

RUSH ENTERPRISES INC \TX\

FORM DEFA14A

(Additional Proxy Soliciting Materials (definitive))

Filed 04/30/15

Address	555 IH 35 SOUTH NEW BRAUNFELS, TX 78130
Telephone	8306265200
CIK	0001012019
Symbol	RUSHA
SIC Code	5500 - Retail-Auto Dealers & Gasoline Stations
Industry	Retail (Specialty)
Sector	Services
Fiscal Year	12/31

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

SCHEDULE 14A

Proxy Statement Pursuant to Section 14(a) of
the Securities Exchange Act of 1934

Filed by the Registrant ☐ Filed by a Party other than the Registrant ☐

Check the appropriate box:

- ☐ Preliminary Proxy Statement
- ☐ Confidential, for Use of the Commission Only (as permitted by Rule 14a-6(e)(2))
- ☐ Definitive Proxy Statement
- ☐ **Definitive Additional Materials**
- ☐ Soliciting Material Pursuant to §240.14a-12

RUSH ENTERPRISES, INC.

(Name of Registrant as Specified In Its Charter)

(Name of Person(s) Filing Proxy Statement, if other than the Registrant)

Payment of Filing Fee (Check the appropriate box):

- ☐ No fee required.
- ☐ Fee computed on table below per Exchange Act Rules 14a-6(i)(1) and 0-11.
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- (4) Proposed maximum aggregate value of transaction: _____
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- ☐ Fee paid previously with preliminary materials.
- ☐ Check box if any part of the fee is offset as provided by Exchange Act Rule 240.0-11(a)(2) and identify the filing for which the offsetting fee was paid previously. Identify the previous filing by registration statement number, or the Form or Schedule and the date of its filing.
- Amount Previously Paid:
- (1) _____
- (2) Form, Schedule or Registration Statement No.: _____
- (3) Filing Party: _____
- (4) Date Filed: _____
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EXPLANATORY NOTE

On April 30, 2015, representatives of Rush Enterprises, Inc. delivered the following presentation to Institutional Shareholder Services.

Rush Enterprises Inc. (NASDAQ: RUSHA)

Presentation to ISS

April 30, 2015



Company Overview

- ❑ Full service solutions provider to commercial vehicle industry
- ❑ Over 6,500 dedicated employees
- ❑ \$4.7 billion in revenues in 2014
- ❑ 35,352 commercial vehicles sold in 2014
- ❑ A and B common shares due to supplier control requirements
- ❑ Total 40.0 million shares of common stock outstanding as of March 15, 2015 – 30.0 million shares of Class A common stock and 10.0 million shares of Class B common stock.
 - Holders of the Class A common stock, have 13% of the voting rights, or one vote for every 20 shares held. Holders of the Class B common stock have one vote per share.

Shareholder Proposal

Shareholder Proposal to Adopt a Recapitalization Plan to Eliminate the Company's Dual-Class Capital Structure

- Proponent: Merlin Partners LP
- “RESOLVED, that shareholders of Rush Enterprises, Inc. (“Rush Enterprises” or the “Company”) request that the Board of Directors take the necessary steps (excluding those steps that must be taken by the Company’s shareholders) to adopt a recapitalization plan that would eliminate Rush Enterprises’ dual-class capital structure and provide that each outstanding share of common stock has one vote.”

Why RUSHA recommends AGAINST the Shareholder Proposal (“Proposal”)

