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, 2010

OR

o **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 o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o

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

Large accelerated filer o	Accelerated filer ☑	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No ☑

Indicated below is the number of shares outstanding of each of the issuer's classes of common stock, as of May 5, 2010.

Title of Class	Number of Shares Outstanding
Class A Common Stock, $.01 Par Value	26,592,389
Class B Common Stock, $.01 Par Value	10,692,141

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

RUSH ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2010 AND DECEMBER 31, 2009
(In Thousands, Except Shares)

	March 31, 2010 (Unaudited)	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 145,840	$ 149,095
Accounts receivable, net	48,449	38,869
Inventories, net	294,269	269,955
Prepaid expenses and other	3,917	3,650
Deferred income taxes, net	9,687	11,414
Total current assets	502,162	472,983
Investments	7,575	7,575
Property and equipment, net	355,636	354,749
Goodwill, net	140,836	140,836
Other assets, net	1,101	1,154
Total assets	$ 1,007,310	$ 977,297
Liabilities and shareholders' equity		
Current liabilities:		
Floor plan notes payable	$ 214,664	$ 189,256
Current maturities of long-term debt	59,402	55,545
Current maturities of capital lease obligations	5,821	5,730
Trade accounts payable	30,142	22,427
Accrued expenses	39,232	40,843
Total current liabilities	349,261	313,801
Long-term debt, net of current maturities	144,999	153,957
Capital lease obligations, net of current maturities	29,155	28,714
Deferred income taxes, net	53,188	54,600
Shareholders' equity:		
Preferred stock, par value $.01 per share; 1,000,000 shares authorized; 0 shares outstanding in 2010 and 2009	—	—
Common stock, par value $.01 per share; 60,000,000 class A shares and 20,000,000 class B shares authorized; 26,531,316 class A shares and 10,691,589 class B shares outstanding in 2010; and 26,437,848 class A shares and 10,689,375 class B shares outstanding in 2009	389	388
Additional paid-in capital	190,360	188,116
Treasury stock, at cost: 1,639,843 class B shares	(17,948)	(17,948)
Retained earnings	257,906	255,669
Total shareholders' equity	430,707	426,225
Total liabilities and shareholders' equity	$ 1,007,310	$ 977,297

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, 2010	Three Months Ended March 31, 2009
Revenues:		
New and used commercial vehicle sales	$ 180,604	$ 195,988
Parts and service	105,101	109,218
Construction equipment sales	5,623	7,003
Lease and rental	14,032	13,476
Finance and insurance	1,542	1,715
Other	1,494	1,686
Total revenue	308,396	329,086
Cost of products sold:		
New and used commercial vehicle sales	166,346	182,827
Parts and service	64,535	66,449
Construction equipment sales	4,882	6,182
Lease and rental	12,250	11,928
Total cost of products sold	248,013	267,386
Gross profit	60,383	61,700
Selling, general and administrative	51,668	52,051
Depreciation and amortization	3,685	3,978
(Loss) gain on sale of assets	(8)	55
Operating income	5,022	5,726
Interest expense, net	1,408	1,624
Income before taxes	3,614	4,102
Provision for income taxes	1,377	1,239
Net income	$ 2,237	$ 2,863
Earnings per share:		
Earnings per common share — Basic	$ .06	$ .08
Earnings per common share — Diluted	$ .06	$ .08
Weighted average shares outstanding:		
Basic	37,171	36,991
Diluted	37,745	37,274

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, 2010	Three Months Ended March 31, 2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	$ 2,237	$ 2,863
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	10,248	10,071
Loss (gain) on sale of property and equipment	8	(55)
Stock-based compensation expense related to employee stock options and employee stock purchases	1,856	1,274
(Benefit) provision for deferred income tax expense	315	(887)
Excess tax benefits from stock-based compensation	(24)	(10)
Change in accounts receivable, net	(9,580)	2,717
Change in inventories	(22,602)	40,152
Change in prepaid expenses and other, net	(267)	909
Change in trade accounts payable	7,715	(6,628)
Change in accrued expenses	(1,587)	(8,579)
Net cash (used in) provided by operating activities	(11,681)	41,827
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(9,921)	(10,953)
Proceeds from the sale of property and equipment	12	61
Change in other assets	11	(1)
Net cash (used in) investing activities	(9,898)	(10,893)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Draws (payments) on floor plan notes payable, net	25,408	(36,764)
Proceeds from long-term debt	3,080	2,685
Principal payments on long-term debt	(8,181)	(10,773)
Principal payments on capital lease obligations	(2,372)	(1,248)
Issuance of shares relating to employee stock options and employee stock purchases	365	376
Excess tax benefits from stock-based compensation	24	10
Debt issuance costs	—	(17)
Net cash provided by (used in) financing activities	18,324	(45,731)
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(3,255)	(14,797)
CASH AND CASH EQUIVALENTS, beginning of period	149,095	146,411
CASH AND CASH EQUIVALENTS, end of period	$ 145,840	$ 131,614
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for:		
Interest	$ 3,194	$ 3,786
Income taxes, net of refunds	$ (61)	$ (27)
Noncash investing activities:		
Assets acquired under capital leases	$ 2,904	$ 4,751

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 (the "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, 2009. Results of operations for interim periods are not necessarily indicative of results that may be expected for any other interim periods or the full fiscal year.

2 — Goodwill and Other Intangible Assets

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

The impairment test for goodwill involves comparing the fair value of a reporting unit to its carrying amount, including goodwill. If the carrying amount of the reporting unit exceeds its fair value, a second step is required to measure the goodwill impairment loss. The second step includes hypothetically valuing all the tangible and intangible assets of the reporting unit as if the reporting unit had been acquired in a business combination. Then, the implied fair value of the reporting unit's goodwill is compared to the carrying amount of that goodwill. If the carrying amount of the reporting unit's goodwill exceeds the implied fair value of the goodwill, the Company would recognize an impairment loss in an amount equal to the excess, not to exceed the carrying amount. The Company determines the fair values calculated in an impairment test using the discounted cash flow method, which requires assumptions and estimates regarding future revenue, expenses and cash flow projections. The analysis is based upon available information regarding expected future cash flows of each reporting unit discounted at rates consistent with the cost of capital specific to the reporting unit.

Goodwill is tested for impairment during the fourth quarter of each year and no impairment write down was required in the fourth quarter of 2009. However, the Company cannot predict the occurrence of certain events that might adversely affect the reported value of goodwill in the future. Such events may include, but are not limited to, strategic decisions made in response to economic and competitive conditions or another significant decrease in general economic conditions in the United States.

3 — Commitments and Contingencies

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

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

In 2006, the Company signed an agreement with Titan Technology Partners to implement SAP enterprise software and a new SAP dealership management system. The cost of the SAP software and implementation is estimated at approximately $34.0 million, of which $29.8 million was expended at March 31, 2010.

4 — Earnings Per Share

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

	Three Months Ended	
	March 31, 2010	March 31, 2009
Numerator:		
Numerator for basic and diluted earnings per share, net income available to common shareholders	$ 2,237,000	$ 2,863,000
Denominator:		
Denominator for basic earnings per share, adjusted weighted average shares outstanding	37,170,720	36,991,417
Effect of dilutive securities:		
Employee and Director stock options and restricted share awards	573,888	282,434
Denominator for diluted earnings per share, adjusted weighted average shares and assumed conversions	37,744,608	37,273,851
Basic earnings per common share	$ .06	$ .08
Diluted earnings per common share and common share equivalents	$ .06	$ .08

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

	March 31, 2010	March 31, 2009
Options	2,184,401	2,068,615
Total anti-dilutive securities	2,184,401	2,068,615

5 — Stock Options and Restricted Stock Awards

Valuation and Expense Information

The Company accounts for stock-based compensation in accordance with Accounting Standards Codification ("ASC") 718-10, "Compensation — Stock Compensation," which requires the measurement and recognition of compensation expense for all share-based payment awards made to the Company's employees and directors including employee stock options, restricted share awards and employee stock purchases related to the Employee Stock Purchase Plan based on estimated fair values. Stock-based compensation expense, calculated using the Black-Scholes option-pricing model and included in Selling, General and Administrative ("SG&A") expense, was $1.9 million for the three months ended March 31, 2010 and $1.3 million for the three months ended March 31, 2009. As of March 31, 2010, there was $6.9 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Rush Enterprises, Inc. Long-Term Incentive Plan to be recognized over a weighted-average period of 3.4 years.

