

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

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2013

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 [X] No []

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate website, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes [X] 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 [X]

Indicated below is the number of shares outstanding of each of the issuer's classes of common stock, as of August 1, 2013.

<u>Title of Class</u>	<u>Number of Shares Outstanding</u>
Class A Common Stock, \$.01 Par Value	28,803,237
Class B Common Stock, \$.01 Par Value	10,708,683

RUSH ENTERPRISES, INC. AND SUBSIDIARIES

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PART I. FINANCIAL INFORMATION

ITEM 1. Financial Statements.

RUSH ENTERPRISES, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS
JUNE 30, 2013 AND DECEMBER 31, 2012
(In Thousands, Except Shares)

	<u>June 30,</u> <u>2013</u>	<u>December 31,</u> <u>2012</u>
	(Unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 203,534	\$ 198,773
Accounts receivable, net	89,576	89,615
Inventories, net	752,195	690,953
Prepaid expenses and other	6,889	12,088
Deferred income taxes, net	15,249	14,630
Total current assets	1,067,443	1,006,059
Investments	6,628	6,628
Property and equipment, net	652,078	622,112
Goodwill, net	198,282	198,257
Other assets, net	47,809	48,510
Total assets	\$ 1,972,240	\$ 1,881,566
Liabilities and shareholders' equity		
Current liabilities:		
Floor plan notes payable	\$ 572,311	\$ 534,520
Current maturities of long-term debt	77,731	80,030
Current maturities of capital lease obligations	10,013	10,673
Trade accounts payable	81,822	62,270
Accrued expenses	81,491	100,953
Total current liabilities	823,368	788,446
Long-term debt, net of current maturities	341,999	319,634
Capital lease obligations, net of current maturities	37,638	39,300
Other long-term liabilities	5,414	2,484
Deferred income taxes, net	123,654	123,756
Shareholders' equity:		
Preferred stock, par value \$.01 per share; 1,000,000 shares authorized; 0 shares outstanding in 2013 and 2012	-	-
Common stock, par value \$.01 per share; 60,000,000 class A shares and 20,000,000 class B shares authorized; 28,766,938 class A shares and 10,753,909 class B shares outstanding in 2013; and 27,999,068 class A shares and 10,792,223 class B shares outstanding in 2012	413	404
Additional paid-in capital	237,608	222,627
Treasury stock, at cost: 1,745,128 class B shares	(20,220)	(17,948)
Retained earnings	423,798	404,619
Accumulated other comprehensive loss, net of tax	(1,432)	(1,756)
Total shareholders' equity	640,167	607,946
Total liabilities and shareholders' equity	\$ 1,972,240	\$ 1,881,566

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

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenues:				
New and used truck sales	\$ 508,194	\$ 598,220	\$ 997,804	\$ 1,150,148
Parts and service	242,928	208,290	474,407	404,936
Lease and rental	31,358	23,433	61,498	46,909
Finance and insurance	3,838	3,577	6,971	6,714
Other	3,356	2,324	5,782	4,466
Total revenue	<u>789,674</u>	<u>835,844</u>	<u>1,546,462</u>	<u>1,613,173</u>
Cost of products sold:				
New and used truck sales	473,153	559,017	925,727	1,069,824
Parts and service	152,449	127,617	298,162	245,873
Lease and rental	26,384	19,574	51,097	39,580
Total cost of products sold	<u>651,986</u>	<u>706,208</u>	<u>1,274,986</u>	<u>1,355,277</u>
Gross profit	137,688	129,636	271,476	257,896
Selling, general and administrative	118,628	91,683	220,734	184,698
Depreciation and amortization	7,259	6,055	14,369	11,939
(Loss) gain on sale of assets	(12)	68	29	87
Operating income	11,789	31,966	36,402	61,346
Interest expense, net	2,480	3,407	4,993	6,711
Income before taxes	9,309	28,559	31,409	54,635
Provision for income taxes	3,677	11,137	12,230	21,307
Net income	<u>\$ 5,632</u>	<u>\$ 17,422</u>	<u>\$ 19,179</u>	<u>\$ 33,328</u>
Earnings per common share:				
Basic	\$.14	\$.45	\$.49	\$.86
Diluted	\$.14	\$.44	\$.47	\$.84
Weighted average shares outstanding:				
Basic	39,552	38,675	39,337	38,531
Diluted	40,581	39,544	40,446	39,605
Comprehensive income	<u>\$ 5,785</u>	<u>\$ 17,428</u>	<u>\$ 19,502</u>	<u>\$ 33,333</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)

	Six Months Ended June 30,	
	2013	2012
Cash flows from operating activities:		
Net income	\$ 19,179	\$ 33,328
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	44,228	34,267
Gain on sale of property and equipment	(29)	(87)
Stock-based compensation expense related to stock options and employee stock purchases	5,515	4,801
Provision for deferred income tax	(924)	5,785
Excess tax benefits from stock-based compensation	(2,138)	(1,428)
Change in accounts receivable, net	404	2,285
Change in inventories	(44,330)	(167,630)
Change in prepaid expenses and other, net	5,209	7,327
Change in trade accounts payable	19,552	13,314
Change in accrued expenses	(14,725)	(35,201)
Draws on floor plan notes payable – trade, net	4,789	36,067
Net cash provided by (used in) operating activities	<u>36,730</u>	<u>(67,172)</u>
Cash flows from investing activities:		
Acquisition of property and equipment	(82,532)	(78,516)
Proceeds from the sale of property and equipment	332	1,042
Business acquisitions	(3,528)	(36)
Change in other assets	(66)	(644)
Net cash used in investing activities	<u>(85,794)</u>	<u>(78,154)</u>
Cash flows from financing activities:		
Draws on floor plan notes payable – non-trade, net	33,002	77,889
Proceeds from long-term debt	65,651	63,914
Principal payments on long-term debt	(45,585)	(34,962)
Principal payments on capital lease obligations	(6,446)	(5,610)
Excess tax benefits from stock-based compensation	2,138	1,428
Proceeds from issuance of shares relating to employee stock options and employee stock purchases	7,337	3,897
Common stock repurchased	(2,272)	–
Net cash provided by financing activities	<u>53,825</u>	<u>106,556</u>
Net increase (decrease) in cash and cash equivalents	<u>4,761</u>	<u>(38,770)</u>
Cash and cash equivalents, beginning of period	198,773	207,775
Cash and cash equivalents, end of period	<u>\$ 203,534</u>	<u>\$ 169,005</u>
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	\$ 11,334	\$ 11,409
Income taxes, net of refunds	<u>\$ 1,360</u>	<u>\$ 2,598</u>
Noncash investing activities:		
Assets acquired under capital leases	<u>\$ 4,124</u>	<u>\$ 4,624</u>

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

RUSH ENTERPRISES, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1 – Principles of Consolidation and Basis of Presentation

The interim consolidated financial statements included herein have been prepared by Rush Enterprises, Inc. and its subsidiaries (collectively referred to as the “Company”), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the “SEC”). All adjustments have been made to the accompanying interim consolidated financial statements, which, in the opinion of the Company’s management, are necessary for a fair presentation of the Company’s operating results. All adjustments are of a normal recurring nature. Certain information and footnote disclosures normally included in financial statements prepared in accordance with generally accepted accounting principles have been condensed or omitted pursuant to such rules and regulations. It is recommended that these interim consolidated financial statements be read in conjunction with the consolidated financial statements and the notes thereto included in the Company’s Annual Report on Form 10-K for the year ended December 31, 2012. Results of operations for interim periods are not necessarily indicative of results that may be expected for any other interim periods or the full fiscal year.

2 – Other Assets

The total capitalized costs of the SAP enterprise software and SAP dealership management system of \$40.3 million, including capitalized interest, are recorded on the Consolidated Balance Sheet in Other Assets, net of accumulated amortization of \$5.5 million. The SAP software will be amortized over a period of 15 years. The Company is currently operating 35 Rush Truck Centers and all of its leasing operations on the SAP enterprise software and SAP dealership management system, which represent approximately 47% of total revenue for the six months ended June 30, 2013. The Company plans to convert all of its current Rush Truck Centers to the SAP enterprise software and SAP dealership management system by the end of 2014.

Amortization expense relating to the SAP software, was \$0.7 million for the three months ended June 30, 2013 and \$0.7 million for the three months ended June 30, 2012, and \$1.5 million for the six months ended June 30, 2013, and \$1.4 million for the six months ended June 30, 2012, and is recognized in depreciation and amortization expense in the Consolidated Statement of Income.

The Company’s only significant identifiable intangible assets, other than goodwill, are rights under franchise agreements with manufacturers. The fair market value of the Company’s manufacturer franchise rights of \$4.5 million, which are included in Other Assets on the accompanying consolidated balance sheets, is determined at the acquisition date through discounting the projected cash flows specific to each franchise. The Company has determined that manufacturer franchise rights have an indefinite life as there are no economic or other factors that limit their useful lives, and they are expected to generate cash flows indefinitely due to the historically long lives of the manufacturers’ brand names. Furthermore, to the extent that any agreements evidencing manufacturer franchise rights would expire, the Company expects that it would be able to renew those agreements in the ordinary course of business. Accordingly, the Company does not amortize manufacturer franchise rights.

