

**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, 2012

OR

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the transition period from _____ to _____

Commission File Number 0-20797

RUSH ENTERPRISES, INC.

(Exact name of registrant as specified in its charter)

Texas
(State or other jurisdiction of
incorporation or organization)

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

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

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

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes No

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 No

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

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

Indicated below is the number of shares outstanding of each of the issuer's classes of common stock, as of May 4, 2012.

<u>Title of Class</u>	<u>Number of Shares Outstanding</u>
Class A Common Stock, \$.01 Par Value	27,842,114
Class B Common Stock, \$.01 Par Value	10,792,223

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements.

RUSH ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
MARCH 31, 2012 AND DECEMBER 31, 2011
(In Thousands, Except Shares)

	March 31, 2012	December 31, 2011
<u>Assets</u>		
Current assets:		
Cash and cash equivalents	\$ 163,790	\$ 207,775
Accounts receivable, net	90,291	98,160
Inventories, net	808,135	649,626
Prepaid expenses and other	6,443	12,158
Deferred income taxes, net	11,896	12,286
Total current assets	1,080,555	980,005
Investments	6,628	6,628
Property and equipment, net	516,445	499,667
Goodwill, net	182,648	182,612
Other assets, net	48,377	48,789
Total assets	\$1,834,653	\$1,717,701
<u>Liabilities and shareholders' equity</u>		
Current liabilities:		
Floor plan notes payable	\$ 628,580	\$ 520,693
Current maturities of long-term debt	66,777	63,465
Current maturities of capital lease obligations	10,003	10,056
Trade accounts payable	70,599	62,299
Accrued expenses	97,793	134,278
Total current liabilities	873,752	790,791
Long-term debt, net of current maturities	275,252	264,822
Capital lease obligations, net of current maturities	34,251	35,498
Other long-term liabilities	2,223	2,233
Deferred income taxes, net	93,500	93,123
Shareholders' equity:		
Preferred stock, par value \$.01 per share; 1,000,000 shares authorized; 0 shares outstanding in 2012 and 2011	—	—
Common stock, par value \$.01 per share; 60,000,000 class A shares and 20,000,000 class B shares authorized; 27,838,478 class A shares and 10,792,223 class B shares outstanding in 2012; and 27,406,424 class A shares and 10,776,697 class B shares outstanding in 2011	402	398
Additional paid-in capital	217,101	208,569
Treasury stock, at cost: 1,639,843 class B shares	(17,948)	(17,948)
Retained earnings	358,070	342,164
Accumulated other comprehensive loss, net of tax	(1,950)	(1,949)
Total shareholders' equity	555,675	531,234
Total liabilities and shareholders' equity	\$1,834,653	\$1,717,701

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

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

	Three Months Ended March 31,	
	2012	2011
Revenues:		
New and used commercial vehicle sales	\$551,928	\$277,530
Parts and service sales	196,646	145,560
Lease and rental	23,476	18,985
Finance and insurance	3,137	1,968
Other	2,142	2,061
Total revenue	777,329	446,104
Cost of products sold:		
New and used commercial vehicle sales	510,807	258,905
Parts and service sales	118,256	88,712
Lease and rental	20,006	16,097
Total cost of products sold	649,069	363,714
Gross profit	128,260	82,390
Selling, general and administrative	93,015	65,346
Depreciation and amortization	5,884	4,180
Gain (loss) on sale of assets	19	(43)
Operating income	29,380	12,821
Interest expense, net	3,304	1,201
Income before taxes	26,076	11,620
Provision for income taxes	10,170	4,353
Net income	\$ 15,906	\$ 7,267
Earnings per common share:		
Earnings per common share - Basic	\$ 0.41	\$ 0.19
Earnings per common share - Diluted	\$ 0.40	\$ 0.19
Weighted average shares outstanding:		
Basic	38,387	37,621
Diluted	39,607	38,815
Comprehensive income	\$ 15,905	\$ 7,345

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,	
	2012	2011
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net income	\$ 15,906	\$ 7,267
Adjustments to reconcile net income to net cash provided by (used in) operating activities:		
Depreciation and amortization	16,641	12,649
(Gain) loss on sale of property and equipment	(19)	43
Stock-based compensation expense related to employee stock options and employee stock purchases	3,118	2,557
Provision for deferred income tax expense	756	994
Excess tax benefits from stock-based compensation	(1,515)	(745)
Change in accounts receivable, net	7,869	(9,789)
Change in inventories	(152,012)	(29,940)
Change in prepaid expenses and other, net	5,715	4,559
Change in trade accounts payable	8,300	4,725
Change in accrued expenses	(34,970)	(9,651)
Net cash (used in) operating activities	(130,211)	(17,331)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(38,010)	(34,256)
Proceeds from the sale of property and equipment	61	8,057
Business acquisitions	(36)	(60,018)
Change in other assets	(461)	372
Net cash (used in) investing activities	(38,446)	(85,845)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Draws on floor plan notes payable, net	107,887	46,083
Proceeds from long-term debt	31,230	11,706
Principal payments on long-term debt	(17,488)	(18,764)
Principal payments on capital lease obligations	(2,375)	(5,484)
Issuance of shares relating to employee stock options and employee stock purchases	3,903	1,240
Excess tax benefits from stock-based compensation	1,515	745
Net cash provided by financing activities	124,672	35,526
NET (DECREASE) IN CASH AND CASH EQUIVALENTS	(43,985)	(67,650)
CASH AND CASH EQUIVALENTS, beginning of period	207,775	168,976
CASH AND CASH EQUIVALENTS, end of period	\$ 163,790	\$ 101,326
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid (received) during the period for:		
Interest	\$ 5,435	\$ 3,043
Income taxes, net of refunds	\$ 265	\$ (1,936)
Noncash investing and financing activities:		
Assets acquired under capital leases	\$ 1,075	\$ 5,776

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, 2011. 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.

In June 2011, the Financial Accounting Standards Board issued Accounting Standards Update No. 2011-05, Presentation of Comprehensive Income (“ASU 2011-05”). ASU 2011-05 eliminates the option to present components of other comprehensive income as part of the statement of changes in stockholders’ equity. Under ASU 2011-05, an entity has the option to present the total of comprehensive income, the components of net income, and the components of other comprehensive income either in a continuous statement of comprehensive income or in two separate consecutive statements. The Company adopted the provisions of ASU 2011-05 by presenting comprehensive income in a continuous statement of income and comprehensive income for interim financial reporting.

2 – Goodwill and Other Intangible Assets

In August 2011, the Company determined that the SAP enterprise software and SAP dealership management system were ready for their intended use, placed them in service and began amortization of the capitalized costs of the software. The total capitalized costs of \$41.8 million, including capitalized interest, are recorded on the Consolidated Balance Sheet in Other Assets, net of accumulated amortization of \$1.9 million. Amortization expense of \$0.7 million is included in depreciation and amortization expense. The SAP software will be amortized over a period of 15 years resulting in amortization expense of \$2.8 million per year. Additional enhancements to the SAP software will be capitalized and amortized over the remaining life of the asset. The Company is currently operating several Rush Truck Centers in Texas and a majority of its leasing operations on the SAP enterprise software and SAP dealership management system. The Company plans to convert all of its Rush Truck Centers and leasing operations to the SAP enterprise software and SAP dealership management system by the end of 2014.

Other Assets on the Consolidated Balance Sheet include manufacturer franchise rights of \$2.8 million at March 31, 2012 and December 31, 2011.

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 or other indefinite-lived intangible assets, 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 unit to be the Truck Segment, which is the level at which management regularly reviews operating results and makes resource allocation decisions.

