

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2009

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 Web site, 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 Smaller reporting company
 (Do not check if a 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 November 4, 2009.

Title of Class	Number of Shares Outstanding
Class A Common Stock, \$.01 Par Value	26,432,073
Class B Common Stock, \$.01 Par Value	10,686,983

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

INDEX

	<u>Page</u>
<u>PART I. FINANCIAL INFORMATION</u>	
<u>Item 1. Financial Statements</u>	
<u>Consolidated Balance Sheets — September 30, 2009 (unaudited) and December 31, 2008</u>	3
<u>Consolidated Statements of Operations — For the Three Months and Nine Months Ended September 30, 2009 and 2008 (unaudited)</u>	4
<u>Consolidated Statements of Cash Flows — For the Nine Months Ended September 30, 2009 and 2008 (unaudited)</u>	5
<u>Notes to Consolidated Financial Statements (unaudited)</u>	6
<u>Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations</u>	11
<u>Item 3. Quantitative and Qualitative Disclosures about Market Risk</u>	25
<u>Item 4. Controls and Procedures</u>	25
<u>PART II. OTHER INFORMATION</u>	
<u>Item 1. Legal Proceedings</u>	26
<u>Item 1A. Risk Factors</u>	26
<u>Item 2. Unregistered Sales of Equity Securities and Use of Proceeds</u>	26
<u>Item 3. Defaults Upon Senior Securities</u>	26
<u>Item 4. Submission of Matters to a Vote of Security Holders</u>	26
<u>Item 5. Other Information</u>	26
<u>Item 6. Exhibits</u>	27
<u>SIGNATURES</u>	28
<u>Exhibit 31.1</u>	
<u>Exhibit 31.2</u>	
<u>Exhibit 32.1</u>	
<u>Exhibit 32.2</u>	

PART I. FINANCIAL INFORMATION**ITEM 1. Financial Statements.**

RUSH ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
SEPTEMBER 30, 2009 AND DECEMBER 31, 2008
(In Thousands, Except Shares)

	September 30, 2009	December 31, 2008
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 136,731	\$ 146,411
Investments	7,575	7,575
Accounts receivable, net	41,407	55,274
Inventories	274,758	362,234
Prepaid expenses and other	2,270	3,369
Deferred income taxes, net	<u>9,112</u>	<u>6,730</u>
Total current assets	471,853	581,593
Property and equipment, net	343,545	332,147
Goodwill, net	141,065	141,904
Other assets, net	<u>1,047</u>	<u>1,146</u>
Total assets	<u>\$ 957,510</u>	<u>\$ 1,056,790</u>
Liabilities and shareholders' equity		
Current liabilities:		
Floor plan notes payable	\$ 196,649	\$ 282,702
Current maturities of long-term debt	57,576	37,665
Current maturities of capital lease obligations	5,700	3,454
Trade accounts payable	25,670	31,530
Accrued expenses	<u>39,660</u>	<u>49,125</u>
Total current liabilities	325,255	404,476
Long-term debt, net of current maturities	132,755	172,011
Capital lease obligations, net of current maturities	23,584	11,366
Deferred income taxes, net	51,411	52,896
Shareholders' equity:		
Preferred stock, par value \$.01 per share; 1,000,000 shares authorized; 0 shares outstanding in 2009 and 2008	—	—
Common stock, par value \$.01 per share; 60,000,000 class A shares and 20,000,000 class B shares authorized; 26,578,748 class A shares and 12,325,737 class B shares issued and 26,430,122 class A shares and 10,685,894 class B shares outstanding in 2009; 26,327,734 class A shares and 12,324,987 class B shares issued and 26,255,974 class A shares and 10,685,144 class B shares outstanding in 2008	388	386
Additional paid-in capital	187,930	183,818
Treasury stock, at cost: 1,639,843 shares	(17,948)	(17,948)
Retained earnings	<u>254,135</u>	<u>249,785</u>
Total shareholders' equity	<u>424,505</u>	<u>416,041</u>
Total liabilities and shareholders' equity	<u>\$ 957,510</u>	<u>\$ 1,056,790</u>

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

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
Revenues:				
New and used truck sales	\$ 179,121	\$ 259,518	\$ 562,263	\$ 808,181
Parts and service	102,830	124,129	314,760	362,174
Construction equipment sales	4,424	11,672	16,908	47,571
Lease and rental	13,300	14,205	40,012	40,605
Finance and insurance	1,748	2,723	5,731	9,520
Other	1,015	1,449	3,978	4,221
Total revenue	302,438	413,696	943,652	1,272,272
Cost of products sold:				
New and used truck sales	167,396	241,923	530,069	754,265
Parts and service	61,949	72,784	191,173	211,413
Construction equipment sales	4,333	10,634	15,715	43,006
Lease and rental	11,756	11,970	35,273	34,611
Total cost of products sold	245,434	337,311	772,230	1,043,295
Gross profit	57,004	76,385	171,422	228,977
Selling, general and administrative	51,934	58,371	154,363	174,328
Depreciation and amortization	3,866	4,039	12,657	11,841
Operating income	1,204	13,975	4,402	42,808
Interest expense, net	1,542	1,833	4,673	5,533
Gain on sale of assets	88	25	165	79
(Loss) income before taxes	(250)	12,167	(106)	37,354
(Benefit) provision for income taxes	(3,258)	4,167	(4,456)	13,612
Net income	<u>\$ 3,008</u>	<u>\$ 8,000</u>	<u>\$ 4,350</u>	<u>\$ 23,742</u>
Earnings per common share:				
Basic	<u>\$ 0.08</u>	<u>\$ 0.21</u>	<u>\$ 0.12</u>	<u>\$ 0.62</u>
Diluted	<u>\$ 0.08</u>	<u>\$ 0.21</u>	<u>\$ 0.12</u>	<u>\$ 0.61</u>
Weighted average shares outstanding:				
Basic	<u>37,110</u>	<u>38,417</u>	<u>37,047</u>	<u>38,416</u>
Diluted	<u>37,780</u>	<u>38,842</u>	<u>37,469</u>	<u>38,908</u>

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

RUSH ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In Thousands)
(Unaudited)

	Nine Months Ended	
	September 30,	
	2009	2008
Cash flows from operating activities:		
Net income	\$ 4,350	\$ 23,742
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	30,617	28,467
(Gain) on sale of property and equipment	(165)	(215)
Stock-based compensation expense related to stock options and employee stock purchases	3,086	3,049
Provision (benefit) for deferred income tax expense	(3,867)	7,884
Excess tax benefits from stock-based compensation	(227)	(693)
Change in accounts receivable, net	13,867	(4,746)
Change in inventories	97,047	29,974
Change in prepaid expenses and other, net	1,099	(951)
Change in trade accounts payable	(5,860)	(7,082)
Change in accrued expenses	(9,238)	(13,403)
Net cash provided by operating activities	<u>130,709</u>	<u>66,026</u>
Cash flows from investing activities:		
Purchase of investments	—	(355,575)
Proceeds from the sale of investments	—	348,000
Acquisition of property and equipment	(32,978)	(46,511)
Proceeds from the sale of property and equipment	464	1,389
Business acquisitions	—	(37,392)
Change in other assets	11	121
Net cash (used in) investing activities	<u>(32,503)</u>	<u>(89,968)</u>
Cash flows from financing activities:		
Proceeds from long-term debt	14,423	21,107
Principal payments on long-term debt	(33,768)	(29,335)
Principal payments on capital lease obligations	(3,489)	(4,470)
Draws (payments) on floor plan notes payable, net	(86,053)	2,546
Debt issuance costs	(27)	(66)
Repurchase of common stock	—	(10,067)
Excess tax benefits from stock-based compensation	227	693
Proceeds from issuance of shares relating to employee stock options and employee stock purchases	801	1,060
Net cash (used in) financing activities	<u>(107,886)</u>	<u>(18,532)</u>
Net (decrease) increase in cash and cash equivalents	(9,680)	(42,474)
Cash and cash equivalents, beginning of period	<u>146,411</u>	<u>187,009</u>
Cash and cash equivalents, end of period	<u>\$ 136,731</u>	<u>\$ 144,535</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 11,055	\$ 12,227
Income taxes, net of refunds	\$ 3,512	\$ 6,098
Noncash investing activities:		
Assets acquired under capital leases	\$ 17,953	\$ 1,880

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. 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, 2008. 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.

