936
Draws (payments) on line of credit, net	10	(840)
Dividends paid	(10,175)	(3,285)
	-----	-----
Net cash provided by (used in) financing activities	25,936	8,534
	-----	-----
NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS	19,522	1,751
CASH AND CASH EQUIVALENTS - BEGINNING OF YEAR	2,149	851
	-----	-----
CASH AND CASH EQUIVALENTS - END OF PERIOD	\$ 21,671	\$ 2,602
	=====	=====
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during year for interest	\$ 3,261	\$ 1,925
	=====	=====

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 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 are, in the opinion of the Company's management, 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 combined financial statements and the notes thereto included in the Company's registration statement on Form S-1. Certain prior period amounts have been reclassified for comparative purposes.

2 - CORPORATE REORGANIZATION AND COMMON STOCK OFFERING

The Company successfully completed an initial public offering (the Offering) of 2,875,000 common shares on June 12, 1996. As part of this transaction, the Company terminated its S corporation federal tax election and was subject to federal and certain state income taxes from that date forward. On June 12, 1996 the Company paid the S Corporation shareholder \$6.5 million representing the undistributed accumulated earnings of the S Corporation prior to June 12, 1996.

Following the Offering there were 6,625,000 common shares outstanding, including 3,750,000 owned by the shareholder of the predecessor S Corporation.

As part of the reorganization, the Company acquired as a wholly-owned subsidiary a managing general agent (the "MGA") to manage all of the operations of Associated Acceptance, Inc. ("AA"). The MGA is responsible for funding the operations of AA, directing the use of AA's assets, and incurring liabilities on AA's behalf in exchange for the MGA receiving any and all net income of AA. W. Marvin Rush, the sole shareholder of AA, is prohibited from the sale or transfer of the capital stock of AA under the MGA agreement, except as designated by the Company. Therefore, the financial position and operations of AA have been included as part of the Company's consolidated financial position and results of operations.

3 - DEFERRED FEDERAL INCOME TAXES

Effective with the corporate reorganization on June 12, 1996 (see Note 2), the Company adopted the provisions of Statement of Financial Accounting Standards No. 109, "Accounting for Income Taxes" (SFAS 109). SFAS 109 requires recognition of deferred tax liabilities and assets for the expected future tax consequences of events that have been included in a company's financial statements or tax returns. Under this method, deferred tax liabilities and assets are determined based on the differences between the financial statement and tax bases of assets and liabilities using currently enacted tax rates in effect for the years in which the differences are expected to reverse.

As a result of adopting SFAS 109, the Company reported Deferred Income Tax Expense of \$325,000 in the quarter ended June 30, 1996. Additional temporary differences occurring during the quarter ended September 30, 1996 resulted in a year-to-date Deferred Tax Expense of \$583,000 which is explained below:

	September 30, 1996 (in thousands)

Deferred tax assets - book expense provisions in excess of tax	\$ 568
Deferred tax liabilities - tax depreciation and amortization in excess of book	1,151

Net deferred tax liability	\$ 583

The Company did not record any valuation allowances against the deferred income tax assets at September 30, 1996.

4 - PRO FORMA INFORMATION (UNAUDITED)

Pro forma income from continuing operations and pro forma income from continuing operations per share for the three and nine months ended September 30, 1995 and 1996, have been determined assuming that the Company had been taxed as a C corporation for federal and certain state income tax purposes for such periods.

Pro forma income from continuing operations per share had been computed using the weighted average number of common shares outstanding of Rush Enterprises, Inc. Weighted average common shares for all periods presented prior to the Offering have been increased by 547,400 shares to reflect the number of shares that would have to have been sold at the offering price per share to repay an approximate \$6,000,000 distribution of undistributed S corporation earnings.

The pro forma effect of the retirement of debt associated with the Offering of approximately \$900,000 on pro forma income from continuing operations per share would be immaterial. Thus, the Company has not presented supplemental pro forma income from continuing operations per share data.

