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 SEPTEMBER 30, 1999

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	74-1733016
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

8810 I.H. 10 East
San Antonio, Texas 78219
(Address of principal executive offices)
(Zip Code)

(210) 661-4511
(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 ___

Indicated below is the number of shares outstanding of the registrant's only class of common stock, as of November 7, 1999.

Title of Class	Number of Shares Outstanding
Common Stock, $.01 Par Value	7,002,044

RUSH ENTERPRISES, INC., AND SUBSIDIARIES

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RUSH ENTERPRISES, INC., AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS

(IN THOUSANDS)

	September 30, 1999 (Unaudited)	December 31, 1998 (Audited)
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 29,917	$ 22,516
Accounts receivable, net	25,154	19,478
Inventories	144,299	107,140
Prepaid expenses and other	388	607
Total current assets	199,758	149,741
PROPERTY AND EQUIPMENT, net	79,064	54,448
OTHER ASSETS, net	18,050	16,511
Total assets	$ 296,872	$ 220,700
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Floor plan notes payable	$ 134,420	$ 89,212
Current maturities of long-term debt	6,379	7,095
Advances outstanding under lines of credit	10	10
Trade accounts payable	8,510	6,926
Accrued expenses	16,148	20,086
Note payable to shareholder	8,600	10,700
Total current liabilities	174,067	134,029
LONG-TERM DEBT, net of current maturities	54,970	32,164
DEFERRED INCOME TAXES, net	3,576	1,638
COMMITMENTS AND CONTINGENCIES (Note 2)		
SHAREHOLDERS' EQUITY:		
Preferred stock, par value $.01 per share; 1,000,000 shares authorized; 0 shares outstanding in 1998 and 1999	--	--
Common stock, par value $.01 per share; 25,000,000 shares authorized; 6,643,730 and 6,646,488 shares outstanding in 1998 and 1999, respectively	66	66
Additional paid-in capital	33,342	33,342
Retained earnings	30,851	19,461
Total shareholders' equity	64,259	52,869
Total liabilities and shareholders' equity	$ 296,872	$ 220,700

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

RUSH ENTERPRISES, INC., AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF INCOME
(IN THOUSANDS, EXCEPT EARNINGS PER SHARE - UNAUDITED)

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
REVENUES:				
New and used truck sales	$ 149,931	$ 105,864	$ 401,222	$ 308,243
Parts and service	32,949	28,806	94,567	79,182
Construction equipment sales	16,592	6,828	41,191	24,741
Lease and rental	6,936	4,665	18,273	13,640
Finance and insurance	3,326	2,743	10,829	8,140
Retail sales	4,076	4,454	13,565	9,705
Other	558	656	2,452	1,947
TOTAL REVENUES	214,844	153,540	582,099	445,598
COST OF PRODUCTS SOLD	181,179	126,366	485,066	370,193
GROSS PROFIT	33,665	27,174	97,033	75,405
SELLING, GENERAL AND ADMINISTRATIVE	23,229	19,663	68,436	56,173
DEPRECIATION AND AMORTIZATION	1,483	1,266	4,270	3,340
OPERATING INCOME	8,953	6,245	24,327	15,892
INTEREST EXPENSE	1,977	1,467	5,343	4,335
INCOME BEFORE INCOME TAXES	6,976	4,778	18,984	11,557
PROVISION FOR INCOME TAXES	2,791	1,910	7,594	4,622
NET INCOME	$ 4,185	$ 2,868	$ 11,390	$ 6,935
EARNINGS PER SHARE:				
Basic	$ 0.63	$ 0.43	$ 1.71	$ 1.04
Diluted	$ 0.61	$ 0.43	$ 1.68	$ 1.04
Weighted average shares outstanding				
Basic	6,646	6,644	6,646	6,644
Diluted	6,860	6,664	6,799	6,664

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

RUSH ENTERPRISES, INC., AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
(IN THOUSANDS)
(UNAUDITED)

	NINE MONTHS ENDED SEPTEMBER 30, 1999	1998
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net Income	$ 11,390	$ 6,935
Adjustments to reconcile net income to net cash (used in) provided by operating activities- net of acquisitions		
Depreciation and amortization	5,702	3,340
Gain on sale of property and equipment	(80)	(35)
Provision for deferred income tax expense	1,938	502
Change in accounts receivable, net	(5,676)	2,531
Change in inventories	(26,450)	(10,845)
Change in prepaid expenses and other, net	219	(100)
Change in trade accounts payable	1,584	95
Change in accrued expenses	(3,990)	3,508
Net cash (used in) provided by operating activities	(15,363)	5,931
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisition of property and equipment	(30,428)	(11,621)
Proceeds from the sale of property and equipment	1,112	288
Business acquisitions	(4,113)	(8,625)
Change in other assets	(2,059)	232
Net cash used in investing activities	(35,488)	(19,726)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Proceeds from debt	27,870	15,070
Principal payments on debt	(7,880)	(5,040)
Draws on floor plan notes payable, net	38,262	7,070
Net cash provided by financing activities	58,252	17,100
NET INCREASE IN CASH AND CASH EQUIVALENTS	7,401	3,305
CASH AND CASH EQUIVALENTS, beginning of period	22,516	19,816
CASH AND CASH EQUIVALENTS, end of period	$ 29,917	$ 23,121
SUPPLEMENTAL DISCLOSURE OF CASH FLOW INFORMATION:		
Cash paid during the period for-		
Interest	$ 5,298	$ 4,394
Income taxes	$ 7,164	$ 3,956