6 — Investments

The Company assesses its investments for impairment on a quarterly basis. If the investments are deemed to be impaired, the Company determines whether the impairment is temporary or other than temporary. If the impairment is deemed to be temporary, the Company records an unrealized loss in other comprehensive income. If the impairment is deemed other than temporary, the Company records the impairment in the Company's consolidated statement of operations.

The Company historically invested in interest-bearing short-term investments primarily consisting of investment-grade auction rate securities classified as available-for-sale and reported at fair value. These types of investments were designed to provide liquidity through an auction process that reset the applicable interest rates at predetermined periods ranging from 1 to 35 days. This reset mechanism was intended to allow existing investors to continue to own their respective interest in the auction rate security or to gain immediate liquidity by selling their interests at par.

As a result of the liquidity issues experienced in the global capital markets, auctions for investment grade securities held by the Company have failed. An auction fails when there is insufficient demand. However, a failed auction does not represent a default by the issuer. The auction rate securities continue to pay interest in accordance with the terms of the underlying security; however, liquidity will be limited until there is a successful auction or until such time as other markets for these investments develop. The Company has the intent and ability to hold these auction rate securities until liquidity returns to the market. The Company does not believe that the lack of liquidity relating to its auction rate securities will have a material impact on its ability to fund operations.

As of March 31, 2010 and March 31, 2009, the Company held $7.6 million of auction rate securities with underlying tax-exempt municipal bonds with stated maturities of 21 years. These bonds have credit wrap insurance and a credit rating of A by Standard & Poor's.

The Company believes that the credit quality and fair value of the auction rate securities it holds has not been negatively impacted; therefore, no impairment charges have been recorded as of March 31, 2010. As of March 31, 2010, the Company has valued these investments at fair value, which approximates cost. The Company used observable inputs to determine fair value, including consideration of broker quotes, the overall quality of the underlying municipality, the credit quality of the insurance company, as well as successful subsequent auctions. Accordingly, the Company has considered this fair value to be a Level 2 valuation under ASC 820-10, "Fair Value Measurements and Disclosures." If the credit quality of these investments deteriorates, or adverse developments occur in the bond insurance market, the Company may be required to record an impairment charge on these investments in the future.

7 — Segment Information

The Company currently has two reportable business segments: the Truck segment and the Construction Equipment segment. The Truck segment operates a network of Rush Truck Centers that provide an integrated one-stop source for the trucking needs of its customers, including retail sales of new and used commercial vehicles; aftermarket parts, service and body shop facilities; and a wide array of financial services, including the financing of new and used commercial vehicle purchases, insurance products and truck leasing and rentals. The truck centers are deemed as a single reporting unit because they have similar economic characteristics. The Company's chief operating decision maker considers the entire Truck segment, not individual dealerships when making decisions about resources to be allocated to the segment and assess its performance.

The Construction Equipment segment operates two full-service John Deere dealerships that serve the Southeast Texas area. Construction Equipment dealership operations include the retail sale of new and used construction equipment, aftermarket parts and service facilities, equipment rentals, and the financing of new and used construction equipment.

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

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

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business unit 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 periods ended March 31, 2010 and 2009 (in thousands):

	Truck Segment	Construction Equipment Segment	All Other	Totals
As of and for the three months ended March 31, 2010				
Revenues from external customers	$ 295,758	$ 9,108	$ 3,530	$ 308,396
Segment income (loss) before taxes	3,490	543	(419)	3,614
Segment assets	955,181	26,900	25,229	1,007,310
As of and for the three months ended March 31, 2009				
Revenues from external customers	$ 313,244	$ 11,595	$ 4,247	$ 329,086
Segment income (loss) before taxes	3,713	865	(476)	4,102
Segment assets	945,372	31,094	27,935	1,004,401

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

8 — Income Taxes

The Company included accruals for unrecognized income tax benefits totaling $1.8 million as a component of accrued liabilities as of March 31, 2010 and December 31, 2009. The unrecognized tax benefits of $1.8 million at March 31, 2010, if recognized, would impact the Company's effective tax rate. An unfavorable settlement would require a charge to income tax expense and a favorable resolution would be recognized as a reduction to income tax expense. As of March 31, 2010, the Company accrued interest of $135,000 related to unrecognized tax benefits in the current provision for income taxes. No amounts were accrued for penalties.

The Company does not anticipate a significant change in the amount of unrecognized tax benefits in the next 12 months. As of March 31, 2010, the tax years ended December 31, 2008 through 2009 remained subject to audit by federal tax authorities and the tax years ended December 31, 2005 through 2009, remained subject to audit by state tax authorities.

9 — Fair Value of Financial Instruments

Certain methods and assumptions were used by the Company in estimating the fair value of financial instruments at March 31, 2010. The carrying value of current assets and current liabilities approximates the fair value due to the short maturity of these items.

The fair value of the Company's long-term debt is based on secondary market indicators. Since the Company's debt is not quoted, estimates are based on each obligation's characteristics, including remaining maturities, interest rate, credit rating, collateral, amortization schedule and liquidity. The carrying amount approximates fair value.

10 — Recent Accounting Pronouncements

On January 21, 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2010-06. ASU 2010-06 amends ASC 820, "Fair Value Measurements," and adds new requirements for disclosures about transfers into and out of Levels 1 and 2 in the fair value hierarchy and additional disclosures about purchases, sales, issuances and settlements relating to Level 3 fair value measurements. Additionally, it clarifies existing fair value disclosures about the level of disaggregation about inputs and valuation techniques used to measure fair value. ASU 2010-06 is generally effective for the first reporting period beginning after December 15, 2009. The adoption of ASU 2010-06 did not have an impact on the Company's consolidated results of operations and financial position.

The Company adopted the provisions of ASC 855, "Subsequent Events," during the third quarter of 2009. ASC 855 establishes standards of accounting for and disclosure of transactions and events that occur after the balance sheet date but before the financial statements are issued and requires the disclosure, among other things, of the date through which an entity has evaluated subsequent events. In February 2010, the FASB issued ASU No. 2010-09 which amended ASC 855. This amendment, which was effective upon issuance, removed the requirement for SEC registrants to disclose the date through which such registrants have evaluated subsequent events.

ITEM 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

Certain statements contained in this Form 10-Q (or otherwise made by the Company or on the Company's behalf from time to time in other reports, filings with the Securities and Exchange Commission, news releases, conferences, website postings or otherwise) that are not statements of historical fact constitute "forward-looking statements" within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Exchange Act of 1934, as amended(the "Exchange Act"), notwithstanding that such statements are not specifically identified. Forward-looking statements include statements about the Company's financial position, business strategy and plans and objectives of management of the Company for future operations. These forward-looking statements reflect the best judgments of the Company about the future events and trends based on the beliefs of the Company's management as well as assumptions made by and information currently available to the Company's management. Use of the words "may," "should," "continue," "plan," "potential," "anticipate," "believe," "estimate," "expect" and "intend" and words or phrases of similar import, as they relate to the Company or its subsidiaries or Company management, are intended to identify forward-looking statements but are not the exclusive means of identifying such statements. Forward-looking statements reflect the current view of the Company with respect to future events and are subject to risks and uncertainties that could cause actual results to differ materially from those in such statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, but are not limited to, those set forth under Item 1A—Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2009 as well as future growth rates and margins for certain of our products and services, future demand for our products and services, risks associated with the current recession and its impact on capital markets and liquidity, competitive factors, general economic conditions, cyclicality, market conditions in the new and used commercial vehicle and equipment markets, customer relations, relationships with vendors, approval by various manufacturers and governmental agencies of the acquisition of Lake City International, the interest rate environment, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, one-time events and other factors described herein and in the Company's quarterly and other reports filed with the Securities and Exchange Commission (collectively, "Cautionary Statements"). Although the Company believes that its expectations are reasonable, it can give no assurance that such expectations will prove to be correct. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described in any forward-looking statements. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the applicable Cautionary Statements. All forward-looking statements speak only as the date on which they are made and the Company undertakes no duty to update or revise any forward-looking statements.