The Company has reviewed and evaluated events and transactions which have occurred subsequent to September 30, 2009 through November 9, 2009, the date of issuance of these financial statements.

2 — Goodwill and Other Intangible Assets

The Company performs an annual impairment review of goodwill during the fourth quarter of each year, however, an interim evaluation of goodwill was required during the second quarter of 2009 due to General Motors’ decision to terminate production of medium-duty GMC trucks, which resulted in the winding-down of the Company’s medium-duty GMC truck franchises.

Management is not aware of any additional 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.

3 — Commitments and Contingencies

The Company is contingently liable to finance companies for certain notes initiated on behalf of such finance companies related to the sale of trucks and construction equipment. The majority of finance contracts are sold without recourse against the Company. For those finance contracts sold with recourse, the liability associated with a majority of such contracts is generally limited to 5% to 20% of the outstanding amount of each note initiated on behalf of the finance company. However, the Company has a finance program that accepts 100% liability, with some restrictions, for the outstanding amount of each note initiated on behalf of the finance company. In order for a contract to be accepted into this finance program, a customer must meet strict credit requirements or maintain a significant equity position in the truck being financed; consequently, less than 1% of the Company’s portfolio balance related to finance contracts sold by the Company are under this 100% liability finance program and the Company does not expect to finance a significant percentage of its truck sales under this 100% liability finance program in the future. The Company provides for an allowance for repossession losses and early repayment penalties that it may be liable for under finance contracts sold.

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:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended September 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Numerator:				
Numerator for basic and diluted earnings per share, net income available to common shareholders	\$ 3,008,000	\$ 8,000,000	\$ 4,350,000	\$ 23,742,000
Denominator:				
Denominator for basic earnings per share, adjusted weighted average shares outstanding	37,109,673	38,416,823	37,046,915	38,415,892
Effect of dilutive securities:				
Employee and director stock options and restricted share awards	670,701	425,654	421,659	491,654
Denominator for diluted earnings per share, adjusted weighted average shares outstanding and assumed conversions	<u>37,780,374</u>	<u>38,842,477</u>	<u>37,468,574</u>	<u>38,907,546</u>
Basic (loss) earnings per common share	<u>\$ 0.08</u>	<u>\$ 0.21</u>	<u>\$ 0.12</u>	<u>\$ 0.62</u>
Diluted (loss) earnings per common share and common share equivalents	<u>\$ 0.08</u>	<u>\$ 0.21</u>	<u>\$ 0.12</u>	<u>\$ 0.61</u>

Options to purchase shares of common stock that were outstanding for the three months and nine months ended September 30, 2009 and 2008 that were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive are as follows:

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2009</u>	<u>2008</u>	<u>2009</u>	<u>2008</u>
Anti-dilutive options	<u>505,830</u>	<u>1,532,218</u>	<u>1,557,356</u>	<u>1,083,759</u>

5 — Stock Options

Valuation and Expense Information

The Company accounts for stock-based compensation in accordance with Accounting Standards Codification (“ASC”) topic 718-10, “Compensation — Stock Compensation,” which requires the measurement and recognition of compensation expense for all share-based payment awards made to the Company’s employees and directors including employee stock options, restricted share awards and employee stock purchases related to the Employee Stock Purchase Plan based on estimated fair values. Stock-based compensation expense, calculated using the Black-Scholes option-pricing model and included in Selling, General and Administrative (“SG&A”) expense, was \$0.6 million for the three months ended September 30, 2009 and September 30, 2008. Stock-based compensation expense, included in SG&A expense, for the nine months ended September 30, 2009 was \$3.1 million and for the nine months ended September 30, 2008 was \$3.0 million. As of September 30, 2009, there was \$4.4 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements granted under the Rush Enterprises, Inc. Long-Term Incentive Plan to be recognized over a weighted-average period of 2.9 years.

6 — Investments

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

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

As a result of the liquidity issues experienced in the global capital markets, auctions for investment grade securities held by the Company have failed. An auction fails when there is insufficient demand. However, a failed auction does not represent a default by the issuer. The auction rate securities continue to pay interest in accordance with the terms of the underlying security; however, liquidity will be limited until there is a successful auction or until such time as other markets for these investments develop. The Company believes that its auction rate securities will liquidate within the next twelve months and has classified them as a current asset on its consolidated balance sheet. 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 September 30, 2009, the Company holds \$7.6 million of auction rate securities with underlying tax-exempt municipal bonds with stated maturities of 21 years. These bonds have credit wrap insurance and a credit rating of A by Standard & Poor's.

The Company believes that the credit quality and fair value of the auction rate securities it holds has not been negatively impacted; therefore, no impairment charges have been recorded as of September 30, 2009. As of September 30, 2009, the Company has valued these investments at fair value, which approximates cost. The Company used observable inputs to determine fair value, including consideration of broker quotes, the overall quality of the underlying municipality, the credit quality of the insurance company, as well as successful subsequent auctions. Accordingly, the Company has considered this fair value to be a Level 2 valuation under ASC topic 820-10, "Fair Value Measurements and Disclosures" (formerly SFAS No. 157, Fair Value Measurements). If the credit quality of these investments deteriorates, or adverse developments occur in the bond insurance market, the Company may be required to record an impairment charge on these investments in the future.

7 — Inventory

During the quarter ended June 30, 2009, the Company recorded a net write-down of \$3.4 million on new medium-duty GMC truck inventory and a net write-down of \$0.6 million on its GMC parts inventory due to General Motors' decision to discontinue manufacturing GMC medium-duty trucks and to wind-down the Company's medium-duty GMC truck franchise agreements. During the third quarter of 2009, the Company adjusted the estimated impairment charge related to the medium-duty GMC truck and parts inventories because it was able to sell some of the inventory at higher prices than originally estimated, which resulted in a net credit to cost of sales of \$1.5 million, or \$0.02 per diluted share, in the third quarter of 2009. See Note 11 for further discussion of the wind-down of the Company's medium-duty GMC truck franchise agreements.

8 — Segment Information

The Company currently has two reportable business segments: the Truck Segment and the Construction Equipment Segment. The Truck Segment operates a network of Rush Truck Centers that provides an integrated one-stop source for the trucking needs of its customers, including retail sales of new and used medium-duty and heavy-duty trucks; aftermarket parts, service and body shop facilities; and a wide array of financial services, including the financing of new and used truck purchases, insurance products and truck leasing and rentals. The Construction Equipment Segment operates a full-service John Deere construction equipment dealership that serves the Houston, Texas metropolitan area. Construction Equipment Segment operations include the retail sale of new and used construction equipment, aftermarket parts and service facilities, and the financing of new and used construction equipment.

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

The Company accounts for intersegment sales and transfers as if the sales or transfers were to third parties; that is, at current market prices. There were no material intersegment sales during the quarters ended September 30, 2009 and 2008.

Table of Contents

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business unit requires different technology and marketing strategies. Business units were maintained through expansion and acquisitions. The following table contains summarized information about reportable segment profit or loss and segment assets for the periods ended September 30, 2009 and 2008 (in thousands):

	<u>Truck Segment</u>	<u>Construction Equipment Segment</u>	<u>All Other</u>	<u>Totals</u>
<i>Three months ended September 30, 2009</i>				
Revenues from external customers	\$ 289,994	\$ 8,496	\$ 3,948	\$ 302,438
Segment income (loss) before taxes	326	32	(608)	(250)
Segment assets	900,657	30,671	26,182	957,510
<i>Nine months ended September 30, 2009</i>				
Revenues from external customers	\$ 901,504	\$ 29,648	\$ 12,500	\$ 943,652
Segment income (loss) before taxes	201	1,173	(1,480)	(106)
<i>Three months ended September 30, 2008</i>				
Revenues from external customers	\$ 392,686	\$ 16,859	\$ 4,151	\$ 413,696
Segment income (loss) before taxes	11,727	1,108	(668)	12,167
Segment assets	984,214	29,754	27,889	1,041,857
<i>Nine months ended September 30, 2008</i>				
Revenues from external customers	\$ 1,194,984	\$ 63,928	\$ 13,360	\$ 1,272,272
Segment income (loss) before taxes	33,910	4,876	(1,432)	37,354

Revenues from segments below the quantitative thresholds requiring them to be reported separately are attributable to three operating segments of the Company. These segments include a tire company, an insurance agency, and a hunting lease operation. None of these segments has ever met any of the quantitative thresholds that would require them to be reported separately.