The fair market value of the Company’s manufacturer franchise rights, which are included in Other Assets on the accompanying consolidated balance sheets, is determined at the acquisition date through discounting the projected cash flows specific to each franchise. The Company has determined that manufacturer franchise rights have an indefinite life as there are no economic or other factors that limit their useful lives, and they are expected to generate cash flows indefinitely due to the historically long lives of the manufacturers’ brand names. Furthermore, to the extent that any agreements evidencing manufacturer franchise rights would expire, the Company expects that it

would be able to renew those agreements in the ordinary course of business. Due to the fact that manufacturer franchise rights are specific to geographic region, the Company has determined that the geographic region is the appropriate level for purposes of testing franchise rights for impairment. The Company does not amortize franchise rights, but tests for impairment annually in the fourth quarter, or when indications of potential impairment exist.

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 its reporting unit discounted at rates consistent with the cost of capital specific to the reporting unit.

No impairment write down of the Company's goodwill was required in the fourth quarter of 2011. However, the Company cannot predict the occurrence of certain events that might adversely affect the reported value of goodwill or manufacturer franchise rights in the future.

The following table sets forth the change in the carrying amount of goodwill for the Company for the period ended March 31, 2012:

Balance January 1, 2012	\$182,612
Adjustment to acquisition of Peck Road Ford	36
Balance March 31, 2012	<u>\$182,648</u>

3 – Commitments and Contingencies

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.

4 – Earnings Per Share

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

	Three Months Ended	
	March 31, 2012	March 31, 2011
Numerator -		
Numerator for basic and diluted earnings per share-		
Net income available to common shareholders	\$15,906,000	\$ 7,267,000
Denominator-		
Denominator for basic earnings per share, weighted average shares outstanding	38,387,044	37,621,287
Effect of dilutive securities-		
Employee and Director stock options and restricted share awards	1,219,460	1,193,404
Denominator for diluted earnings per share, adjusted weighted average shares and assumed conversions	<u>39,606,504</u>	<u>38,814,691</u>
Basic earnings per common share	<u>\$.41</u>	<u>\$.19</u>
Diluted earnings per common share and common share equivalents	<u>\$.40</u>	<u>\$.19</u>

Options to purchase shares of common stock that were outstanding for the three months ended March 31, 2012 and 2011 that were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive are as follows:

	<u>March 31, 2012</u>	<u>March 31, 2011</u>
Options	1,113,805	498,600
Total anti-dilutive securities	<u>1,113,805</u>	<u>498,600</u>

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 expense, was \$3.1 million for the three months ended March 31, 2012, and \$2.6 million for the three months ended March 31, 2011. As of March 31, 2012, there was \$13.8 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements to be recognized over a weighted-average period of 2.53 years.

6 – Financial Instruments and Fair Value

Certain methods and assumptions were used by the Company in estimating the fair value of financial instruments at March 31, 2012. 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 and is categorized in Level 2 of the fair value hierarchy. 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.

If 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.

In prior years, the Company 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, 2012, the Company held auction rate securities with underlying tax-exempt municipal bonds that mature in 2030 that have a fair value of \$6.6 million and a cost basis of \$7.6 million. These bonds have credit wrap insurance and a credit rating of Aa3 by a major credit rating agency.

The Company valued the auction rate securities at March 31, 2012 using a discounted cash flow model based on the characteristics of the individual securities, which the Company believes yields the best estimate of fair value. The first step in the valuation included a credit analysis of the security which considered various factors

including the credit quality of the issuer, the instrument's position within the capital structure of the issuing authority, and the composition of the authority's assets including the effect of insurance and/or government guarantees. Next, the future cash flows of the instruments were projected based on certain assumptions regarding the auction rate market significant to the valuation including the auction rate market will remain illiquid and auctions will continue to fail causing the interest rate to be the maximum applicable rate. This assumption resulted in discounted cash flow analysis being performed through 2019, the point at which the Company estimates the securities will be redeemed by the municipality. The projected cash flows were then discounted using the applicable yield curve plus a 225 basis point liquidity premium added to the applicable discount rate.

The Company recorded a pre-tax impairment charge of \$1.0 million on these investments in 2011. The Company believes that the impairment is temporary and has recognized the impairment in accumulated other comprehensive loss.

The table below presents disclosures about the auction rate securities measured at fair value on a recurring basis in the Company's financial statements as of March 31, 2012 and December 31, 2011 (in thousands):

	At March 31, 2012			
	Cost Basis Amount	Fair Value Estimated Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investment in auction rate securities	\$ 7,575	\$ —	\$ —	\$6,628

	At December 31, 2011			
	Cost Basis Amount	Fair Value Estimated Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investment in auction rate securities	\$ 7,575	\$ —	\$ —	\$6,628

Interest Rate Swap Agreements

The Company has entered into swap agreements to hedge against the potential impact of increases in interest rates on its floating-rate debt instruments. Swap agreements that hedge exposures to changes in interest rates expose us to credit risk and market risk. Credit risk is the potential failure of the counterparty to perform under the terms of the swap agreement. The Company attempts to minimize this risk by entering into transactions with high-quality counterparties. Market risk is the potential adverse effect on the value of the swap agreement that results from a decline in interest rates. The market risk associated with interest-rate contracts is managed by establishing and monitoring parameters that limit the types and degree of market risk that may be undertaken.

At March 31, 2012, the Company had an aggregate \$44.4 million notional amount of interest rate swap contracts, which have been designated as cash flow hedges, to pay fixed rates of interest and receive a floating interest rate based on LIBOR. The fixed interest rates specified in the interest rate swap contracts become effective on or about January 1, 2012. The Company's interest rate swaps qualify for cash flow hedge accounting treatment. Unrealized gains or losses are recorded in accumulated other comprehensive income. Realized gains and losses will be recognized in interest expense, if they occur. Amounts to be received or paid under the contracts will be recognized as interest expense over the life of the contracts. There was no ineffectiveness for these swaps during the quarters ended March 31, 2011 and March 31, 2012.

The fair value of cash flow swaps is calculated as the present value of expected future cash flows, determined on the basis of forward interest rates and present value factors. As such, the carrying amounts for these swaps are designated to be Level 2 fair values and totaled \$2.2 million as of March 31, 2012. The carrying value of these swaps is included in Other Long-Term Liabilities on the accompanying Consolidated Balance Sheet as of March 31, 2012.

As of March 31, 2012 the Company was party to derivative financial instruments, as described in the following table (in thousands):

<u>Agreement</u>	<u>Notional Amount</u>	<u>Fixed Interest Rate</u>	<u>Underlying Rate</u>	<u>Expiration Date</u>	<u>Fair Value</u>
Interest Rate Swap	\$2,196	5.075%	3 month LIBOR	July 1, 2015	\$ (106)
Interest Rate Swap	4,536	5.075%	3 month LIBOR	July 1, 2015	(219)
Interest Rate Swap	7,746	5.39%	1 month LIBOR	December 31, 2014	(353)
Interest Rate Swap	1,497	5.39%	1 month LIBOR	December 31, 2014	(68)
Interest Rate Swap	2,665	5.39%	1 month LIBOR	December 31, 2014	(121)
Interest Rate Swap	6,031	5.39%	1 month LIBOR	December 31, 2014	(275)
Interest Rate Swap	5,512	5.38%	1 month LIBOR	June 29, 2015	(314)
Interest Rate Swap	848	5.29%	1 month LIBOR	June 30, 2015	(46)
Interest Rate Swap	1,625	5.29%	1 month LIBOR	June 30, 2015	(88)
Interest Rate Swap	8,197	5.29%	1 month LIBOR	June 30, 2015	(442)
Interest Rate Swap	707	5.29%	1 month LIBOR	June 30, 2015	(38)
Interest Rate Swap	2,841	5.29%	1 month LIBOR	June 30, 2015	(153)