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.

Note Regarding Trademarks Used in This Form 10-Q

Peterbilt® is a registered trademark of Peterbilt Motors Company. PACCAR® is a registered trademark of PACCAR, Inc. GMC® is a registered trademark of General Motors Corporation. Hino® is a registered trademark of Hino Motors, Ltd. UD® is a registered trademark of Nissan Diesel Motor Co., Ltd. Isuzu® is a registered trademark of Isuzu Motors Limited. John Deere® is a registered trademark of Deere & Company. Kenworth® is a registered trademark of PACCAR, Inc. doing business as Kenworth Truck Company. Volvo® is a registered trademark of Volvo Trademark Holding AB. Freightliner® is a registered trademark of Freightliner Corporation. Mack® is a registered trademark of Mack Trucks, Inc. Navistar® is a registered trademark of Navistar International Corporation. Caterpillar® is a registered trademark of Caterpillar, Inc. Cummins® is a registered trademark of Cummins Engine Company, Inc. PacLease® is a registered trademark of PACCAR Leasing Corporation. CitiCapital® is a registered trademark of Citicorp. Ford® is a registered trademark of Ford Motor Company. Cummins® is a registered trademark of Cummins Intellectual Property, Inc. Eaton is a registered trademark of Eaton Corporation. Arvin Meritor® is a registered trademark of Meritor Technology, Inc. Case® is a registered trademark of Case Corporation. Komatsu® is a registered trademark of Kabushiki Kaisha Komatsu Seisakusho Corporation Japan. The CIT Group® is a registered trademark of CIT Group Holdings, Inc. JPMorgan Chase® is a registered trademark of JP Morgan Chase & Co. SAP® is a registered trademark of SAP Aktiengesellschaft. International® is a registered trademark of Navistar International Transportation Corp. Blue Bird® is a registered trademark of Blue Bird Investment Corporation. Autocar® is a registered trademark of Shem, LLC. IC Bus® is a registered trademark of IC Bus, LLC. Collins Bus Corporation® is a registered trademark of Collins Bus Corporation.

General

Rush Enterprises, Inc. was incorporated in 1965 under the laws of the State of Texas. The Company operates a Truck segment and a Construction Equipment segment. The Company conducts business through numerous subsidiaries, all of which it wholly owns, directly or indirectly. Its principal offices are located at 555 IH 35 South, New Braunfels, Texas 78130.

The Company is a full-service, integrated retailer of premium transportation and construction equipment and related services. The Truck segment operates a regional network of Rush Truck Centers. Rush Truck Centers primarily sell commercial vehicles manufactured by Peterbilt, International, GMC, Hino, UD, Ford, Isuzu or Blue Bird. The Construction Equipment segment operates two John Deere equipment centers in Southeast Texas. Through its strategically located network of Rush Truck Centers and its Rush Equipment Centers, the Company provides one-stop service for the needs of its customers, including retail sales of new and used commercial vehicles and construction equipment, aftermarket parts sales, service and repair facilities, and financing, leasing and rental, and insurance products.

The Company's Rush Truck Centers are principally located in high traffic areas throughout the southern United States. Since commencing operations as a Peterbilt heavy-duty truck dealer in 1966, the Company has grown to operate more than 50 Rush Truck Centers in Alabama, Arizona, California, Colorado, Florida, Georgia, New Mexico, North Carolina, Oklahoma, Tennessee and Texas.

Our business strategy consists of providing our customers with competitively priced products supported with timely and reliable service through our integrated dealer network. 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 and Rush Equipment Centers as we extend our geographic focus through strategic acquisitions of new locations and expansions of our existing facilities and product lines.

Planned Acquisition of Lake City International

On March 19, 2010, the Company entered into a definitive asset purchase agreement with Lake City Companies, LLC and certain of its subsidiaries and affiliates (collectively "Lake City International") to acquire certain assets of Lake City International. Lake City International operates a commercial truck, bus and agricultural equipment sales, service, parts, finance and leasing business representing multiple brands, including International, Autocar, Mitsubishi Fuso, IC Bus and Collins Bus Corporation. Lake City International currently operates five dealerships in Utah, five dealerships in Idaho and a dealership in Oregon. A copy of the asset purchase agreement is available in our Current Report on Form 8-K filed on March 25, 2010.

The purchase price for the assets of Lake City International will be approximately $76.5 million, comprised of approximately $44.0 million for assets and goodwill and $34.5 million for real estate less a $2.0 million payment from an affiliate of Lake City International for Rush assuming contingent liabilities of the affiliate. At closing, the Company anticipates that it will finance approximately $28.5 million of the purchase price under its floor plan, accounts receivable and lease and rental truck financing arrangements. The Company intends to finance a portion of the purchase price of the real estate shortly after the closing of the acquisition.

The completion of the Lake City International acquisition is subject to a number of conditions, including the approval of the Company to act as an authorized dealer of the products sold by Lake City International and our ability to obtain motor vehicle dealer licenses for the dealerships we are acquiring.

The parties have the right to terminate the Lake City International acquisition if it is not completed by August 31, 2010.

Critical Accounting Policies and Estimates

The Company's discussion and analysis of its financial condition and results of operations are based on the Company's consolidated financial statements, which have been prepared in accordance with United States generally accepted accounting principles. The preparation of these consolidated financial statements requires the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results may differ from those estimates. The Company believes the following accounting policies affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Inventories

Inventories are stated at the lower of cost or market value. Cost is determined by specific identification of new and used commercial vehicles and construction equipment inventory and by the first-in, first-out method for tires, parts and accessories. As the market value of our inventory typically declines over time, reserves are established based on historical loss experience and market trends. These reserves are charged to cost of sales and reduce the carrying value of our inventory on hand. An allowance is provided when it is anticipated that cost will exceed net realizable value plus a reasonable profit margin.

Goodwill

Goodwill and other intangible assets that have indefinite lives are not amortized but instead are tested at least annually by reporting unit for impairment, or more frequently when events or changes in circumstances indicate that the asset might be impaired.

Goodwill is reviewed for impairment utilizing a two-step process. The first step requires the Company to compare the fair value of the reporting unit, which is the same as the segment, to the respective carrying value. The Company considers each of its segments to be a reporting unit for purposes of this analysis. If the fair value of the reporting unit exceeds its carrying value, the goodwill is not considered impaired. If the carrying value is greater than the fair value, there is an indication that an impairment may exist and a second step is required. In the second step of the analysis, the implied fair value of the goodwill is calculated as the excess of the fair value of a reporting unit over the fair values assigned to its assets and liabilities. If the implied fair value of goodwill is less than the carrying value of the reporting unit's goodwill, the difference is recognized as an impairment loss.