Due to the fact that manufacturer franchise rights are specific to a geographic region, the company has determined that the geographic region is the appropriate level for purposes of testing franchise rights for impairment. Management reviews indefinite lived manufacturer franchise rights for impairment annually during the fourth quarter, or more often if events or circumstances indicate that impairment may have occurred. The Company is subject to financial statement risk to the extent that manufacturer franchise rights become impaired due to decreases in fair market value of its individual franchises.

The significant estimates and assumptions used by management in assessing the recoverability of manufacturer franchise rights are estimated future cash flows, present value discount rate, and other factors. Any changes in these estimates or assumptions could result in an impairment charge. The estimates of future cash flows, based on reasonable and supportable assumptions and projections, require management’s subjective judgment. Depending on the assumptions and estimates used, the estimated future cash flows projected in the evaluations of manufacturer franchise rights can vary within a range of outcomes.

No impairment write down was required for manufacturer franchise rights in the fourth quarter of 2012. Management is not aware of any impairment charge that may currently be required; however, the Company cannot predict the occurrence of certain events that might adversely affect the reported value of manufacturer franchise rights in the future.

3 – Commitments and Contingencies

From time to time, the Company is involved in litigation arising out of its operations in the ordinary course of business. The Company maintains 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. The Company believes that there are no claims or litigation pending, the outcome of which could have a material adverse effect on its financial position or results of operations. However, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's financial condition or results of operations for the fiscal period in which such resolution occurred.

In May 2013, the Company entered into a Retirement and Transition Agreement with the Company's former Chairman, W. Marvin Rush, which resulted in the recognition of \$10.8 million in retirement pay and benefits recorded in selling, general and administrative expense on the Consolidated Statements of Income and Comprehensive Income for the three months and six months ended June 30, 2013. The current portion of the accrual for the unpaid retirement pay and benefits of \$0.9 million is a component of accrued liabilities and the long-term portion of the accrual for the unpaid retirement pay and benefits of \$2.7 million is a component of other long-term liabilities in the Consolidated Balance Sheet as of June 30, 2013.

4 – Earnings Per Share

The following table sets forth the computation of basic and diluted earnings per share (in thousands, except per share information):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Numerator:				
Numerator for basic and diluted earnings per share – Net income available to common shareholders	\$ 5,632	\$ 17,422	\$ 19,179	\$ 33,328
Denominator– Denominator for basic earnings per share – weighted average shares outstanding				
	39,552	38,675	39,337	38,531
Effect of dilutive securities– Employee and director stock options and restricted share awards	1,029	869	1,109	1,074
Denominator for diluted earnings per share – adjusted weighted average shares outstanding and assumed conversions	<u>40,581</u>	<u>39,544</u>	<u>40,446</u>	<u>39,605</u>
Basic earnings per common share	<u>\$.14</u>	<u>\$.45</u>	<u>\$.49</u>	<u>\$.86</u>
Diluted earnings per common share and common share equivalents	<u>\$.14</u>	<u>\$.44</u>	<u>\$.47</u>	<u>\$.84</u>

Options to purchase shares of common stock that were outstanding for the three months and six months ended June 30, 2013 and 2012 that were not included in the computation of diluted earnings per share because the effect would have been anti-dilutive are as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Options	924,158	1,373,860	924,158	1,126,795
Total anti-dilutive securities	<u>924,158</u>	<u>1,373,860</u>	<u>924,158</u>	<u>1,126,795</u>

5 – Stock Options and Restricted Stock Awards

Valuation and Expense Information

The Company accounts for stock-based compensation in accordance with Accounting Standards Codification (“ASC”) 718-10, “Compensation – Stock Compensation,” which requires the measurement and recognition of compensation expense for all share-based payment awards made to the Company's employees and directors including employee stock options, restricted share awards and employee stock purchases related to the Employee Stock Purchase Plan based on estimated fair values. Stock-based compensation expense, calculated using the Black-Scholes option-pricing model and included in selling, general and administrative expense, was \$2.3 million for the three months ended June 30, 2013, and \$1.7 million for the three months ended June 30, 2012. Stock-based compensation expense, included in selling, general and administrative expense, for the six months ended June 30, 2013, was \$5.5 million and for the six months ended June 30, 2012, was \$4.8 million. As of June 30, 2013, there was \$15.7 million of total unrecognized compensation cost related to non-vested share-based compensation arrangements to be recognized over a weighted-average period of 2.4 years.

6 – Financial Instruments and Fair Value

The Company measures certain financial assets and liabilities at fair value on a recurring basis. Financial instruments consist primarily of cash, accounts receivable, accounts payable and floor plan notes payable. The carrying values of the Company's financial instruments approximate fair value due either to their short-term nature or existence of variable interest rates, which approximate market rates. 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 and liquidity. Accordingly, the Company concluded the valuation measurement inputs of its long-term debt to represent, at its lowest level, current market interest rates available to the Company for similar debt and the Company's current credit standing and has categorized such debt within Level 2 of the hierarchy framework. The carrying amount approximates fair value.

If investments are deemed to be impaired, the Company determines whether the impairment is temporary or other than temporary. If the impairment is deemed to be temporary, the Company records an unrealized loss in other comprehensive income. If the impairment is deemed other than temporary, the Company records the impairment in the Company's consolidated statement of income.

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

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

As of June 30, 2013, the Company held auction rate securities with underlying tax-exempt municipal bonds that mature in 2030 that have a fair value of \$6.6 million and a cost basis of \$7.6 million. These bonds have credit wrap insurance and a credit rating of A2 by a major credit rating agency.

The Company valued the auction rate securities at June 30, 2013 using a discounted cash flow model based on the characteristics of the individual securities, which the Company believes yields the best estimate of fair value. The first step in the valuation included a credit analysis of the security which considered various factors including the credit quality of the issuer, the instrument's position within the capital structure of the issuing authority, and the composition of the authority's assets including the effect of insurance and/or government guarantees. Next, the future cash flows of the instruments were projected based on certain assumptions regarding the auction rate market significant to the valuation including the auction rate market will remain illiquid and auctions will continue to fail causing the interest rate to be the maximum applicable rate. This assumption resulted in discounted cash flow analysis being performed through 2019, the point at which the Company estimates the securities will be redeemed by the municipality. The projected cash flows were then discounted using the applicable yield curve plus a 225 basis point liquidity premium added to the applicable discount rate.

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

The table below presents disclosures about the auction rate securities measured at fair value on a recurring basis in the Company's financial statements as follows (in thousands):

	At June 30, 2013			
	Cost Basis Amount	Fair Value Estimated Using		
		Level 1 Inputs	Level 2 Inputs	Level 3 Inputs
Investment in auction rate securities	\$ 7,575	\$ -	\$ -	\$ 6,628

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

Interest Rate Swap Agreements

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

At June 30, 2013, the Company had an aggregate \$40.0 million notional amount of interest rate swap contracts, which have been designated as cash flow hedges, to pay fixed rates of interest and receive a floating interest rate based on LIBOR. The fixed interest rates specified in the interest rate swap contracts became effective on or about January 1, 2012. The Company's interest rate swaps qualify for cash flow hedge accounting treatment. Unrealized gains or losses are recorded in accumulated other comprehensive income. Realized gains and losses will be recognized in interest expense, if they occur. Amounts to be received or paid under the contracts will be recognized as interest expense over the life of the contracts. There was no ineffectiveness for these swaps during the quarters ended June 30, 2013 and June 30, 2012.

The fair value of cash flow swaps is calculated as the present value of expected future cash flows, determined on the basis of forward interest rates and present value factors. As such, the carrying amounts for these swaps are designated to be Level 2 fair values and totaled \$1.4 million, excluding accrued interest, as of June 30, 2013. The carrying value of these swaps is included in Other Long-Term Liabilities on the accompanying Consolidated Balance Sheet as of June 30, 2013.