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 ("SEC"). All adjustments have been made to the accompanying interim consolidated financial statements which are, in the opinion of the Company's management, 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, 1998. Certain reclassifications have been made in prior period financial statements to conform with the current period presentation.

2 - COMMITMENTS AND CONTINGENCIES

The Company is contingently liable to certain finance companies for certain promissory notes and finance contracts, related to the sale of trucks and construction equipment, sold to such finance companies. The Company's recourse liability related to sold finance contracts is limited to 15 to 25 percent of the outstanding balance of each note sold to a finance company, with the aggregate recourse liability for 1999 limited to $600,000.

The Company provides an allowance for repossession losses and early repayment penalties.

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

The Company has consulting agreements with certain individuals for an aggregate monthly payment of $25,558. The agreements expire in 2000 through 2001.

3 - EARNINGS PER SHARE

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

	THREE MONTHS ENDED SEPTEMBER 30, 1999	1998	NINE MONTHS ENDED SEPTEMBER 30, 1999	1998
Numerator:				
Net income- numerator for basic and diluted earnings per share	$ 4,185,000	$ 2,868,000	$ 11,390,000	$ 6,935,000
Denominator:				
Denominator for basic earnings per share- weighted average shares	6,646,488	6,643,730	6,646,488	6,643,730
Effect of dilutive securities:				
Employee and Director stock options	213,088	20,782	152,593	10,225
Denominator for diluted earnings per share-adjusted weighted average shares	6,859,576	6,664,512	6,799,081	6,653,955
Basic earnings per share	$ .63	$ .43	$ 1.71	$ 1.04
Diluted earnings per share	$ .61	$ .43	$ 1.68	$ 1.04

4 - SEGMENT INFORMATION

The Financial Accounting Standards Board issued Statement of Financial Accounting Standards No. 131 "Disclosures about Segments of an Enterprise and Related Information" (SFAS 131). This statement requires that public business enterprises report certain information about operating segments in complete sets of financial statements of the enterprise and in condensed financial statements of interim periods issued to shareholders. It also requires that public business enterprises report certain information about their products and services, the geographic areas in which they operate, and their major customers. The effective date for SFAS 131 is for fiscal years beginning after December 15, 1997.

The Company has two reportable segments: the Heavy Duty Truck segment, and the Construction Equipment segment. The Heavy Duty Truck segment operates a regional network of truck centers that provides an integrated one-stop source for the trucking needs of its customers, including retail sales of new Peterbilt and used heavy-duty trucks; after-market parts, service and body shop facilities; and a wide array of financial services, including the financing of new and used truck purchases, insurance products and truck leasing and rentals. The Heavy Duty Truck segment has locations in Texas, California, Colorado, Oklahoma and Louisiana. The Construction Equipment segment, formed during 1997, operates full-service John Deere dealerships that serves the Houston, Texas Metropolitan and surrounding areas and 54 counties in western Michigan. Dealership operations include the retail sale of new and used construction equipment, after-market parts and service facilities, equipment rentals, and the financing of new and used equipment.

The accounting policies of the segments are the same as those described in the summary of significant accounting policies included in the Company's Annual Report on Form 10-K for the year ended December 31, 1998. The Company evaluates performance based on income before income taxes not including extraordinary items.

The Company accounts for intersegment sales and transfers at current market prices as if the sales or transfers were to third parties. There were no intersegment sales during the three months ended September 30, 1999.

The Company's reportable segments are strategic business units that offer different products and services. They are managed separately because each business requires different technology and marketing strategies. Business units were maintained through expansion and acquisitions. The following table contains summarized information about reportable segment revenue, operating income and segment assets, for the three and nine months ended September 30, 1999 and 1998: (in thousands)

	HEAVY-DUTY TRUCK SEGMENT	CONSTRUCTION EQUIPMENT SEGMENT	ALL OTHER	TOTALS
Three months ended September 30, 1999				
Revenues from external customers	$ 183,837	$ 24,566	$ 6,441	$ 214,844
Segment income before taxes	6,156	337	483	6,976
Segment assets	204,913	74,119	17,840	296,872
Nine months ended September 30, 1999				
Revenues from external customers	$ 499,442	$ 62,016	$ 20,641	$ 582,099
Segment income before taxes	16,788	951	1,245	18,984
Segment assets	204,913	74,119	17,840	296,872
Three months ended September 30, 1998				
Revenues from external customers	$ 136,180	$ 10,644	$ 6,716	$ 153,540
Segment income before taxes	4,649	104	25	4,778
Segment assets	125,482	52,016	19,044	196,542
Nine months ended September 30, 1998				
Revenues from external customers	$ 393,839	$ 34,920	$ 16,839	$ 445,598
Segment income before taxes	10,901	328	328	11,557
Segment assets	125,482	52,016	19,044	196,542

Revenues from segments below the reportable quantitative thresholds are attributable to four operating segments of the Company. Those segments include a tire company, a farm and ranch retail center, an insurance company, and a hunting lease operation. None of those segments has ever met any of the quantitative thresholds for determining reportable segments.