Fair values of derivative instruments are on the accompanying Consolidated Balance Sheet (in thousands):

<u>Derivative Liabilities Designated as Hedging Instruments</u>	<u>Balance Sheet Location</u>	<u>Fair Value at</u>	
		<u>March 31, 2012</u>	<u>December 31, 2011</u>
Interest Rate Swaps	Other Long-Term Liabilities	\$ 2,223	\$ 2,233

7 – Segment Information

The Company currently has one reportable business segment, the Truck segment. The Truck segment operates a network of commercial vehicle dealerships that provide an integrated one-stop source for the commercial vehicle needs of its customers, including retail sales of new and used commercial vehicles; aftermarket parts, service and 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 commercial vehicle dealerships are deemed a single reporting unit because they have similar economic characteristics. The Company's chief operating decision maker considers the entire Truck segment, not individual dealerships, when making decisions about resources to be allocated to the segment and assess its performance.

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 from continuing operations before income taxes not including extraordinary items.

The following table contains summarized information about reportable segment revenue, segment income or loss from continuing operations and segment assets for the periods ended March 31, 2012 and 2011 (in thousands):

	<u>Truck Segment</u>	<u>All Other</u>	<u>Totals</u>
<i>As of and for the three months ended March 31, 2012</i>			
Revenues from external customers	\$ 772,908	\$ 4,421	\$ 777,329
Segment income (loss) before taxes	26,243	(167)	26,076
Segment assets	1,807,951	26,702	1,834,653
<i>As of and for the three months ended March 31, 2011</i>			
Revenues from external customers	\$ 442,140	\$ 3,964	\$ 446,104
Segment income (loss) before taxes	12,085	(465)	11,620
Segment assets	1,189,412	25,801	1,215,213

Revenues from segments below the quantitative thresholds are attributable to three operating segments of the Company and are included in the All Other column. Those segments include a retail tire company, an insurance agency 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 \$1.3 million as a component of accrued liabilities as of March 31, 2012, and December 31, 2011. The unrecognized tax benefits of \$1.3 million at March 31, 2012, and December 31, 2011, 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, 2012, the Company accrued interest of \$51,000 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, 2012, the tax years ended December 31, 2008 through 2011 remained subject to audit by federal tax authorities and the tax years ended December 31, 2007 through 2011, remained subject to audit by state tax authorities.

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, 2011 as well as future growth rates and margins for certain of our products and services, future supply and demand for our products and services, competitive factors, general economic conditions, cyclicalities, market conditions in the new and used commercial vehicle markets, customer relations, relationships with vendors, the interest rate environment, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, 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 Commonly Used in the Company’s Filings

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 UD Truck North America, 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. 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. 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. Fuso® is a registered trademark of Mitsubishi Fuso Truck and Bus Corporation. Workhorse® is a registered trademark of Workhorse Custom Chassis, LLC. Micro Bird® is a registered trademark of Blue Bird Body Company.

General

Rush Enterprises, Inc. was incorporated in Texas in 1965 and consists of one reportable segment, the Truck 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, Suite 500, New Braunfels, Texas 78130.

The Company is a full-service, integrated retailer of commercial vehicles and related services. The Truck Segment operates a regional network of commercial vehicle dealerships under the name "Rush Truck Centers." Rush Truck Centers primarily sell commercial vehicles manufactured by Peterbilt, International, Hino, UD, Ford, Isuzu, Mitsubishi Fuso, IC Bus or Blue Bird. Through its strategically located network of Rush Truck Centers, the Company provides one-stop service for the needs of its commercial vehicle customers, including retail sales of new and used commercial vehicles, aftermarket parts sales, service and repair facilities, and financing, leasing and rental, and insurance products.

The Company's Rush Truck Centers are principally located in high traffic areas throughout the United States. Since commencing operations as a Peterbilt heavy-duty truck dealer in 1966, the Company has grown to operate 70 Rush Truck Centers in 14 states.

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 as we extend our geographic focus through strategic acquisitions of new locations and expansions of our existing facilities and product lines.

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.

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 its segment 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 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 unit 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.

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, the discontinuance of operations by certain manufacturers the Company represents, strategic decisions made in response to economic and competitive conditions or the impact of the current economic environment.

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

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 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 Income.

Derivative Instruments and Hedging Activities

The Company utilizes derivative financial instruments to manage its interest rate risk. The types of risks hedged are those relating to the variability of cash flows and changes in the fair value of the Company's financial instruments caused by movements in interest rates. The Company assesses hedge effectiveness at the inception and during the term of each hedge. Derivatives are reported at fair value on the accompanying Consolidated Balance Sheets.

The effective portion of the gain or loss on the Company's cash flow hedges are reported as a component of accumulated other comprehensive loss. Hedge effectiveness will be assessed quarterly by comparing the changes in cumulative gain or loss from the interest rate swap with the cumulative changes in the present value of the expected future cash flows of the interest rate swap that are attributable to changes in the LIBOR rate. If the interest rate swaps become ineffective, portions of these interest rate swaps would be reported as a component of interest expense in the accompanying Consolidated Statements of Income.

Results of Operations

The following discussion and analysis includes the Company's historical results of operations for the three months ended March 31, 2012 and 2011.

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

	Three Months Ended March 31,	
	2012	2011
New and used commercial vehicle sales	71.0%	62.2%
Parts and service sales	25.3	32.6
Lease and rental	3.0	4.3
Finance and insurance	0.4	0.4
Other	0.3	0.5
Total revenues	100.0	100.0
Cost of products sold	83.5	81.5
Gross profit	16.5	18.5
Selling, general and administrative	12.0	14.6
Depreciation and amortization	0.8	0.9
Gain on sale of assets	0.0	0.0
Operating income	3.7	3.0
Interest expense, net	0.4	0.3
Income before income taxes	3.3	2.7
Provision for income taxes	1.3	1.0
Net income	2.0%	1.7%

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

	Three Months Ended March 31,	
	2012	2011
Gross Profit:		
New and used commercial vehicle sales	32.1%	22.6%
Parts and service sales	61.1	69.0
Lease and rental	2.7	3.5
Finance and insurance	2.4	2.4
Other	1.7	2.5
Total gross profit	100.0%	100.0%

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

	Three Months Ended March 31,		%
	2012	2011	
Vehicle unit sales:			
New heavy-duty vehicles	2,738	1,345	103.6%
New medium-duty vehicles	1,556	811	91.9%
New light-duty vehicles	277	112	147.3%
Total new vehicle unit sales	4,571	2,268	101.5%
Used vehicles	1,252	1,107	13.1%
Vehicle revenue:			
New heavy-duty vehicles	\$384.2	\$173.1	122.0%
New medium-duty vehicles	100.7	52.9	90.4%
New light-duty vehicles	9.2	4.1	124.4%
Total new vehicle revenue	\$494.1	\$230.1	114.7%
Used vehicle revenue	\$ 54.5	\$ 46.4	17.5%
Other vehicle revenue:⁽¹⁾	\$ 3.3	\$ 1.0	230.0%
Absorption rate:	116.7%	109.0%	7.1%

(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 116.7% absorption rate for the first quarter of 2012 and 109.0% absorption rate for the first quarter in 2011.