The Company determines the fair value of its reporting units using the discounted cash flow method. The discounted cash flow method uses various assumptions and estimates regarding revenue growth rates, future gross margins, future selling, general and administrative expenses and an estimated weighted average cost of capital. The analysis is based upon available information regarding expected future cash flows of each reporting unit discounted at rates consistent with the cost of capital specific to the reporting unit. This type of analysis contains uncertainties because it requires the Company to make assumptions and to apply judgment regarding its knowledge of its industry, information provided by industry analysts, and its current business strategy in light of present industry and economic conditions. If any of these assumptions change, or fails to materialize, the resulting decline in its estimated fair value could result in a material impairment charge to the goodwill associated with the reporting unit.

The Company performs an annual impairment review of goodwill during the fourth quarter of each year. Management is not aware of any impairment charge that may currently be required; however, a change in economic conditions, if one occurs, could result in an impairment charge in future periods.

The Company does not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions it used to test for impairment losses on goodwill. However, if actual results are not consistent with our estimates or assumptions, or certain events occur that might adversely affect the reported value of goodwill in the future, the Company may be exposed to an impairment charge that could be material. Such events may include, but are not limited to, strategic decisions made in response to economic and competitive conditions or the impact of the current economic environment.

Finance and Insurance Revenue Recognition

Finance income related to the sale of a unit is recognized when the finance contract is sold to a finance company. The Company arranges financing for customers through various institutions and receives financing fees from the lender equal to either the difference between the interest rates charged to customers over the predetermined interest rates set by the financing institution or a commission for the placement of contracts. The Company also receives commissions from the sale of various insurance products to customers.

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

Insurance Accruals

The Company is partially self-insured for a portion of the claims related to its property and casualty insurance programs, requiring it to make estimates regarding expected losses to be incurred. The Company engages a third party administrator to assess any open claims and the Company adjusts its accrual accordingly on an annual basis. The Company is also partially self-insured for a portion of the claims related to its worker's compensation and medical insurance programs. The Company uses actuarial information provided from third party administrators to calculate an accrual for claims incurred, but not reported, and for the remaining portion of claims that have been reported.

Changes in the frequency, severity, and development of existing claims could influence the Company's reserve for claims and financial position, results of operations and cash flows. The Company does not believe there is a reasonable likelihood that there will be a material change in the estimates or assumptions it used to calculate its self-insured liabilities. However, if actual results are not consistent with our estimates or assumptions, the Company may be exposed to losses or gains that could be material.

Accounting for Income Taxes

Significant management judgment is required to determine the provisions for income taxes and to determine whether deferred tax assets will be realized in full or in part. Deferred income tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. When it is more likely than not that all or some portion of specific deferred income tax assets will not be realized, a valuation allowance must be established for the amount of deferred income tax assets that are determined not to be realizable. Accordingly, the facts and financial circumstances impacting state deferred income tax assets are reviewed quarterly and management's judgment is applied to determine the amount of valuation allowance required, if any, in any given period.

The Company's income tax returns are periodically audited by tax authorities. These audits include questions regarding our tax filing positions, including the timing and amount of deductions. In evaluating the exposures associated with the Company's various tax filing positions, the Company adjusts its liability for unrecognized tax benefits and income tax provision in the period in which an uncertain tax position is effectively settled, the statute of limitations expires for the relevant taxing authority to examine the tax position, or when more information becomes available.

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

Stock-Based Compensation Expense

The Company applies the provisions of ASC 718-10, "Compensation — Stock Compensation," which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including grants of employee stock options and restricted stock and employee stock purchases under the Employee Stock Purchase Plan based on estimated fair values.

The Company uses the Black-Scholes option-pricing model to estimate the fair value of share-based payment awards on the date of grant. The value of the portion of the award that is ultimately expected to vest is recognized as expense over the requisite service periods in the Company's Consolidated Statement of Operations.

Results of Operations

The following discussion and analysis includes the Company's historical results of operations for the three months ended March 31, 2010 and 2009.

The following table sets forth certain financial data as a percentage of total revenues:

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
New and used commercial vehicle sales	58.6%	59.6%
Parts and service	34.1	33.2
Construction equipment sales	1.8	2.1
Lease and rental	4.5	4.1
Finance and insurance	0.5	0.5
Other	0.5	0.5
Total revenues	100.0	100.0
Cost of products sold	80.4	81.3
Gross profit	19.6	18.7
Selling, general and administrative	16.8	15.8
Depreciation and amortization	1.2	1.2
Operating income	1.6	1.7
Interest expense, net	0.5	0.5
Income before income taxes	1.1	1.2
Provision for income taxes	0.4	0.4
Net income	0.7%	0.8%

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

	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009	% Change 2010 vs 2009
Vehicle unit sales:			
New heavy-duty vehicles	969	1,032	(6.1%)
New medium-duty vehicles	611	754	(19.0%)
Total new vehicle unit sales	1,580	1,786	(11.5%)
Used vehicles	686	577	18.9%
Vehicle revenue:			
New heavy-duty vehicles	$ 118.1	$ 124.0	(4.8%)
New medium-duty vehicles	37.4	48.8	(23.4%)
Total new vehicle revenue	$ 155.5	$ 172.8	(10.0%)
Used vehicle revenue	$ 24.7	$ 22.7	8.8%
Other vehicle revenue:(1)	$ 0.4	$ 0.5	(20.0%)
Absorption rate:	97.0%	97.2%	(0.2%)

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

Key Performance Indicator

Absorption Rate

Management uses several performance metrics to evaluate the performance of its commercial vehicle dealerships, and considers Rush Truck Centers' "absorption rate" to be of critical importance. Absorption rate is calculated by dividing the gross profit from the parts, service and body shop departments by the overhead expenses of all of a dealership's departments, except for the selling expenses of the new and used commercial vehicle departments and carrying costs of new and used commercial vehicle inventory. When 100% absorption is achieved, then gross profit from the sale of a commercial vehicle, after sales commissions and inventory carrying costs, directly impacts operating profit. In 1999, the Company's truck dealerships' absorption rate was approximately 80%. The Company has made a concerted effort to increase its absorption rate since 1999. The Company's truck dealerships achieved a 97.0% absorption rate for the first quarter of 2010 and 97.2% absorption rate for the first quarter in 2009.

Three Months Ended March 31, 2010 Compared to Three Months Ended March 31, 2009

The Company expects that 2010 will be another difficult year for commercial vehicle sales. Trucks with engines that meet the 2010 diesel emissions regulations are now beginning to reach dealership lots. This new technology comes with a significant price increase, which will limit demand. As a result, the Company believes that commercial vehicle sales will remain sluggish in the second and third quarters of this year. However, if general economic conditions continue to improve and credit is made available on more favorable terms, commercial vehicle demand should increase.

The Company and industry analysts expect a strong recovery in commercial vehicle retail sales in 2011, 2012 and 2013. A.C.T. Research Co., LLC ("A.C.T. Research"), a truck industry data and forecasting service provider, currently predicts U.S. retail sales of Class 8 trucks of approximately 105,700 units in 2010, a 9.0% increase from the number of deliveries in 2009, and 174,800 units in 2011. A.C.T. Research currently predicts U.S. retail sales of Class 4, 5, 6, and 7 medium-duty commercial vehicles of approximately 123,500 units in 2010, a 10.9% increase from the number of deliveries in 2009, and 151,000 units in 2011.

We are beginning to see some encouraging signs of recovery in our industry. Parts, service and body shop revenues in the Truck segment increased 10.0% compared to the fourth quarter of 2009. This resulted in the Company's dealership absorption rate increasing from 92.4% to 97.0% for the same time period. As excess truck capacity and freight demand equalize, more trucks are being put into service, which is increasing the need for maintenance and repair. The Company is optimistic that the increase in our parts and service operations is an early indicator that a sustainable recovery has begun and should continue throughout the year. The Company's overall parts, service and body shop sales decreased 3.8% in the first quarter of 2010 compared to the first quarter of 2009.