9 — Income Taxes

The Company accrued unrecognized income tax benefits totaling \$1.9 million as a component of accrued liabilities as of September 30, 2009 and December 31, 2008. The unrecognized tax benefits of \$1.9 million at September 30, 2009, if recognized, would impact the Company's effective tax rate. Included in this \$1.9 million accrual is accrued interest of \$185,000 related to unrecognized tax benefits. No amounts were accrued for penalties.

As of September 30, 2009, the tax years ended December 31, 2005, through 2008 remained subject to examination by tax authorities. The U.S. Internal Revenue Service is currently examining the Company's federal income tax return for the tax years 2005, 2006 and 2007. Although the ultimate resolution on these examinations has not been reached, management previously recorded and reassessed its estimate of uncertain tax positions as of September 30, 2009.

Prior to the application of alternative fuel vehicle tax credits, the Company provided for taxes at a 63.0% rate in the third quarter of 2009, compared to a rate of 37.5% in the third quarter of 2008. The tax rate in the third quarter of 2009 was offset \$3.8 million by tax credits for sales of alternative fuel vehicles to tax-exempt entities. The tax rate in the third quarter of 2008 was offset \$0.4 million by tax credits for sales of alternative fuel vehicles to tax-exempt entities. During 2009, the Company has applied for \$5.0 million of alternative fuel vehicle tax credits for sales of alternative fuel vehicles to tax-exempt municipalities. For the remainder of 2009, the Company expects to provide for taxes at a rate of 62.0% prior to the application of alternative fuel vehicle tax credits. The increase in the Company's tax rate during 2009 is primarily due to state taxation regulations and non-deductible expenses. As a result, the Company's effective tax rate may vary significantly depending on the number of alternative fuel vehicles sold to tax-exempt entities in any given period.

10 — Fair Value of Financial Instruments

The following methods and assumptions were used by the Company in estimating the fair value of financial instruments at September 30, 2009:

The carrying value of current assets and current liabilities approximates the fair value due to the short maturity of these items.

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

11 — Medium-Duty GMC Truck Franchises

During the second quarter of 2009, General Motors made the decision to terminate its medium-duty GMC truck production and wind-down the Company's medium-duty GMC truck franchises, which forced the Company to take a \$6.7 million pre-tax asset impairment charge. The impairment charge was offset by \$1.8 million in assistance from General Motors. In the second quarter of 2009, this impairment charge resulted in a net charge to cost of sales of \$4.0 million, a net charge to SG&A expense of \$0.1 million and a charge to amortization expense of \$0.8 million. During the third quarter of 2009, the Company adjusted the estimated impairment charge related to the medium-duty GMC truck and parts inventories, which resulted in a net credit to cost of sales of \$1.5 million.

12 — Recent Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued the FASB Accounting Standards Codification ("ASC" or the "Codification") as the source of authoritative GAAP recognized by the FASB to be applied by nongovernmental entities. Rules and interpretive releases of the Securities and Exchange Commission under federal securities laws are also sources of authoritative GAAP for Securities and Exchange Commission registrants. The Codification supercedes all non-Securities and Exchange Commission accounting and reporting standards that existed at the Codification's effective date. All guidance contained in the Codification carries an equal level of authority. These standards are effective for interim and annual periods ending after September 15, 2009.

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, 2008 as well as future growth rates and margins for certain of our products and services, future demand for our products and services, risks associated with the current recession and its impact on capital markets and liquidity, competitive factors, general economic conditions, cyclical, market conditions in the new and used truck and equipment markets, customer relations, relationships with vendors, the interest rate environment, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, one-time events and other factors described herein and in the Company’s quarterly and other reports filed with the Securities and Exchange Commission (collectively, “Cautionary Statements”). Although the Company believes that its expectations are reasonable, it can give no assurance that such expectations will prove to be correct. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described in any forward-looking statements. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the applicable Cautionary Statements. All forward-looking statements speak only as the date on which they are made and the Company undertakes no duty to update or revise any forward-looking statements.

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

Note Regarding Trademarks Used in This Form 10-Q

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

General

Rush Enterprises, Inc. was incorporated in Texas in 1965 and currently consists of two operating segments: the Truck Segment and the Construction Equipment Segment. The Company conducts business through numerous subsidiaries, all of which it wholly owns, directly or indirectly. Its principal offices are located at 555 IH 35 South, New Braunfels, Texas 78130.

The Company is a full-service, integrated retailer of premium transportation and construction equipment and related services. The Company's Rush Truck Centers sell vehicles manufactured by Peterbilt Motors Company (a division of PACCAR, Inc.), International, Volvo, GMC, Hino, UD, Ford, Isuzu and Blue Bird. The Company also operates two John Deere construction equipment dealerships at its Rush Equipment Centers in Southeast Texas. The newest construction equipment dealership opened in Rose City, Texas in July 2008. Through its strategically located network of Rush Truck Centers and its Rush Equipment Centers, the Company provides one-stop service for the needs of its customers, including retail sales of new and used trucks and construction equipment, aftermarket parts sales, service and repair facilities, and financing, leasing and rental, and insurance products.

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

Our business strategy consists of providing our customers with competitively priced products supported with timely and reliable service through our integrated dealer network. We intend to continue to implement our business strategy, reinforce customer loyalty and remain a market leader by continuing to develop our Rush Truck Centers and Rush Equipment Centers as we extend our geographic focus through strategic acquisitions of new locations and expansions of our existing facilities and product lines.

Critical Accounting Policies

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 ("U.S. GAAP"). 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 truck and construction equipment inventory and by the first-in, first-out method for tires, parts and accessories. An allowance is provided when it is anticipated that cost will exceed net realizable value.

Goodwill

The Company applies the provisions of ASC topic 350-20, "Intangibles — Goodwill and Other" (formerly SFAS No. 142, "Goodwill and Other Intangible Assets"), in accounting for goodwill. ASC topic 350-20 requires that goodwill and other intangible assets that have indefinite useful lives may not be amortized, but instead must be tested at least annually for impairment, and intangible assets that have finite useful lives should continue to be amortized over their useful lives. ASC topic 350-20 also provides specific guidance for testing goodwill and other non-amortized intangible assets for impairment. ASC topic 350-20 requires management to make certain estimates and assumptions in order to allocate goodwill to reporting units and to determine the fair value of a reporting unit's net assets and liabilities, including, among other things, an assessment of market condition, projected cash flows, interest rates and growth rates, which could significantly impact the reported value of goodwill and other intangible assets. ASC topic 350-20 requires, in lieu of amortization, an annual impairment review of goodwill.

The Company performs an annual impairment review of goodwill during the fourth quarter of each year or when events or circumstances indicate a change may have occurred. An interim evaluation of goodwill was required during the second quarter of 2009 due to General Motors' decision to terminate production of medium-duty GMC trucks, which resulted in the winding-down of the Company's medium-duty GMC truck franchises.

Management is not aware of any additional 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.

Revenue Recognition Policies

Income on the sale of a truck or a piece of construction equipment is recognized when the customer executes a purchase contract with us, the unit has been delivered to the customer and there are no significant uncertainties related to financing or collectibility. Lease and rental income is recognized over the period of the related lease or rental agreement. Parts and service revenue is recognized at the time the Company sells the parts to its customers or at the time the Company completes the service work order related to service provided to the customer's unit. Payments received on prepaid maintenance plans are deferred as a component of accrued expenses and recognized as income when the maintenance is performed.