As of June 30, 2013 the Company was party to derivative financial instruments, as described in the following table (in thousands):

Agreement	Notional Amount	Fixed Interest Rate	Underlying Rate	Expiration Date	Fair Value
Interest Rate Swap	\$ 1,952	5.075%	3 month LIBOR	July 1, 2015	\$ (67)
Interest Rate Swap	4,032	5.075%	3 month LIBOR	July 1, 2015	(138)
Interest Rate Swap	6,992	5.39%	1 month LIBOR	December 31, 2014	(200)
Interest Rate Swap	1,351	5.39%	1 month LIBOR	December 31, 2014	(39)
Interest Rate Swap	2,406	5.39%	1 month LIBOR	December 31, 2014	(69)
Interest Rate Swap	5,443	5.39%	1 month LIBOR	December 31, 2014	(156)
Interest Rate Swap	4,992	5.38%	1 month LIBOR	June 29, 2015	(208)
Interest Rate Swap	768	5.29%	1 month LIBOR	June 30, 2015	(31)
Interest Rate Swap	1,472	5.29%	1 month LIBOR	June 30, 2015	(59)
Interest Rate Swap	7,424	5.29%	1 month LIBOR	June 30, 2015	(295)
Interest Rate Swap	640	5.29%	1 month LIBOR	June 30, 2015	(25)
Interest Rate Swap	2,573	5.29%	1 month LIBOR	June 30, 2015	(102)

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

Derivative Liabilities Designated as Hedging Instruments	Balance Sheet Location	Fair Value at	
		June 30, 2013	December 31, 2012
Interest Rate Swaps	Other Long-Term Liabilities	\$ 1,389	\$ 1,915

(in thousands)	Gain (Loss) Recognized in OCI on Derivatives (Effective Portion) during the Three Months Ended		Location of Loss Reclassified into Income	Loss Reclassified from Accumulated OCI into Income (Effective Portion) during the Three Months Ended	
	June 30, 2013	June 30, 2012		June 30, 2013	June 30, 2012
	Interest rate swaps	\$ 249		\$ (16)	Interest Expense

(in thousands)	Gain (Loss) Recognized in OCI on Derivatives (Effective Portion) during the Six Months Ended		Location of Loss Reclassified into Income	Loss Reclassified from Accumulated OCI into Income (Effective Portion) during the Six Months Ended	
	June 30, 2013	June 30, 2012		June 30, 2013	June 30, 2012
	Interest rate swaps	\$ 526		\$ (7)	Interest Expense

7 – Segment Information

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

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

The following table contains summarized information about reportable segment revenue, segment income or loss from continuing operations and segment assets for the periods ended June 30, 2013 and 2012 (in thousands):

	Truck Segment	All Other	Total
<i>As of and for the three months ended June 30, 2013</i>			
Revenues from external customers	\$ 784,573	\$ 5,101	\$ 789,674
Segment income (loss) before taxes	8,943	366	9,309
Segment assets	1,945,552	26,688	1,972,240
<i>As of and for the six months ended June 30, 2013</i>			
Revenues from external customers	\$ 1,536,803	\$ 9,659	\$ 1,546,462
Segment income (loss) before taxes	31,091	318	31,409
<i>As of and for the three months ended June 30, 2012</i>			
Revenues from external customers	\$ 830,773	\$ 5,071	\$ 835,844
Segment income (loss) before taxes	28,574	(15)	28,559
Segment assets	1,858,045	27,396	1,885,441
<i>As of and for the six months ended June 30, 2012</i>			
Revenues from external customers	\$ 1,603,681	\$ 9,492	\$ 1,613,173
Segment income (loss) before taxes	54,817	(182)	54,635

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

8 – Income Taxes

The Company included accruals for unrecognized income tax benefits totaling \$1.4 million as a component of accrued liabilities as of June 30, 2013, and \$1.3 million as of June 30, 2012. Unrecognized tax benefits of \$1.0 million at June 30, 2013, and \$1.3 million as of June 30, 2012, if recognized, would impact the Company's effective tax rate. An unfavorable settlement could require a charge to income tax expense and a favorable resolution would be recognized as a reduction to income tax expense. The Company records interest and penalties related to unrecognized income tax benefits in income tax expense. The Company had accrued interest of \$49,000 at June 30, 2013 and \$51,000 at June 30, 2012 related to unrecognized tax benefits. No amounts were accrued for penalties.

The Company does not anticipate a significant change in the amount of unrecognized tax benefits in the next 12 months. As of June 30, 2013, the tax years ended December 31, 2009 through 2012 remained subject to audit by federal tax authorities and the tax years ended December 31, 2008 through 2012, remained subject to audit by state tax authorities.

9 – Accumulated Other Comprehensive Income

In February 2013, the FASB issued guidance requiring entities to provide information about the amounts reclassified out of accumulated other comprehensive income ("AOCI") by component. In addition, it requires entities to present, either on the face of the financial statement where net income is presented or in the notes, significant amounts reclassified out of AOCI by the respective line items of net income if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. This guidance is effective prospectively for annual and interim reporting periods beginning after December 15, 2012, with early adoption permitted. The amounts required to be disclosed under this guidance are below.

The following table shows the components of accumulated other comprehensive loss, net of tax, (in thousands):

	Cash Flow Swaps	Available for Sale Securities	Total
Balance as of December 31, 2012	\$ (1,178)	\$ (578)	\$ (1,756)
Changes in fair value	118	-	118
Amounts reclassified from accumulated other comprehensive loss	53	-	53
Net current period other comprehensive income	171	-	171
Balance as of March 31, 2013	\$ (1,007)	\$ (578)	\$ (1,585)
Changes in fair value	101	-	101
Amounts reclassified from accumulated other comprehensive loss	52	-	52
Net current period other comprehensive income	153	-	153
Balance as of June 30, 2013	\$ (854)	\$ (578)	\$ (1,432)

The following table shows the amount of loss reclassified from accumulated other comprehensive loss into earnings (in thousands):

	Three Months Ended		Six Months Ended	
	June 30, 2013	June 30, 2012	June 30, 2013	June 30, 2012
Losses on cash flow swaps to:				
Interest expense	\$ 85	\$ 103	\$ 170	\$ 208
	85	103	170	208
Income tax benefit	(33)	(40)	(65)	(81)
Total reclassifications	\$ 52	\$ 63	\$ 105	\$ 127

10 – Acquisitions

On May 6, 2013, the Company acquired certain assets of Piedmont International Trucks, LLC, which operated commercial truck dealerships in Statesville, Hickory and Asheville, North Carolina. The acquisition included International and Idealease franchises.

These locations are operating as Rush Truck Centers and offer commercial vehicles manufactured by International in addition to parts, service, body shop, leasing, financing and insurance capabilities. The transaction was valued at approximately \$3.5 million, with the purchase price paid in cash. The operations of Piedmont International Trucks, LLC are included in the accompanying consolidated financial statements from the date of the acquisition. The preliminary purchase price was allocated based on the fair values of the assets at the date of acquisition as follows (in thousands):

Inventory	\$ 1,720
Property and equipment	1,485
Prepaid expenses	10
Accounts receivable	364
Accrued expenses	(76)
Total	\$ 3,503

As the value of certain assets and liabilities are preliminary in nature, they are subject to adjustment as additional information is obtained about the facts and circumstances that existed at the acquisition date. Pro forma information is not included in accordance with ASC 805 since the acquisition was not considered material.

11 – Subsequent Event

On July 11, 2013, the Company entered into the third amendment to its \$600.0 million amended and restated credit agreement with GE Capital. The amendment increases the aggregate loan commitment to \$750.0 million. Borrowings under the amended credit agreement will now bear interest per annum, payable monthly, at the three month LIBOR rate, determined on the last day of the prior month, plus 2.03%. In addition, the Company is required to pay to the lenders a monthly working capital fee equal to 0.35% per annum multiplied by the amount of voluntary prepayments of new and used inventory loans. Pursuant to the third amendment, the credit agreement expires July 11, 2016, although GE Capital has the right to terminate the credit agreement at any time upon 120 days written notice.

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, 2012, as well as future growth rates and margins for certain of our products and services, future supply and demand for our products and services, competitive factors, general economic conditions, cyclicalities, market conditions in the new and used commercial vehicle markets, customer relations, relationships with vendors, the interest rate environment, governmental regulation and supervision, seasonality, distribution networks, product introductions and acceptance, technological change, changes in industry practices, one-time events and other factors described herein and in the Company’s quarterly and other reports filed with the Securities and Exchange Commission (collectively, “Cautionary Statements”). Although the Company believes that its expectations are reasonable, it can give no assurance that such expectations will prove to be correct. Based upon changing conditions, should any one or more of these risks or uncertainties materialize, or should any underlying assumptions prove incorrect, actual results may vary materially from those described in any forward-looking statements. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on its behalf are expressly qualified in their entirety by the applicable Cautionary Statements. All forward-looking statements speak only as the date on which they are made and the Company undertakes no duty to update or revise any forward-looking statements.