5 - PUBLIC OFFERING PROCEEDS

The following shows the disposition of cash received from the Company's public offering.

	(in thousands)
Cash and short-term investments	\$23,504
Payment of undistributed subchapter S corporation earnings to subchapter S shareholder	7,120
Payment of public offering expenses	781
Payoffs of long-term debt	680

Offering proceeds - net of underwriting costs	\$32,085

Undistributed S corporation earnings were estimated at \$6.5 million and paid to the subchapter S shareholder at the June 12, 1996 reorganization date. After the preparation of the S corporation shareholder tax returns, during the quarter ended September 30, 1996 an additional \$620,000 was paid to the S corporation shareholder, bringing the final settlement of S corporation earnings to \$7.1 million.

The Company indicated in its registration statement on Form S-1 that it intended to use a portion of the Offering proceeds to pay off approximately \$4.4 million of debt. Following the Offering, the Company was able to renegotiate lower interest rates on \$3.5 million of debt, and thus did not pay off the entire intended amount. Cash reserves will be invested until required for general corporate purposes, including working capital, funds for opening additional locations and strategic acquisitions.

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

Certain statements contained in "Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations", including statements regarding the anticipated development and expansion of the Company's business, expenditures, the intent, belief or current expectations of the Company, its directors or its officers, primarily with respect to the future operating performance of the Company and other statements contained herein regarding matters that are not historical facts, are "forward-looking" statements (as such term is defined in the Private Securities Litigation Reform Act of 1995). Because such statements include risks and uncertainties, actual results may differ materially from those expressed or implied by such forward-looking statements. Factors that could cause actual results to differ materially from those expressed or implied by such forward-looking statements include, but are not limited to, those discussed in other filings made by the Company with the Securities and Exchange Commission, including the factors set forth in "Risk Factors" and "Business" in the Company's Registration Statement on Form S-1(Registration No. 333-03346) filed on April 10, 1996, as amended.

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 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; 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.

In February 1994, the Company purchased the assets of Eng's Motor Truck Company ("Eng's"), which consisted of three full-service Peterbilt dealerships located in Pico Rivera, Fontana and Ventura, California, and a parts store located in Sun Valley, California. As part of the Company's acquisition strategy, the Company closed the Ventura facility in August 1994, consolidating its operations into the remaining facilities.

In March 1995, the Company sold an automobile dealership in San Antonio, Texas. The financial results of this business are presented in the financial statements for the nine months ended September 30, 1995, as "discontinued operations".

In December 1995, the Company acquired the assets of Kerr Consolidated, Inc., which consisted of a full-service Peterbilt dealership and stand-alone leasing facility in Oklahoma City, Oklahoma, and a full-service Peterbilt dealership in Tulsa, Oklahoma.

RESULTS OF OPERATIONS

The following discussion and analysis includes the Company's historical results of operations for the three months and nine months ended September 30, 1995 and 1996, without giving effect to pro forma results of operations for the Company's Oklahoma and California operations acquired in December 1995 and February 1994, respectively, except as expressly indicated.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	1995	1996	1995	1996
New and used truck sales	73.1%	74.7%	73.8%	74.4%
Parts and service	20.8	18.7	20.4	19.3
Lease and rental	4.1	4.0	3.8	4.0
Finance and insurance	1.5	1.7	1.5	1.7
Other . . . . .	.5	.9	.5	.6
	-----	-----	-----	-----
Total revenues	100.0	100.0	100.0	100.0
Cost of products sold	83.6	83.2	84.3	83.6
	-----	-----	-----	-----
Gross profit	16.4	16.8	15.7	16.4
Selling, general and administrative expenses . .	12.2	12.1	11.9	12.1
Depreciation and amortization . . . . .	.7	.7	.6	.7
	-----	-----	-----	-----
Operating income	3.5	4.0	3.2	3.6
Interest expense	1.1	1.2	1.0	1.2
Minority interest . . . . .	.1	-0-	.1	-0-
	-----	-----	-----	-----
Income from continuing operations.	2.3%	2.8%	2.1%	2.4%