Finance and Insurance Revenue Recognition

Finance income related to the sale of a unit is recognized when the finance contract is sold to a finance company. The Company arranges financing for customers through various retail funding sources and receives a commission from the lender equal to either the difference between the interest rates charged to customers over the predetermined interest rates set by the financing institution or a commission for the placement of contracts. The Company also receives commissions from the sale of various insurance products to customers. Revenue is recognized by the Company upon the sale of such finance and insurance contracts to the finance and insurance companies net of a provision for estimated repossession losses and interest charge-backs on finance contracts. The Company is not the obligor under any of these underlying contracts. In the case of finance contracts, a customer may prepay, or fail to pay, thereby terminating the underlying contract. If the customer terminates a retail finance contract or other insurance product prior to scheduled maturity, a portion of the commissions previously paid to the Company may be charged back to the Company depending on the terms of the relevant contracts. The estimate of ultimate charge-back exposure is based on the Company's historical charge-back expense arising from similar contracts, including the impact of refinance and default rates on retail finance contracts and cancellation rates on other insurance products. The actual amount of historical charge-backs has not been significantly different than the Company's estimates.

Insurance Accruals

The Company is partially self-insured for medical, workers compensation, and property and casualty insurance and calculates a reserve for those claims that have been incurred but not reported and for the remaining portion of those claims that have been reported. The Company uses information provided by third-party administrators to determine the reasonableness of the calculations it performs.

Accounting for Income Taxes

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

Additionally, despite the Company's belief that its tax return positions are consistent with applicable tax law, management believes that certain positions may be challenged by taxing authorities. Settlement of any challenge can result in no change, a complete disallowance, or some partial adjustment reached through negotiations.

[Table of Contents](#)

Effective January 1, 2007, the Company adopted ASC topic 740-10, "Income Taxes," (formerly Financial Accounting Standards Board Interpretation No. 48). ASC topic 740-10 clarified the accounting for uncertainty in income taxes recognized in the financial statements by prescribing a recognition threshold and measurement attribute for a tax position taken or expected to be taken in a tax return. ASC topic 740-10 prescribes how a company should recognize, measure, present and disclose uncertain tax positions that the company has taken or expects to take in its income tax returns. ASC topic 740-10 requires that only income tax benefits that meet the "more likely than not" recognition threshold be recognized or continue to be recognized on its effective date. 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. Unfavorable settlement of any particular issue would require use of the Company's cash and a charge to income tax expense. Favorable resolution would be recognized as a reduction to income tax expense at the time of resolution.

Stock-Based Compensation Expense

The Company applies the provisions of ASC topic 718-10, "Compensation — Stock Compensation" (formerly SFAS No. 123 (revised 2004), "Share-Based Payment"), which requires the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors including grants of employee stock options and restricted stock and employee stock purchases under the Employee Stock Purchase Plan based on estimated fair values.

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

Results of Operations

The following discussion and analysis includes the Company's historical results of operations for the three months and nine months ended September 30, 2009 and 2008.

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

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2009	2008	2009	2008
New and used truck sales	59.2%	62.7%	59.6%	63.5%
Parts and service	34.0	30.0	33.4	28.5
Construction equipment sales	1.5	2.8	1.8	3.7
Lease and rental	4.4	3.4	4.2	3.2
Finance and insurance	0.6	0.7	0.6	0.8
Other	0.3	0.4	0.4	0.3
Total revenues	100.0	100.0	100.0	100.0
Cost of products sold	81.2	81.5	81.8	82.0
Gross profit	18.8	18.5	18.2	18.0
Selling, general and administrative	17.2	14.1	16.4	13.7
Depreciation and amortization	1.2	1.0	1.3	0.9
Operating income	0.4	3.4	0.5	3.4
Interest expense, net	0.5	0.4	0.5	0.4
(Loss) income before income taxes	-0.1	3.0	0.0	3.0
(Benefit) provision for income taxes	-1.1	1.0	-0.5	1.1
Net Income	1.0%	2.0%	0.5%	1.9%

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

	Three Months Ended September 30,			Nine Months Ended September 30,		
	2009	2008	% Change	2009	2008	% Change
Truck unit sales:						
New heavy-duty trucks	1,030	1,350	(23.7%)	3,016	4,281	(29.5%)
New medium-duty trucks	637	919	(30.7%)	2,029	2,870	(29.3%)
Total new truck unit sales	1,667	2,269	(26.5%)	5,045	7,151	(29.5%)
Used truck unit sales	760	936	(18.8%)	2,113	2,631	(19.7%)
Truck revenue:						
New heavy-duty trucks	\$ 116.2	\$ 162.4	(28.4%)	\$ 356.5	\$ 515.6	(30.9%)
New medium-duty trucks	37.1	54.2	(31.5%)	126.6	166.5	(24.0%)
Total new truck revenue	\$ 153.3	\$ 216.6	(29.2%)	\$ 483.1	\$ 682.1	(29.2%)
Used truck revenue	\$ 25.6	\$ 41.8	(38.8%)	\$ 78.1	\$ 122.8	(36.4%)
Other truck revenue ⁽¹⁾	\$ 0.2	\$ 1.1	(81.8%)	\$ 1.1	\$ 3.3	(66.7%)
Absorption rate:	96.4%	108.6%	(11.2%)	96.3%	106.3%	(9.4%)

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

Key Performance Indicator

Absorption Rate

Management uses many performance metrics to evaluate the performance of its truck dealerships, but considers its “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 truck dealership’s departments, except for the selling expenses of the new and used truck departments and carrying costs of new and used truck inventory. When 100% absorption is achieved, then gross profit from the sale of a truck, 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 108.6% absorption rate for the third quarter of 2008, and 96.4% absorption rate for the third quarter in 2009.

Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008

As expected, continued weak truck and aftermarket sales caused the third quarter of 2009 to be another challenging operating period. The Company’s Class 8 truck deliveries increased in the third quarter of 2009 over the second quarter of 2009, as several large fleet customers took delivery of trucks. This helped mitigate the effect of continued depressed U.S. Class 8 retail truck sales, which were down 33.0% over the third quarter of 2008, while the Company’s truck sales were down only 24.0% for the same time period.

The Company does not anticipate a significant truck pre-buy to occur in the fourth quarter of 2009 as lingering depressed conditions in the overall economy and tight credit continue to negatively impact freight movement, causing continued excess capacity and depressed trade values. These factors have forced both vocational and fleet buyers to lengthen their replacement cycles beyond historical norms, most likely extending any substantial upturn in new truck purchases well into the second half of 2010.

Aftermarket parts, service and body shop sales were negatively impacted by excess capacity again this quarter, as many customers have been able to put their excess truck capacity into service, allowing them to delay repair and maintenance and use parked trucks for replacement parts needs. A 21.0% decline in parts, service and body shop gross profit was offset by a reduction in general and administrative expenses of 9.0%, resulting in an absorption rate of 96.4% in the third quarter of 2009.

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 94,800 units in 2009, a 32.2% decline from the number of units sold in 2008. The Company believes the Class 8 truck market will remain weak until general economic conditions in the U.S. begin to improve. A.C.T. Research currently predicts U.S. retail sales of Class 8 trucks of approximately 119,500 units in 2010.

A.C.T. Research currently predicts U.S. retail sales of Class 4, 5, 6, and 7 medium-duty trucks of approximately 106,000 units in 2009, a 38.9% decline from the number of units sold in 2008. The Company believes the medium-duty truck market will remain weak until general economic conditions in the U.S. begin to improve. A.C.T. Research currently predicts U.S. retail sales of Class 4, 5, 6, and 7 medium-duty trucks of approximately 123,500 units in 2010.

The Company’s overall parts, service and body shop sales decreased 17.2% in the third quarter of 2009 compared to the third quarter of 2008. We anticipate parts, service and body shop sales to remain weak until general economic conditions improve.

In the third quarter of 2009, the Company’s construction equipment segment revenue decreased by 49.6% compared to the third quarter of 2008. This decrease is attributable to the weakening construction equipment market in the Houston area. Current industry forecasts suggest that construction equipment sales will decline approximately 50% in the Company’s area of responsibility during 2009 due to lower housing starts, decreased oil and gas activity and general economic conditions.

During the second quarter of 2009, the Company incurred a \$4.9 million pre-tax impairment charge related to General Motors’ decision to discontinue manufacturing medium-duty trucks and to wind-down the Company’s GMC Medium-Duty Truck Dealership Agreements. A significant portion of the impairment charge was an estimate of the inventory valuation allowance associated with the disposal of the Company’s remaining GMC truck and parts inventories. During the third quarter, the Company adjusted the estimated impairment charge related to its GMC truck and parts inventory because it was able to sell some of the GMC inventory at higher prices than originally estimated, which resulted in an increase to pre-tax earnings of approximately \$1.5 million, or \$0.02 per diluted share, in the third quarter of 2009.