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

Note Regarding Trademarks Commonly Used in the Company’s Filings

Peterbilt[®] is a registered trademark of Peterbilt Motors Company. PACCAR[®] is a registered trademark of PACCAR, Inc. GMC[®] is a registered trademark of General Motors Corporation. Hino[®] is a registered trademark of Hino Motors, Ltd. Isuzu[®] is a registered trademark of Isuzu Motors Limited. Kenworth[®] is a registered trademark of PACCAR, Inc. doing business as Kenworth Truck Company. Volvo[®] is a registered trademark of Volvo Trademark Holding AB. Freightliner[®] is a registered trademark of Freightliner Corporation. Mack[®] is a registered trademark of Mack Trucks, Inc. Navistar[®] is a registered trademark of Navistar International Corporation. Caterpillar[®] is a registered trademark of Caterpillar, Inc. PacLease[®] is a registered trademark of PACCAR Leasing Corporation. CitiCapital[®] is a registered trademark of Citicorp. Ford[®] is a registered trademark of Ford Motor Company. Ford Motor Credit Company[®] is a registered trademark of Ford Motor Company. Cummins[®] is a registered trademark of Cummins Intellectual Property, Inc. Eaton[®] is a registered trademark of Eaton Corporation. Arvin Meritor[®] is a registered trademark of Meritor Technology, Inc. JPMorgan Chase[®] is a registered trademark of JP Morgan Chase & Co. SAP[®] is a registered trademark of SAP Aktiengesellschaft. International[®] is a registered trademark of Navistar International Transportation Corp. Blue Bird[®] is a registered trademark of Blue Bird Investment Corporation. Autocar[®] is a registered trademark of Shem, LLC. IC Bus[®] is a registered trademark of IC Bus, LLC. Collins Bus Corporation[®] is a registered trademark of Collins Bus Corporation. Fuso[®] is a registered trademark of Mitsubishi Fuso Truck and Bus Corporation. Micro Bird[®] is a registered trademark of Blue Bird Body Company. Allison Transmission[®] is a registered trademark of Allison Transmission, Inc.

General

Rush Enterprises, Inc. was incorporated in Texas in 1965 and consists of one reportable segment, the Truck Segment. The Company conducts business through numerous subsidiaries, all of which it wholly owns, directly or indirectly. Its principal offices are located at 555 IH 35 South, Suite 500, New Braunfels, Texas 78130.

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

The Company's Rush Truck Centers are principally located in high traffic areas throughout the United States. Since commencing operations as a Peterbilt heavy-duty truck dealer in 1966, the Company has grown to operate 84 Rush Truck Centers in 17 states.

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

Critical Accounting Policies and Estimates

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

Inventories

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

Goodwill

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

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

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

Management is not aware of any impairment charge that may currently be required; however, a change in economic conditions, if one occurs, could result in an impairment charge in future periods.

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

Insurance Accruals

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

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

Accounting for Income Taxes

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

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

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

Stock-Based Compensation Expense

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

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

Derivative Instruments and Hedging Activities

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

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

Results of Operations

The following discussion and analysis includes the Company's historical results of operations for the three months and six months ended June 30, 2013 and 2012.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Revenue				
New and used truck sales	64.3%	71.6%	64.5%	71.3%
Parts and service	30.8	24.9	30.7	25.1
Lease and rental	4.0	2.8	4.0	2.9
Finance and insurance	0.5	0.4	0.4	0.4
Other	0.4	0.3	0.4	0.3
Total revenues	100.0	100.0	100.0	100.0
Cost of products sold	82.6	84.5	82.5	84.0
Gross profit	17.4	15.5	17.5	16.0
Selling, general and administrative	15.0	11.0	14.3	11.5
Depreciation and amortization	0.9	0.7	0.9	0.7
Gain on sale of assets	0.0	0.0	0.0	0.0
Operating income	1.5	3.8	2.3	3.8
Interest expense, net	0.3	0.4	0.3	0.4
Income before income taxes	1.2	3.4	2.0	3.4
Provision for income taxes	0.5	1.3	0.8	1.3
Net income	0.7%	2.1%	1.2%	2.1%

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2013	2012	2013	2012
Gross Profit:				
New and used commercial vehicle sales	25.5%	30.2%	26.6%	31.2%
Parts and service sales	65.7	62.2	64.9	61.7
Lease and rental	3.6	3.0	3.8	2.8
Finance and insurance	2.8	2.8	2.6	2.6
Other	2.4	1.8	2.1	1.7
Total gross profit	100.0%	100.0%	100.0%	100.0%

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

	Three Months Ended June 30,			Six Months Ended June 30,		
	2013	2012	% Change	2013	2012	% Change
Vehicle unit sales:						
New heavy-duty vehicles	2,088	2,813	-25.8%	4,153	5,551	-25.2%
New medium-duty vehicles	2,001	2,141	-6.5%	3,955	3,675	7.6%
New light-duty vehicles	534	343	55.7%	929	620	49.8%
Total new vehicle unit sales	4,623	5,297	-12.7%	9,037	9,846	-8.2%
Used vehicles	1,518	1,242	22.2%	2,932	2,494	17.6%
Vehicle revenue:						
New heavy-duty vehicles	\$ 292.7	\$ 395.3	-26.0%	\$ 579.9	\$ 779.5	-25.6%
New medium-duty vehicles	137.4	135.8	1.2%	270.2	236.5	14.2%
New light-duty vehicles	16.66	11.0	50.9%	28.6	20.2	41.6%
Total new vehicle revenue	\$ 446.7	\$ 542.1	-17.6%	\$ 878.7	\$ 1,036.2	-15.2%
Used vehicle revenue	\$ 57.9	\$ 53.1	9.0%	\$ 113.6	\$ 107.6	5.6%
Other vehicle revenue:⁽¹⁾	\$ 3.6	\$ 3.0	20.0%	\$ 5.5	\$ 6.3	-12.7%
Absorption ratio:	114.9%	117.7%	-2.4%	113.4%	117.2%	-3.2%

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

Key Performance Indicator

Absorption Ratio

Management uses several performance metrics to evaluate the performance of its commercial vehicle dealerships, and considers Rush Truck Centers' "absorption ratio" to be of critical importance. Absorption ratio is calculated by dividing the gross profit from the parts, service and body shop departments by the overhead expenses of all of a dealership's departments, except for the selling expenses of the new and used commercial vehicle departments and carrying costs of new and used commercial vehicle inventory. When 100% absorption is achieved, then gross profit from the sale of a commercial vehicle, after sales commissions and inventory carrying costs, directly impacts operating profit. In 1999, the Company's truck dealerships' absorption ratio was approximately 80%. The Company has made a concerted effort to increase its absorption ratio since 1999. The Company's truck dealerships achieved a 114.9% absorption ratio for the second quarter of 2013 and 117.7% absorption ratio for the second quarter in 2012.

Our absorption ratio decreased approximately 2.4% from the second quarter of 2012 due to a decrease in energy sector activity and the acquisition of nine dealerships in Ohio on December 31, 2012, which operated with absorption ratios well below the Company average.

Three Months Ended June 30, 2013 Compared to Three Months Ended June 30, 2012

The Company's financial performance was directly impacted by decreases in U.S. retail sales of Class 8 trucks and increased overhead related to substantial investments made to support the continued growth of its organization.

Parts, service and body shop revenues continue to be driven by strong demand for maintenance and repair from its customers. The Company continually works to expand its network of service points throughout the country and its portfolio of aftermarket solutions, such as its RushCare call center, mobile service and mobile technicians, natural gas vehicle service, oil and coolant diagnostic services and vehicle up-fitting, among others. Additionally, the Company is investing in facility upgrades, diagnostic equipment and technology that will enhance its customer's service experience and provide service when and where customers need it. The Company expects parts, service and body shop revenues to remain strong throughout 2013.

The Company continued to implement its strategy to extend its geographic footprint this quarter, completing an acquisition in North Carolina and entering purchase agreements with two dealer groups to acquire locations in Kansas, Missouri and Virginia.

The Company signed a definitive asset purchase agreement with Midwest Truck Sales to acquire locations in St. Peters and St. Louis, Missouri and Olathe, Kansas. The Missouri operations offer truck sales, parts and service for International trucks and the Kansas location offers truck sales, parts and service capabilities for Hino and Isuzu trucks and parts and service support for Mitsubishi Fuso trucks. The Company also signed a definitive asset purchase agreement with TransAuthority to acquire full service International dealerships in Richmond and Suffolk, Virginia and parts and service locations in Fredericksburg and Chester, Virginia.

The Company completed the Midwest Truck Sales acquisition on July 29, 2013 and expects to complete the Virginia acquisition in the fall. The new acquisitions will also expand the Company's Rush Truck Leasing capabilities with Idealease franchises in Missouri and Virginia. When complete, these acquisitions will extend the Company's Navistar Division to 32 Rush Truck Centers and two collision centers in eight states.

The Company has a track record of growth through acquisitions and additions of dealerships within its current areas of responsibility. It now operates a network of 84 Rush Truck Centers across the United States. The Company believes that this geographic diversity positions the Company to more effectively withstand regional economic downturns and expand service capabilities to match the footprint of its customer base.

On July 11, 2013, the Company entered into the third amendment to its credit agreement with GE Capital. The amendment increases the aggregate loan commitment to \$750.0 million. Borrowings under the amended credit agreement will now bear interest per annum, payable monthly, at the three month LIBOR rate, determined on the last day of the prior month, plus 2.03%. Pursuant to the third amendment, the credit agreement expires July 11, 2016, although GE Capital has the right to terminate the credit agreement at any time upon 120 days written notice.