In the first quarter of 2010, the Company's construction equipment segment revenue decreased by 21.4% compared to the first quarter of 2009. This decrease was largely attributable to the continued weak construction market in the Houston area. Current industry forecasts suggest that construction equipment sales in 2010 will decline approximately 26% compared to 2009 in the Company's area of responsibility during 2010.

The Company recently entered into an agreement to acquire certain assets of Lake City International — a dealer group with 11 locations in Utah, Idaho and Oregon. This will provide the Company with a significant entry into three western states and expand its network to 60 truck centers. More importantly it provides an excellent platform for the Company to build its Navistar Division.

Revenues

Revenues decreased $20.7 million, or 6.3%, in the first quarter of 2010 compared to the first quarter of 2009. Sales of new and used commercial vehicles decreased $15.4 million, or 7.8%, in the first quarter of 2010 compared to the first quarter of 2009. The Company expects commercial vehicle sales to remain sluggish in the second and third quarters of 2010 as new technology begins to gradually gain acceptance in the marketplace and excess commercial vehicle capacity is absorbed by increasing freight volumes. The Company does not believe any significant increase in retail commercial vehicle sales will occur until late in 2010 at the earliest.

The Company sold 969 heavy-duty units in the first quarter of 2010, a 6.1% decrease compared to 1,032 heavy-duty trucks in the first quarter of 2009. According to A.C.T. Research, the U.S. Class 8 truck market increased 9.0% in the first quarter of 2010 compared to the first quarter of 2009. The Company's share of the U.S. Class 8 truck sales market was approximately 4.1% in 2009. The Company expects its share to range between 4.1% and 4.4% of the U.S. Class 8 truck market in 2010, which would result in the sale of approximately 4,300 to 4,700 Class 8 trucks based on current U.S. retail sales estimates of 105,700 units.

The Company sold 611 medium-duty commercial vehicles, including 98 buses, in the first quarter of 2010, a 19.0% decrease compared to 754 medium-duty commercial vehicles in the first quarter of 2009. A.C.T. Research estimates that unit sales of Class 4 through 7 commercial vehicles in the U.S. increased approximately 3.0% in the first quarter of 2010 compared to the first quarter of 2009. In 2009, the Company achieved a 2.4% share of the Class 4 through 7 commercial vehicle sales market in the U.S. The Company expects its share to range between 2.4% and 2.5% of the U.S. Class 4 through 7 commercial vehicle sales market in 2010. This market share percentage would result in the sale of approximately 2,900 to 3,100 of Class 4 through 7 commercial vehicles in 2010 based on current U.S. retail sales estimates of approximately 123,500 units.

The Company sold 686 used commercial vehicles in the first quarter of 2010, an 18.9% increase compared to 577 used commercial vehicles in the first quarter of 2009. The Company expects demand for used commercial vehicles to remain high in 2010, but sales will be largely dependent upon our ability to acquire quality used trucks and maintain an adequate used truck inventory. The Company expects to sell approximately 2,900 to 3,200 used commercial vehicles in 2010.

Parts and service sales decreased $4.1 million, or 3.8%, in the first quarter of 2010 compared to the first quarter of 2009. The Company expects parts and service sales to begin to increase in 2010 if general economic conditions in the United States continue to improve. As excess truck capacity equalizes with freight demand, more trucks are being put into service, therefore increasing the need for maintenance and repair.

Sales of new and used construction equipment decreased $1.4 million, or 19.7%, in the first quarter of 2010 compared to the first quarter of 2009. This decrease was largely attributable to the continued weakness of the construction market in the Houston area. John Deere’s rolling twelve month average market share in the Houston area construction equipment market increased to 23.5% as of March 31, 2010, from a rolling twelve month average of 17.6% as of March 31, 2009. In 2010, the Company expects new construction equipment unit sales in our area of responsibility to decrease approximately 25% to 28%, compared to 2009.

Truck lease and rental revenues increased $0.6 million, or 4.1%, in the first quarter of 2010 compared to the first quarter of 2009. This increase in lease and rental revenue is consistent with management’s expectations, considering the increased number of units put into service in the lease and rental fleet during 2009 and 2010. The Company expects lease and rental revenue to increase 8% to 12% during 2010, compared to 2009 based on the increase of units in the lease and rental fleet.

Finance and insurance revenues decreased $0.2 million, or 10.1%, in the first quarter of 2010 compared to the first quarter of 2009. The decrease in finance and insurance revenue is a direct result of the decline in commercial vehicle sales and the tight credit market. The Company expects finance and insurance revenue to fluctuate proportionately with the new Class 8 truck market in 2010. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of the Company’s operating profits.

Other income decreased $0.2 million, or 11.4% in the first quarter of 2010 compared to the first quarter of 2009. Other income consists primarily of the gain on sale realized on trucks from the lease and rental fleet, commissions earned from John Deere for direct manufacturer sales into our area of responsibility, document fees related to commercial vehicle sales, mineral royalties and purchase discounts.

Gross Profit

Gross profit decreased $1.3 million, or 2.1%, in the first quarter of 2010 compared to the first quarter of 2009. Gross profit as a percentage of sales increased to 19.6% in the first quarter of 2010 from 18.7% in the first quarter of 2009. This slight increase in gross profit as a percentage of sales is primarily a result of a change in our product sales mix. Commercial vehicle sales, a lower margin revenue item, decreased as a percentage of total revenue to 58.6% in 2010, from 59.6% in 2009. Parts and service revenue, a higher margin revenue item, increased as a percentage of total revenue to 34.1% in 2010, from 33.2% in 2009.

Gross margins on Class 8 truck sales slightly increased to 7.2% in the first quarter of 2010 from 7.0% in the first quarter of 2009. In 2010, the Company expects overall gross margins from Class 8 truck sales of approximately 5.0% to 7.0%, but this will largely depend upon general economic conditions and the availability of credit to retail customers.

Gross margins on medium-duty commercial vehicle sales slightly decreased to 6.3% in the first quarter of 2010 from 6.4% in the first quarter of 2009. Gross margins on medium-duty commercial vehicles are difficult to forecast accurately because gross margins vary significantly depending upon the mix of fleet and non-fleet purchasers and types of medium-duty commercial vehicles sold. For 2010, the Company expects overall gross margins from medium-duty commercial vehicle sales of approximately 5.0% to 7.0%, but this will largely depend upon general economic conditions and the availability of credit to retail customers.

Gross margins on used commercial vehicle sales increased to 13.8% in the first quarter of 2010 from 5.7% in the first quarter of 2009. This increase was largely attributable to increased demand for high quality used commercial vehicles due to the increased cost of new commercial vehicles and increased availability of credit. The Company expects margins on used commercial vehicles will be in the range of approximately 8.5% to 10.5% during 2010, but this will largely depend upon general economic conditions and the availability of credit to retail customers.

Gross margins from the Company's parts, service and body shop operations decreased to 38.6% in the first quarter of 2010 from 39.2% in the first quarter of 2009. Gross profit for the parts, service and body shop departments decreased slightly to $40.6 million in the first quarter of 2010 from $42.8 million in the first quarter of 2009. The Company expects gross margins on parts, service and body shop operations of approximately 39.0% to 41.0% during 2010.

Gross margins on new and used construction equipment sales increased to 13.2% in the first quarter of 2010 from 11.7% in the first quarter of 2009. This increase in gross margin is primarily attributable to a change in our product sales mix. The Company expects gross margins for 2010 to range from approximately 9.0% to 11.0% due to the dramatic decrease in demand for construction equipment in the Houston market, but this will largely depend upon general economic conditions and the availability of credit to retail customers.