The Company earns federal income tax credits on the sale of alternative fuel vehicles to tax-exempt entities. These tax credits are reflected as tax benefits in the Company's Consolidated Statements of Operations. A portion of these tax credits are passed back to the tax-exempt customer and are reflected as SG&A expense to the Company in the quarter in which the trucks are sold. These alternative fuel tax credits and the amount passed back to the customers are directly attributable to the sale of a truck. Accordingly, the Company believes the tax credits and the amounts passed back to customers should be considered operating items when analyzing the financial performance of the Company. The Company believes its history of serving municipalities and other tax-exempt customers that cannot claim these federal tax credits, its ability to utilize tax credits and pass back savings to these tax-exempt customers, and its position as a leading dealer of alternative fuel vehicles provide the Company with a distinct advantage over its competition when offering alternative fuel vehicles to tax-exempt entities.

The ongoing weakness in the economy and tight credit markets continue to impact consumer confidence and spending, which have a direct impact on freight demand and, ultimately, our financial performance. Overall economic uncertainty continues to make it difficult for the Company to forecast future results of operations.

Revenues

Revenues decreased \$111.3 million, or 26.9%, in the third quarter of 2009, compared to the third quarter of 2008. Sales of new and used trucks decreased \$80.4 million, or 31.0%, in the third quarter of 2009, compared to the third quarter of 2008. Uncertain economic conditions, the weak freight environment, slowing construction markets and tight credit markets contributed to decreased demand for trucks and construction equipment as well as aftermarket service in the third quarter of 2009. The Company does not believe that demand for its products and services will increase until general economic conditions begin to improve and credit is made available on reasonable terms to a wider range of buyers.

The Company sold 1,030 heavy-duty units in the third quarter of 2009, a 23.7% decrease compared to 1,350 heavy-duty trucks in the third quarter of 2008. According to A.C.T. Research, the U.S. Class 8 truck market decreased 33.0% in the third quarter of 2009, compared to the third quarter of 2008. The Company's share of the U.S. Class 8 truck sales market was approximately 3.9% in 2008. The Company expects its share to range between 3.9% and 4.2% of the U.S. Class 8 truck market in 2009, which would result in the sale of approximately 3,600 to 4,000 Class 8 trucks based on A.C.T. Research's current U.S. retail sales estimates of 94,800 units.

The Company sold 637 medium-duty trucks, including 76 buses, in the third quarter of 2009, a 30.7% decrease compared to 919 medium-duty trucks, including 74 buses, in the third quarter of 2008. A.C.T. Research estimates that unit sales of Class 4 through 7 trucks in the U.S. decreased approximately 31.0% in the third quarter of 2009, compared to the third quarter of 2008. In 2008, the Company achieved a 2.1% share of the Class 4 through 7 truck sales market in the U.S. The Company expects its share to range between 2.4% and 2.5% of the U.S. Class 4 through 7 truck sales market in 2009. This market share percentage would result in the sale of approximately 2,600 to 2,800 of Class 4 through 7 trucks in 2009 based on A.C.T. Research's current U.S. retail sales estimates of 106,000 units.

The Company sold 760 used trucks in the third quarter of 2009, an 18.8% decrease compared to 936 used trucks in the third quarter of 2008. For 2009, used truck sales volumes and prices will be primarily driven by general economic conditions and the availability of credit, which collectively have had a severe impact on this market since 2008. The Company expects to sell approximately 2,700 to 2,900 used trucks in 2009.

Parts and service sales decreased \$21.3 million, or 17.2%, in the third quarter of 2009, compared to the third quarter of 2008. The Company expects parts and service sales to remain weak through the remainder of 2009.

Sales of new and used construction equipment decreased \$7.2 million, or 62.1%, in the third quarter of 2009, compared to the third quarter of 2008. This decrease was largely attributable to the weakening construction market in the Houston area. John Deere's rolling twelve month average market share in the Houston area construction equipment market increased to 20.3% as of September 30, 2009, from a rolling twelve month average of 17.7% as of September 30, 2008. In the fourth quarter of 2009, the Company expects new construction equipment unit sales in our area of responsibility to decrease approximately 60% to 70%, compared to 2008.

Truck lease and rental revenues decreased \$0.9 million, or 6.4%, in the third quarter of 2009, compared to the third quarter of 2008. The decrease in lease and rental revenue is primarily attributable to decreased utilization of vehicles in the Company's rental fleet and decreased variable rental revenue that is based on the miles that vehicles being leased are driven. The Company expects lease and rental revenue to remain flat for the remainder of 2009, compared to 2008.

Finance and insurance revenues decreased \$1.0 million, or 35.8%, in the third quarter of 2009, compared to the third quarter of 2008. The decrease in finance and insurance revenue is a direct result of the decline in truck sales and the tight credit market. The Company expects finance and insurance revenue to fluctuate proportionately with the new Class 8 truck market in 2009. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of the Company's operating profits.

Other income decreased \$0.4 million, or 30.0% in the third quarter of 2009, compared to the third quarter of 2008. Other income consists primarily of the gain on sale realized on trucks from the lease and rental fleet, commissions earned from John Deere for direct manufacturer sales into our area of responsibility, document fees related to truck sales and purchase discounts.

Gross Profit

Gross profit decreased \$19.4 million, or 25.4%, in the third quarter of 2009, compared to the third quarter of 2008. Gross profit as a percentage of sales increased to 18.8% in the third quarter of 2009, from 18.5% in the third quarter of 2008. This slight increase is primarily a result of a change in our product sales mix. Truck sales, a lower margin revenue item, decreased as a percentage of total revenue to 59.2% in the third quarter of 2009, from 62.7% in the third quarter of 2008. Parts and service revenue, a higher margin revenue item, increased as a percentage of total revenue to 34.0% in the third quarter of 2009, from 30.0% in the third quarter of 2008.

Gross margins on Class 8 truck sales decreased to 4.5% in the third quarter of 2009, from 6.8% in the third quarter of 2008. Gross margins on Class 8 truck sales were negatively impacted by decreased demand for new trucks and a change in our product sales mix that included increased fleet sales, which are a lower margin revenue item. For the remainder of 2009, the Company expects overall gross margins from Class 8 truck sales of approximately 5.0% to 7.0%.

Gross margins on medium-duty truck sales increased to 11.1% in the third quarter of 2009, from 5.2% in the third quarter of 2008. The increase in gross margin during the third quarter of 2009 is largely attributable to a \$1.4 million adjustment to the valuation allowance related to GMC medium-duty truck inventory that was recorded in the second quarter of 2009. The Company adjusted the valuation allowance because it was able to sell some of the GMC medium-duty truck inventory at higher prices than originally estimated. For the remainder of 2009, the Company expects overall gross margins from medium-duty truck sales of approximately 5.0% to 7.0%.

Gross margins on used truck sales increased to 9.3% in the third quarter of 2009, from 8.8% in the third quarter of 2008. The Company expects margins on used trucks will be in the range of approximately 6.5% to 8.5% during the remainder of 2009, but this will largely depend upon general economic conditions and the availability of credit.

Gross margins from the Company's parts, service and body shop operations decreased to 39.8% in the third quarter of 2009, from 41.4% in the third quarter of 2008. Gross profit for the parts, service and body shop departments decreased to \$40.9 million in the third quarter of 2009, from \$51.3 million in the third quarter of 2008. The Company expects gross margins on parts, service and body shop operations of approximately 39.0% to 41.0% during the remainder of 2009.

Gross margins on new and used construction equipment sales decreased to 2.1% in the third quarter of 2009, from 8.9% in the third quarter of 2008. This decrease in gross margin is primarily attributable to a dramatic decrease in demand for construction equipment and change in our product sales mix. The Company expects gross margins for the remainder of 2009 to range from approximately 4.0% to 8.0% as the Company continues its efforts to increase its market share.