Revenues

Revenues decreased \$46.2 million, or 5.5%, in the second quarter of 2013 compared to the second quarter of 2012.

Parts, service and body shop revenues increased \$34.6 million, or 16.6%, in the second quarter of 2013 compared to the second quarter of 2012. This increase is the result of increased service needs of aging vehicles, expanded product and service offerings and the Company's acquisition of nine dealerships in Ohio on December 31, 2012. The Company expects parts, service and body shop sales to continue to remain strong through 2013 and remains focused on expanding aftermarket product and service offerings.

Revenues from sales of new and used commercial vehicles decreased \$90.0 million, or 15.0%, in the second quarter of 2013 compared to the second quarter of 2012.

The Company sold 2,088 heavy-duty trucks in the second quarter of 2013, a 25.8% decrease compared to 2,813 heavy-duty trucks in the second quarter of 2012. According to A.C.T. Research Co., LLC ("A.C.T. Research"), a truck industry data and forecasting service provider, the U.S. Class 8 truck market decreased 11% in the second quarter of 2013 compared to the second quarter of 2012. A.C.T. Research currently predicts U.S. retail sales of Class 8 trucks of approximately 196,700 units in 2013, 227,000 units in 2014, and 213,000 units in 2015, compared to approximately 198,000 units in 2012. The Company's share of the U.S. Class 8 truck sales market was approximately 5.0% in 2012. The Company expects its market share to range between 4.8% and 5.3% of U.S. Class 8 truck sales in 2013. This market share percentage would result in the sale of approximately 9,400 to 10,400 of Class 8 trucks in 2013 based on A.C.T. Research's estimate of U.S. retail sales of 196,700 units.

The Company sold 2,001 medium-duty commercial vehicles, including 276 buses, in the second quarter of 2013, a 6.5% decrease compared to 2,141 medium-duty commercial vehicles, including 141 buses, in 2012. A.C.T. Research estimates that unit sales of Class 4 through 7 commercial vehicles in the U.S. increased approximately 11% in the second quarter of 2013, compared to the second quarter of 2012. A.C.T. Research currently predicts U.S. retail sales of Class 4 through 7 medium-duty commercial vehicles of approximately 183,000 units in 2013, 197,000 units in 2014, and 210,000 in 2015. In 2012, the Company achieved a 4.3% share of the Class 4 through 7 commercial vehicle sales market in the U.S. The Company expects its market share to range between 4.1% and 4.6% of U.S. Class 4 through 7 commercial vehicle sales in 2013. This market share percentage would result in the sale of approximately 7,500 to 8,400 of Class 4 through 7 commercial vehicles in 2013 based on A.C.T. Research's current U.S. retail sales estimates of 183,000 units.

The Company sold 534 light-duty vehicles in the second quarter of 2013, a 55.7% increase compared to 343 light-duty vehicles in the second quarter of 2012. The Company expects to sell 1,500 light-duty vehicles in 2013.

The Company sold 1,518 used commercial vehicles in the second quarter of 2013, a 22.2% increase compared to 1,242 used commercial vehicles in the second quarter of 2012. The Company expects to sell 5,500 to 6,000 used commercial vehicles in 2013. The volume of used commercial vehicle sales will be largely dependent upon our ability to acquire quality used commercial vehicles and maintain an adequate used commercial vehicle inventory throughout 2013.

Truck lease and rental revenues increased \$7.9 million, or 33.8%, in the second quarter of 2013 compared to the second quarter of 2012. The increase in lease and rental revenue is primarily due to the increased number of units put into service in the lease and rental fleet during 2012 and the Ohio acquisition that occurred in the fourth quarter of 2012. The Company expects lease and rental revenue to increase 30% to 35% during 2013, compared to 2012.

Finance and insurance revenues increased \$0.3 million, or 7.3%, in the second quarter of 2013 compared to the second quarter of 2012. The Company expects finance and insurance revenue to fluctuate proportionately with the Company's new and used commercial vehicle sales in 2013. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of the Company's operating profits.

Gross Profit

Gross profit increased \$8.1 million, or 6.2%, in the second quarter of 2013, compared to the second quarter of 2012. Gross profit as a percentage of sales increased to 17.4% in the second quarter of 2013 from 15.5% in the second quarter of 2012. This increase in gross profit as a percentage of sales is a result of a change in our product sales mix. Commercial vehicle sales, a lower margin revenue item, decreased as a percentage of total revenue to 64.3% in 2013, from 71.6% in 2012. Parts and service revenue, a higher margin revenue item, increased as a percentage of total revenue to 30.8% in 2013, from 24.9% in 2012.

Gross margins from the Company's parts, service and body shop operations decreased to 37.2% in the second quarter of 2013, from 38.7% in the second quarter of 2012. Gross profit for the parts, service and body shop departments increased to \$90.5 million in the second quarter of 2013 from \$80.7 million in the second quarter of 2012. Historically, parts operations gross margins range from 27% to 28% and service and body shop operations range from 67% to 68%. Gross profits from parts sales represented 54% of total gross profit for parts, service and body shop operations in the second quarter of 2013, compared to 53% in the second quarter of 2012. Service and body shop operations represented 46% of total gross profit for parts, service and body shop operations in the second quarter of 2013, compared to 47% in the second quarter of 2012. The Company expects blended gross margins on parts, service and body shop operations to range from 37.0% to 39.0% in 2013.

Gross margins on Class 8 truck sales remained constant at 6.7% in the second quarter of 2013 and the second quarter of 2012. In 2013, the Company expects overall gross margins from Class 8 truck sales of approximately 6.5% to 7.5%.

Gross margins on medium-duty commercial vehicle sales increased to 5.0% in the second quarter of 2013, from 4.2% in the second quarter of 2012. Gross margins on medium-duty commercial vehicles are difficult to forecast accurately because gross margins vary significantly depending upon the mix of fleet and non-fleet purchasers and types of medium-duty commercial vehicles sold. For 2013, the Company expects overall gross margins from medium-duty commercial vehicle sales of approximately 4.5% to 5.5%, but this will largely depend upon the mix of purchasers and types of vehicles sold.

Gross margins on used commercial vehicle sales increased to 10.5% in the second quarter of 2013, from 8.3% in the second quarter of 2012. The Company expects margins on used commercial vehicles to range between 8.5% and 10.5% during 2013 depending upon general economic conditions and the availability of quality used vehicles.

Gross margins from truck lease and rental sales decreased to 15.9% in the second quarter of 2013, from 16.5% in the second quarter of 2012. The Company expects gross margins from lease and rental sales of approximately 16.0% to 18.0% during 2013, as it expects to continue to grow its lease and rental fleet. 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 potentially a corresponding gain or loss on sale when the unit is sold at the end of the lease term.

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

Selling, General and Administrative Expenses

Selling, General and Administrative (“SG&A”) expenses increased \$26.9 million, or 29.4%, in the second quarter of 2013, compared to the second quarter of 2012. This increase is partially due to the execution of the Retirement and Transition Agreement with the Company’s former Chairman, W. Marvin Rush, which resulted in the recognition of \$10.8 million in retirement pay and benefits during the second quarter of 2013. SG&A expenses as a percentage of total revenue increased to 15.0% in the second quarter of 2013, from 11.0% in the second quarter of 2012. SG&A expenses as a percentage of total revenue have historically ranged from 10.0% to 15.0%. In general, when new and used commercial vehicle revenue decreases as a percentage of total revenue, SG&A expenses as a percentage of total revenue will be at, or exceed, the higher end of this range. For 2013, the Company expects SG&A expenses as a percentage of total revenue to range from 11.0% to 14.0% and the selling portion of SG&A expenses to be approximately 25% to 30% of new and used commercial vehicle gross profit. In 2013, the Company expects the general and administrative portion of SG&A expenses to increase by approximately 15.0% to 20.0% compared to 2012 due primarily to the full year effect of the Ohio acquisition that occurred in December 2012, the Retirement and Transition Agreement with the Company’s former Chairman, W. Marvin Rush and the addition of resources and technology to support the Company’s growth.

Depreciation and Amortization Expense

Depreciation and amortization expense increased \$1.2 million, or 19.9%, in the second quarter of 2013 compared to the second quarter of 2012. This increase is primarily due to the Ohio acquisition and dealership expansions.

Interest Expense, Net

Net interest expense decreased \$0.9 million, or 27.2%, in the second quarter of 2013 compared to the second quarter of 2012. The decrease in net interest expense is primarily due to the decrease in truck inventory levels compared to the second quarter of 2012. Net interest expense in 2013 will depend on inventory levels and cash available for prepayment of floor plan financing.

Income before Income Taxes

As a result of the factors described above, income before income taxes decreased \$19.3 million, or 67.4%, in the second quarter of 2013 compared to the second quarter of 2012.

Income Taxes

Income taxes decreased \$7.5 million, or 67.0%, in the second quarter of 2013, compared to the second quarter of 2012. The Company provided for taxes at a 39.5% effective rate in the second quarter of 2013 compared to an effective rate of 39.0% in the second quarter of 2012. The Company expects its effective tax rate to be approximately 37% to 39% of pretax income in 2013.