5 - SUBSEQUENT EVENTS

On October 4, 1999, the Company, acquired the assets of Southwest Peterbilt, Inc., Southwest Truck Center, Inc., and New Mexico Peterbilt, Inc. (Southwest) a Peterbilt truck dealer. The transaction was valued at $23.9 million with the purchase price paid in a combination of cash and the Company's stock.

In September 1999, the Company entered into an agreement with Norm Pressley Truck Center, Inc. (Pressley) to purchase the assets of three Peterbilt dealerships in the southwestern United States. The Company anticipates the purchase price for Pressley will be approximately $2.5 million for the net book value of acquired assets plus $2.9 million in goodwill. An additional $700,000 may be paid based on achievement of a performance-based objective. The Pressley acquisition is subject to customary closing conditions and is expected to close on or about December 1, 1999. No assurances can be made that the Company will consummate the Pressley acquisition.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements contained in this Form 10-Q are "forward-looking statements" within the meaning of the Section 27A of the Securities Act of 1933 and Section 21E of the Exchange Act of 1934. Specifically, all statements other than statements of historical fact included in this Form 10-Q regarding the Company's financial position, business strategy and plans and objectives of management of the Company for future operations are forward-looking statements. These forward-looking statements are based on the beliefs of the Company's management, as well as assumptions made by and information currently available to the Company's management. When used in this report, the words "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. Such statements reflect the current view of the Company with respect to future events and are subject to certain risks, uncertainties and assumptions related to certain factors including, without limitation, competitive factors, general economic conditions, 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, onetime events and other factors described herein and in the Company's Registration Statement on Form S-1 (File No. 333-3346) and in the Company's annual, 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 herein as anticipated, believed, estimated, expected, or intended. 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. The Company does not intend to update these 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.

GENERAL

Rush Enterprises was incorporated in Texas in 1965 and currently consists of a Heavy Duty Truck segment and a Construction Equipment segment. The Heavy Duty Truck segment operates a regional network of truck centers in Texas, California, Oklahoma, Colorado and Louisiana that provide an integrated one-stop source for the trucking needs of its customers, including retail sales of new and used Peterbilt heavy-duty trucks; parts, service and body shop facilities; and a wide array of financial services, including the financing of new and used truck purchases, insurance products and truck leasing and rentals. The Construction Equipment segment operates a network of equipment centers in Texas and Michigan, whose operations include the retail sale of new and used equipment; after-market parts and service facilities; equipment rentals; and the financing of new and used equipment. The Company also operates a retail division selling farm and ranch supplies through its acquisition in March 1998, for approximately $10.5 million, of D&D Farm and Ranch Supermarket in the San Antonio, Texas area.

The Company has undertaken significant acquisitions and expansion efforts in both the Heavy Duty Truck and Construction Equipment segments in the past two years. Its growth strategy is to realize economies of scale, favorable purchasing power and cost savings in centralized management through acquisitions and growth inside existing territories. There can be no assurance, however, that as the Company continues to develop its networks, it will realize these benefits.

In 1997, the Company acquired two full service Peterbilt dealerships in Denver and Greeley, Colorado, for approximately $7.9 million and opened a new full service Peterbilt dealership in Pharr, Texas. In 1998 it opened a used truck sales lot in Austin, Texas and expanded and relocated its facilities in Laredo, Texas and Bosier City, Louisiana.

In 1997, the Company acquired its first full service John Deere dealership in Houston, Texas for approximately $30.2 million. In 1998 it opened a combination heavy duty truck and construction equipment dealership in Beaumont, Texas, a location positioned to take advantage of synergies between heavy duty truck and construction equipment customers in the Houston Gulf Coast area. In 1998, the Company also acquired four John Deere dealerships covering 54 counties in western Michigan through the acquisition of Klooster Equipment, Inc. for approximately $13.1 million.

In August 1999, the Company acquired the assets of Calvert Equipment Inc., (Calvert), a John Deere construction equipment dealership. The acquisition encompasses 13 counties in Eastern Michigan, including two full-service dealerships located in the Detroit and Flint areas. The transaction was valued at $11.1 million with the purchase price paid in a combination of cash and notes payable.