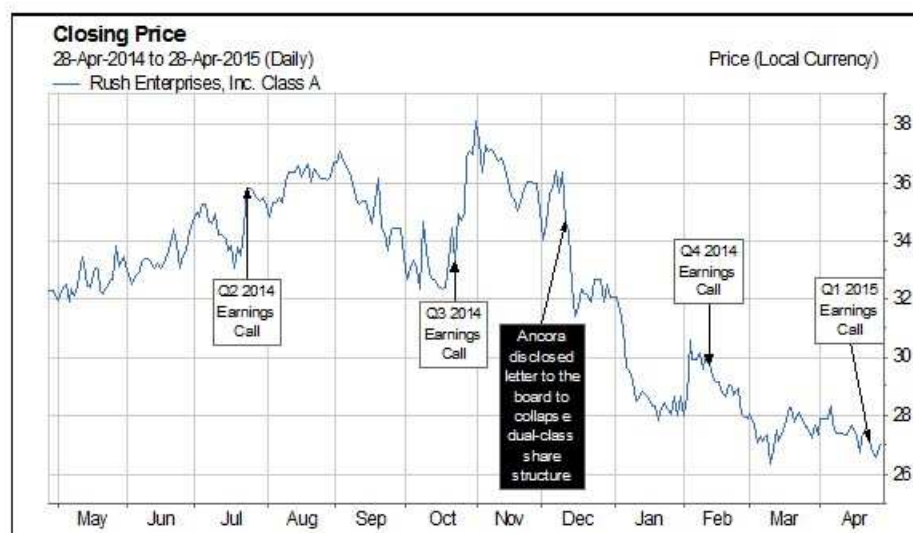
- ❑ The current dual-class structure was adopted in 2002 – with shareholder approval – to enable the Company to issue equity yet remain in compliance with the Voting Interest Provision (as defined below) of its Dealer Sales and Service Agreements with Peterbilt (the “Dealer Agreements”).
- ❑ The Dealer Agreements require that certain specified persons own collectively no less than twenty-two percent (22%) of the voting power of the Company (the “Voting Interest Provision”). While Peterbilt previously agreed to lower the voting interest from 30% to 22% in 2012, it refused to reduce it further in January this year.
- ❑ Our relationship with PACCAR has been critical to the Company’s success over the years and it is expected to continue to be critical going forward. In fiscal years 2014, 2013 and 2012, 38.5%, 38.5% and 47.4% of the Company’s total revenues, respectively, were attributable to the sales of new Peterbilt commercial vehicles, which was made possible by the Dealer Agreements. These amounts do not include significant revenues attributable to the sales of Peterbilt parts and the provision of warranty service on Peterbilt commercial vehicles, which was also made possible by the Dealer Agreements. Consequently, if the dual-class capital structure were eliminated, the Company would be in violation of the Voting Interest Provision, and PACCAR could elect to terminate the Dealer Agreements or use the threat of termination to negotiate more favorable terms to the detriment of the Company’s business and its shareholders.

Why RUSHA recommends AGAINST the Shareholder Proposal – contd.

- ❑ We are unaware of any actions that we can unilaterally take to accomplish Merlin's stated objective to eliminate the Company's dual-class capital structure without violating the Voting Interest Provision of the Dealer Agreements, which would allow PACCAR to immediately terminate the Dealer Agreements.
- ❑ We believe that approval of the shareholder proposal would not be in the best interests of the Company, given the nature of our relationship with PACCAR and the fact that the Dealer Agreements have relatively short terms and require PACCAR's agreement for renewal.
- ❑ Both the Board and management team believe that the Company must retain the flexibility to conduct its business in the long-term best interests of its shareholders without the overhang of measuring all actions by whether they will advance the elimination of our dual-class structure. The Company believes that the existence of such obligation would, among other things, weaken its negotiating position with PACCAR.
- ❑ Accordingly, we believe that Merlin's proposal creates a real risk for all shareholders and we ask that our shareholders not express support for a proposal that PACCAR may interpret as adversarial. Our Board and management team are fully committed to pursuing a course of action that enhances long-term shareholder value, and we want to accomplish it in a manner that will benefit all of our shareholders.

The Proposal poses real risk

- Contrary to assertions made by Ancora Advisors LLC ("Ancora"), the general partner of Merlin Partners LP, the risk of losing Peterbilt Dealer Agreements is real and material if the Company violates the explicit terms of the Dealer Agreements.
- RUSHA's share price **fell** 4.5% (RUSHB: fell 5.7%) upon Ancora's announcement of its campaign to collapse the dual-class share structure. In fact, RUSHA's share price **declined** 12.5% (RUSHB: fell 12.7%) in the 5-day trading period following Ancora's announcement on 10 Dec. 2014.



	RUSHA	% change	RUSHB	% change
12/9/2014	36.32		31.79	
12/10/2014	34.67	-4.5%	29.99	-5.7%
12/16/2014	31.75	-12.6%	27.76	-12.7%

Source: FactSet. Data as of 4/29/2015

The Proposal poses real risk – contd.

- “Losing PACCAR dealer relationship: As the majority of dealerships in the Rush Truck Center network are Peterbilt dealerships, losing the relationship with PACCAR would have a severe effect on the results of Rush.”