Six Months Ended June 30, 2013, Compared to Six Months Ended June 30, 2012

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 June 30, 2013, Compared to Three Months Ended June 30, 2012.”

Revenues decreased \$66.7 million, or 4.1%, in the first six months of 2013, compared to the first six months of 2012. Sales of new and used trucks decreased \$152.3 million, or 13.2%, in the first six months of 2013, compared to the first six months of 2012.

Parts and service sales increased \$69.5 million, or 17.2%, in the first six months of 2013, compared to the first six months of 2012.

The Company sold 4,153 heavy-duty trucks in the first six months of 2013, a 25.2% decrease compared to 5,551 heavy-duty trucks in the first six months of 2012. According to A.C.T. Research, retail sales in the U.S. Class 8 truck market decreased 14.0% in the first six months of 2013, compared to the first six months of 2012.

The Company sold 3,955 medium-duty commercial vehicles, including 466 buses in the first six months of 2013. This represented a 7.6% increase compared to 3,675 medium-duty commercial vehicles, including 255 buses in the first six months of 2012. A.C.T. Research estimates that unit sales of Class 4 through 7 commercial vehicles in the U.S increased approximately 5.0% in the first six months of 2013, compared to the first six months of 2012.

The Company sold 2,932 used commercial vehicles in the first six months of 2013, a 17.6% increase compared to 2,494 used commercial vehicles in the first six months of 2012.

Truck lease and rental revenues increased \$14.6 million, or 31.1%, in the first six months of 2013, compared to the first six months of 2012.

Finance and insurance revenues increased \$0.3 million, or 3.8%, in the first six months of 2013, compared to the first six months of 2012.

Gross Profit

Gross profit increased \$13.6 million, or 5.3%, in the first six months of 2013, compared to the first six months of 2012. Gross profit as a percentage of sales increased to 17.5% in the first six months of 2013 from 16.0% in the first six months of 2012.

Gross margins from the Company's parts, service and body shop operations decreased to 37.2% in the first six months of 2013, from 39.3% in the first six months of 2012. Gross profit for the parts, service and body shop departments was \$176.2 million in the first six months of 2013, compared to \$159.1 million in the first six months of 2012. Gross profits from parts sales represented 55% of total gross profit for parts, service and body shop operations in the first six months of 2013, compared to 53% in the first six months of 2012. Service and body shop operations represented 45% of total gross profit for parts, service and body shop operations in the first six months of 2013, compared to 47% in the first six months of 2012.

Gross margins on Class 8 truck sales decreased to 7.0% in the first six months of 2013, from 7.1% in the first six months of 2012.

Gross margins on medium-duty commercial vehicle sales increased to 5.3% in the first six months of 2013, from 4.5% in the first six months of 2012.

Gross margins on used commercial vehicle sales increased to 10.3% in the first six months of 2013, from 9.2% in the first six months of 2012.

Gross margins from truck lease and rental sales increased to 16.9% in the first six months of 2013, from approximately 15.6% in the first six months of 2012. This increase was attributable to higher utilization of the lease and rental units in the Company's fleet and decreased maintenance costs.

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

Selling, General and Administrative Expenses

SG&A expenses increased \$36.0 million, or 19.5%, in the first six months of 2013, compared to the first six months of 2012. SG&A expenses as a percentage of sales was 14.3% in the first six months of 2013 and 11.4% in the first six months of 2012.

Depreciation and Amortization Expense

Depreciation and amortization expense increased \$2.4 million, or 20.4%, in the first six months of 2013 compared to 2012.

Interest Expense, Net

Net interest expense decreased \$1.7 million, or 25.6%, in the first six months of 2013, compared to the first six months of 2012.

Income before Income Taxes

Income before income taxes decreased \$23.2 million, or 42.5%, in the first six months of 2013, compared to the first six months of 2012.

Provision for Income Taxes

Income taxes decreased \$9.1 million, or 42.6%, in the first six months of 2013, compared to the first six months of 2012. The Company provided for taxes at a 39.0% rate in the first six months of 2013, compared to a rate of 39.0% in the first six months of 2012.

Liquidity and Capital Resources

The Company's short-term cash requirements are primarily for working capital, inventory financing, the improvement and expansion of existing facilities and the construction or purchase of new facilities. Historically, these cash requirements have been met through the retention of profits, borrowings under our floor plan arrangements and bank financings. As of June 30, 2013, the Company had working capital of approximately \$244.1 million, including \$203.5 million in cash available to fund our operations. The Company believes that these funds are sufficient to meet its operating requirements for at least the next twelve months.

The Company has a secured line of credit that provides for a maximum borrowing of \$10.0 million. There were no advances outstanding under this secured line of credit at June 30, 2013, however, \$8.0 million was pledged to secure various letters of credit related to self-insurance products, leaving \$2.0 million available for future borrowings as of June 30, 2013.

The Company's long-term real estate debt agreements require the Company to satisfy various financial ratios such as the debt to worth ratio, leverage ratio and the fixed charge coverage ratio and certain requirements for tangible net worth and GAAP net worth. As of June 30, 2013, the Company was in compliance with all debt covenants related to debt secured by real estate and lease and rental units and its floor plan credit agreement. The Company does not anticipate any breach of the covenants in the foreseeable future.

The Company expects to purchase or lease trucks worth approximately \$125.0 million for its leasing operations during 2013, depending on customer demand, all of which will be financed. The Company expects to make capital expenditures for recurring items such as computers, shop equipment and vehicles of approximately \$7.0 to \$10.0 million during the remainder of 2013.

The Company is currently under contract to construct dealership facilities in Corpus Christi, Texas, at an estimated cost of \$6.6 million, San Antonio, Texas, at an estimated cost of \$12.0 million and Orlando, Florida, at an estimated cost of \$4.1 million. The construction project in Corpus Christi is estimated to continue through the third quarter of 2013, the construction projects in San Antonio and Orlando are estimated to continue through the second quarter of 2014.

The Company currently anticipates funding its capital expenditures relating to the improvement and expansion of existing facilities and recurring expenses through its operating cash flow and the construction or purchase of new facilities through either its operating cash flow or financing 70% to 80% of the appraised value.

On February 1, 2013, 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 \$40.0 million 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. The stock repurchase program expires on January 31, 2014, 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 June 30, 2013, the Company has purchased approximately \$2.3 million of its Class B common stock under this repurchase program.

The Company has no other material commitments for capital expenditures as of June 30, 2013, except that the Company will continue to purchase vehicles for its lease and rental division and authorize capital expenditures for improvement and expansion of its existing dealership facilities and construction or purchase of new facilities based on market opportunities.

Cash Flows

Cash and cash equivalents increased by \$4.8 million during the three months ended June 30, 2013 and decreased by \$38.8 million during the three months ended June 30, 2012. 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 six months of 2013, operating activities resulted in net cash provided by operations of \$36.7 million. Cash provided by operating activities was primarily impacted by the increase in accounts payable, which was offset by the decrease in accrued liabilities and the increase in inventories.

During the first six months of 2012, operating activities resulted in net cash used in operations of \$67.2 million. Cash used in operating activities was primarily impacted by the increase in inventories and the decrease in accrued expenses which was offset by the increase in accounts payable and draws on floor plan notes payable - trade.

In June 2012, the Company entered into a wholesale financing agreement with Ford Motor Credit Company that provides for the financing of, and is collateralized by, the Company's Ford new vehicle inventory. This wholesale financing agreement bears interest at a rate of Prime plus 150 basis points minus certain incentives and rebates; however, the prime rate is defined to be a minimum of 3.75%. As of June 30, 2013, the interest rate on the wholesale financing agreement was 5.25% before considering the applicable incentives. As of June 30, 2013, the Company had an outstanding balance of \$39.3 million under the Ford Motor Credit Company wholesale financing agreement.

Cash Flows from Investing Activities

Cash flows used in investing activities consist primarily of cash used for capital expenditures and business acquisitions. During the first six months of 2013, cash used in investing activities was \$85.8 million. Capital expenditures consisted of purchases of property and equipment and improvements to our existing dealership facilities of \$82.5 million. Property and equipment purchases during the first six months of 2013 consisted of \$57.6 million for additional units for rental and leasing operations, which will be directly offset by borrowings of long-term debt. The Company expects to purchase or lease trucks worth approximately \$125.0 million for its leasing operations in 2013, depending on customer demand, all of which will be financed. The Company expects to make capital expenditures for recurring items such as computers, shop equipment and vehicles of approximately \$7.0 to \$10.0 million during the remainder of 2013.

During the first six months of 2012, cash used in investing activities was \$78.2 million. Capital expenditures consisted of purchases of property and equipment and improvements to our existing dealership facilities of \$78.5 million. Property and equipment purchases during the first six months of 2012 consisted of \$69.9 million for additional units for rental and leasing operations, which will be directly offset by borrowings of long-term debt.