Gross margins from truck lease and rental sales decreased to 11.6% in the third quarter of 2009, from approximately 15.7% in the third quarter of 2008. The decrease in lease and rental revenue is primarily attributable to decreased utilization of vehicles in the Company's rental fleet and decreased variable rental revenue that is based on the miles that vehicles being leased are driven. The Company expects gross margins from lease and rental sales of approximately 11.0% to 16.0% during the remainder of 2009. The Company's policy is to depreciate its lease and rental fleet using a straight line method over the customer's contractual lease term. The lease unit is depreciated to a residual value that approximates fair value at the expiration of the lease term. This policy results in the Company realizing reasonable gross margins while the unit is in service and a corresponding gain or loss on sale when the unit is sold at the end of the lease term.

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

Selling, General and Administrative Expenses

Selling, General and Administrative (“SG&A”) expenses decreased \$6.4 million, or 11.0%, in the third quarter of 2009, compared to the third quarter of 2008. SG&A expenses as a percentage of sales increased to 17.2% in the third quarter of 2009, from 14.1% in the third quarter of 2008. SG&A expenses as a percentage of sales have historically ranged from 10.0% to 15.0%. In general, when new and used truck revenue decreases as a percentage of revenue, SG&A expenses as a percentage of revenue will be at, or exceed, the higher end of this range. In the third quarter of 2009, the selling portion of SG&A expenses, which consists primarily of commissions on truck and construction equipment sales, decreased 32.7% and the general and administrative portion of SG&A expenses decreased 9.0% compared to the third quarter of 2008. The Company earns federal income tax credits on the sale of alternative fuel vehicles to tax-exempt entities. A portion of these tax credits are passed back to the tax-exempt customer and are reflected as SG&A expense to the Company. For the remainder of 2009, the Company expects the selling portion of SG&A expenses to be approximately 25% to 28% of new and used truck gross profit. The selling portion of SG&A expenses varies based on the gross profit derived from truck sales. The Company has taken continuous action throughout the past two years to reduce overhead expenses to a level more appropriate to serve the declining market. The Company will continue to adjust the general and administrative portion of SG&A expenses in accordance with market conditions.

Interest Expense, Net

Net interest expense decreased \$0.3 million, or 15.9%, in the third quarter of 2009, compared to the third quarter of 2008. If floor plan interest rates remain at current levels, the Company expects net interest expense in 2009 to decrease approximately 15.0% compared to 2008.

Income Before Income Taxes

Income before income taxes decreased \$12.4 million, or 102.1%, in the third quarter of 2009, compared to the third quarter of 2008, as a result of the factors described above.

Income Taxes

Income taxes decreased \$7.4 million, or 178.2%, in the third quarter of 2009, compared to the third quarter of 2008. Prior to the application of alternative fuel vehicle tax credits, the Company provided for taxes at a 63.0% rate in the third quarter of 2009, compared to a rate of 37.5% in the third quarter of 2008. The tax rate in the third quarter of 2009 was offset \$3.8 million by tax credits for sales of alternative fuel vehicles to tax-exempt entities. The tax rate in the third quarter of 2008 was offset \$0.4 million by tax credits for sales of alternative fuel vehicles to tax-exempt entities. For the remainder of 2009, the Company expects to provide for taxes at a rate of 62.0% prior to the application of alternative fuel vehicle tax credits. The increase in the Company’s tax rate during 2009 is primarily due to state taxation regulations and non-deductible expenses. The Company’s effective tax rate may vary significantly depending on the number of alternative fuel vehicles sold to tax-exempt entities.

Nine Months Ended September 30, 2009 Compared to Nine Months Ended September 30, 2008

Unless otherwise stated below, the Company’s variance explanations and future expectations with regard to the items discussed in this section are set forth in the discussion of the “Three Months Ended September 30, 2009 Compared to Three Months Ended September 30, 2008.”

Revenues decreased \$328.6 million, or 25.8%, in the first nine months of 2009, compared to the first nine months of 2008. Sales of new and used trucks decreased \$245.9 million, or 30.4%, in the first nine months of 2009, compared to the first nine months of 2008.

The Company sold 3,016 heavy-duty units in the first nine months of 2009, a 29.5% decrease compared to 4,281 heavy-duty trucks in the first nine months of 2008. According to A.C.T. Research, the U.S. Class 8 truck market decreased 35.0% in the first nine months of 2009, compared to the first nine months of 2008.

The Company sold 2,029 medium-duty trucks, including 287 buses, in the first nine months of 2009, a 29.3% decrease compared to 2,870 medium-duty trucks, including 74 buses, in the first nine months of 2008. A.C.T. Research estimates that unit sales of Class 4 through 7 vehicles in the U.S decreased approximately 42.0% in the first nine months of 2009, compared to the first nine months of 2008.

Table of Contents

The Company sold 2,113 used trucks in the first nine months of 2009, a 19.7% decrease compared to 2,631 used trucks in the first nine months of 2008.

Parts and service sales decreased \$47.4 million, or 13.1%, in the first nine months of 2009, compared to the first nine months of 2008.

Sales of new and used construction equipment decreased \$30.7 million, or 64.5%, in the first nine months of 2009, compared to the first nine months of 2008.

Truck lease and rental revenues decreased \$0.6 million, or 1.5%, in the first nine months of 2009, compared to the first nine months of 2008.

Finance and insurance revenues decreased \$3.8 million, or 39.8%, in the first nine months of 2009, compared to the first nine months of 2008.

Other income decreased \$0.2 million, or 5.8%, in the first nine months of 2009, compared to the first nine months of 2008. Other income consists of the gain on sale realized on trucks from the lease and rental fleet, commissions earned from John Deere for direct manufacturer sales into our area of responsibility, document fees related to truck sales and purchase discounts.

Gross Profit

Gross profit decreased \$57.6 million, or 25.1%, in the first nine months of 2009, compared to the first nine months of 2008. Gross profit as a percentage of sales increased to 18.2% in the first nine months of 2009, from 18.0% in the first nine months of 2008. Truck sales, a lower margin revenue item, decreased as a percentage of total revenue to 59.6% in the first nine months of 2009, from 63.5% in the first nine months of 2008. Parts and service revenue, a higher margin revenue item, increased as a percentage of total revenue to 33.4% in the first nine months of 2009, from 28.5% in the first nine months of 2008.

Gross margins on Class 8 truck sales decreased to 5.7% in the first nine months of 2009, from 7.9% in the first nine months of 2008.

Gross margins on medium-duty truck sales decreased to 5.2% in the first nine months of 2009, from 5.5% in the first nine months of 2008.

Gross margins on used truck sales increased to 6.6% in the first nine months of 2009, from 3.4% in the first nine months of 2008. The lower level of gross margins in the first nine months of 2008 was primarily the result of a \$5.4 million write-down of used truck inventory in the second quarter of 2008.

Gross margins from the Company's parts, service and body shop operations decreased to 39.3% in the first nine months of 2009, from 41.6% in the first nine months of 2008. Gross profit for the parts, service and body shop departments was \$123.6 million in the first nine months of 2009, compared to \$150.8 million in the first nine months of 2008.

Gross margins on new and used construction equipment sales were 7.1% in the first nine months of 2009, compared to 9.6% in the first nine months of 2008.

Gross margins from truck lease and rental sales decreased to 11.8% in the first nine months of 2009, from approximately 14.8% in the first nine months of 2008.

Selling, General and Administrative Expenses

SG&A expenses decreased \$20.0 million, or 11.5%, in the first nine months of 2009, compared to the first nine months of 2008. SG&A expenses as a percentage of sales was 16.4% in the first nine months of 2009, and 13.7% in the first nine months of 2008.

Interest Expense, Net

Net interest expense decreased \$0.9 million, or 15.5%, in the first nine months of 2009, compared to the first nine months of 2008.

Income before Income Taxes

Income before income taxes decreased \$37.5 million, or 100.3%, in the first nine months of 2009, compared to the first nine months of 2008.

Provision for Income Taxes

Income taxes decreased \$18.1 million, or 132.7%, in the first nine months of 2009, compared to the first nine months of 2008. The Company provided for taxes at a 62.0% rate in the first nine months of 2009, compared to a rate of 37.5% in the first nine months of 2008. The tax rate in the first nine months of 2009 was offset \$5.0 million by tax credits for sales of alternative fuel vehicles to tax-exempt entities. The tax rate in the first nine months of 2008 was offset \$0.4 million by tax credits for sales of alternative fuel vehicles to tax-exempt entities. The increase in the Company's tax rate during 2009 is primarily due to state taxation regulations and non-deductible expenses.