In October 1999, the Company acquired the assets of Southwest Peterbilt Inc., Southwest Truck Center Inc., and New Mexico Peterbilt Inc., (Southwest) a Peterbilt truck dealer. The acquisition provides Rush with the exclusive rights to sell Peterbilt trucks and parts from five new locations encompassing most of Arizona and New Mexico, including the cities of Phoenix, Tucson, Flagstaff and Albuquerque. Rush now operates 29 truck locations in 7 states. The transaction was valued at $23.9 million with the purchase price paid in a combination of cash and the Company's common stock. An additional $4.0 million may be paid based on achievement of a performance-based objective.

In September 1999, the Company entered into an agreement with Norm Pressley Truck Center, Inc. (Pressley) to purchase the assets of three Peterbilt dealerships in the southwestern United States. The Company anticipates the purchase price for Pressley will be approximately $2.5 million for the net book value of acquired assets plus $2.9 million in goodwill. An additional $700,000 may be paid based on achievement of a performance-based objective.

These acquisitions are intended to take advantage of increasing truck traffic along major highway corridors in the South and Southwest and border traffic between the U.S. and Mexico. The Pressley acquisition is subject to customary closing conditions and is expected to close on or about December 1, 1999. No assurances can be made that the Company will consummate the Pressley acquisition.

RESULTS OF OPERATIONS

The following discussion and analysis is of the Company's results of operations for the three and nine months ended September 30, 1999 and 1998.

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

	THREE MONTHS ENDED SEPTEMBER 30,		NINE MONTHS ENDED SEPTEMBER 30,	
	1999	1998	1999	1998
New and used truck sales	69.8%	68.9%	68.9%	69.2%
Parts and service	15.3	18.8	16.3	17.8
Construction equipment sales	7.7	4.5	7.1	5.5
Lease and rental	3.2	3.0	3.1	3.1
Finance and insurance	1.6	1.8	1.9	1.8
Retail sales	2.1	2.6	2.3	2.2
Other	0.3	0.4	0.4	0.4
Total revenues	100.0	100.0	100.0	100.0
Cost of products sold	84.3	82.3	83.3	83.1
Gross profit	15.7	17.7	16.7	16.9
Selling, general and administrative expenses	10.8	12.8	11.8	12.6
Depreciation and amortization	0.7	0.8	0.7	0.7
Operating income	4.2	4.1	4.2	3.6
Interest expense	0.9	1.0	0.9	1.0
Income before income taxes	3.3	3.1	3.3	2.6
Provision for income taxes	1.3	1.2	1.3	1.0
Net income	2.0%	1.9%	2.0%	1.6%

THREE MONTHS ENDED SEPTEMBER 30, 1999 COMPARED TO THREE MONTHS ENDED SEPTEMBER 30, 1998

Revenues

Revenues increased by approximately $61.3 million, or 39.9%, from $153.5 million to $214.8 million from the third quarter of 1998 to the third quarter of 1999. Approximately, $11.5 million in sales is attributable to the addition of the Michigan John Deere construction equipment dealerships, while the remaining increase of $49.8 million, or 32.4%, is attributable to same store growth. Sales of new and used trucks increased by approximately $44.1 million, or 41.6%, from $105.8 million to $149.9 million from the third quarter of 1998 to the third quarter of 1999. Unit sales of new trucks increased by 35.2% from the third quarter of 1998 to the third quarter of 1999, while new truck average revenue per unit increased by 13.9%. Unit sales of used trucks decreased by approximately 5.0% from the third quarter of 1998 to the third quarter of 1999. The average sales price per used unit remained relatively flat, resulting in an overall decrease of $1.2 million in used truck sales. Quarterly new unit deliveries are affected by manufacturing schedules and the timing of fleet deliveries. Average new truck prices increased due to a change in product mix and customary price increases. Used truck sales were affected by the lack of availability of quality used truck inventory in the market.

Parts and service sales increased by approximately $4.1 million, or 14.4%, from $28.8 million to $32.9 million from the third quarter of 1998 to the third quarter of 1999. The increase was due to same store growth of $1.9 million or 6.6%, and parts and service sales of $2.2 million from the Michigan John Deere construction equipment dealerships.

Sale of new and used construction equipment increased approximately $9.8 million, or 143.0%, from $6.8 million to $16.6 million from the third quarter of 1998 to the third quarter of 1999. The increase is primarily due to the acquisition of the Michigan John Deere construction equipment stores. New and used construction equipment unit sales were 84 and 32, respectively, during the third quarter of 1999, compared to 45 and 27 during the third quarter of 1998.

Lease and rental revenues increased by approximately $2.3 million, or 48.7% from $4.7 million to $6.9 million. Approximately $1.2 million of the increase is attributable to the addition of the Michigan John Deere construction equipment stores, with the remaining increase of $1.1 million due to same store growth.

Finance and insurance revenues increased by approximately $583,000, or 21.3%, from $2.7 million to $3.3 million from the third quarter of 1998 to the third quarter of 1999. The increase resulted from the increase in truck revenues. Finance and insurance revenues have limited direct costs and, therefore contribute a disproportionate share of operating profits.