THREE MONTHS ENDED SEPTEMBER 30, 1996 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1995

Revenues

Revenues increased by approximately \$22.9 million, or 35.5%, from \$64.7 million to \$87.6 million from the third quarter of 1995 to the third quarter of 1996. This increase was principally a result of the acquisition of the Company's Oklahoma operations in December 1995. In addition, slight gains were achieved in parts and service, lease and rental, and finance and insurance operations at the Company's other locations.

Sales of new and used trucks increased by approximately \$18.1 million, or 38.4%, from \$47.3 million to \$65.4 million from the third quarter of 1995 to the third quarter of 1996. The acquisition of the Oklahoma operations contributed \$13.4 million of new and used truck sales, which supplemented an increase in new and used truck sales of \$4.8 million at the Company's other operations. Unit sales of new and used trucks increased by 41.4% and 44.2%, respectively, from the third quarter of 1995 to the third quarter of 1996, while new truck average revenue per unit decreased by 2.2% and used truck average revenue per unit increased by 1.9%. 29.4% of the growth in new truck unit sales and 25.9% of the growth in used truck unit sales was attributable to the acquisition of the Company's Oklahoma operations. New truck prices increased at a rate slightly higher than inflation and used truck prices decreased due to an industry oversupply of used trucks in the market.

Parts and service sales increased by approximately \$3.0 million, or 22.3%, from \$13.4 million to \$16.4 million primarily as a result of the inclusion of the Oklahoma operations. The remaining increase was due to the addition of 18 service and body shop bays during 1995 at the Company's facilities in San Antonio, Texas (10), Lufkin, Texas (6) and Fontana, California (2).

Lease and rental revenues increased by approximately \$.8 million, or 29.7% from \$2.7 million to \$3.5 million, primarily as a result of the acquisition of the Company's Oklahoma lease and rental operations in December 1995.

Finance and insurance revenues increased by approximately \$547,000, or 56.6%, from \$966,000 to \$1.5 million from the third quarter of 1995 to the third quarter of 1996. The majority of the increase resulted from lower borrowing costs, with the balance of the increase resulting from the acquisition of the Company's Oklahoma operations in December 1995. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of operating profits.

Gross Profit

Gross profit increased by approximately \$4.1 million, or 38.5%, from \$10.6 million to \$14.7 million from the third quarter of 1995 to the third quarter of 1996, primarily due to the increase in revenues from the Oklahoma operations. Gross profit as a percentage of sales increased from 16.4% to 16.8% from the third quarter of 1995 to the third quarter of 1996. The net increase in gross margins resulted from lower gross margins on new truck sales being more than offset by higher gross margins from parts, service and body shop operations.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by approximately \$2.7 million, from \$7.9 million to \$10.6 million, or 34.3%, from the third quarter of 1995 to the third quarter of 1996. The majority of the increase resulted from the acquisition of the Company's Oklahoma operations in December 1995. Most of the remaining increase was due to increased truck sales commissions. Selling, general and administrative expenses as a percent of revenue were 12.1% for the third quarter of 1996 and 12.2% for the same quarter of 1995.

Interest Expense

Interest expense increased by approximately \$346,000 from \$692,000 to \$1.0 million, or 50.0%, from the third quarter of 1995 to the third quarter of 1996, primarily as the result of increased levels of floor plan financing associated with higher inventory levels at all locations and additional inventories associated with the inclusion of the Company's Oklahoma operations acquired in December 1995, and to a lesser extent from increases in interest rates on the Company's variable-rate borrowings and higher average outstanding debt balances.

Income from Continuing Operations

Income from continuing operations increased by \$941,000, or 62.5% from \$1.5 million to \$2.4 million from the third quarter of 1995 to the third quarter of 1996, as a result of the factors described above.