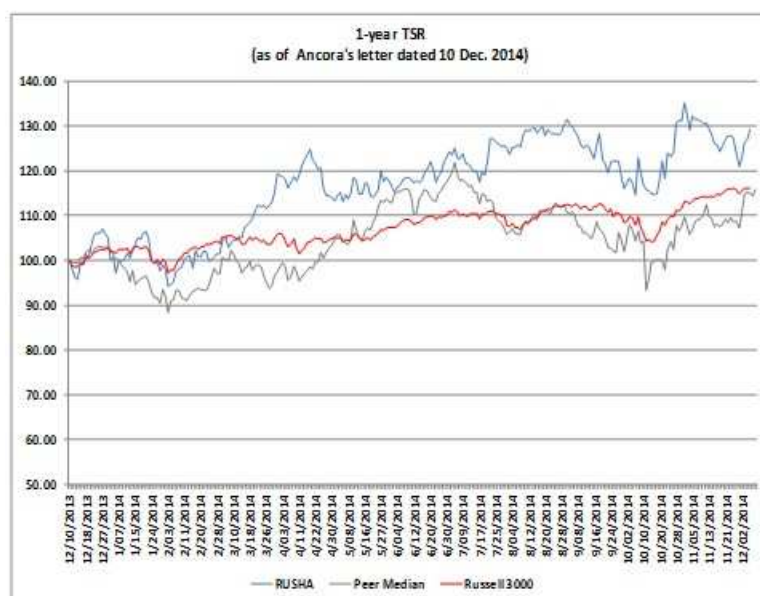
– *Avondale Partners, 22 April 2015*

- “More than half of Rush’s sales are of trucks purchased from Peterbilt and parts purchased from PACCAR, exposing the company to supplier concentration.”

– *CL King & Associates, 22 April 2015*

Ancora's flawed analysis - TSR

- ❑ RUSHA's Total Shareholder Return ("TSR") either exceeded or performed in-line with its peers* at the time of Ancora's letter seeking collapse of the dual-class share structure



Source: FactSet. Data as of 4/29/2015

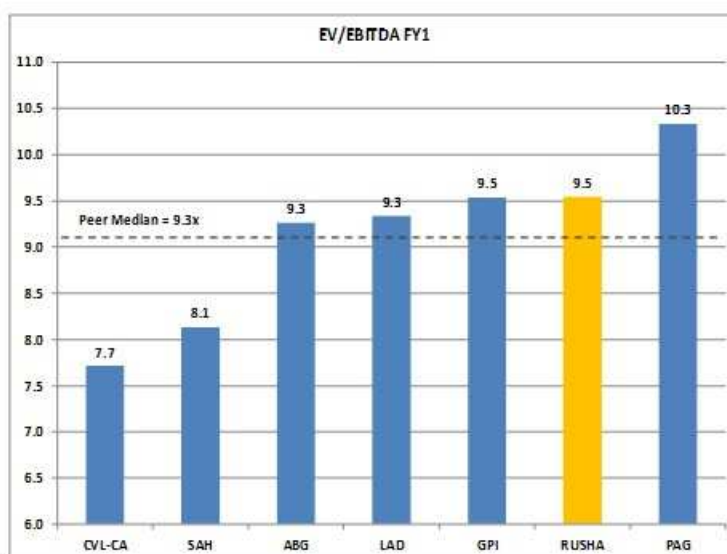
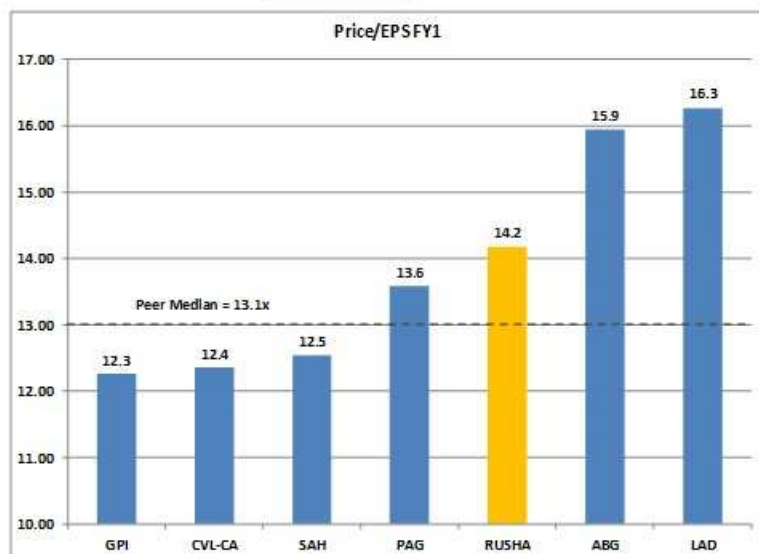
* Peers as selected by Ancora. See Appendix for details. Ancora peers include: Lithia Motors, Inc., Penske Automotive Group, Inc., Asbury Automotive Group, Inc., Group 1 Automotive, Inc., Sonic Automotive, Inc., Cervus Equipment Corporation

Ancora's flawed analysis - TSR (contd.)