Three Months Ended March 31, 2012 Compared to Three Months Ended March 31, 2011

The Company believes these results validate our efforts to build an organization with a diversified earnings base that is less dependent on the highly cyclical Class 8 truck sales market. The Company continues to position itself as a service solutions provider to the commercial vehicle industry. These efforts include focusing on expanding its capabilities in less cyclical aftermarket operations, broadening the depth of its commercial vehicle product offerings and expanding its network of Rush Truck Centers.

The Company's aftermarket capabilities now include a wide range of services and products such as jobsite mobile service, new diagnostic and analysis capabilities and assembly service for specialized bodies and equipment.

Once primarily focused on Class 8 truck sales, the Company has now expanded its commercial vehicle product line to include medium-duty and light-duty commercial vehicles, buses and vocational specialty vehicles such as refuse trucks, tow trucks and truck-mounted cranes. The Company has developed relationships with a more diverse customer base across a wide range of market segments, resulting in our ability to offer a complete range of solutions from sales of new vehicles to aftermarket support for vehicles in operation.

The Company has a track record of growth through acquisitions and additions of dealerships within its current areas of responsibility. It now operates a network of 70 Rush Truck Centers across the United States. The Company believes that this geographic diversity will more effectively allow it to withstand regional economic downturns and expand service capabilities to match the footprint of its customer base.

The Company's overall parts, service and body shop sales increased 35.1% in the first quarter of 2012 compared to the first quarter of 2011. This contributed to the Company achieving an absorption rate of 116.7% for the quarter ended March 31, 2012.

The Company increased deliveries of Class 8 trucks by 103.6% in the first quarter of 2012 compared to the first quarter of 2011. The Company and industry analysts expect strong U.S. commercial vehicle retail sales through 2014. 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 214,000 units in 2012, 230,000 units in 2013, and 227,000 units in 2014, compared to approximately 174,000 units in 2011.

The Company increased deliveries of new Class 4 through 7 medium-duty vehicles by 91.9% in the first quarter of 2012, compared to the first quarter of last year. A.C.T. Research currently predicts U.S. retail sales of Class 4 through 7 medium-duty commercial vehicles of approximately 160,000 units in 2012, an 11% increase from the number of units sold in 2011, 184,000 units in 2013, and 200,000 in 2014.

Revenues

Revenues increased \$331.2 million, or 74.2%, in the first quarter of 2012 compared to the first quarter of 2011.

Parts, service and body shop revenues increased \$51.1 million, or 35.1%, in the first quarter of 2012 compared to the first quarter of 2011. This increase is primarily due to the increased demand for maintenance and repair services as commercial vehicle utilization continues to increase, increased service needs of aging vehicles, continued activity in the energy sector and acquisitions that occurred in 2011. The Company expects parts, service and body shop sales to continue to remain strong through 2012 and remains focused on expanding aftermarket product and service offerings.

Revenues from sales of new and used commercial vehicles increased \$274.4 million, or 98.9%, in the first quarter of 2012 compared to the first quarter of 2011. Demand for commercial vehicles has increased as general economic conditions in the United States have improved and credit is being made available on reasonable terms to a wider range of buyers.

The Company sold 2,738 heavy-duty trucks in the first quarter of 2012, a 103.6% increase compared to 1,345 heavy-duty trucks in the first quarter of 2011. According to A.C.T. Research, the U.S. Class 8 truck market increased 48.0% in the first quarter of 2012 compared to the first quarter of 2011. The Company's share of the U.S. Class 8 truck sales market was approximately 5.2% in 2011. The Company expects its market share to range between 4.8% and 5.2% of U.S. Class 8 truck sales in 2012. This market share percentage would result in the sale of approximately 10,000 to 10,800 of Class 8 trucks in 2012 based on A.C.T. Research's estimate that U.S. retail sales will increase to 214,000 units. The Company's ability to sell this many trucks may be limited by manufacturer and component suppliers' ability to maintain or increase production over current levels to meet customer demand.

The Company sold 1,556 medium-duty commercial vehicles, including 136 buses, in the first quarter of 2012, a 91.9% increase compared to 811 medium-duty commercial vehicles, including 103 buses, in 2011. A.C.T. Research estimates that unit sales of Class 4 through 7 commercial vehicles in the U.S. increased approximately 23.0% in the first quarter of 2012, compared to the first quarter of 2011. In 2011, the Company achieved a 3.8% share of the Class 4 through 7 commercial vehicle sales market in the U.S. As a result of acquisitions that occurred during 2011, the Company expects its market share to range between 4.2% and 4.6% of U.S. Class 4 through 7 commercial vehicle sales in 2012. This market share percentage would result in the sale of approximately 6,700 to 7,400 of Class 4 through 7 commercial vehicles in 2012 based on A.C.T. Research's current U.S. retail sales estimates of 160,000 units.

The Company sold 277 light-duty vehicles in the first quarter of 2012, a 147.3% increase compared to 112 light-duty vehicles in the first quarter of 2011. This increase is primarily due to acquisitions that occurred in 2011. The Company expects to sell 1,200 light-duty vehicles in 2012.

The Company sold 1,252 used commercial vehicles in the first quarter of 2012, a 13.1% increase compared to 1,107 used commercial vehicles in the first quarter of 2011. The Company expects to sell approximately 5,200 to 6,000 used commercial vehicles in 2012. The volume of used commercial vehicle sales will be largely dependent upon our ability to acquire quality used commercial vehicles and maintain an adequate used commercial vehicle inventory throughout 2012.

Truck lease and rental revenues increased \$4.5 million, or 23.7%, in the first quarter of 2012 compared to the first quarter of 2011. The increase in lease and rental revenue is primarily due to the increased number of units put into service in the lease and rental fleet during 2011. The Company expects lease and rental revenue to increase 20% to 25% during 2012, compared to 2011 based on the increase of units in the lease and rental fleet.

Finance and insurance revenues increased \$1.2 million, or 59.4%, in the first quarter of 2012 compared to the first quarter of 2011. The increase in finance and insurance revenue is primarily a result of the increase in new and used commercial vehicle sales. The Company expects finance and insurance revenue to fluctuate proportionately with the Company's new and used commercial vehicle sales in 2012. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of the Company's operating profits.

Gross Profit

Gross profit increased \$45.9 million, or 55.7%, in the first quarter of 2012, compared to the first quarter of 2011. Gross profit as a percentage of sales decreased to 16.5% in the first quarter of 2012 from 18.5% in the first quarter of 2011. This decrease in gross profit as a percentage of sales is a result of a change in our product sales mix. Commercial vehicle sales, a lower margin revenue item, increased as a percentage of total revenue to 71.0% in 2012, from 62.2% in 2011. Parts and service revenue, a higher margin revenue item, decreased as a percentage of total revenue to 25.3% in 2012, from 32.6% in 2011.

Gross margins from the Company's parts, service and body shop operations increased to 39.9% in the first quarter of 2012, from 39.1% in the first quarter of 2011. Gross profit for the parts, service and body shop departments increased to \$78.4 million in the first quarter of 2012 from \$56.8 million in the first quarter of 2011. The Company expects gross margins on parts, service and body shop operations to range 39.0% to 41.0% in 2012.

Gross margins on Class 8 truck sales increased to 7.4% in the first quarter of 2012, from 6.3% in the first quarter of 2011. The increase in gross margins is primarily related to the product mix of trucks sold during the quarter compared to the first quarter of 2011. In the first quarter of 2012, the Company delivered fewer large fleet orders and sold a higher percentage of commercial vehicles from inventory compared to the first quarter of 2011. In 2012, the Company expects overall gross margins from Class 8 truck sales of approximately 6.5% to 7.5%.