Gross Profit

Gross profit increased by approximately $6.5 million, or 23.9%, from $27.2 million to $33.7 million from the third quarter of 1998 to the third quarter of 1999. Gross profit as a percentage of sales decreased from 17.7% in the third quarter of 1998 to 15.7% in the third quarter of 1999. The decrease in gross profit as a percentage of sales was a result of a change in sales mix. Parts and service, and finance and insurance sales are higher margin profit centers and decreased as a percentage of revenues, while truck and construction equipment sales, lower margin profit centers, increased as a percentage of revenues.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by approximately $3.5 million, from $19.7 million to $23.2 million, or 18.1%, from the third quarter of 1998 to the third quarter of 1999. Selling, general and administrative expenses as a percentage of sales decreased from 12.8% to 10.8% from the third quarter of 1998 to the third quarter of 1999. This decrease as a percentage of sales is a result of operating efficiencies and lower commission expense due to decreased gross margins.

Interest Expense

Interest expense increased by approximately $510,000 or 34.8%, from $1.5 million to $2.0 million, from the third quarter of 1998 to the third quarter of 1999, primarily as the result of increased levels of indebtedness due to higher floor plan liability levels, and additional real estate and leased unit borrowings.

Income before Income Taxes

Income before income taxes increased by $2.2 million, or 46.0%, from $4.8 million to $7.0 million from the third quarter of 1998 to the third quarter of 1999, as a result of the factors described above.

Income Taxes

The Company has provided for taxes at a 40% effective rate.

NINE MONTHS ENDED SEPTEMBER 30, 1999 COMPARED TO NINE MONTHS ENDED SEPTEMBER 30, 1998

Revenues

Revenues increased by approximately $136.5 million, or 30.6%, from $445.6 million to $582.1 million from the first nine months of 1998 to the first nine months of 1999. Sales of new and used trucks increased by approximately $93.0 million, or 30.2%, from $308.2 million to $401.2 million from the first nine months of 1998 to the first nine months of 1999. Unit sales of new and used trucks increased by 24.7% and 2.2%, respectively, from the first nine months of 1998 to the first nine months of 1999, while new and used truck average revenue per unit increased by 8.8% and 6.3%, respectively. Average new truck prices increased due to a change in product mix and customary price increases. Although used truck prices increased due to a change in product mix and increased demand for late model products, the rate of growth was affected by the lack of availability of quality used truck inventory in the market.

Parts and service sales increased by approximately $15.4 million, or 19.4%, from $79.2 million to $94.6 million. The increase consisted of same store growth of $8.9 million or 11.2%, and parts and service sales associated with addition of the Michigan John Deere construction equipment dealerships of $6.5 million.

Sale of new and used construction equipment increased approximately $16.5 million, or 66.5% from $24.7 million to $41.2 million from the first nine months of 1998 to the first nine months of 1999. The increase is primarily due to the acquisition of the Michigan John Deere construction equipment dealerships. New and used equipment unit sales were 370 and 175, respectively, during the first nine months of 1999, compared to 173 and 121 during the first nine months of 1998.

Lease and rental revenues increased by approximately $4.6 million, or 34.0% from $13.7 million to $18.3 million from the first nine months of 1998 to the first nine months of 1999. The increase was due to $2.4 million of lease and rental revenues generated by the Michigan John Deere construction equipment stores acquired in September 1998 and August 1999, and same store growth in revenues of $1.1 million or 12.2%.

Finance and insurance revenues increased by approximately $2.7 million, or 33.0%, from $8.1 million to $10.8 million from the first nine months of 1998 to the first nine months of 1999. The increase resulted from the increase in truck revenues and rate increases. Finance and insurance revenues have limited direct costs and, therefore, contribute a disproportionate share of operating profits.

Gross Profit

Gross profit increased by approximately $21.6 million, or 28.7%, from $75.4 million to $97.0 million from the first nine months of 1998 to the first nine months of 1999. Gross profit as a percentage of sales decreased slightly from 16.9% to 16.7% from the first nine months of 1998 to the first nine months of 1999.

Selling, General and Administrative Expenses

Selling, general and administrative expenses increased by approximately $12.3 million, from $56.2 million to $68.4 million, or 21.8%, from the first nine months of 1998 to the first nine months of 1999. The increase resulted from approximately $4.9 million of selling, general and administrative expenses related to the acquisition and integration of the Michigan John Deere construction equipment dealerships and D & D Farm and Ranch Supermarket, Inc. Selling, general and administrative expenses as a percentage of revenue decreased from 12.6% in the first nine months of 1998 to 11.8% in the first nine months of 1999.

Interest Expense

Interest expense increased by approximately $1.0 million from $4.3 million to $5.3 million, or 23.3%, from the first nine months of 1998 to the first nine months of 1999, primarily as the result of increased levels of indebtedness due to higher floor plan liability levels, and additional real estate and leased unit borrowings.