Gross margins from truck lease and rental sales increased to 12.7% in the first quarter of 2010 from approximately 11.5% in the first quarter of 2009. The increase in the gross margin from lease and rental sales is primarily due to the increased utilization of trucks in our rental fleet. The Company expects gross margins from lease and rental sales of approximately 11.0% to 15.0% during 2010 depending upon whether general economic conditions continue to improve. The Company's policy is to depreciate its lease and rental fleet using a straight line method over the customer's contractual lease term. The lease unit is depreciated to a residual value that approximates fair value at the expiration of the lease term. This policy results in the Company realizing reasonable gross margins while the unit is in service and a corresponding gain or loss on sale when the unit is sold at the end of the lease term.

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

Selling, General and Administrative Expenses

Selling, General and Administrative ("SG&A") expenses decreased $0.4 million, or 0.7%, in the first quarter of 2010 compared to the first quarter of 2009. SG&A expenses as a percentage of sales increased to 16.8% in the first quarter of 2010 from 15.8% in the first quarter of 2009. Prior to 2009, SG&A expenses as a percentage of sales historically ranged from 10.0% to 15.0%. In general, when new and used commercial vehicle revenue decreases as a percentage of revenue, SG&A expenses as a percentage of revenue will be at, or exceed, the higher end of this range. The Company earns federal income tax credits on the sale of alternative fuel vehicles to tax-exempt entities. A portion of these tax credits are passed back to the tax-exempt customer and are reflected as SG&A expense to the Company. In the first quarter of 2010, the selling portion of SG&A expenses, which consists primarily of commissions on commercial vehicle and construction equipment sales, increased 7.8% and the general and administrative portion of SG&A expenses decreased 1.4% compared to the first quarter of 2009. For 2010, the Company expects the selling portion of SG&A expenses to be approximately 25% to 28% of new and used commercial vehicle gross profit. The selling portion of SG&A expenses varies based on the gross profit derived from commercial vehicle sales.

Interest Expense, Net

Net interest expense decreased $0.2 million, or 13.3%, in the first quarter of 2010 compared to the first quarter of 2009. The Company expects net interest expense for the remainder of 2010 to increase compared to 2009 based on anticipated increases in inventory levels and impending modification to the Company's floor plan agreement in the second half of 2010, which may result in increased floor plan interest.

Income Before Income Taxes

Income before income taxes decreased $0.5 million, or 11.9%, in the first quarter of 2010 compared to the first quarter of 2009, as a result of the factors described above. The Company believes that income before income taxes in 2010 will increase slightly compared to 2009 based on the factors described above.

Income Taxes

Income taxes increased $0.1 million, or 11.1%, in the first quarter of 2010 compared to the first quarter of 2009. The Company provided for taxes at a 42.0% effective rate in the first quarter of 2010 compared to an effective rate of 39.0% in the first quarter of 2009. Prior to the application of alternative fuel tax credits, the Company's tax rate during the first quarter of 2010 increased primarily due to state regulations that assess taxes based on gross profit and non-deductible expenses. Historically, the Company's effective tax rate has been approximately 36% to 38% of pretax income. When pretax income is low, state taxes that are calculated based on gross profit and non-deductible expenses become a larger percentage of pretax income, thereby increasing the Company's effective tax rate in relation to its historical rates. If pretax income for 2010 is similar to pretax income in 2009, the Company expects its effective tax rate to be approximately 40.0% to 42.0% before the application of alternative fuel tax credits. In the first quarter of 2010, the Company received $0.1 million in tax credits for sales of alternative fuel vehicles to tax-exempt entities, compared to $0.4 million in the first quarter of 2009. The Company's effective tax rate may vary significantly depending on the number of alternative fuel vehicles sold to tax-exempt entities.

Liquidity and Capital Resources

The Company's short-term cash requirements are primarily for working capital, inventory financing, the improvement and expansion of existing facilities, the development and implementation of SAP enterprise software and dealership management system, and the construction of new facilities. Historically, these cash requirements have been met through the retention of profits and borrowings under our floor plan arrangements. As of March 31, 2010, the Company had working capital of approximately $152.9 million, including $145.8 million in cash available to fund our operations. The Company believes that these funds are sufficient to meet its short-term and long-term cash requirements.

The Company has a secured line of credit that provides for a maximum borrowing of $8.0 million. There were no advances outstanding under this secured line of credit at March 31, 2010, however, $7.1 million was pledged to secure various letters of credit related to self-insurance products, leaving $0.9 million available for future borrowings as of March 31, 2010.

The Company's long-term real estate debt agreements require the Company to satisfy various financial ratios such as the debt to worth ratio and the fixed charge coverage ratio. The Company's floor plan financing agreement with GE Capital does not contain financial covenants. At March 31, 2010, the Company was in compliance with all debt covenants. The Company does not anticipate any breach of the covenants in the foreseeable future.

Titan Technology Partners is currently implementing SAP enterprise software and a new SAP dealership management system for the Company. The total cost of the SAP software and implementation is estimated to be approximately $34.0 million. As of March 31, 2010, the Company had cumulative expenditures of $29.8 million related to the SAP project. The Company expects to spend approximately $4.0 million to $4.5 million related to the SAP project during the remainder of 2010.

The Company also expects to make capital expenditures for recurring items such as computers, shop tools and equipment and vehicles of approximately $8.0 million during 2010.

On July 22, 2008, the Company's Board of Directors approved a stock repurchase program authorizing the Company to repurchase, from time to time, up to an aggregate of $20,000,000 of its shares of Class A common stock and/or Class B common stock. Repurchases will be made at times and in amounts as the Company deems appropriate and will be made through open market transactions, privately negotiated transactions and other lawful means. The manner, timing and amount of any repurchases will be determined by the Company based on an evaluation of market conditions, stock price and other factors, including those related to the ownership requirements of its dealership agreements with manufacturers it represents. The stock repurchase program has no expiration date and may be suspended or discontinued at any time. While the stock repurchase program does not obligate the Company to acquire any particular amount or class of common stock, the Company anticipates that it will be repurchasing primarily shares of its Class B common stock. As of March 31, 2010, the Company has repurchased 1,639,843 shares of its Class B common stock at an aggregate cost of $17.9 million, none of which occurred during the first quarter of 2010.

The Company currently anticipates funding its capital expenditures relating to the implementation of the SAP enterprise software and SAP dealership management system, improvement and expansion of existing facilities, construction of new facilities, recurring expenses and any stock repurchases through its operating cash flow. The Company expects to finance 70% to 80% of the appraised value of any newly constructed or purchased facilities, which will increase the Company's cash and cash equivalents by that amount.

The purchase price for the assets of Lake City International will be approximately $76.5 million. At closing, the Company anticipates that it will finance approximately $28.5 million of the purchase price under its floor plan, accounts receivable and lease and rental truck financing arrangements. Shortly after the closing of the acquisition, the Company anticipates that it will finance approximately $20.0 million of the purchase price of the real estate.

The Company has no other material commitments for capital expenditures as of March 31, 2010, except that the Company will continue to purchase vehicles for its lease and rental division and authorize capital expenditures for improvement and expansion of its existing dealership facilities and construction of new facilities based on market opportunities. The Company expects to purchase or lease trucks worth approximately $35.0 million for its leasing operations in 2010, depending on customer demand, all of which will be financed.

Cash Flows

Cash and cash equivalents decreased by $3.3 million during the three months ended March 31, 2010 and decreased by $14.8 million during the three months ended March 31, 2009. 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 the first quarter of 2010, operating activities resulted in net cash used in operations of $11.7 million. Cash used in operating activities was primarily impacted by the increase in inventories and accounts receivable which was offset by the increase in accounts payable. During the first quarter of 2009, operating activities resulted in provided by operations of $41.8 million.