NINE MONTHS ENDED SEPTEMBER 30, 1996 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1995

Revenues

Revenues increased by approximately \$57.6 million, or 29.8%, from \$193.3 million to \$250.9 million from the first nine months of 1995 to the first nine months of 1996. This increase was principally a result of the acquisition of the Company's Oklahoma operations in December 1995. In addition, slight gains were achieved in parts and service, lease and rental, and finance and insurance operations at the Company's other locations.

Sales of new and used trucks increased by approximately \$44.0 million, or 30.8%, from \$142.7 million to \$186.7 million from the first nine months of 1995 to the first nine months of 1996. The acquisition of the Oklahoma operations contributed \$33.7 million of new and used truck sales, which supplemented an increase in new and used truck sales of \$10.3 million at the Company's other operations. Unit sales of new and used trucks increased by 23.6% and 23.3%, respectively, from the first nine months of 1995 to the first nine months of 1996, while new and used truck average revenue per unit increased by 5.3% and 9.9%, respectively. All but 1% of the growth in new and used truck unit sales was attributable to the acquisition of the Company's Oklahoma operations. New truck prices increased at a rate slightly higher than inflation and used truck prices decreased due to an industry oversupply of used trucks in the market.

Parts and service sales increased by approximately \$8.9 million, or 22.5%, from \$39.5 million to \$48.4 million primarily as a result of the inclusion of the Oklahoma operations. The remaining increase was due to the addition of 18 service and body shop bays during 1995 at the Company's facilities in San Antonio, Texas (10), Lufkin, Texas (6) and Fontana, California (2).

Lease and rental revenues increased by approximately \$2.8 million, or 38.6%, from \$7.3 million to \$10.1 million, primarily as the result of the acquisition of the Company's Oklahoma lease and rental operations in December 1995.

Finance and insurance revenues increased by approximately \$1.5 million, or 49.7%, from \$2.9 million to \$4.4 million from the first nine months of 1995 to the first nine months of 1996. The majority of the increase resulted from lower borrowing costs, with the balance of the increase resulting from the acquisition of the Company's Oklahoma operations in December 1995. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of operating profits.

Gross Profit

Gross profit increased by approximately \$10.6 million, or 34.9%, from \$30.5 million to \$41.1 million from the first nine months of 1995 to the first nine months of 1996, primarily due to the increase in revenues from the Oklahoma operations. Gross profit as a percentage of sales increased from 15.7% to 16.4% from the first nine months of 1995 to the first nine months of 1996. The net increase in gross margins resulted from lower gross margins on new truck sales being offset by higher gross margins from parts, service and body shop operations.

Selling, General and Administrative Expenses

Selling, general, and administrative expenses increased by approximately \$7.3 million, from \$23.0 million to \$30.3 million, or 31.8%, from the first six months of 1995 to the first six months of 1996. The majority of the increase resulted from the acquisition of the Company's Oklahoma operations in December 1995. Most of the remaining increase was due to increased truck sales commissions. Selling, general and administrative expenses as a percent of revenue were 12.1% for the first half of 1996 and 11.9% for the same period of 1995.

Interest Expense

Interest expense increased by approximately \$1.2 million from \$1.9 million to \$3.1 million, or 60.5%, from the first nine months of 1995 to the first nine months of 1996, primarily as the result of increased levels of floor plan financing associated with higher inventory levels at all locations, additional inventories associated with the inclusion of the Company's Oklahoma operations acquired in December 1995, and to a lesser extent from increases in interest rates on the Company's variable-rate borrowings and higher average outstanding debt balances.

Income from Continuing Operations

Income from continuing operations increased by \$1.8 million, or 44.5% from \$4.1 million to \$5.9 million from the first nine months of 1995 to the first nine months of 1996, as a result of the factors described above.