Gross margins on medium-duty commercial vehicle sales decreased to 5.0% in the first quarter of 2012, from 6.7% in the first quarter of 2011. 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 2012, the Company expects overall gross margins from medium-duty commercial vehicle sales of approximately 4.5% to 5.5%, but this will largely depend upon general economic conditions and the mix of purchasers and types of vehicles sold.

Gross margins on used commercial vehicle sales remained consistent at 10.1% in the first quarter of 2012 and in the first quarter of 2011. In 2012, the Company expects margins on used commercial vehicles to remain between 8.0% and 10.0%, but this will largely depend upon general economic conditions and the availability of quality used vehicles.

Gross margins from truck lease and rental sales decreased to 14.8% in the first quarter of 2012, from 15.2% in the first quarter of 2011. The decrease in gross profit is primarily attributable to the significant number of units placed into service during the first quarter of 2012. Growth in the lease and rental fleet can negatively affect margins as the Company experiences a full month of expense on new units going into service while a full month of revenue is not secured. The Company expects gross margins from lease and rental sales of approximately 14.5% to 16.5% during 2012. 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 increased \$27.7 million, or 42.3%, in the first quarter of 2012, compared to the first quarter of 2011. SG&A expenses as a percentage of total revenue decreased to 12.0% in the first quarter of 2012, from 14.6% in the first quarter of 2011. SG&A expenses as a percentage of total revenue have historically ranged from 10.0% to 15.0%. In general, when new and used commercial vehicle revenue decreases as a percentage of total revenue, SG&A expenses as a percentage of total revenue will be at, or exceed, the higher end of this range. For 2012, the Company expects SG&A expenses as a percentage of total revenue to range from 11.0% to 13.0% and the selling portion of SG&A expenses to be approximately 25% to 30% of new and used commercial vehicle gross profit. In 2012, the Company expects the general and administrative portion of SG&A expenses to increase by approximately 13.0% to 17.0% compared to 2011 due to an expected increase in personnel costs related to increased parts and service business, the full year effect of acquisitions made in the first quarter of 2011, and the reinstatement of certain employee benefits. The Company will incur ongoing additional costs of approximately \$0.3 million to \$0.4 million per month related to implementation of SAP software, which includes monthly maintenance fees and training expenses. The SAP software was placed into service in August 2011.

Depreciation and Amortization Expense

Depreciation and amortization expense increased \$1.7 million, or 40.8%, in the first quarter of 2012 compared to 2011. Approximately \$0.7 million of the increase was amortization expense related to the SAP software development which began in August 2011. The remainder was due to acquisitions and store expansions.

Interest Expense, Net

Net interest expense increased \$2.1 million, or 175.1%, in the first quarter of 2012 compared to the first quarter of 2011. The increase in net interest expense is primarily due to increased truck inventory levels. In January 2012, the Company’s floor plan agreement with GE Capital was amended to decrease interest rates related to floor plan notes payable. Net interest expense in 2012 will depend on inventory levels and cash available for prepayment of floor plan financing. Interest expense will increase by approximately \$0.3 million per quarter because the Company discontinued the capitalization of interest on the costs related to the SAP software implementation when the software was placed in service in August 2011.

Income before Income Taxes

As a result of the factors described above, income from continuing operations before income taxes increased \$14.5 million, or 124.4%, in the first quarter of 2012 compared to the first quarter of 2011. The Company believes that income from continuing operations before income taxes will increase in 2012 compared to 2011 because of the factors described above.

Income Taxes

Income taxes increased \$5.8 million, or 133.6%, in the first quarter of 2012, compared to the first quarter of 2011. The Company provided for taxes at a 39.0% effective rate in the first quarter of 2012 compared to an effective rate of 38.0% in the first quarter of 2011. The Company expects its effective tax rate to be approximately 37% to 39% of pretax income in 2012.

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 implementation of SAP enterprise software and dealership management system, and the construction or purchase of new facilities. Historically, these cash requirements have been met through the retention of profits, borrowings under our floor plan arrangements and bank financings. As of March 31, 2012, the Company had working capital of approximately \$206.8 million, including \$163.8 million in cash available to fund our operations. The Company believes that these funds are sufficient to meet any operating requirements for at least the next twelve months.

Available cash is generally invested in variable interest rate instruments in accordance with the Company’s investment policy, which is to invest excess funds in a manner that will provide maximum preservation and safety of principal. The portfolio is maintained to meet anticipated liquidity needs of the Company in order to ensure the availability of cash to meet the Company’s obligations and to minimize potential liquidation losses. As of March 31, 2012, the majority of excess cash is maintained in a depository account or invested in a money market fund that invests exclusively in U.S. Treasury bills, notes and other obligations issued or guaranteed by the U.S. Treasury, and repurchase agreements collateralized by such obligations.

The Company has a secured line of credit that provides for a maximum borrowing of \$10.0 million. There were no advances outstanding under this secured line of credit at March 31, 2012, however, \$7.7 million was pledged to secure various letters of credit related to self-insurance products, leaving \$2.3 million available for future borrowings as of March 31, 2012.

The Company's long-term real estate debt agreements require the Company to satisfy various financial ratios such as the debt to worth ratio, leverage ratio and the fixed charge coverage ratio and certain requirements for tangible net worth and GAAP net worth. As of March 31, 2012, the Company was in compliance with all debt covenants related to debt secured by real estate and its floor plan credit agreement. The Company does not anticipate any breach of the covenants in the foreseeable future.

The Company expects to purchase or lease trucks worth approximately \$110.0 million for its leasing operations in 2012, depending on customer demand, all of which will be financed. The Company also expects to make capital expenditures for recurring items such as computers, shop tools and equipment and vehicles of approximately \$10.0 million to \$12.0 million during 2012.

The Company currently anticipates funding its capital expenditures relating to the improvement and expansion of existing facilities and recurring expenses, as well as a portion of the construction or purchase of new facilities through its operating cash flow. The Company may finance 70% to 80% of the appraised value of any newly constructed or purchased facilities, which would increase the Company's cash and cash equivalents by that amount.

The Company has no other material commitments for capital expenditures as of March 31, 2012, 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 or purchase of new facilities based on market opportunities.

Cash Flows

Cash and cash equivalents decreased by \$44.0 million during the three months ended March 31, 2012 and decreased by \$67.7 million during the three months ended March 31, 2011. 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 2012, operating activities resulted in net cash used in operations of \$130.2 million. Cash used in operating activities was primarily impacted by the increase in inventories and the decrease in accrued expenses which was offset by the decrease in accounts receivable and the increase in accounts payable. During the first quarter of 2011, operating activities resulted in cash used by operations of \$17.3 million.

Cash flows (used in) from operating activities as adjusted for all draws on floor plan notes, except for floor plan related to inventory acquired in business acquisitions, ("Adjusted Cash Flows (used in) from Operating Activities") resulted in Adjusted Cash Flows used in Operating Activities of \$22.3 million for the three months ended March 31, 2012, compared to Adjusted Cash Flows from Operating Activities of \$15.5 million for the three months ended March 31, 2011. Generally, all vehicle dealers finance the purchase of vehicles with floor plan borrowings. Our agreements with our floor plan provider require us to repay amounts borrowed for the purchase of such vehicles immediately after they are sold. As a result, changes in floor plan notes payable are directly linked to changes in vehicle inventory. However, as reflected in our consolidated statements of cash flows, changes in inventory are recorded as cash flows from operating activities if such inventory is procured in the normal course of business, or as cash flows from investing activities if such inventory is procured as part of a business acquisition, while all draws on floor plan notes are recorded as cash flows from financing activities.