Cash flows from operating activities as adjusted for all draws and (payments) on floor plan notes ("Adjusted Cash Flows from Operating Activities") was $13.7 million for the three months ended March 31, 2010 and $5.1 million for the three months ended March 31, 2009. Generally, all vehicle and construction equipment dealers finance the purchase of vehicles and construction equipment with floor plan borrowings, and our agreements with our floor plan providers require us to repay amounts borrowed for the purchase of such vehicles and equipment immediately after they are sold. As a result, changes in floor plan notes payable are directly linked to changes in vehicle and construction equipment inventory. However, as reflected in our consolidated statements of cash flows, changes in inventory are recorded as cash flows from operating activities, and draws and (payments) on floor plan notes are recorded as cash flows from financing activities.

Management believes that information about Adjusted Cash Flows from Operating Activities provides investors with a relevant measure of liquidity and a useful basis for assessing the Company's ability to fund its activities and obligations from operating activities. Floor plan notes payable is classified as a current liability and, therefore, is included in the working capital amounts discussed above.

Adjusted Cash Flows from Operating Activities is a non-GAAP financial measure and should be considered in addition to, and not as a substitute for, cash flows from operating activities as reported in our consolidated statements of cash flows in accordance with U.S. GAAP. Additionally, this measure may vary among other companies; thus, Adjusted Cash Flows from Operating Activities as presented herein may not be comparable to similarly titled non-GAAP financial measures of other companies. Set forth below is a reconciliation of cash flow from operating activities as reported in our consolidated statement of cash flows, as if all changes in floor plan notes payable were classified as an operating activity (in thousands).

	Three Months Ended March 31,	
	2010	2009
Net cash (used in) provided by operating activities (GAAP)	$ (11,681)	$ 41,827
Draws (payments) on floor plan notes payable	25,408	$ (36,764)
Adjusted Cash Flows from Operating Activities (Non-GAAP)	$ 13,727	$ 5,063

Cash Flows from Investing Activities

Cash flows used in investing activities consist primarily of cash used for capital expenditures. During the first quarter of 2010, cash used in investing activities was $9.9 million. Capital expenditures consisted of purchases of property and equipment and improvements to our existing dealership facilities of $9.9 million. Property and equipment purchases during the first quarter of 2010 consisted of $4.9 million for additional units for rental and leasing operations, which was directly offset by borrowings of long-term debt. The Company expects to purchase or lease trucks worth approximately $35.0 million for its leasing operations in 2010, depending on customer demand, all of which will be financed. During the remainder of 2010, the Company expects to make capital expenditures for recurring items such as computers, shop equipment and vehicles of approximately $6.2 million, in addition to $4.0 million to $4.5 million for the SAP project described above.

During the first quarter of 2009, cash used in investing activities was $10.9 million. Capital expenditures consisted of purchases of property and equipment, and improvements to our existing dealership facilities and construction of our facility in Oklahoma City, Oklahoma of $11.0 million. Property and equipment purchases during the first quarter of 2009 consisted of $3.1 million for additional units for the rental and leasing operations, which was directly offset by borrowings of long-term debt.

Cash Flows from Financing Activities

Cash flows from financing activities include borrowings and repayments of long-term debt and net proceeds of floor plan notes payable. Cash used in financing activities was $18.3 million during the first quarter of 2010. The Company had borrowings of long-term debt of $3.1 million and repayments of long-term debt of $8.2 million during the first quarter of 2010. The Company had net draws on floor plan notes payable of $25.4 million during the first quarter of 2010. The borrowings of long-term debt were primarily related to units for the rental and leasing operations.

Cash used in financing activities was $45.7 million during the first quarter of 2009. The Company had borrowings of long-term debt of $2.7 million and repayments of long-term debt of $10.8 million during the first quarter of 2009. The Company had net payments of floor plan notes payable of $36.8 million during the first quarter of 2009. The borrowings of long-term debt were primarily related to units for the rental and leasing operations.

Substantially all of the Company's commercial vehicle purchases are made on terms requiring payment within 15 days or less from the date the commercial vehicles are invoiced from the factory. Effective August 1, 2007, the Company entered into an Amended and Restated Wholesale Security Agreement with GE Capital. Interest under the floor plan financing agreement is payable monthly and the rate varies from LIBOR plus 1.15% to LIBOR plus 1.50% depending on the month-end average aggregate amount outstanding under our GE Capital floor plan arrangement. The Company finances substantially all of the purchase price of its new commercial vehicle inventory, and the loan value of its used commercial vehicle inventory under the floor plan financing agreement with GE Capital, under which GE Capital pays the manufacturer directly with respect to new commercial vehicles. The Company makes monthly interest payments to GE Capital on the amount financed, but is not required to commence loan principal repayments on any vehicle until such vehicle has been floor planned for 12 months or is sold. The floor plan financing agreement allows for prepayments with monthly adjustments to the interest due on outstanding advances. On March 31, 2010, the Company had approximately $198.9 million outstanding under its floor plan financing agreement with GE Capital. In connection with the Amended and Restated Wholesale Agreement with GE Capital, the Company executed a Continuing Guaranty in favor of GE Capital to a maximum principal amount of $600 million, plus unpaid interest and reasonable costs of collection. Except for the procedures and other terms and conditions set forth in the Amended and Restated Wholesale Agreement, the Company is not aware of any limitation on the Company's ability to access capital through this facility.

Substantially all of the Company's new construction equipment purchases are financed by John Deere and JPMorgan Chase ("Chase"). The agreement with John Deere provides for interest at prime plus 1.5%, however, there is an interest free financing period, after which time the amount financed is required to be paid in full. When construction equipment is sold prior to the expiration of the interest free finance period, the Company is required to repay the principal within approximately ten days of the sale. If the construction equipment financed by John Deere is not sold within the interest free finance period, the Company transfers the financed equipment to the Chase floor plan arrangement. New and used construction equipment is financed to a maximum of book value under a floor plan arrangement with Chase. The Company makes monthly interest payments on the amount financed and is required to commence loan principal repayments on construction equipment as book value is reduced. Principal payments for sold new and used construction equipment are made to Chase no later than the 15th day of each month following the sale. The loans are collateralized by a lien on the construction equipment. As of March 31, 2010, the Company's floor plan arrangement with Chase permitted the financing of up to $20.0 million in construction equipment. The facility with Chase expires in June 2010 and the interest rate is the prime rate less 0.65%. On March 31, 2010, the Company had $0.7 million outstanding under its floor plan financing arrangements with John Deere and $15.0 million outstanding under its floor plan financing arrangement with Chase.

Backlog

On March 31, 2010, the Company's backlog of commercial vehicle orders was approximately $83.5 million as compared to a backlog of commercial vehicle orders of approximately $61.0 million on March 31, 2009. The Company includes only confirmed orders in its backlog. The delivery time for a custom-ordered commercial vehicle varies depending on the truck specifications and demand for the particular model ordered, however, the Company expects to fill all of its backlog orders during 2010. The Company sells the majority of its new commercial vehicles by customer special order, with the remainder sold out of inventory. Orders from a number of the Company's major fleet customers are included in the Company's backlog as of March 31, 2010.

Seasonality

The Company's 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 the Company's diverse customer base, including regional and national fleets, local governments, corporations and owner operators. However, commercial vehicle parts and service operations historically have experienced higher sales volumes in the second and third quarters.

Seasonal effects in the Company's Construction Equipment segment 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 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 is dependent on a number of factors relating to general economic conditions, including fuel prices, interest rate fluctuations, credit availability, economic recessions, environmental and other government regulations and customer business cycles. Unit sales of new commercial vehicles have historically been subject to substantial cyclical variation based on these general economic conditions. According to data published by A.C.T. Research, in recent years total U.S. retail sales of new Class 8 trucks have ranged from a low of approximately 97,000 in 2009 to a high of approximately 291,000 in 2006. Through geographic expansion, concentration on higher margin parts and service operations and diversification of its customer base, the Company believes it has reduced the negative impact on the Company's earnings of adverse general economic conditions or cyclical trends affecting the heavy-duty truck industry.