Income before Income Taxes

Income before income taxes increased by $7.4 million, or 64.3% from $11.6 million to $19.0 million from the first nine months of 1998 to the first nine months of 1999, as a result of the factors described above.

Income Taxes

The Company has provided for taxes at a 40% effective rate.

LIQUIDITY AND CAPITAL RESOURCES

The Company's short-term cash needs are primarily for working capital, including inventory requirements, expansion of existing facilities and the acquisition of new facilities. These short-term cash needs have historically been financed with retained earnings and borrowings under credit facilities available to the Company. The Company believes that its existing cash balances, existing sources of liquidity and anticipated revenues from operations will satisfy its projected working capital and other cash requirements.

At September 30, 1999, the Company had working capital of approximately $25.7 million, including $29.9 million in cash and cash equivalents, $25.2 million in accounts receivable, $144.3 million in inventories, and $0.4 million in prepaid expenses and other, less $24.7 million of trade accounts payable and accrued expenses, $6.4 million of current maturities of long-term debt, $8.6 million in a note payable to a shareholder, and $134.4 million outstanding under floor plan financing. The aggregate maximum borrowing limits under working capital lines of credit with the Company's primary lender is approximately $8.0 million. The Company's floor plan agreements with various finance providers limit the aggregate amount of borrowings based on the number of new and used trucks and the book value of construction equipment inventory.

On October 4, 1999, the Company, acquired the assets of Southwest Peterbilt, Inc., Southwest Truck Center, Inc., and New Mexico Peterbilt, Inc. (Southwest) a Peterbilt truck dealer. The total consideration paid by the Company to Southwest was approximately $23.9 million which consisted of 355,556 shares of common stock, $.01 par value, of the Company and cash of approximately $18.3 million, of which $6.8 million was drawn under Rush's credit agreements with General Motors Acceptance Corporation and PACCAR, Inc., and $11.5 million was derived from the Company's internal funds. An additional $4.0 million in cash may be paid by the Company to Southwest based upon the achievement of certain performance based objectives.

In September 1999 the Company entered into an agreement with Norm Pressley Truck Center, Inc. (Pressley) to purchase the assets of three Peterbilt dealerships in the southwestern United States. The Company anticipates the purchase price for Pressley will be approximately $2.5 million for the net book value of acquired assets plus $2.9 million in goodwill. The Company anticipates closing this transaction in December 1999, at which time the Company will pay cash of approximately $5.8 million to Pressley. An additional $700,000 may be paid based on achievement of a performance based objective.

For the first nine months of 1999, operating activities resulted in net cash used in operations of approximately $15.4 million. Net income of $11.4 million, an increase in other assets of $0.2 million, an increase in accounts payable of $1.6 million, coupled with provisions for depreciation, amortization and deferred taxes totaling $7.6 million was more than offset by an increase in accounts receivable of $5.7 million, a decrease in accrued expenses of $4.0 million, and an increase in inventories of $26.5 million.

During the first nine months of 1999, the Company used $35.5 million in investing activities, including purchases of property and equipment of $30.4 million, cash used in a business acquisition of $4.1 million and an increase in other assets of $2.1 million, offset by proceeds from the sale of property and equipment of $1.1 million.

Net cash generated from financing activities in the first nine months of 1999 amounted to $58.3 million. Proceeds from additional floor plan financing and increased notes payable of $38.2 million and $27.9 million, respectively, more than offset principal payments on notes payable of $7.8 million.

Substantially all of the Company's truck purchases from PACCAR are made on terms requiring payment within 15 days or less from the date of shipment from the factory. The Company finances all, or substantially all, of the purchase price of its new truck inventory, and 75% of the loan value of its used truck inventory, under a floor plan arrangement with GMAC under which GMAC pays PACCAR directly with respect to new trucks. The Company makes monthly interest payments on the amount financed but is not required to commence loan principal repayments to GMAC prior to the sale of new vehicles for a period of 12 months and for used vehicles for a period of three months. At September 30, 1999, the Company had approximately $78.2 million outstanding under its floor plan financing arrangement with GMAC. GMAC permits the Company to earn, for up to 50% of the amount borrowed under its floor plan financing arrangement with GMAC, interest at the prime rate less one-half percent on overnight funds deposited by the Company with GMAC.