Management believes that information about Adjusted Cash Flows (used in) 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 (used in) 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 (used in) 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, except floor plan changes related to acquisitions, were classified as an operating activity (in thousands).

	Three Months Ended March 31,	
	2012	2011
Net cash (used in) operating activities (GAAP)	\$(130,211)	\$(17,331)
Draws on floor plan notes payable	107,887	46,083
Less: draws on floor plan notes payable related to inventory acquired in business acquisitions	—	(13,250)
Adjusted Cash Flows (used in) from Operating Activities (Non-GAAP)	<u>\$ (22,324)</u>	<u>\$ 15,502</u>

Cash Flows from Investing Activities

Cash flows used in investing activities consist primarily of cash used for capital expenditures and business acquisitions. During the first quarter of 2012, cash used in investing activities was \$38.4 million. Capital expenditures consisted of purchases of property and equipment and improvements to our existing dealership facilities of \$38.0 million. Property and equipment purchases during the first quarter of 2012 consisted of \$29.7 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 \$110.0 million for its leasing operations in 2012, depending on customer demand, all of which will be financed. During 2012, the Company expects to make capital expenditures for recurring items such as computers, shop equipment and vehicles of approximately \$10.0 to \$12.0 million.

During the first quarter of 2011, cash used in investing activities was \$85.8 million. Capital expenditures consisted of purchases of property and equipment and improvements to our existing dealership facilities of \$34.3 million. Property and equipment purchases during the first quarter of 2011 consisted of \$13.9 million for additional units for 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 provided by financing activities was \$124.7 million during the first quarter of 2012. The Company had borrowings of long-term debt of \$31.2 million and repayments of long-term debt of \$17.5 million during the first quarter of 2012. The Company had net draws on floor plan notes payable of \$107.9 million during the first quarter of 2012. The borrowings of long-term debt were primarily related to units for the rental and leasing operations.

Cash provided by financing activities was \$35.5 million during the first quarter of 2011. The Company had borrowings of long-term debt of \$11.7 million and repayments of long-term debt of \$18.8 million during the first quarter of 2011. The Company had net draws on floor plan notes payable of \$46.1 million during the first quarter of 2011. 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. During January 2012, we financed substantially all of the purchases of commercial vehicle inventory under our \$450.0 million credit agreement with GE Capital. Under our \$450.0 million credit agreement, all principal amounts outstanding bore interest at a rate per annum equal to the sum of the LIBOR rate plus 2.95%, which was payable monthly. The credit agreement allowed for prepayment of the inventory loans, up to 65% of the aggregate inventory loans outstanding, with monthly adjustments to the interest due. The Company made monthly interest payments to GE Capital on the amount financed, but was not required to commence loan principal repayments on any vehicle until such vehicle had been financed for 12 months or was sold.

On January 31, 2012, the Company entered into an amended and restated \$600.0 million credit agreement with GE Capital. The interest rate under the amended credit agreement is LIBOR plus 2.23% on inventory loans up to \$500.0 million and LIBOR plus 2.95% on inventory loans exceeding \$500.0 million. The amended credit agreement allows the Company to prepay inventory loans, provided that the prepayment does not exceed the sum of 38% of the aggregate inventory loans made up to \$500.0 million plus 100% of the inventory loans above \$500.0 million. GE Capital may terminate this credit agreement without cause upon 120 days notice. On March 31, 2012, the Company had approximately \$598.0 million outstanding under its credit agreement with GE Capital.

Navistar Financial Corporation offers a floor plan program that provides an interest free financing period, which varies depending on the commercial vehicle purchased. If the commercial vehicle financed by Navistar is not sold within the interest free finance period, the Company transfers the financed commercial vehicle to the GE Capital credit agreement. On March 31, 2012, the Company had approximately \$22.4 million outstanding under the floor plan program with Navistar Financial Corporation.

Backlog

On March 31, 2012, the Company's backlog of commercial vehicle orders was approximately \$649.3 million compared to a backlog of commercial vehicle orders of approximately \$576.2 million on March 31, 2011. 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 2012. 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, 2012.

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.

Cyclical

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.

Off-Balance Sheet Arrangements

Other than operating leases, the Company does not have any obligation under any transaction, agreement or other contractual arrangement to which an entity unconsolidated with the Company is a party, that has or is reasonably likely to have a material effect on the Company's financial condition, changes in financial condition, revenues or expenses, results of operations, liquidity, capital expenditures or capital resources that is material to investors.

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 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 handling and disposal of hazardous and nonhazardous materials are subject to the requirements of the federal Resource Conservation and Recovery Act, or RCRA, and comparable state statutes. Pursuant to these laws, federal and state environmental agencies have established approved methods for handling, storage, treatment, transportation and disposal of regulated substances 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.

In 2010, the EPA and the U.S. Department of Transportation (DOT) announced the first national standards to reduce greenhouse gas (GHG) emissions and improve fuel efficiency of heavy-duty trucks and buses beginning in model year 2014. The final rules, which were issued on September 15, 2011, begin to apply in 2014 and are fully implemented in model year 2017.

It is not possible at this time to accurately predict how the foregoing proposed standards, future legislation or other new regulations that may be adopted to address greenhouse gas emissions will impact our business. Any regulations will likely 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.

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 we 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.

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, 2012, the Company had floor plan borrowings and variable interest rate real estate debt of approximately \$711.8 million. Assuming an increase or decrease in LIBOR of 100 basis points, annual interest expense could correspondingly increase or decrease by approximately \$7.1 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 exposed to some market risk through interest rate swaps on some of the Company's variable interest rate real estate debt. As of March 31, 2012, the Company had interest rate swaps with a total notional amount of \$44.4 million. The swaps were designed to provide a hedge against changes in interest rates on some of the Company's variable interest rate real estate debt. The swaps are collateralized by the underlying real estate. These interest rate swaps qualify for cash flow hedge accounting treatment and are considered effective. For additional information about the effect of the Company's derivative instruments on the accompanying consolidated financial statements, see Note 6 – Financial Instruments and Fair Value of the Notes to Consolidated Financial Statements.

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 \$163.8 million on March 31, 2012. 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 \$1.6 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, 2012, the Company holds auction rate securities, with underlying tax-exempt municipal bonds that mature in 2030, that have a fair value of \$6.6 million. Given the current market conditions in the auction rate securities market, if the Company determines that the fair value of these securities temporarily decreases by an additional 10%, the Company's equity could correspondingly decrease by approximately \$0.7 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 \$0.7 million. For further discussion of the risks related to our auction rate securities, see Note 6 – Financial Instruments and Fair Value of the Notes to Consolidated Financial Statements.

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, 2012 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, 2012 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 2011 Annual Report on Form 10-K (the "2011 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 2011 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 2012.

The Company did not repurchase any shares of its Class A Common Stock or Class B Common Stock during the first quarter of 2012.

ITEM 3. Defaults Upon Senior Securities.

Not Applicable

ITEM 4. Mine Safety Disclosures.

Not Applicable

ITEM 5. Other Information.