Environmental Standards and Other Governmental Regulations

The Company is subject to a wide range of federal, state and local environmental laws and regulations, including those governing 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 or construction equipment dealerships generally, and service, parts and body shop 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. The Company has incurred, and will continue to incur, capital and operating expenditures and other costs in complying with such laws and regulations.

Our operations involving the management 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 and wastes with which the Company must comply. Our business also involves the operation and use of above ground 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.

The Company 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 contamination without regard to fault or the legality of the conduct that contributed to the contamination. Responsible parties under these statutes may include the owner or operator of the site where contamination 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 pollutants into the environment.

The federal Clean Water Act and comparable state statutes prohibit discharges of pollutants into regulated waters without the necessary permits, 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 pollutants through air emissions permitting programs and the imposition of other requirements. In addition, the U.S. Environmental Protection Agency, or EPA, has developed, and continues to develop, stringent regulations governing emissions of toxic air pollutants from specified sources. For example, EPA emissions guidelines regarding nitrous oxides recently came into effect for all diesel engines built subsequent to January 1, 2010, which could adversely affect demand for our products and services, which may in turn adversely affect our future results of operations.

The Company believes that it does not currently have any material environmental liabilities and that compliance with environmental laws and regulations will not, individually or in the aggregate, have a material adverse effect on our results of operations, financial condition or cash flows. However, soil and groundwater contamination is known to exist at some of our current properties. Further, environmental laws and regulations are complex and subject to change. In addition, in connection with acquisitions, it is possible that the Company 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 acquire, the Company 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.

It is not possible at this time to predict how legislation or new regulations that may be adopted to address greenhouse gas emissions would impact our business. Any such future laws and 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 operation.

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 our floor plan financing agreements, variable rate real estate debt and discount rates related to finance sales. The majority of floor plan debt and variable rate real estate debt is based on LIBOR. As of March 31, 2010, the Company had floor plan borrowings and variable rate real estate debt of approximately $258.5 million. Assuming an increase or decrease in LIBOR of 100 basis points, annual interest expense could correspondingly increase or decrease by approximately $2.6 million. The Company provides all customer financing opportunities to various finance providers. The Company receives all finance charges in excess of a negotiated discount rate from the finance providers in the month following the date of the financing. The negotiated discount rate is variable, thus subject to interest rate fluctuations. This interest rate risk is mitigated by the Company’s ability to pass discount rate increases to customers through higher financing rates.

The Company is also exposed to some market risk through interest rates related to the investment of our current cash and cash equivalents which totaled $145.8 million on March 31, 2010. These funds are generally invested in variable interest rate instruments in accordance with the Company’s investment policy. As such instruments mature and the funds are reinvested, we are exposed to changes in market interest rates. This risk is mitigated by management’s ongoing evaluation of the best investment rates available for current and noncurrent high quality investments. If market interest rates were to increase or decrease immediately and uniformly by 100 basis points, the Company’s annual interest income could correspondingly increase or decrease by approximately $1.5 million.

In the past, the Company invested in interest-bearing short-term investments consisting of investment-grade auction rate securities classified as available-for-sale. As a result of the recent liquidity issues experienced in the global credit and capital markets, auctions for investment grade securities held by the Company have failed. The auction rate securities continue to pay interest in accordance with the terms of the underlying security; however, liquidity will be limited until there is a successful auction or until such time as other markets for these investments develop.

As of March 31, 2010, the Company holds $7.6 million of auction rate securities with underlying tax-exempt municipal bonds with stated maturities of 21 years. Given the current market conditions in the auction rate securities market, if the Company determines that the fair value of these securities has temporarily decreased by 10%, the Company’s equity could correspondingly decrease by approximately $0.8 million. If it is determined that the fair value of these securities is other-than-temporarily impaired by 10%, the Company could record a loss on its Consolidated Statements of Operations of approximately $0.8 million. For further discussion of the risks related to our auction rate securities, see Note 6 — Investments of the Notes to Consolidated Financial Statements.

The Company has not used derivative financial instruments in our investment portfolio.

ITEM 4. Controls and Procedures.

The Company, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company’s disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company’s disclosure controls and procedures were effective as of March 31, 2010 to ensure that information required to be disclosed in the reports filed or submitted under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission’s rules and forms, and (ii) is accumulated and communicated to Company management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There has been no change in the Company’s internal control over financial reporting that occurred during the three months ended March 31, 2010 that has materially affected, or is reasonably likely to materially affect, the Company’s internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.

From time to time, we are involved in litigation arising out of the Company's 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 the Company's 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 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 financial condition or results of operations for the fiscal period in which such resolution occurred.

ITEM 1A. Risk Factors.

While we attempt to identify, manage and mitigate risks and uncertainties associated with our business to the extent practical under the circumstances, some level of risk and uncertainty will always be present. Item 1A, Part I of our 2009 Annual Report on Form 10-K (the "2009 Annual Report") describes some of the risks and uncertainties associated with our business that have the potential to materially affect our business, financial condition or results of operations.

There has been no material change in our risk factors disclosed in our 2009 Annual Report.

ITEM 2. Unregistered Sales of Equity Securities and Use of Proceeds.

The Company did not make any unregistered sales of equity securities during the first quarter of 2010.

The Company did not repurchase any shares of its Class A Common Stock or Class B Common Stock during the first quarter of 2010.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plans or Programs (1)(2)
January 1 – 31, 2010	—	$ 0.00	—	$ 2,093,321
February 1 – 28, 2010	—	0.00	—	2,093,321
March 1 – 31, 2010	—	0.00	—	2,093,321
1st Quarter Total	—	$ 0.00	—	$ 2,093,321

(1) On July 22, 2008, the Company's Board of Directors approved a stock repurchase program authorizing the Company to repurchase, from time to time, up to an aggregate of $20,000,000 of its shares of Class A Common Stock and/or Class B Common Stock. The stock repurchase program has no expiration date and may be suspended or discontinued at any time.

(2) As of March 31, 2010, the Company has repurchased 1,639,843 shares of its Class B common stock at a cost of $17.9 million, none of which occurred during the first quarter of 2010.

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

Exhibit Number	Exhibit Title
2.1	Asset Purchase Agreement, dated as of March 19, 2010 (incorporated herein by reference to Exhibit 2.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed March 25, 2010)
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)
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 December 9, 2008)
31.1*	Certification of CEO pursuant to Rules 13a-14(a) and 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of CFO pursuant to Rules 13a-14(a) and 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of CEO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of CFO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* filed herewith

** furnished herewith

SIGNATURES

Pursuant to the requirements 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.

Date: May 10, 2010	By: /S/ W.M. "RUSTY" RUSH W.M. "Rusty" Rush President and Chief Executive Officer (Principal Executive Officer)
Date: May 10, 2010	By: /S/ STEVEN L. KELLER Steven L. Keller Vice President and Chief Financial Officer (Principal Financial and Accounting Officer)

EXHIBIT INDEX

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32.2**	Certification of CFO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* filed herewith

** furnished herewith

EXHIBIT 31.1

CERTIFICATION

I, W.M. “Rusty” Rush, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 officers 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 officers 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: May 10, 2010

By: /S/ W.M. “RUSTY” RUSH
W.M. “Rusty” Rush
President and Chief Executive Officer
(Principal Executive Officer)

EXHIBIT 31.2

CERTIFICATION

I, Steven L. Keller, certify that:

1. I have reviewed this quarterly report on Form 10-Q 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 officers 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 officers 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: May 10, 2010

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

EXHIBIT 32.1

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 quarterly report of Rush Enterprises, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, W.M. "Rusty" Rush, Chief Executive Officer 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 and Chief Executive Officer
Date: May 10, 2010

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

EXHIBIT 32.2

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 quarterly report of Rush Enterprises, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2010, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven L. Keller, Vice President and Chief Financial Officer 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: Vice President and Chief Financial Officer
Date: May 10, 2010

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.