- ❑ Ancora's appears to be deliberately ignoring industry dynamics which have adversely impacted RUSHA's to-date TSR performance independent of the dual-class share structure.
- ❑ Unlike Ancora, Wall Street analysts are very clear about the headwinds faced by RUSHA:
 - “Decreased demand from energy-related markets had a mild impact on the quarter but is set to become a much stronger headwind through the rest of the year, though management is clearly doing a lot of heavy lifting to minimize the inevitable impacts and position the company for long-term prosperity.” (*BMO Capital Markets report dated April 23, 2015*)
 - “Rush has significant exposure to energy end markets. Shares have recently traded in line with the falling price of crude oil. A faster than expected stabilization of these markets would yield better visibility and could materially improve our outlook on RUSHA.” (*Avondale Partners report dated April 22, 2015*)
 - “We reiterate our Buy rating on RUSHA shares. At some point the energy business will stabilize. When that happens, the core strengths of the company's business model will come to the fore and drive resumed sales and earnings growth. Outside the energy sector, truck demand remains robust. Rush has also diversified its business in terms of geography, end markets and revenue sources.” (*CL King report dated April 22, 2015*)

The market does not assign any valuation discount due to dual-class structure

- ❑ If Ancora's assertions were correct, then the market would assign a valuation discount to RUSHA.
- ❑ RUSHA however, trades at a valuation premium to its peers* Price/Fwd Year 1 EPS and EV/Fwd Year 1 EBITDA multiples. As such, we believe, the dual-class share structure **does not** affect shareholder value.



Source: FactSet. Data as of 4/29/2015

* Peers as selected by Ancora. These include: Lithia Motors, Inc., Penske Automotive Group, Inc., Asbury Automotive Group, Inc., Group 1 Automotive, Inc., Sonic Automotive, Inc., Cervus Equipment Corporation

Cervus is not a good comparison

- Ancora's comparison with Cervus Equipment Corporation ("Cervus") is not meaningful. Cervus is a much smaller firm with three reportable segments: Agricultural, Transportation, and Commercial. In 2014, Cervus' Transportation segment (which includes Peterbilt dealerships) accounted for only 10.6% of total revenue. In comparison, 38.5% of RUSHA's total revenues in 2014 were attributable to the sales of new Peterbilt commercial vehicles.

All values in CAD as of Dec. 31, 2014	RUSH	Cervus Equipment	RUSH as % of Cervus
Revenue	5,221.2	979.6	433%
Gross Income	793.7	173.7	357%
EBITDA	296.0	46.1	542%
Net Income	88.3	18.4	381%
Total Debt	1,715.9	339.0	406%
Shareholders Equity	885.3	228.0	288%
Total Assets	3,120.6	669.3	366%

Source: FactSet. Data as of 4/29/2015

Strong corporate governance profile

- Despite its dual-class share structure, RUSHA has several shareholder friendly corporate governance features:
 - Annually elected directors.
 - Directors may be removed with or without cause by a majority of the shares entitled to vote.
 - Action can be taken without a meeting by written consent.
 - Special meetings can be called by shareholders holding not less than 10% of the voting power.
 - No poison pill
 - Not a “Controlled Company” under NASDAQ rules
 - Has independent Compensation and Nominating & Governance Committees

Conclusion

- ❑ We believe Shareholder Proposal to collapse the dual-class structure poses serious and real risk to shareholders. Such risk is apparent in the negative 1-day market reaction to Ancora's announcement of its intention to collapse the two classes of stock.
- ❑ If the Shareholder Proposal is approved, the Board will be under unconstructive pressure to negotiate with PACCAR, which has no compelling reason to negotiate the voting control provisions in its Dealership Agreements. Consequently, the Company may be required to make otherwise unnecessary concessions to PACCAR to eliminate the voting control provisions, which we believe, could have an adverse effect on our financial performance and share price.
- ❑ RUSHA's TSR and valuation metrics clearly indicate that there is no valuation gap due to the dual-class share structure. As such, Ancora's assertion about valuation gap is completely flawed.
- ❑ Our Board and management team are fully committed to pursuing a course of action that enhances long-term shareholder value, and we want to accomplish it in a manner that will benefit all of our shareholders.

APPENDIX: Ancora's peer group

- ❑ With the exception of Cervus, all the companies used by Ancora own consumer automobile dealerships. The consumer auto industry is subject to its own cycles, which are not the same cycles as the commercial truck industry.
- ❑ Cervus does not even have operations in the U.S, the only place our Company operates. Additionally, the truck dealership business is a small portion of Cervus' business.
- ❑ The Company does not have any comps that are in the exact same business because we are the only public truck dealership company.