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 of new facilities. Historically, these cash requirements have been met through the retention of profits and borrowings under our floor plan arrangements. As of September 30, 2009, the Company had working capital of approximately \$146.6 million, including \$136.7 million in cash available to fund our operations. The Company believes that these funds are sufficient to meet its short-term and long-term cash requirements.

The Company may request working capital advances in the minimum amount of \$100,000 under its Amended and Restated Wholesale Security Agreement with GE Capital, its primary truck lender. However, such working capital advances may not cause the total indebtedness owed GE Capital to exceed an amount equal to the wholesale advances made against the then current inventory less any payment reductions then due. There were no working capital advances outstanding under this agreement at September 30, 2009.

The Company has a secured line of credit that provides for a maximum borrowing of \$8.0 million. There were no advances outstanding under this secured line of credit at September 30, 2009, however, \$6.1 million was pledged to secure various letters of credit related to self-insurance products, leaving \$1.9 million available for future borrowings as of September 30, 2009.

The Company's long-term real estate debt agreements require the Company to satisfy various financial ratios such as the debt to worth ratio and the fixed charge coverage ratio. The Company's floor plan financing agreement with GE Capital does not contain financial covenants. At September 30, 2009, the Company was in compliance with all debt covenants. The Company does not anticipate any breach of the covenants in the foreseeable future.

Titan Technology Partners is currently implementing SAP enterprise software and a new SAP dealership management system for the Company. The total cost of the SAP software and implementation is estimated to be approximately \$32.0 million. As of September 30, 2009, the Company had cumulative expenditures of \$26.5 million related to the SAP project. The Company expects to spend approximately \$2.1 million to \$2.6 million related to the SAP project during the remainder of 2009.

The Company is currently constructing a new facility for its Rush Truck Center location in Oklahoma City, Oklahoma at an estimated cost of \$14.5 million. As of September 30, 2009, the Company had expenditures of \$12.7 million related to the construction of the new facility.

The Company also expects to make capital expenditures for recurring items such as computers, shop tools and equipment and vehicles of approximately \$5.0 million during 2009. As of September 30, 2009, the Company had expenditures of approximately \$4.0 million related to these recurring items.

On July 22, 2008, the Company's Board of Directors approved a stock repurchase program authorizing the Company to repurchase, from time to time, up to an aggregate of \$20,000,000 of its shares of Class A common stock and/or Class B common stock. Repurchases will be made at times and in amounts as the Company deems appropriate and will be made through open market transactions, privately negotiated transactions and other lawful means. The manner, timing and amount of any repurchases will be determined by the Company based on an evaluation of market conditions, stock price and other factors, including those related to the ownership requirements of its dealership agreements with manufacturers it represents. The stock repurchase program has no expiration date and may be suspended or discontinued at any time. While the stock repurchase program does not obligate the Company to acquire any particular amount or class of common stock, the Company anticipates that it will be repurchasing primarily shares of its Class B common stock. As of September 30, 2009, the Company has repurchased 1,639,843 shares of its Class B common stock at an aggregate cost of \$17.9 million, none of which occurred during the third quarter of 2009.

[Table of Contents](#)

The Company currently anticipates funding its capital expenditures relating to the SAP software and implementation, construction of new Rush Truck Centers, recurring expenses and any stock repurchases through its operating cash flow. The Company expects to finance 70% to 80% of the appraised value of newly constructed Rush Truck Centers upon completion, which will increase the Company's cash and cash equivalents by that amount.

The Company has no other material commitments for capital expenditures as of September 30, 2009, 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 dealership facilities based on market opportunities. The Company expects to purchase or lease trucks worth approximately \$35.0 million for its leasing operations in 2009, depending on customer demand, which it will finance.

Cash Flows

Cash and cash equivalents decreased by \$9.7 million during the nine months ended September 30, 2009, and decreased by \$42.5 million during the nine months ended September 30, 2008. 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 nine months of 2009, operating activities resulted in net cash provided by operations of \$130.7 million. Cash provided by operating activities was primarily impacted by the decrease in inventories and accounts receivable which was offset by the decrease in accounts payable and accrued expenses. During the first nine months of 2008, operating activities resulted in net cash provided by operations of \$66.0 million.

Cash flows from operating activities as adjusted for all draws and (payments) on floor plan notes ("Adjusted Cash Flows from Operating Activities") was \$44.7 million for the nine months ended September 30, 2009, and \$68.6 million for the nine months ended September 30, 2008. Generally, all vehicle and construction equipment dealers finance the purchase of vehicles and construction equipment with floor plan borrowings, and our agreements with our floor plan providers require us to repay amounts borrowed for the purchase of such vehicles and equipment immediately after they are sold. As a result, changes in floor plan notes payable are directly linked to changes in vehicle and construction equipment inventory. However, as reflected in our consolidated statements of cash flows, changes in inventory are recorded as cash flows from operating activities, and draws and (payments) on floor plan notes are recorded as cash flows from financing activities.

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

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

	Nine months Ended September 30,	
	2009	2008
Net cash provided by operating activities (U.S. GAAP)	\$ 130,709	\$ 66,026
(Draws) payments on floor plan notes payable	(86,053)	2,546
Adjusted Cash Flows from Operating Activities (Non-GAAP)	\$ 44,656	\$ 68,572

Cash Flows from Investing Activities

During the first nine months of 2009, cash used in investing activities was \$32.5 million. Cash flows used in investing activities consist primarily of cash used for capital expenditures. Capital expenditures of \$33.0 million consisted of purchases of property and equipment, improvements to our existing dealership facilities and construction of our new facility in Oklahoma City, Oklahoma. Property and equipment purchases during the first nine months of 2009 consisted of \$9.8 million for additional units for the rental and leasing operations, which was directly offset by borrowings of long-term debt. The Company expects to purchase or lease trucks worth approximately \$35.0 million for its leasing operations in 2009, depending on customer demand, all of which will be financed. During 2009, the Company expects to make capital expenditures for recurring items such as computers, shop equipment and vehicles of approximately \$5.0 million in addition to \$7.0 million to \$8.0 million for the SAP project described above.

During the first nine months of 2008, cash used in investing activities was \$90.0 million. The Company purchased investments of \$355.6 million which was offset by proceeds from the sale of these investments of \$348.0 million. See Note 6 of Notes to Consolidated Financial Statements for an explanation of these investments. Capital expenditures consisted of purchases of property and equipment, and improvements to our existing dealership facilities of \$46.5 million. Property and equipment purchases during the first nine months of 2008 consisted of \$17.6 million for additional units for the rental and leasing operations, which was directly offset by borrowings of long-term debt. Cash used in business acquisitions was \$37.4 million during the first nine months of 2008.

Cash Flows from Financing Activities

Cash flows from financing activities include borrowings and repayments of long-term debt and net proceeds of floor plan notes payable. Cash used in financing activities was \$107.9 million during the first nine months of 2009. The Company had borrowings of long-term debt of \$14.4 million and repayments of long-term debt and capital lease obligations of \$37.3 million during the first nine months of 2009. The Company had net payments of floor plan notes payable of \$86.1 million during the first nine months of 2009. The borrowings of long-term debt were primarily related to units for the rental and leasing operations.

Cash used in financing activities was \$18.5 million during the first nine months of 2008. The Company had borrowings of long-term debt of \$21.1 million and repayments of long-term debt and capital lease obligations of \$33.8 million during the first nine months of 2008. The Company had net draws of floor plan notes payable of \$2.5 million during the first nine months of 2008. The borrowings of long-term debt were primarily related to refinancing of real estate and financing of the lease and rental fleet.