Not Applicable

ITEM 6. Exhibits

<u>Exhibit Number</u>	<u>Exhibit Title</u>
3.1	Restated Articles of Incorporation of Rush Enterprises, Inc. (incorporated herein by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q (File No. 000-20797) for the quarter ended June 30, 2008)
3.2	Rush Enterprises, Inc. Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3.2 of the Company's Quarterly Report on Form 10-Q (File No. 000-20797) filed for the quarter ended June 30, 2009)
10.1	Amended and Restated Credit Agreement, dated January 31, 2012, among Rush Truck Centers of Alabama, Inc., Rush Truck Centers of Arizona, Inc., Rush Truck Centers of California, Inc., Rush Medium Duty Truck Centers of Colorado, Inc., Rush Truck Centers of Colorado, Inc., Rush Truck Centers of Florida, Inc., Rush Truck Centers of Georgia, Inc., Rush Truck Centers of New Mexico, Inc., Rush Truck Centers of Oklahoma, Inc., Rush Truck Centers of Tennessee, Inc., Rush Truck Centers of North Carolina, Inc., Rush Truck Centers of Idaho, Inc., Rush Truck Centers of Utah, Inc., and Rush Truck Centers of Oregon, Inc., Rush Truck Centers of Texas, L.P., Rush Enterprises, Inc., the Lenders party thereto, and General Electric Capital Corporation (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed February 2, 2012)
10.2+	Form of Rush Enterprises, Inc. 2007 Long-Term Incentive Plan Restricted Stock Unit Agreement (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed March 14, 2012)
10.3*	First Amendment to Credit Agreement, dated March 29, 2012, by and among Rush Truck Centers of Alabama, Inc., Rush Truck Centers of Arizona, Inc., Rush Truck Centers of California, Inc., Rush Medium Duty Truck Centers of Colorado, Inc., Rush Truck Centers of Colorado, Inc., Rush Truck Centers of Florida, Inc., Rush Truck Centers of Georgia, Inc., Rush Truck Centers of New Mexico, Inc., Rush Truck Centers of Oklahoma, Inc., Rush Truck Centers of Tennessee, Inc., Rush Truck Centers of North Carolina, Inc., Rush Truck Centers of Idaho, Inc., Rush Truck Centers of Utah, Inc., and Rush Truck Centers of Oregon, Inc., Rush Truck Centers of Texas, L.P., Rush Enterprises, Inc., the Lenders party thereto, and General Electric Capital Corporation.
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.
101***	The following materials from Rush Enterprises, Inc.'s Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) Consolidated Balance Sheets as of March 31, 2012 and December 31, 2011; (ii) Consolidated Statements of Income and Comprehensive Income for the three months ended March 31, 2012 and 2011; (iii) Consolidated Statements of Cash Flows for the three months ended March 31, 2012 and 2011; and (iv) Notes to Consolidated Financial Statements (tagged as blocks of text).
+	Management contract or compensatory plan or arrangement
*	Filed herewith
**	Furnished herewith
***	Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

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, 2012

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

Date: May 10, 2012

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

EXHIBIT INDEX

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* Filed herewith

** Furnished herewith

*** Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

FIRST AMENDMENT TO CREDIT AGREEMENT

THIS FIRST AMENDMENT TO CREDIT AGREEMENT ("Amendment") is entered into as of March 29, 2012, by and among Rush Truck Centers of Alabama, Inc., Rush Truck Centers of Arizona, Inc., Rush Truck Centers of California, Inc., Rush Medium Duty Truck Centers of Colorado, Inc., Rush Truck Centers of Colorado, Inc., Rush Truck Centers of Florida, Inc., Rush Truck Centers of Georgia, Inc., Rush Truck Centers of New Mexico, Inc., Rush Truck Centers of Oklahoma, Inc., Rush Truck Centers of Tennessee, Inc., Rush Truck Centers of North Carolina, Inc., Rush Truck Centers of Idaho, Inc., Rush Truck Centers of Utah, Inc., and Rush Truck Centers of Oregon, Inc., each a Delaware corporation and Rush Truck Centers of Texas, L.P., a Texas limited partnership (collectively, the "Borrowers" and individually a "Borrower"), Rush Enterprises, Inc., a Texas corporation ("Holdings" or the "Borrower Representative"), the Lenders signatory hereto, and General Electric Capital Corporation, a Delaware corporation ("GE Capital"), as Administrative Agent for the Lenders ("Agent").

RECITALS

A. Borrowers, the other Loan Parties signatory thereto, the Lenders signatory thereto from time to time and Agent are parties to that certain Amended and Restated Credit Agreement, dated as of January 31, 2012 (as amended prior to the date hereof, the "Credit Agreement").

B. Borrowers have requested that Lenders amend the Credit Agreement in certain respects and Lenders have agreed to amend the Credit Agreement, subject to the terms and conditions hereof.

NOW, THEREFORE, in consideration of the premises and the mutual covenants hereinafter contained, and intending to be legally bound, the parties hereto agree as follows:

A. AMENDMENTS

1. Amendment to Section 2.2. Section 2.2(a) of the Credit Agreement is amended by inserting the following new language at the end thereof:

Each submission of a Request for Equipment Borrowing by the Borrower Representative or any Borrower shall constitute a representation and warranty by the Borrower Representative that (i) the representations and warranties set forth in Article 4 of this Agreement and elsewhere in the Loan Documents are true and correct in all material respects, except to the extent such representations and warranties expressly relate to an earlier date, in which case such representations and warranties were true and correct as of such date; and (ii) no Default is continuing.

2. Amendment to Exhibit B-1. Exhibit B-1 to the Credit Agreement is amended by replacing such Exhibit with Exhibit B-1 attached as Exhibit A to this Amendment.

B. CONDITIONS TO EFFECTIVENESS

Notwithstanding any other provision of this Amendment and without affecting in any manner the rights of the Lenders hereunder, it is understood and agreed that this Amendment shall not become effective, and the Borrower shall have no rights under this Amendment, until Agent shall have received payment of all fees and expenses of Agent and Lenders and duly executed signature pages to this Amendment from the Required Lenders, Borrowers, Agent and each Loan Party.

C. REPRESENTATIONS

Each Loan Party hereby represents and warrants to Lenders and Agent that:

1. Each Group Member (a) is duly organized, validly existing and in good standing under the laws of the jurisdiction of its organization, (b) is duly qualified to do business as a foreign entity and in good standing under the laws of each jurisdiction where such qualification is necessary, except where the failure to be so qualified or in good standing would not, in the aggregate, have a Material Adverse Effect, (c) has all requisite corporate or limited partnership power, as applicable, and authority and the legal right to own, pledge, mortgage and operate its property, to lease or sublease any property it operates under lease or sublease and to conduct its business as now or currently proposed to be conducted, (d) is in compliance in all material respects with its Constituent Documents, (e) is in compliance with all applicable Requirements of Law, except where the failure to be in compliance would not have a Material Adverse Effect and (f) has all necessary Permits from or by, has made all necessary filings with, and has given all necessary notices to, each Governmental Authority having jurisdiction, to the extent required for such ownership, lease, sublease, operation, occupation or conduct of business, except where the failure to obtain such Permits, make such filings or give such notices would not, in the aggregate, have a Material Adverse Effect. The Borrowers are engaged in the business of selling Inventory at retail.

2. The execution, delivery and performance by each Loan Party of this Amendment (i) are within such Loan Party's corporate or similar powers and, at the time of execution thereof, have been duly authorized by all necessary corporate and similar action (including, if applicable, consent of holders of its Securities), (ii) do not (A) contravene such Loan Party's Constituent Documents, (B) violate any applicable Requirement of Law, (C) conflict with, contravene, constitute a default or breach under, or result in or permit the termination or acceleration of, any material Contractual Obligation of any Loan Party or any of its Subsidiaries (including other Loan Documents) other than those that would not, in the aggregate, have a Material Adverse Effect or (D) result in the imposition of any Lien (other than a Lien securing the Obligations) upon any property of any Loan Party or any of its Subsidiaries and (iii) do not require any Permit of, or filing with, any Governmental Authority or any consent of, or notice to, any Person.