LIQUIDITY AND CAPITAL RESOURCES

The Company's short-term cash needs are primarily for working capital, including inventory requirements, expansion of existing facilities and acquisitions of new facilities. These short-term cash needs have historically been financed with retention of profits and borrowings under credit facilities available to the Company.

In June 1996, the Company completed the initial public offering of 2,875,000 shares of common stock and received net proceeds of approximately \$32.1 million. As a result of the initial public offering, working capital levels have generally increased. At September 30, 1996, the Company had working capital of approximately \$25.1 million, including \$21.7 million in cash and cash equivalents, \$16.5 million in accounts receivable and \$42.1 million in inventories, less \$13.6 million of accounts payable and accrued expenses, \$2.4 million of current maturities on long-term debt and \$40.0 million outstanding under floor plan financing. The aggregate maximum borrowing limits under working capital lines of credit with various commercial banks are approximately \$6.0 million. The Company's floor plan agreements with its primary lender limit the aggregate amount of borrowings based on the number of new and used trucks. As of September 30, 1996, the Company's floor plan arrangements permit the financing of up to 692 new trucks and 283 used trucks.

For the first nine months of 1995, operating activities resulted in net cash used in operations of approximately \$7.7 million. The use of cash in operations was primarily due to higher levels of accounts receivable and inventories associated with greater sales activity.

For the first nine months of 1996, operating activities used \$484,000 of cash. Net income of \$4.6 million, an increase in accounts payable of \$1.5 million and provisions for depreciation, amortization, and deferred taxes totaling \$2.4 million more than offset increases in inventories of \$5.6 million and a reduction in accrued liabilities of \$3.1 million.

During the first nine months of 1995, the Company generated \$941,000 of net cash in investing activities, as net capital expenditures of \$2.2 million were more than offset by the proceeds from the sale of discontinued operations of \$3.6 million.

During the first nine months of 1996, the Company used \$5.9 million for investing activities, primarily acquisitions of real estate related to the Oklahoma operations.

Net cash generated from financing activities in the first nine months of 1995 amounted to \$8.5 million. Proceeds from additional floor plan financing and increased notes payable more than offset dividends paid to the S corporation shareholder and principal payments on notes payable.

For the first nine months of 1996, net cash provided by financing activities amounted to \$25.9 million. Net proceeds from the Offering of \$31.4 million, after direct expenses of the Offering of \$781,000, draws on floor plan financing, and proceeds from other notes were partially offset by an increase of \$10.2 million in dividends paid to the S corporation shareholder and principal payments on notes payable.

During 1995, the Company arranged financing for approximately 25% of its total new and used truck sales, with approximately 65% related to new truck sales and the remaining 35% of financing related to used truck sales. The Company's new and used truck financing is typically provided through Associates and PACCAR Financial. The Company financed approximately \$53.2 million of new and used truck purchases in 1995. The Company's contracts with Associates and PACCAR Financial provide for payment to the Company of all finance charges in excess of a negotiated discount rate within 30 days of the date of financing, with such payments subject to offsets resulting from the early pay-off, or defaults under, of installment contracts previously sold to Associates and PACCAR Financial by the Company. The Company's agreements with Associates and PACCAR Financial limit the aggregate liability of the Company for defaults under the installment contracts sold to Associates and PACCAR Financial to \$400,000 and \$200,000 per year, respectively.

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 of new vehicles to GMAC for a period of 12 months and for used vehicles for a period of three months. At September 30, 1996, the Company had \$39.7 million outstanding under its floor plan financing arrangement with GMAC. GMAC permits the Company to earn, for up to one-half of the amount borrowed under its floor plan financing arrangement with GMAC, interest at the prime rate on overnight funds deposited by the Company with GMAC. Following the Offering GMAC increased the amount of funds that the Company can earn interest at the prime rate to include one-half of the outstanding floor plan financing, real estate financing and the line of credit extended by GMAC.