Cash Flows from Financing Activities

Cash flows from financing activities include borrowings and repayments of long-term debt and net proceeds of floor plan notes payable – non-trade. Cash provided by financing activities was \$53.8 million during the first six months of 2013. The Company had borrowings of long-term debt of \$65.7 million and repayments of long-term debt and capital lease obligations of \$52.0 million during the first six months of 2013. The Company had net draws on floor plan notes payable – non-trade of \$33.0 million during the first six months of 2013. The borrowings of long-term debt were primarily related to units for the rental and leasing operations.

Cash provided by financing activities was \$106.6 million during the first six months of 2012. The Company had borrowings of long-term debt of \$63.9 million and repayments of long-term debt and capital lease obligations of \$40.6 million during the first six months of 2012. The Company had net draws on floor plan notes payable – non-trade of \$77.9 million during the first six months of 2012. The borrowings of long-term debt were primarily related to units for the rental and leasing operations.

Substantially all of the Company's commercial vehicle purchases are made on terms requiring payment to the manufacturer within 15 days or less from the date the commercial vehicles are invoiced from the factory. On January 31, 2012, the Company entered into an amended and restated \$600.0 million credit agreement with GE Capital. The interest rate under the amended credit agreement is LIBOR plus 2.23% on inventory loans up to \$500.0 million and LIBOR plus 2.95% on inventory loans exceeding \$500.0 million. The amended credit agreement allows the Company to prepay inventory loans, provided that the prepayment does not exceed the sum of 38% of the aggregate inventory loans made up to \$500.0 million plus 100% of the inventory loans above \$500.0 million. GE Capital may terminate this credit agreement without cause upon 120 days written notice. 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 financed for 12 months or was sold, whichever occurs first. On June 30, 2013, the Company had approximately \$533.0 million outstanding under its credit agreement with GE Capital. The average outstanding borrowings under the credit agreement with GE Capital during the second quarter of 2013 were \$453.8 million.

On July 11, 2013, the Company entered into the third amendment to its \$600.0 million amended and restated credit agreement with GE Capital. The amendment increases the aggregate loan commitment to \$750.0 million. Borrowings under the amended credit agreement will now bear interest per annum, payable monthly, at the three month LIBOR rate, determined on the last day of the prior month, plus 2.03%. In addition, the Company is required to pay to the lenders a monthly working capital fee equal to 0.35% per annum multiplied by the amount of voluntary prepayments of new and used inventory loans. Loans under the credit agreement for the purchase of used inventory are limited to \$150.0 million. Pursuant to the third amendment, the credit agreement expires July 11, 2016, although GE Capital has the right to terminate the credit agreement at any time upon 120 days written notice. The Company may terminate the credit agreement at any time, although if it does so it must pay the lenders a prepayment processing fee of (i) \$15,000,000 if it terminates on or prior January 11, 2015, (ii) \$7,500,000 if it terminates after January 11, 2015 but on or prior to July 11, 2015 and (iii) \$300,000 if it terminates thereafter, subject in each case to specified limited exceptions.

Navistar Financial Corporation and Peterbilt offer trade terms that provide an interest free inventory stocking period for certain new commercial vehicles. If the commercial vehicle is not sold within the interest free period, the Company then finances the commercial vehicle under the GE Capital credit agreement.

Backlog

On June 30, 2013, the Company's backlog of commercial vehicle orders was approximately \$703.5 million compared to a backlog of commercial vehicle orders of approximately \$753.2 million on June 30, 2012. The Company includes only confirmed orders in its backlog. The delivery time for a custom-ordered commercial vehicle varies depending on the truck specifications and demand for the particular model ordered, however, the Company expects to fill the majority of its backlog orders during 2013. The Company sells the majority of its new heavy-duty commercial vehicles by customer special order. The Company sells the majority of its medium- and light-duty commercial vehicles out of inventory. Orders from a number of the Company's major fleet customers are included in the Company's backlog as of June 30, 2013.

Seasonality

The Company's Truck Segment is moderately seasonal. Seasonal effects on new commercial vehicle sales related to the seasonal purchasing patterns of any single customer type are mitigated by the diverse geographic locations of our dealerships and the Company's diverse customer base, including regional and national fleets, local governments, corporations and owner operators. However, commercial vehicle parts and service operations historically have experienced higher sales volumes in the second and third quarters.

Cyclicality

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

Off-Balance Sheet Arrangements

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

Environmental Standards and Other Governmental Regulations

The Company is subject to a wide range of federal, state and local environmental laws and regulations, including those governing discharges into the air and water; the operation and removal of underground and aboveground storage tanks; the use, handling, storage and disposal of hazardous substances, petroleum and other materials; and the investigation and remediation of contamination. As with commercial vehicle dealerships generally, and service, parts and body shop operations in particular, our business involves the generation, use, storage, handling and contracting for recycling or disposal of hazardous materials or wastes and other environmentally sensitive materials. The Company has incurred, and will continue to incur, capital and operating expenditures and other costs in complying with such laws and regulations.

Our operations involving the handling and disposal of hazardous and nonhazardous materials are subject to the requirements of the federal Resource Conservation and Recovery Act, or RCRA, and comparable state statutes. Pursuant to these laws, federal and state environmental agencies have established approved methods for handling, storage, treatment, transportation and disposal of regulated substances and wastes with which the Company must comply. Our business also involves the operation and use of above ground and underground storage tanks. These storage tanks are subject to periodic testing, containment, upgrading and removal under RCRA and comparable state statutes. Furthermore, investigation or remediation may be necessary in the event of leaks or other discharges from current or former underground or aboveground storage tanks.

The Company may also have liability in connection with materials that were sent to third-party recycling, treatment, or disposal facilities under the federal Comprehensive Environmental Response, Compensation and Liability Act, or CERCLA, and comparable state statutes. These statutes impose liability for investigation and remediation of contamination without regard to fault or the legality of the conduct that contributed to the contamination. Responsible parties under these statutes may include the owner or operator of the site where contamination occurred and companies that disposed or arranged for the disposal of the hazardous substances released at these sites. These responsible parties also may be liable for damages to natural resources. In addition, it is not uncommon for neighboring landowners and other third parties to file claims for personal injury and property damage allegedly caused by the release of hazardous substances or other pollutants into the environment.

The federal Clean Water Act and comparable state statutes prohibit discharges of pollutants into regulated waters without the necessary permits, require containment of potential discharges of oil or hazardous substances, and require preparation of spill contingency plans. Water quality protection programs govern certain discharges from some of our operations. Similarly, the federal Clean Air Act and comparable state statutes regulate emissions of various air pollutants through air emissions permitting programs and the imposition of other requirements. In addition, the U.S. Environmental Protection Agency, or EPA, has developed, and continues to develop, stringent regulations governing emissions of toxic air pollutants from specified sources.

The Company believes that it does not currently have any material environmental liabilities and that compliance with environmental laws and regulations will not, individually or in the aggregate, have a material adverse effect on our results of operations, financial condition or cash flows. However, soil and groundwater contamination is known to exist at some of our current properties. Further, environmental laws and regulations are complex and subject to change. In addition, in connection with acquisitions, it is possible that the Company will assume or become subject to new or unforeseen environmental costs or liabilities, some of which may be material. In connection with our dispositions, or prior dispositions made by companies we acquire, the Company may retain exposure for environmental costs and liabilities, some of which may be material. Compliance with current or amended, or new or more stringent, laws or regulations, stricter interpretations of existing laws or the future discovery of environmental conditions could require additional expenditures by us, and those expenditures could be material.

In 2010, the EPA and the U.S. Department of Transportation (DOT) announced the first national standards to reduce greenhouse gas (GHG) emissions and improve fuel efficiency of heavy-duty trucks and buses beginning in model year 2014. The final rules, which were issued on September 15, 2011, begin to apply in 2014 and are fully implemented in model year 2017. It is not possible at this time to accurately predict how the foregoing standards, future legislation or other new regulations that may be adopted to address greenhouse gas emissions will impact our business. Any regulations will likely result in increased compliance costs, additional operating restrictions or changes in demand for our products and services, which could have a material adverse effect on our business, financial condition and results of operation.

ITEM 3. Quantitative and Qualitative Disclosures about Market Risk.

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

The Company is exposed to some market risk through interest rates related to our floor plan financing agreements, variable rate real estate debt and discount rates related to finance sales. The majority of floor plan debt and variable rate real estate debt is based on LIBOR. As of June 30, 2013, the Company had floor plan borrowings and variable interest rate real estate debt of approximately \$652.5 million. Assuming an increase or decrease in LIBOR of 100 basis points, annual interest expense could correspondingly increase or decrease by approximately \$6.5 million.

The Company provides all customer financing opportunities to various finance providers. The Company receives all finance charges in excess of a negotiated discount rate from the finance providers in the month following the date of the financing. The negotiated discount rate is variable, thus subject to interest rate fluctuations. This interest rate risk is mitigated by the Company's ability to pass discount rate increases to customers through higher financing rates.