3. This Amendment has been duly executed and delivered to the other parties thereto by each Loan Party party hereto, is the legal, valid and binding obligation of such Loan Party and

is enforceable against such Loan Party in accordance with its terms, except as enforceability may be limited by applicable bankruptcy, insolvency, reorganization, moratorium or similar laws affecting the enforcement of creditors' rights generally or by equitable principles relating to enforceability.

4. Both before and after giving effect to this Amendment, the representations and warranties contained in the Credit Agreement and the other Loan Documents are true and correct in all material respects and no Default or Event of Default has occurred and is continuing as of the date hereof.

D. OTHER AGREEMENTS

1. Continuing Effectiveness of Loan Documents. As amended hereby, all terms of the Credit Agreement and the other Loan Documents, including without limitation the grant of security interest contained in Article 3 of the Credit Agreement, shall be and remain in full force and effect and shall constitute the legal, valid, binding and enforceable obligations of the Loan Parties party thereto. To the extent any terms and conditions in any of the other Loan Documents shall contradict or be in conflict with any terms or conditions of the Credit Agreement, after giving effect to this Amendment, such terms and conditions are hereby deemed modified and amended accordingly to reflect the terms and conditions of the Credit Agreement as modified and amended hereby. Upon the effectiveness of this Amendment such terms and conditions are hereby deemed modified and amended accordingly to reflect the terms and conditions of the Credit Agreement as modified and amended hereby.

2. Reaffirmation of Guaranty. Holdings consents to the execution and delivery by all Borrowers of this Amendment and the consummation of the transactions described herein, and ratifies and confirms the terms of its guarantee of all Obligations with respect to the indebtedness now or hereafter outstanding under the Credit Agreement as amended hereby. Holdings acknowledges that, notwithstanding anything to the contrary contained herein or in any other document evidencing any indebtedness of any Borrower to the Lenders or any other obligation of any Borrower, or any actions now or hereafter taken by the Lenders with respect to any obligation of any Borrower, the guarantee by Holdings of all Obligations (i) is and shall continue to be a primary obligation of Holdings, (ii) is and shall continue to be an absolute, unconditional, continuing and irrevocable guaranty of payment, and (iii) is and shall continue to be in full force and effect in accordance with its terms. Nothing contained herein to the contrary shall release, discharge, modify, change or affect the original liability of Holdings with respect to the Obligations as amended hereby.

3. Effect of Agreement. Except as set forth expressly herein, all terms of the Credit Agreement, as amended hereby, and the other Loan Documents shall be and remain in full force and effect and shall constitute the legal, valid, binding and enforceable obligations of the Borrower to the Lenders and Agent. The execution, delivery and effectiveness of this Amendment shall not, except as expressly provided herein, operate as a waiver of any right, power or remedy of the Lenders under the Credit Agreement, nor constitute a waiver of any provision of the Credit Agreement. This Amendment shall constitute a Loan Document for all purposes of the Credit Agreement.

4. Governing Law. This Amendment shall be governed by, and construed in accordance with, the internal laws of the State of New York and all applicable federal laws of the United States of America.

5. No Novation. This Amendment is not intended by the parties to be, and shall not be construed to be, a novation of the Credit Agreement and the other Loan Documents or an accord and satisfaction in regard thereto.

6. Costs and Expenses. Borrowers agree to pay on demand all costs and expenses of Agent in connection with the preparation, execution and delivery of this Amendment, including, without limitation, the reasonable fees and out-of-pocket expenses of outside counsel for Agent with respect thereto.

7. Counterparts. This Amendment may be executed by one or more of the parties hereto in any number of separate counterparts, each of which shall be deemed an original and all of which, taken together, shall be deemed to constitute one and the same instrument. Delivery of an executed counterpart of this Amendment by facsimile transmission, Electronic Transmission or containing an E-Signature shall be as effective as delivery of a manually executed counterpart hereof.

8. Binding Nature. This Amendment shall be binding upon and inure to the benefit of the parties hereto, their respective successors, successors-in-titles, and assigns.

9. Entire Understanding. This Amendment sets forth the entire understanding of the parties with respect to the matters set forth herein, and shall supersede any prior negotiations or agreements, whether written or oral, with respect thereto.

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BORROWERS:

**RUSH TRUCK CENTERS OF ALABAMA,
INC.**

**RUSH TRUCK CENTERS OF ARIZONA,
INC.**

**RUSH TRUCK CENTERS OF CALIFORNIA,
INC.**

**RUSH MEDIUM DUTY TRUCK CENTERS
OF COLORADO, INC.**

**RUSH TRUCK CENTERS OF COLORADO,
INC.**

**RUSH TRUCK CENTERS OF FLORIDA,
INC.**

**RUSH TRUCK CENTERS OF GEORGIA,
INC.**

**RUSH TRUCK CENTERS OF NEW
MEXICO, INC.**

**RUSH TRUCK CENTERS OF OKLAHOMA,
INC.**

**RUSH TRUCK CENTERS OF TENNESSEE,
INC.**

**RUSH TRUCK CENTERS OF NORTH
CAROLINA, INC.**

RUSH TRUCK CENTERS OF IDAHO, INC.

RUSH TRUCK CENTERS OF UTAH, INC.

**RUSH TRUCK CENTERS OF OREGON,
INC.**

By: _____ /s/ Derrek Weaver

Name: Derrek Weaver

Title: Assistant Secretary

of each of the foregoing entities

**RUSH TRUCK CENTERS OF TEXAS,
L.P.**

By: Rushtex, Inc., a Delaware corporation

By: _____ /s/ Derrek Weaver

Name: Derrek Weaver

Title: Assistant Secretary

HOLDINGS:

RUSH ENTERPRISES, INC.

By: _____ /s/ Derrek Weaver

Name: Derrek Weaver

Title: Senior Vice President, General Counsel
& Corporate Secretary

**GENERAL ELECTRIC CAPITAL
CORPORATION, AS ADMINISTRATIVE
AGENT AND LENDER**

By: _____ /s/ C. Daniel Clark

Name: C. Daniel Clark

Title: Vice President

OTHER LENDERS:

**BANK OF THE WEST,
AS A LENDER**

By: _____ /s/ Ryan J. Mauser

Name: Ryan J. Mauser

Title: Vice President

**PNC BANK, NATIONAL ASSOCIATION,
AS A LENDER**

By: _____ /s/ Robert L. Biddinger

Name: Robert L. Biddinger

Title: Senior Vice President

**MASSMUTUAL ASSET FINANCE LLC,
AS A LENDER**

By: _____ /s/ Donald L. Butler

Name: Donald L. Butler

Title: Senior Vice President

**COMERICA BANK,
AS A LENDER**

By: _____ /s/ Jonathan S. Heine

Name: Jonathan S. Heine

Title: Vice President

**WELLS FARGO BANK, N.A.,
AS A LENDER**

By: _____ /s/ Jeffrey Brouillard

Name: Jeffrey Brouillard

Title: Vice President

BOKE, N.A., D/B/A BANK OF TEXAS,
AS A LENDER

By: _____ /s/ Michael Rogers

Name: Michael Rogers

Title: Vice President

FLAGSTAR BANK, FSB
AS A LENDER

By: _____ /s/ Mark C. Mazmanian

Name: Mark C. Mazmanian

Title: Senior Vice President

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, 2012

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

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, 2012

By: /S/ STEVEN L. KELLER

Steven L. Keller
Senior Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

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

In connection with this quarterly report of Rush Enterprises, Inc. (the "Company") on Form 10-Q for the period ended March 31, 2012, 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, 2012

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.

**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, 2012, 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: Senior Vice President and Chief Financial Officer

Date: May 10, 2012

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.