The Company finances all, or substantially all, of the purchase price of its new equipment inventory under its floor plan facilities with John Deere and Associates Commercial Corp. The agreement with John Deere provides for an immediate 3% discount if the equipment is paid for within 30 days from the date of purchase, or interest free financing for five months, after which time the amount financed is required to be paid in full. When the equipment is sold prior to the expiration of the five-month period, the Company is required to repay the principal within approximately 15 days of the date of the sale. Should the equipment financed by John Deere not be sold within the five month period, it is transferred to the Associates Commercial Corp. floor plan arrangement. The Company makes principal payments to Associates Commercial Corp., for sold inventory, and interest payments for all inventory, on the 15th day of each month. Used and rental equipment, to a maximum of book value, is financed under a floor plan arrangement with Associates Commercial Corp. The Company makes monthly interest payments on the amount financed and is required to commence loan principal repayments on rental equipment as book value reduces. Principal payments, for sold inventory, on used equipment are made the 15th day of each month following the sale. The loans are collateralized by a lien on the equipment. The Company's floor plan agreements limit the aggregate amount of borrowings based on the book value of new and used equipment units. As of September 30, 1999, the Company's floor plan arrangement with Associates Commercial Corp. permits the financing of up to $25 million in construction equipment. At September 30, 1999, the Company had $39.3 million and $16.9 million, outstanding under its floor plan financing arrangements with John Deere and Associates Commercial Corp., respectively.

Backlogs

The Company enters firm orders into its backlog at the time the order is received. Currently, customer orders are being filled in approximately six to nine months and customers have historically placed orders expecting delivery within three to six months. However, certain customers, including fleets and governments, typically place orders up to one year in advance of their desired delivery date. The Company in the past has typically allowed customers to cancel orders at any time prior to delivery, and the Company's level of cancellations is affected by general economic conditions, economic recessions and customer business cycles. As a percentage of orders, cancellations historically have ranged from 5% to 12% of annual order volume. The Company's backlogs as of September 30, 1999, and 1998, were approximately $185 million and $185 million, respectively. Backlogs increased principally due to the above noted longer lead times for truck deliveries and a strong demand for trucks.

Seasonality

The Company's heavy-duty truck business is moderately seasonal. Seasonal effects on new truck sales related to the seasonal purchasing patterns of any single customer type are mitigated by the Company's diverse customer base, which includes small and large fleets, governments, corporations and owner operators. However, truck, parts and service operations historically have experienced higher volumes of sales in the second and third quarters. The Company has historically received benefits from volume purchases and meeting vendor sales targets in the form of cash rebates, which are typically recognized when received. Approximately 40% of such rebates are typically received in the fourth quarter, resulting in a seasonal increase in gross profit.

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

Cyclicality

The Company's business, as well as the entire retail heavy-duty truck and construction equipment industries, are dependent on a number of factors relating to general economic conditions, including fuel prices, interest rate fluctuations, economic recessions and customer business cycles. In addition, unit sales of new trucks and construction equipment have historically been subject to substantial cyclical variation based on such general economic conditions. Although the Company believes that its geographic expansion and diversification into truck and construction equipment related services, including financial services, leasing, rentals and service and parts, will reduce the overall impact to the Company resulting from general economic conditions affecting heavy-duty truck sales, the Company's operations may be materially and adversely affected by any continuation or renewal of general downward economic pressures or adverse cyclical trends.

Effects of Inflation

The Company believes that the relatively moderate inflation over the last few years has not had a significant impact on the Company's revenue or profitability. The Company does not expect inflation to have any near-term material effect on the sales of its products, although there can be no assurance that such an effect will not occur in the future.

Year 2000

The Year 2000 disclosure below constitutes a "Year 2000 Readiness Disclosure" as defined in The Year 2000 Information and Readiness Disclosure Act (the "Act"), which was signed into law on October 19, 1998. The Act provides added protection from liability for certain public and private statements concerning a company's Year 2000 readiness.

The year 2000 problem refers to the limitations of the programming code in certain existing software programs to recognize date sensitive information for the year 2000 and beyond. Unless modified prior to the year 2000, such systems may not properly recognize such information and could generate erroneous data or cause a system to fail to operate properly. The efficient operation of the Company's business is dependent on the proper functioning of its computer software programs, network and operating systems (collectively, "Programs and Systems"). These Programs and Systems are used in several key areas of the Company's business, including inventory management, information management services and financial reporting, as well as in various administrative functions.

The Company engaged an outside consultant to assist it in performing an inventory of its Programs and Systems to identify potential year 2000 compliance problems, as well as manual processes, external interfaces with suppliers, customers and vendors, and services supplied by vendors to coordinate year 2000 compliance and conversion. This inventory was completed during the first quarter of 1999 and evaluated the Programs and Systems, the Company's other devices which have imbedded computer processors or microchips and telecommunication, HVAC and security systems. Based on the Company's Programs and Systems inventory and information supplied by the Company's vendors and suppliers, the Company believes that its Programs and Systems are currently year 2000 compliant.

The primary operating systems of the Company are Karmak and PFW. The Company believes, based upon representations made by the vendors of Karmak and PFW, that both operating systems are currently year 2000 compliant.

The Company believes that the year 2000 problem will not pose a significant operational problem for the Company. However, because most computer systems are, by their very nature, interdependent, it is possible that non-compliant third party computers may not interface properly with the Company's computer systems. The Company could be adversely affected by the year 2000 problem if it or unrelated parties fail to successfully address this issue.