Substantially all of the Company's truck purchases are made on terms requiring payment within 15 days or less from the date the trucks are invoiced from the factory. Effective August 1, 2007, the Company entered into an Amended and Restated Wholesale Security Agreement with GE Capital. Interest under the floor plan financing agreement is payable monthly and the rate varies from LIBOR plus 1.15% to LIBOR plus 1.50% depending on the average aggregate month-end balance of debt. The Company finances substantially all of the purchase price of its new truck inventory, and the loan value of its used truck inventory under the floor plan financing agreement with GE Capital, under which GE Capital pays the manufacturer directly with respect to new trucks. The Company makes monthly interest payments to GE Capital on the amount financed, but is not required to commence loan principal repayments on any vehicle until such vehicle has been floor planned for 12 months or is sold. The floor plan financing agreement allows for prepayments and working capital advances with monthly adjustments to the interest due on outstanding advances. On September 30, 2009, the Company had approximately \$176.9 million outstanding under its floor plan financing agreement with GE Capital.

Substantially all of the Company's new construction equipment purchases are financed by John Deere and JPMorgan Chase ("Chase"). The agreement with John Deere provides an interest free financing period after which time the amount financed is required to be paid in full. When construction equipment is sold prior to the expiration of the interest free finance period, the Company is required to repay the principal within approximately ten days of the sale. If the construction equipment financed by John Deere is not sold within the interest free finance period, it is transferred to the Chase floor plan arrangement. New and used construction equipment is financed to a maximum of book value under a floor plan arrangement with Chase. The Company makes monthly interest payments on the amount financed and is required to commence loan principal repayments on construction equipment as book value is reduced. Principal payments for sold new and used construction equipment are made to Chase no later than the 15th day of each month following the sale. The loans are collateralized by a lien on the construction equipment. As of September 30, 2009, the Company's floor plan arrangement with Chase permitted the financing of up to \$20.0 million in construction equipment. On September 30, 2009, the Company had \$4.5 million outstanding under its floor plan financing arrangements with John Deere and \$15.2 million outstanding under its floor plan financing arrangement with Chase.

Backlog

On September 30, 2009, the Company's backlog of truck orders was approximately \$98.0 million compared to a backlog of truck orders of approximately \$168.4 million on September 30, 2008. The Company includes only confirmed orders in its backlog. The Company sells the majority of its new trucks by customer special order, with the remainder sold out of inventory. The delivery time for a custom-ordered truck varies depending on the truck specifications and demand for the particular model ordered; however, due to the decreased demand for trucks, delivery times for heavy-duty trucks have decreased significantly from delivery times during periods of peak demand.

Seasonality

The Company's truck business is moderately seasonal. Seasonal effects on new truck sales related to the seasonal purchasing patterns of any single customer type are mitigated by the Company's diverse customer base, including small and large fleets, governments, corporations and owner operators. However, truck parts and service operations historically have experienced higher volumes of sales in the second and third quarters.

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

Cyclical

The Company's business is dependent on a number of factors relating to general economic conditions, including fuel prices, interest rate fluctuations, economic recessions, environmental and other government regulations and customer business cycles. Unit sales of new trucks 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 domestic retail sales of new Class 8 trucks have ranged from a low of approximately 140,000 in 2001 and 2008 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 can reduce the negative impact on the Company's earnings of cyclical trends affecting the heavy-duty truck industry.

Environmental Standards and Other Governmental Regulations

Our operations are subject to numerous federal, state and local laws and regulations, including laws and regulations designed to protect the environment by regulating the discharge of materials into the environment. EPA emission guidelines have traditionally had a major impact on our operations.

EPA emissions guidelines regarding nitrous oxides are scheduled to go into effect for all diesel engines built subsequent to January 1, 2010. Changes in diesel engine emissions guidelines have traditionally resulted in significant pre-buys of Class 8 trucks in the period prior to the effective date of such emission guidelines. However, based on current economic and market conditions, the Company does not expect as significant of a pre-buy of Class 8 trucks to occur in 2009 as has occurred in the past. The magnitude of any pre-buy will be largely dependent upon general economic conditions in the U.S. through the remainder of 2009.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk.

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

The Company is exposed to some market risk through interest rates related to our floor plan financing agreements, variable rate debt and discount rates related to finance sales. Floor plan borrowings are based on LIBOR and are used to meet working capital needs. As of September 30, 2009, the Company had floor plan borrowings of approximately \$196.6 million. Assuming an increase or decrease in LIBOR of 100 basis points, annual interest expense could correspondingly increase or decrease by approximately \$2.0 million. The Company provides all customer financing opportunities to various finance providers. The Company receives all finance charges in excess of a negotiated discount rate from the finance providers in the month following the date of the financing. The negotiated discount rate is variable, thus subject to interest rate fluctuations. This interest rate risk is mitigated by the Company's ability to pass discount rate increases to customers through higher financing rates.

The Company is also exposed to some market risk through interest rates related to the investment of our current cash and cash equivalents which totaled \$136.7 million on September 30, 2009. These funds are generally invested as a prepayment against our floor plan financing debt or 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 earnings on cash and cash equivalents could correspondingly increase or decrease by approximately \$1.4 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 September 30, 2009, the Company holds \$7.6 million of auction rate securities with underlying tax-exempt municipal bonds with stated maturities of 21 years. Given the current market conditions in the auction rate securities market, if the Company determines that the fair value of these securities has temporarily decreased by 10%, the Company's equity could correspondingly decrease by approximately \$0.8 million. If it is determined that the fair value of these securities is other-than-temporarily impaired by 10%, the Company could record a loss on its Consolidated Statements of Operations of approximately \$0.8 million. For further discussion of the risks related to our auction rate securities, see Note 6 of the Notes to Consolidated Financial Statements and Item 1A — Risk Factors in the Company's Annual Report on Form 10-K for the year ended December 31, 2008 (the "2008 Annual Report").

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

ITEM 4. Controls and Procedures.

The Company, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of September 30, 2009 to provide reasonable assurance that information required to be disclosed in the reports filed or submitted under the Exchange Act 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 September 30, 2009 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 position 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 of the 2008 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 the 2008 Annual Report.

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

The Company did not make any unregistered sales of equity securities during the third quarter of 2009.

Issuer Purchases of Equity Securities

The Company did not repurchase any shares of its Class A Common Stock or Class B Common Stock during the third quarter of 2009.

Period	Total Number of Shares Purchased	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans	Maximum Number (or Approximate Dollar Value) of Shares that May Yet Be Purchased Under the Plan (1)(2)
July 1 – 31, 2009	—	\$ 0.00	—	\$ 2,093,321
August 1 – 31, 2009	—	\$ 0.00	—	2,093,321
September 1 – 30, 2009	—	\$ 0.00	—	2,093,321
3rd Quarter Total	—	\$ 0.00	—	\$ 2,093,321

- (1) On July 22, 2008, the Company's Board of Directors approved a stock repurchase program authorizing the Company to repurchase, from time to time, up to an aggregate of \$20,000,000 of its shares of Class A Common Stock and/or Class B Common Stock. The stock repurchase program has no expiration date and may be suspended or discontinued at any time.
- (2) As of September 30, 2009, the Company has repurchased 1,639,843 shares of its Class B common stock at a cost of \$17.9 million, none of which occurred during the 2009 fiscal year.

ITEM 3. Defaults Upon Senior Securities.

Not Applicable

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

Not Applicable

ITEM 5. Other Information.

Not Applicable

ITEM 6. Exhibits.

Exhibit Number	Exhibit Title
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).
31.1*	Certification of CEO pursuant to Rules 13a-14(a) and 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of CFO pursuant to Rules 13a-14(a) and 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of CEO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of CFO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* filed herewith

** furnished herewith

SIGNATURES

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

RUSH ENTERPRISES, INC.

Date: November 9, 2009

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

Date: November 9, 2009

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

EXHIBIT INDEX

Exhibit Number	Exhibit Title
31.1*	Certification of CEO pursuant to Rules 13a-14(a) and 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of CFO pursuant to Rules 13a-14(a) and 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of CEO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of CFO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* filed herewith

** furnished herewith

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 officer(s) 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 officer(s) 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: November 9, 2009

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 officer(s) 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 officer(s) 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: November 9, 2009

By: /s/ STEVEN L. KELLER
Steven L. Keller
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 September 30, 2009, 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: November 9, 2009

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 September 30, 2009, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven L. Keller, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

1. The Report fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934; and
2. The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

By: /s/ STEVEN L. KELLER
Name: Steven L. Keller
Title: Vice President and Chief Financial Officer
Date: November 9, 2009

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.