Backlogs

The Company enters firm orders into its backlog at the time the order is received. Customer orders are typically filled in 75 to 90 days and customers normally place orders on that basis. However, certain customers, including fleets and governments, typically place orders six months 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 September 30, 1995 and September 30, 1996, were approximately \$42.0 million and \$49.0 million, respectively. Backlogs increased principally due to the acquisition of the Oklahoma operations.

Seasonality

The Company's 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, including 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 50% of such rebates are typically received in the fourth quarter, resulting in a seasonal increase in gross profit.

Cyclicalities

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. 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 may be materially and 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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

None

Item 2. Changes in Securities

None

Item 3. Defaults upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

Exhibit
Number

11.1 Computation of pro forma earnings per share

27.1 Financial data schedule

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: November 14, 1996

By: /s/ W. MARVIN RUSH

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

Date: November 14, 1996

By: /s/ D. JEFFERY MICHELL

Name: D. Jeffery Michell
Title: Vice President and Chief
Financial Officer
(Principal Financial and
Accounting Officer)

EXHIBITS

Exhibit
Number-----
11.1

Computation of pro forma earnings per share

27.1

Financial data schedule

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

COMPUTATION OF NET INCOME AND PRO FORMA EARNINGS PER SHARE
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS - UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1996	1995	1996	1995
PRIMARY EARNINGS PER SHARE CALCULATION				
Income from continuing operations	\$ 1,537	\$ 1,506	\$ 4,595	\$ 4,086
Income from discontinued operations	-0-	1	-0-	1,561
Net income	\$ 1,537	\$ 1,506	\$ 4,595	\$ 5,647
Weighted average number of common shares outstanding	6,640	3,750	4,909	3,750
Weighted average number of common share equivalents applicable to stock options	-0-	-0-	-0-	-0-
Common shares and common share equivalents	6,640	3,750	4,909	3,750
Earnings per share - Primary				
From continuing operations	\$.23	\$.40	\$.94	\$ 1.09
From discontinued operations	-0-	-0-	-0-	.41
Net income	\$.23	\$.40	\$.94	\$ 1.50
FULLY-DILUTED EARNINGS PER SHARE CALCULATION				
Income from continuing operations	\$ 1,537	\$ 1,506	\$ 4,595	\$ 4,086
Income from discontinued operations	-0-	-0-	-0-	1,561
Net income	\$ 1,537	\$ 1,506	\$ 4,595	\$ 5,647
Weighted average number of common shares outstanding	6,640	3,750	4,909	3,750
Weighted average number of common share equivalents applicable to stock options	-0-	-0-	-0-	-0-
Common shares and common share equivalents	6,640	3,750	4,909	3,750
Earnings per share - Fully diluted (1)				
From continuing operations	\$.23	\$.40	\$.94	\$.69
From discontinued operations	-0-	-0-	-0-	.41
Net income	\$.23	\$.40	\$.94	\$ 1.10

(1) This calculation is submitted in accordance with item 601(b)11 of regulation S-K although it is not required by APB Opinion No. 15 because it results in dilution of less than 3%.

PRO FORMA EARNINGS PER SHARE

Pro forma income from continuing operations after provision for income taxes	\$ 934	\$ 3,661	\$ 2,533
Weighted average shares of common stock outstanding	3,750	4,909	3,750
Pro forma shares issued at offering price to pay undistributed S corporation earnings	547	328	547
Pro forma weighted average shares outstanding	4,297	5,237	4,297
Pro forma income from continuing operations per share	\$.22	\$.70	\$.59

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1,000

9-MOS

	DEC-31-1996	
	JAN-01-1996	
	SEP-30-1996	
		21,671
		0
	16,549	
		0
	42,093	
	80,750	
		21,608
		0
	105,627	
55,694		14,269
	0	
		0
		66
	35,015	
105,627		
		0
	250,930	
		0
	209,870	
	32,072	
		0
	3,083	
	5,905	
	1,310	
4,595		
		0
		0
		0
	4,595	
	.94	
	.94	