The Company is exposed to some market risk through interest rate swaps on some of the Company's variable interest rate real estate debt. As of June 30, 2013, the Company had interest rate swaps with a total notional amount of \$40.0 million. The swaps were designed to provide a hedge against changes in interest rates on some of the Company's variable interest rate real estate debt. The swaps are collateralized by the underlying real estate. These interest rate swaps qualify for cash flow hedge accounting treatment and are considered effective. For additional information about the effect of the Company's derivative instruments on the accompanying consolidated financial statements, see Note 6 – Financial Instruments and Fair Value of the Notes to Consolidated Financial Statements.

The Company is also exposed to some market risk through interest rates related to the investment of our current cash and cash equivalents which totaled \$203.5 million on June 30, 2013. These funds are generally invested in variable interest rate instruments in accordance with the Company's investment policy. As such instruments mature and the funds are reinvested, we are exposed to changes in market interest rates. This risk is mitigated by management's ongoing evaluation of the best investment rates available for current and noncurrent high quality investments. If market interest rates were to increase or decrease immediately and uniformly by 100 basis points, the Company's annual interest income could correspondingly increase or decrease by approximately \$2.0 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. 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 June 30, 2013, the Company holds auction rate securities, with underlying tax-exempt municipal bonds that mature in 2030, that have a fair value of \$6.6 million. Given the current market conditions in the auction rate securities market, if the Company determines that the fair value of these securities temporarily decreases by an additional 10%, the Company's equity could correspondingly decrease by approximately \$0.7 million. If it is determined that the fair value of these securities is other-than-temporarily impaired by 10%, the Company could record a loss on its Consolidated Statements of Operations of approximately \$0.7 million. For further discussion of the risks related to our auction rate securities, see Note 6 – Financial Instruments and Fair Value of the Notes to Consolidated Financial Statements.

ITEM 4. Controls and Procedures.

The Company, under the supervision and with the participation of management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the Company's disclosure controls and procedures were effective as of June 30, 2013 to ensure that information required to be disclosed in the reports filed or submitted under the Securities Exchange Act of 1934 is (i) recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission's rules and forms, and (ii) is accumulated and communicated to Company management, including the Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

There has been no change in the Company's internal control over financial reporting that occurred during the three months ended June 30, 2013 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II. OTHER INFORMATION

ITEM 1. Legal Proceedings.

From time to time, we are involved in litigation arising out of the Company's operations in the ordinary course of business. We maintain liability insurance, including product liability coverage, in amounts deemed adequate by management. To date, aggregate costs to us for claims, including product liability actions, have not been material. However, an uninsured or partially insured claim, or claim for which indemnification is not available, could have a material adverse effect on the Company's financial condition or results of operations. We believe that there are no claims or litigation pending, the outcome of which could have a material adverse effect on the Company's financial position or results of operations. However, due to the inherent uncertainty of litigation, there can be no assurance that the resolution of any particular claim or proceeding would not have a material adverse effect on the Company's financial condition or results of operations for the fiscal period in which such resolution occurred.

ITEM 1A. Risk Factors.

While we attempt to identify, manage and mitigate risks and uncertainties associated with our business to the extent practical under the circumstances, some level of risk and uncertainty will always be present. Item 1A, Part I of our 2012 Annual Report on Form 10-K (the "2012 Annual Report") describes some of the risks and uncertainties associated with our business that have the potential to materially affect our business, financial condition or results of operations.

There has been no material change in our risk factors disclosed in our 2012 Annual Report.

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

The Company did not make any unregistered sales of equity securities during the second quarter of 2013.

A summary of the repurchase activity for the Company's second quarter of 2013 is as follows:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share (1)	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Approximate Dollar Value of Shares that May Yet be Purchased Under the Plans or Programs (3)
April 1 – April 30, 2013	16,741	\$ 19.53	16,741	\$ 39,673,021
May 1 – May 31, 2013	45,568	21.88	62,309	38,675,807
June 1 – June 30, 2013	42,976	22.00	105,285	37,730,450
Total	<u>105,285</u>		<u>105,285</u>	<u>\$ 37,730,450</u>

- (1) The calculation of the average price paid per share does not give effect to any fees, commissions or other costs associated with the repurchase of such shares.
- (2) The shares represent Class B common stock repurchased by the Company.
- (3) The Company repurchased shares under a program announced on February 1, 2013, which authorized the repurchase of up to \$40.0 million of its shares of Class A common stock, \$.01 par value per share, and/or Class B common stock, \$.01 par value per share. The stock repurchase program expires on January 31, 2014 and may be suspended or discontinued at any time.

ITEM 3. Defaults Upon Senior Securities.

Not Applicable

ITEM 4. Mine Safety Disclosures.

Not Applicable

ITEM 5. Other Information.

Not Applicable

ITEM 6. Exhibits

Exhibit Number	<i>Exhibit Title</i>
3.1	Restated Articles of Incorporation of Rush Enterprises, Inc. (incorporated herein by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q (File No. 000-20797) for the quarter ended June 30, 2008)
3.2	Rush Enterprises, Inc. Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed May 21, 2013)
10.1	Third Amendment to Credit Agreement, dated July 11, 2013, among Rush Truck Centers of Alabama, Inc., Rush Truck Centers of Arizona, Inc., Rush Truck Centers of California, Inc., Rush Medium Duty Truck Centers of Colorado, Inc., Rush Truck Centers of Colorado, Inc., Rush Truck Centers of Florida, Inc., Rush Truck Centers of Georgia, Inc., Rush Truck Centers of New Mexico, Inc., Rush Truck Centers of Oklahoma, Inc., Rush Truck Centers of Tennessee, Inc., Rush Truck Centers of North Carolina, Inc., Rush Truck Centers of Idaho, Inc., Rush Truck Centers of Utah, Inc., Rush Truck Centers of Oregon, Inc., Rush Truck Centers of Ohio, Inc., Rush Truck Centers of Kansas, Inc., Rush Truck Centers of Missouri, Inc., Rush Truck Centers of Texas, L.P., Rush Enterprises, Inc., the Lenders party thereto, and GE Capital Commercial Inc. (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed July 16, 2013)
10.2***	Retirement and Transition Agreement, dated May 20, 2013, by and between the Company and W. Marvin Rush (incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed May 21, 2013)
31.1*	Certification of CEO pursuant to Rules 13a-14(a) and 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of CFO pursuant to Rules 13a-14(a) and 15d-14(a) adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of CEO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of CFO pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101.INS+++	XBRL Instance Document.
101.SCH+++	XBRL Taxonomy Extension Schema Document.
101.CAL+++	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF+++	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB+++	XBRL Taxonomy Extension Label Linkbase Document
101.PRE+++	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith

** Furnished herewith

*** Management contract or compensating plan or arrangement

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

SIGNATURES

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

RUSH ENTERPRISES, INC.

Date: August 9, 2013

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

Date: August 9, 2013

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

EXHIBIT INDEX

Exhibit Number	<i>Exhibit Title</i>
3.1	Restated Articles of Incorporation of Rush Enterprises, Inc. (incorporated herein by reference to Exhibit 3.1 of the Company's Quarterly Report on Form 10-Q (File No. 000-20797) for the quarter ended June 30, 2008)
3.2	Rush Enterprises, Inc. Amended and Restated Bylaws (incorporated herein by reference to Exhibit 3.1 of the Company's Current Report on Form 8-K (File No. 000-20797) filed May 21, 2013)
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*	Filed herewith
**	Furnished herewith
***	Management contract or compensating plan or arrangement
+++	Pursuant to Rule 406T of Regulation S-T, the Interactive Data Files on Exhibit 101 hereto are deemed not filed or part of a registration statement or prospectus for purposes of Sections 11 or 12 of the Securities Act of 1933, as amended, are deemed not filed for purposes of Section 18 of the Securities and Exchange Act of 1934, as amended, and otherwise are not subject to liability under those sections.

CERTIFICATION

I, W.M. "Rusty" Rush, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rush Enterprises, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2013

By: /S/ W.M. "RUSTY" RUSH

W.M. "Rusty" Rush
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

CERTIFICATION

I, Steven L. Keller, certify that:

1. I have reviewed this quarterly report on Form 10-Q of Rush Enterprises, Inc.;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officers and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officers and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 9, 2013

By: /S/ STEVEN L. KELLER

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

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

In connection with this quarterly report of Rush Enterprises, Inc. (the "Company") on Form 10-Q for the period ended June 30, 2013, 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: Chairman, President and Chief Executive Officer

Date: August 9, 2013

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 June 30, 2013, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), I, Steven L. Keller, Vice President and Chief Financial Officer of the Company, certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that:

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

By: /S/ STEVEN L. KELLER

Name: Steven L. Keller

Title: Senior Vice President and Chief Financial Officer

Date: August 9, 2013

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.