In the event the Company's plan for the year 2000 problem is inadequate, the Company may need to devote more resources to the process and additional costs may be incurred, which could have a material adverse effect on the Company's financial condition and results of operations. Problems encountered by the Company's vendors, customers and other third parties also may have a material adverse effect on the Company's financial condition and results of operations.

In the event the Company determines following the year 2000 date change that its Programs and Systems are not year 2000 compliant, the Company will likely experience considerable delays in processing customer orders and invoices, compiling information required for financial reporting and performing various administrative functions. In the event of such occurrence to either the Company's network or its primary operating systems, Karmak and PFW, the Company's contingency plans call for it to obtain, either from its current or other vendors, as soon as is feasible, hardware and/or software that is 2000 compliant. Until such hardware and/or software can be obtained, the Company will plan to use non-computer systems and manual processes for its business, including information management services and financial reporting, as well as its various administrative functions. Non-critical hardware or software will be replaced, consistent with the Company's current policy, on an as-needed basis.

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 its floor plan borrowing arrangements and discount rates related to finance sales. Floor plan borrowings are based on the Prime Rate of interest and are used to meet working capital needs. As of September 30, 1999, the Company had floor plan borrowings of approximately $134,420,000. Assuming an increase in the Prime Rate of interest of 100 basis points, future cash flows would be negatively affected by $1,3442,000. The interest rate variability on all other debt would not have a material adverse effect on the Company's financial statements. 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 within 30 days. 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.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

Not Applicable

Item 2. Changes in Securities

(a) Not Applicable

(b) Not Applicable

(c) On October 4, 1999, the Company completed the acquisition of substantially all of the assets of Southwest Peterbilt, Inc. and its affiliates, Southwest Truck Center, Inc. and New Mexico Peterbilt, Inc. (the "Acquisition"). Part of the consideration paid by the Company in the Acquisition consisted of 355,556 shares (the "Shares") of common stock, $.01 par value, of the Company. The Shares issued pursuant to the Acquisition were not registered under the Securities Act of 1933, as amended (the "Securities Act"), pursuant to Section 4(2) of the Securities Act and Regulation D promulgated thereunder. The Company relied on certain representations and warranties of the former shareholders of the acquired companies (the "Former Shareholders"), including, among other things, each of such Former Shareholders' ability to evaluate the merits and risks of an investment in the Shares, each of such Former Shareholders' status as an "accredited investor" (as that term is defined in Rule 501 (a) of Regulation D) and that the Shares were acquired solely for each of such Former Shareholders' own account for investment and not with a view to distribution.

(d) Not Applicable

Item 3. Defaults upon Senior Securities

Not Applicable

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

Not Applicable

Item 5. Other Information

Not Applicable

Item 6. Exhibits and Reports on Form 8-K

a) Exhibits

Exhibit Number	Description
2.1	Asset Purchase Agreement dated September 22, 1999 by and among Rush Truck Centers of Arizona, Inc., Southwest Peterbilt, Inc., Southwest Truck Center, Inc., and Edward Donahue, Sr. (Incorporated herein by reference to Exhibit 2.1 of the Company's current report on Form 8-K filed on October 19, 1999)
2.2	Asset Purchase Agreement dated September 22, 1999 by and among Rush Truck Centers of New Mexico, Inc., New Mexico Peterbilt, Inc. and Edward Donahue, Sr. (Incorporated herein by reference to Exhibit 2.2 of the Company's current report on Form 8-K filed on October 19, 1999)
10.1	Registration Rights Agreement dated October 1, 1999 by and among Rush Enterprises, Inc., Southwest Peterbilt, Inc., Southwest Truck Center, Inc. and New Mexico Peterbilt, Inc. (Incorporated herein by reference to Exhibit 10.1 of the Company's current report on Form 8-K filed on October 19, 1999)
27.1*	Financial data schedule
*	Filed herewith

b) Reports on Form 8-K

a) Form 8-K dated October 19, 1999, describing the acquisition of assets from Southwest Peterbilt, Inc. and its Affiliates, Southwest Truck Center, Inc., and New Mexico Peterbilt, Inc.

SIGNATURES

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

RUSH ENTERPRISES, INC.

Date: November 13, 1999

By: /S/ W. MARVIN RUSH

Name: W. Marvin Rush
Title: Chairman and Chief Executive Officer
(Principal Executive Officer)

Date: November 13, 1999

By: /S/ Martin A. Naegelin, Jr.

Name: Martin A. Naegelin, Jr.
Title: Vice President and Chief Financial Officer
(Principal Financial and Accounting Officer)

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
27.1	Financial Data Schedule

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THIS SCHEDULE CONTAINS SUMMARY FINANCIAL INFORMATION EXTRACTED FROM THE FINANCIAL STATEMENTS OF RUSH ENTERPRISES, INC FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 AND IS QUALIFIED IN ITS ENTIRETY BY REFERENCE TO SUCH 10-Q.

1,000

9-MOS
DEC-31-1999
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SEP-30-1999
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